THE POWER OF ZERO

BANK OF CEYLON | ANNUAL REPORT 2016

Our Vision

Bankers to the Nation

Our Mission

Customers

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

Staff

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

Owners

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

Society

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

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No. 1 Bank in Sri Lanka

Ten subsidiaries

Over hundred 'Smart Zones'

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

Over ten thousand 'BoC Abhimana' pension schemes

Over hundred thousand 'SmartGen' Accounts

Processing over one million customer transactions per day

A customer base of over ten million

Over LKR hundred million contributed towards CSR during 2016

One billion USD raised through USD international bonds

Contribution to the Government in excess of LKR ten billion

Over LKR hundred billion in loans to SOEs

Over LKR one trillion assets, deposits and loans and advances

BANK OF CEYLON
BOC
Bankers to the Nation

THE POWER OF ZERO

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

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

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

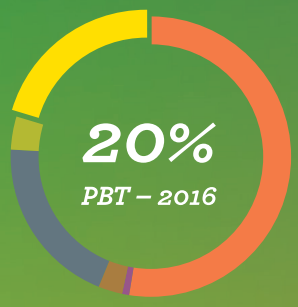
The importance of the zero cannot be overstated!

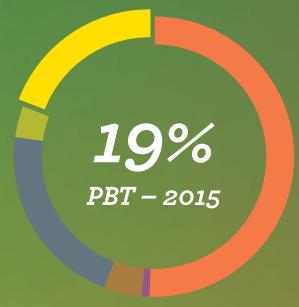
Highlights

Financial Highlights

Profit Before Tax as a % of Total Income

LKR 31.2 billion – PBT 2016





	2016	2015
Interest Expenses	53%	51%
Fee and Commission Expenses	1%	1%
Impairment Charge/(reversal) for Loans and other Losses	3%	4%
Total Operating Expenses	19%	21%
VAT and NBT on Financial Services	4%	4%
Profit Before Income Tax	20%	19%

Total Assets

LKR 1.7 trillion

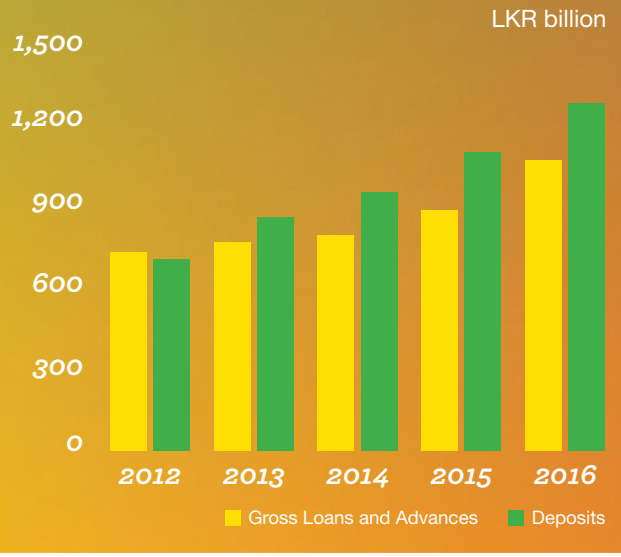
Loans to Deposits ratio

83%

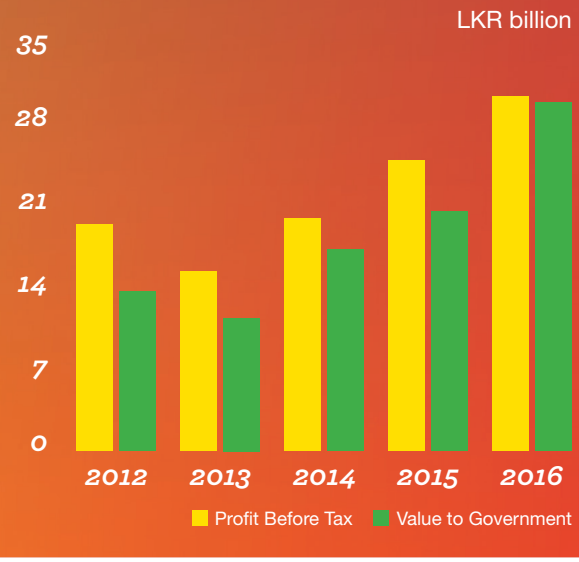
Dividend Payout

70%

Advances and Deposits



Profit Before Tax and Value to the Government



Total gross loans and advances	*LKR 1.0 trillion*
Total deposits	*LKR 1.3 trillion*
Return on average equity	*28.4%*
Total capital adequacy	*12.3%*

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

Non-Financial Highlights

Manufactured Capital

Investment of
LKR 858.5 million
on systems development and process improvement

580 Branches

678 ATMs

123 CDMs

100+ Smart Zones

Intellectual Capital

LKR 41.4 billion
Brand value

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

Among the top 1000 Banks in the world

Social and Relationship Capital

LKR 134.4 million disbursed for sustainability initiatives

More than 10 new products and services launched

71,673 new customers enrolled for Internet Banking

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

LKR 17.3 billion as dividends to the Government

Human Capital

7,569
Total number of employees

1,139
Employee training programmes

LKR 298.8 million
Total investment for training

729
Employee promotions

91
New recruitments

Natural Capital

1,000
Trees planted

95,272 Kg
Waste paper recycled

Launched eStatements

Two branches solar powered – Kilinochchi and Tissamaharama

The Integrated Reporting Framework

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

Public sector organisations, which include utilities, banks and industries, are in many countries the largest reporting entities. Since such organisations utilise public funds there have been increasing demands worldwide for them to demonstrate that they have been using their resources effectively and efficiently. Furthermore, today concerns about public sector organisations' impact transcend narrow economic considerations. They are also expected to deliver their services in a socially and environmentally sustainable manner.

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

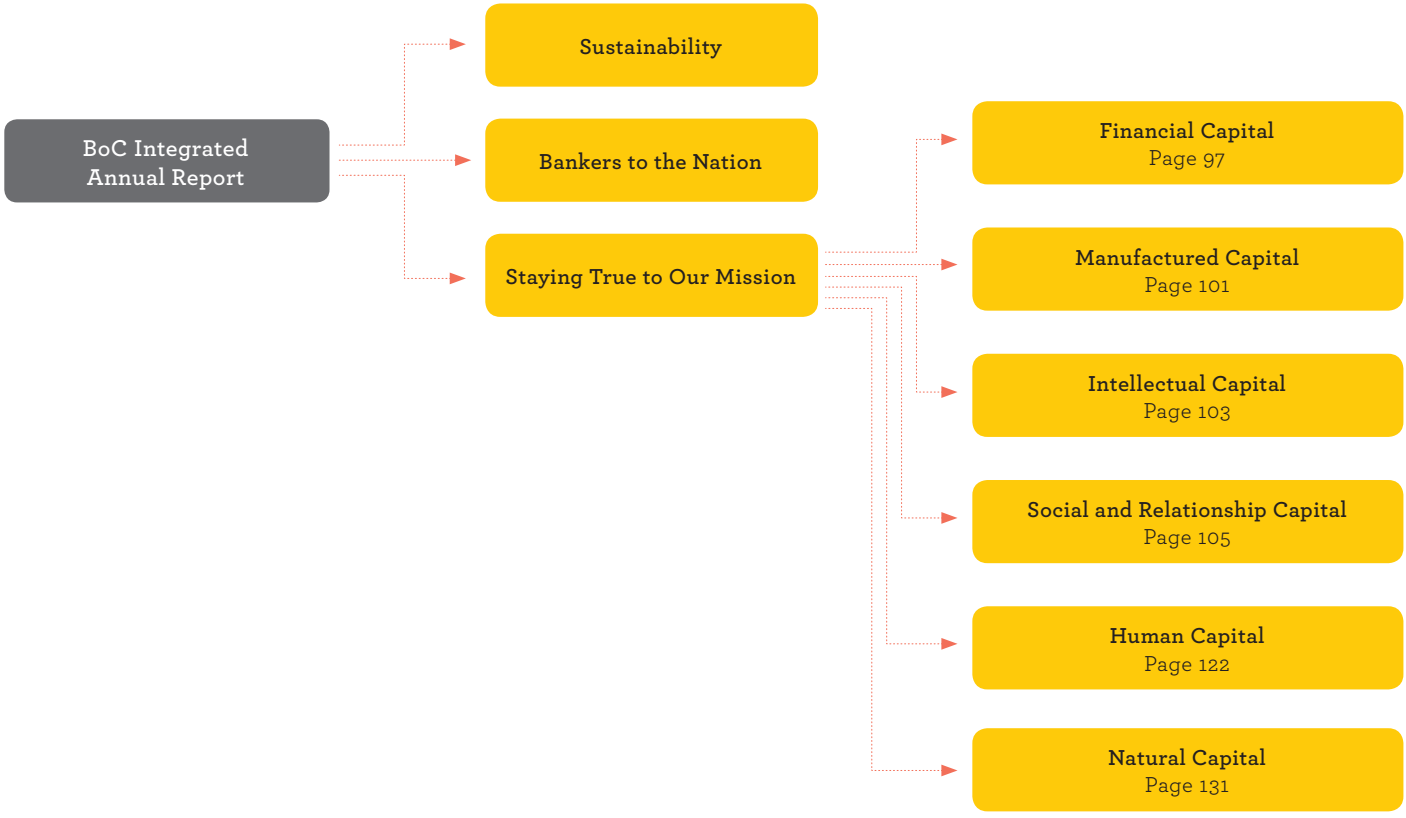
Integrated reporting in public sector organisations plays a supporting role in promoting sustainable development and financial stability which are major public concerns.

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

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

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

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



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

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

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

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

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

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

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

Sustainability

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– Chairman's Message **10**
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Committing Our 'Numbers' to Sustainability **26**

Sustainable value creation is what we pursue each day; not just for ourselves but for every man, woman and child of the nation. Pursuit begins with well-founded strategy and meticulous planning. Our goal – sustainability and development for all.

EDUCATION
DEVELOPMENT
GRANTS
SOLAR
OTHER

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

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

The Bank was incorporated in 1939, mainly to serve the financial requirements of the local business community. Over the many decades since, our scope and ambit widened to encompass the broadest of stakeholders – from the State and the blue chip, large scale entrepreneur through the medium and small scale entrepreneur to the senior citizen, the youth, women, students, expatriate workers and the man on the street from town to grass roots. Today, through a network of over 650 service outlets, we provide premium banking solutions to the people of Sri Lanka, 12 million of whom are our valued customers. In like vein, our overseas branch network and subsidiaries serve the Sri Lankan community overseas including our expatriate workers, who also benefit through our extensive network of correspondent banking relationships.

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

Demonstrating Financial Stability and Resilience

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

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

Our Focus during the Year

During 2016, the Bank's strategic focus was directed towards improving technology, as well as product offering, whilst building up system capabilities to strengthen internal controls. These measures will, from a product offering perspective for instance, allow us to offer a range of products relevant and appealing to the younger generation and from a management information perspective, help in meeting the prudential regulatory requirements.

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

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

Our Strength, Our Team

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

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

Our Vision for 2017 and Beyond

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

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

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

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

Appreciation

I wish to extend my sincere thanks to my fellow Board members for their professionalism and unstinted co-operation in directing this great Institution. A special word of thanks to the General Manager and the management team for their enthusiastic commitment and dedication. I record with deep gratitude and thanks, the confidence and support reposed in the Bank and its management by the Government of Sri Lanka. A special word of thanks to the Ministers and staff of the Ministry of Finance and the Ministry of Public Enterprise Development for their direction and guidance.

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

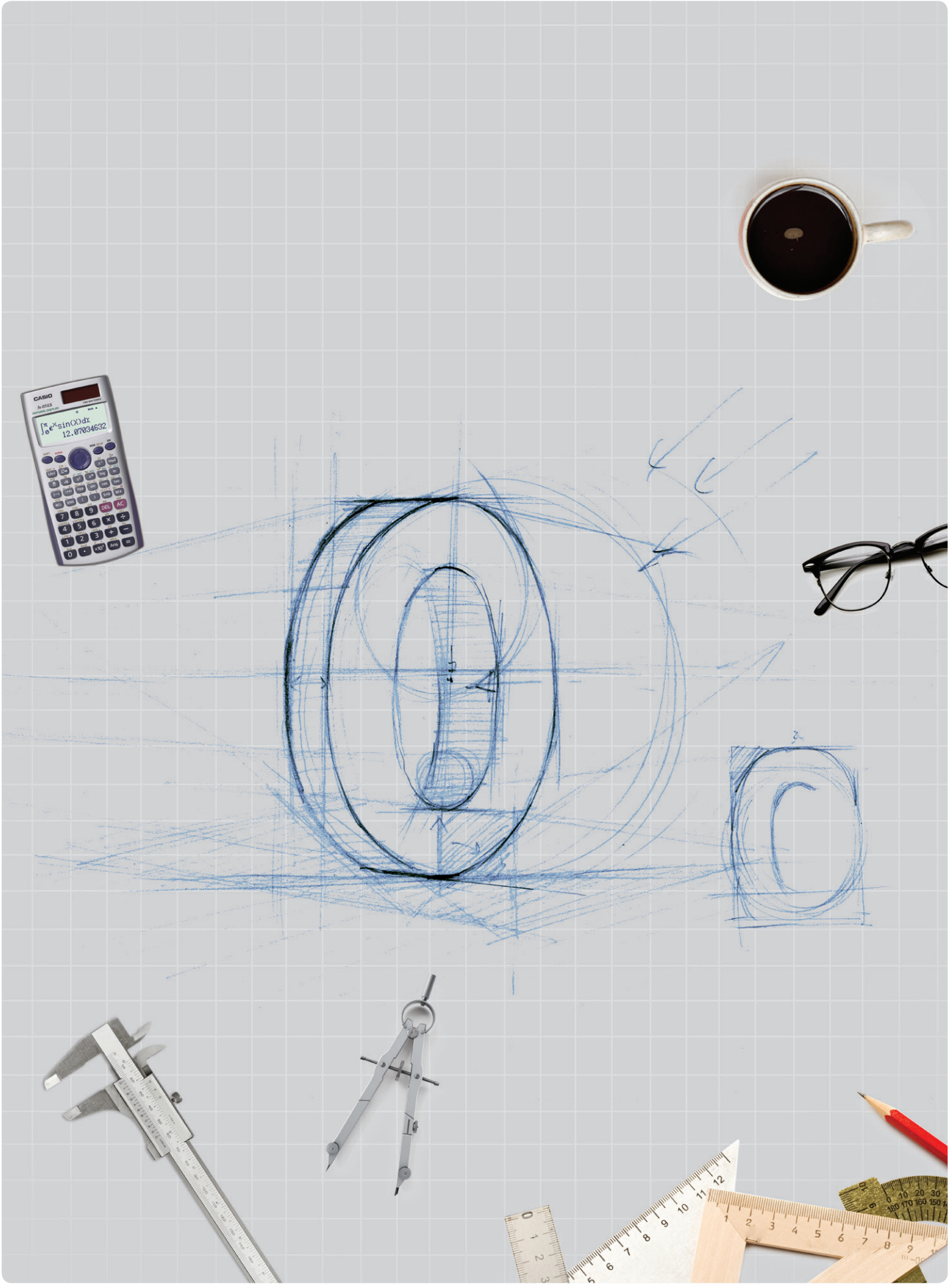
A special word of thanks to our loyal customers, for the opportunity given to serve them and for their loyalty. Achievements of this magnitude would not have been feasible if not for the dynamism and commitment exhibited by the entire staff of the Bank. My sincere appreciation to the team and the Trade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

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

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

Ronald C Perera PC
Chairman

29 March 2017
Colombo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General Manager's Review

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

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

Adapting to the External Environment

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

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

Playing a Major Role in the Economy

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

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

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

Continuing Our Product Dominance

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

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

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

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

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

Towards a Leaner Structure to be Nimble

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

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

Setting Exemplary Governance Standards

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

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

Towards Sustainable Banking

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

Our Dynamic Workforce

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

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

Our Vision for 2017 and Beyond

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

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

A Word of Thanks

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

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

D M Gunasekara
General Manager

29 March 2017
Colombo

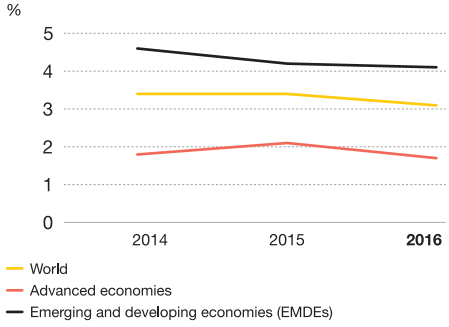
Creating Value Beyond the Numbers
Economic Outlook

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

Global Economy at a Glance

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

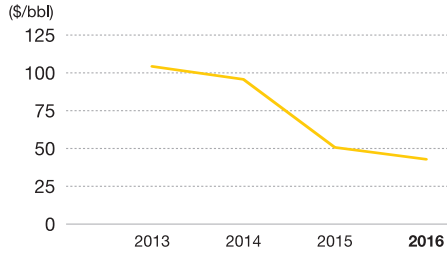
Real GDP Growth Rates



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

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

Crude Oil ($/bbl) – Nominal price



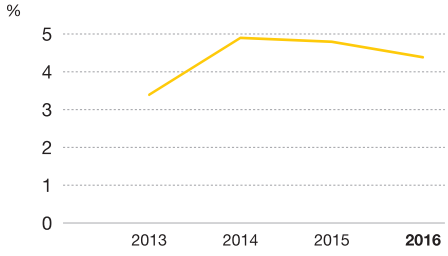
Looking at the prospects for 2017, there is cautious optimism about increased growth in advanced as well as emerging economies. There is however much uncertainty regarding the policies of the new administration in the US particularly regarding trade.

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

The Sri Lankan Economy

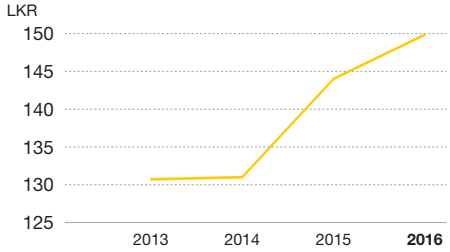
The performance of the Sri Lankan economy was somewhat dampened during the year, with a growth of only 4.4% for 2016 as against an annual growth of 4.8% in 2015. The agricultural sector suffered a contraction in the first part of the year; however the industrial and service sectors grew by 6.7% and 4.2%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

Sri Lanka – GDP Growth Rate (Base year 2010)



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

LKR USD Exchange Rates – December 31

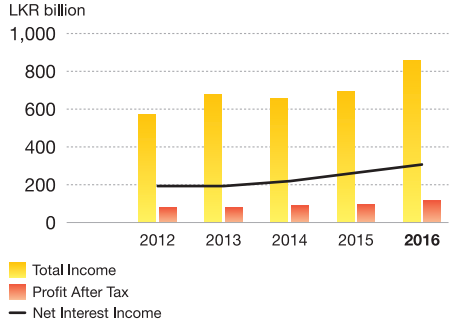


A growth rate of 6.3% is expected for 2017 bolstered by growth in the areas of tourism, financial services, transport, telecommunication and ports. Growth is expected to be driven by the proposed special economic zone in Hambantota, the Colombo International Financial City and the Megapolis in the Western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

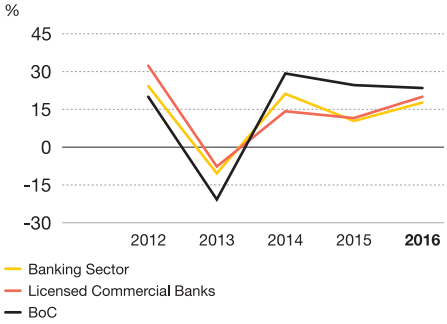
The Banking Sector

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

Banking Sector Profitability

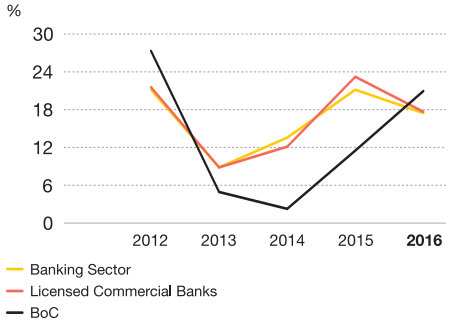


Banking Sector Profitability Growth

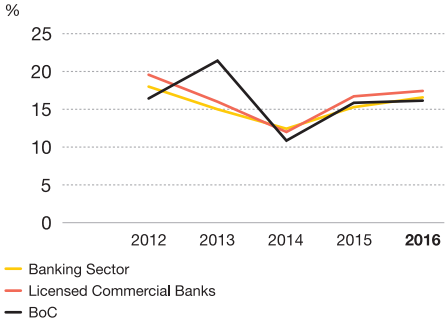


Total loans as at end 2016 was LKR 5,541 billion showing a growth of 17.5% over the prior year. Though there was a decrease in lending to the Government and state-owned enterprises this was compensated by an increase in lending to the private sector. The overall growth however, was less than in 2015.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

Banking Sector Loans and Advances Growth



Banking Sector Deposits Growth



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

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

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

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

Business Model

Input

Financial Capital

Share Capital
LKR 15.0 billion

Retained earnings and reserves
LKR 77.8 billion

Local and foreign borrowings
LKR 237.5 billion

Manufactured Capital

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

A number of innovative IT processes introduced

Intellectual Capital

Brand value of
LKR 41.4 billion

Knowledge transformation activities

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

Process

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

Output

Financial Capital

Profit after tax
LKR 24.8 billion

To the Government as Dividend
LKR 17.3 billion

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

Manufactured Capital

Added during the year:

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

Automated local USD clearing system

SWIFT Message separator software

Human Capital Management (HCM) system

Digitisation of Registers

Intellectual Capital

Improved processes and procedures

Comprehensive mentoring programmes offered for new recruits

Innovation embedded in organisational culture as a growth strategy

Human Capital

7,569 employees

91 new recruits

729 promotions

41,532
hours of training and capacity building

Social and Relationship Capital

12 million customers

Wide range of products and services

Ethical and mutually beneficial relationships with business partners

Natural Capital

Green banking initiatives
Reduce usage of water, electricity and paper

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

Human Capital

Staff expenses
LKR 16.8 billion

Staff loans at concessionary rates
LKR 15.8 billion

Profit per employee
LKR 4.1 million

Social and Relationship Capital

A satisfied and growing customer base

Full commitment to Sustainability Development Goals (SDGs)

LKR 134.4 million
investment in sustainability initiatives

Natural Capital

Minimising Carbon Footprint

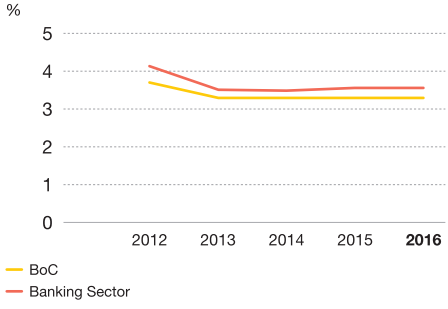
95,272 kg
of waste paper recycled

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

In common with much of the banking industry value generation by the Bank of Ceylon rests primarily on two key business processes; financial intermediation and maturity transformation. A financial intermediary facilitates financial transactions, directly or indirectly, between numerous parties. For example by receiving money from depositors and lending it to borrowers; handing payments from importers to suppliers and customers to exporters. Maturity transformation entails bridging the difference in timing of cash flows in the above process.
This usually arises due to borrowing on a short-term basis and lending long term. The difference between the lending rate and the borrowing rate, the interest margin generates profits to the Bank on its lending operations. This should be adequate to compensate the Bank for credit risk, funding risk and interest rate risk.

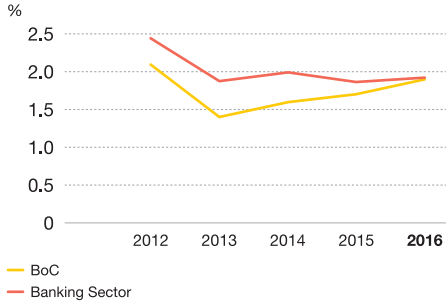
The Bank also provides services which are not dependant on borrowed funds, known as fee based operations. Income streams generated by these activities have the advantage that they do not carry an interest rate risk. The Bank generated 87% of its income by way of interest income in 2016 and 6% from fee-based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

Net Interest Margin – BoC vs Banking Sector

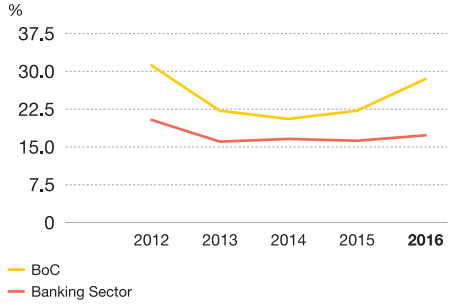


The nature of banking operations and its distinctive business model, causes the Return on Assets (ROA) to be much lower than that of other businesses. The norm for banks is not more than 2% while in other industries it tends to be in the range 10-20%. Hence the banks resort to growing their deposits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

ROAA – BoC vs Banking Sector



ROAE – BoC vs Banking Sector



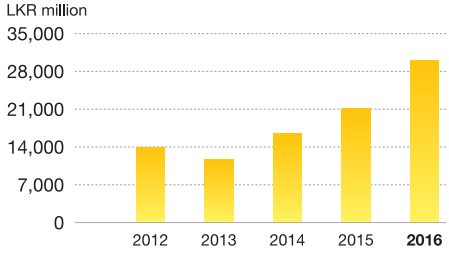
Bank of Ceylon was inaugurated in 1939, to serve the needs for financing of the Sri Lankan (then known as Ceylonese) business community, who had till then been dependent on money lenders.

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

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

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

Value to the Government



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

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

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

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

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

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

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

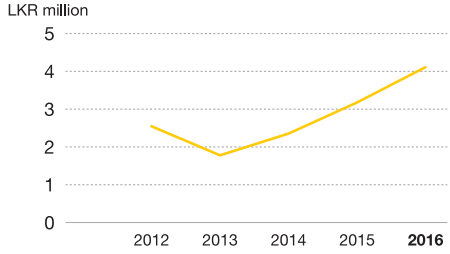
The BoC *'Mithuru'* and *'Divi Maga'* Programmes also seek to uplift the underprivileged members of our society through promoting entrepreneurship. Assistance to students has been granted through BoC Computer Loans and BoC Education Loans.

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

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

The Bank of Ceylon has over 7,000 employees and we recruit at a wide range of levels, educational qualifications and ages. We follow comprehensive procedures laid down by the Government in recruitment, and the entire process is fully transparent. Our staff possess technical skills and are dedicated to the Bank. We strive to achieve constant improvement in areas of customer care to better serve our customers. The entire reputation of the Bank rests on the impression that the customer forms at a counter or when applying for a loan.

Profit per Employee (Bank)



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

Economic Value Added

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

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

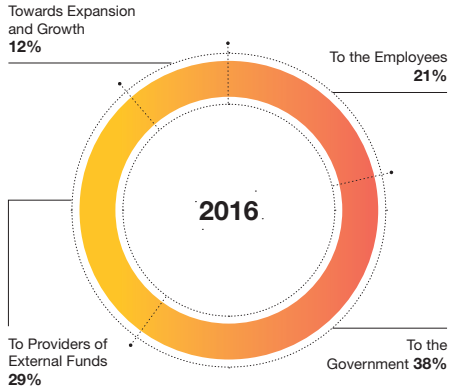
**Calculated based on weighted average 12 months treasury bill rate 2016 – 9.92% (2015 – 6.61%)*

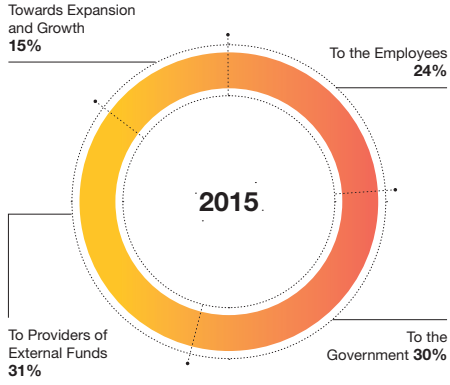
Value Added Statement

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

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

Value Added





Committing Our 'Numbers' to Sustainability

BoC Sustainability Policy

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

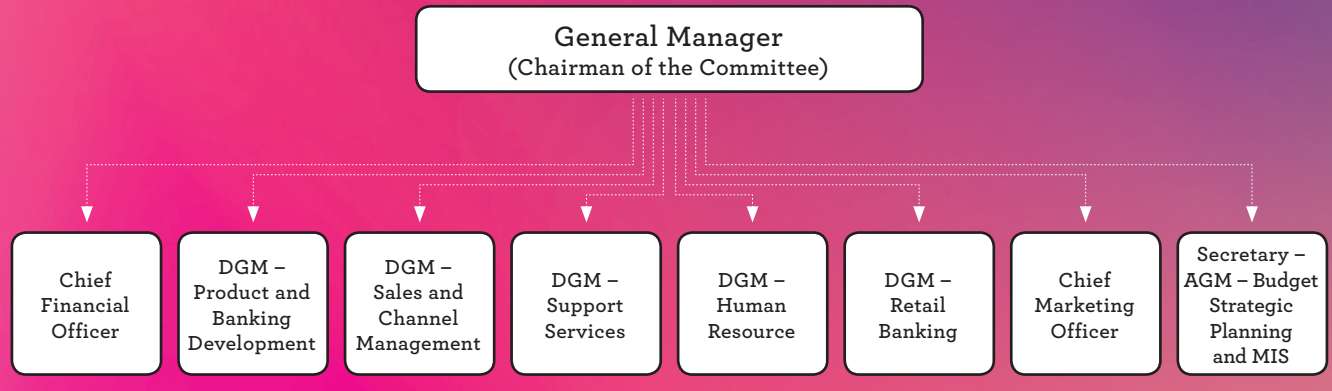
The Committee is tasked with integrating sustainability considerations into the Bank's key business decisions processes and initiatives; all the activities should be carried out giving due consideration to their economic, environmental and social impact, both short-term and long-term.

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

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

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

Sustainability Committee



BoC's Commitment to SDGs

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

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

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

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

Ending Poverty

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

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

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

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

Mithuru microfinancing programme

38 awareness programmes for

1,334 participants

'Samata Ginumak' project

94,000 accounts were opened under the project

Ending Hunger

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

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

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

20,777 loans for the agricultural sector

Financing to the Paddy Marketing Board and Lanka Sathosa

Promoting Health and Well-being

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

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

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

Island-wide blood donation campaigns

163 pints
of blood donated in Head Office alone

LKR 14.4 million
Contribution to sports events

Ensuring Inclusive and Equitable Quality Education

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

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

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

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

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

Ran Kekulu scholarship scheme for Grade 5 scholarship achievers

LKR 19.05 million
was disbursed during the year

Internship training programmes to university students

759 student beneficiaries

Gender Equality

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

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

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

56% of employees are female

Women empowerment programmes

Over 1 million
'Kantha Ran Ginum' holders

Availability of Water and Sanitation for All

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

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

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

CSR project at Maithrigama Village, Welikanda to provide drinking water

Funding for the Colombo City Water Project

Access to Reliable Sustainable and Modern Energy for All

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

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

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

Solar Power to
2 branches

Operates the Koladeniya Hydropower (Private) Limited as a subsidiary

Promote Sustained, Inclusive and Sustainable Economic Growth

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

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

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

7,569 employees

LKR 4.2 million
to develop entrepreneurship activities during 2016

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

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

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

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

580 Branches
123 CDMs
678 ATMs

Smart Zone
24x365 Automated Banking service

Reducing Inequality in the Society

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

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

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

Sustainable Cities and Communities

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

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

'Sirimedura' affordable housing loan scheme

LKR 48.8 billion
value of housing loan portfolio

'Awakening North' Credit Scheme

Funding to North East development projects

Ensure Sustainable Consumption and Production Patterns

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

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

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

We also practice responsible waste management, reducing environmental damage.

95,272 kgs
of paper has been recycled

100,000+
SmartGen paperless accounts

Action to Combat Climate Change

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

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

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

95,272 kg CO_2e
reduction of greenhouse gas emissions due to recycling efforts

Life Below Water

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

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

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

'Miridiya Waruna' Award Ceremony sponsorship

'Diyawara Diriya' loan scheme assisting fishermen develop their livelihoods

Promote Sustainable Use of Terrestrial Ecosystems

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

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

1,000 saplings
planted during the year

100,000 plants
planted to commemorate the 75th Anniversary

Peace and Justice

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

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

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

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

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

Promoting festivals and religious observances of all faiths in the Bank

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

Partnerships for Sustainable Development

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

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

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

Mutual relationships with the GOSL and various national and international organisations

Bankers to the Nation

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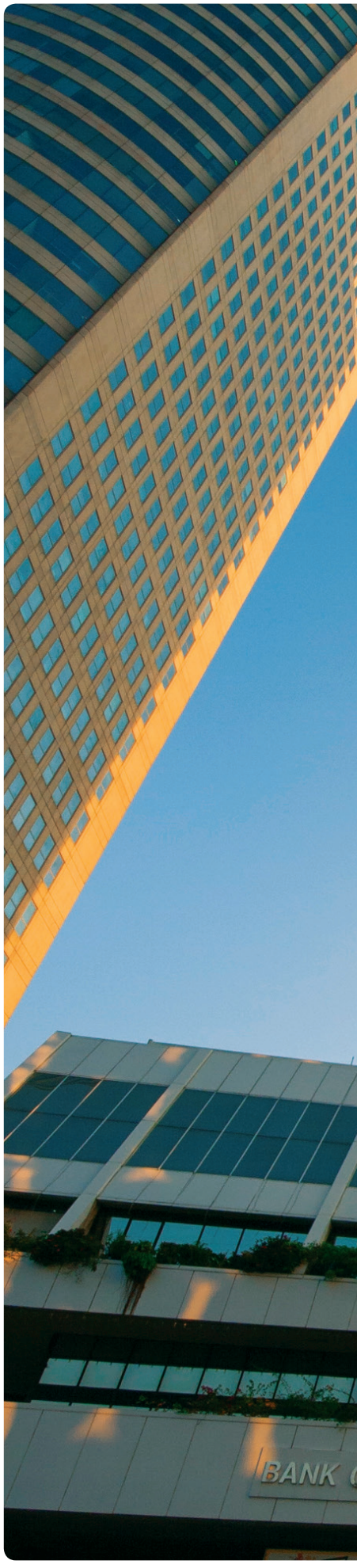
Through responsible stewardship infused with exemplary governance and ethics, the Bank presents itself to people and nation as an institution which has earned the right to be regarded as Bankers to the Nation.



OF CEYLON
ලංකා බැංකුව
இலங்கை வங்கி

Showing the Way
Board of Directors

Seated – Left to Right

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

Standing – Left to Right

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

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

Skills and Experience
Mr Perera is an experienced lawyer with a wide practice in the Original Courts as well as in the Court of Appeal and the Supreme Court of Sri Lanka, especially in the areas of civil and criminal litigation, negotiation and drafting of commercial and transport contracts and agreements. He has specialised in Commercial Law, Banking Law, Industrial Law, Injunctions, Defamation, Election Petitions, Civil Appeals, Revision Applications, Writ Applications and Fundamental Rights Cases. Additionally, he has appeared in several Commercial Arbitrations.
Mr Perera is a Bachelor of Laws (LLB) Graduate from the University of Colombo and also holds a LLM in International Trade Law from Northumbria University, UK.

Appointed to the Board
On 28 January 2015 as the Chairman.

Membership of Board Subcommittees
Chairman of the Board Nomination and Corporate Governance Committee.

Member of the Human Resources and Remuneration Committee.

Current Appointments
The Chairman of BOC (UK) Limited.

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

Mr Sajith R Attygalle
Non-Executive Ex-Officio Director

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

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

Appointed to the Board
On 27 April 2016.

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

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

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

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

Mr Ranel T Wijesinha
Independent
Non-Executive Director

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

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

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

His experience in the private sector includes functioning as the Director Business Development of the John Keells Holdings Group, Partner and Head of Consulting, with PricewaterhouseCoopers Sri Lanka, and as a Manager, with the Big 4 firms, Deloitte, in The Bahamas. He has extensive experience in Business Diagnoses and Strategic Redirection, Corporate turnarounds, New project evaluation, Privatisation-related Diagnoses, Valuations, Bidding, Acquisitions and Divestments.

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

Appointed to the Board
On 9 February 2015.

Membership of Board Subcommittees
Chairman of the Board Audit Committee.

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

Previous Key Appointments
Chairman, Monitoring and Advisory Committee of the Ministry of Power & Energy; Member of the first Consumer Affairs Council under the first Consumer Affairs Authority Act; Member, Accounting and Auditing Standards Monitoring Board; Commissioner, the Securities and Exchange Commission of Sri Lanka; Member, Governing Council, National Institute of Business Management; Member, Board of Management, Postgraduate Institute of Management; Member, Main Committee, Ceylon Chamber of Commerce; Advisor, Federation of Chambers of Commerce and Industry of Sri Lanka and Advisor, SAARC Chamber of Commerce and Industry. He is a Past President of The Institute of Chartered Accountants of Sri Lanka and a Past President of the 23 Nation Confederation of Asian and Pacific Accountants. He was a long serving Non-Executive Director and Chairman of the Board Audit Committee, from 2005 to July 2016, of John Keels Hotels PLC which owned and operated a hotel chain comprising 11 properties in Sri Lanka and the Maldives.

Mr Charitha N Wijewardane
Independent
Non-Executive Director

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

Appointed to the Board
On 05 November 2015.

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

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

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

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

Mr Sanjaya Padmaperuma
Independent
Non-Executive Director

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

Appointed to the Board
On 05 November 2015.

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

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

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

Mr H P Ajith Gunawardana
Independent
Non-Executive Director

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

Appointed to the Board
On 06 November 2015.

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

Current Appointments
Director of Lanka Securities (Private) Limited.

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

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

Profile given on page 48.

Corporate Management

Front Row – Left to Right

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

Back Row – Left to Right

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

Front Row – Left to Right

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

Back Row – Left to Right

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

Mr D M Gunasekara
General Manager

Skills and Experience

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

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

Appointment to the Corporate Management

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

Positions Held During the Year

Mr Gunasekara is a Non-Executive Nominee Director on the Boards of several subsidiaries and associate companies of the Bank including Bank of Ceylon (UK) Limited, Merchant Bank of Sri Lanka & Finance PLC, BOC Property Development and Management (Private) Limited, BOC Travels (Private) Limited, Hotels Colombo (1963) Limited, MBSL Insurance Company Limited, Koladeniya Hydropower (Private) Limited and Ceybank Asset Management Limited. He is a Director of the LankaClear (Private) Limited, Lanka Financial Services Bureau Limited, Credit Information Bureau of Sri Lanka and also chairs the Boards of BOC Management & Support Services (Private) Limited, Ceybank Holiday Homes (Private) Limited, the Sri Lanka Banks' Association (Guarantee) Limited and the Financial Ombudsman Sri Lanka (Guarantee) Limited for the year 2016/17. He is also a member on the Governing Board of the Institute of Bankers of Sri Lanka and a member of the Association of Professional Bankers of Sri Lanka.

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

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

Career Milestones

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

Mr Senarath Bandara
Deputy General Manager – Sales and Channel Management

Skills and Experience

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

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

Appointment to the Corporate Management

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

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

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

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

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

Mr W P Russel Fonseka
Chief Financial Officer

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

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

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

Positions Held During the Year
Mr Fonseka is the Non-Executive Chairman on the Board of Transnational Lanka Records Solutions (Private) Limited since November 2012. He has also been appointed as a Director of Lanka Securities (Private) Limited since April 2016. He has been serving as a Director and as the Chairman of the Audit Committee of the Property Development PLC from February 2016. Mr Fonseka serves as an Alternate Director on the Board of LankaClear (Private) Limited and also acts as the Chairman of the Audit Committee, a Board Subcommittee of LankaClear (Private) Limited since November 2012. He is a Director on the Board and also acts as the Chairman of the Audit Committee of Merchant Bank of Sri Lanka & Finance PLC, one of the subsidiary companies of Bank of Ceylon, from August 2013. He served as a Director of MBSL Insurance Company Limited from November 2016. He served as a Director on the Board of Mireka Capital Land (Private) Limited and also on the Board of Mireka Homes (Private) Limited for six years from 2008.

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

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

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

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

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

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

Career Milestones
Mr Gunasekara joined the Bank in 1980 and commenced his career with retail banking, gathering vast experience in the branch network and later on, served in Central Cash and Accounts Departments. In 1992, he joined the Treasury Division as a Dealer and gathered an extensive knowledge gaining experience in treasury and money market operations locally as well as overseas at Bank of Ceylon Chennai Branch, India during the period from 2000-2003. During 2008-2010 he served as the Deputy Manager of Chennai Branch.

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

Mr K E D Sumanasiri
Deputy General Manager – Human Resource

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr S Hewavitharana
Deputy General Manager – Support Services

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

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

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

Career Milestones
Having joined the Bank in 1983, Mr Hewavitharana held several key positions while serving in the branch network. He had also been a Faculty Member at the Bank's Central Training Institute, Maharagama and later held the position of Senior Manager (Training). He contributed immensely in developing soft skills development programmes obtaining assistance from external resource personnel during the period. He had taken initiative in establishing the Premier Branch at the Bank and make a notable contribution as the first Chief Manager to the same. He also served in BoC Chennai branch as a Deputy Manager and obtained an excellent exposure in international banking and corporate banking. He initiated conversion of Core Banking System of BoC Chennai into parent Bank's core banking system, having number of discussions with Reserve Bank of India Officials, successfully.

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

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

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

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

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

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

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

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

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

Mr D N L Fernando
Chief Risk Officer

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

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

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

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

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

Mr M M Luxaman Perera
Head of Information Technology

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

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

Appointment to the Corporate Management
He was appointed as the Head of Information Technology in August 2013.

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

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

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

Ms Gaya Jayasinghe
Chief Legal Officer

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

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

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

Career Milestones
She joined the Bank in July 1986 as an Assistant Legal Officer and commenced her career in the Legal Department. She got the opportunity to serve in several Provincial Legal Units and acquired wide experience in credit and recovery fields, all aspects of Banking Law and other laws relating to commercial transactions. She contributed tremendously to the Corporate Division as the Senior Legal Officer from 2005 to 2012 where she gained immense knowledge in legal work relating to syndicate facilities, ship mortgages and trade finance activities of the Bank. She served as the Deputy Chief Legal Officer (Credit) from 2012 to 2016 prior to being appointed as the Chief Legal Officer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr M T M Jalaldeen
Deputy General Manager – Organisation Transformation

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

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

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

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

Career Milestones
Having joined the Bank of Ceylon in 1990 as a Management Trainee, Mr Jalaldeen has risen up in the career ladder gradually and served as the second in command, being the Deputy Manager at the Chennai Branch for two years since October 2010. On his return, he was appointed as the Compliance Officer of the Bank. He has served as the Assistant General Manager (Human Resource Operations) since March 2013 for one and a half years and handled in parallel, the version upgrade of the Core Banking System of the Bank. He was also serving for more than two years since July 2014 as the Project Manager for the game changing initiatives that were kicked off under Organisation Transformation.

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

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

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

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

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

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

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

Mr W A C Tissera
Deputy General Manager – Recovery

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

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

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

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

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

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

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

Dr Indunil Liyanage
Chief Marketing Officer

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

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

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

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

Positions Held During the Year
Dr Indunil Liyanage is the Chairman of the Marketing Committee of the Bank.

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

Dr Liyanage was awarded with prestigious National APEX Award 2016 (Pinnacle Award 2016) for Marketing by the Organisation of Professional Associations of Sri Lanka (OPA). He was honoured in the 'Most Influential Marketing Leaders Listing' at the World Marketing Congress 2015 in Mumbai, India and also honoured with the '50 Most Talented CMOs Award' at the Golden Globe Tiger Awards 2013, World Marketing Summit held in Malaysia and was the first Sri Lankan selected for the 'Intercultural Education for Global Managers' Programme at the Japan – America Institute of Management Science (JAIMS) in Hawaii, USA. He was awarded a full scholarship by the Fujitsu Foundation of Japan to complete this programme, in recognition of his academic excellence and potential contribution to international understanding and goodwill in 1996.

Mr P M Liyanage
Chief Internal Auditor

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

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

Appointment to the Corporate Management
Appointed as the Chief Internal Auditor of Bank of Ceylon in December 2014.

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

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

Mr P C Wickramapathirana
Head of Technology Transformation

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

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

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

Career Milestones
Prior to joining Bank of Ceylon, Mr Wickramapathirana held the position of Chief Information Officer at Amãna Bank PLC for over five years where he was instrumental in setting up the required IT systems and infrastructure for the Bank. He held the position of Head of Information Technology at Amãna Investments Limited previously. He has served as the National IT Consultant of an international agency of the United Nations during which time he got a good exposure in dealing with Government Ministries and Departments. He has also been the Managing Director/CEO of a Sri Lankan IT software and solutions company. Prior to that, he held the post of Group IT Director of a large Colombo-based blue-chip group of companies and also has served as a Director on the Boards of several subsidiaries as well.

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

Executive Management

H S Jayawardana
Assistant General Manager – Consumer Product Management

W I Hettihewa
Assistant General Manager – Southern Province

S M W Samarakoon
Assistant General Manager – International

G H Wickremasinghe
Assistant General Manager – Overseas Branches

G A Jayashantha
Assistant General Manager – Western Province South

R P D K Ratnasinghe
Assistant General Manager – Corporate Credit

A De S Pinnaduwage
Assistant General Manager – Compliance

T M T Tennakoon
Assistant General Manager – Uva Province

J A A Jayasinghe
Assistant General Manager – Training and Development

W N P Surawimala
Country Manager – Chennai

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

S A Hemajith
Assistant General Manager – Metropolitan

E M Jayaratne
Assistant General Manager – Province Sales Management

T A D Kularatne
Assistant General Manager – Corporate Relations

D S Muthukudaarachchi
Assistant General Manager – Offshore Banking

B Nanthakumar
Assistant General Manager – Recovery Provinces

D R L Perera
Assistant General Manager – Recovery Corporate

Y P Warnasekara
Assistant General Manager – Human Resource Operations

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

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

V S Wickramarachchie
Assistant General Manager –
Treasury

G R De Silva
Assistant General Manager –
Treasury Back Office

M D Chandrasena
Assistant General Manager –
Investigations

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

H M M B Herath
Assistant General Manager –
Sabaragamuwa Province

W B P Ratnayake
Assistant General Manager –
Western Province North

P D R Mahanama
Assistant General Manager –
Accounting and Tax

M M Nimal Ananda
Assistant General Manager –
Information Systems Audit

R P S Rajapaksa
Assistant General Manager – Central Province

A W Vithanage
Assistant General Manager – Support Services

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

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

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

D M K S Dissanayake
Assistant General Manager – Eastern Province

R R Kodituwakku
Assistant General Manager – North Central Province

M H S Mala
Assistant General Manager – Investment Operations

M J Prabaharan
Assistant General Manager – Northern Province

H P K Silva
Assistant General Manager – North Western Province

A M R D Subasinghe
Assistant General Manager – Pettah Branch

H W Thilakeratne
Assistant General Manager – Marketing

P P M Wijesekara
Assistant General Manager – Administrative Services

B K Gurusinghe
Country Manager – Malé

A D S Indrani
Assistant General Manager – Trade Services

M P Ruwan Kumara
Assistant General Manager – Designated

W Ranjith
Assistant General Manager – Designated

A G Sirinimal
Assistant General Manager – Branch Credit

S T K Hewage
Deputy Chief Legal Officer – Recovery

S R De Silva
Deputy Chief Legal Officer – International and Investment Banking

G C P Tillakaratne
Deputy Chief Legal Officer – Credit

M D C Nilantha
Acting Assistant General Manager – Risk Management

K Vithanage
Assistant General Manager – Designated

Corporate Governance

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

OECD Principles of Corporate Governance

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

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

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

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

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

The Role of Corporate Governance in the 'Triple Trillion'

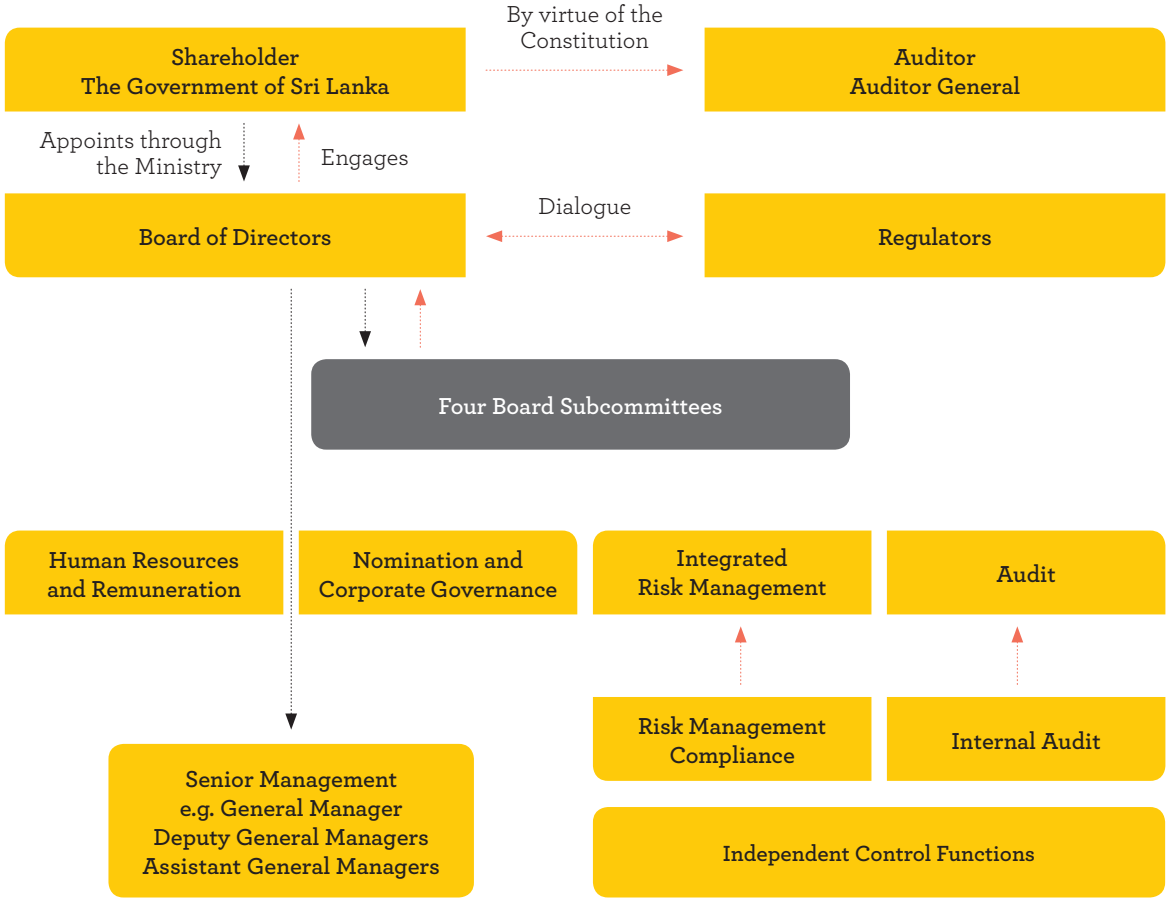
Achieving the hallmark 'Triple Trillion' was no easy feat, it involved many hours of strategising and planning as well as meticulous execution. However, in order for this achievement to be meaningful, it needs to be sustainable in the long run. Our compliance with the governance framework ensures the sustainability of our achievements. We have set ourselves the highest standards in all our operations and encourage as well as expect our employees to follow the highest ethical and professional standards throughout our day-to-day activities. Our commitment to transparency and timely disclosures will assist our stakeholders in assessing the financial condition and soundness of the Bank.

Regulatory Framework

Being a licensed commercial bank, BoC is subject to the prudential supervision of the primary banking regulator, the Central Bank of Sri Lanka. As such, the regulatory framework applicable to BoC mainly consists of the Banking Act No. 30 of 1988 and amendments thereto, regulations issued under the Banking Act, particularly Direction No. 11 of 2007 on Corporate Governance. The Bank of Ceylon Ordinance No. 53 of 1938 and its amendments also constitute a part of the regulatory framework. In addition, the Bank voluntarily complies with the Code of Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission. Bank is exempted from disclosure of compliances as stipulated in Section 7.10 of the Continuing Listing Requirements on Corporate Governance.

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

Governance Structure of the Bank



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

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

Corporate Governance

Criteria to Assess Fitness and Propriety of Directors
The members of the Board should possess diverse skills and experience which will enable them to contribute to enriching discussions that will lead to objective and independent judgment. They should also be able to dedicate adequate time to the affairs of the Board and the Bank and be advised well in advance of matters to be discussed.

Responsibilities of the Board
The Board bears overall responsibility for the Bank's corporate values, strategy, risk management, communication with stakeholders, internal control & management information systems and key management personnel & their responsibilities.

The Board's Composition
The Board comprises six Non-Executive Directors appointed by the Minister in Charge of State Banks, of whom five are independent Directors.

Board Appointed Committees
BoC has established four Board Subcommittees with Board approved terms of reference. Reports of these committees are included in this Annual Report.

Disclosures
The remuneration of the Board as a whole and related party transactions (with a declaration from each related party) are disclosed.

Related Party Transactions
The Board approved policy on related party transactions, which clearly identifies related parties and transactions, restrictions on such transactions and requires declarations of such transactions.

Management Functions Delegated by the Board
The Board periodically reviews and approves the delegation arrangements, whilst ensuring that the extent of delegation addresses the needs of the Bank.

The Chairman and Chief Executive Officer
The positions of the Chairman and the Chief Executive Officer, also referred to as the General Manager, have been separated to maintain a balance of power and authority. The roles are clearly defined in the Board Charter.

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

The Board

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

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

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

Chairman and Chief Executive Officer (General Manager)

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

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

Chairman's Role

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

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

Board Balance

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

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

Supply of Information

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

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

Appointments to the Board

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

There were no major changes to the Board in 2016.

All details of the members of the Board are given on pages 38 to 41. Directors are meant to serve a maximum of nine years as per the provision of the Banking Act Direction No. 11 of 2007.

Ms Pushpa Wellappili, Ex-officio Director representing the Ministry of Finance ceased to be a Director on 31 March 2016 with her retirement from public service and Mr Sajith R Attygalle was appointed as the Ex-officio Director.

Appraisal of Board Performance

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

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

Disclosure of Information in Respect of Directors

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

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

Related party transactions on pages 262 to 267

Membership on Subcommittees on pages 38 to 41.

Attendance at Board and Subcommittee meetings on page 66.

Appraisal of General Manager/ Chief Executive Officer

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

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

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

Remuneration Procedure

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

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

Communication with Shareholders

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

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

Major and Material Transactions

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

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

Chairman's Message on pages 10 to 12

General Manager's Review on pages 14 to 16

Staying True to Our Mission on pages 96 to 130

Financial Reporting

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

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

Audit Committee and Internal Control

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

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

Code of Business Conduct and Ethics

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

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

Corporate Governance Disclosures

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

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

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

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

Sustainability Reporting

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

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

Board Subcommittees

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

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

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

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

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

Regular Meetings

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

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

Executive/Management Committees

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

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

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

Board Subcommittee Reports

Audit Committee Report

Chairman's Statement

Terms of Reference

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

Composition

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

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

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

Principal Focus

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

Medium of Reporting

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

Committee Meetings and interaction with External Auditors

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

Activities Performed during the Year

Regulatory Compliance

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

Internal Controls

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

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

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

Financial Reporting

- Reviewed the Bank's accounting policies and their application to the reporting of the Bank's activities and financial performance.
- Reviewed the monthly, quarterly and annual unaudited/audited Financial Statements to ensure that they are prepared and published in accordance with the requirements prescribed by the supervisory and regulatory authorities and applicable accounting standards.
- Reviewed the significant judgments, estimates and conclusions on the loan loss provisions, relating to individually significant loans and the adequacy of collective impairment allowances on other loans.

Internal Audit

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

External Audit

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

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

Supervision and Audit of Subsidiaries and Associates of Bank of Ceylon

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

Participation at Meetings

The following management personnel attended each Audit Committee meeting:

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

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

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

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

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

- Deputy General Manager (Product and Banking Development)
- Deputy General Manager (Corporate and Off-shore Banking)
- Deputy General Manager (Sales and Channel Management)
- Deputy General Manager (Recovery)
- Deputy General Manager (International, Treasury and Investment)
- Deputy General Manager (Retail Banking)
- Deputy General Manager (Support Services)
- Deputy General Manager (Human Resources)
- Chief Legal Officer
- Head of Information Technology
- Head of Technology Transformation

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

Special Initiatives

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

Governance

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

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

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

Procedure for Complaints – Whistle Blowing Policy

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

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

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

Ranel T Wijesinha
Chairman
Audit Committee

29 March 2017
Colombo

Integrated Risk Management Committee Report

Chairman's Statement

Role of the Committee

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

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

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

Composition and Quorum

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

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

Permanent management representatives on the Committee –

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

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

The quorum of the Committee is two members.

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

Meetings and Activities

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

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

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

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

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

Conclusion

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

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

On behalf of the Integrated Risk Management Committee,

Charitha N Wijewardane
Chairman
Integrated Risk Management Committee

29 March 2017
Colombo

Human Resources and Remuneration Committee Report

Chairman's Statement

Role of the Committee

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

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

Composition and Quorum

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

- Mr H P Ajith Gunawardana
  Chairman
  Independent Non-Executive Director
- Mr Ronald C Perera PC
  Member
  Independent Non-Executive Director
- Ms Pushpa Wellappili
  Member
  Non-Executive Ex Officio Director
  (from 27 February 2015 to 31 March 2016)
- Mr Sajith R Attygalle
  Member
  Non-Executive Ex Officio Director
  (from 11 May 2016 todate)
- Mr Charitha N Wijewardane
  Member
  Independent Non-Executive Director
- Mr Attygalle was appointed in place of Ms Wellappili with her retirement from public service, with which, she ceased to be a Director.

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

Meetings and Activities

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

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

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

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

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

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

Conclusion

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

On behalf of the Human Resource and Remuneration Committee.

H P Ajith Gunawardana
Chairman
Human Resources and Remuneration Committee

29 March 2017
Colombo

Nomination and Corporate Governance Committee Report

Chairman's Statement

Role of the Committee

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

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

The Composition of the Committee

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

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

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

Meetings

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

Reporting to the Board

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

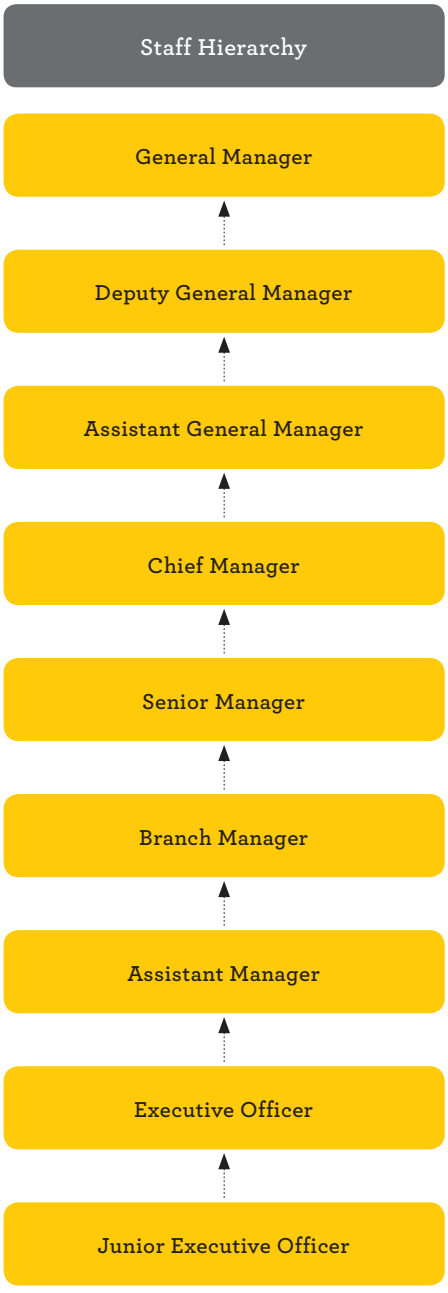
Appointments made to the Board

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

Activities Performed

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

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



- Evaluated the performance of the Committee

Conclusion

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

On behalf of the Nomination and Corporate Governance Committee.

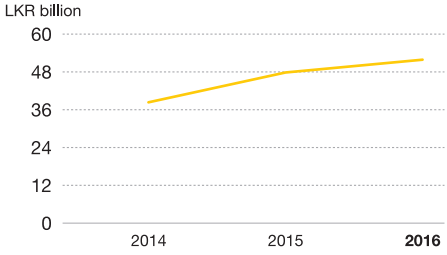
Ronald C Perera PC
Chairman
Nomination and Corporate Governance Committee

29 March 2017
Colombo

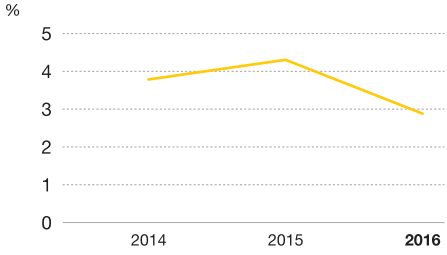
Risk Management – Ensuring the Safety of the Numbers

Key Indicators

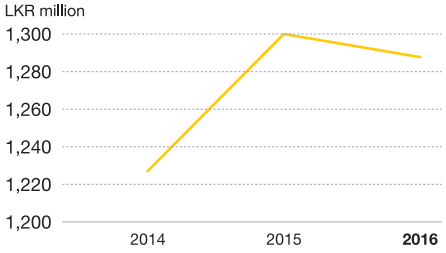
Net Interest Income



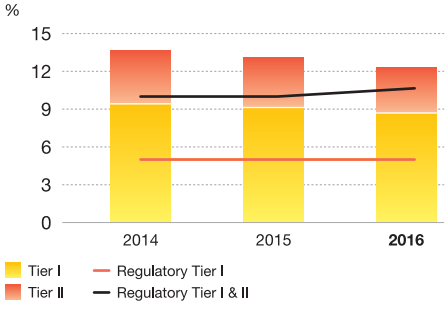
NPA Ratio



Operational Risk Appetite



Capital Adequacy Ratio



Overview

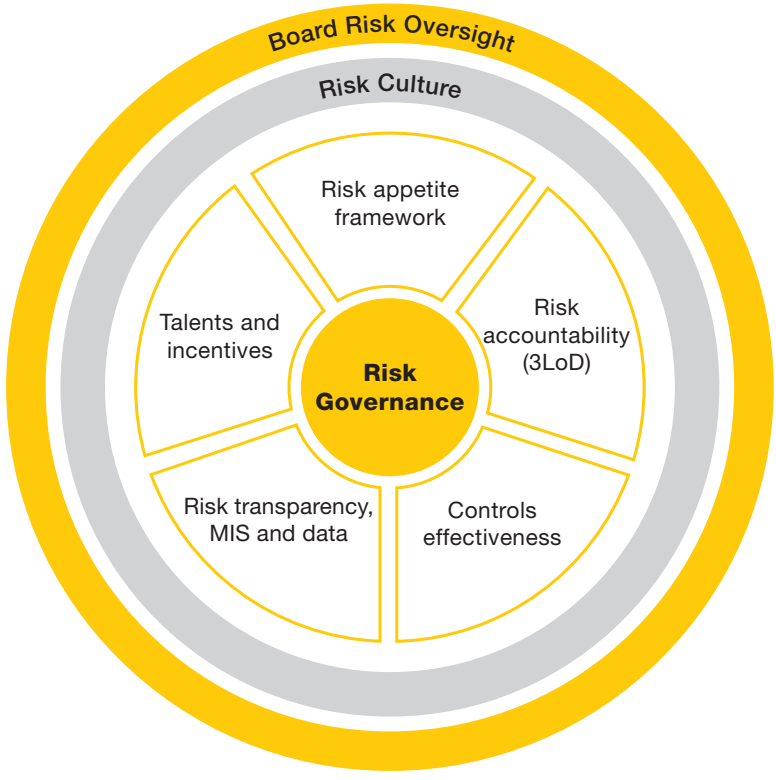
Effective risk management is integral to the Bank's business success. Financial industry players assume appropriately priced risks, and prudently manage them within a well-articulated risk management framework. Our risk management strategy is targeted at ensuring ongoing effective risk discovery and achieving effective capital management. Risks are managed within various levels established by the management and approved by the Board of Directors and its Subcommittees. A comprehensive framework of measurement, monitoring and control policies and procedures is established to enhance the Bank's discovery and management of such risks. This framework and its antecedent processes are reviewed by the Integrated Risk Management Committee (IRMC).

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

Risk Governance

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

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



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

Bank's Risk Profile

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

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

Risk Culture

We seek to foster a strong risk culture throughout the Bank. It is to help reinforce Bank's resilience by encouraging a holistic approach to the management of risk return trade-off as well as the effective management of our risk, capital and reputational profile. The Bank considers risks in connection with its business. As such our risk culture is based on the following principles:

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

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

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

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

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

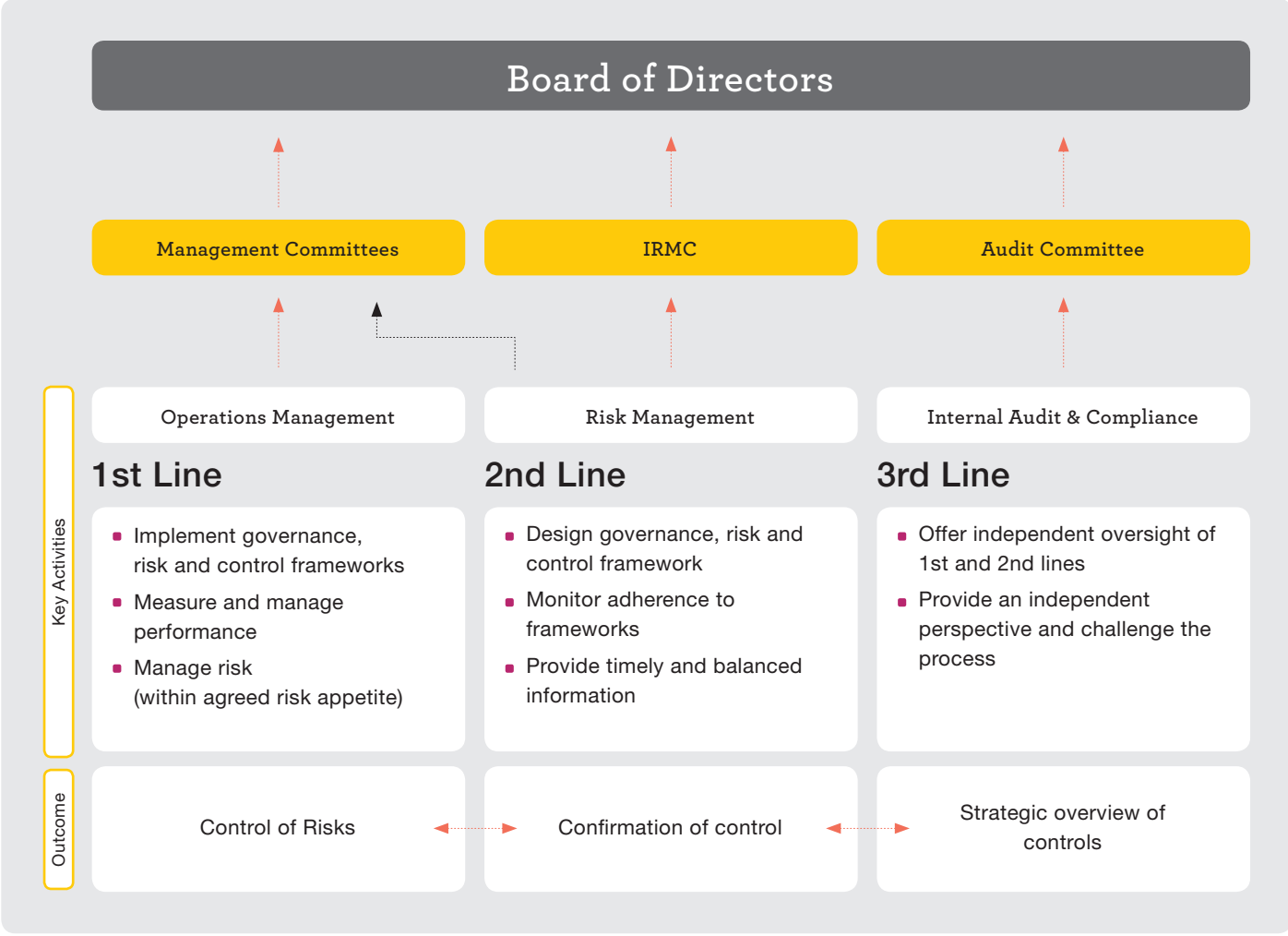
Three Lines of Defence

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

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

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

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



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

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

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

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

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

Integrated Risk Management Software (IRMS) procured in the year 2015 completed its successful implementation during the current year showcasing a leapfrog enhancement in all risk management functions.

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

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

Risk Appetite

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

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

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

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

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

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

ICAAP

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

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

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

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

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

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

Stress Testing

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

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

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

Stress Testing Process

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

Implementation of stress testing programme:

Activity	Description
Risk Assessment	The ICAAP Steering Committee is responsible for the identification of material risks for the Bank.
Stress Testing Plan	Stress tests are conducted on regular as well as ad hoc basis. The regular stress testing is carried out according to the Board approved stress testing policy and ad hoc stress testing is done as and when the situation demands.
Design Sensitivity Tests, Scenario Framework and Macroeconomic Factors	ICAAP Steering Committee in consultation with the research, finance and business departments develop sensitivity tests for the individual risks, integrated scenarios and macroeconomic scenarios for conducting stress testing.
Identification of Risk Drivers	Based on the identified material risks, drivers are identified which would lead to the eventual impact.
Measuring Results	The impact of risk drivers are identified on: ▪ Capital ▪ Liquidity ▪ Profitability
Implementation of Stress Testing Programme	On completion of the above activities, the scenarios/sensitivity tests are deployed by ICAAP Steering Committee to get the relevant output for the various material risks identified.
Aggregation of Results	The results of the stress testing programme would be aggregated across risk categories based on selected scenarios/sensitivity tests for aggregation.
Review and Reporting of Results	The results of stress testing are presented to the IRMC for review and approval based on which the management action plans would be finalised.
Application in Management Decision-Making	The stress testing results would be used for the following management level decision points: ▪ Risk Appetite Planning ▪ Capital Planning ▪ Liquidity Management

Credit Risk Management

Credit risk is defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with the agreed terms. More than 80% of the total risk weighted assets of the Bank accounts for the credit risk arising from lending and investment activities. Bank manages the credit risk inherent in the entire portfolio as well as the risk in individual credits and transactions covering the diversified customer base. The Bank caters to a customer base which is spanned the country and overseas locations encompassing individuals, micro, SMEs, large corporates and the state which are with different appetites for credit. The Bank wishes to maximise risk adjusted rate of return by maintaining credit risk exposures within acceptable parameters by managing credit risk. Granting loans and advances being the core business of the Bank, the successful management of credit risk is a critical factor for the Bank's dominant market position.

Credit Risk Governance

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

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

The Credit Committee:

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

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

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

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

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

Identification, Assessment and Monitoring

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

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

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

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

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

IIRMD measures and tracks the status of the credit portfolio, undertakes impact studies and identifies early warning signals pointing to a deterioration of the financial health of the borrowers. Credit risk management reports are presented to the Credit Committee and the IRMC on a regular basis to ascertain performance and portfolio concentration.

Collateral Management

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

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

Concentration Risk

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

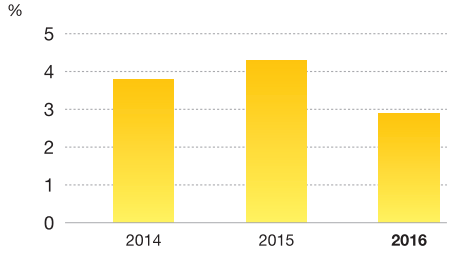
The Bank monitors credit risk on a portfolio basis to manage concentration risk. Limits have been stipulated on single borrower, borrower group and industry. The Bank's loan portfolio is diversified across different industries and geographic regions. The Bank has established appropriate limits to maintain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

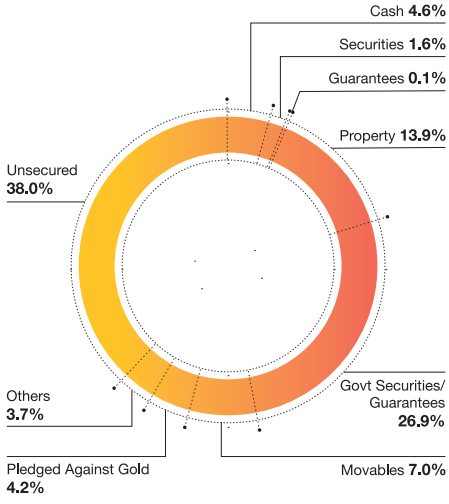
Credit Risk Management Framework

Credit Risk Components	Areas of Implementation		
Risk Governance Assessment	Review Risk Management Structure	Review Risk Management-Related Policies	Review Risk Infrastructure
Policy & Procedure Framework	Define Credit Risk Management Policy	Define Collateral Management Framework	Define Loan Review Policy
Model Development & Validation	Corporate Rating Model	Retail Scoring Model	Model Validation Framework
Risk Monitoring & Reporting	Design Reporting Template	Loan Review Mechanism	

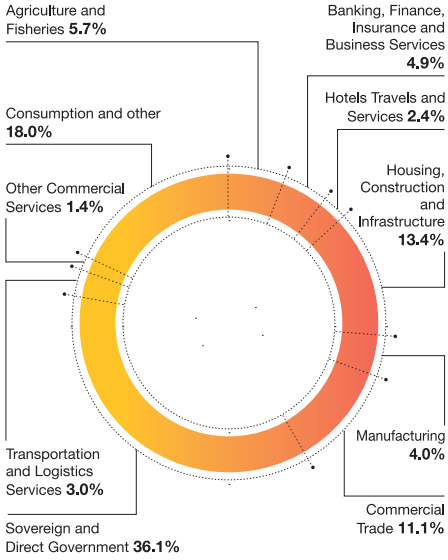
Credit Risk Indicators

Risk Factor	Risk Indicators	Remarks
Default Risk Potential loss due to borrower/ counterparty unable or unwilling to meet its obligation	***NPA Ratio***	The Bank's continuous reviewing and strong follow-up mechanism for speedy recovery of its NPA yieled very good results.
	Collateral wise Exposure – 2016	62% of the credit exposure is collateralised mitigating the default risk.

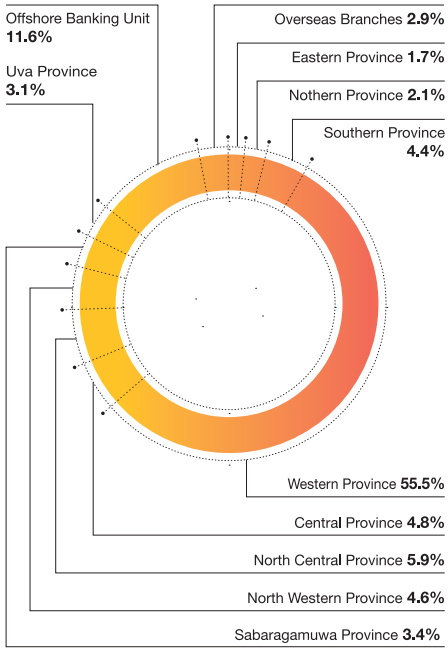




Risk Factor	Risk Indicators	Remarks
Concentration Risk Credit exposure being concentrated on one or few lending sectors, groups, insufficient diversification	***Concentration by Industry Sector – 2016***	Sector exposure are within the risk appetite limits (in absolute terms).



	Concentration by Geographic Region – 2016	Significant concentration on Western Province is mainly due to financing infrastructure projects from which the country and economy would benefit as a whole.



Market Risk Management

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

Market Risk Governance

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

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

Bank's market risk consists of the followings:

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

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

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

Identification, Assessment and Monitoring

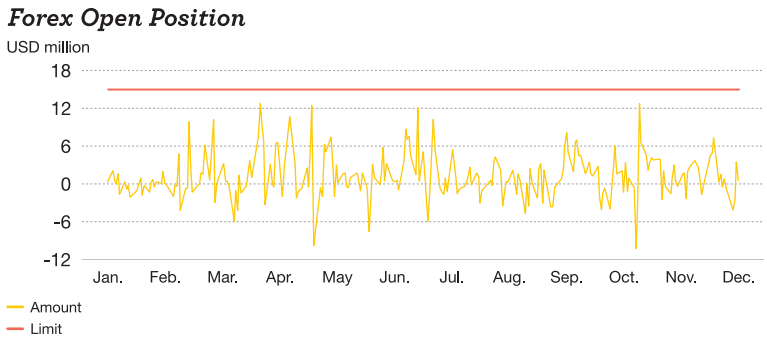
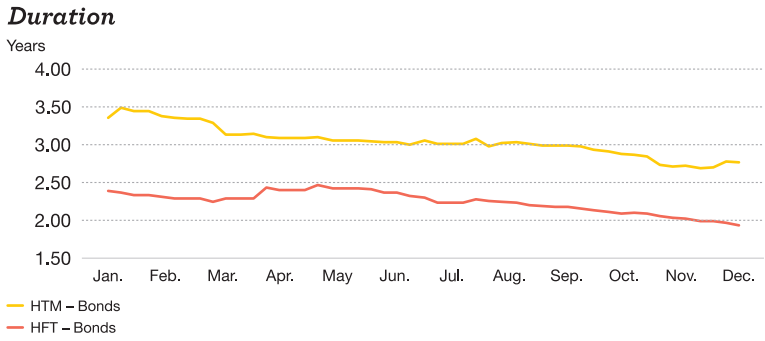
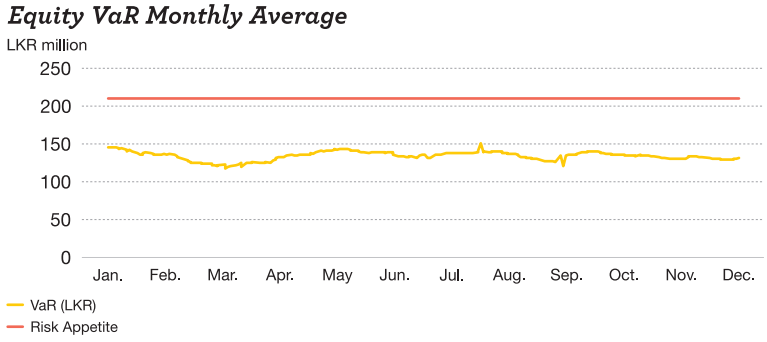
We gauge all types of market risks by a comprehensive set of risk measures reflecting internal and regulatory requirements. In order to adhere with internal and regulatory requirements, risks are measured by several internally developed risk metrics.

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

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

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

Market Risk Indicators

Risk Factor	Risk Indicators	Remarks
Foreign Exchange Risk – Risk arising from foreign exchange position		Forex open position of the Bank was well within the Risk Appetite Limit throughout the year
Interest Rate Risk – Risk arising from bond portfolio		The duration of the bond portfolio is monitored regularly to assess sensitivity of bond prices to interest rate changes
Equity Price Risk – Risk arising from equity price		Equity VaR position of the Bank was well within the Risk Appetite Limit throughout the year

Liquidity Risk Management

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

The Bank's overall approach towards liquidity risk management is set out in the Liquidity Risk Management and Assets and Liability Management (ALM) Policies which describe the range of strategies to manage liquidity. These include maintenance of sufficient liquid assets, the capacity to borrow from the money markets as well as forms of managerial interventions that improve liquidity. The ALCO which is headed by the General Manager is responsible for the management of liquidity risk.

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

Identification, Assessment and Monitoring

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

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

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

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

Operational Risk Management

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

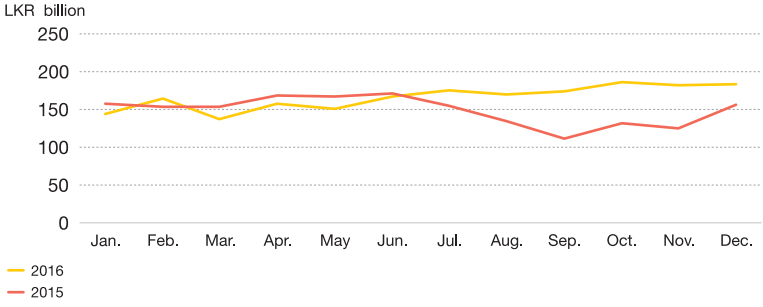
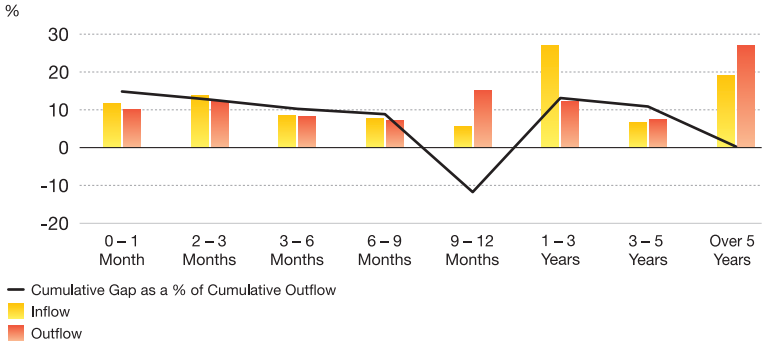
It originates from both business and support units of the Bank and is distinct and controlled within the criteria set out in the risk appetite through an effective and efficient system of internal controls.

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

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

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

Liquidity Risk Indicators

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

Operational Risk Governance

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

Identification, Assessment and Monitoring

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

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

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

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

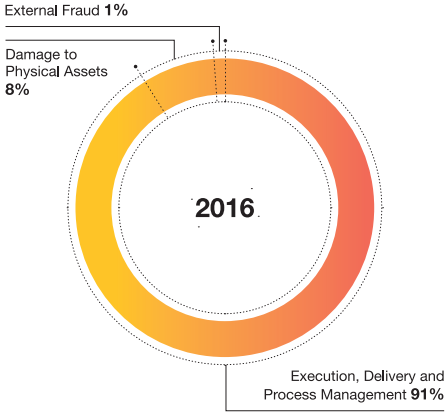
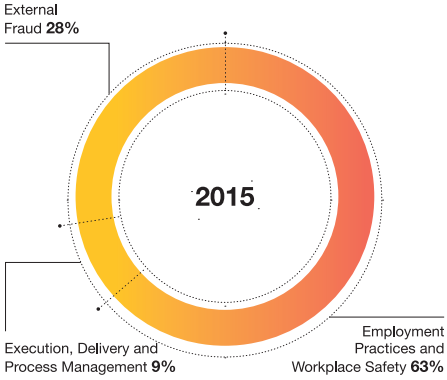
A Lessons Learned Process is activated for events including near misses and threats from FINTECH environment as preventive and remedial action taken to mitigate these critical risks: IIRMD will act promptly to send alerts to the branch network if threats are found to be from the external environment.

Control and Mitigation

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

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

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

Risk Factor	Risk Indicators	Remarks
Loss data management	***Reported Losses as per Basel Risk Events***  	

Strategic Risk Management

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

Strategic Risk Index 2016

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

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

Reputation Risk Management

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

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

Reputation Risk Index 2016

Risk Indicator	Weighted Score
Operational loss events	14.58
Business loss events	5.00
Market perception	23.33
Management	12.50
Total	55.41

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

Readiness for Basel III Implementation

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

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

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

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

Compliance Risk

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

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

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

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

Compliance Function

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

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

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

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

Automation of AML/CTF Activities

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

FATCA Compliance

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

The GIINs of the other overseas branches are as follows.

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

Organisation Structure

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

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

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

Staying True to Our Mission

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Recognising Our Employees' Excellence 122
Beacon for Progress and Growth 130

The Bank has clear goals. We want to enjoy mutually rewarding relationships with all our stakeholders, in an equitable sharing of optimal value. We want to be an enabling employer, empowering our employees towards true self-development. We are fully committed to nurturing and advancement of society and the environment. All of this we underpin with emancipated strategy.

PROFITABLE CATALYST FOR EQUITABLE DEVELOPMENT

Achievements in 2016

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

Planned for 2017

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

6% growth in the Assets base to
LKR 1.7 trillion

Loans and Advances
LKR 1.0 trillion

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

Financial Capital

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

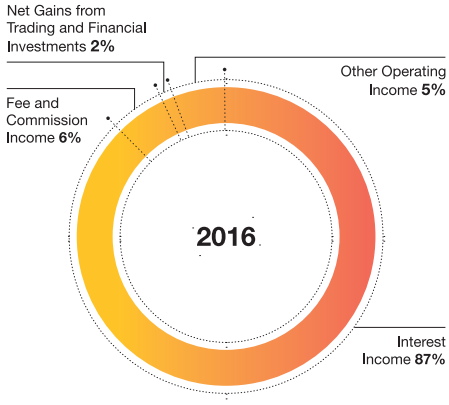
Return on Financial Capital

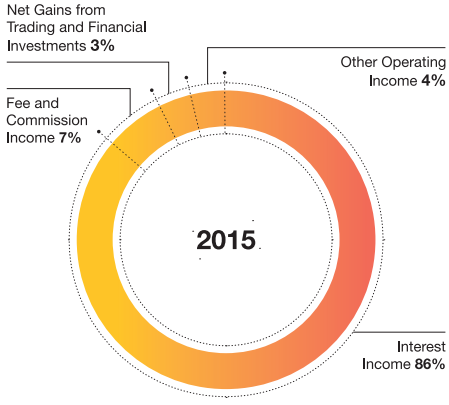
Total Income

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

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

Composition of Total Income

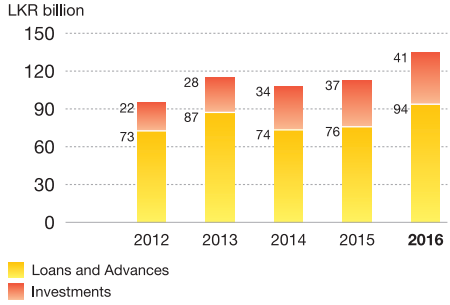




Net Interest Income

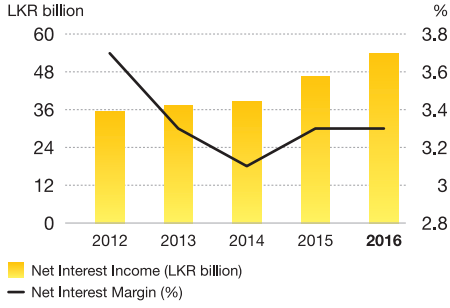
In 2016, many policy rates were changed affecting the market interest rate to move upward. In January 2016, Statutory Reserve Ratio (SRR) was increased by 150 basis points (bps) to 7.5% and Standing Lending Facility Rate (SLFR) and Standing Deposit Facility Rate (SDFR) also increased during the year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

Interest Income Composition



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

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



Non-Interest Income

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

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

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

Impairment Charges

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

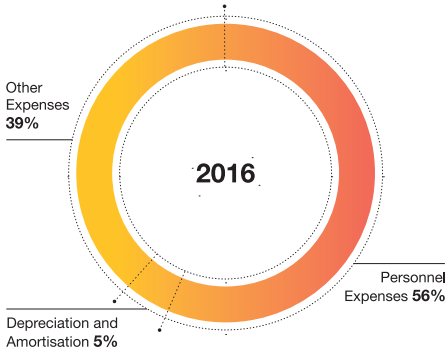
Gross NPA ratio which is calculated as per regulatory norms stood at 2.9% at the end of 2016 compared to 4.3% recorded as at 31 December 2015, bringing down the NPA ratio to industry level.

Operating Expenses

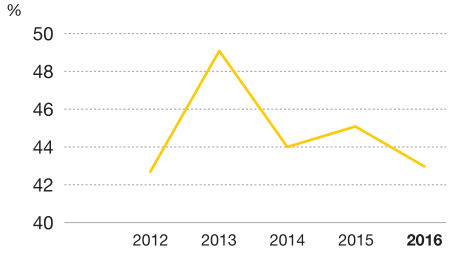
Operating expenses mainly consisting of personnel expenses and administrative expenses went up by 7% from previous year. Expenses on one of the Bank's most valuable capitals i.e. employees amounted to LKR 16.8 billion for the year. Other operating expenses increased by 17% due to increase in fixed assets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

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

Operating Expenses



Cost to Income Ratio



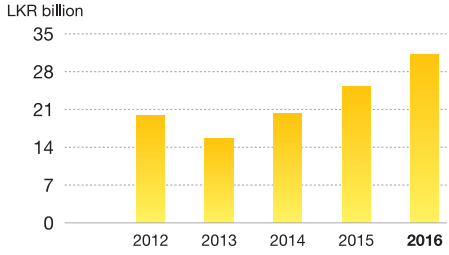
Profitability

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

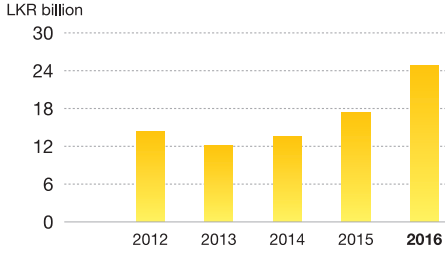
Return on Average Assets (RoAA) and Return on Average Equity (RoAE)

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

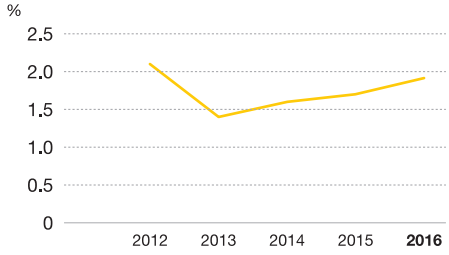
Profit Before Tax



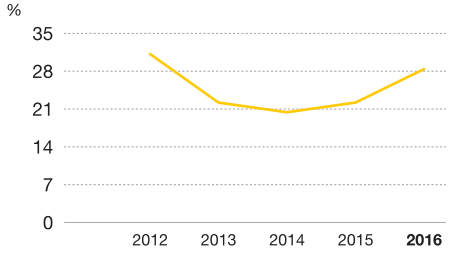
Profit After Tax



Return on Average Assets



Return on Average Equity



Assets

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

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

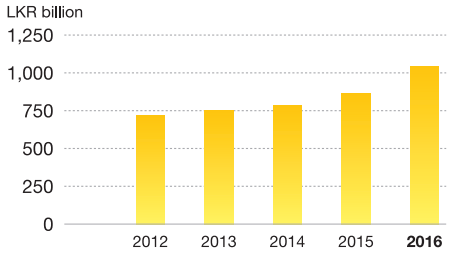
Loans and Advances

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

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

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

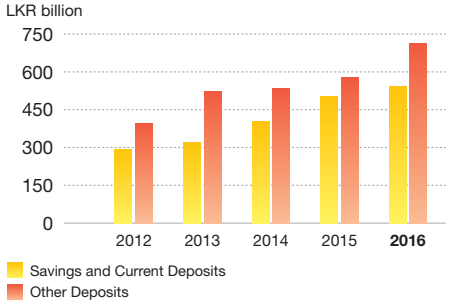
Gross Loans



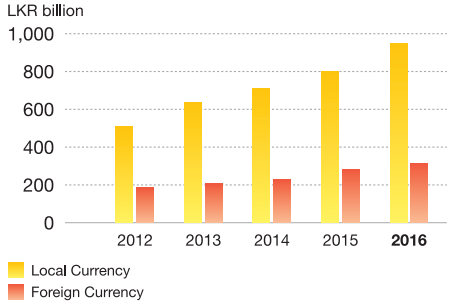
Deposits

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

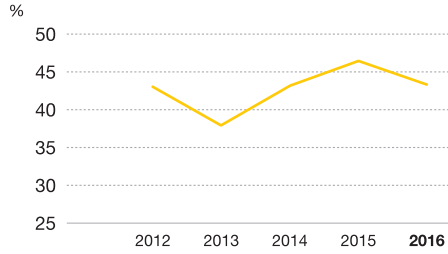
Deposits



Deposits (Local Currency vs Foreign Currency)



CASA Ratio



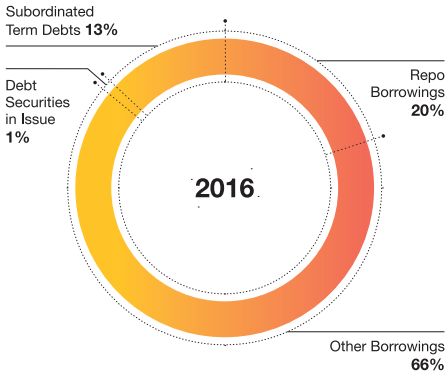
Borrowings

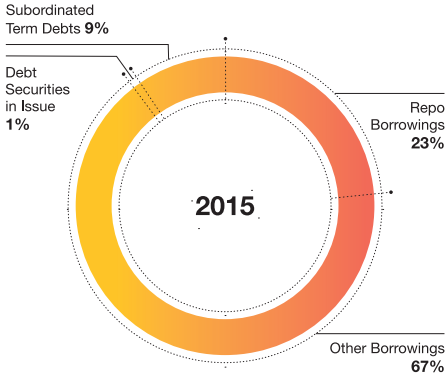
Borrowings of the Bank reduced by LKR 79.5 billion during the year which is 21% drop compared to previous year. This decline was reported mainly from the REPO borrowings and term borrowings from overseas banks.

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

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

Borrowings

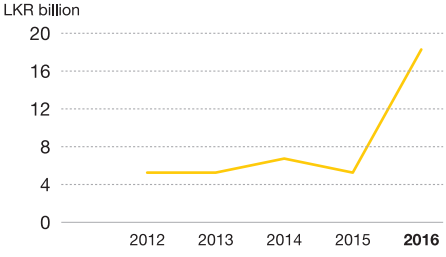




Dividends

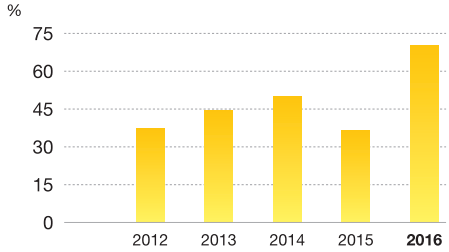
During the year 2016, the Bank has paid a significant dividend amount of LKR 17.3 billion to its sole shareholder, the Government of Sri Lanka which is an increase of LKR 11.0 billion from the year 2015. The Bank has identified its responsibility towards the nation's development and being the No. 1 Bank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

Dividends Paid



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

Dividend Payout



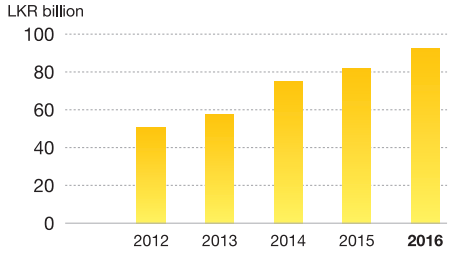
Shareholders' Funds

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

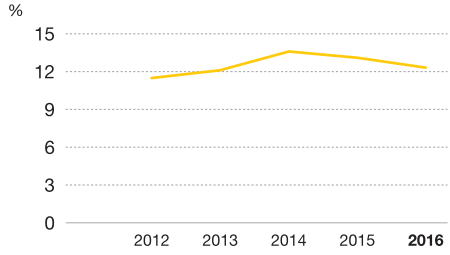
Tier I capital adequacy ratio stood at 8.7% at the year end, against the regulatory requirement of 5%. Tier I & II capital adequacy ratio stood at 12.3% which is also above the regulatory requirement of 10%. As such, the Bank has been able to maintain its compliance to regulatory requirements as directed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

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

Shareholder's Funds



Capital Adequacy Ratio



BoC Group structure

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

Group Structure

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

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

Manufactured Capital

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

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

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

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

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

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

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Awards

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

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

Ratings

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

Intellectual Capital

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

Brand Equity

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

Business Ethics, Corporate Culture and Values

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

Intrinsic Knowledge

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

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

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

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

FOSTERING MUTUALLY REWARDING RELATIONSHIPS

Achievements in 2016

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

Planned for 2017

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

109 CDMs installed during the year

94,000 accounts were opened under *'Samata Ginumak'* campaign

Market leadership in foreign remittances

43.5%

Social and Relationship Capital

Customers

Customers are the main stakeholders of the Bank, be it depositors or borrowers, comprising individuals, SMEs, micro enterprises large corporate entities and state-owned enterprises.

During the year, the industry remained highly competitive, with all banks striving aggressively to increase their market share. BoC has an edge over the other banks mainly in terms of geographical reach through the extensive branch network and superior financial strength. In addition, the strategies adopted to increase customer service and understand their financial requirements better helped us compete effectively. Customer engagement –

- Primarily through the branch network. From simple savings account to assist the small time, savers' unsophisticated banking needs to innovative, technology-based products to meet more advanced customer requirements.
- Customer visits by branch officers and Business Development Executives
- Workshops, awareness sessions conducted for customer segments
- Call centre
- BoC website
- Newspaper advertisements
- Social media

Objective of maintaining a sound relationship with the customers: build long term, sustainable relationships based on trust and confidence that will be mutually rewarding.

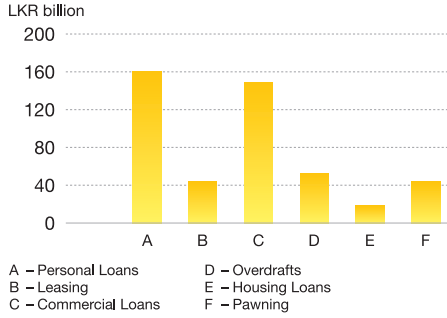
The Bank has three main core areas of operation. The first, retail banking, has been the one that the Bank is traditionally most known for and which has given it its wide reach. Our retail customers include people from all walks of life; urban professionals and executives, senior citizens, small scale entrepreneurs and farmers in the most remote villages. Such a diverse clientele demands diverse products. We need to leverage technology and develop sophisticated products for the more tech savvy customer. At the other end, we promote financial inclusiveness and literacy by bringing banking to the grass roots. The second core area is that of corporate and offshore banking. Although traditionally much of our lending in this area has been to the government and state owned enterprises, in the year under review there was slackening in this type of lending. However, the Bank successfully compensated for this by increased lending to the private sector. The final area, which encompasses many operations, is that of international, treasury, investment and overseas branches. These sections play a crucial role in the Bank's portfolio of activities by handling the Rupee and foreign currency funds. With our massive deposit base we make a tremendous contribution to the national economy by developing the capital market as a key participant in government bonds. Having the largest share of inward remittances we also help sustain the Balance of Payments. The Treasury Division manages the foreign exchange operations of the Bank, including providing foreign exchange at concessionary rates for key sectors of the economy. Our overseas branches make their contribution to the Sri Lankan expatriate community by serving their banking needs.

Retail Banking

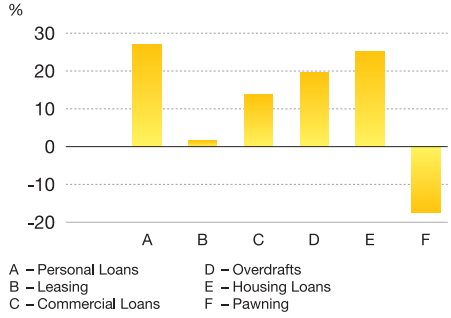
Serving a multitude of customers across the country, retail banking is of strategic importance to BoC, comprising 48% of the loan portfolio. A variety of products are offered under this segment, including personal loans, housing loans, commercial loans, pawning, leasing and credit cards. 2016 saw an almost 20% increase in the retail banking portfolio.

The retail segment has products to suit people of all walks of life, from the tech savvy, urban population including new generation young executives to villagers in remote areas who are fairly unsophisticated. Retail banking activities are organised under 10 provinces (Western province has been seperated in to two segments for administrative purposes) for the convenience of customers.

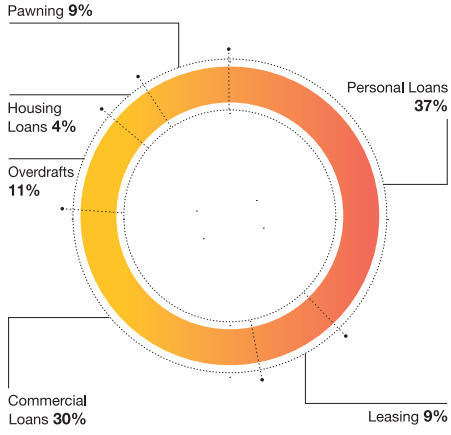
Composition of Loan Portfolio



Composition of Loan Portfolio Growth



Retail Products



Strategic Priorities during the Year

The strategies adopted during the year were targeted mainly at improving customer service and introducing technology-based products. Promoting financial inclusion in line with

Government policy priorities was also undertaken. Establishing Regional Loan Centres (RLCs) for processing of loans is a new initiative introduced in previous year to speed up the loan approval process. In line with this 11 such RLCs were established. The appointment of Business Development Executives (BDEs) is another initiative. The BDEs reach out to customers to understand their banking needs and refer them to branches.

Introducing Innovative Products to Meet Customer Needs

SmartGen is a revolutionary product that has been introduced targeting the younger generation who prefer technology-based banking products. The marketing of this product was mainly done through the social media with the target customer in mind and proved to be a very successful strategy.

The Power Plus Investment Plan targeting higher education of children was a timely and useful product that gained popularity in 2016.

BoC participates actively in the development loan schemes funded by the Central Bank of Sri Lanka in order to contribute towards the development schemes promoted. New Comprehensive Rural Credit Scheme (NCRCS), Commercial Scale Dairy Development Lending Scheme (CSDDLS), *Saubagya* Loan Scheme, Self Employment Promotion Initiative Loan Scheme, Small-holder Plantation Entrepreneurship Development Programme, Working Capital Loan Scheme for Tea Factories and Poverty Alleviation Microfinance Project (PAMP I and II) are some examples for the Bank's contribution towards customer needs.

Funding the SMEs

The SME sector is considered the backbone of an economy, and as done in the past, we made giant strides in increasing our focus on this sector. We introduced changes to our SME Policy that will enable us to significantly enhance our SME offering. The interest rate was also reduced to 8% providing a competitive rate of interest to fund the entrepreneurs. Furthermore, a sizable pool of funds was allocated for the sector. *'Diriya'* and *'Diyawara Diriya'* are loan schemes introduced especially to meet the needs of SME customers.

SME Lending

During the year, SME products have been developed and introduced in line with Government policies. Products to cater to the youth and women are among these. Bank had allocated LKR 5.0 billion from Bank funds focusing on SME startups, where young and women entrepreneurs are given priority. Afrorested fund also operates at a lower interest rate. These products enhance our SME offering in providing resources for small and medium enterprises to reach their potential. The Bank expects that these focussed efforts on SME sector would bear fruit in 2017.

In order to broad base the customer base and cater to the specific market segment, Islamic Banking activities were revived during the year, targeting Islamic Banking customers through the branch network and meeting their enhanced financial requirements. Introducing diminishing Musharaka products and automation of foreign currency Ijra are some of the initiatives during the year. The target is to achieve an Islamic Banking portfolio of LKR 4.0 billion by 2018.

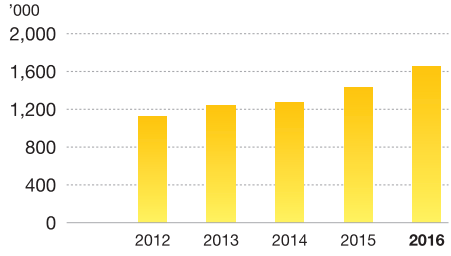
Housing Loans

We increased our focus on the home loan segment, helping our customers to fund a shelter of their own. The portfolio saw a 25% increase during the year with the increase in the outbound sales force and continued emphasis on reducing turnaround times. The marketing strategy for this segment concentrated on increasing our visibility as the first choice for housing loans.

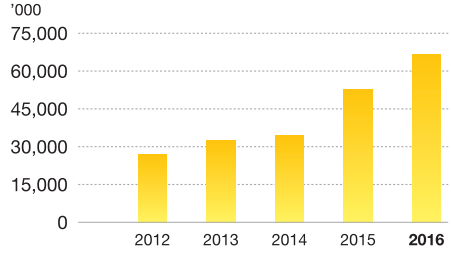
Credit Cards

We improved our card offering providing a convenient payment method for the discerning customers and enhanced our presence in the credit card segment firmly. Many initiatives were offered and as a result, the number of card holders increased by 88,620 recording an increase of 10% during the year. The ATM card, which doubles up as a debit card increased in popularity as a safe and reliable payment method.

Credit Cards Transactions



Debit Cards Transactions



Our targeted credit card campaigns aiming festive occasions such as the Sinhala and Tamil New Year, Ramzan festival and Christmas season provided opportunities for our customers to avail of festive purchases and enjoy substantial discounts.

Demand Deposits

BOC CURRENT ACCOUNT

A range of benefits to manage your day-to-day transactions either personal or business

BOC Prestige PLUS
Personal Current Account

Exclusively designed for professionals and executives to offer a host of convenient features and benefits to suit their lifestyles

Savings Deposits

BOC SMARTGEN
my savings, my convenience

The savings account for the smart generation that enables smooth and delightful banking experience.

BOC Ran Kekulu

A children's savings account specially designed for the parents/guardian who wish to offer better future for their children.

14+PLUS
TEEN SAVINGS ACCOUNT

A teens Savings Account, who wish to start their banking transactions including withdrawals.

BOC 18 plus
Youth Savings
Path to your dreams

A comprehensive savings package designed for the youth.

BOC Savings

A savings account that can be opened by any Sri Lankan citizen above the age of 18, individually or jointly.

BOC Kantha Ran Ginum

Savings account exclusively for women with the purpose of strengthening them to bear the challenges of life.

BOC SENIOR CITIZEN ACCOUNTS

Account is designed to cater to the needs of Sri Lankan senior citizens over 55 years in the country with the financial care they deserve.

Investment/ Retirement Plans

BOC Ran Ulpatha
Regular Saver's Account

An investment savings account to facilitate regular savings build ups with higher returns and insurance benefits.

BOC POWER +PLUS
CHILD INVESTMENT PLAN

Special investment plans exclusively designed for the parents to provide the confidence to take on life with a firm financial foundation for their children.

BOC ABHIMANA
Pension Scheme
For a dignified retirement...

'Abhimana' is a pension scheme which will customise the investment portfolio of any Sri Lankan individual above 18 years of age.

Time Deposits

Fixed Deposits

Fixed rate FD designed for any investor above 18 years of age.

Moving Rate FDs

Moving rate FDs can be opened with an initial deposit of LKR 250,000 and thereafter multiples of LKR 50,000.

BOC Senior Citizens Fixed Deposits

Citizens of Sri Lanka over the age of 55 years are eligible to open this type of account. Account holders are provided with a whole range of benefits.

Savings Certificates

Savings certificates are ideal for short-term investments for your money. The certificates are designated in 6, 12 and 24 months.

Seven Day Call Deposits

This is another ideal short-term investment for your money. A minimum deposit of LKR 100,000 is required for a deposit of this nature.

Other Products and Services

Online Banking

Perform your transactions at your convenience in the privacy at your home or office at any time around the clock.

BOC Branch on Wheels

'Branch on Wheels' is introduced with the intension to bring in the un-banked population in the country to the banking stream through extending modern banking facilities.

BOC Cards

BoC credit card is a convenient way of paying for purchasing goods and obtaining services: Featured with micro-chip for enhanced security.

BOC Cards

BoC debit card is a revolutionary form of cash that allows customers to access their bank account around the clock, around the world.

Merchant Services

BoC Point of Sales (POS) system facilitates business to grow with new technology and minimise risk of handling cash in sales counters.

Lending Products

Term Loans

Term loan facility is offered at all branches for current or savings account holders who maintain a good banking relationship with the Bank, to meet their financial requirements.

BOC Personal Loans

Bank of Ceylon offers a number of personal loan schemes for permanent employees of Government/Statutory bodies and employees of the private sector companies in the Bank's approved list, to fulfil any of their financial needs.

BOC Siri Madura Home Loan

Sri Lankan citizens of age between 18-60 with an adequate repayment capacity with clear DRU and CRIB Records and Limited Liability Companies (House Constructors for sale) are eligible to apply for this scheme. The *'Siri Madura'* housing loan scheme is a facility which can be obtained within two weeks in two visits to the Bank, therefore ensuring speedy delivery and customer convenience.

Government Housing Loan Scheme (Ran Nivasa Housing Scheme)

'Ran Nivasa' Housing Loan scheme is designed to meet the housing needs of BoC customers who are also employees of the Government sector.

Housing Loan for NRFC Customers

Housing loan for Non-Resident Foreign Currency (NRFC) account holders for the purpose of building a brand new house, purchasing land to construct a house, purchasing a house, renovating or refurbishing existing home.

Development Loans

Objective of Development Lending is to uplift the living standards of lower income earners as successful customers of the Bank and to increase the Country's Gross Domestic Production (GDP).

BOC Leasing

Leasing facilities for vehicles (unregistered/ registered) and machinery.

Overdrafts

Ideal way to manage your cash flow at competitive rates of interest.

Ransurakum Naya Seva

Loan facility against your personal gold articles to manage your financial needs.

Development lending

Deposits

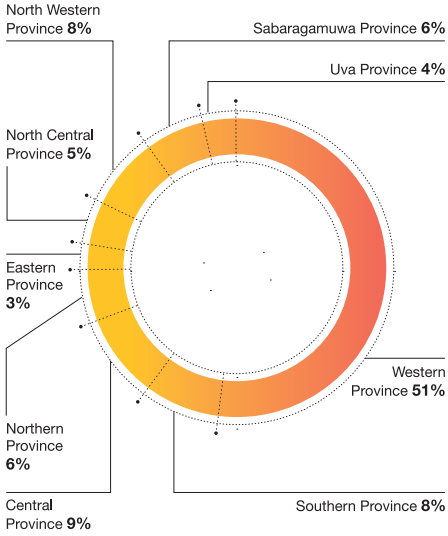
Despite the stiff competition that prevailed in the banking industry, we managed to improve our deposit base by LKR 114 billion or 15% during 2016. Having surpassed one trillion deposits in 2015, we ended 2016 on a high note notching LKR 878 billion in deposits. Our retail focused business strategy which promotes financial inclusivity, coupled with the highest branch reach enabled us to reach depositors from all corners of the country.

Our concept of Branch on wheels, used mainly in remote areas with sparse transport facilities enables us to reach customers who would otherwise not be able to access the formal banking system.

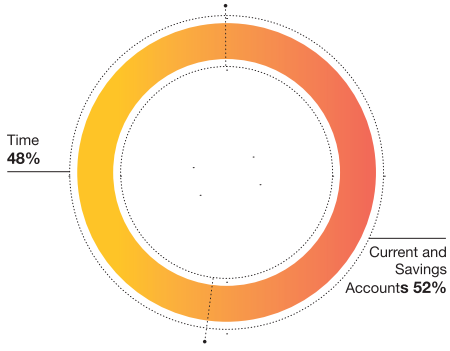
Branch on the wheels

Our CASA ratio, at 52% of total deposits provides a good balance in terms of managing our interest cost. The savings accounts also provide a stable fund base for the Bank. A further increase in this ratio is targeted through the next few years. An increase in fee based income to augment interest income in view of thinning interest margins is also planned which will be focused through the branch network.

Deposit Distribution by Province



Deposit Mix



Continued Focus on Serving the Customers' Needs

Reinforcing our value addition to our esteemed stakeholders, improving customer service was another strategic priority during the year under review. Several staff training and workshops focusing on serving the customers were held. Building up the knowledge and capabilities of customer facing staff, capacity building programmes were conducted covering all provinces. Loan granting processes were streamlined while strengthening the credit standards to maintain a healthy loan portfolio.

Training Programmes Held for Staff in the Retail Sector

- Basic lending operations
- Advanced credit management
- Lease financing
- Credit operations
- Promoting credit/Debit cards at branch level
- Special programme for negotiation skills and selling talks

Improving Customer Reach

With a large network of branches, we have the maximum potential in reaching out to customers and offering our financial services. Two new branches and one other service point were added to the network, bringing the total number of branches to 580 and other service points to 48. Working on modernising our existing network of branches to provide modern banking facilities on par with competitors, we completed the modernisation of 100 branches during the year while 200 are to be completed in 2017.

In terms of the new strategy, we intend to open 12 branches during the next 3 years, mostly in rural areas.

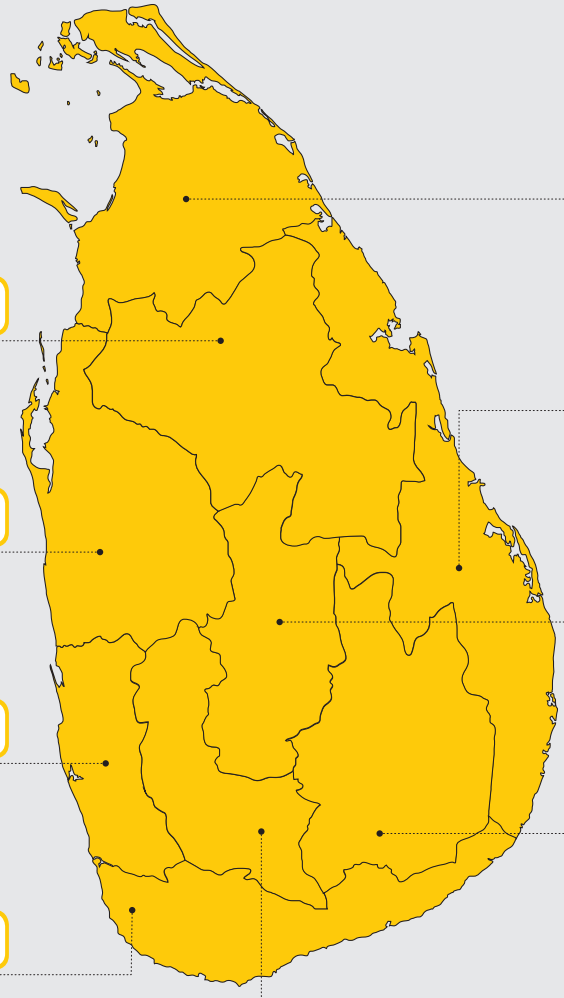
Improving customer reach by streamlining the sales and alternate channels was a strategy that was actively pursued. In line with the performance-based culture that was introduced, a Leader Board was instituted for branches that achieved the given targets.

Increasing the customer convenience and encouraging digitisation, e-pay and online banking was promoted actively. In line with Government action to promote financial inclusion, a campaign titled *'Semata ginumak'* was carried out through the branches under which 94,000 accounts were opened for hitherto unbanked customers.

In order to improve the effectiveness and performance of the network, branch grading system was rationalised.

The largest network of ATMs enables our customers to conveniently withdraw cash. Other facilities offered through ATMs include bill payments and balance inquiries. In order to meet the requirements of the new generation of customers, we concentrated on improving our digital channels. The current suite of digital channels includes, internet banking and SMS banking. Our internet banking gained popularity as a convenient payment method for customers and added value to our digital channels.

Operational Footprint



Nothern Province

63	47	5	9	1	1

North Central Province

49	59	2	7	1	1

Eastern Province

55	35	3	5	1	1

North Western Province

57	62	2	12	2	1

Central Province

67	74	4	13	2	1

Western Province

127	212	12	43	1	2

Uva Province

39	45	2	9	2	1

Southern Province

64	72	3	14	3	2

Sabaragamuwa Province

49	49	2	9	2	1

Branches	ATMs	Other Service Points	CDMs	SME Centers	Regional Loan Centers
580	678	48	123	15	11

Corporate Branches	6	17	13	2
Premier Banking	1	1	–	–
Overseas Branches	3	4	–	–
Mobile Unit	–	1	–	–

Cash Deposit Machines (CDM) were introduced at branches which substantially increased customer convenience. CDMs offer real time deposit facilities in a convenient manner saving the time spent in queues. 109 CDMs were installed in 2016.

Green Banking Initiatives

Focusing on 'green banking' was yet another strategic move promoted in 2016 in order to give back to nature and embrace sustainability through our banking operations. Financing solar power projects and wind power projects are some initiatives in this regard. We provided finance for the National School of Business Management (NSBM), the first ever green university in Sri Lanka. Promoting e-banking, accounts that do not have paper-based statements or pass books were also pursued in order to promote green banking. We walked the talk by generating and using solar power at branches that are owned by the Bank.

Financial Inclusion

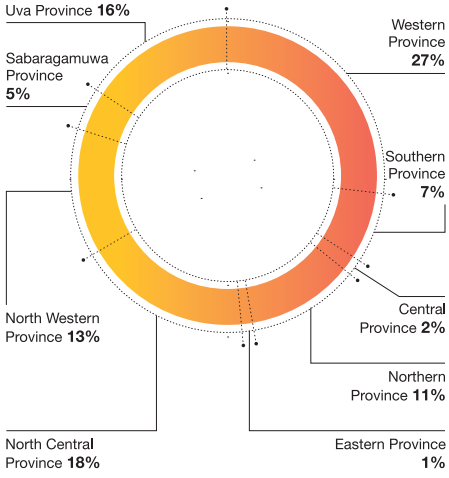
BoC has always been at the forefront of promoting inclusivity and bringing financial literacy to people who hitherto lacked same. These efforts are carried out through micro-financing. Group lending schemes such as 'BoC *Mithuru'* and PAMP-Revolving fund were adopted to uplift the lives of customers who lack financial strength and knowledge on matters relating to finance. We supported the Government initiative to bring the unbanked population to the banking stream through the *'semata ginumak'* programme by opening 94,000 accounts for those who did not have bank accounts coinciding with the World Thrift Day 2016.

'BoC *Mithuru*' scheme was a novel concept introduced to assist micro-finance customers form small groups, encouraging such groups to inculcate savings habit; work together to resolve financial needs; build entrepreneurial skills and ultimately develop strong micro enterprises.

During 2016, LKR 173.3 million of funds have been disbursed among the 'BoC *Mithuru'* societies.

BoC Mithuru Pola

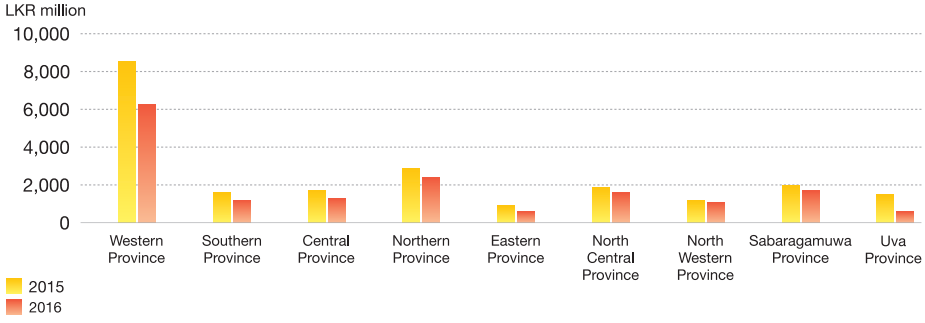
Geographical Distribution of BoC Mithuru Loan Portfolio



Maintaining Asset Quality

The quality of the retail asset book improved according to targeted levels and NPA ratio stood at 3.4% of the portfolio as at end 2016, and is targeted to reduce further in 2017. The drought that prevailed in 2016 affected the loan repayments on some agricultural loan schemes, however, overall asset quality was improved.

NPA Movement in Retail Portfolio



Future Outlook

The Bank's corporate plan envisages ambitious plans for growing the retail book further in 2017. It also plans to carve out a niche market by promoting personal loans targeting professionals. New corporate entities are being looked at in this regard in order to meet the targeted growth rate of 15% from 2017-2019. Loans for education purposes will continue to take an important role. Health sector is another segment that will be focused on in terms of the corporate plan. The Housing Loan portfolio grew by 14% in 2016. We will carry out an aggressive campaign to make BoC the first choice for housing loans and our aim is to increase the portfolio by 20% each year from 2017-2019. Our ambitious growth target for Commercial loans is 20% through the next three years. Aggressive marketing strategies are planned in this regard. Reducing the turn around time for processing loans is a key objective of the campaign. On the other hand, continuous process improvements to streamline the credit granting and approval process are being undertaken. Improving customer service levels will continue to be a priority for us.

SME sector will be focused on aggressively with targets for all branches. This portfolio is targeted to increase 100% year on year till 2019. We expect to work with development lending institutions such as the ADB for concessionary credit lines to fund our SME lending.

Increasing the outbound sales force in order to drive the expansion strategy and understand customer needs better will be a key priority going forward. Expansion of the number of RLCs to expedite customer service will continue.

The mobile app is to be introduced in 2017 in line with the digitisation strategy. Encouraging the use of internet banking as an alternate channel will greatly improve customer convenience. Measures to popularise the use of credit and debit cards in line with Government strategy to reduce the use of cash will be undertaken. This will also bring in additional interest and non-interest income for the Bank.

Improving customer service quality and levels will continue to be a priority in terms of the new corporate plan.

In order to spearhead this ambitious plan, it is also expected to attract young professionals to the Bank and groom them to drive service and sales standards.

Corporate and Off-Shore Banking

Constituting 46% of the loan portfolio, the corporate and off-shore banking makes a significant contribution to the overall performance of the Bank. In 2016, the sector contribution indicated a modest increase in both loans and advances as well as deposits and thereby contributed to the increase in the profitability of the Bank. This sector also makes a considerable impact on the overall economy of the country by financing large corporate sector entities and projects.

Tightening of monetary policy by the Government through increased Statutory Reserve Ratio and raising interest rates saw the industry growth rate being curbed. Our corporate portfolio grew by 20% during the year, while the industry credit growth was 18%.

Corporate Facilities

Term Loans

Financial option offered to the customers to fulfil their multi faceted long-term financial needs.

Overdrafts

Other than general overdraft facilities, overdraft facilities are also granted as pre-shipment financing for export packing credit overdrafts for exporters.

International/Local Bank Guarantees

Letters of guarantee, credit purchase guarantees, tender guarantees, bid bonds, performance bonds, advance payment guarantees, retention guarantees, custom duty guarantees and shipping guarantees are the common guarantees issued. These are conditional or unconditional written undertaking issued by the Bank on behalf of the customer to indemnify the beneficiary.

Project Financing/Loan Syndication

Facilities are made available for investors in large scale projects. Credit facilities are granted jointly with two or more of other financial institutes.

Online EPF/ETF Payments

Facility for online EPF/ETF payments is provided to corporate clients under BOC e-pay system.

Trade Finance Products

Series of Loans
Facilities for settlement of import bills under mortgage over movable or immovable properties.

Advising and Transferring Letters of Credit
Service provided by the Bank, whereby an issuing bank, on behalf of the importer (customer) duly transmits a letter of credit by SWIFT or authenticated telex or dispatches, by mail or courier to the receiving bank and the L/C is checked for its apparent authenticity. If it is deemed to be authentic, the receiving bank will then notify beneficiary to collect the said Letter of Credit.

Negotiation Bills
Purchase letter of credit documents under a complying presentation by advancing funds to the exporters.

Purchase and Collection of Export Bills
Purchase and collection of documents to advance funds to the exporters.

Status Report
A special service available for long-standing corporate clients of the Bank.

Duty Rebates
Facilitated to obtain duty reimbursements for exporters under this scheme.

Letter of Credit (Online facility Available)
The Bank provides letters of credit facilities to individual customers for personal imports as well as for corporate clients to facilitate their imports.

Shipping Guarantees
This is a guarantee issued by the Bank, to a shipping company or its agent to allow them to release the goods to the customer (consignee named in the bill of lading) without the presentation of the original bill of lading.

Bills Acceptance
Facilities given to release the original shipping documents against an accepted draft under term LC.

Collection Bills
A service by which commercial or financial documents are sent to the collecting bank through the remitting bank. Presenting bank will release documents under D/P or D/A (Documents against Payment or Documents against Acceptance) in accordance with instructions by the remitting bank.

Pledge Loans
Facilities for settlement of import bills. Goods pledged are kept under the control of the Bank.

Hypothecation Loans
Facilities for settlement of import bills. Goods covered by the hypothecation bond.

Trust Receipts
Facilities for settlement of import bills. Bank holds the title of goods. Borrower is in possession of the goods holding in trust for the Bank under the TR Ordinance.

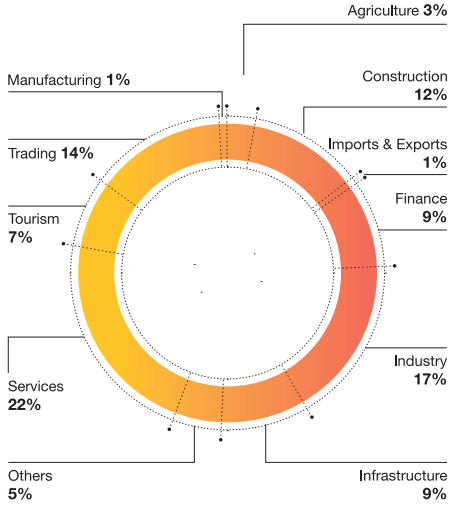
Bills Discounting
Facilities provided for the exporters or sellers of the goods to discount their bills immediately, in the circumstance of selling their goods or services to their buyers on credit terms such as payments after 30 days, 60 days or 90 days from shipment etc. as per their sales contracts.

The year under review saw a decline in exposure to the Government sector and as a result we increased our focus on the private sector, canvassing new corporate customers. These efforts resulted in a corresponding increase in exposure to the private sector.

Capitalising on the higher single borrower exposure limit applicable for the Bank, additional customers were onboarded successfully. We helped finance large infrastructure projects by arranging syndicate facilities.

Our reach of customers enabled us to provide services to corporates in various sectors in infrastructure, education, construction, tourism, plantation, trading and commerce.

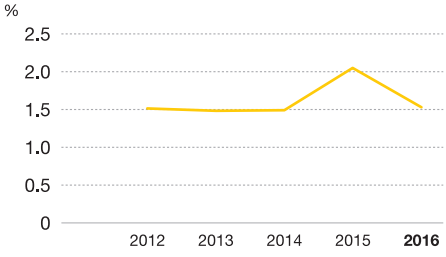
Sector-wise Distribution of Corporate Portfolio



The deposit base saw a year on year growth of 15% against the previous year.

The NPA ratio reduced from 2.05% in 2015 to 1.53%, marking an improvement in the health of the portfolio. This was a result of improving the credit standards, monitoring and follow up. This compares with the industry average of 2.6%.

NPA Ratio



Initiatives During 2016

We targeted new high networth corporate entities during the year. Customer interactions by way of customer felicitations were held during the year as well as improvements to branches to provide a superior customer service in a friendly atmosphere.

Investment in continuous training for the staff, including overseas training was provided. Motivation of staff engaged in the corporate banking sector took place with performance-based rewards, CSR activities etc.

A risk-based pricing system was introduced in order to align price to the perceived risk and to increase the Bank's competitiveness.

Significant investments in technology was undertaken to bring about technology-driven process improvements. A new Trade Finance system and credit administration system are among these investments.

Future Strategies

The Corporate Plan includes challenging targets for the coming years, including a 50% increase in exposure to the private sector. We are confident of achieving these targets given the experienced staff strength and the continuous staff development through training. Our objective is to develop the corporate banking portfolio to achieve a well balanced portfolio with a diversified product range. We will forge ahead with automation to provide a fully-automated solution that blends with the business of the clients.

Given the renewed focus on project financing, we also plan to set up a separate division specialising in the subject area. In order to diversify our stream of income and meet new challenges, we are working on increasing non-fund-based income or fee income.

Trade finance is a priority area in our new corporate plan. Improvements to process and controls to maintain NPA at low levels will be a key priority.

We will continuously focus on providing tailor-made solutions to meet our corporate clientele. Towards this end, we will keep on developing our staff skills.

It is also intended to use our corporate banking channel to cross sell our retail products thereby increasing effectiveness.

Trade Finance Division

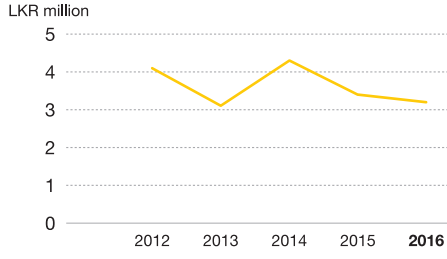
The Trade Finance Division is a key Division for the Bank facilitating Import and export trade services. Apart from its core business it also provides advisory and other consultation services to the Government, customers, other stakeholders and to the industry at large. The BoC Trade Services Division has continuously maintained the market leadership position and also the highest ethical standards relating to Trade Operations and comply with all rules and regulations issued by regulatory authorities. It also gives us great pride that our trade services team has the best knowledge and largest experience pool in the local trade finance industry and also the highest negotiation abilities that allow competitive pricing for customers. Our excellent long standing relationships with the extensive correspondent banking network enables us to meet the most complex customer requirements effectively. Given the stature of our Trade Services Division, Bank also facilitates to develop trade-related Government policy.

Our customer relationships are maintained mainly through corporate client get-togethers, providing advisory services and quoting competitive rates for high net worth customers.

This is the only division of the Bank to possess the ISO 9001 2008 certification, which is being maintained since 2011. Our staff in this Division are provided with local and international training along with Outbound Training to constantly upgrade their levels of knowledge and skills. BoC Trade Finance is also represented on the Trade Finance Association, ICC which enables our staff to gain knowledge relating to the latest international practices.

We provide a national service by being the banker for foreign funded government projects and also through conducting seminars on trade finance for university students.

Fee & Commission Income



Activities in 2016

Programmes were conducted to disseminate knowledge on Trade Finance for branch staff in order for them to effectively promote import and export services to branch customers. Private sector exposure increased by 4% during the year. Although the overall non-fund based income for the Bank declined, income from export related services recorded an impressive 22.6% growth, while import related income declined. The reduction in import related income was mainly due to policy initiatives by the Government to reduce vehicle imports and decline in import of crude oil/petroleum. Our initiatives to target export customers through the branch network and the increased private sector exposure resulted in increase in export related income.

Future Strategies

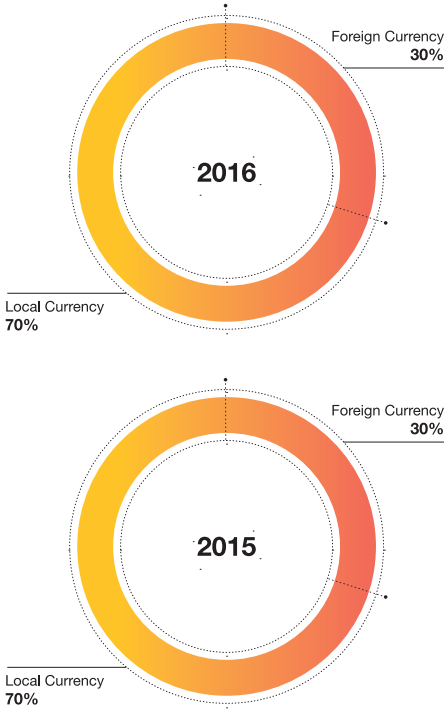
The Bank is in the process of acquiring a state-of-the-art trade platform to enhance the service quality offered to customers. In addition, BoC Trade Services Division is in the process of developing an export diversification plan for the country together with public and private sector institutions which is aimed at diversifying export products and destinations.
In line with Government strategy to develop SME sector, our Trade Services Division is also planning to enhance the coordination with Export Development Board to address exporters in the SME sector as a strategic move to capture potential future customers for sustainable growth in the trade finance sector.

International, Treasury, Investment and Overseas Branches

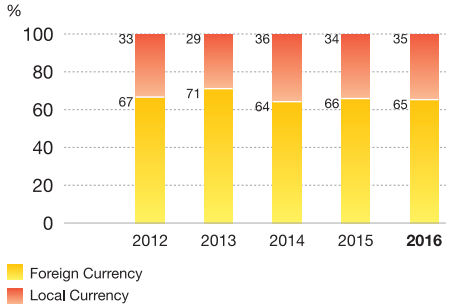
Handling the rupee and foreign currency funds, these key divisions play a critical role for the Bank. Having the largest deposit base for a financial institution, and amounting to over Rupees one trillion, the operations of these divisions are critical for the stability of the Bank and render an invaluable service to the economy. Access to customer deposits through the largest branch network certainly places us at an advantageous position. The investment of the Bank's funds, foreign exchange management and Asset and Liability management are key functions handled by these divisions. Treasury Division generates 36% of total income. Therefore, the strategies that are adopted for these divisions are critical. BoC also joined the on-line USD clearing system in order to process transactions faster.

During the year, the deposits recorded an increase of 13% over the previous year while borrowings decreased by 21% improving the gearing ratio. Accordingly, deposits constituted 76% of the funding structure for BoC with borrowings at 18%.

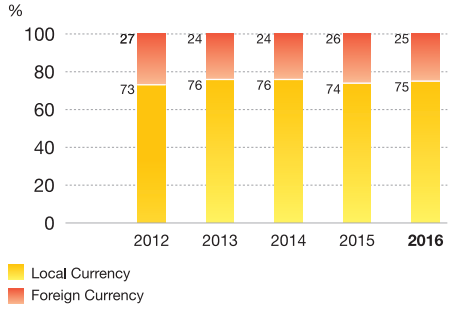
Funding Base



Local & Foreign Currency Borrowings



Deposit Mix



Remittances

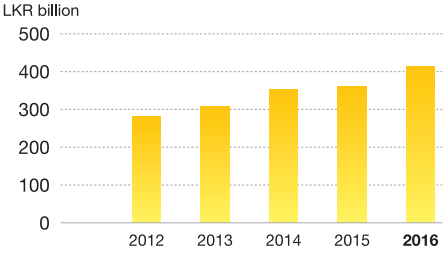
Having the largest market share of 43.5% of the inward remittances from migrant employees, BoC plays a pivotal role in boosting the FX reserves and the Balance of Payments (BOP) of the country. Our remittances sector grew at over 14% as against the industry growth of 11% indicating the success of strategies adopted, through the overseas branches as well as the tie ups with Exchange Houses in other countries. During 2016, significant increases were observed in remittances from Korea and Italy.

Some of the strategic initiatives that we have adopted to increase remittances include, tying up with major Exchange Houses overseas and global money transfer operation, direct SWIFT links with overseas banks to speed up the process, increasing the number of BoC representatives in overseas and improvement of customer service and staff training. In addition, 'BoC Triple *Vasi*' raffle draw was organised to promote inward remittances including Non-Resident Foreign Currency deposits (NRFC). Town storming campaigns were

conducted to make people aware of the facilities available for inward remittances through the banking system. This campaign also covered other banking facilities available to expatriates and their families such as housing loans for the construction of residences and basic information such as investing money. It was expected to bring in remitters those who make use of non-banking channels such as hawala and undial to the banking system.

Also the International Division conducted awareness programmes regularly at Sri Lanka Bureau of Foreign Employment Training Centre for prospective migrant employees on foreign currency deposit and remittances through banking channels.

Inward Remittances



The competition in the banking industry remained high for attracting foreign currency deposits. However, BoC maintains a sizeable market share amounting to 31%. The foreign currency deposits amounted to 25% of the total deposit base of the Bank.

Correspondent Banking

Correspondent banks are financial institutions overseas that facilitate wire transfers, conduct business transactions, accept deposits and facilitate trade transactions on behalf of our customers. BoC is proud of its largest network of correspondence relationships totaling 762 with financial institutions facilitating international banking transactions of which seven new relationships were established in 2016. The sector indicated a growth of 45% over the previous year.

Treasury Division

The Treasury of a bank plays a vital role in managing the foreign exchange (FX) operations of the Bank and ensuring that the business of the Bank runs smoothly and that the Bank has sufficient liquidity to meet its obligations by managing inflows and outflows of funds. Whilst satisfying compliance requirements, it also ensures the optimal pricing of products. In this context, Treasury also plays a key role in managing relevant business and financial risks.

With the ever increasing pace of change to regulation, compliance and technology in the financial sector, Treasury Division has increasingly become a strategic business partner across all areas of the Bank, adding value across the operation.

Apart from handling the foreign exchange transactions, the general functions of the Treasury Division encompass money market dealing, equity trading, fund management, investment in Government Securities, pricing of products and maintenance of the Statutory Reserve and liquidity ratios.

With investment in state–of-the-art technology, the Treasury Division contributes significantly to the overall profitability of the Bank. Given the magnitude of the operation, BoC Treasury has commanded a leadership status in the banking industry for over a decade.

During the year under review, the lending and deposit rates of commercial banks indicated an upward trend, in line with the movement of Policy Rates. The Average Weighted Fixed Deposit Rate (AWFDR) edged upward at the end of 2016 to 10.46% from 7.57% in previous year. Also the Average Weighted Prime Lending Rate (AWPLR) increased to 11.52% from 7.53%. The Monthly Average Weighted Deposit Rate (AWDR) increased to 8.17% by end 2016.

In quoting FX rates, consideration is given for priority sectors of the economy, such as petroleum and pharmaceuticals etc.; that involve large amounts of exchange. In line with the social responsibility that BoC has taken upon itself, the rates quoted are not only targeted at profit generation, but more in line with social responsibility.

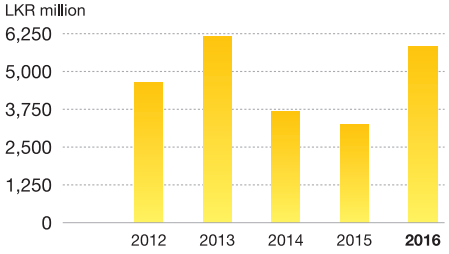
The biggest challenge faced during 2016 was managing the narrowing net interest margins (NIM). The key factors that affected interest rates during the year were inflation, the hike in policy rates and the withdrawal of foreign funds from the bond market. As such, the key concerns for Treasury Division were managing liquidity ratios subsequent to the increase in the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) in February and July 2016 by 0.50% respectively.

Treasury is in the process of implementing a new system for Asset and Liability Management (ALM) Unit which will facilitate the generation of required reports and will invariably enhance the decision-making function of the Bank.

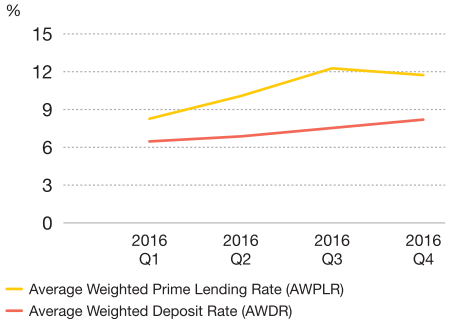
While actively participating in the Government Securities market in both Treasury Bills and Bonds, the Treasury was able to secure a significant capital gain from the Government Securities portfolio in comparison to previous year.

The uncertainties surrounding the exchange rate movement and the pressure exerted on both supply and demand sides increased the volatility of the exchange rate.

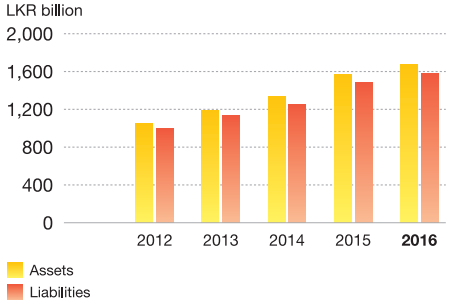
Exchange Income



Movement in AWPLR & AWDR



Assets and Liabilities Movement



Deposit Products

NRFC ACCOUNT

NRFC account is an account which can be opened by Sri Lankan migrant workers, non-resident Sri Lankan nationals or foreign nationals with Sri Lankan origin. NRFC accounts can be opened in the form of savings and fixed deposits.

Non-Resident Foreign Currency Fixed Deposits (NRFC FD)

NRFC savings account holders can open NRFC fixed deposits with initial minimum deposit of USD 1,000 or equivalent in any other designated currency.

Resident Foreign Currency (RFC) Accounts

Any individual resident in Sri Lanka, whether a citizen or a non citizen, is eligible to open a RFC account with an initial deposit of USD 100 or equivalent in any other designated currency.

Non-Resident Foreign Currency Minor Account and Resident Foreign Currency Minor Accounts

NRFC and RFC account holders can open minor NRFC and RFC accounts for their minors. Accounts should be opened and maintained only by parents or legal guardians of minors. A RFC minor account could only be opened if the minor is a resident in Sri Lanka while the parent/legal guardian is residing/ working abroad, whilst a NRFC minor account could only be opened when both the minor and parent/legal guardian reside abroad.

Resident Non-National Foreign Currency Savings Account (RNNFC)

Foreign nationals residing in Sri Lanka temporarily or permanently can open RNNFC accounts. Accounts can be opened in the form of savings accounts.

Foreign Exchange Earners Accounts (FEEA)

Account for foreign exchange earners in order to facilitate foreign exchange transactions.

Investment Products

Treasury Bills and Treasury Bonds

Treasury bills are risk-free investment products with maturities of 3, 6 and 12 months. Treasury bonds are risk free investments with maturities of 2 years and above.

Debentures

Debentures are issued in initial public offerings (IPOs) or rights issues. BoC acts as Managers, Bankers, Lawyers, Registrar and Trustees to all debt and Equity issues.

Other Products and Services

BoC SMARTremit

Inward Remittances Department acts as the centre for receiving inward remittances from banks and exchange houses worldwide. The Department is well equipped and linked with all branches to extend an efficient service to customers. BoC maintains the largest correspondent banking network a Sri Lankan bank has, and therefore is geared to provide an excellent service to emigrants across the world.

Corporate Advisory Services

Our Corporate Division has dedicated, well trained and experienced staff that provide corporate advisory services for our valued corporate clients in areas of fund management, investment and portfolio management.

Outward Remittances & Travel Services

BoC facilitates outward remittances for migrants and also for many other permitted outward remittances through SWIFT transfers.

Fund Management Advice

Advise on various investment avenues to obtain best yields on your different portfolios.

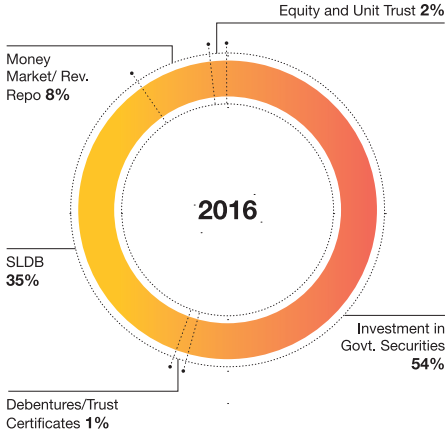
Investment Activities

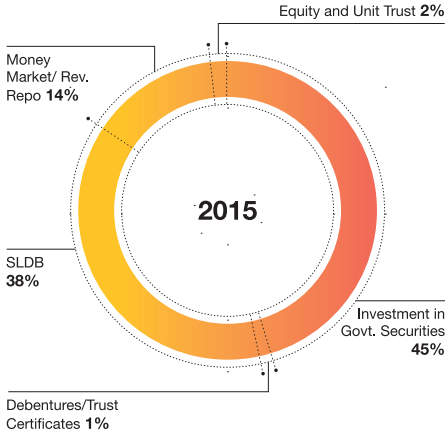
This division invests the funds of the Bank in line with the Bank's investment policy. BoC assists the Government to develop the capital market as a key participant in Sri Lanka Development Bonds (SLDBs) and raise foreign currency funds for the Government for its activities. The key activities during the year were raising LKR 8 billion worth of debentures to augment the Tier II capital for the Bank, increasing investment in fixed income securities by 71% and commencing portfolio management activities for high net worth (HNW) clients. The latter activity helps HNW clients manage their investments in line with their preferred risk/return appetite and earns fee-based income for the Bank.

The Bank's investments are also chanelled into Government Securities, Debentures and the capital market. Through the investment activities of BoC, the Bank's asset and liability management is carried out and also provides liquidity to the market.

During the year, the investment portfolio indicated an overall decline mainly due to factors affecting investments not being up to the expectation of the Bank, compared to opportunities available.

Investment Portfolio

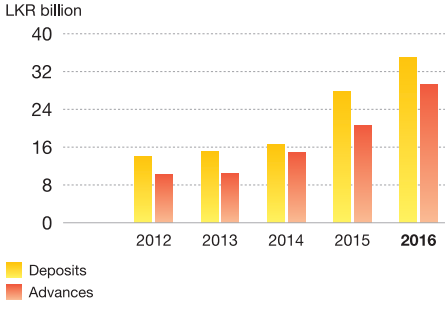




Overseas Operations

Bank's overseas branches in Malé, Chennai and Seychelles and the subsidiary in UK improved their performance in 2016 and the momentum is expected to continue in 2017. Malé Branch recorded the highest ever profit notching it up by 83% while Chennai Branch also increased its profitability.

Deposits & Advances (Foreign Branches)



Future Strategies

Under the corporate plan for 2017-2019, BoC plans to expand into new markets, rationalise equity investment portfolio by deploying investment advisors, enhance trustee/custodian service-business through Unit Trusts and institutional investors, expand portfolio management services in a customised manner to HNW individuals and pension funds etc. Staff training to enhance the investment skills of staff will also be a strategic priority.

We plan to expand our overseas presence to new locations and new countries under the Government initiative on sectoral Dialogue Partnership with ASEAN. It is also expected that the overseas operations will be economically viable providing a sufficient return to the Bank. This is to be supported by a strengthening of the reporting and control oversight by Head Office.

The Treasury Division intends to optimise the Asset – Liability structure to maintain a net interest margin (NIM) of over 3.6% in 2017. This is to be achieved through automation of the ALM process for high levels of data accuracy. Conducting awareness programmes for HNW customers in respect of the services available under portfolio management and treasury products as well as training for dealers to enhance their knowledge in treasury operations/products will also be carried out. Explore possibilities of arranging syndicate loans or issuing international USD bonds for funding requirements will also be undertaken.

Business Partners

Third parties who supply goods and services to the Bank, outsourced service providers and correspondent banks, are considered our partners who engage with us in carrying out our business.

It is important to maintain a good relationship with business partners in order to ensure that the goods or services supplied are of the required

standard, enabling BoC in turn to carry on its activities smoothly and in an uninterrupted manner. Building long-term relationships with business partners will enable both parties to build lasting relationships based on trust.

Correspondent banks provide services to the Bank to facilitate transactions in foreign currencies.

As a state bank, all procurements for the Bank have to be carried out in a transparent manner, in accordance with laid down procedures. Calling for tenders for the procurement of goods and services is a requirement.

Engagement

- Press advertisements, notices
- Notices on the web site
- Meetings with suppliers and service providers
- Bank outsourcing policy and other internal procedure documents
- Written communications with correspondent banks

Regulators

As a licensed commercial bank, BoC is primarily regulated by the Central Bank of Sri Lanka (CBSL). The Bank is subject to the prudential regulations, Directions and guidelines issued by CBSL. Following these regulations are key to ensuring the safety and soundness of the Bank and thereby that of the financial system. Any breaches of regulations could lead to penalties being imposed on the Bank, other regulatory actions such as sanctions on operations and subject the Bank to reputational risk.

BoC has to also follow directives and guidelines issued by other institutions such as the Inland Revenue Department, Colombo Stock Exchange and the Credit Information Bureau.

Maintaining a healthy relationship with these institutions will facilitate the smooth functioning of the day-to-day operations of the Bank and avoid any reputational risk to the Bank.

Engagement

- Primarily through written correspondence
- Meetings and discussions

Membership in Industry Related Associations

- Asia Pacific Rural and Agricultural Credit Association (APRACA)
- Association of Banking Sector Risk Professionals, Sri Lanka
- Institute of Bankers of Sri Lanka
- International Chamber of Commerce, Sri Lanka
- The National Chamber of Commerce, Sri Lanka
- Sri Lanka Banks Association (Guarantee) Limited
- Sri Lanka Law Library
- The Ceylon Chamber of Commerce
- The Financial Ombudsman of Sri Lanka (Guarantee) Limited
- Association of Compliance Officers of Banks, Sri Lanka
- Bar Association of Sri Lanka

RECOGNISING OUR EMPLOYEE' EXCELLENCE

Achievements in 2016

- Provided 41,532 hours of training through 1,139 programmes on relevant fields for employees of every category
- Made vast improvements to our process relating to human resource management through the automated Human Capital Management (HCM) system which enables, among other things, payroll and benefit administration and human resource profile management

Planned for 2017

- Expedite recruitment on provincial and district basis in a transparent manner
- Optimise employee costs as it is the most significant overall cost component
- Improve Human Resource Policy Framework in line with Sri Lankan labour laws and international best practices

Number of Employees

7,569

Total Investment on Employee Training

LKR 298.8 million

Profit per Employee

LKR 4.1 million

Human Capital

We consider our Team, our people, as our greatest strength that enabled us to reach the height of excellence, including the triple trillion (Assets, Deposits, Advances) during the year. Numbering 7,569 in total, their tireless efforts throughout the year and dedication to their tasks has made BoC undisputedly the No. 1 Bank in Sri Lanka and contributed to the increase in the financial capital. That is why, we go to great lengths to ensure that we select the right people and place them in the right place for the right job. The compensation and reward schemes at BoC are competitive and intended to keep all employees content at the work place. In other words, every effort is made to ensure the well-being of the staff, so that they can, in turn, give their best at the workplace.

All new recruits are provided with induction training so that they can easily blend into the culture and work ethics of the Bank. The compliance culture is inculcated in all employees from the stages of first joining. Furthermore, all staff are provided with job-related training to ensure that they have the requisite level of knowledge to perform their tasks.

Our content workforce is the greatest team of ambassadors of the No. 1 Brand, providing exemplary customer service to our worthy customers.

The attrition rate at BoC, which is below 1%, is one of the lowest in the industry, which speaks volumes of the effectiveness of our HR management process. Our commitment to taking care of our employees was recognised by being awarded the Asia Best Employer Brand by Employer Brand Institute and World HRD Congress in 2016, which encourages us immensely.

Our Team brought glory to BoC winning the Institute of Bankers of Sri Lanka (IBSL) Quiz in 2016.

Introduction of Automated Human Capital Management System

During the year, we made vast improvements to our process relating to human resource management.
The automated Human Capital Management (HCM) system, which was an investment towards better managing our people, went live in 2016. This system facilitates the streamlining and organising of our human resource management process. The salient features provided by the HCM system are:

- Payroll administration (salary, pension, W/W&OP, bonus, incentive etc.)
- Benefit administration – medical and other staff payments
- Managing staff loans
- HR profile manager (employee details)
- Employee self-service (salary receipt/ leave/PF balance/Employee Liability Report/medical balance)
- Competencies and job descriptions

With the operationalisation of the HCM System, talent management was rationalised and the HR management process is automated to the greatest extent possible.

It is intended to use the HCM System to create and manage a career portal thereby providing easy access to the management, the staff and future aspirants to identify career opportunities. This will provide a one stop tool for all HR related matters as training and development, too will be tracked through the system. All employee records will be available via the HCM System, paving the way for a greener HR management process.

Selection and Recruitment

As a state bank, our process of recruitment is fair and transparent. We endeavour to ensure that we have the right mix of talent to suit the requirements of the Bank. Recruitment is mostly done at entry level, for management trainee positions and staff assistants. The talent acquisition process is fair and just, free of gender, age or ethnicity bias. The process also ensures geographic representation as far as possible so that employees can be positioned at branches close to their hometowns. Our team of employees is well diversified, consisting of 44% males and 56% females.

Recruitments done in 2016 consisted of the following:

- Trainee Development Assistants – 73
- Trainee Assistant Legal Officers – 10
- Trainee Court/Notary Clerks – 08

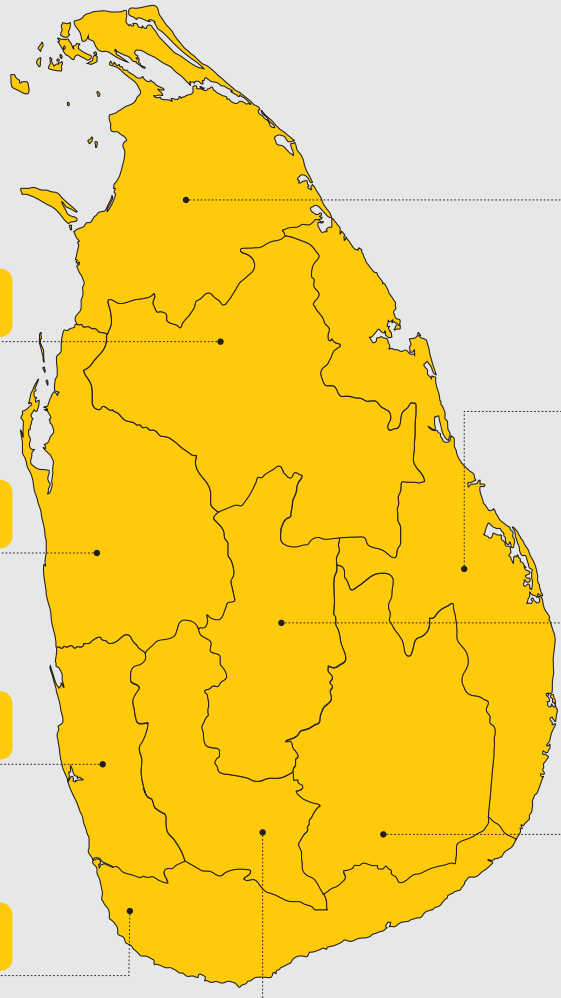
BoC prides itself in being an equal opportunity employer and selections are based on qualifications and suitability. Our non-discrimination policy is demonstrated in our distribution of employees.

With the emerging business needs the Bank has planed to provide employment opportunities for youth in 2017.

Training and Development

Identifying development needs and providing training is a key aspect of employee talent management at BoC. This enables our staff to keep their knowledge and skills updated in order to provide a better service to our customers. It also provides the opportunity to build up the knowledge and pursue their career aspirations. This indicates our commitment to educate, up skill the knowledge and talents of staff. Training requirements may be self-identified or on the recommendation of the supervisor.

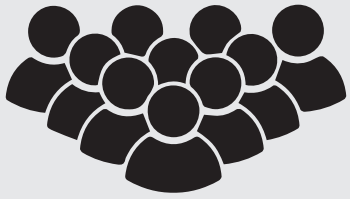
Workforce by Geographical Distribution



North Central Province				
	–	–	278	287	2015
	16	1	254	281	2016
North Western Province				
	–	–	286	377	2015
	9	4	256	358	2016
Western Province				
	–	–	1,580	1,940	2015
	3	4	1,502	1,860	2016
Southern Province				
	–	–	234	463	2015
	6	6	206	445	2016
Nothern Province				
	–	–	264	243	2015
	–	1	248	235	2016
Eastern Province				
	–	–	260	166	2015
	10	1	251	162	2016
Central Province				
	–	–	280	379	2015
	3	2	254	354	2016
Uva Province				
	–	–	167	252	2015
	14	2	159	245	2016
Sabaragamuwa Province				
	–	–	222	302	2015
	6	3	209	290	2016

	Workforce		New Recruits	
Total				
2015	3,571	4,409	–	–
2016	3,339	4,230	67	24

Workforce by Nature of Employment and Gender



	Full Time		Outsourced		On Contract		Total	
2015	3,571	4,409	1,238	31	6	–	4,815	4,440
2016	3,339	4,230	1,242	28	26	5	4,607	4,263

% by Gender

2015	45%	55%	98%	2%	100%	–	52%	48%
2016	44%	56%	98%	2%	84%	16%	52%	48%

% by Nature of Employment

2015	86%	14%	–	100%
2016	85%	15%	–	100%

Workforce by Period of Service (2016)

	No.	%
> 20 Years	1,589	21
15-19 Years	247	3
10-14 Years	950	13
5-9 Years	2,506	33
< 5 Years	2,277	30

Workforce by Age Distribution According to Employment Category

	18-24 Years		25-34 Years		35-44 Years		45-54 Years		55-60 Years	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Corporate Management	–	–	–	–	–	–	5	4	9	13
Executive Management	–	–	–	–	–	1	11	12	42	37
Chief Manager	–	–	–	–	2	8	29	27	71	55
Senior Manager	–	–	–	–	49	68	47	57	84	80
Branch Manager and Other Officer Grades	–	2	1,551	1,541	547	671	380	338	911	597
Management Trainees	3	9	201	145	3	3	–	–	–	–
Staff Assistants and Allied Grades	637	271	2,438	2,701	124	120	165	123	144	147
Office Assistants and Allied Grades	21	9	151	141	167	183	111	149	77	57
Total	661	291	4,341	4,528	892	1,054	748	710	1,338	986

The Bank has an in-house training centre, Central Training Institute (CTI) a fully-equipped training center with inhouse trainers to facilitate the training process. Over 700 training programs were conducted at the CTI during 2016, including 63 training programmes for security personnel on a wide range of subjects, some programmes by accredited trainers. Selected employees are also enrolled for training at various other local training institutions on a needs basis, while overseas training and secondments are also provided to enhance the skills and provide on the job training.

recruitment is done mainly at entry levels and employees are promoted and appointed from within the existing cadre to fill in any positions that arise. Promotions to higher grades are made based on meritocracy on the basis of the results of examinations conducted to assess the preparedness and suitability of employees to take up such positions. During the year, two such promotion examinations were conducted. The Bank may recruit the services of consultants for specialised areas for skills that are not available within the Bank. During the year 729 promotions were executed.

It also creates an obligation on the management to develop the new joiners to succeed to higher management positions and be the next generation leaders. This is well addressed in our talent management and development programme.

The Bank maintains an open door communication policy, which will foster better employer-employee communications and better staff morale.

Number of Employees Trained

	No. of Employees				Average Hours of Training			
	2016		2015		2016		2015	
	Male	Female	Male	Female	Male	Female	Male	Female
Corporate management	15	2	11	3	47	36	109	53
Executive management	40	10	44	6	25	36	60	75
Senior management	313	254	327	221	15	14	45	60
Executives	1,085	1,852	1,095	1,772	7	4	27	23
Trainees and others	1,886	2,112	1,738	1,930	5	4	30	25
Total	3,339	4,230	3,215	3,932	99	94	271	236

Number of Programmes and Participants in 2016

Description	No. of Training Programmes	No. of Participants
In-house	708	31,507
Local institutions	293	1,655
Overseas	138	413
Total	1,139	33,575

The training and development activities also take into account the succession planning for the Bank. Identified talented managerial staff are groomed and encouraged through the talent management process to build their skills to take up the next level challenges. This ensures that the Bank has a pool of talented people capable of taking up higher level challenges at all times. This is especially crucial since

Our staff at all levels are encouraged to acquire skills and knowledge and many facilities are provided to facilitate such learning. Library facilities are provided at the CTI, which all employees are encouraged to make use of. The e-Library was a new initiative introduced in 2016, which provides easy access to a vast array of reading material.

BoC has a mix of young blood and experienced hands, with a relatively young team at initial levels, nearly 64% of the workforce are below 35 years of age. At the same time, at senior levels, our management consists of well experienced, seasoned officers who add tremendous value to our operation. It gives us an ideal balance in terms of experience, maturity and dynamism.

Training to staff

The Best for the Best – Recognition and Reward

BOC is one of the most preferred employers in the industry and we continue to evolve our HRM processes at all times in order to continue in that position. Our ultimate objective is to create a win-win situation for both employees and the Bank through better HRM.

It is very significant that the average basic salary and total remuneration for males and females has a 1:1 ratio for all categories of staff. This demonstrates our commitment to gender equality.

One of the key aspects of the HRM process is the recognition and reward of staff to encourage and motivate them further.

How...the Process

We continue to align the employee reward and recognition process in line with achievement of business targets, inculcating a performance based culture.

Cordial Industrial Relations

The Bank always strives to maintain healthy industrial relations. Maintaining a cordial rapport with the Trade Unions, the management has a continuous dialogue and lends an ear to the issues raised by the union members. During the year, regular cordial meetings were held with the unions. Out of our employees, 97% hold a membership of a trade union.

Employee Engagement and Welfare Activities

Activities that promote staff engagement, in line with the Bank's calendar of events, form an important component in promoting employee engagement. The following are some events that took place during the year.

- Sports meets in all provinces and inter-province sports meet
- Health awareness programmes
- Religious activities pertaining to all religions emphasing the multi-ethnic and multi-religious character of the Bank
- Colours Night - Rewarding the branches that excelled in their performance.

CSR activity by employees

IBSL Quiz winning team

BoC – Colours Night

Compensation and assistance is provided to staff who are affected by natural disasters, tragic circumstances and personal accidents.

In addition, activities that promoted corporate social responsibility were conducted such as the Blood Donation Campaign, which brought the Bank closer to the communities it serves and also promoted staff engagement.

The staff also took part in team building activities and team engagement activities that were conducted.

Health and Safety

Looking after the health of our employees to create a healthy work force and ensuring the safety of our employees at the work place take priority at BoC. An in-house Doctor is available for employees' convenience in case of an unanticipated illness at work. The comprehensive medical insurance scheme available for all employees, covers employees and their family members for OPD treatments to surgeries.

Fire officers have been appointed for each division at head office and branches and regular fire drills are conducted to reiterate the safety procedures in case of an eventuality. In addition, all areas at head office and branches have CCTV surveillance. The Bank's Security Services Department is staffed with personnel who are trained in the subject matter.

A comprehensive Business Continuity Plan is in place that could be activated to resume the business operations, including critical systems, from alternate locations, in the event of a disruption to normal business. This Plan is tested periodically to ensure prompt activation if the need arises.

Grievance Handling

Resolving employee problems at the workplace is handled primarily by the Human Resource Department. Employees are encouraged to voice their grievances so that they can be resolved.

Human Rights

BoC upholds the human rights of all employees and has taken all possible steps to ensure that employees are treated equally, with appropriate dignity and respect and without discrimination. The Bank continuously aligns its HR practices in line with local regulations and international best practices.

Retirement Benefits

All employees of the Bank are members of the Bank of Ceylon Provident Fund, to which the Bank contributes 12% of employees' monthly gross salary, while employees contribute 8%. All employees of the Bank are members of the Employees Trust Fund, to which the Bank/Group contributes 3% of the employees' monthly gross salary.

All employees recruited to the Bank are entitled to a non-contributory pension on retirement, if they have completed a minimum of ten years of continuous service.

Human Rights Grievances

	Number
Brought forward from 2015	7
Total number of grievances reported in 2016	12
Total number of grievances resolved in 2016	15
Total number of grievances outstanding at the end of the year 2016	4

Turnover – Age Groups and Gender

Age Distribution	2016			2015		
	Male	Female	Total	Male	Female	Total
25-34	6	26	32	9	16	25
35-44	1	–	1	2	4	6
45-54	–	1	1	–	–	–
55-60	273	173	446	363	182	545
Total	280	200	480	374	202	576
%	58	42		65	35	

Work-Life Balance

It is our belief that a proper work-life balance will produce a contended workforce who will, in return give their best to the Organisation. Towards this end, our recruitment process tries to identify, as much as possible, people from the same geographical area. All permanent staff are required to utilise seven working days' annual leave at one stretch as required by regulation and also as a means of improving work-life balance.

The Bank maintains 10 holiday resorts in different areas of the country. The facilities were availed to a total of 10,295 employees and their family members during the year.

Reasons for Turnover

Reasons	2016	2015
Joining other competitive organisations	–	–
Joining other organisations	5	8
Migration	17	18
Higher studies	3	–
Personal reasons	9	5
Retirement	446	545
Total	**480**	**576**

Our Vision for Our Team – 2017 and Beyond

Going forward, we will continue to align the HR strategy in line with the business strategy of the Bank. The staff acquisition policy as well as training and development activities will be targeted towards developing the skill set required to carry out the business strategy. This will help us rationalise the staff costs.

- It is our vision to remain a preferred employer in the industry, with a low staff turnover. We will continue to evolve our HR practices so that our staff will be content and contribute to the well being of the organisation, keeping our customers and stakeholders happy.
- With the emerging business needs, the Bank plans to provide additional employment opportunities for youth in 2017.

BEACON FOR PROGRESS AND GROWTH

Achievements in 2016

- Initiated ‘Green Banking’ concept
- Recycled 95,272 kgs of waste papers
- 12 branches were recognised at ‘National Productivity Awards' 2015/16’ for ‘5s’ implementation

Planned for 2017

- Expand ‘Green Banking’ concept to entire branch network
- Progress on paperless environment through Document Management, work flow automation system and mobile apps
- More focus on ‘Sustainability Development Goals’

Saved through waste paper recycling

Fully grown trees **1,620**

Oil **167,202 litres**

Electricity **381,088 Kwh**

Water **3,027,744 litres**

Land fill **286 m³**

Green house gas emission by carbon equivalents of **95, 272 kg**

Natural Capital

Each of us has a responsibility to preserve the nature and the natural resources of the earth. When it comes to the No. 1 Bank in Sri Lanka, there rests an enormous obligation to work towards preserving the environment. But to us at BoC, as a responsible corporate citizen, supporting sustainable initiatives comes naturally. As such, we have implemented many sustainable initiatives to preserve nature and also to be in harmony with the environment. The sustainable development goals adopted by UN countries in 2015 aim to reduce world poverty, promote equality and preserve the environment. We have embraced these goals and have implemented measures in that direction.

A bank uses up resources such as electricity for lighting, air conditioning and use of other electronic devices as well as use a large amounts of water and paper. The use of such resources can have an impact on the environment. Thus, our responsibility is to ensure that we minimise our emissions, the use of non-renewable energy sources and reduce our carbon foot print to the greatest extent possible.

Consumption

Electricity (Mwh)

	Consumption	Per head Consumption
2016	21,493	2.84
2015	17,331	2.17

Water (m^3)

	Consumption	Per head Consumption
2016	386,779	51.10
2015	305,501	38.28

Fuel (Litres)

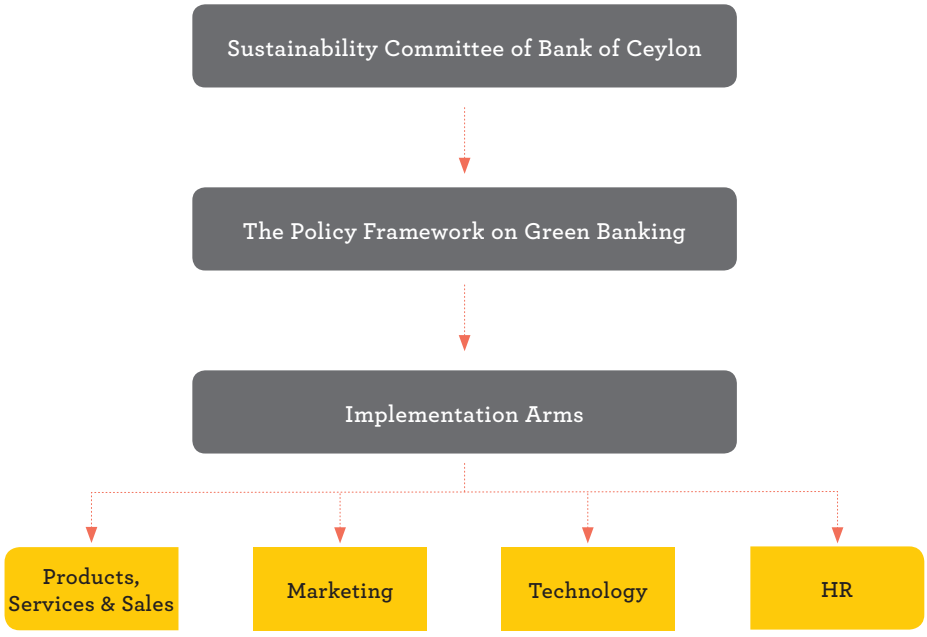
	Consumption	Per head Consumption
2016	929,853	122.86
2015	523,204	65.56

To coincide with the 77th Anniversary of our Bank, we adopted green banking and launched a green banking policy to carry out our day-to-day operations in a sustainable manner. This involves support from many stakeholder groups.

The policy framework is driven by the Sustainability Committee of the Bank and implemented through the operational divisions within the Bank under the leadership of the Corporate management members.

Each division reports the progress of initiatives undertaken back to the main committee on a quarterly basis for monitoring of progress. The setting up of the Sustainability Committee and adoption of the green banking logo were important milestones in this regard.

We are extremely pleased that our initiatives towards adopting sustainable measures have been recognised by the World Sustainability Organisation by naming our General Manager among the 100 Global Sustainable Leaders at the World Sustainability Congress held in Dubai. World Sustainability Organisation is a non-profit organisation advocating government bodies, private organisations and public interest groups in the world for sustainable leadership in accelerating sustainable business practices and solutions.



BOC Green Banking
Let us save nature

We have undertaken the following initiatives under the green banking framework:

Green Lending

As part of our green banking initiatives, we have supported environment friendly projects such as purchase/installation of solar power panels, purchase of eco-friendly cars such as hybrid cars and electric cars. As an incentive for promoting these green initiatives, a concessionary rate of interest is also offered on these lending.

In our lending activities, we have a mandatory declaration by the customer that the project/activities undertaken do not cause any damage to the environment and are in line with standards set by environmental authorities.

Promoting the 'Green' Concept

Through our advertising campaigns, we have made customers and stakeholders aware of the need for preserving the environment and ramifications of not doing so.

SmartGen, our paperless product was promoted as an environmentally friendly product, highlighting its special features. We encouraged customers to subscribe to eStatements instead of printed statements in order to reduce the usage of paper, and encouraged the move through gift schemes. We promoted the use of internet banking which would be a convenient payment method for customers and save time and natural resources.

We also promoted green banking through advertising campaigns and supported the activities of eco-friendly groups.

Promoting Technology Based Products

The technological advances we made with regard to products, channels and our internal processes helped in our green initiatives too. The technology based products were introduced and the digital channels were promoted not only for competitive advantage, but also as a means of reducing the use of paper. During the year, 71,673 customers enrolled for internet banking and 42,623 SmartGen accounts were opened, bringing the SmartGen accounts to 101,726 level as of end 2016, marking success of our campaigns. Further, on line authorisation of loans through the Document Management System (DMS) significantly reduced the use of paper by the Bank for printing. The use of digital technology to reduce the use of paper, eg: Board papers submitted to Board members via on line channels.

Increase Staff Awareness and Involvement

Staff awareness on the concept of green banking and conserving resources were communicated regularly through emails and by posting on the intranet.

Reuse of paper, using double sides for making copies and printing were promoted actively among staff in order to reduce usage of paper.

Promoting the Green Concept through the Branch Designing and Construction Process

We actively lived the green banking concept and set an example for other stakeholders through our branch designing concept.

Some of the initiatives that were introduced were as follows:

- Appropriate disposal of e-Waste
- Use of non-toxic materials in construction of branches, fixtures and furniture
- Wherever possible, installation of solar power panels for generating the energy needed for the branch
- Apply separate waste sorting systems
- Use of LED bulbs for lighting purposes and maximising the use of natural light in branch designs
- Installation of air conditioners with sensors
- 'Green Gardens' at branches

Apart from these, used paper is recycled through Neptune Recyclers. Accordingly, 95,272 kgs of waste paper were recycled during the year.

Way Forward

The vast strides that we have made in embracing sustainable measures in our operations and the promotion of same through our banking products is clear testimony that we have adopted green banking as an on going concept. It is quite evident that unless we take swift action to be sustainable in our operations, that our operations also will not be sustainable in the long run. In this spirit, we will continue to foster our efforts towards a 'greener' planet.

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Annual Report of the Directors on the State of Affairs of Bank of Ceylon

1. General

The Board of Directors of Bank of Ceylon take pleasure in presenting their report on the affairs of the Bank together with the Audited Consolidated Financial Statements for the year ended 31 December 2016 of the Bank and the Group and the Auditor General's Report on those Financial Statements, conforming to the requirements of the Bank of Ceylon Ordinance No. 53 of 1938 and Banking Act No. 30 of 1988 and amendments thereto. The Report also includes certain disclosures laid down by the Colombo Stock Exchange Listing Rules and certain disclosures required to be made under the Banking Act Direction No. 11 of 2007 on Corporate Governance for licensed commercial banks issued by the Central Bank of Sri Lanka and subsequent amendments thereto. The Directors reviewed and approved the Financial Statements on 29 March 2017.

Bank of Ceylon is a licensed commercial bank under the Banking Act No. 30 of 1988 and amendments thereto and was duly incorporated on 1 August 1939 under Bank of Ceylon Ordinance No. 53 of 1938 and amendments thereto. The Bank is wholly owned by the Government of Sri Lanka. The unsecured subordinated redeemable debentures issued by the Bank are listed on the Colombo Stock Exchange.

2. Review of the Business

2.1 Principal Activities of the Bank

The principal activities of the Bank during the year were personal banking, corporate banking, development banking, off-shore banking, trade financing, lease financing, primary dealing, investment banking and treasury operations, correspondence banking and money remittances, Islamic banking, bancassurance, pawning, credit card facilities, foreign currency operations and other financial services.

2.2 Subsidiaries and Associates

The principal activities of subsidiaries and associates are given under Notes to the Financial Statements on page 156 and 157.

There were no significant changes in the nature of the principal activities of the Bank and the Group during the year under review, other than changes mentioned under Accounting Policies.

2.3 Changes to the Group Structure

The changes to the Group structure during the year are given in Notes 29 and 30 to the Financial Statements on pages from 210 to 217 of this Annual Report.

2.4 Vision, Mission and Corporate Conduct

The Bank's Vision and Mission are given on Inner Front Cover of this Annual Report. The Bank maintains high ethical standards in its activities whilst pursuing the objectives stated under 'Vision' and 'Mission'.

2.5 Review of the Year's Performance

The Chairman's message on pages 10 to 12 deals with the year's performance of the Bank/Group and on the Sri Lankan economy. The General Manager's Review on pages 14 to 16 provides a detailed description of the operations of the Bank during the year under review.

The section titled 'Profitable Catalyst for Equitable Development' on pages 96 to 103 provides a detailed analysis of business operations of the Bank. These reports that provide a fair review of the Bank's affairs form an integral part of the Annual Report.

2.6 Branch Expansion

The Bank extended its services through the addition of two new local branches during the period under review. The network was further expanded enhancing customer convenience. The Bank installed 133 ATMs, 109 CDMs and 70 School Service Units during the year across the island bringing out the totals to 678, 123 and 1,021 respectively. This number does not include peer banks' ATMs through which customers of Bank of Ceylon can transact.

2.7 Corporate Donations

The Bank has not granted donations for the year 2016 but the Bank has contributed LKR 134.4 million to facilitate Corporate Social Responsibility (CSR) activities during the period under review.

2.8 Directors' Responsibilities for Financial Reporting

The Directors are responsible for the preparation of Financial Statements that will reflect a true and fair view of the state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Banking Act No. 30 of 1988 and its amendments, Bank of Ceylon Ordinance No. 53 of 1938 and its amendments and the Listing Rules of the Colombo Stock Exchange. In the case of subsidiaries, the Financial Statements are prepared also in accordance with the provisions of the Companies Act No. 07 of 2007.

The Statement of Directors' Responsibility for financial reporting is given on page 145 of this Annual Report and forms an integral part of this report of the Directors.

2.9 Auditor's Report

The Auditor General is the Auditor of Bank of Ceylon in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Report of the Auditor General on the Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its subsidiaries as at 31 December 2016 is given on page 146 of this Annual Report.

2.10 Accounting Policies

The Group and the Bank prepared their Financial Statements in accordance with Sri Lanka Accounting Standards (LKASs) and Sri Lanka Financial Reporting Standards (SLFRSs).

The accounting policies adopted in the preparation of Financial Statements are given on pages 156 to 292. There have been no material changes in the accounting policies adopted by the Bank during the year under review.

3. Planned Developments

An overview of the developments planned by the Bank for the future is presented in the Chairman's Message on pages 10 to 12 and General Manager's Review on pages 14 to 16 of this Annual Report.

4. Total Income

The total income of the Group for the year 2016 was LKR 159,701.2 million as against LKR 137,984.4 million in the previous year. The Bank's total income accounted for 96.5% (2015 – 95.3%) of the total income of the Group. The main income of the Group is interest income, which comprises 87.5% of the total income.

5. Dividends and Reserves

5.1 Profit and Appropriations

The Bank recorded a profit before tax of LKR 31,188.7 million in 2016 reflecting an increase of 23.4%, compared to LKR 25,278.9 million recorded for the previous year. After deducting LKR 6,397.7 million (2015 – LKR 7,921.5 million) for income tax, the profit after tax for the year 2016 amounted to LKR 24,791.0 million, which is a 42.8% increase compared to LKR 17,357.4 million profit after tax reported in 2015. Details of the profit relating to the Bank and the Group are given in the table below:

The profit before tax of the Group also increased from LKR 25,476.7 million to LKR 30,117.0 million, an increase of 18.2% in comparison to the previous year. After deducting LKR 6,731.1 million for income tax (2015 – LKR 8,089.3 million) the profit after tax for the year of the Group increased to LKR 23,385.9 million in 2016 from the profit after tax of LKR 17,387.4 million reported in 2015.

5.2 Dividends

The Bank determines the dividends in consultation with the Government, the shareholder of the Bank, prudently, based on profits after deduction of tax, loan loss provision and any such portion for reserves. Accordingly, a sum of LKR 17,346.4 million has been paid out by the Bank as dividends for the year 2016 (2015 – LKR 6,346.4 million).

For the year ended 31 December	Bank		Group	
	2016 LKR million	2015 LKR million	2016 LKR million	2015 LKR million
Profit for the year after payment of all expenses, providing for depreciation, amortisation, impairment on loans and other losses, contingencies and before taxes	37,454	30,095	36,431	30,256
Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	(6,265)	(4,816)	(6,377)	(4,873)
Share of profits/(losses) of associate companies net of tax	–	–	63	94
Profit before income tax	31,189	25,279	30,117	25,477
Income tax expense	(6,398)	(7,922)	(6,731)	(8,089)
Profit for the year	24,791	17,357	23,386	17,387
Other comprehensive income for the year, net of tax	(1,080)	(2,316)	(706)	(1,301)
Total comprehensive income for the year	**23,711**	**15,041**	**22,680**	**16,086**
Appropriations				
Transfers to permanent reserve fund	(2,786)	(1,400)	(2,786)	(1,400)
Transfers to statutory reserve – Other	–	–	(35)	(23)
Dividends	(17,346)	(6,346)	(17,346)	(6,346)

5.3 Reserves

The total reserves of the Group stood at LKR 87,475.3 million as at 31 December 2016 (2015 – LKR 82,063.6 million). The Group reserves consist of the following:

As at 31 December	2016 LKR million	2015 LKR million
Permanent reserve fund	7,996	5,210
Revaluation reserve	16,494	14,469
Free reserve	367	367
Exchange translation reserve	1,060	1,288
Available-for-sale reserve	5,562	6,540
Statutory reserve	337	302
Retained earnings	55,659	53,888
Total	**87,475**	**82,064**

6. Property, Plant and Equipment

The total capital expenditure incurred by the Group on the acquisition of Property, Plant and Equipment, leasehold properties and intangible assets during the year amounted to LKR 2,783.0 million (2015 – LKR 1,776.9 million) the details of which are given in Notes 32 to 34 of Financial Statements on pages 219 to 233 of this Annual Report.

7. Value of Freehold Properties

The value of freehold properties owned by the Group as at 31 December 2016 is included in Note 32 of the Financial Statements at LKR 15,519.8 million (2015 – LKR 14,180.6 million).

8. Stated Capital and Shareholding

8.1 Stated capital

The total issued and fully paid up capital of the Bank as at 31 December 2016 was LKR 10,000 million (2015 – LKR 10,000 million).

During the year 2016, the Bank received LKR 5,000 million from the Government of Sri Lanka, the second and final phase of the total amount of LKR 10,000 million allocated to the Bank under National Budget 2015. This allocation is reported under capital pending allotment as at 31 December 2016. The Bank is making arrangements to issue 5 million ordinary shares at LKR 1,000 each to the Government of Sri Lanka and thereby will transfer the capital pending allotment to the share capital during the year 2017.

8.2 Shareholding

The Government of Sri Lanka is the sole shareholder of the Bank.

9. Issue of Subordinated Debentures

The Group issued subordinated listed debentures amounting to LKR 8,000 million during the year ended 31 December 2016 (2015 – LKR 8,000 million). The proceeds of these debentures were utilised to expand the Bank's loan book in the ordinary course of business. This would enable the Bank to achieve the following, on allotment:

- Increase the Tier II capital of the Bank in order to enhance the Capital Adequacy Ratio and Single Borrower Limit to facilitate expansion of the loan book.
- Minimise and manage the gap exposure in the Bank's assets and liability portfolios.
- Strengthen the Bank's liquidity position and to increase the asset base.

The details of debentures outstanding as at the date of Statement of Financial Position are given in Note 45 of the Financial Statements on pages 250 to 252.

10. Share Information

The basic earnings per share and net assets value per share of the Group were LKR 2,349.7 and LKR 10,247.5 respectively, for the period under review.

11. Corporate Sustainability and Responsibility

The programmes carried out under Corporate Sustainability and Responsibility (CSR) are detailed on pages 26 to 32 under the section titled 'Committing Our Numbers to Sustainability'.

12. Directors

The Board of Directors of Bank of Ceylon as at 31 December 2016 consisted of six members. The Directors of the Bank do not hold any executive positions in the Bank. They bring a wide range of skills and experience to the Board. The qualifications and experience of the Directors are given on pages 36 to 41 of this Annual Report.

12.1 List of Directors

The Directors of the Bank as at the date of the Financial Statements, (31 December 2016) are as follows:

Name of the Director	Executive/Non-Executive Status	Status of Independence
Mr Ronald C Perera	Non-Executive	Independent
Mr Sajith R Attygalle	Non-Executive Ex officio	Non-Independent
Mr Ranel T Wijesinha	Non-Executive	Independent
Mr Charitha N Wijewardane	Non-Executive	Independent
Mr Sanjaya Padmaperuma	Non-Executive	Independent
Mr H P Ajith Gunawardana	Non-Executive	Independent

The Directors are classified as Independent Directors on the basis given in Banking Act Direction No. 11 of 2007 on Corporate Governance for licensed commercial banks issued by the Central Bank of Sri Lanka.

12.2 Board Subcommittees

The Board has formed four subcommittees complying with the aforesaid Banking Act Direction No. 11 of 2007 to ensure oversight control over affairs of the Bank. The subcommittee composition is given on pages 69 to 77 of this Annual Report.

12.3 Directors' Meetings

Attendance of Directors at Board and subcommittee meetings are given on page 66 of this Annual Report.

12.4 Directors' Interests in Contracts

Directors' interests in contracts with the Bank, both direct and indirect are given on pages 140 to 141. These interests have been declared at meetings of the Board of Directors. Except for the contracts given therein the Directors do not have any direct or indirect interest in other contracts or proposed contracts with the Bank.

12.5 Directors' Interests in Debentures Issued by the Bank/Group

There were no debentures registered in the name of any Director.

12.6 Directors' Allowances/Fees

The allowances/fees payable to the Board of Directors are made in terms of the provisions/contents in the Public Enterprises Circular No. PED 3/2015 dated 17 June 2015, issued by the Department of Public Enterprises of the Ministry of Finance and Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Directors' remuneration in respect of the Group and the Bank for the financial year ended 31 December 2016 are given in Note 15 on page 176.

13. Risk Management and System of Internal Controls

13.1 Risk Management

The Board of Directors assumes overall responsibility for managing risks. The specific measures taken by the Bank in mitigating the risks are detailed on pages 78 to 92 of this Annual Report.

13.2 Internal Control

The Board of Directors has ensured the implementation of an effective and comprehensive system of internal controls in the Bank through the Audit Committee.

The Audit Committee helps the Board of Directors to discharge their fiduciary responsibilities. The Report of the Chairman of the Audit Committee is contained on pages 69 to 71 of this Annual Report. The Directors are satisfied with the effectiveness of the system of internal controls during the year under review and up to the date of the Annual Report and the Financial Statements.

The Board has issued a statement on the internal control mechanism of the Bank as per Direction No. 3 (8) (ii) (b) of Banking Act Direction No. 11 of 2007 on Corporate Governance for licensed commercial banks. The above report is given on pages 142 and 143 of this Annual Report.

The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external reporting purposes has been done in accordance with relevant accounting principles and regulatory requirements.

The Board has obtained an Assurance Report from the Auditor General on Directors' Statement on Internal Control and it is given on page 144 of this Annual Report.

14. Corporate Governance

The Board of Directors is committed towards maintaining an effective corporate governance structure and process. The financial, operational and compliance functions of the Bank are directed and controlled effectively within corporate governance practices. These procedures and practices that are in conformity with Corporate Governance Directions issued by the Central Bank of Sri Lanka under Banking Act Direction No. 11 of 2007 and the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka, are described in the section titled 'Corporate Governance' appearing on pages 60 to 77 of this Annual Report. The Board has obtained a report from the Auditor General on the compliance with the provisions of the above mentioned Direction No. 11 of 2007.

15. Human Resources

One of the most valuable assets of the Bank is its employees and it is important for the Bank to develop them. Several measures were taken to strengthen the much valued human capital in order to optimise their contribution towards the achievement of corporate objectives. The Bank's human resource management policies and practices are detailed in the section titled 'Recognising Our Employee Excellence' on pages 122 to 129 of this Report.

16. Compliance with Laws and Regulations

The Directors, to the best of their knowledge and belief confirm that the Group has not engaged in any activities contravening the laws and regulations.

Details of the Bank's compliance with laws and regulations are given on pages 293 to 318 under the section titled 'Compliance Annexes' which forms an integral part of this Report.

Further, the Bank has complied with the Transfer Pricing Regulations issued by the Department of Inland Revenue and the Directors certify that the Bank has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act No. 10 of 2006. Certificate of the Directors on Transfer Pricing is given in page 323.

17. Outstanding Litigation

In the opinion of the Directors and as confirmed by the Bank's lawyers the litigation currently pending against the Bank will not have a material impact on the reported financial results or future operations of the Bank.

18. Statutory Payments

The Board confirms that all statutory payments due to the Government and in relation to employees have been made on time.

19. Environmental Protection

The Bank has not engaged in any activity, which has caused detriment to the environment. Further, precautions taken to protect the environment are given in the section titled 'Beacon for Progress and Growth' on pages 130 to 132.

20. Post-Balance Sheet Events

The Directors are of the view that no material events have arisen in the interval between the end of the financial year and the date of this Report that would require adjustments or disclosures.

21. Going Concern

The Directors are confident that the resources of the Bank are adequate to continue its operations. Therefore, it has applied the going concern basis in preparing the Financial Statements.

By order of the Board,

Janaki Senanayake Siriwardane
Secretary – Bank of Ceylon/Secretary to the Board

29 March 2017
Colombo

Directors' Interest in Contracts

Related party disclosures as required by the Sri Lanka Accounting Standard – LKAS 24 on 'Related Party Disclosures' are detailed in Note 55 to the Financial Statements on pages 262 to 267. In addition, the transactions that have been carried out in the ordinary course of business on an arm's length basis with entities where the Chairman or a Director of the Bank is the Chairman or a Director of such entities, are detailed below:

Company	Relationship	Nature of Transactions	Limit '000*	Balance/Amount Outstanding as at 31.12.2016 '000*	Balance/Amount Outstanding as at 31.12.2015 '000*
Mr Ronald C Perera					
Bank of Ceylon (UK) Limited	Chairman	Current accounts		USD 659	USD 1,076
		(Nostro accounts)		98,775**	155,010**
				GBP 531	GBP 665
				97,755**	141,951**
				EURO 1,656	EURO 1,923
				261,444**	302,673**
		Placements		USD 8,000	USD 20,500
				1,198,400**	2,953,277**
				GBP 73,400	GBP 73,500
				13,508,852**	15,697,571**
				EURO 1,000	EURO 1,000
				157,874**	157,374**
				–	JPY 5,000
				–	5,980**
Mr Ranel T Wijesinha					
Hotels Colombo (1963) Limited	Director	Savings accounts			13,278
		Current accounts			12,711
		Time deposits			129,926
		Loans			1,760
		Other receivables			38,285
Mr Sajith R Attygalle					
Airport and Aviation Services (Sri Lanka) Limited	Director	Savings accounts		484,227	
		Current accounts		1,399,730	
		Time deposits		2,890,369	
		Letters of credit		240,740	
		Letters of guarantee	50,000	18,300	
Mr Charitha N Wijewardane					
Hotels Colombo (1963) Limited	Chairman	Savings accounts		27,289	
		Current accounts		11,769	
		Time deposits		139,275	
		Loans		6,555	
		Other receivables		18,183	
Merchant Bank of Sri Lanka & Finance PLC	Director	Current accounts		146,817	
		Time deposits		16	
		Loans	1,500,000	1,324,435	
		Overdrafts	288,000	31,732	
		Repo		265,377	
		Leasing		1,470	
		Investments in debentures		221,594	

**Currencies not specifically mentioned are in LKR*
***LKR equivalent amount*

Company	Relationship	Nature of Transactions	Limit '000*	Balance/Amount Outstanding as at 31.12.2016 '000*	Balance/Amount Outstanding as at 31.12.2015 '000*
BOC Travels (Private) Limited	Director	Current accounts		7,434	
		Time deposits		146,358	
		Overdrafts	7,600	–	
		Leasing		2,319	
		Debentures		15,062	
		Letters of guarantee	55,600	55,600	
		Other receivables		92	
		Other payables		497	
MBSL Insurance Company Limited	Director	Current accounts		6,555	
		Repo		16,005	
		Letters of guarantee		5,950	
		Other payables		1	
John Keells PLC	Director	Current accounts		27,035	
		Overdrafts	43,500	–	
Mr H P Ajith Gunawardana					
Lanka Securities (Private) Limited	Director	Current accounts		10,486	
		Time deposits		102,879	
		Overdrafts	25,000	–	
		Repo		22,007	
Mr Sanjaya Padmaperuma					
Koladeniya Hydropower (Private) Limited	Director	Current accounts		1,563	
		Time deposits		207,275	
		Repo		14,122	
Sri Lanka Insurance Corporation Limited	Director	Savings accounts		111,220	
		Current accounts		93,428	
		Time deposits		4,585,918	
		Overdrafts		2	
		Letters of credit		40,000	

**Currencies not specifically mentioned are in LKR*

Directors' Statement on Internal Control Over Financial Reporting

Responsibility

In line with the Banking Act Direction No. 11 of 2007, Section 3 (8) (ii) (b), the Board of Directors presents this Report on Internal Control Over Financial Reporting.

The Board of Directors ('Board') is responsible for the adequacy and effectiveness of the internal control mechanism in place at Bank of Ceylon, ('the Bank'). In considering such adequacy and effectiveness, the Board recognises that the business of banking requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed with a view to highlighting any deviations from the limits and indicators which comprise the risk appetite of the Bank. In this light, the system of internal controls can only provide reasonable, but not absolute assurance, against material misstatement of financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing significant risks faced by the Bank and this process includes enhancing the system of internal control over financial reporting as and when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board and is in accordance with the guidance for Directors of banks on the Directors' Statement on Internal Control issued by The Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control over financial reporting taking into account principles for the assessment of such an internal control system as given in that guidance.

The Board is of the view that the system of internal controls over financial reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Key features of the process adopted in reviewing the design and effectiveness of the internal control system over financial reporting

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Various committees are established by the Board to assist the Board in ensuring the effectiveness of Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- The Internal Audit Division of the Bank checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlights significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Committee. Findings of the Internal Audit Division are submitted to the Board Audit Committee for review at their periodic meetings.
- The Board Audit Committee of the Bank reviews internal control issues identified by the Internal Audit Division, the External Auditors, regulatory authorities and the management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of the same. All minutes of the Board Audit Committee meetings are forwarded to the Board. Further details of the activities undertaken by the Audit Committee of the Bank are set out in the Audit Committee Report on pages 69 to 70.
- In assessing the internal control system over financial reporting, identified officers of the Bank collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Bank. These in turn are observed and checked by the Internal Audit Division for suitability of design and effectiveness on an ongoing basis.
- The Bank adopted the new Sri Lanka Accounting Standards comprising SLFRS/LKAS in 2012. The processes and procedures initially applied to adopt the aforementioned Accounting Standards were further strengthened during the subsequent years based on the feedback received from internal and External Auditors, regulators and the Board Audit Committee. The Bank is in the process of updating procedures *inter alia* relating to impairment of loans and advances of the Bank and foreign branches, Financial Statement disclosures related to risk management and related parties. The Bank has also recognised the need to introduce an automated financial reporting process in order to comply with the requirements of recognition, measurement, classification and disclosure of the financial instruments more effectively and efficiently and to facilitate the 'Financial Statement

Closure' process. The assessment did not include subsidiary companies of the Bank. Further, the Bank has proactively taken steps to adopt the Sri Lanka Accounting Standard – SLFRS 9 on 'Financial Instruments' with effect from 1 January 2018 and is in the process of developing a mechanism to ensure full compliance with the aforesaid standard.

- The comments made by the External Auditors in connection with the internal control system over financial reporting in previous years were reviewed during the year and appropriate steps have been taken to rectify them. The recommendations made by the External Auditors in 2016 in connection with the internal control system over financial reporting will be addressed in the future.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of Central Bank of Sri Lanka.

By order of the Board,

Chairman – Audit Committee

Chairman

Director

29 March 2017
Colombo

Independent Assurance Report

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல. / My No. BAF/B/BOC/IC/2016

ඔබේ අංකය / உமது இல. / Your No.

දිනය / திகதி / Date 17 April 2017

The Chairman
Bank of Ceylon

Independent Assurance Report of the Auditor General to the Board of Directors on the Directors' Statement on Internal Control of Bank of Ceylon

Introduction

This report is to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ('Statement') of Bank of Ceylon included in the Annual Report for the year ended 31 December 2016. In carrying out this assurance engagement I was assisted by a firm of Chartered Accountants in public practice.

Management's Responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with Section 3 (8) (ii) (b) of the Banking Act Direction No. 11 of 2007, by The Institute of Chartered Accountants of Sri Lanka.

My Responsibility and Compliance with SLSAE 3050

My responsibility is to issue a report to the Board of Directors on the Statement based on the work performed. I conducted my engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Report for Banks on Directors' Statement on Internal Control issued by The Institute of Chartered Accountants of Sri Lanka.

Summary of Work Performed

My engagement has been conducted to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

The procedures performed were limited primarily to inquiries of Bank personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3050 does not require me to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 also does not require me to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

Conclusion

Based on the procedures performed, nothing has come to my attention that causes me to believe that the Statement included in the Annual Report is inconsistent with my understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Bank.

H M Gamini Wijesinghe
Auditor General

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව, . - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka
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Directors' Responsibility for Financial Reporting

This Statement by the Board of Directors is made especially to distinguish the respective responsibilities of the Directors and Auditors in relation to financial reporting. The responsibility of Directors in relation to financial reporting of the Bank of Ceylon and the Group is set out in the following statement.

Financial Statements

In terms of the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments read with the Banking Act No. 30 of 1988 and its amendments and Directions, the Directors of the Bank are responsible for ensuring that the Bank maintains proper books of accounts, which disclose with reasonable accuracy at any time, the financial position of the Bank and prepares proper Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Bank.

The Directors affirm that in preparing the Financial Statements for the year 2016 presented in this Annual Report, the most appropriate accounting policies have been used and applied consistently supported by judgments and estimates that are reasonable and prudent. Material departures, if any, have been disclosed and explained.

The Financial Statements for the year 2016 presented in this Annual Report, are in conformity with the requirements of the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments, Banking Act No. 30 of 1988 and its amendments and Directions issued under it, the Sri Lanka Accounting Standards and other regulatory requirements. These Financial Statements reflect a true and fair view of the state of affairs of the Bank of Ceylon and the Group as at 31 December 2016.

Going Concern

The Directors are of the view that the Bank and the Group have adequate resources to continue in business in the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing the Financial Statements.

Internal Controls, Risk Management and Compliance

The Directors are also responsible for the system of internal financial controls and risk management and place considerable importance on maintaining a strong control environment to protect and safeguard the Bank's assets and prevent fraud and mismanagement. Whilst inherent and residual risks cannot be completely eliminated, the Bank endeavours to minimise them by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and practiced within predetermined procedures and limits/boundaries.

A report by the Directors on the Bank's internal control mechanism, confirming that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, is given on pages 142 and 143 of this Annual Report.

The Directors and Management have put in place, risk management policies and guidelines. Management committees have been established to monitor and manage material risks. Arrangements are in place to ensure that reports on risk are submitted to the Integrated Risk Management Committee on a quarterly basis for discussion. Compliance with applicable laws, regulations, rules, directives and guidelines are monitored by the Independent Integrated Risk Management Division and reported to the Board.

The Audit Committee and Integrated Risk Management Committee, on an ongoing basis, have acted to strengthen the effectiveness of internal controls and risk management procedures. The reports of the Audit Committee and Integrated Risk Management Committee are included on page 69 to 73 respectively of this Annual Report.

Audit Report

Pursuant to provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka, the Auditor General is the Auditor of the Bank and issues the final opinion on the Financial Statements of the Bank. The responsibilities of the Auditor in relation to the Financial Statements are set out in the Report of the Auditor General on page 146 of this Annual Report. The Auditor General's certification on the effectiveness of the Bank's internal control mechanism is given on page 144 of this Annual Report.

Compliance

The Directors to the best of their knowledge and belief, are satisfied that all statutory payments, in relation to all relevant regulatory and statutory authorities, which were due and payable by the Bank and its subsidiaries as at the Statement of Financial Position date, have been paid or where relevant provided for.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board,

Janaki Senanayake Siriwardane
Secretary – Bank of Ceylon/Secretary to the Board

29 March 2017
Colombo

Report of the Auditor General

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல. / My No. BAF/B/BOC/FA/2016

ඔබේ අංකය / உமது இல. / Your No.

දිනය / திகதி / Date 30March 2017

The Chairman
Bank of Ceylon

Report of the Auditor General on the Financial Statements of the Bank of Ceylon and its subsidiaries for the year ended 31 December 2016

The audit of the Financial Statements of the Bank of Ceylon ('the Bank') and the Consolidated Financial Statements of the Bank and its subsidiaries ('Group') for the year ended 31 December 2016 comprising the Statement of Financial Position as at 31 December 2016 and the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154 (I) of the Constitution of the Democratic Socialist Republic of Sri Lanka. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

Board's Responsibility for the Financial Statements

The Board of Directors ('Board') is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and for such internal control as Board determines is necessary to enable the preparation of Financial Statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these Financial Statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the Bank's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the Financial Statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, so far as appears from my examination, the Bank maintained proper accounting records for the year ended 31 December 2016 and the Financial Statement give a true and fair view of the financial position of the Bank as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In my opinion, the Consolidated Financial Statements give a true and fair view of the financial position as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards of the Bank and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Bank.

Exemption

The Bank has been exempted from the provisions of Part II of the Finance Act, No. 38 of 1971 by an Order of then Minister of Finance published in the Government Gazette No. 715 of 14 May 1992 by virtue of powers vested in him by Sections 5 (1) of the said Finance Act.

Report to Parliament

My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

H M Gamini Wijesinghe
Auditor General

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව, . - இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka
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Statement of Profit or Loss

For the year ended 31 December	Note	Bank 2016 LKR '000	Bank 2015 LKR '000	Bank Change %	Group 2016 LKR '000	Group 2015 LKR '000	Group Change %
Total income	7	**154,121,372**	**131,501,809**	**17.2**	**159,701,225**	**137,984,350**	**15.7**
Interest income		134,685,338	112,745,122	19.5	139,701,569	117,083,894	19.3
Less: Interest expenses		80,727,850	66,419,398	21.5	83,095,077	68,381,409	21.5
Net interest income	8	**53,957,488**	**46,325,724**	**16.5**	**56,606,492**	**48,702,485**	**16.2**
Fee and commission income		8,739,625	8,909,197	(1.9)	8,983,083	9,258,470	(3.0)
Less: Fee and commission expenses		1,520,190	1,070,847	42.0	1,607,271	1,176,580	36.6
Net fee and commission income	9	**7,219,435**	**7,838,350**	**(7.9)**	**7,375,812**	**8,081,890**	**(8.7)**
Net gains/(losses) from trading	10	2,061,616	3,968,014	(48.0)	2,037,390	3,985,172	(48.9)
Net gains/(losses) from financial instruments designated at fair value through profit or loss		–	–	–	–	–	–
Net gains/(losses) from financial investments	11	273,881	610,336	(55.1)	312,273	641,918	(51.4)
Other operating income	12	8,360,912	5,269,140	58.7	8,666,910	7,014,896	23.6
Total operating income		**71,873,332**	**64,011,564**	**12.3**	**74,998,877**	**68,426,361**	**9.6**
Less: Impairment charge/(reversal) for loans and other losses	13	4,396,761	5,903,803	(25.5)	4,421,000	6,365,954	(30.6)
Net operating income		**67,476,571**	**58,107,761**	**16.1**	**70,577,877**	**62,060,407**	**13.7**
Less: Operating expenses							
Personnel expenses	14	16,844,431	16,744,196	0.6	18,409,329	18,158,068	1.4
Other expenses	15	13,178,506	11,268,925	16.9	15,737,789	13,646,317	15.3
Total operating expenses		**30,022,937**	**28,013,121**	**7.2**	**34,147,118**	**31,804,385**	**7.4**
Operating profit before Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services		**37,453,634**	**30,094,640**	**24.5**	**36,430,759**	**30,256,022**	**20.4**
Less: Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services		6,264,949	4,815,725	30.1	6,376,679	4,872,944	30.9
Operating profit after Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services		**31,188,685**	**25,278,915**	**23.4**	**30,054,080**	**25,383,078**	**18.4**
Share of profits/(losses) of associate companies, net of tax	16	–	–		62,952	93,590	(32.7)
Profit before income tax		**31,188,685**	**25,278,915**	**23.4**	**30,117,032**	**25,476,668**	**18.2**
Less: Income tax expense	17	6,397,689	7,921,477	(19.2)	6,731,105	8,089,281	(16.8)
Profit for the year		**24,790,996**	**17,357,438**	**42.8**	**23,385,927**	**17,387,387**	**34.5**
Profit attributable to:							
Equity holder of the Bank		24,790,996	17,357,438	42.8	23,496,656	17,376,077	35.2
Non-controlling interest		–	–		(110,729)	11,310	(1,079.0)
Profit for the year		**24,790,996**	**17,357,438**	**42.8**	**23,385,927**	**17,387,387**	**34.5**
Earnings per share:	18						
Basic earnings per share (LKR)		2,479.10	2,436.72	1.7	2,349.67	2,439.33	(3.7)
Diluted earnings per share (LKR)		2,439.01	1,735.74	40.5	2,311.67	1,737.61	33.0
Dividend per share (LKR)		1,734.64	890.94	94.7	1,734.64	890.94	94.7

The Notes to the Financial Statements from pages 156 to 292 form an integral part of these Financial Statements.

Statement of Comprehensive Income

For the year ended 31 December	Bank			Group		
	2016 LKR '000	2015 LKR '000	Change %	2016 LKR '000	2015 LKR '000	Change %
Profit for the year	**24,790,996**	**17,357,438**	**42.8**	**23,385,927**	**17,387,387**	**34.5**
Other comprehensive income, net of tax						
Items that will not be reclassified to profit or loss						
Changes in revaluation surplus/(deficit)	1,394,640	8,169	16,972.3	2,307,452	933,459	147.2
Deferred tax effect on above	–	12,318	(100.0)	(255,587)	(246,763)	3.6
Actuarial gains/(losses) on defined benefit plans	(1,621,904)	(1,005,125)	61.4	(1,580,561)	(967,908)	63.3
Deferred tax effect on above	32,038	(365,207)	108.8	30,061	(377,122)	108.0
Net other comprehensive income that will not be reclassified to profit or loss	**(195,226)**	**(1,349,845)**	**(85.5)**	**501,365**	**(658,334)**	**(176.2)**
Items that are or may be reclassified to profit or loss						
Exchange gains/(losses) arising from translating the Financial Statements of foreign operations	165,793	459,561	(63.9)	(228,067)	578,104	(139.5)
Gains/(Losses) on re measuring available for sale financial investments	(1,025,760)	(1,299,873)	(21.1)	(957,182)	(1,094,565)	(12.6)
Deferred tax effect on above	(8,893)	(122,661)	(92.7)	(8,893)	(122,661)	(92.7)
Realised gains on available for sale financial investments transferred to profit or loss	(15,525)	(3,772)	311.6	(15,525)	(3,772)	311.6
Share of other comprehensive income of associate companies, net of tax	–	–	–	2,174	416	422.6
Net other comprehensive income that are or may be reclassified to profit or loss	**(884,385)**	**(966,745)**	**(8.5)**	**(1,207,493)**	**(642,478)**	**87.9**
Other comprehensive income for the year, net of tax	**(1,079,611)**	**(2,316,590)**	**(53.4)**	**(706,128)**	**(1,300,812)**	**(45.7)**
Total comprehensive income for the year	**23,711,385**	**15,040,848**	**57.6**	**22,679,799**	**16,086,575**	**41.0**
Attributable to:						
Equity holder of the Bank	23,711,385	15,040,848	57.6	22,758,128	16,047,289	41.8
Non-controlling interest	–	–	–	(78,329)	39,286	(299.4)
Total comprehensive income for the year	**23,711,385**	**15,040,848**	**57.6**	**22,679,799**	**16,086,575**	**41.0**

The Notes to the Financial Statements from pages 156 to 292 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 December	Note	Bank 2016 LKR '000	Bank 2015 LKR '000	Bank Change %	Group 2016 LKR '000	Group 2015 LKR '000	Group Change %
Assets							
Cash and cash equivalents	20	67,705,791	79,916,559	(15.3)	73,244,043	83,722,721	(12.5)
Balances with Central Banks	21	56,387,741	38,939,790	44.8	56,387,741	38,939,790	44.8
Placements with banks	22	11,674,664	27,975,582	(58.3)	12,931,605	28,355,579	(54.4)
Securities purchased under resale agreements		1,901,618	12,299,088	(84.5)	2,350,704	13,678,789	(82.8)
Derivative financial instruments	23	5,300,844	7,419,288	(28.6)	5,300,844	7,419,288	(28.6)
Financial instruments – Held for trading	24	8,474,041	12,173,304	(30.4)	8,804,647	12,726,045	(30.8)
Financial investments – Loans and receivables	25	191,874,638	232,561,268	(17.5)	191,984,082	233,003,742	(17.6)
Loans and advances to customers	26	1,000,082,574	826,789,630	21.0	1,027,768,110	851,905,227	20.6
Financial investments – Available for sale	27	10,463,046	12,021,569	(13.0)	16,263,641	16,266,652	(0.0)
Financial investments – Held to maturity	28	243,178,400	246,288,625	(1.3)	243,253,967	246,349,511	(1.3)
Investment in subsidiary companies	29	6,213,048	6,213,048	–	–	–	–
Investment in associate companies	30	92,988	842,988	(89.0)	420,669	1,912,317	(78.0)
Investment properties	31	3,000,000	–	100.0	127,670	145,840	(12.5)
Property, Plant and Equipment	32	15,482,163	16,325,758	(5.2)	29,200,036	26,441,803	10.4
Leasehold properties	33	101,839	104,653	(2.7)	136,155	140,330	(3.0)
Intangible assets	34	563,490	373,315	50.9	655,630	503,958	30.1
Deferred tax assets	35	–	–	–	5,456	10,142	(46.2)
Other assets	36	46,794,389	48,044,235	(2.6)	47,721,701	48,677,586	(2.0)
Total assets		**1,669,291,274**	**1,568,288,700**	**6.4**	**1,716,556,701**	**1,610,199,320**	**6.6**
Liabilities							
Due to banks	37	2,042,322	2,630,408	(22.4)	2,053,945	2,632,827	(22.0)
Securities sold under repurchase agreements		59,424,629	87,353,154	(32.0)	58,925,801	86,213,965	(31.7)
Derivative financial instruments	38	171,663	156,302	9.8	171,663	156,302	9.8
Due to customers	39	1,256,589,490	1,082,337,118	16.1	1,273,631,287	1,097,950,702	16.0
Other borrowings	40	195,469,853	250,089,102	(21.8)	204,485,301	255,795,079	(20.1)
Debt securities issued	41	3,427,058	3,427,058	–	8,360,333	8,703,747	(3.9)
Current tax liabilities		–	2,080,849	(100.0)	253,020	2,284,079	(88.9)
Deferred tax liabilities	35	1,439,285	1,516,995	(5.1)	4,078,734	3,948,551	3.3
Insurance provision – Life	42	–	–	–	514,675	444,257	15.9
Insurance provision – Non-life	42	–	–	–	775,375	517,659	49.8
Other liabilities	43	19,231,833	21,585,644	(10.9)	21,656,513	23,187,932	(6.6)
Subordinated term debts	45	38,645,546	35,627,450	8.5	38,295,318	35,290,007	8.5
Total liabilities		**1,576,441,679**	**1,486,804,080**	**6.0**	**1,613,201,965**	**1,517,125,107**	**6.3**
Equity							
Share capital	46	15,000,000	10,000,000	50.0	15,000,000	10,000,000	50.0
Permanent reserve fund	47	7,996,000	5,209,955	53.5	7,996,000	5,209,955	53.5
Retained earnings		54,154,685	51,086,010	6.0	55,659,003	53,888,295	3.3
Other reserves	48	15,698,910	15,188,655	3.4	23,820,288	22,965,323	3.7
Total equity attributable to equity holder of the Bank		**92,849,595**	**81,484,620**	**13.9**	**102,475,291**	**92,063,573**	**11.3**
Non-controlling interest	49	–	–	–	879,445	1,010,640	(13.0)
Total equity		**92,849,595**	**81,484,620**	**13.9**	**103,354,736**	**93,074,213**	**11.0**
Total liabilities and equity		**1,669,291,274**	**1,568,288,700**	**6.4**	**1,716,556,701**	**1,610,199,320**	**6.6**
Contingent liabilities and commitments	51	547,398,625	696,857,050	(21.4)	548,333,620	697,938,094	(21.4)
Net assets value per share (LKR)	46	9,284.96	8,148.46	13.9	10,247.53	9,206.36	11.3

The Notes to the Financial Statements from pages 156 to 292 form an integral part of these Financial Statements.

These Financial Statements give a true and fair view of the state of affairs of the Bank of Ceylon and the Group as at 31 December 2016 and its profit for the year then ended.

W P Russel Fonseka
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board,

Ronald C Perera
Chairman

Ranel T Wijesinha
Director

D M Gunasekara
General Manager

29 March 2017
Colombo

Statement of Changes in Equity

Bank

	Note	Share Capital LKR '000	Capital Pending Allotment LKR '000	Permanent Reserve Fund LKR '000
Balance as at 1 January 2015		5,000,000	5,000,000	3,809,955
Super Gain Tax paid		–	–	–
Total comprehensive income for the year				
Profit for the year		–	–	–
Other comprehensive income, net of tax		–	–	–
Total comprehensive income for the year		**–**	**–**	**–**
Transactions with equity holder, recognised directly in equity				
Dividends for 2015	18.3	–	–	–
Transfers to share capital	46.1	5,000,000	(5,000,000)	–
Transfers to permanent reserve fund	47	–	–	1,400,000
Total transactions with equity holder		**5,000,000**	**(5,000,000)**	**1,400,000**
Balance as at 31 December 2015		**10,000,000**	**–**	**5,209,955**
Balance as at 1 January 2016		10,000,000	–	5,209,955
Total comprehensive income for the year				
Profit for the year		–	–	–
Other comprehensive income, net of tax		–	–	–
Total comprehensive income for the year		**–**	**–**	**–**
Transactions with equity holder, recognised directly in equity				
Dividends for 2016	18.3	–	–	–
Capital infusion during the year		–	5,000,000	–
Transfers to permanent reserve fund	47	–	–	2,786,045
Total transactions with equity holder		**–**	**5,000,000**	**2,786,045**
Balance as at 31 December 2016		**10,000,000**	**5,000,000**	**7,996,000**

	Other Reserves				
	Available for Sale Reserve LKR '000	Other Reserves LKR '000	Revaluation Reserve LKR '000	Retained Earnings LKR '000	Total Equity LKR '000
	6,963,665	584,081	8,587,167	44,861,045	74,805,913
	–	–	–	(2,015,731)	(2,015,731)
	–	–	–	17,357,438	17,357,438
	(1,426,306)	459,561	20,487	(1,370,332)	(2,316,590)
	(1,426,306)	**459,561**	**20,487**	**15,987,106**	**15,040,848**
	–	–	–	(6,346,410)	(6,346,410)
	–	–	–	–	–
	–	–	–	(1,400,000)	–
	–	**–**	**–**	**(7,746,410)**	**(6,346,410)**
	5,537,359	**1,043,642**	**8,607,654**	**51,086,010**	**81,484,620**
	5,537,359	1,043,642	8,607,654	51,086,010	81,484,620
	–	–	–	24,790,996	24,790,996
	(1,050,178)	165,793	1,394,640	(1,589,866)	(1,079,611)
	(1,050,178)	**165,793**	**1,394,640**	**23,201,130**	**23,711,385**
	–	–	–	(17,346,410)	(17,346,410)
	–	–	–	–	5,000,000
	–	–	–	(2,786,045)	–
	–	**–**	**–**	**(20,132,455)**	**(12,346,410)**
	4,487,181	**1,209,435**	**10,002,294**	**54,154,685**	**92,849,595**

Group

	Note	Share Capital LKR '000	Capital Pending Allotment LKR '000	Permanent Reserve Fund LKR '000
Balance as at 1 January 2015		5,000,000	5,000,000	3,809,955
Super Gain Tax paid		–	–	–
Total comprehensive income for the year				
Profit for the year		–	–	–
Other comprehensive income, net of tax		–	–	–
Total comprehensive income for the year		**–**	**–**	**–**
Transactions with equity holders, recognised directly in equity				
Dividends for 2015	18.3	–	–	–
Subsidiary dividends to non-controlling interest		–	–	–
Transfers to share capital		5,000,000	(5,000,000)	–
Transfers to permanent reserve fund	47	–	–	1,400,000
Transfers to other reserves	48.5	–	–	–
Merger and changes in non-controlling interest		–	–	–
Total transactions with equity holders		**5,000,000**	**(5,000,000)**	**1,400,000**
Balance as at 31 December 2015		**10,000,000**	**–**	**5,209,955**
Balance as at 1 January 2016		10,000,000	–	5,209,955
Total comprehensive income for the year				
Profit for the year		–	–	–
Other comprehensive income, net of tax		–	–	–
Total comprehensive income for the year		**–**	**–**	**–**
Transactions with equity holders, recognised directly in equity				
Dividends for 2016	18.3	–	–	–
Subsidiary dividends to non-controlling interest		–	–	–
Capital infusion during the year	46.1	–	5,000,000	–
Transfers to permanent reserve fund	47	–	–	2,786,045
Transfers to other reserves	48.5	–	–	–
Total transactions with equity holders		**–**	**5,000,000**	**2,786,045**
Balance as at 31 December 2016		**10,000,000**	**5,000,000**	**7,996,000**

The Notes to the Financial Statements from pages 156 to 292 form an integral part of these Financial Statements.

Attributable to equity holder of the Bank					
	Other Reserves				
Available for Sale Reserve LKR '000	Other Reserves LKR '000	Revaluation Reserve LKR '000	Retained Earnings LKR '000	Non-Controlling Interest LKR '000	Total Equity LKR '000
7,762,004	1,352,418	13,807,627	47,661,936	1,186,781	85,580,721
–	–	–	(2,197,156)	(15,059)	(2,212,215)
–	–	–	17,376,077	11,310	17,387,387
(1,218,216)	578,104	661,381	(1,350,058)	27,977	(1,300,812)
(1,218,216)	**578,104**	**661,381**	**16,026,019**	**39,287**	**16,086,575**
–	–	–	(6,346,410)	–	(6,346,410)
–	–	–	–	(8,811)	(8,811)
–	–	–	–	–	–
–	–	–	(1,400,000)	–	–
–	22,936	–	(22,936)	–	–
(4,273)	3,342	–	166,842	(191,558)	(25,647)
(4,273)	**26,278**	**–**	**(7,602,504)**	**(200,369)**	**(6,380,868)**
6,539,515	**1,956,800**	**14,469,008**	**53,888,295**	**1,010,640**	**93,074,213**
6,539,515	1,956,800	14,469,008	53,888,295	1,010,640	93,074,213
–	–	–	23,496,656	(110,729)	23,385,927
(977,249)	(228,067)	2,025,051	(1,558,263)	32,400	(706,128)
(977,249)	**(228,067)**	**2,025,051**	**21,938,393**	**(78,329)**	**22,679,799**
–	–	–	(17,346,410)	–	(17,346,410)
–	–	–	–	(52,866)	(52,866)
–	–	–	–	–	5,000,000
–	–	–	(2,786,045)	–	–
–	35,230	–	(35,230)	–	–
–	**35,230**	**–**	**(20,167,685)**	**(52,866)**	**(12,399,276)**
5,562,266	**1,763,963**	**16,494,059**	**55,659,003**	**879,445**	**103,354,736**

Statement of Cash Flows

For the year ended 31 December	Note	Bank 2016 LKR '000	Bank 2015 LKR '000	Group 2016 LKR '000	Group 2015 LKR '000
Cash Flows from Operating Activities					
Profit before income tax		31,188,685	25,278,915	30,117,032	25,476,668
Adjustments for:					
Net interest income	8	(53,957,488)	(46,325,724)	(56,606,492)	(48,702,485)
Dividend income on trading securities	10	(113,674)	(111,327)	(126,801)	(123,886)
Dividends from subsidiaries and associates	12	(1,102,158)	(259,048)	–	–
Share of profits/(losses) of associate companies, net of tax	16	–	–	(62,952)	(93,590)
Change in operating assets	50.1	(160,667,438)	(74,890,341)	(163,958,901)	(78,214,226)
Change in operating liabilities	50.2	131,411,796	188,810,164	134,895,340	190,869,467
Other non-cash items included in profit before tax	50.3	3,832,099	7,217,589	4,890,843	8,390,831
Other net gains from investing activities		(273,881)	(610,336)	(312,273)	(641,918)
		(49,682,059)	**99,109,892**	**(51,164,204)**	**96,960,861**
Benefit paid from defined benefit plans		(6,427,894)	(6,221,447)	(6,469,307)	(6,238,989)
Interest received		95,086,587	85,793,707	99,900,577	89,713,176
Interest paid		(54,415,320)	(46,611,096)	(56,022,201)	(47,694,488)
Dividends received		113,674	111,327	126,801	123,886
Net cash from/(used in) operating activities before income tax		**(15,325,012)**	**132,182,383**	**(13,628,334)**	**132,864,446**
Income tax paid		(6,020,924)	(2,663,879)	(6,248,626)	(2,936,778)
Super Gain Tax paid		–	(2,015,731)	–	(2,212,215)
Net cash from/(used in) operating activities		**(21,345,936)**	**127,502,773**	**(19,876,960)**	**127,715,453**
Cash Flows from Investing Activities					
Net (increase)/decrease in financial investments – Held to maturity		3,105,015	(30,362,837)	3,090,334	(30,201,031)
Net (increase)/decrease in financial investments – Available for sale		624,947	1,128,180	(861,988)	338,023
Net (increase)/decrease in financial investments – Loans and receivables		40,686,630	(101,699,901)	41,019,663	(101,320,902)
Proceeds from disposal of an associate company		3,880,000	–	3,880,000	–
Purchase of Property, Plant and Equipment and leasehold properties		(2,052,805)	(1,332,486)	(2,207,275)	(1,571,210)
Purchase of intangible assets		(376,643)	(180,593)	(390,549)	(205,725)
Proceeds from sale of Property, Plant and Equipment		18,961	7,677	63,951	14,711
Dividends received		1,268,331	777,533	204,565	550,067
Interest received		36,487,727	29,674,085	36,809,586	30,093,413
Net cash from/(used in) investing activities		**83,642,163**	**(101,988,342)**	**81,608,287**	**(102,302,654)**

For the year ended 31 December	Note	Bank 2016 LKR '000	Bank 2015 LKR '000	Group 2016 LKR '000	Group 2015 LKR '000
Cash Flows from Financing Activities					
Net increase/(decrease) in other borrowings		(42,090,586)	62,621,862	(38,650,060)	65,572,367
Proceeds from issue of shares		5,000,000	–	5,000,000	–
Proceeds from issue of debentures		8,000,000	8,000,000	7,990,000	8,000,000
Payments on redemption of debentures		(5,032,015)	(22,398,509)	(5,368,253)	(22,677,294)
Dividends paid to Government of Sri Lanka		(18,346,410)	(5,346,410)	(18,346,410)	(5,346,410)
Dividends paid to non-controlling interest		–	–	(52,866)	(8,811)
Interest payments on borrowings and debt securities		(21,458,109)	(24,894,920)	(22,211,745)	(25,882,760)
Net cash from/(used in) financing activities		**(73,927,120)**	**17,982,023**	**(71,639,334)**	**19,657,092**
Net increase/(decrease) in cash and cash equivalents during the year		(11,630,893)	43,496,454	(9,908,007)	45,069,891
Cash and cash equivalents at the beginning of the year		78,529,331	35,032,877	82,333,074	37,263,183
Cash and cash equivalents at the end of the year		**66,898,438**	**78,529,331**	**72,425,067**	**82,333,074**
Analysis of Cash and Cash Equivalents					
Cash and cash equivalents	20	67,705,791	79,916,559	73,244,043	83,722,721
Bank overdrafts	37	(807,353)	(1,387,228)	(818,976)	(1,389,647)
Cash and cash equivalents at the end of the year		**66,898,438**	**78,529,331**	**72,425,067**	**82,333,074**

The Notes to the Financial Statements from pages 156 to 292 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Reporting Entity

1.1 Corporate Information

Bank of Ceylon (the 'Bank') is a Government owned bank domiciled in Sri Lanka, duly incorporated on 1 August 1939 under the Bank of Ceylon Ordinance No. 53 of 1938. It is a licensed commercial bank established under the Banking Act No. 30 of 1988 and amendments thereto. The registered office of the Bank is situated at 'BOC Square', No. 01, Bank of Ceylon Mawatha, Colombo 01, Sri Lanka. The debentures issued by the Bank are listed on the Colombo Stock Exchange and the senior notes amounting to USD 1,000 million are listed on the Singapore Stock Exchange. The staff strength of the Bank as at 31 December 2016 was 7,569 (2015 – 7,980).

1.2 Consolidated Financial Statements

The Consolidated Financial Statements are prepared as at and for the year ended 31 December 2016 comprise the Bank ('Parent'), its subsidiaries (together referred to as the 'Group' and individually as 'Group Entities') and the Group's interests in its associate companies. The Financial Statements of the companies in the Group have common financial year which ends on 31 December, except the associate companies of Transnational Lanka Records Solutions (Private) Limited and Ceybank Asset Management Limited. The Bank is the ultimate parent of the Group.

1.3 Principal Activities

1.3.1 Bank

The principal activities of the Bank during the year were, personal banking, corporate banking, development banking, offshore banking, trade financing, lease financing, primary dealing, investment banking and treasury operations, correspondent banking and money remittances, Islamic banking, bancassurance, pawning, credit card facilities, foreign currency operations, and other financial services.

1.3.2 Subsidiaries

The principal activities of the subsidiaries of the Bank are as follows:

Name of the Company	Principal Business Activities
Property Development PLC	Own, maintain and manage the Bank of Ceylon head office building
Merchant Bank of Sri Lanka & Finance PLC	Leasing, hire purchase, corporate and retail, credit, corporate advisory services, capital market operations, margin trading, microfinancing, agricultural credit facilities, real estate, pawning and accepting deposits
BOC Management & Support Services (Private) Limited	Provides management services to the Bank
BOC Property Development & Management (Private) Limited	Renting of office space of BOC Merchant Tower in Colombo 03 and Ceybank House in Kandy
BOC Travels (Private) Limited	Engages in travel related services
Hotels Colombo (1963) Limited	Provides hotel services
Ceybank Holiday Homes (Private) Limited	Maintaining of pilgrims rests/holiday homes/ guest houses
MBSL Insurance Company Limited	Underwriting of all classes of life and general insurance
Koladeniya Hydropower (Private) Limited	Hydropower generation
Bank of Ceylon (UK) Limited	Authorised Licensed Commercial Bank by Prudential Regulation Authority of United Kingdom, engages in retail and corporate banking, treasury operations, correspondent banking services and trade finance services

1.3.3 Associates

The principal activities of the associates of the Bank are as follows:

Name of the Company	Principal Business Activities
Ceybank Asset Management Limited	Management of unit trust funds and other private portfolios
Lanka Securities (Private) Limited	Registered stock broker, engages in equity trading, debt trading and margin trading
Transnational Lanka Records Solutions (Private) Limited	Renting properties and real estates
Southern Development Financial Company Limited	Not in operation and in the process of liquidation

There were no significant changes in the nature of principal activities of the Bank, subsidiaries and associates during the year under review. The Bank's stake of 40% in the associate company, Mireka Capital Land (Private) Limited was disposed during the year.

Southern Development Financial Company Limited (SDFCL) is not in operations. The Board of Directors of SDFCL has decided to wind up the Company and is in the process of liquidation.

2. Directors' Responsibility for Financial Statements

2.1 Preparation and Presentation of the Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Bank and its Subsidiaries and Associates in compliance with the requirements of the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments, Banking Act No. 30 of 1988 and its amendments thereto and Sri Lanka Accounting Standards.

2.2 Approval of Financial Statements

The Financial Statements for the year ended 31 December 2016 were authorised for issue on 29 March 2017 by the Board of Directors.

3. Basis of Preparation

3.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Bank have been prepared in accordance with Sri Lanka Accounting Standards comprising of Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka (together referred to as SLFRSs in these Financial Statements). The preparation and presentation of these Financial Statements are in compliance with the requirements of the Bank of Ceylon Ordinance, the Banking Act No. 30 of 1988 and the Companies Act No. 07 of 2007.

The Group has prepared Financial Statements which comply with SLFRSs applicable for the year ended 31 December 2016, together with the comparative year data as at and for the year ended 31 December 2015, as described in the accounting policies.

3.2 Basis of Measurement

The Consolidated Financial Statements have been prepared on the basis of historical cost convention which has been applied in consistence basis, except for the following:

- Derivative financial instruments are measured at fair value
- Financial instruments held for trading are measured at fair value
- Available for sale financial investments are measured at fair value
- Owner occupied freehold land and buildings and buildings on leasehold lands are measured at revalued amount less any subsequent accumulated depreciation and impairment losses
- Defined benefit obligations are actuarially valued and recognised as the present value of the defined benefit obligation less total of the fair value of plan assets

No adjustments have been made for inflationary factors affecting the Financial Statements.

3.3 Functional and Presentation Currency

Items included in the Consolidated Financial Statements are measured and presented in Sri Lankan Rupees ('LKR') which is the functional currency of the primary economic environment in which the Bank operates. Except as otherwise indicated, financial information presented in LKR has been rounded to the nearest thousand except when otherwise indicated.

3.4 Presentation of Consolidated Financial Statements

Items in the Financial Position of the Bank and the Group are grouped by nature of such item and present broadly in order of their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within 12 months after the Reporting date (current) and more than 12 months after the Reporting date (non-current) is presented in Note 54.

Financial assets and financial liabilities are generally reported gross in the Consolidated Statement of Financial Position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Bank and/or its counterparties

Income and expenses are not offset in the Consolidated Statement of Profit or Loss unless required or permitted by any accounting standard or interpretation and as specifically disclosed in the accounting policies of the Group.

Consolidated Statement of Cash Flows has been prepared by using of 'Indirect Method' in accordance with LKAS 07 – 'Statement of Cash Flows', whereby the profit is adjusted to derive the cash flows from operating activities. Cash and cash equivalents comprise cash in hand, other short-term highly liquid investments with maturity less than seven days from date of acquisition and bank overdrafts.

3.5 Comparative Information

The comparative information is reclassified wherever necessary to conform to the current year's presentation.

3.6 Use of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Consolidated Financial Statements requires management to exercise judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The judgments, estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and/or in future periods if the revision affects future periods too.

In the process of applying the Group's accounting policies, management has made the following judgments, estimates and assumptions, which have the most significant effect on the amounts recognised in the Consolidated Financial Statements.

3.6.1 Going Concern

The management has made an assessment on the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

3.6.2 Commitment and Contingent Liabilities

All discernible risks are accounted for in determining the amount of all known and measurable liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

3.6.3 Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities, recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, however, if such data are not available, a degree of judgment is exercised in establishing fair values which minimise the effect of use of unobservable inputs. The valuations of financial instruments are described comprehensively in Note 57.

3.6.4 Impairment Losses on Loans and Advances

The Group reviews its individually significant loans and advances at each Reporting date to assess whether an impairment loss should be recorded in the Statement of Profit or Loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made based on incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as loan type, levels of arrears etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, real estate price indices, country risk and the performance of different individual groups). Details of Impairment losses on loans and advances are given in Note 26.

3.6.5 Impairment of Available for Sale Investments

The Group reviews its debt securities classified as available for sale investments at each Reporting date to assess whether they are impaired.

The Group also records impairment charges on equity investments classified as available for sale when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant or prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its carrying value. Details of impairment of available for sale investments are given in Note 27.

3.6.6 Impairment of Investment in Subsidiaries, Other Financial Assets and Non-Financial Assets

The Group and the Bank follow the guidance of LKAS 36 – 'Impairment of Assets' and LKAS 39 – 'Financial Instruments: Recognition and measurement' in determining whether an investment or a financial asset is impaired. Determination and identification of impairment indicators require the Group and the Bank to evaluate duration and extent to which the fair value of an investment for a financial asset

is less than its cost and the financial stability of the near term business outlook of the investment or the financial asset, considering the factors such as performance of the sector and industry, technology and operational environmental changes along with future cash flows. This process involves with significant judgment in aforesaid areas and details are given under respective notes.

3.6.7 Defined Benefit Obligation

The cost of the defined benefit pension plans and other post employment benefit plans are determined using an actuarial valuation. An actuarial valuation involves making various assumptions determining the discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each Reporting date and assumptions used in the year are given in Note 44.

3.6.8 Fair Value of Land and Buildings

The freehold land and buildings and the buildings on leasehold land of the Group are reflected at fair value. The Group engaged independent valuation specialists to determine fair value of such properties in terms of the SLFRS 13 – 'Fair Value Measurement'. The details of valuation of freehold land and buildings and the buildings on leasehold land are given in Note 32.

3.6.9 Useful Life of the Property, Plant and Equipment and Intangible Assets

The Group reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment and intangible assets at each Reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. The details of the depreciation methods and rates used for each assets category are given in Note 32.

3.6.10 Classification of Investment Properties

Management is required to use its judgment to determine whether a property qualified as an investment property. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Group are accounted for as investment properties. On the other hand, properties that are used for operations or for the process of providing services or for administration purposes and which do not directly generate cash flows as stand-alone assets are accounted as Property, Plant and Equipment.

3.6.11 Taxation

The Group is subject to income tax, Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services and other applicable taxes.

A judgment is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exists with respect to the interpretation of the applicable tax laws at the time of preparing these Financial Statements. The details on the applicable tax rates and other information are given under Notes 17 and 35.

The Group is subject to transfer pricing regulations and it is necessitated using management judgment to determine the impact of transfer pricing regulations. Accordingly critical judgments and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulation.

3.7 Materiality and Aggregation

In compliance with LKAS 01 – 'Presentation of Financial Statements', each material class of similar items are presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately unless they are immaterial.

4. Significant Accounting Policies

The significant accounting policies applied by the Bank and the Group in preparation of its Financial Statements are included below and have been consistently applied to all periods presented in these Financial Statements of the Group and the Bank, unless otherwise indicated.

4.1 Basis of Consolidation

The Group's Financial Statements comprise consolidation of the Financial Statements of the Bank and its subsidiaries in terms of the SLFRS 10 – Consolidated Financial Statements and LKAS 27 – Consolidated and Separate Financial Statements.

The Bank's Financial Statements comprise the amalgamation of the Financial Statements of the Domestic Banking Unit, the Offshore Banking Unit and the international operations of the Bank.

The accounting policies pertaining to the consolidation of Subsidiaries and Associates are given in the Notes 29 and 30.

4.1.1 Business Combinations

Business combinations are accounted for using the acquisition method. As of the acquisition date, the amount of non-controlling interest is measured either at fair value or at the non-controlling interests' proportionate share of the acquirer's identifiable net assets.

Acquisition related cost are costs the acquirer incurs to effect a business combination. Those costs include finder's fees, advisory, legal, accounting, valuation and other professional consulting fees, general administrative costs, including the cost of maintaining an internal acquisition department and cost of registering and issuing debt and equity securities. Acquisition related costs, other than those associated with the issue of debt or equity securities are expensed in the periods in which the costs are incurred and the services are received.

The Group elects on a transaction by transaction basis whether to measure non-controlling interests at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

4.1.2 Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, carrying amount of non-controlling interests and the cumulative translation differences recorded in equity related to the subsidiary. Further, the Bank's share of components previously recognised in Other Comprehensive Income (OCI) is reclassified to Profit or Loss or retained earnings as appropriate. Any surplus or deficit arising on the loss of control is recognised in the Profit or Loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

4.2 Foreign Currency Translations

4.2.1 Foreign Currency Transactions and Balances

Transactions in foreign currency are translated into the functional currency of the operation which is Sri Lankan Rupees (LKR) at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the Reporting date are retranslated into the functional currency at the spot exchange rate at that date and all differences arising on non-trading activities are taken to 'other operating income' in the Statement of Profit or Loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial recognition.

Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Foreign currency differences arising on retranslation are recognised in the Profit or Loss.

Forward exchange contracts are valued at the forward market rates ruling on the Reporting date and resulting net unrealised gains or losses are dealt with the profit or loss.

4.2.2 Foreign Operations

The results and financial position of foreign operations, whose functional currencies are not Sri Lankan Rupees, are translated into Sri Lankan Rupees as follows.

The assets and liabilities of foreign operations are translated into Sri Lankan Rupees at spot exchange rates as at the Reporting date. The income and expenses of foreign operations are translated at monthly average rate for the year. Foreign currency differences on the translation of foreign operations are recognised in Other Comprehensive Income (OCI).

When a foreign operation is disposed off, the relevant amount in the translation reserve is transferred to the profit or loss as part of the profit or loss on disposal in other operating income or other operating expenses.

4.3 Classification of Financial Instruments Between Debt and Equity

Classification of financial instruments between debt and equity depends on following characteristics of such instruments:

- Name or labels given to the instruments
- Presence or absence of a fixed maturity date
- Life of the instrument
- Source of payments
- Right to enforce payments
- Rights to participate in management
- Risk involved in the instruments
- Volatility of cash flows
- Securities given as collaterals

4.4 Financial Assets and Financial Liabilities

4.4.1 Classification of Financial Assets and Financial Liabilities

The classification of financial assets and liabilities at initial recognition depends on their purpose, characteristics and the management's intention in acquiring them.

4.4.1.1 At the Inception, the Financial Assets are Classified in One of the Following Categories:

- Financial assets at fair value through profit or loss
  - Financial instruments – Held for trading (Note 24)
  - Financial assets designated through profit or loss

- Financial investments – Loans and receivables (Note 25)
- Financial investments – Available for sale (Note 27)
- Financial investments – Held to maturity (Note 28)

4.4.1.2 At the Inception, the Financial Liabilities are Classified in One of the Following Categories:

- Financial liabilities at fair value through profit or loss
  - Financial liabilities – Held for trading
  - Financial liabilities designated through profit or loss
- Financial liabilities – Amortised cost

4.4.2 Date of Recognition

All financial assets and liabilities are initially recognised on the settlement date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes 'regular way trades'. Regular way trade means purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

4.4.3 Initial Measurements of Financial Instruments

Financial assets and liabilities are initially measured at their fair value plus transaction cost, except in the case of financial assets and liabilities recorded at fair value through profit or loss. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are dealt with in the Statement of Profit or Loss.

4.4.4 'Day One' Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a 'Day one' profit or loss) in 'Net trading income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Statement of Profit or Loss over the life of the instrument.

4.4.5 Financial Liabilities at Amortised Cost

Financial instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under 'Due to banks', 'securities sold under repurchasing agreements', 'due to customers', 'other borrowings', 'debt securities issued' or 'subordinated term debts' as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt securities issued and other borrowings are subsequently measured at amortised cost using EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of EIR.

4.4.6 Reclassification of Financial Assets

The Group does not reclassify any financial instrument into the 'fair value through profit or loss' category after initial recognition. Further, the Group does not reclassify any financial instrument out of the 'fair value through profit or loss' category if upon initial recognition it was designated as at fair value through profit or loss. The Group reclassifies non–derivative financial assets out of the 'held for trading' category and into the 'available for sale', 'loans and receivables' or 'held to maturity' categories as permitted by the Sri Lanka Accounting Standard – LKAS 39 on 'Financial Instruments: Recognition and Measurement'. Further, in certain circumstances, the Group is permitted to reclassify financial instruments out of the 'available for sale' category and into the 'loans and receivables' or 'held to maturity' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset reclassified out of the 'available for sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the Effective Interest Rate (EIR). Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the Statement of Profit or Loss.

The Group may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

However sale or reclassification of a more than insignificant amount of HTM investments would result in the reclassification of all HTM investments as 'available for sale' and would prevent the Group from classifying any financial

asset as 'held to maturity' for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial assets' fair value
- Sales or reclassifications after the Group has collected substantially all of the assets' original principal
- Sales or reclassifications attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated

Reclassification is at the election of management and is determined on an instrument by instrument basis.

4.4.7 Derecognition

4.4.7.1 Derecognition of Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire, or when it transfers the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial assets.

Any interest in transferred financial assets that qualify for derecognition that are created or retained by the Group is recognised as a separate asset or liability in the Statement of Financial Position. On derecognition of financial assets, (i) the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the assets transferred) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Group retains all or substantially all the risks and rewards of ownership of such assets.

The transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the service.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4.4.7.2 Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the Statement of Profit or Loss.

4.4.8 Securities Sold under Repurchase Agreements and Securities Purchased under Resale Agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the Statement of Financial Position as the Group retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the Statement of Financial Position as an asset with a corresponding obligation to return it. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using EIR.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within 'securities purchased under resale agreements', reflecting the transaction's economic substance as an advance granted by the Group. The difference between the purchase and resale price is recorded as 'Interest income' and is accrued over the life of the agreement using the EIR.

4.4.9 Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under LKASs/SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

4.4.10 Impairment of Assets

4.4.10.1 Impairment of Financial Assets

At each Reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired, when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the estimated future cash flows of the asset(s) that can be estimated reliably. Impairment details of financial investments – Loan and Receivable, Loans and Advances to customers, Financial investments – Available for sale and Held to maturity are given in Notes 25, 26, 27 and 28 respectively.

4.4.10.2 Impairment of Non-Financial Assets

The Bank assesses at each Reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly-traded subsidiaries or other valuable fair value indicators.

4.4.11 Fiduciary Services

The Group provides fiduciary services that result in holding of the assets on behalf of its customers. Assets held in fiduciary capacity are not reported in the Financial Statements, as they are not assets of the Group.

4.5 Provisions

A provision is recognised as a result of a past event, when the Group has a present (legal or constructive) obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash outflows at a current pre tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage at time is recognised as finance cost.

4.6 Income Tax Expense and Other Taxes

4.6.1 Income Tax Expense

Income tax expense comprises current and deferred tax. More details are given in Note 17.

4.6.2 Value Added Tax (VAT) on Financial Services

The base for Value Added Tax computation is arrived by aggregating the accounting profit before income tax and emoluments of employees, which is adjusted for the depreciation computed on prescribed rates.

During the year, the Group's total value addition was subjected to 15% (2015 – 11%) VAT as per Section 25 (a) of the Value Added Tax Act No. 14 of 2002 and amendments thereto. Also the Group is following value attributable method to compute VAT on financial services.

4.6.3 Withholding Tax (WHT) on Dividends

- Withholding tax on dividends distributed by the Bank

No withholding tax is paid by the Bank since Bank distributes dividend to its single shareholder, the Government of Sri Lanka.

- Withholding tax on dividends distributed by the subsidiaries and associates

Dividend distributed out of taxable profit of the subsidiaries and associate companies attracts a 10% deduction at source and is not available for setoff against the tax liability of the Bank, since it is treated as a final tax. Thus, the withholding tax deducted at source is added to the tax expense in preparing the Consolidated Financial Statements as a consolidation adjustment.

4.6.4 Economic Service Charge (ESC)

As per provisions of the Economic Service Charge (ESC) Act No.13 of 2006 and amendments thereafter, ESC is payable at 0.25% on Bank's liable turnover and is deductible from income tax payable. With effect from 1 April 2012 as per the ESC amendment Act No.11 of 2012 ESC is payable only on exempted turnover of the Bank and is deductible

from income tax payable. ESC is not payable on turnover on which income tax is payable.

4.6.5 Crop Insurance Levy (CIL)

As per the provisions of the Section 15 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable 1% of the profit after tax to the National Insurance Trust Fund Board.

4.6.6 Nation Building Tax (NBT) on Financial Services

NBT on financial services is calculated in accordance with Nation Building Tax (NBT) Act No. 9 of 2009 and subsequent amendments thereto with effect from 1 January 2014. NBT on financial services is calculated at 2% of the value addition used for the purpose of VAT on Financial Services.

5. Insurance Business

5.1 Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each Reporting date or more frequently when an indication of impairment arises during the Reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the Statement of Profit or Loss.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

5.2 Insurance Receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit or Loss.

5.3 Deferred Expenses

5.3.1 Deferred Acquisition Costs (DAC)

The costs of acquiring new businesses including commission, underwriting, marketing and policy issue expenses, which vary with and directly related to production of new businesses and/or investment contracts with Discretionary Participation Features (DPF), are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, DAC for general insurance is amortised over the period on the basis unearned premium is amortised. The reinsurances' share of deferred acquisition cost is amortised in the same manner as the underlying assets amortisation is recorded in the Statement of Profit or Loss.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period and are treated as a change in an accounting estimate. DAC are derecognised when the related contracts are either expired or cancelled.

5.4 Reinsurance Commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortised.

5.5 Investment Contract Liabilities

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, investment contract liabilities are measured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the Statement of Financial Position. Fair value adjustments are performed at each Reporting date and are recognised in the Statement of Profit or Loss. Fair value is determined through the use of prospective discounted cash flow

techniques. For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit linked fund multiplied by the unit price of those funds at the Reporting date. The fund assets and fund liabilities used to determine the unit prices at the Reporting date are valued on a basis consistent with their measurement basis in the Statement of Financial Position adjusted to take account of the effect on the liabilities of the deferred tax on unrealised gains on assets in the fund.

Non-utilised contracts are subsequently carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic modeling. Models are validated, calibrated and periodically reviewed by an independent qualified person.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value. When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance.

5.6 Discretionary Participation Features (DPF)

A DPF is a contractual right that gives holders of these contracts the right to receive as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio. Under the terms of the contract, surpluses in the DPF funds can be distributed to policyholders and shareholders on a 90/10 basis. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at annually are held within insurance or investment contract liabilities as appropriate.

5.7 Income Recognition

5.7.1 Gross Premiums

Gross recurring premiums on life and investment contracts with DPF are recognised as revenue when receivable from the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

5.7.2 Reinsurance Premiums

Gross reinsurance premiums on life and investment contracts are recognised as an expense when the date on which the policy is effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the Reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

5.8 Unearned Premium Reserve

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/24th basis.

5.9 Benefits, Claims and Expenses Recognition

5.9.1 Gross Benefits and Claims

Gross benefits and claims for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts, as well as changes in the gross valuation of insurance and investment contract liabilities with DPF. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Interim payments and surrenders are accounted at the time of settlement.

General insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct and inward reinsurance business. The liability covers claims reported but not yet paid, Incurred But Not Reported (IBNR) claims and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR is

actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

6. New Accounting Standards Issued but not Effective as at the Reporting Date

The following Sri Lanka Accounting Standards were issued by the Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31 December 2016. Accordingly these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 December 2016.

(i) SLFRS 9 – Financial Instruments:
In July 2014, the Institute of Chartered Accountants of Sri Lanka issued SLFRS 9 'Financial Instruments' (on par with International Accounting Standards Board), the standard that will replace LKAS 39 'Financial Instruments – Recognition and measurement' for annual periods beginning on or after 1 January 2018, with early adoption permitted. Currently the Bank is in the process to establish a multidisciplinary team (the Team) with members from its Risk, Finance and Operations teams to prepare for SLFRS 9 implementation (the Project). The Project is sponsored by the Chief Financial Officer and Chief Risk Officer.

The Project has clear individual work streams within two sub teams for classification and measurement and impairment. The initial assessment and analysing stage was completed for impairment in 2016 and the sub teams are finalising the classification and measurement phase.

The Bank is about to commence the Diagnostic Phase (Impact Assessment Exercise) and expects following significant changes.

Impairment of financial assets
SLFRS 9 will fundamentally change the loan loss impairment methodology. The standard will replace Incurred Loss Approach of LKAS 39 – 'Financial Instruments – Recognition' with a forward-looking Expected Credit Loss (ECL) Approach. The Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at fair value through profit or loss, together with loan commitments and financial guarantee contracts.

In comparison to LKAS 39, the Bank expects the impairment charge under SLFRS 9 to be more volatile than under LKAS 39 and to result in an increase in the total level of current impairment allowances.

Classification and Measurement
From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The LKAS 39 measurement categories will be replaced by: Fair Value through Profit or Loss (FVPL), Fair Value through Other Comprehensive Income (FVOCI) and amortised cost. The accounting for financial liabilities will largely be the same as the requirements of LKAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL.

(ii) SLFRS 15 – Revenue from contracts with customers
SLFRS 15 states the principles that an entity shall apply to report useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

SLFRS 15 introduces a five step approach for revenue recognition from contracts with customers and replaces all other currently applicable revenue standards and related interpretations.

SLFRS 15 will become effective on 1 January 2018, with early adoption is permitted. The impact on implementation of the above standard has not been quantified yet. However, the Group does not expect significant impact on its Financial Statements resulting from SLFRS 15.

(iii) SLFRS 16 – 'Leases'
SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting. SLFRS 16 is effective for annual Reporting periods beginning on or after 1 January 2019.

The Group is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

7. Total Income

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group/Bank and the revenue can be reliably measured.

For the year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Interest income [Note 8.1]	134,685,338	112,745,122	139,701,569	117,083,894
Fee and commission income [Note 9.1]	8,739,625	8,909,197	8,983,083	9,258,470
Net gains/(losses) from trading [Note 10]	2,061,616	3,968,014	2,037,390	3,985,172
Net gains/(losses) from financial investments [Note 11]	273,881	610,336	312,273	641,918
Other operating income [Note 12]	8,360,912	5,269,140	8,666,910	7,014,896
Total income	**154,121,372**	**131,501,809**	**159,701,225**	**137,984,350**

8. Net Interest Income

Accounting Policy

Interest income and expense are recognised in the Statement of Profit or Loss using the effective interest rate (EIR) method. The 'EIR' is the rate that exactly discounts the estimated future cash payments and receipts throughout the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the EIR, the Group estimates future cash flows, considering all contractual terms of the financial instruments.

The calculation of the EIR includes transaction costs and fees paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. Once the financial asset is impaired, interest income is recognised based on the recoverable amount of such financial asset by using EIR.

Interest income and expense presented in the Statement of Profit or Loss include interest on;

- Financial assets and financial liabilities measured at amortised cost calculated using EIR method
- Financial instruments classified as held for trading
- Financial investments classified as available for sale

8.1 Interest Income

For the year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Cash and cash equivalents	464,027	1,577,768	560,812	1,648,187
Placements with banks	580,833	676,498	646,813	689,181
Securities purchased under resale agreements	561,823	472,712	615,444	487,889
Financial instruments – Held for trading	428,314	1,447,782	428,314	1,447,981
Financial investments – Loans and receivables	11,807,028	8,736,533	11,847,619	8,855,100
Loans and advances to customers	93,898,806	75,540,575	98,376,809	79,446,154
Financial investments – Available for sale	151,785	216,600	342,840	424,620
Financial investments – Held to maturity	26,792,722	24,076,654	26,882,918	24,084,782
Total interest income	**134,685,338**	**112,745,122**	**139,701,569**	**117,083,894**

Interest income on loans and advances to customers includes interest on impaired loans LKR 441.5 million for the year 2016 (2015 – LKR 597.9 million).

8.2 Interest Expenses

For the year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Due to banks	11,607	943	262,192	45,393
Securities sold under repurchase agreements	6,521,994	5,197,600	6,559,119	5,222,956
Due to customers	57,907,175	44,410,969	59,437,884	45,490,124
Other borrowings	11,716,862	11,773,456	11,663,625	11,948,832
Debt securities issued	1,365,604	1,496,632	2,026,725	2,188,809
Subordinated term debts	3,204,608	3,539,798	3,145,532	3,485,295
Total interest expenses	**80,727,850**	**66,419,398**	**83,095,077**	**68,381,409**
Net interest income	**53,957,488**	**46,325,724**	**56,606,492**	**48,702,485**

8.3 Net Interest Income from Sri Lanka Government Securities

For the year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Interest income	27,710,618	26,205,881	27,905,965	26,414,550
Less: Interest expenses	6,521,994	5,197,600	6,559,119	5,222,956
Net interest income from Sri Lanka Government securities	21,188,624	21,008,281	21,346,846	21,191,594

8.4 Notional Tax Credit on Secondary Market Transactions

In terms of the Section 137 of the Inland Revenue Act No. 10 of 2006 and the amendments thereto, a company which derives interest income from the secondary market transactions in Government Securities would be entitled to a notional tax credit [being one ninth (1/9) of the net interest income], provided such interest income form a part of statutory income of the company for that year of assessment. Accordingly, the net interest earned by the Bank and the Group on secondary market transactions in Government Securities for the year has been grossed up in the Financial Statements and the resulting notional tax credit amounted to a sum of LKR 1,844.3 million (2015 – LKR 1,945.2 million) for the Bank and LKR 1,893.6 million (2015 – LKR 1,979.6 million) for the Group.

9. Net Fee and Commission Income

Accounting Policy

Fee and commission income comprises with the fee and commission earned by the Group, providing diverse range of services. Those can be divided into following three main categories.

(i) **Fee and commission income earned from services that are provided over a certain period of time**
Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and private wealth and asset management fees, custody and other management and advisory fees.

(ii) **Fee and commission income from providing transaction services and earned on the execution of a significant act**
Fees and commission arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(iii) Fee income forming an integral part of the corresponding financial instruments

Fees that the Bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees. The recognition of these fees (together with any incremental costs) form an integral part of the corresponding financial instruments and are recognised as interest income through an adjustment to the EIR (as defined in Note 8.1 above). The exception is, when it is unlikely that a loan will be drawn down, the loan commitment fees are recognised as revenue on expiry. Loan commitments that are within the scope of LKAS 39 (i.e., are at a below market rate of interest, or are settled net) are accounted for as derivatives and measured at fair value through profit or loss.

Fees and commission expenses relating to transactions are expensed as the services are received and are recognised on an accrual basis.

9.1 Fee and Commission Income

For the year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Trade services	1,925,657	2,525,862	1,966,364	2,567,481
Debit and credit cards	2,061,285	1,691,302	2,061,285	1,691,302
Travel and remittances services	833,768	724,126	833,769	724,125
Custodial services	57,183	88,722	57,183	88,722
Retail banking services	1,988,554	2,030,174	1,988,553	2,030,173
Guarantees and related services	1,313,247	1,113,815	1,314,382	1,114,769
Other financial services	559,931	735,196	761,547	1,041,898
Total fee and commission income	**8,739,625**	**8,909,197**	**8,983,083**	**9,258,470**

9.2 Fee and Commission Expenses

For the year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Trade services	79,710	81,925	79,710	81,925
Debit and credit cards	1,100,633	837,499	1,100,633	837,498
Travel and remittances	93,857	78,601	93,857	78,600
Retail banking services	214,637	51,673	214,637	51,673
Guarantees and related services	9,241	9,371	9,241	9,371
Other financial services	22,112	11,778	109,193	117,513
Total fee and commission expenses	**1,520,190**	**1,070,847**	**1,607,271**	**1,176,580**
Net fee and commission income	**7,219,435**	**7,838,350**	**7,375,812**	**8,081,890**

10. Net Gains/(Losses) from Trading

Accounting Policy

Net gains/(losses) from trading comprise realised gains or losses from investment in equities and fixed income securities classified as held for trading and unrealised gains and losses due to changes in fair value of such instruments, foreign exchange gain or losses arising from trading activities, dividend income from trading equities and gains or losses arising from changes in fair value of derivative financial instruments.

Dividend income is recognised when the Group's right to receive the dividend is established.

For the year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Foreign exchange				
From banks	6,959	1,435	24,561	1,848
From other customers	2,075,002	3,820,141	2,086,767	3,849,265
Fixed income securities				
Gains/(Losses) on marked to market valuation	1,865	(75,645)	1,865	(75,645)
Gains/(Losses) on sale	405,122	291,317	405,122	291,317
Equities				
Gains/(Losses) on marked to market valuation	(560,428)	(199,135)	(587,115)	(254,471)
Gains/(Losses) on sale	19,422	18,574	(20,611)	48,972
Dividend income	113,674	111,327	126,801	123,886
Net gains/(losses) from trading	**2,061,616**	**3,968,014**	**2,037,390**	**3,985,172**

11. Net Gains/(Losses) from Financial Investments

Accounting Policy

Net gains/(losses) from financial investments include profit or loss on sale of financial investments and dividend income of financial investments classified as available for sale. Dividend income is recognised when the Group's right to receive the dividend is established.

For the year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Financial investments – Available for sale				
Gains/(Losses) on sale of Government securities	107,708	91,851	107,708	91,851
Dividend income	166,173	518,485	204,565	550,067
Net gains/(losses) from financial investments	**273,881**	**610,336**	**312,273**	**641,918**

12. Other Operating Income

Accounting Policy

Dividend Income

Dividend income from subsidiaries and associates is recognised when the Bank's right to receive the dividend is established.

Gains/(Losses) from Disposal of Non-Financial Assets

Net gains or losses arising from the disposal of Property, Plant and Equipment and other non-current assets including investments in subsidiaries and associates are accounted for in the Statement of Profit or Loss after deducting the carrying amount of such assets and the related selling expenses from the proceeds on disposal.

Foreign Exchange Income

Foreign currency positions are revalued at each Reporting date. Gains/(Losses) arising from changes in fair value are included in the Statement of Profit or Loss in the period in which they arise.

Rental Income

Rental income is recognised on an accrual basis. This includes rent recovered from the Bank's premises, quarters, safety lockers, and lease rent recovered form branch premises etc.

Service Income

Service income is recognised on an accrual basis and includes income earned through documentation charges recovered from loans and leases, CRIB charges, legal fees, correspondent banking services charges and CITs and automated cheque clearing charges etc.

Gross Insurance Premium

Gross recurring premiums on life and investment contracts with Discretionary Participation Features (DPF) are recognised as revenue when receivable from the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

For the year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Dividend income from subsidiaries and associates	1,102,158	259,048	–	–
Gains from disposal of non-financial assets*	3,130,000	–	2,378,666	–
Gains/(Losses) on revaluation of foreign exchange	1,069,579	2,311,271	1,069,579	2,311,271
Gains/(Losses) on sale of Property, Plant and Equipment	51,643	527	87,249	(9,173)
Gains/(Losses) on sale of foreclosed properties	19,052	202,900	19,052	202,900
Recovery of loans written off	34,033	41,072	46,588	57,472
Rental income	231,326	194,733	298,791	266,321
Service income	2,143,545	1,944,284	2,611,013	2,466,311
Profit from sale of gold bullion	13,025	13,779	13,025	13,779
Miscellaneous income	414,154	202,291	750,785	282,422
Gross insurance premium	–	–	1,239,765	1,324,358
Net income from Islamic banking [Note 12.1]	152,397	99,235	152,397	99,235
Total other operating income	**8,360,912**	**5,269,140**	**8,666,910**	**7,014,896**

**Gains from disposal of non-financial assets include gain on disposal of Mireka Capital Land (Private) Limited, an associate company of the Bank.*

12.1 Net Income from Islamic Banking

For the year ended 31 December	Bank/Group	
	2016 LKR '000	2015 LKR '000
Income from Islamic banking operations	252,846	161,119
Less: Profit paid to investors	100,449	61,884
Net income from Islamic banking	**152,397**	**99,235**

13. Impairment Charge/(Reversal) for Loans and Other Losses

Accounting Policy

The Bank and Group recognise the changes in the impairment provisions for loans and advances, which are assessed as per Sri Lanka Accounting Standard – LKAS 39 on 'Financial Instruments: Recognition and Measurement'. Details are given under loans and advances to customers (Note 26). Further, the Bank/Group recognises an impairment loss when the carrying amount of a non-financial asset exceeds the estimated recoverable amount from that asset as per Sri Lanka Accounting Standard – LKAS 36 on 'Impairment of Assets'.

For the year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Individual impairment for loans and advances [Note 13.1]	6,685,680	2,155,069	6,765,378	2,502,677
Collective impairment for loans and advances	(2,288,919)	3,748,734	(2,344,378)	3,863,277
Net impairment charge/(reversal) for loans and advances	**4,396,761**	**5,903,803**	**4,421,000**	**6,365,954**

13.1 Individual Impairment for Loans and Advances

For the year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Impairment charge during the year	9,209,538	3,780,695	9,289,236	4,128,303
Less: Amount reversed or recovered during the year	2,523,858	1,625,626	2,523,858	1,625,626
Net individual impairment charge/(reversal) during the year	**6,685,680**	**2,155,069**	**6,765,378**	**2,502,677**

14. Personnel Expenses

Accounting Policy

Personnel expenses include staff emoluments, contribution to defined contribution/benefit plans and other related expenses. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Employees are eligible for contribution to defined contribution/benefit plans in accordance with the respective internal and external statutes and regulations.

Defined benefit plan contributions and provisions for accumulated leave are recognised in the Statement of Profit or Loss based on actuarial valuations carried out in accordance with Sri Lanka Accounting Standard – LKAS 19 on 'Employee Benefits'.

For the year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Staff emoluments	12,679,264	12,282,251	13,888,137	13,379,110
Contributions to defined contribution plans [Note 14.1]	1,043,376	1,064,444	1,170,963	1,174,290
Contributions to defined benefit plans [Note 14.2]	1,188,793	524,907	1,250,027	591,330
Other personnel expenses	1,932,998	2,872,594	2,100,202	3,013,338
Total personnel expenses	**16,844,431**	**16,744,196**	**18,409,329**	**18,158,068**

14.1 Contributions to Defined Contribution Plans

A Defined Contribution Plan (DCP) is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in the Statement of Profit or Loss when they are due in respect of service rendered before the end of the Reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a DCP that is due more than 12 months after the end of the Reporting period in which the employees render the service are discounted to their present value at the Reporting date.

Bank of Ceylon Provident Fund

All employees of the Bank are members of the 'Bank of Ceylon Provident Fund' to which the Bank contributes 12% of employees' monthly gross salary while employees contribute 8%. The Bank's Provident Fund is an approved fund, which is independently administered.

Employees' Provident Fund

The subsidiaries and their employees (other than Bank of Ceylon and its employees) contribute 12% (15% by Property Development PLC) and 8% (10% by Property Development PLC's employees) respectively on monthly gross salary of each employee to Employees' Provident Fund, in terms of the Employees' Provident Fund Act No. 15 of 1958 as amended.

Employees' Trust Fund

All employees of the Bank and its subsidiaries are members of the Employees' Trust Fund to which the Bank and the Group contributes 3% of the employee's monthly gross salary, in terms of Employees' Trust Fund Act No. 46 of 1980.

For the year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Employers' Contribution to:				
Bank of Ceylon/Employees' Provident Funds	836,910	851,848	939,617	940,311
Employees' Trust Fund	206,466	212,596	231,346	233,979
Total contributions to defined contribution plans	**1,043,376**	**1,064,444**	**1,170,963**	**1,174,290**

14.2 Contributions to Defined Benefit Plans

A Defined Benefit Plan (DBP) is a post-employment benefit plan other than a DCP. The Group's net obligation in respect of DBP is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value and then deducting the fair value of any plan assets. The discount rate is the yield at the Reporting date on long-term treasury bond rate for discount rates actually used that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified Actuary using the Projected Unit Credit method.

The Group recognises all actuarial gains and losses arising from DBP in the OCI and the expenses related to DBP under personnel expenses in the Statement of Profit or Loss. Details of defined benefit plans are given in 'Employee retirement benefit plans' (Note 44).

For the year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Employers' Contribution to:				
Bank of Ceylon Pension Trust Fund [Note 44.1.1]	619,988	772,703	619,988	772,703
Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund [Note 44.2.1]	(369,423)	(274,158)	(369,423)	(274,158)
Terminal gratuity [Note 44.3]	23,263	26,362	77,425	86,340
Bank of Ceylon Pension Fund – 2014 [Note 44.4.1]	699,789	–	699,789	–
Provision for encashment of medical leave	215,176	–	215,176	–
Pension fund – Bank of Ceylon (UK) Limited	–	–	7,072	6,445
Total contributions to defined benefit plans	**1,188,793**	**524,907**	**1,250,027**	**591,330**

15. Other Expenses

Accounting Policy

Other expenses have been recognised in the Statement of Profit or Loss as they are incurred in the period to which they relate. All expenditure incurred in the operation of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the Group's profit for the year. Provisions in respect of other expenses are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Deposit Insurance Premium

As per the Sri Lanka Deposit Insurance and Liquidity Support Scheme introduced under the Banking Act Direction No. 05 of 2010, the Bank is required to make quarterly payments of 0.1% or 0.125% on the eligible deposit liabilities, from 1 October 2010. The premium rate depends on the Capital Adequacy Ratio (CAR) of the immediate preceding Audited Financial Statements.

Reinsurance Premium, Claims and Other Benefits

Gross benefits and claims for life insurance contracts and for investment contracts with Discretionary Participation Features (DPF) include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts, as well as changes in the gross valuation of insurance and investment contract liabilities with DPF. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Interim payments and surrenders are accounted at the time of settlement.

General insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct and inward reinsurance business. The liability covers claims reported but not yet paid, Incurred But Not Reported (IBNR) claims and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

For the year ended 31 December	Bank 2016 LKR '000	Bank 2015 LKR '000	Group 2016 LKR '000	Group 2015 LKR '000
Directors' emoluments	7,055	5,165	14,348	19,648
Auditors' remuneration				
Audit fees	17,767	21,132	28,391	33,141
Non-audit fees	–	–	1,301	270
Deposit insurance premium	1,280,587	1,083,717	1,304,401	1,101,786
Professional and legal expenses	143,182	603,030	198,417	648,714
Depreciation of investment properties	–	–	2,961	3,036
Depreciation of Property, Plant and Equipment	1,263,914	1,196,066	1,758,041	1,637,836
Amortisation of leasehold properties	2,814	2,814	4,175	4,171
Amortisation of intangible assets	186,468	191,855	234,727	240,019
Fixed assets maintenance expenses	4,124,359	3,308,842	3,707,238	2,965,837
Fair value adjustment on gold in hand	1,733,508	1,438,956	1,733,508	1,438,956
Reinsurance premium, claims and other benefits	–	–	1,114,074	1,190,759
Office administration and establishment expenses	4,418,852	3,417,348	5,636,207	4,362,144
Total other expenses	**13,178,506**	**11,268,925**	**15,737,789**	**13,646,317**

16. Share of Profits/(Losses) of Associate Companies, Net of Tax

The aggregate of the Group's share of profits or losses of associates is shown on the face of the Statement of Profit or Loss under the equity method of accounting.

For the year ended 31 December	Group 2016 LKR '000	Group 2015 LKR '000
Ceybank Asset Management Limited	30,156	34,814
Lanka Securities (Private) Limited	(8,885)	7,951
Mireka Capital Land (Private) Limited	21,148	38,221
Transnational Lanka Records Solutions (Private) Limited	20,533	12,604
Total share of profits/(losses) of associate companies, net of tax	**62,952**	**93,590**

17. Income Tax Expense

Current tax and deferred tax are recognised in the Profit or Loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the Reporting date and any adjustment to tax payable in respect of previous years.

17.1 Components of Income Tax Expense

For the year ended 31 December	Bank 2016 LKR '000	Bank 2015 LKR '000	Group 2016 LKR '000	Group 2015 LKR '000
Current Tax Expense				
Income tax on profit for the year	5,495,446	7,016,389	5,877,192	7,235,394
Adjustments in respect of prior years	956,808	934,978	953,463	941,951
Deferred Tax Expense				
Charge/(Reversal) of deferred tax [Note 35]	(54,565)	(29,890)	(99,550)	(88,064)
Income tax expense for the year	**6,397,689**	**7,921,477**	**6,731,105**	**8,089,281**

17.2 Reconciliation of Accounting Profit and Income Tax Expense

For the year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Accounting profit before income tax	31,188,685	25,278,915	30,117,032	25,476,668
Add: Dividend income from subsidiaries and associates	–	–	1,102,158	259,048
	31,188,685	**25,278,915**	**31,219,190**	**25,735,716**
Add: Disallowable expenses	12,188,589	35,842,327	14,845,661	38,217,663
	43,377,274	**61,121,242**	**46,064,851**	**63,953,379**
Less: Allowable expenses	4,900,759	25,071,145	6,606,075	26,950,234
Less: Tax exempt income	21,889,267	13,296,391	21,941,912	13,564,315
Taxable income	**16,587,248**	**22,753,706**	**17,516,864**	**23,438,830**
Current tax at rate of 28% (2015 – 28%)	**4,644,429**	**6,371,038**	**4,904,722**	**6,562,872**
Effect of different tax rates in the Group	–	–	7,803	54
Effect of different tax rates in other countries	851,017	645,351	851,017	645,351
10% withholding tax on inter company dividends	–	–	113,650	27,117
Adjustments in respect of prior years	956,808	934,978	953,463	941,951
Charge/(Reversal) of deferred tax [Note 35]	(54,565)	(29,890)	(99,550)	(88,064)
Income tax expense for the year	**6,397,689**	**7,921,477**	**6,731,105**	**8,089,281**
The effective income tax rate (%)	20.5	31.3	22.3	31.8

17.3 The tax liabilities of resident companies are computed at the standard rate of 28%, except following Bank operations and companies which enjoy full or partial exemptions and concessions.

For the year ended 31 December	2016 %	2015 %
Tax Rates Applicable on Local Operations		
BOC Travels (Private) Limited	12	12
Hotels Colombo (1963) Limited	12	12
Ceybank Holiday Homes (Private) Limited	12	12
Koladeniya Hydropower (Private) Limited*	Nil	Nil
Tax Rates Applicable on Foreign Operations		
Banking operations in Male	25	25
Banking operations in Chennai	40	40
Banking operation in Seychelles		
Up to SCR 1,000,000	25	25
Balance	33	33
Bank of Ceylon (UK) Limited	20	20

**In accordance with the agreement with the Board of Investment of Sri Lanka (BOI), Koladeniya Hydropower (Private) Limited is entitled to a tax exemption period of five years from the year in which the company commences to make profits or not later than two years from the date of commencement of commercial operations, whichever is earlier, after the tax exemption period, the Company will be liable to tax at a concessionary rate of 10% for 2 years and at 20% thereafter. Provided the Company makes the minimum capital investment of USD 2.07 million or its equivalent in Sri Lankan Rupees within a period of two years from the date of agreement. The Company has complied with minimum capital investment criteria and therefore is entitled to five years tax exemption commencing from 1 January 2012. However, according to Section 59 (e) of the Inland Revenue Act, the Company can opt to pay income tax at the rate of 10% after two years from the expiration of tax exemption period.*

18. Earnings Per Share and Dividend Per Share

18.1 Basic Earnings Per Share

In accordance with the Sri Lanka Accounting Standard – LKAS 33 on 'Earnings Per Share', basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank (the numerator) by the weighted average number of ordinary shares in issue (the denominator) during the year.

	Bank		Group	
For the year ended 31 December	2016	2015	2016	2015
Profit attributable to ordinary shareholder of the Bank (LKR '000)	24,790,996	17,357,438	23,496,656	17,376,077
Weighted average number of ordinary shares in issue [Note 18.1.1]	10,000,000	7,123,288	10,000,000	7,123,288
Basic earnings per share (LKR)	2,479.10	2,436.72	2,349.67	2,439.33

18.1.1 Weighted Average Number of Ordinary Shares in Issue

	Bank		Group	
	2016	2015	2016	2015
Number of ordinary shares in issue as at 1 January	10,000,000	5,000,000	10,000,000	5,000,000
Weighted average number of ordinary shares issued during the year	–	2,123,288	–	2,123,288
Weighted average number of ordinary shares in issue as at 31 December	10,000,000	7,123,288	10,000,000	7,123,288

18.2 Diluted Earnings Per Share

Diluted earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholder of the Bank (the numerator) by the weighted average number of ordinary shares in issue during the year after adjusting for effect of all dilutive potential ordinary shares (the denominator).

	Bank		Group	
For the year ended 31 December	2016	2015	2016	2015
Profit attributable to ordinary shareholder of the Bank (LKR '000)	24,790,996	17,357,438	23,496,656	17,376,077
Weighted average number of ordinary shares after adjusting for dilution [Note 18.2.1]	10,164,384	10,000,000	10,164,384	10,000,000
Diluted earnings per share (LKR)	2,439.01	1,735.74	2,311.67	1,737.61

18.2.1 Weighted Average Number of Ordinary Shares After Adjusting for Dilution

	Bank		Group	
For the year ended 31 December	2016	2015	2016	2015
Weighted average number of ordinary shares in issue	10,000,000	7,123,288	10,000,000	7,123,288
Weighted average number of potential ordinary shares under pending allotment during the year	164,384	2,876,712	164,384	2,876,712
Weighted average number of ordinary shares after adjusting for dilution	10,164,384	10,000,000	10,164,384	10,000,000

18.3 Dividend Per Share

Dividend per share is calculated by dividing the total dividend allocated to shareholder (the numerator) by the weighted average number of ordinary shares in issue (the denominator) during the year.

For the year ended 31 December	Bank		Group	
	2016	2015	2016	2015
Total dividend allocated to shareholder during the year (LKR '000)	17,346,410	6,346,410	17,346,410	6,346,410
Weighted average number of ordinary shares in issue [Note 18.1.1]	10,000,000	7,123,288	10,000,000	7,123,288
Dividend per share (LKR)	1,734.64	890.94	1,734.64	890.94

19. Analysis of Financial Instruments by Measurement Basis

All financial assets and liabilities are measured under the following headings as per the LKAS 39 – 'Financial Instruments: Recognition and Measurement'.

19.1 Bank

As at 31 December	2016				
	Held for Trading LKR '000	Held to Maturity LKR '000	Amortised cost LKR '000	Available for Sale LKR '000	Total LKR '000
Financial Assets					
Cash and cash equivalents	–	–	67,705,791	–	67,705,791
Balances with Central Banks	–	–	56,387,741	–	56,387,741
Placements with banks	–	–	11,674,664	–	11,674,664
Securities purchased under resale agreements	–	–	1,901,618	–	1,901,618
Derivative financial instruments	5,300,844	–	–	–	5,300,844
Financial instruments – Held for trading	8,474,041	–	–	–	8,474,041
Financial investments – Loans and receivables	–	–	191,874,638	–	191,874,638
Loans and advances to customers	–	–	1,000,082,574	–	1,000,082,574
Financial investments – Available for sale	–	–	–	10,463,046	10,463,046
Financial investments – Held to maturity	–	243,178,400	–	–	243,178,400
Total financial assets	**13,774,885**	**243,178,400**	**1,329,627,026**	**10,463,046**	**1,597,043,357**

As at 31 December	2016		
	Held for Trading LKR '000	Amortised cost LKR '000	Total LKR '000
Financial Liabilities			
Due to banks	–	2,042,322	2,042,322
Securities sold under repurchase agreements	–	59,424,629	59,424,629
Derivative financial instruments	171,663	–	171,663
Due to customers	–	1,256,589,490	1,256,589,490
Other borrowings	–	195,469,853	195,469,853
Debt securities issued	–	3,427,058	3,427,058
Subordinated term debts	–	38,645,546	38,645,546
Total financial liabilities	**171,663**	**1,555,598,898**	**1,555,770,561**

As at 31 December	2015				
	Held for Trading LKR '000	Held to Maturity LKR '000	Amortised cost LKR '000	Available for Sale LKR '000	Total LKR '000
Financial Assets					
Cash and cash equivalents	–	–	79,916,559	–	79,916,559
Balances with Central Banks	–	–	38,939,790	–	38,939,790
Placements with banks	–	–	27,975,582	–	27,975,582
Securities purchased under resale agreements	–	–	12,299,088	–	12,299,088
Derivative financial instruments	7,419,288	–	–	–	7,419,288
Financial instruments – Held for trading	12,173,304	–	–	–	12,173,304
Financial investments – Loans and receivables	–	–	232,561,268	–	232,561,268
Loans and advances to customers	–	–	826,789,630	–	826,789,630
Financial investments – Available for sale	–	–	–	12,021,569	12,021,569
Financial investments – Held to maturity	–	246,288,625	–	–	246,288,625
Total financial assets	**19,592,592**	**246,288,625**	**1,218,481,917**	**12,021,569**	**1,496,384,703**

As at 31 December	2015		
	Held for Trading LKR '000	Amortised Cost LKR '000	Total LKR '000
Financial Liabilities			
Due to banks	–	2,630,408	2,630,408
Securities sold under repurchase agreements	–	87,353,154	87,353,154
Derivative financial instruments	156,302	–	156,302
Due to customers	–	1,082,337,118	1,082,337,118
Other borrowings	–	250,089,102	250,089,102
Debt securities issued	–	3,427,058	3,427,058
Subordinated term debts	–	35,627,450	35,627,450
Total financial liabilities	**156,302**	**1,461,464,290**	**1,461,620,592**

19.2 Group

As at 31 December	2016				
	Held for Trading LKR '000	Held to Maturity LKR '000	Amortised cost LKR '000	Available for Sale LKR '000	Total LKR '000
Financial Assets					
Cash and cash equivalents	–	–	73,244,043	–	73,244,043
Balances with Central Banks	–	–	56,387,741	–	56,387,741
Placements with banks	–	–	12,931,605	–	12,931,605
Securities purchased under resale agreements	–	–	2,350,704	–	2,350,704
Derivative financial instruments	5,300,844	–	–	–	5,300,844
Financial instruments – Held for trading	8,804,647	–	–	–	8,804,647
Financial investments – Loans and receivables	–	–	191,984,082	–	191,984,082
Loans and advances to customers	–	–	1,027,768,110	–	1,027,768,110
Financial investments – Available for sale	–	–	–	16,263,641	16,263,641
Financial investments – Held to maturity	–	243,253,967	–	–	243,253,967
Total financial assets	**14,105,491**	**243,253,967**	**1,364,666,285**	**16,263,641**	**1,638,289,384**

As at 31 December	2016		
	Held for Trading LKR '000	Amortised cost LKR '000	Total LKR '000
Financial Liabilities			
Due to banks	–	2,053,945	2,053,945
Securities sold under repurchase agreements	–	58,925,801	58,925,801
Derivative financial instruments	171,663	–	171,663
Due to customers	–	1,273,631,287	1,273,631,287
Other borrowings	–	204,485,301	204,485,301
Debt securities issued	–	8,360,333	8,360,333
Subordinated term debts	–	38,295,318	38,295,318
Total financial liabilities	**171,663**	**1,585,751,985**	**1,585,923,648**

As at 31 December	2015				
	Held for Trading LKR '000	Held to Maturity LKR '000	Amortised Cost LKR '000	Available for Sale LKR '000	Total LKR '000
Financial Assets					
Cash and cash equivalents	–	–	83,722,721	–	83,722,721
Balances with Central Banks	–	–	38,939,790	–	38,939,790
Placements with banks	–	–	28,355,579	–	28,355,579
Securities purchased under resale agreements	–	–	13,678,789	–	13,678,789
Derivative financial instruments	7,419,288	–	–	–	7,419,288
Financial instruments – Held for trading	12,726,045	–	–	–	12,726,045
Financial investments – Loans and receivables	–	–	233,003,742	–	233,003,742
Loans and advances to customers	–	–	851,905,227	–	851,905,227
Financial investments – Available for sale	–	–	–	16,266,652	16,266,652
Financial investments – Held to maturity	–	246,349,511	–	–	246,349,511
Total financial assets	**20,145,333**	**246,349,511**	**1,249,605,848**	**16,266,652**	**1,532,367,344**

As at 31 December	2015		
	Held for Trading LKR '000	Amortised Cost LKR '000	Total LKR '000
Financial Liabilities			
Due to banks	–	2,632,827	2,632,827
Securities sold under repurchase agreements	–	86,213,965	86,213,965
Derivative financial instruments	156,302	–	156,302
Due to customers	–	1,097,950,702	1,097,950,702
Other borrowings	–	255,795,079	255,795,079
Debt securities issued	–	8,703,747	8,703,747
Subordinated term debts	–	35,290,007	35,290,007
Total financial liabilities	**156,302**	**1,486,586,327**	**1,486,742,629**

20. Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents include local and foreign currency notes and coins in hand, unrestricted balances held with Central Banks, balances with other banks and highly liquid financial assets with original maturities of less than seven days, which are subject to insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Local currency in hand	27,454,238	27,381,147	27,641,383	27,514,817
Foreign currency in hand	1,446,976	1,055,267	1,454,169	1,066,107
Balances with banks	14,492,569	12,923,761	14,434,784	12,873,759
Money at call and short notice	24,312,008	38,556,384	29,713,707	42,268,038
Total cash and cash equivalents	**67,705,791**	**79,916,559**	**73,244,043**	**83,722,721**

21. Balances with Central Banks

Accounting Policy

Balances with Central Banks are carried at amortised cost in the Statement of Financial Position.

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Central Bank of Sri Lanka [Note 21.1]	51,055,931	30,508,546	51,055,931	30,508,546
Reserve Bank of India [Note 21.2]	161,463	120,452	161,463	120,452
Maldives Monetary Authority [Note 21.3]	4,900,518	8,209,788	4,900,518	8,209,788
Central Bank of Seychelles [Note 21.4]	269,829	101,004	269,829	101,004
Total balances with Central Banks	**56,387,741**	**38,939,790**	**56,387,741**	**38,939,790**

21.1 Central Bank of Sri Lanka (CBSL)

In terms of the provisions of Section 93 of the Monetary Law Act No. 58 of 1949, the Bank is required to maintain a cash reserve with Central Bank of Sri Lanka. The minimum cash reserve requirement as of 31 December 2016 was 7.5% (2015 – 6%) of Sri Lankan Rupee deposit liabilities. There is no reserve requirement for foreign currency deposit liabilities maintained by domestic branches and the deposit liabilities of the Off-shore Banking Division in Sri Lanka (2015 – Nil).

21.2 Reserve Bank of India (RBI)

In terms of the provisions of Section 42 (1) of the Reserve Bank of India (RBI) Act No. 02 of 1934, the branch in Chennai is required to maintain a cash reserve with RBI. The minimum cash reserve as of 31 December 2016 was 4% on its demand and term deposit liabilities (2015 – 4%).

21.3 Maldives Monetary Authority (MMA)

In accordance with the prevailing regulations of Maldives Monetary Authority (MMA), the branch in Maldives is required to maintain a reserve deposit based on 10% of the branch's commercial deposits and liabilities to the public in the Maldives in Maldivian Rufiyaa and United States dollar separately (2015 – 10%).

21.4 Central Bank of Seychelles (CBS)

In accordance with the regulations of Central Bank of Seychelles, the branch in Seychelles is required to maintain a reserve deposit based on 13% of the branch's commercial deposits liabilities to the public in Seychelles (2015 – 13%).

22. Placements with Banks

Accounting Policy

Placements with banks' include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon – Initial recognition, designates as at fair value through profit or loss
- Those that the Bank, upon initial recognition, designates as available for sale
- Those for which the Bank may not recover substantially all of its initial investment, other than – Due to credit deterioration

Placement with banks are initially measured at fair value. After initial measurement, they are subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' (Note 8.1) in the Statement of Profit or Loss. The losses arising from impairment are recognised in 'Impairment charge/(reversal) for loans and other losses' (Note 13) in the Statement of Profit or Loss. The Group writes off certain placements with banks when they are determined to be uncollectible.

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Banks in abroad	11,674,664	27,975,582	12,931,605	28,355,579
Total placements with banks	**11,674,664**	**27,975,582**	**12,931,605**	**28,355,579**

23. Derivative Financial Instruments

Accounting Policy

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments. The Bank uses derivatives such as cross currency swaps, forward foreign exchange contracts. All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains or losses recognised in the Statement of Profit or Loss under 'Net gains/(losses) from trading' (Note 10). Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Fair value is determined using the forward market rates ruling on the Reporting date.

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Foreign Currency Derivatives				
Forward exchange contracts	9,063	33,318	9,063	33,318
Currency SWAPs	5,291,781	7,385,970	5,291,781	7,385,970
Total derivative financial instruments	**5,300,844**	**7,419,288**	**5,300,844**	**7,419,288**

24. Financial instruments – Held for Trading

Accounting Policy

Financial instruments are classified as held for trading if they have been acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking.

All financial assets under this category are initially and subsequently measured at fair value. Upon initial recognition, transaction cost are directly attributable to the acquisition are recognised in the Statement of Profit or Loss as incurred. Changes in fair value and dividend are recognised in 'Net gains/(losses) from trading' (Note 10). Interest income is recorded in 'Interest income' (Note 8.1) according to the terms of the contract.

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Treasury Bills	4,538,007	7,298,725	4,538,007	7,298,725
Treasury Bonds	681,439	947,132	681,439	947,132
Sri Lanka Soverign Bonds	156,142	141,502	156,142	141,502
Quoted equities [Note 24.1]	3,098,453	3,785,945	3,426,824	4,336,272
Quoted debt securities [Note 24.2]	–	–	2,235	2,414
Total financial instruments – Held for trading	**8,474,041**	**12,173,304**	**8,804,647**	**12,726,045**

The Bank has not pledged any Treasury Bills or Treasury Bonds – Held for trading as collateral as at 31 December 2016 (2015 – Nil).

24.1 Quoted Equities

24.1.1 Sector Wise Composition of Quoted Equities

As at 31 December	2016			2015		
	Cost of Investment LKR '000	Market Value LKR '000	Sector Wise Composition of Market Value %	Cost of Investment LKR '000	Market Value LKR '000	Sector Wise Composition of Market Value %
Bank [Note 24.1.2]						
Banks, Finance and Insurance	19,611	19,303	0.6	19,345	17,780	0.5
Beverage, Food and Tobacco	494,031	436,191	14.1	521,173	492,807	13.0
Chemicals and Pharmaceuticals	261,945	146,703	4.7	259,467	163,244	4.4
Construction and Engineering	206,144	74,943	2.4	234,359	166,138	4.4
Diversified Holdings	1,372,393	892,243	28.7	1,374,928	1,091,334	28.8
Footware and Textiles	22,793	16,152	0.5	13,088	9,407	0.3
Health Care	20,425	17,335	0.6	13,281	11,937	0.3
Hotels and Travels	717,456	386,666	12.5	714,577	463,620	12.2
Investment Trusts	168,781	63,399	2.0	168,781	91,551	2.4
Land and Property	24,685	19,056	0.6	24,534	21,926	0.6
Manufacturing	703,129	575,116	18.6	790,049	712,276	18.8
Motors	149,185	89,177	2.9	146,261	92,860	2.5
Oil Palms	83,965	33,392	1.1	83,965	60,964	1.6
Plantations	156,335	61,541	2.0	156,335	69,013	1.8
Power and Energy	206,555	153,181	4.9	212,530	181,583	4.8
Services	22,759	14,261	0.5	22,759	20,541	0.5
Stores and Supplies	21,923	11,274	0.4	21,923	11,382	0.3
Telecommunications	8,166	8,380	0.3	9,324	11,900	0.3
Trading	148,765	80,140	2.6	149,343	95,682	2.5
Total	**4,809,046**	**3,098,453**	**100.0**	**4,936,022**	**3,785,945**	**100.0**

As at 31 December	2016			2015		
	Cost of Investment LKR '000	Market Value LKR '000	Sector Wise Composition of Market Value %	Cost of Investment LKR '000	Market Value LKR '000	Sector Wise Composition of Market Value %
Group [Note 24.1.3]						
Banks, Finance and Insurance	166,491	133,672	3.9	192,652	181,245	4.2
Beverage, Food and Tobacco	517,762	451,249	13.2	584,696	558,987	12.9
Chemicals and Pharmaceuticals	262,531	147,213	4.3	263,513	163,944	3.8
Construction and Engineering	217,426	81,681	2.4	265,495	189,816	4.4
Diversified Holdings	1,457,200	977,666	28.5	1,487,586	1,188,114	27.4
Footware and Textiles	23,666	16,946	0.5	13,569	9,851	0.2
Health Care	20,425	17,335	0.5	27,908	24,477	0.5
Hotels and Travels	796,149	435,925	12.7	807,491	532,563	12.3
Investment Trusts	190,115	76,976	2.2	187,848	106,374	2.5
Land and Property	25,232	19,478	0.6	46,835	40,895	0.9
Manufacturing	736,956	601,573	17.6	836,380	756,098	17.4
Motors	149,185	89,177	2.6	146,261	92,860	2.1
Oil Palms	83,965	33,392	1.0	83,965	60,964	1.4
Plantations	173,972	68,211	2.0	179,812	83,882	1.9
Power and Energy	211,419	158,331	4.6	226,959	194,506	4.5
Services	23,868	15,121	0.4	23,887	21,625	0.5
Stores and Supplies	21,923	11,274	0.3	21,923	11,382	0.3
Telecommunications	9,315	9,430	0.3	18,670	20,606	0.5
Trading	151,484	82,174	2.4	151,924	98,083	2.3
Total	**5,239,084**	**3,426,824**	**100.0**	**5,567,374**	**4,336,272**	**100.0**

24.1.2 Quoted Equities

As at 31 December	Bank							
	2016				2015			
	No. of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000	No. of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000
Banks, Finance and Insurance								
Hatton National Bank PLC	85,793	19,611	225.00	19,303	84,425	19,345	210.60	17,780
		19,611		19,303		19,345		17,780
Beverage, Food and Tobacco								
Bairaha Farms PLC	119,942	31,789	181.50	21,769	69,245	23,832	199.70	13,828
Cargills (Ceylon) PLC	1,303,613	268,297	194.40	253,422	1,303,613	268,297	189.00	246,383
Ceylon Tobacco Company PLC	194,178	185,937	806.50	156,605	230,609	221,846	992.50	228,879
Distilleries Company of Sri Lanka PLC	–	–	–	–	80	17	246.00	20
HVA Foods PLC	20,000	905	6.00	120	20,000	905	7.50	150
Lucky Lanka Milk Processing PLC – Voting	1,000,000	6,000	3.20	3,200	1,000,000	6,000	3.40	3,400
Lucky Lanka Milk Processing PLC – Non-voting	91,900	276	1.40	129	91,900	276	1.60	147
Three Acre Farms PLC	7,000	827	135.10	946	–	–	–	–
		494,031		436,191		521,173		492,807

As at 31 December	Bank							
	2016				2015			
	No. of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000	No. of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000
Chemicals and Pharmaceuticals								
Chemanex PLC	100,000	16,685	59.60	5,960	100,000	16,685	70.00	7,000
CIC Holdings PLC – Voting	770,657	124,284	91.40	70,438	743,089	121,806	100.30	74,532
CIC Holdings PLC – Non-voting	416,189	40,011	68.00	28,301	416,189	40,011	81.20	33,795
Haycarb PLC	251,067	48,262	150.00	37,660	251,067	48,262	164.90	41,401
Lankem Ceylon PLC	72,400	32,703	60.00	4,344	72,400	32,703	90.00	6,516
		261,945		146,703		259,467		163,244
Construction and Engineering								
Access Engineering PLC	177,000	4,189	24.80	4,390	1,359,532	32,404	23.10	31,405
Colombo Dockyard PLC	897,622	201,955	78.60	70,553	897,622	201,955	150.10	134,733
		206,144		74,943		234,359		166,138
Diversified Holdings								
Aitken Spence PLC	2,596,230	360,512	65.00	168,756	2,596,230	360,512	96.70	251,055
Browns Capital PLC	200,000	991	1.10	220	200,000	991	1.30	260
Browns Investments PLC	3,073,412	13,317	1.40	4,303	3,073,412	13,317	1.40	4,303
Carson Cumberbatch PLC	313,352	141,328	173.80	54,461	313,352	141,328	346.10	108,451
C T Holdings PLC	244,944	36,788	125.20	30,667	244,944	36,788	140.00	34,292
Expolanka Holdings PLC	1,716,193	15,964	6.30	10,812	1,716,193	15,964	8.10	13,901
Hayleys PLC	68,097	21,556	270.00	18,386	68,097	21,556	307.40	20,933
John Keells Holdings PLC	3,305,714	576,591	145.00	479,329	2,900,062	577,179	178.10	516,501
John Keells Holdings PLC – Warrant 0023	–	–	–	–	36,189	1,947	32.30	1,169
Richard Pieris and Company PLC	6,889,225	90,662	8.00	55,114	6,889,225	90,662	8.50	58,558
Softlogic Holdings PLC	1,696,191	33,415	13.00	22,050	1,696,191	33,415	15.50	26,291
The Colombo Fort Land & Building PLC	149,500	10,307	20.00	2,990	149,500	10,307	22.90	3,424
Vallibel One PLC	2,427,704	70,962	18.60	45,155	2,427,704	70,962	21.50	52,196
		1,372,393		892,243		1,374,928		1,091,334
Footware and Textiles								
Hayleys Fabric PLC	724,098	13,468	15.00	10,861	202,620	3,763	22.40	4,539
ODEL PLC	222,295	9,325	23.80	5,291	222,295	9,325	21.90	4,868
		22,793		16,152		13,088		9,407
Health Care								
Nawaloka Hospitals PLC	19,081	79	4.50	86	90,700	392	3.30	299
Singhe Hospitals PLC	4,000,000	10,000	1.90	7,600	4,000,000	10,000	2.10	8,400
The Lanka Hospital Corporation PLC	148,450	10,346	65.00	9,649	53,690	2,889	60.30	3,238
		20,425		17,335		13,281		11,937

As at 31 December	Bank							
	2016				2015			
	No. of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000	No. of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000
Hotels and Travels								
Aitken Spence Hotel Holdings PLC	2,547,422	232,670	43.10	109,794	2,547,422	232,670	68.00	173,225
Amaya Leisure PLC	569,845	53,019	65.50	37,325	554,016	51,911	66.70	36,953
Asian Hotels & Properties PLC	2,367,741	225,781	57.00	134,961	2,367,741	225,781	59.10	139,934
Citrus Leisure PLC	100,000	10,112	9.50	950	100,000	10,112	10.10	1,010
Eden Hotel Lanka PLC	775,550	41,864	13.50	10,470	775,550	41,864	17.50	13,572
Galadari Hotels (Lanka) PLC	61,030	927	10.70	653	61,030	927	10.50	641
John Keells Hotels PLC	893,487	14,553	10.90	9,739	893,487	14,553	15.40	13,760
Marawila Resorts PLC	100,000	782	2.40	240	100,000	782	2.80	280
Tal Lanka Hotels PLC	447,400	30,043	25.20	11,274	447,400	30,043	25.30	11,319
Tangerine Beach Hotels PLC	50,000	5,056	59.90	2,995	50,000	5,056	78.30	3,915
The Fortress Resorts PLC	1,461,100	50,506	13.60	19,871	1,461,100	50,506	15.00	21,917
The Kingsbury PLC	232,668	3,736	15.20	3,537	116,895	1,965	17.50	2,046
Trans Asia Hotels PLC	477,200	48,407	94.00	44,857	477,200	48,407	94.40	45,048
		717,456		386,666		714,577		463,620
Investment Trusts								
Ceylon Guardian Investment Trust PLC	107,847	32,747	105.50	11,378	107,847	32,747	174.10	18,776
Ceylon Investment PLC	446,206	73,124	49.10	21,909	446,206	73,124	79.60	35,518
Lanka Century Investments PLC	385,000	23,271	11.80	4,543	385,000	23,271	12.10	4,659
Renuka Holdings PLC	1,211,821	39,639	21.10	25,569	1,211,821	39,639	26.90	32,598
		168,781		63,399		168,781		91,551
Land and Property								
Overseas Realty (Ceylon) PLC	952,792	24,685	20.00	19,056	945,081	24,534	23.20	21,926
		24,685		19,056		24,534		21,926
Manufacturing								
Abans Electricals PLC	196,303	26,807	100.10	19,650	17,880	4,931	135.40	2,421
ACL Cables PLC	1,005,246	45,924	60.50	60,817	384,199	31,619	120.90	46,450
ACME Printing & Packaging PLC	1,078,700	35,020	6.20	6,688	1,078,700	35,020	8.20	8,845
Alumex PLC	100,529	2,037	20.20	2,031	–	–	–	–
Central Industries PLC	113,156	4,562	49.50	5,601	43,525	3,345	116.30	5,062
Ceylon Grain Elevators PLC	403,709	45,057	82.90	33,467	73,965	16,298	91.60	6,775
Chevron Lubricants Lanka PLC	837,966	154,550	157.10	131,644	418,983	154,550	344.00	144,130
Kelani Tyres PLC	1,016,213	75,060	64.90	65,952	803,780	60,267	77.50	62,293
Lanka Cement PLC	9,014,438	78,876	5.90	53,185	9,014,438	78,876	7.90	71,214
Lanka Tiles PLC	973,200	130,512	95.90	93,330	973,200	130,512	110.90	107,928
Lanka Walltiles PLC	53,046	4,890	99.70	5,289	212,014	19,546	109.80	23,279
Orient Garments PLC	82,150	2,568	7.00	575	280,877	8,780	7.30	2,050
Piramal Glass Ceylon PLC	3,288,600	32,322	5.30	17,430	3,288,600	32,322	6.10	20,060
Royal Ceramics Lanka PLC	152,294	17,962	115.50	17,590	1,301,830	153,603	111.20	144,764
Sierra Cables PLC	129,525	465	3.30	427	20,000	94	4.00	80
Swisstek (Ceylon) PLC	216,709	15,317	68.90	14,931	–	–	–	–
Teejay Lanka PLC	565,103	10,638	42.80	24,186	558,984	10,341	35.50	19,844

As at 31 December	Bank							
	2016				2015			
	No. of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000	No. of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000
Tokyo Cement Company (Lanka) PLC – Voting	200,000	11,911	59.20	11,840	–	–	–	–
Tokyo Cement Company (Lanka) PLC – Non-voting	203,563	8,651	51.50	10,483	1,191,932	49,945	39.50	47,081
		703,129		575,116		790,049		712,276
Motors								
C M Holdings PLC	50,857	17,422	85.20	4,333	50,857	17,422	110.20	5,604
Diesel & Motor Engineering PLC	77,935	84,514	581.00	45,280	77,935	84,514	615.50	47,969
Sathosa Motors PLC	16,000	6,198	298.70	4,779	16,000	6,198	312.00	4,992
United Motors Lanka PLC	404,478	41,051	86.00	34,785	373,182	38,127	91.90	34,295
		149,185		89,177		146,261		92,860
Oil Palms								
Bukit Darah PLC	119,257	83,965	280.00	33,392	119,257	83,965	511.20	60,964
		83,965		33,392		83,965		60,964
Plantations								
Agalawatte Plantations PLC	45,600	4,608	17.50	798	45,600	4,608	20.50	935
Balangoda Plantations PLC	30,000	2,184	12.20	366	30,000	2,184	17.60	528
Horana Plantations PLC	513,000	43,752	17.90	9,183	513,000	43,752	21.40	10,978
Kahawatte Plantations PLC	838,629	33,921	37.70	31,616	838,629	33,921	37.20	31,197
Kegalle Plantations PLC	50,600	13,703	48.50	2,454	50,600	13,703	66.50	3,365
Kotagala Plantations PLC	486,665	34,711	8.90	4,331	486,665	34,711	17.80	8,663
Namunukula Plantations PLC	80,000	12,458	73.70	5,896	80,000	12,458	60.50	4,840
Watawala Plantations PLC	350,100	10,998	19.70	6,897	350,100	10,998	24.30	8,507
		156,335		61,541		156,335		69,013
Power and Energy								
Lanka IOC PLC	–	–	–	–	150,000	5,975	37.10	5,565
Laugfs Gas PLC – Voting	168,727	4,688	33.30	5,619	168,727	4,688	41.50	7,002
Laugfs Gas PLC – Non-voting	3,420,538	142,754	32.90	112,536	3,420,538	142,754	38.10	130,322
Lotus Hydro Power PLC	173,194	1,427	6.60	1,143	173,194	1,427	7.00	1,212
Panasian Power PLC	1,029,200	6,407	3.00	3,088	1,029,200	6,407	3.50	3,602
Resus Energy PLC	1,117,700	45,609	22.30	24,925	1,117,700	45,609	25.00	27,943
Vallibel Power Erathna PLC	667,050	5,670	8.80	5,870	667,050	5,670	8.90	5,937
		206,555		153,181		212,530		181,583
Services								
John Keells PLC	250,200	22,759	57.00	14,261	250,200	22,759	82.10	20,541
		22,759		14,261		22,759		20,541
Stores and Supplies								
Hunters & Company PLC	27,100	21,923	416.00	11,274	27,100	21,923	420.00	11,382
		21,923		11,274		21,923		11,382
Telecommunications								
Dialog Axiata PLC	64,408	670	10.50	676	172,108	1,828	10.70	1,842
Sri Lanka Telecom PLC	214,000	7,496	36.00	7,704	214,000	7,496	47.00	10,058
		8,166		8,380		9,324		11,900

As at 31 December	Bank							
	2016				2015			
	No. of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000	No. of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000
Trading								
Brown & Company PLC	809,616	133,026	84.00	68,008	809,616	133,026	101.10	81,852
Ceylon & Foreign Trades PLC	830,100	8,533	5.30	4,400	830,100	8,533	6.30	5,230
C. W. Mackie PLC	54,890	2,959	54.70	3,002	78,505	4,457	57.90	4,545
Singer (Sri Lanka) PLC	37,481	4,247	126.20	4,730	29,408	3,327	137.90	4,055
		148,765		80,140		149,343		95,682
Total quoted equities		**4,809,046**		**3,098,453**		**4,936,022**		**3,785,945**

As at 31 December	Group							
	2016				2015			
	No. of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000	No. of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000
Banks, Finance and Insurance								
Asia Asset Finance PLC	–	–	–	–	2,520,000	4,388	1.70	4,284
Central Finance Company PLC	45,000	5,842	100.00	4,500	39,894	10,531	253.00	10,093
Ceylinco Insurance PLC	1,810	2,851	1,490.00	2,697	2,810	4,426	1,485.60	4,175
Chilaw Finance PLC	3,753	87	20.40	77	38,857	855	22.90	890
Citizens Development Business Finance PLC – Non-voting	44,733	3,992	62.10	2,778	44,733	3,992	80.00	3,579
Commercial Bank of Ceylon PLC – Voting	9,964	1,714	145.00	1,445	10,000	1,745	140.20	1,402
Commercial Bank of Ceylon PLC – Non-voting	–	–	–	–	68,018	8,367	123.00	8,366
Commercial Credit and Finance PLC	30,000	1,998	56.30	1,689	–	–	–	–
DFCC Bank PLC	120,000	24,993	122.50	14,700	120,000	24,993	168.10	20,172
Hatton National Bank PLC – Voting	85,793	19,611	225.00	19,303	84,425	19,345	210.60	17,780
Hatton National Bank PLC – Non-voting	–	–	–	–	15,000	2,625	177.90	2,669
HDFC Bank of Sri Lanka	26,500	1,832	47.20	1,251	27,000	1,866	67.10	1,812
HNB Assurance PLC	7,500	621	58.80	441	7,500	621	74.60	560
Janashakthi Insurance Company PLC	674,893	13,072	16.40	11,068	674,893	13,072	17.50	11,811
Lanka Orix Leasing Company PLC	133,100	15,180	72.50	9,650	126,600	14,642	94.00	11,900
LOLC Finance PLC	500,000	1,300	2.60	1,300	–	–	–	–
National Development Bank PLC	72,704	16,513	156.00	11,342	67,704	15,688	194.10	13,141
Nations Trust Bank PLC	210,032	20,657	80.90	16,992	210,032	20,657	86.30	18,126
Sampath Bank PLC	–	–	–	–	25,000	6,283	248.00	6,200
Sanasa Development Bank PLC	256	27	103.70	27	–	–	–	–
Seylan Bank PLC – Voting	135,000	13,846	90.00	12,150	135,000	13,846	95.00	12,825
Seylan Bank PLC – Non-voting	330,000	17,845	59.00	19,470	375,000	20,227	73.00	27,375
Softlogic Finance PLC	60,515	3,340	34.00	2,058	60,515	3,340	51.90	3,141
Swarnamahal Financial Services PLC	–	–	–	–	25,831	143	1.70	44
The Finance Company PLC – Non-voting	200,000	1,000	2.90	580	200,000	1,000	4.50	900
Union Bank of Colombo PLC	10,000	170	15.40	154	–	–	–	–
		166,491		133,672		192,652		181,245

As at 31 December	Group							
	2016				2015			
	No. of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000	No. of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000
Beverage, Food and Tobacco								
Bairaha Farms PLC	119,942	31,789	181.50	21,769	69,245	23,832	199.70	13,828
Cargills (Ceylon) PLC	1,303,613	268,297	194.40	253,422	1,303,613	268,297	189.00	246,383
Ceylon Tobacco Company PLC	194,178	185,937	806.50	156,605	235,609	226,296	992.50	233,842
Distilleries Company of Sri Lanka PLC	–	–	–	–	185,080	35,749	246.00	45,530
HVA Foods PLC	20,000	905	6.00	120	20,000	905	7.50	150
Keells Food Products PLC	27,672	4,746	158.00	4,372	10,729	1,899	207.60	2,227
Lucky Lanka Milk Processing PLC – Voting	3,657,487	21,808	3.20	11,704	4,057,722	24,265	3.40	13,796
Lucky Lanka Milk Processing PLC – Non-voting	91,900	276	1.40	129	91,900	276	1.60	147
Renuka Agri Foods PLC	752,274	3,177	2.90	2,182	752,274	3,177	4.10	3,084
Three Acre Farms PLC	7,000	827	135.10	946	–	–	–	–
		517,762		451,249		584,696		558,987
Chemicals and Pharmaceuticals								
Chemanex PLC	100,000	16,685	59.60	5,960	100,000	16,685	70.00	7,000
CIC Holdings PLC – Voting	770,657	124,284	91.40	70,438	743,089	121,806	100.30	74,532
CIC Holdings PLC – Non-voting	423,689	40,596	68.00	28,811	416,189	40,011	81.20	33,795
Haycarb PLC	251,067	48,263	150.00	37,660	251,067	48,263	164.90	41,401
Lankem Ceylon PLC	72,400	32,703	60.00	4,344	72,400	32,703	90.00	6,516
PC Pharma PLC	–	–	–	–	1,400,000	4,045	0.50	700
		262,531		147,213		263,513		163,944
Construction and Engineering								
Access Engineering PLC	177,000	4,189	24.80	4,390	1,979,974	52,258	23.10	45,737
Colombo Dockyard PLC	915,540	205,492	78.60	71,961	915,540	205,492	150.10	137,423
MTD Walkers PLC	130,000	7,745	41.00	5,330	130,000	7,745	51.20	6,656
		217,426		81,681		265,495		189,816
Diversified Holdings								
Adam Capital PLC	–	–	–	–	1,200,000	3,250	2.10	2,520
Aitken Spence PLC	2,711,230	372,128	65.00	176,230	2,711,230	372,128	96.70	262,176
Browns Capital PLC	200,000	990	1.10	220	200,000	990	1.30	260
Browns Investments PLC	3,073,412	13,324	1.40	4,303	5,026,446	18,539	1.40	7,037
Carson Cumberbatch PLC	313,352	141,328	173.80	54,461	313,352	141,328	346.10	108,451
C T Holdings PLC	244,944	36,788	125.20	30,667	264,944	40,994	140.00	37,092
Expolanka Holdings PLC	1,716,193	15,964	6.30	10,812	1,716,193	15,964	8.10	13,901
Hayleys PLC	68,097	21,556	270.00	18,386	68,097	21,556	307.40	20,933
Hemas Holdings PLC	–	–	–	–	117,803	10,013	92.90	10,944
John Keells Holdings PLC	3,591,712	619,573	145.00	520,798	3,150,855	623,686	178.10	561,167
John Keells Holdings PLC – Warrants 0023	–	–	–	–	481,718	26,107	32.30	15,559
Melstacorp Limited	600,000	28,973	59.30	35,580	–	–	–	–
Richard Pieris and Company PLC	6,889,225	90,662	8.00	55,114	6,889,225	90,662	8.50	58,558
Softlogic Holdings PLC	1,696,191	33,415	13.00	22,050	1,916,191	36,791	15.50	29,701
The Colombo Fort Land & Building PLC	194,500	11,537	20.00	3,890	194,500	11,537	22.90	4,454
Vallibel One PLC	2,427,704	70,962	18.60	45,155	2,574,934	74,041	21.50	55,361
		1,457,200		977,666		1,487,586		1,188,114

As at 31 December	Group							
	2016				2015			
	No. of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000	No. of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000
Footware and Textiles								
Ceylon Leather Products PLC	11,348	873	70.00	794	5,770	481	77.00	444
Hayleys Fabric PLC	724,098	13,468	15.00	10,861	202,620	3,763	22.40	4,539
ODEL PLC	222,295	9,325	23.80	5,291	222,295	9,325	21.90	4,868
		23,666		16,946		13,569		9,851
Health Care								
Nawaloka Hospitals PLC	19,081	79	4.50	86	3,890,700	15,019	3.30	12,839
Singhe Hospital PLC	4,000,000	10,000	1.90	7,600	4,000,000	10,000	2.10	8,400
The Lanka Hospital Corporation PLC	148,450	10,346	65.00	9,649	53,690	2,889	60.30	3,238
		20,425		17,335		27,908		24,477
Hotels and Travels								
Aitken Spence Hotel Holdings PLC	2,610,641	238,463	43.10	112,519	2,610,641	238,463	68.00	177,524
Amaya Leisure PLC	569,845	53,019	65.50	37,325	554,016	51,911	66.70	36,953
Asian Hotels & Properties PLC	2,500,558	235,726	57.00	142,532	2,573,955	241,212	59.10	152,121
Bansei Royal Resorts Hikkaduwa PLC	–	–	–	–	28,600	306	9.00	257
Ceylon Hotels Corporation PLC	2,930	75	20.30	59	7,326	187	25.30	185
Citrus Leisure PLC	100,000	10,112	9.50	950	100,000	10,112	10.10	1,010
Eden Hotel Lanka PLC	903,293	45,541	13.50	12,194	903,293	45,541	17.50	15,808
Galadari Hotels (Lanka) PLC	81,030	1,219	10.70	867	671,417	9,842	10.50	7,050
John Keells Hotels PLC	968,487	15,728	10.90	10,557	968,487	15,728	15.40	14,915
Marawila Resorts PLC	1,059,168	5,438	2.40	2,542	1,059,168	5,438	2.80	2,966
Palm Garden Hotels PLC	147,472	10,928	28.30	4,173	147,472	10,928	38.10	5,619
Tal Lanka Hotels PLC	447,400	30,043	25.20	11,274	447,400	30,043	25.30	11,319
Tangerine Beach Hotels PLC	50,000	5,056	59.90	2,995	50,000	5,056	78.30	3,915
The Fortress Resorts PLC	1,461,100	50,506	13.60	19,871	1,461,100	50,506	15.00	21,917
The Kingsbury PLC	2,170,395	45,582	15.20	32,990	2,054,622	43,811	17.50	35,956
Trans Asia Hotels PLC	477,200	48,407	94.00	44,857	477,200	48,407	94.40	45,048
Waskaduwa Beach Resort PLC	50,000	306	4.40	220	–	–	–	–
		796,149		435,925		807,491		532,563
Investment Trusts								
Ceylon Guardian Investment Trust PLC	107,847	32,747	105.50	11,378	107,847	32,747	174.10	18,776
Ceylon Investment PLC	537,370	82,017	49.10	26,385	537,370	82,017	79.60	42,775
Guardian Capital Partners PLC	18,472	1,006	38.90	719	18,472	1,006	40.30	744
Lanka Century Investments PLC	905,000	30,440	11.80	10,679	778,822	28,968	12.10	9,424
Renuka Holdings PLC	1,318,262	43,905	21.10	27,815	1,288,262	43,110	26.90	34,655
		190,115		76,976		187,848		106,374
Land and Property								
Colombo Land & Development Company PLC	2,700	96	26.90	73	231,283	9,274	25.60	5,921
Commercial Development Company PLC	4,649	451	75.10	349	4,649	451	92.60	430
Equity One PLC	–	–	–	–	26,664	977	48.70	1,299
Overseas Realty (Ceylon) PLC	952,792	24,685	20.00	19,056	1,426,123	35,961	23.20	33,086
Serendib Land PLC	–	–	–	–	75	172	2,118.80	159
		25,232		19,478		46,835		40,895

As at 31 December	Group							
	2016				2015			
	No. of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000	No. of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000
Manufacturing								
Abans Electricals PLC	196,303	26,807	100.10	19,650	17,880	4,931	135.40	2,421
ACL Cables PLC	1,005,246	45,924	60.50	60,817	424,199	35,942	120.90	51,286
ACME Printing & Packaging PLC	1,209,723	36,221	6.20	7,500	1,209,723	36,221	8.20	9,920
AgStar PLC	–	–	–	–	418,173	2,834	6.40	2,676
Alumex PLC	100,529	2,037	20.20	2,031	–	–	–	–
Central Industries PLC	118,156	4,812	49.50	5,849	43,525	3,345	116.30	5,062
Ceylon Grain Elevators PLC	403,709	45,057	82.90	33,467	73,965	16,298	91.60	6,775
Chevron Lubricants Lanka PLC	837,966	154,550	157.10	131,644	418,983	154,550	344.00	144,130
Dankotuwa Porcelain PLC	630,902	6,301	7.10	4,479	630,902	6,301	8.50	5,363
Kelani Tyres PLC	1,131,213	84,083	64.90	73,416	918,780	69,290	77.50	71,205
Lanka Cement PLC	9,014,438	78,876	5.90	53,185	9,014,438	78,876	7.90	71,214
Lanka Tiles PLC	1,021,453	136,302	95.90	97,957	1,019,453	136,081	110.90	113,058
Lanka Walltiles PLC	53,046	4,890	99.70	5,289	212,014	19,546	109.80	23,279
Orient Garments PLC	82,150	2,568	7.00	575	280,877	8,780	7.30	2,050
Pelwatte Sugar Industries PLC	–	–	–	–	68,400	2,925	23.50	1,607
Piramal Glass Ceylon PLC	4,088,600	37,427	5.30	21,670	4,088,600	37,427	6.10	24,940
Royal Ceramics Lanka PLC	152,294	17,962	115.50	17,590	1,301,830	153,603	111.20	144,762
Sierra Cables PLC	1,519,525	6,622	3.30	5,014	1,443,758	6,401	4.00	5,775
Swisstek (Ceylon) PLC	216,709	15,317	68.90	14,931	–	–	–	–
Teejay Lanka PLC	565,103	10,638	42.80	24,186	633,984	12,041	35.50	22,506
Tokyo Cement Company (Lanka) PLC – Voting	200,000	11,911	59.20	11,840	1,191,932	49,945	39.50	47,081
Tokyo Cement Company (Lanka) PLC – Non-voting	203,563	8,651	51.50	10,483	25,000	1,043	39.50	988
		736,956		601,573		836,380		756,098
Motors								
C M Holdings PLC	50,857	17,422	85.20	4,333	50,857	17,422	110.20	5,604
Diesel & Motor Engineering PLC	77,935	84,514	581.00	45,280	77,935	84,514	615.50	47,969
Sathosa Motors PLC	16,000	6,198	298.70	4,779	16,000	6,198	312.00	4,992
United Motors Lanka PLC	404,478	41,051	86.00	34,785	373,182	38,127	91.90	34,295
		149,185		89,177		146,261		92,860
Oil Palms								
Bukit Darah PLC	119,257	83,965	280.00	33,392	119,257	83,965	511.20	60,964
		83,965		33,392		83,965		60,964
Plantations								
Agalawatte Plantations PLC	45,600	4,608	17.50	798	52,830	4,825	20.50	1,083
Balangoda Plantations PLC	527,486	17,180	12.20	6,435	527,486	17,180	17.60	9,284
Elpitiya Plantations PLC	–	–	–	–	223,646	5,623	21.30	4,764
Horana Plantations PLC	513,000	43,752	17.90	9,183	513,000	43,752	21.40	10,978
Kahawatte Plantations PLC	838,629	33,921	37.70	31,616	838,629	33,921	37.20	31,198
Kegalle Plantations PLC	50,600	13,702	48.50	2,454	50,600	13,702	66.50	3,365
Kotagala Plantations PLC	554,109	37,353	8.90	4,932	554,109	37,353	17.80	9,863
Namunukula Plantations PLC	80,000	12,458	73.70	5,896	80,000	12,458	60.50	4,840
Watawala Plantations PLC	350,100	10,998	19.70	6,897	350,100	10,998	24.30	8,507
		173,972		68,211		179,812		83,882

As at 31 December	Group							
	2016				2015			
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Power and Energy								
Lanka IOC PLC	–	–	–	–	250,000	11,399	37.10	9,275
Laugfs Gas PLC – Voting	168,727	4,689	33.30	5,619	168,727	4,689	41.50	7,002
Laugfs Gas PLC – Non-voting	3,446,626	143,747	32.90	113,394	3,445,538	143,739	38.10	131,275
Lotus Hydro Power PLC	173,194	1,427	6.60	1,143	173,194	1,427	7.00	1,212
Panasian Power PLC	1,029,200	6,407	3.00	3,088	1,029,200	6,407	3.50	3,602
Resus Energy PLC	1,290,437	49,020	22.30	28,777	1,270,112	49,020	25.00	31,753
Vallibel Power Erathna PLC	717,050	6,129	8.80	6,310	1,167,050	10,278	8.90	10,387
		211,419		158,331		226,959		194,506
Services								
Ceylon Tea Brokers PLC	192,655	937	3.90	751	192,655	937	3.70	713
John Keells PLC	250,200	22,759	57.00	14,261	250,200	22,759	82.10	20,541
Kalamazoo Systems PLC	135	172	804.80	109	135	172	2,600.10	351
Paragon Ceylon PLC	–	–	–	–	20	19	975.10	20
		23,868		15,121		23,887		21,625
Stores and Supplies								
Hunters & Company PLC	27,100	21,923	416.00	11,274	27,100	21,923	420.00	11,382
		21,923		11,274		21,923		11,382
Telecommunications								
Dialog Axiata PLC	164,408	1,819	10.50	1,726	985,773	11,174	10.70	10,548
Sri Lanka Telecom PLC	214,000	7,496	36.00	7,704	214,000	7,496	47.00	10,058
		9,315		9,430		18,670		20,606
Trading								
Brown & Company PLC	814,794	133,566	84.00	68,443	814,794	133,566	101.10	82,376
Ceylon & Foreign Trades PLC	830,100	8,533	5.30	4,400	833,695	8,560	6.30	5,252
C. W. Mackie PLC	54,890	2,959	54.70	3,002	78,505	4,457	57.90	4,545
Eastern Merchants PLC	257,922	2,179	6.20	1,599	132,667	1,244	8.80	1,167
Tess Agro PLC	–	–	–	–	430,298	770	1.60	688
Singer (Sri Lanka) PLC	37,481	4,247	126.20	4,730	29,408	3,327	137.90	4,055
		151,484		82,174		151,924		98,083
Total quoted equities		**5,239,084**		**3,426,824**		**5,567,374**		**4,336,272**

24.2 Quoted Debt Securities

As at 31 December	Group							
	2016				2015			
	No. of Debentures	Cost of Investment LKR '000	Market Price Per Debenture LKR	Market Value LKR '000	No. of Debentures	Cost of Investment LKR '000	Market Price Per Debenture LKR	Market Value LKR '000
Listed Debentures								
Commercial Credit and Finance PLC	20,000	2,141	111.76	2,235	20,000	2,141	120.70	2,414
Total quoted debt securities		**2,141**		**2,235**	**20,000**			**2,414**

25. Financial Investments – Loans and Receivables

Accounting Policy

Financial investments – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Those are initially measured at fair value and subsequently measured amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' (Note 8.1) in the Statement of Profit or Loss. The loss arising from impairment are recognised in 'Impairment charge/(reversal) for loans and other losses' (Note 13) in the Statement of Profit or Loss.

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Sri Lanka Development Bonds [Note 25.1]	162,734,051	211,000,942	162,734,051	211,000,942
Government of Sri Lanka Restructuring Bonds [Note 25.2]	8,968,474	8,968,474	8,968,474	8,968,474
Corporate Bonds	–	1,715,949	–	1,715,949
Debentures [Note 25.3]	5,225,215	3,300,563	5,070,645	3,173,390
Trust certificates [Note 25.4]	965,457	–	965,457	–
Government securities – Local	5,492,644	–	5,492,644	–
Government securities – Other countries	8,488,797	7,575,340	8,488,797	7,575,340
Other investments	–	–	264,014	569,647
Total financial investments – Loans and receivables	**191,874,638**	**232,561,268**	**191,984,082**	**233,003,742**

25.1 Sri Lanka Development Bonds (US Dollar Bonds)

As at 31 December	Date of Maturity	Bank/Group			
		2016		2015	
		Cost of Investment LKR '000	Amortised Cost LKR '000	Cost of Investment LKR '000	Amortised Cost LKR '000
6 months LIBOR plus 315 basis points	21.01.2016	–	–	18,007,788	18,303,657
6 months LIBOR plus 400 basis points	26.03.2016	–	–	2,881,246	2,928,978
6 months LIBOR plus 325 basis points	18.08.2016	–	–	8,643,738	8,766,696
6 months LIBOR plus 330 basis points	18.08.2016	–	–	10,804,673	10,960,401
6 months LIBOR plus 335 basis points	18.08.2016	–	–	3,601,558	3,654,144
6 months LIBOR plus 340 basis points	18.08.2016	–	–	3,601,558	3,654,821
6 months LIBOR plus 335 basis points	19.10.2016	–	–	18,007,788	18,150,059
6 months LIBOR plus 340 basis points	19.10.2016	–	–	13,974,043	14,085,865
6 months LIBOR plus 340 basis points	03.11.2016	–	–	4,321,869	4,350,598
6 months LIBOR plus 350 basis points	03.11.2016	–	–	2,881,246	2,900,880
6 months LIBOR plus 340 basis points	21.01.2017	3,745,000	3,820,023	–	–
6 months LIBOR plus 345 basis points	21.01.2017	3,745,000	3,820,874	–	–
6 months LIBOR plus 350 basis points	21.01.2017	7,490,000	7,643,450	–	–
6 months LIBOR plus 360 basis points	17.03.2017	749,000	759,649	720,312	729,054
6 months LIBOR plus 365 basis points	17.03.2017	1,498,000	1,519,516	1,440,623	1,458,318
6 months LIBOR plus 375 basis points	17.03.2017	3,745,000	3,799,882	–	–
6 months LIBOR plus 380 basis points	17.03.2017	1,498,000	1,520,171	–	–
6 months LIBOR plus 390 basis points	17.03.2017	1,498,000	1,520,607	–	–

As at 31 December	Date of Maturity	Bank/Group			
		2016		2015	
		Cost of Investment LKR '000	Amortised Cost LKR '000	Cost of Investment LKR '000	Amortised Cost LKR '000
6 months LIBOR plus 400 basis points	17.03.2017	749,000	760,522	–	–
6 months LIBOR plus 405 basis points	17.03.2017	1,498,000	1,521,262	–	–
6 months LIBOR plus 410 basis points	17.03.2017	1,498,000	1,521,480	–	–
6 months LIBOR plus 435 basis points	17.03.2017	1,498,000	1,522,570	–	–
6 months LIBOR plus 440 basis points	17.03.2017	1,498,000	1,522,788	–	–
6 months LIBOR plus 450 basis points	17.03.2017	2,996,000	3,046,449	–	–
6 months LIBOR plus 455 basis points	17.03.2017	1,498,000	1,523,442	–	–
6 months LIBOR plus 460 basis points	17.03.2017	749,000	761,830	–	–
6 months LIBOR plus 345 basis points	30.04.2017	3,745,000	3,775,137	3,601,558	3,626,500
6 months LIBOR plus 350 basis points	30.04.2017	3,745,000	3,775,455	3,601,558	3,626,811
6 months LIBOR plus 325 basis points	30.06.2017	2,247,000	2,247,282	2,160,935	2,161,419
6 months LIBOR plus 375 basis points	30.06.2017	3,745,000	3,745,521	3,601,558	3,602,463
6 months LIBOR plus 375 basis points	16.03.2018	4,494,000	4,560,484	4,321,869	4,376,755
6 months LIBOR plus 415 basis points	01.07.2018	105,319,886	108,045,657	101,285,881	103,663,523
Total Sri Lanka Development Bonds		**159,247,886**	**162,734,051**	**207,459,801**	**211,000,942**

25.2 Government of Sri Lanka Restructuring Bonds

As at 31 December	Rate %	Date of Issue	Date of Maturity	Bank/Group			
				2016		2015	
				Cost of Investment LKR '000	Carrying Value LKR '000	Cost of Investment LKR '000	Carrying Value LKR '000
For recapitalisation purposes	12.00	24.09.1993	24.03.2023	4,780,000	5,015,714	4,780,000	5,015,714
For settlement of loans	12.00	24.03.1993	24.03.2023	3,767,000	3,952,760	3,767,000	3,952,760
Total Government of Sri Lanka Restructuring Bonds				**8,547,000**	**8,968,474**	**8,547,000**	**8,968,474**

25.3 Debentures

As at 31 December	Date of Maturity	Coupon Rate %	Bank					
			2016			2015		
			No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000	No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000
Abans PLC	20.12.2016	14.00	–	–	–	720,700	72,070	77,188
Access Engineering PLC	18.11.2020	10.25	2,000,000	200,000	202,370	2,000,000	200,000	202,369
Central Finance Company PLC	17.06.2016	14.25	–	–	–	8,800	8,800	9,113
Citizen Development Business Finance PLC	03.06.2021	12.75	500,000	50,000	50,482	–	–	–
Commercial Bank of Ceylon PLC	08.03.2021	10.75	1,000,000	100,000	103,326	–	–	–
Commercial Bank of Ceylon PLC	27.10.2021	12.00	779,600	77,960	79,569	–	–	–
Commercial Credit and Finance PLC	01.06.2020	10.50	530,519	53,052	54,447	530,519	53,052	54,443
Commercial Credit and Finance PLC	10.12.2020	10.40	3,665,600	366,560	368,706	3,665,600	366,560	368,704
Commercial Leasing & Finance PLC	21.07.2020	9.75	750,000	75,000	82,292	750,000	75,000	78,196
DFCC Bank PLC	18.03.2018	10.63	2,500,000	250,000	270,732	–	–	–

As at 31 December	Date of Maturity	Coupon Rate %	Bank					
			2016			2015		
			No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000	No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000
DFCC Bank PLC	10.06.2020	9.40	332,100	33,210	34,918	332,100	33,210	34,919
DFCC Bank PLC	09.11.2021	12.15	1,892,800	189,280	192,397	–	–	–
First Capital Treasuries PLC	05.02.2020	9.50	500,000	50,000	54,262	500,000	50,000	53,304
Hatton National Bank PLC	28.03.2021	11.25	1,000,000	100,000	108,458	–	–	–
Hatton National Bank PLC	01.11.2023	13.00	193,300	19,330	19,722	–	–	–
Hayleys PLC	09.07.2016	14.25	–	–	–	57,700	57,700	59,754
Hayleys PLC	31.05.2019	11.99	1,000,000	100,000	100,994	–	–	–
HDFC Bank of Sri Lanka	23.10.2017	15.00	779,400	77,940	80,895	779,400	77,940	80,889
HDFC Bank of Sri Lanka	20.11.2020	10.50	2,000,000	200,000	202,311	2,000,000	200,000	202,312
Hemas Holdings PLC	29.04.2019	11.00	173,500	17,350	17,825	173,500	17,350	17,823
Kotagala Plantations PLC	26.05.2018	14.25	165,975	16,598	17,800	165,975	16,598	17,802
Kotagala Plantations PLC	26.05.2019	14.50	165,975	16,598	17,814	165,975	16,598	17,812
Kotagala Plantations PLC	26.05.2020	14.75	165,975	16,598	17,830	165,975	16,598	17,828
Kotagala Plantations PLC	26.05.2021	15.00	165,975	16,598	17,850	165,975	16,598	17,848
Lanka Orix Leasing Company PLC	24.11.2019	9.00	1,000,000	100,000	102,246	1,000,000	100,000	102,235
LB Finance PLC	05.12.2016	12.30	–	–	–	1,000,000	100,000	100,858
LB Finance PLC	28.11.2018	15.00	445,200	44,520	50,984	445,200	44,520	50,852
Merchant Bank of Sri Lanka & Finance PLC	27.03.2018	16.70	938,600	93,860	97,829	938,600	93,860	97,839
Merchant Bank of Sri Lanka & Finance PLC	12.11.2019	9.00	1,135,200	113,520	123,765	1,135,200	113,520	123,714
MTD Walkers PLC	30.09.2018	9.75	500,000	50,000	51,207	500,000	50,000	51,214
National Development Bank PLC	19.12.2018	13.00	542,700	54,270	57,836	542,700	54,270	57,836
National Development Bank PLC	24.06.2020	9.40	534,500	53,450	58,463	534,500	53,450	56,021
Nawaloka Hospitals PLC	30.09.2019	14.15	1,000,000	100,000	112,405	1,000,000	100,000	115,071
Orient Finance PLC	26.12.2019	9.05	500,000	50,000	52,275	500,000	50,000	50,004
Pan Asia Banking Corporation PLC	29.09.2019	10.00	486,112	48,611	49,817	486,112	48,611	49,835
People's Leasing & Finance PLC	23.09.2018	9.63	73,500	7,350	8,060	73,500	7,350	8,055
People's Leasing & Finance PLC	12.11.2019	9.60	945,000	94,500	95,673	945,000	94,500	95,672
People's Leasing & Finance PLC	16.11.2021	12.60	2,000,000	200,000	203,036	–	–	–
Regional Development Bank	29.01.2020	9.00	4,250,000	425,000	460,193	4,250,000	425,000	459,980
Richard Pieris and Company PLC	16.05.2017	10.75	156,500	15,650	16,069	156,500	15,650	16,066
Sampath Bank PLC	14.12.2019	8.25	1,000,000	100,000	108,279	1,000,000	100,000	108,246
Sampath Bank PLC	18.11.2020	9.90	898,400	89,840	90,869	898,400	89,840	90,869
Sampath Bank PLC	10.06.2021	12.75	1,500,000	150,000	160,405	–	–	–
Sanasa Development Bank PLC	31.12.2020	10.30	1,500,000	150,000	157,811	–	–	–
Sanasa Development Bank PLC	31.12.2020	10.00	1,500,000	150,000	157,583	–	–	–
Senkadagala Finance PLC	27.05.2016	17.00	–	–	–	181,097	18,110	18,880
Senkadagala Finance PLC	09.11.2018	13.25	320,000	32,000	32,579	–	–	–
Senkadagala Finance PLC	10.12.2018	15.00	817,653	81,765	82,359	817,653	81,765	82,444
Senkadagala Finance PLC	10.11.2019	12.50	320,000	32,000	32,547	–	–	–
Seylan Bank PLC	22.12.2019	8.60	1,500,000	150,000	150,271	1,500,000	150,000	150,271
Seylan Bank PLC	15.07.2021	13.00	451,600	45,160	47,872	–	–	–
Singer Finance PLC	06.04.2020	12.00	1,000,000	100,000	102,784	–	–	–
Singer (Sri Lanka) PLC	07.06.2018	8.60	500,000	50,000	52,162	500,000	50,000	52,167
Singer (Sri Lanka) PLC	14.03.2019	10.50	2,500,000	250,000	257,788	–	–	–

As at 31 December	Date of Maturity	Coupon Rate %	Bank					
			2016			2015		
			No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000	No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000
Singer (Sri Lanka) PLC	17.06.2020	9.95	309,300	30,930	34,006	309,300	30,930	32,562
Siyapatha Finance PLC	20.09.2019	13.00	1,000,000	100,000	103,474	–	–	–
Softlogic Finance PLC	29.08.2019	10.00	190,900	19,090	19,568	190,900	19,090	19,568
Total debentures				**5,007,590**	**5,225,215**		**3,168,540**	**3,300,563**

As at 31 December	Date of Maturity	Coupon Rate %	Group					
			2016			2015		
			No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000	No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000
Abans PLC	20.12.2016	14.00	–	–	–	720,700	72,070	77,188
Access Engineering PLC	18.11.2020	10.25	2,000,000	200,000	202,370	2,000,000	200,000	202,369
Central Finance Company PLC	17.06.2016	14.25	–	–	–	8,800	8,800	9,113
Citizen Development Business Finance PLC	03.06.2021	12.75	500,000	50,000	50,482	–	–	–
Commercial Bank of Ceylon PLC	08.03.2021	10.75	1,000,000	100,000	103,326	–	–	–
Commercial Bank of Ceylon PLC	27.10.2021	12.00	779,600	77,960	79,569	–	–	–
Commercial Credit and Finance PLC	01.06.2020	10.50	530,519	53,052	54,447	530,519	53,052	54,443
Commercial Credit and Finance PLC	10.12.2020	10.40	3,665,600	366,560	368,706	3,665,600	366,560	368,704
Commercial Leasing & Finance PLC	21.07.2020	9.75	750,000	75,000	82,292	750,000	75,000	78,196
DFCC Bank PLC	18.03.2018	10.63	2,500,000	250,000	270,732	–	–	–
DFCC Bank PLC	10.06.2020	9.40	332,100	33,210	34,918	332,100	33,210	34,919
DFCC Bank PLC	09.11.2021	12.15	1,892,800	189,280	192,397	–	–	–
First Capital Treasuries PLC	05.02.2020	9.50	500,000	50,000	54,262	500,000	50,000	53,304
Hatton National Bank PLC	28.03.2021	11.25	1,000,000	100,000	108,458	–	–	–
Hatton National Bank PLC	01.11.2023	13.00	193,300	19,330	19,722	–	–	–
Hayleys PLC	09.07.2016	14.25	–	–	–	57,700	57,700	59,754
Hayleys PLC	31.05.2019	11.99	1,000,000	100,000	100,994	–	–	–
HDFC Bank of Sri Lanka	23.10.2017	15.00	779,400	77,940	80,895	779,400	77,940	80,889
HDFC Bank of Sri Lanka	20.11.2020	10.50	2,000,000	200,000	202,311	2,000,000	200,000	202,312
Hemas Holdings PLC	29.04.2019	11.00	173,500	17,350	17,825	173,500	17,350	17,823
Kotagala Plantations PLC	26.05.2018	14.25	165,975	16,598	17,800	165,975	16,598	17,802
Kotagala Plantations PLC	26.05.2019	14.50	165,975	16,598	17,814	165,975	16,598	17,812
Kotagala Plantations PLC	26.05.2020	14.75	165,975	16,598	17,830	165,975	16,598	17,828
Kotagala Plantations PLC	26.05.2021	15.00	165,975	16,598	17,850	165,975	16,598	17,848
Lanka Orix Leasing Company PLC	24.11.2019	9.00	1,000,000	100,000	102,246	1,000,000	100,000	102,235
LB Finance PLC	05.12.2016	12.30	–	–	–	1,000,000	100,000	100,858
LB Finance PLC	28.11.2018	15.00	445,200	44,520	50,984	445,200	44,520	50,852
MTD Walkers PLC	30.09.2018	9.75	500,000	50,000	51,207	500,000	50,000	51,214
National Development Bank PLC	19.12.2018	13.00	542,700	54,270	57,836	542,700	54,270	57,836
National Development Bank PLC	24.06.2020	9.40	534,500	53,450	58,463	534,500	53,450	56,021
Nawaloka Hospitals PLC	30.09.2019	14.15	1,000,000	100,000	112,405	1,000,000	100,000	115,071

As at 31 December	Date of Maturity	Coupon Rate %	Group					
			2016			2015		
			No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000	No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000
Orient Finance PLC	26.12.2019	9.05	500,000	50,000	52,275	500,000	50,000	50,004
Pan Asia Banking Corporation PLC	29.09.2019	10.00	486,112	48,611	49,817	486,112	48,611	49,835
People's Leasing & Finance PLC	26.03.2018	17.00	500,000	50,000	50,050	500,000	50,000	58,481
People's Leasing & Finance PLC	23.09.2018	9.63	73,500	7,350	8,060	73,500	7,350	8,055
People's Leasing & Finance PLC	12.11.2019	9.60	945,000	94,500	95,673	945,000	94,500	95,672
People's Leasing & Finance PLC	16.11.2021	12.60	2,000,000	200,000	203,036	–	–	–
Regional Development Bank	29.01.2020	9.00	4,250,000	425,000	460,193	4,250,000	425,000	459,980
Richard Pieris and Company PLC	16.05.2017	10.75	156,500	15,650	16,069	156,500	15,650	16,066
Sampath Bank PLC	14.12.2019	8.25	1,000,000	100,000	108,279	1,000,000	100,000	108,246
Sampath Bank PLC	18.11.2020	9.90	898,400	89,840	90,869	898,400	89,840	90,869
Sampath Bank PLC	10.06.2021	12.75	1,500,000	150,000	160,405	–	–	–
Sanasa Development Bank PLC	31.12.2020	10.00	1,500,000	150,000	157,583	–	–	–
Sanasa Development Bank PLC	31.12.2020	10.30	1,500,000	150,000	157,811	–	–	–
Senkadagala Finance PLC	27.05.2016	17.00	–	–	–	362,194	36,220	37,763
Senkadagala Finance PLC	09.11.2018	13.25	320,000	32,000	32,579	–	–	–
Senkadagala Finance PLC	10.12.2018	15.00	817,653	81,765	82,359	817,653	81,765	82,444
Senkadagala Finance PLC	10.11.2019	12.50	320,000	32,000	32,547	–	–	–
Seylan Bank PLC	21.02.2018	15.50	150,000	15,000	16,974	150,000	15,000	17,016
Seylan Bank PLC	22.12.2019	8.60	1,500,000	150,000	150,271	1,500,000	150,000	150,271
Seylan Bank PLC	15.07.2021	13.00	451,600	45,160	47,872	–	–	–
Singer Finance PLC	06.04.2020	12.00	1,000,000	100,000	102,784	–	–	–
Singer (Sri Lanka) PLC	07.06.2018	8.60	500,000	50,000	52,162	500,000	50,000	52,167
Singer (Sri Lanka) PLC	14.03.2019	10.50	2,500,000	250,000	257,788	–	–	–
Singer (Sri Lanka) PLC	17.06.2020	9.95	309,300	30,930	34,006	309,300	30,930	32,562
Siyapatha Finance PLC	20.09.2019	13.00	1,000,000	100,000	103,474	–	–	–
Softlogic Finance PLC	29.08.2019	10.00	190,900	19,090	19,568	190,900	19,090	19,568
Total debentures				**4,865,210**	**5,070,645**		**3,044,270**	**3,173,390**

25.4 Trust Certificates

As at 31 December	Bank/Group			
	2016		2015	
	Cost of Investment LKR '000	Amortised Cost LKR '000	Cost of Investment LKR '000	Amortised Cost LKR '000
LOLC Finance PLC	500,000	520,438	–	–
People's Leasing & Finance PLC	320,300	329,068	–	–
Sanasa Development Bank PLC	111,846	115,951	–	–
Total trust certificates	**932,146**	**965,457**	**–**	**–**

26. Loans and Advances to Customers

Accounting Policy

'Loans and advances to customers' include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss
- Those that the Bank, upon initial recognition, designates as available for sale
- Those for which the Bank may not recover substantially all of its initial investment, other than due to credit deterioration

'Loans and advances to customers' are initially measured at fair value and subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' (Note 8.1) in the Statement of Profit or Loss. The losses arising from impairment are recognised in 'Impairment charge for loans and other losses' (Note 13) in the Statement of Profit or Loss.

Write-Off of Loans and Receivables

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If a write-off is later recovered, the recovery is recognised in the 'Other operating income' (Note 12).

Collateral Valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, securities, letters of credit/guarantees, real estate, inventories, other non-financial assets and credit enhancements such as netting arrangements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by Central Bank of Sri Lanka.

Non-financial collaterals, including immovable and movables, are valued based on data provided by the independent professional valuers and Audited Financial Statements.

Collaterals Repossessed

The Group's policy is to dispose of repossessed properties (Foreclosed properties) in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group doesn't occupy repossessed properties for business use.

Renegotiated Loans

'Where possible, the Group seeks to reschedule/restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. The Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.'

Allowance for Impairment Losses

The Group assesses at each Reporting date, whether there is any objective evidence that loans and advances to customers are impaired.

'The Group first assesses individually, whether objective evidence of impairment exist for loans and advances to customers that are individually significant and that are not individually significant assesses collectively'.

'Objective evidence that loans and advances to customers are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower will enter bankruptcy or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or in the Group or economic conditions that correlate with defaults in the Group'.

'If there is objective evidence on that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loans and advances to customers' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of loans and advances is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Profit or Loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income' (Note 8.1).

'All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics'.

'In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for Management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling'.

'Impairment of loans and advances portfolios are based on the judgments in past experience of portfolio behaviour. However, these portfolios are not gone through the full economic life cycle. It may not encounter any future uncertainties that could arise. Therefore, to avoid this limitation, an economic factor adjustment has been incorporated in the Financial Statements'.

'If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the existing impairment.'

26.1 Net Loans and Advances to Customers

26.1.1 Bank

As at 31 December	2016				2015			
	Individually Significant Loans LKR '000	Retail Loans LKR '000	Staff Loans LKR '000	Total LKR '000	Individually Significant Loans LKR '000	Retail Loans LKR '000	Staff Loans LKR '000	Total LKR '000
Gross loans and advances	554,030,753	477,345,815	15,813,122	1,047,189,690	457,570,675	397,688,915	14,056,688	869,316,278
Less: Individual impairment	19,247,084	–	128,088	19,375,172	12,546,423	–	83,139	12,629,562
Collective impairment	3,088,387	24,643,557	–	27,731,944	2,343,915	27,553,171	–	29,897,086
Net loans and advances	**531,695,282**	**452,702,258**	**15,685,034**	**1,000,082,574**	**442,680,337**	**370,135,744**	**13,973,549**	**826,789,630**

26.1.2 Group

As at 31 December	2016				2015			
	Individually Significant Loans LKR '000	Retail Loans LKR '000	Staff Loans LKR '000	Total LKR '000	Individually Significant Loans LKR '000	Retail Loans LKR '000	Staff Loans LKR '000	Total LKR '000
Gross loans and advances	567,790,592	492,132,248	16,029,313	1,075,952,153	482,146,420	399,485,268	14,307,726	895,939,414
Less: Individual impairment	19,637,627	–	139,150	19,776,777	13,313,639	–	83,139	13,396,778
Collective impairment	3,088,387	25,318,879	–	28,407,266	2,343,915	28,293,494	–	30,637,409
Net loans and advances	**545,064,578**	**466,813,369**	**15,890,163**	**1,027,768,110**	**466,488,866**	**371,191,774**	**14,224,587**	**851,905,227**

26.2 Movement in Impairment for Loans and Advances to Customers

	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Movement in Individual Impairment				
As at 1 January	12,629,562	10,138,002	13,396,778	10,925,062
Charge during the year	9,209,538	3,780,695	9,289,236	4,128,303
Amount reversed or recovered during the year	(2,523,858)	(1,625,626)	(2,523,858)	(1,625,626)
Exchange rate variance on foreign currency impairment	172,083	444,876	172,083	444,876
Amount written off	(15,452)	(86,794)	(460,761)	(86,794)
Other movements	(96,701)	(21,591)	(96,701)	(389,043)
As at 31 December	**19,375,172**	**12,629,562**	**19,776,777**	**13,396,778**
Movement in Collective Impairment				
As at 1 January	29,897,086	26,019,280	30,637,409	26,887,361
Charge/(reversal) during the year	(2,288,919)	3,748,734	(2,344,378)	3,863,277
Exchange rate variance on foreign currency impairment	13,106	18,236	13,106	18,236
Amount written off	(15,492)	(22,603)	(15,492)	(22,603)
Other movements	126,163	133,439	116,621	(108,862)
As at 31 December	**27,731,944**	**29,897,086**	**28,407,266**	**30,637,409**
Total of individual and collective impairment	**47,107,116**	**42,526,648**	**48,184,043**	**44,034,187**

26.3 Analysis of Gross Loans and Advances – By Product

As at 31 December	2016			2015		
	Local Currency Loans LKR '000	Foreign Currency Loans LKR '000	Total LKR '000	Local Currency Loans LKR '000	Foreign Currency Loans LKR '000	Total LKR '000
Bank						
Term loans	220,511,465	170,726,008	391,237,473	182,175,637	167,977,440	350,153,077
Loans under schemes	80,127,478	1,017,341	81,144,819	49,975,989	726,483	50,702,472
Housing loans	48,851,923	–	48,851,923	42,804,370	–	42,804,370
Trade finance	38,183,554	29,854,206	68,037,760	25,429,477	19,927,355	45,356,832
Personal loans	160,170,812	–	160,170,812	107,539,804	–	107,539,804
Overdrafts	157,764,525	13,753,894	171,518,419	130,276,382	11,697,581	141,973,963
Credit cards	3,370,916	–	3,370,916	3,053,597	–	3,053,597
Lease rentals receivable [Note 26.6]	47,111,702	363,587	47,475,289	46,688,101	454,146	47,142,247
Pawning	47,191,558	–	47,191,558	56,900,717	–	56,900,717
Foreclosed properties	547,785	513,033	1,060,818	590,991	497,450	1,088,441
Staff loans	15,803,961	9,161	15,813,122	14,044,875	11,813	14,056,688
Other loans	9,986,891	1,329,890	11,316,781	7,516,305	1,027,765	8,544,070
Gross loans and advances	**829,622,570**	**217,567,120**	**1,047,189,690**	**666,996,245**	**202,320,033**	**869,316,278**

As at 31 December	2016			2015		
	Local Currency Loans LKR '000	Foreign Currency Loans LKR '000	Total LKR '000	Local Currency Loans LKR '000	Foreign Currency Loans LKR '000	Total LKR '000
Group						
Term loans	224,572,914	172,551,191	397,124,105	187,281,566	169,609,144	356,890,710
Loans under schemes	81,120,650	1,017,341	82,137,991	50,870,448	726,483	51,596,931
Housing loans	48,888,959	–	48,888,959	42,863,284	–	42,863,284
Trade finance	39,179,748	29,854,206	69,033,954	26,157,989	19,927,355	46,085,344
Personal loans	164,852,154	–	164,852,154	110,137,186	–	110,137,186
Overdrafts	157,732,793	13,926,430	171,659,223	130,276,382	11,954,817	142,231,199
Credit cards	3,370,916	–	3,370,916	3,053,597	–	3,053,597
Lease rentals receivable [Note 26.6]	62,422,939	363,587	62,786,526	61,589,220	454,146	62,043,366
Pawning	47,691,413	–	47,691,413	57,097,560	–	57,097,560
Foreclosed properties	547,785	513,033	1,060,818	590,991	497,450	1,088,441
Staff loans	16,017,452	11,861	16,029,313	14,277,198	30,528	14,307,726
Other loans	9,986,891	1,329,890	11,316,781	7,506,762	1,037,308	8,544,070
Gross loans and advances	**856,384,614**	**219,567,539**	**1,075,952,153**	**691,702,183**	**204,237,231**	**895,939,414**

26.4 Analysis of Gross Loans and Advances – By Currency

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Sri Lankan Rupee	829,622,570	666,996,245	856,384,614	691,702,183
United States Dollar	202,881,696	191,222,807	202,881,696	191,222,807
Great Britain Pound	383,159	406,361	2,383,577	2,323,559
Euro	286,748	189,882	286,748	189,882
Maldivian Rufiyaa	7,767,141	5,226,155	7,767,141	5,226,155
Indian Rupee	6,210,730	5,239,015	6,210,730	5,239,015
Other currencies	37,646	35,813	37,647	35,813
Gross loans and advances	**1,047,189,690**	**869,316,278**	**1,075,952,153**	**895,939,414**

26.5 Analysis of Loan Impairment – By Product

As at 31 December	2016			2015		
	Gross Loans LKR '000	Impairment LKR '000	Net Loans LKR '000	Gross Loans LKR '000	Impairment LKR '000	Net Loans LKR '000
Individually Assessed Loans						
Bank						
Term loans	328,656,206	13,377,106	315,279,100	290,110,967	10,009,765	280,101,202
Loans under schemes	25,479,115	876,115	24,603,000	11,706,949	303,750	11,403,199
Housing loans	–	–	–	–	–	–
Trade finance	57,304,419	4,006,721	53,297,698	34,539,872	2,293,012	32,246,860
Personal loans	–	–	–	–	–	–
Overdrafts	119,048,316	3,629,754	115,418,562	93,846,421	1,995,124	91,851,297
Credit cards	–	–	–	–	–	–
Lease rentals receivable	19,828,062	152,500	19,675,562	24,521,641	164,431	24,357,210
Pawning	–	–	–	–	–	–
Foreclosed properties	–	–	–	–	–	–
Staff loans	15,813,122	128,088	15,685,034	14,056,688	83,139	13,973,549
Other loans	3,714,635	293,275	3,421,360	2,844,825	124,256	2,720,569
Total	**569,843,875**	**22,463,559**	**547,380,316**	**471,627,363**	**14,973,477**	**456,653,886**
Group						
Term loans	336,443,825	13,486,121	322,957,704	298,880,085	10,584,719	288,295,366
Loans under schemes	25,479,115	876,115	24,603,000	12,127,152	303,750	11,823,402
Housing loans	–	–	–	–	–	–
Trade finance	58,102,070	4,129,595	53,972,475	35,135,143	2,416,859	32,718,284
Personal loans	–	–	–	–	–	–
Overdrafts	119,048,316	3,629,754	115,418,562	93,846,421	1,995,124	91,851,297
Credit cards	–	–	–	–	–	–
Lease rentals receivable	25,002,631	311,154	24,691,477	39,312,794	232,846	39,079,948
Pawning	–	–	–	–	–	–
Foreclosed properties	–	–	–	–	–	–
Staff loans	16,029,313	139,150	15,890,163	14,307,726	83,139	14,224,587
Other loans	3,714,635	293,275	3,421,360	2,844,825	124,256	2,720,569
Total	**583,819,905**	**22,865,164**	**560,954,741**	**496,454,146**	**15,740,693**	**480,713,453**

As at 31 December	2016			2015		
	Gross Loans LKR '000	Impairment LKR '000	Net Loans LKR '000	Gross Loans LKR '000	Impairment LKR '000	Net Loans LKR '000
Collectively Assessed Loans						
Bank						
Term loans	62,581,267	2,214,742	60,366,525	60,042,110	5,408,888	54,633,222
Loans under schemes	55,665,704	3,941,780	51,723,924	38,995,523	4,140,790	34,854,733
Housing loans	48,851,923	594,573	48,257,350	42,804,370	610,435	42,193,935
Trade finance	10,733,341	1,165,470	9,567,871	10,816,960	746,769	10,070,191
Personal loans	160,170,812	587,318	159,583,494	107,539,804	434,706	107,105,098
Overdrafts	52,470,103	7,628,229	44,841,874	48,127,542	6,565,783	41,561,759
Credit cards	3,370,916	151,269	3,219,647	3,053,597	158,434	2,895,163
Lease rentals receivable	27,647,227	789,295	26,857,932	22,620,606	1,032,709	21,587,897
Pawning	47,191,558	1,043,342	46,148,216	56,900,717	3,660,951	53,239,766
Foreclosed properties	1,060,818	658,841	401,977	1,088,441	587,009	501,432
Staff loans	–	–	–	–	–	–
Other loans	7,602,146	5,868,698	1,733,448	5,699,245	4,206,697	1,492,548
Total	**477,345,815**	**24,643,557**	**452,702,258**	**397,688,915**	**27,553,171**	**370,135,744**
Group						
Term loans	60,680,280	2,421,033	58,259,247	58,010,625	5,492,530	52,518,095
Loans under schemes	56,658,876	3,963,156	52,695,720	39,469,779	4,148,993	35,320,786
Housing loans	48,888,959	621,197	48,267,762	42,863,284	636,247	42,227,037
Trade finance	10,931,884	1,177,238	9,754,646	10,950,201	879,392	10,070,809
Personal loans	164,852,154	677,090	164,175,064	110,137,186	444,428	109,692,758
Overdrafts	52,610,907	7,756,756	44,854,151	48,384,778	6,606,965	41,777,813
Credit cards	3,370,916	151,269	3,219,647	3,053,597	158,434	2,895,163
Lease rentals receivable	37,783,895	954,287	36,829,608	22,730,572	1,469,307	21,261,265
Pawning	47,691,413	1,069,314	46,622,099	57,097,560	3,663,492	53,434,068
Foreclosed properties	1,060,818	658,841	401,977	1,088,441	587,009	501,432
Staff loans	–	–	–	–	–	–
Other loans	7,602,146	5,868,698	1,733,448	5,699,245	4,206,697	1,492,548
Total	**492,132,248**	**25,318,879**	**466,813,369**	**399,485,268**	**28,293,494**	**371,191,774**

26.6 Lease Rentals Receivable

Accounting Policy

Assets leased to customers, which transfer substantially all risks and rewards associated with ownership, other than legal title, are classified as finance leases. Amounts receivable under finance leases are classified as lease and hire purchase receivables and presented within loans and receivables to customers in the Statement of Financial Position, after deduction of unearned lease income and the impairment for rentals doubtful of recovery. Lease receivables are collectively assessed for impairment to the Financial Statements.

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Gross Lease Rentals Receivable				
Less than one year	19,699,478	18,759,029	26,386,101	23,386,513
One to five years	36,715,009	38,113,777	49,201,396	51,964,014
More than five years	247,274	217,705	247,274	217,705
	56,661,761	**57,090,511**	**75,834,771**	**75,568,232**
Less: Unearned finance income	9,186,472	9,948,264	13,048,245	13,524,866
Gross lease rentals receivable	**47,475,289**	**47,142,247**	**62,786,526**	**62,043,366**
Less: Provision for impairment losses	941,795	1,197,140	1,265,441	1,702,153
Net lease rentals receivable	**46,533,494**	**45,945,107**	**61,521,085**	**60,341,213**

27. Financial Investments – Available for Sale

Accounting Policy

All non-derivative financial assets that are not in any of following three categories are classified under, financial investments – available for sale

- Financial instruments – Held for trading
- Financial investments – Loans and receivables
- Financial investments – Held to maturity

Available for sale (AFS) financial investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through profit or loss. Quoted equities include strategic investments held by the Group at the year end.

Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions. The Group has not designated any loans or receivables as AFS.

All AFS financial investments are initially and subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in the 'available for sale reserve' through Other Comprehensive Income. When the investment is disposed off, the cumulative gain or loss previously recognised in available for sale reserve is recognised in the Statement of Profit or Loss and reflected in 'Net gains/(losses) from financial investments' (Note 11). Interest earned whilst holding available for sale financial investments is reported as 'Interest income' (Note 8.1). Dividends earned, whilst holding available for sale financial investments, are recognised in the Statement of Profit or Loss under in 'Net gains/(losses) from financial investments' (Note 11), when the right of the payment has been established.

Impairment of Financial Investments – Available for Sale

The Group assesses at each Reporting date whether there is an objective evidence to determine that AFS investment is impaired.

For debt instruments classified as available for sale, the Group assesses individually whether there is an objective evidence of impairment occurred as at the each Reporting date. The amount of impairment is measured as the difference between the carrying amount and the fair value of such asset.

Equity investments classified as available for sale are treated as impaired, if objective evidence includes a 'significant' or 'prolonged' decline in the fair value of the investment exist.

Impairment losses are recognised in the Statement of Profit or Loss in 'Impairment (charge)/reversal for loans and other losses' (Note 13). If cumulative mark to market losses recognised in Other Comprehensive Income for a instrument, impairment losses are recognised for such instrument by transferring the cumulative loss that has been recognised in Other Comprehensive Income to the profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from Other Comprehensive Income to the profit or loss, is the difference between the acquisition costs, net of any principal repayment and amortisation and the current fair value, less any impairment loss previously recognised in the Statement of Profit or Loss. Changes in impairment provisions attributable to time value are reflected as a component of 'Interest income' (Note 8.1).

'If, in a subsequent period, the fair value of an impaired AFS debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Statement of Profit or Loss, the impairment loss is reversed, with the amount of the reversal recognised in the Statement of Profit or Loss. However, Impairment losses on equity investments are not reversed through the Statement of Profit or Loss, any subsequent recovery in the fair value of an impaired AFS equity investment is recognised in Other Comprehensive Income. 'The Group writes-off certain financial investments – Available for sale when they are determined to be uncollectible'.

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Government Securities				
Treasury bills	–	467,734	2,320,821	1,826,836
Treasury bonds	434,475	1,001,373	1,164,971	1,722,468
In other countries	1,627,319	1,143,583	2,915,692	1,972,336
Quoted equities [Note 27.1]	3,938,737	4,683,444	5,325,122	5,969,583
Units in unit trusts [Note 27.2]	3,764,963	4,059,644	3,798,173	4,068,328
Unquoted equities [Note 27.3]	697,552	665,791	738,862	707,101
Total financial investments – Available for sale	**10,463,046**	**12,021,569**	**16,263,641**	**16,266,652**

27.1 Quoted Equities

As at 31 December	2016			2015		
	No. of Ordinary Shares	Cost of Investment LKR '000	Market Value LKR '000	No. of Ordinary Shares	Cost of Investment LKR '000	Market Value LKR '000
Bank						
National Development Bank PLC	16,371,076	691,862	2,553,888	16,371,076	691,862	3,177,626
People's Leasing & Finance PLC	11,453,600	206,165	197,002	11,453,600	206,165	251,979
Seylan Bank PLC	13,198,305	466,700	1,187,847	13,198,305	466,700	1,253,839
Total quoted equities		**1,364,727**	**3,938,737**		**1,364,727**	**4,683,444**
Group						
National Development Bank PLC	16,371,076	691,862	2,553,888	16,371,076	691,862	3,177,626
People's Leasing & Finance PLC	11,453,600	206,165	197,002	11,453,600	206,165	251,979
Seylan Bank PLC	13,198,305	466,700	1,187,847	13,198,305	466,700	1,253,839
The Lanka Hospital Corporation PLC	21,329,000	213,290	1,386,385	21,329,000	213,290	1,286,139
Total quoted equities		**1,578,017**	**5,325,122**		**1,578,017**	**5,969,583**

27.2 Units in Unit Trusts

As at 31 December	2016			2015		
	No. of Units	Cost of Investment LKR '000	Market Value LKR '000	No. of Units	Cost of Investment LKR '000	Market Value LKR '000
Bank						
Ceybank Unit Trust	120,986,551	1,889,364	3,089,997	120,986,551	1,889,364	3,357,377
Ceybank Century Growth Fund	8,284,896	146,101	553,348	8,284,896	146,101	579,611
Ceybank Surekum Gilt Edged Fund	11,389,982	114,148	121,618	11,389,982	114,148	122,656
Total units in unit trusts		**2,149,613**	**3,764,963**		**2,149,613**	**4,059,644**
Group						
Ceybank Unit Trust	120,986,551	1,889,364	3,089,997	120,986,551	1,889,364	3,357,377
Ceybank Century Growth Fund	8,284,896	146,101	553,348	8,284,896	146,101	579,611
Ceybank Surekum Gilt Edged Fund	11,389,982	114,148	121,618	11,389,982	114,148	122,656
Comtrust Money Market Fund	163,821	1,500	2,238	163,821	1,500	2,062
First Capital Asset Management Limited	25,932	29,350	30,972	4,725	5,000	6,622
Total units in unit trusts		**2,180,463**	**3,798,173**		**2,156,113**	**4,068,328**

27.3 Unquoted Equities

As at 31 December	2016			2015		
	No. of Ordinary Shares	Cost of Investment LKR '000	Fair Value LKR '000	No. of Ordinary Shares	Cost of Investment LKR '000	Fair Value LKR '000
Bank						
Credit Information Bureau of Sri Lanka	46,600	41,542	41,542	46,600	41,542	41,542
Fitch Ratings Lanka Limited	62,500	625	625	62,500	625	625
LankaClear (Private) Limited	2,100,000	21,000	21,000	2,100,000	21,000	21,000
Lanka Financial Services Bureau Limited	225,000	2,250	2,250	225,000	2,250	2,250
Magpek Exports Limited	300,000	4,355	–	300,000	4,355	–
MasterCard Incorporated	17,200	–	266,030	17,200	–	241,246
Regional Development Bank	16,448,448	162,300	162,300	16,448,448	162,300	162,300
Visa Inc.	17,438	–	203,805	17,438	–	196,828
		232,072	**697,552**		**232,072**	**665,791**
Fair value adjustment		469,835			438,074	
Provision for impairment [Note 27.4]		(4,355)			(4,355)	
Total unquoted equities		**697,552**	**697,552**		**665,791**	**665,791**
Group						
Ceylinco Investment Company Limited	500,000	5,000	–	500,000	5,000	–
Credit Information Bureau of Sri Lanka	47,140	41,596	41,596	47,140	41,596	41,596
Fitch Ratings Lanka Limited	62,500	625	625	62,500	625	625
LankaClear (Private) Limited	2,100,000	21,000	21,000	2,100,000	21,000	21,000
Lanka Financial Services Bureau Limited	225,000	2,250	2,250	225,000	2,250	2,250
LVL Energy Fund (Private) Limited	2,500,000	20,000	20,000	2,500,000	20,000	20,000
Magpek Exports Limited	300,000	4,355	–	300,000	4,355	–
MasterCard Incorporated	17,200	–	266,030	17,200	–	241,246
Mega Containers Limited	1,000,000	10,000	20,491	1,000,000	10,000	20,491
Regional Development Bank	16,448,448	162,300	162,300	16,448,448	162,300	162,300
Ranwan Industries (Private) Limited	165,790	3,600	–	165,790	3,600	–
San Michele Limited	50,000	500	–	50,000	500	–
UB Finance Company Limited	2,506,562	17,546	765	2,506,562	17,546	765
Visa Inc.	17,438	–	203,805	17,438	–	196,828
		288,772	**738,862**		**288,772**	**707,101**
Fair value adjustment		480,326			448,565	
Provision for impairment [Note 27.4]		(30,236)			(30,236)	
Total unquoted equities		**738,862**	**738,862**		**707,101**	**707,101**

27.4 Movement in Provision for Impairment on Unquoted Investments

	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Balance as at 1 January	4,355	4,355	30,236	26,136
Provision made/(reversal) during the year	–	–	–	–
Adjustment	–	–	–	4,100
Balance as at 31 December	**4,355**	**4,355**	**30,236**	**30,236**

28. Financial Investments – Held to Maturity

Accounting Policy

Held to maturity (HTM) financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

HTM financial investments are initially measured at fair value. After initial measurement, subsequently measured at amortised cost using the Effective Interest Rate (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest income' (Note 8.1) in the Statement of Profit or Loss. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss under 'Impairment charge/(reversal) for loans and other losses' (Note 13).

Balance as at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Treasury bills	24,236,802	25,596,314	24,254,603	25,600,693
Treasury bonds	218,941,598	220,692,311	218,999,364	220,748,818
Total financial investments – Held to maturity	**243,178,400**	**246,288,625**	**243,253,967**	**246,349,511**

The Bank has pledged treasury bonds – Held to maturity of LKR 84,117.4 million as collateral as at 31 December 2016 (2015 – LKR 99,618.0 million).

29. Investment in Subsidiary Companies

Accounting Policy

Subsidiaries are entities that are controlled by the Bank. Control is achieved when the Bank is exposed or has rights, to variable returns from its involvement with the investee and has the ability to affect the returns of those investees through its power over the investee. Specifically, the Bank controls an investee if, and only if, the Bank has:

- power over the investee
- exposure or rights to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns

The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The Bank reassesses whether it has control if there are changes to one or more of the elements of control. A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest (NCI) and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

The Consolidated Financial Statements are prepared for the common financial year end of 31 December and have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra group balances, income and expenses (except for foreign currency translation gains or losses) arising from intra group transactions are eliminated on consolidation. Unrealised gains and losses resulting from transactions between the Group and its associates are also eliminated on consolidation to the extent of the Group's interests in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans and advances. All subsidiaries of the Bank have been incorporated in Sri Lanka except for Bank of Ceylon (UK) Limited, which is incorporated in the United Kingdom. A list of the Bank's subsidiaries is given in Note 29.5 to the Financial Statements.

As at 31 December	2016 LKR '000	2015 LKR '000
Investment in quoted subsidiaries [Note 29.3]	3,114,952	3,114,952
Investment in unquoted subsidiaries [Note 29.4]	3,798,096	3,798,096
Total investment in subsidiaries	**6,913,048**	**6,913,048**
Less: Provision for impairment of investment in subsidiaries [Note 29.2]	700,000	700,000
Carrying value of investment in subsidiary companies	**6,213,048**	**6,213,048**

29.1 Movement in Investment in Subsidiary Companies

	2016 LKR '000	2015 LKR '000
Balance as at 1 January	6,913,048	6,913,048
Increase/(Decrease) in Investments	–	–
Balance as at 31 December	**6,913,048**	**6,913,048**

29.2 Provision for Impairment of Investment in Subsidiaries

	2016 LKR '000	2015 LKR '000
Balance as at 1 January	700,000	700,000
Impairment charge during the year	–	–
Balance as at 31 December	**700,000**	**700,000**

29.3 Investment in Quoted Subsidiaries

As at 31 December	Bank			
	2016		2015	
	Cost LKR '000	Market Value LKR '000	Cost LKR '000	Market Value LKR '000
Property Development PLC (63,064,957 Ordinary shares)	860,270	6,593,423	860,270	5,741,641
Merchant Bank of Sri Lanka & Finance PLC (123,562,267 Ordinary shares)	2,254,682	1,680,447	2,254,682	1,853,434
Total investment in quoted subsidiaries	**3,114,952**	**8,273,870**	**3,114,952**	**7,595,075**

29.4 Investment in Unquoted Subsidiaries

As at 31 December	Bank			
	2016		2015	
	Cost LKR '000	Directors' Valuation LKR '000	Cost LKR '000	Directors' Valuation LKR '000
BOC Management & Support Services (Private) Limited (99,996 Ordinary shares)	1,000	1,000	1,000	1,000
BOC Property Development & Management (Private) Limited (100,999,998 Ordinary shares)	1,010,000	1,010,000	1,010,000	1,010,000
BOC Travels (Private) Limited (250,004 Ordinary shares)	2,500	2,500	2,500	2,500
Bank of Ceylon (UK) Limited (15,000,000 Ordinary shares)	2,683,859	1,983,859	2,683,859	1,983,859
Hotels Colombo (1963) Limited (10,073,667 Ordinary shares)	100,737	100,737	100,737	100,737
Total investment in unquoted subsidiaries	**3,798,096**	**3,098,096**	**3,798,096**	**3,098,096**

29.5 Information Relating to Subsidiaries of the Bank

As at 31 December	Ownership Interest Held by the Bank	
	2016 %	2015 %
Quoted Subsidiaries		
Property Development PLC (PDL)	95.55	95.55
Merchant Bank of Sri Lanka & Finance PLC (MBSL)	74.49	74.49
Unquoted Subsidiaries		
BOC Management & Support Services (Private) Limited (MSS)	100.00	100.00
BOC Property Development & Management (Private) Limited (PDML)	100.00	100.00
BOC Travels (Private) Limited (TRAVELS)	100.00	100.00
Hotels Colombo (1963) Limited (HCL)	99.99	99.99
Ceybank Holiday Homes (Private) Limited (HH)	100.00	100.00
MBSL Insurance Company Limited (MBSL INS)	62.66	62.66
Koladeniya Hydropower (Private) Limited (KHP)	95.55	95.55
Bank of Ceylon (UK) Limited (BOC UK)	100.00	100.00

Ceybank Holiday Homes (Private) Limited, MBSL Insurance Company Limited and Koladeniya Hydropower (Private) Limited are indirect subsidiaries of the Bank.

29.6 Non-Controlling Interest (NCI) of Subsidiaries

	2016			
	PDL	MBSL	MBSL INS	KHP
Equity interest held by the NCI (%)	4.45	25.51	37.34	4.45
Profit/(Loss) allocated during the year (LKR '000)	18,500	44,936	(87,842)	2,312
Accumulated balance of NCI as at 31 December (LKR '000)	136,408	792,117	34,315	19,540
Dividends paid to NCI (LKR '000)	52,866	–	–	–

	2015			
	PDL	MBSL	MBSL INS	KHP
Equity interest held by the NCI (%)	4.45	25.51	37.34	4.45
Profit/(Loss) allocated during the year (LKR '000)	15,519	29,256	(33,874)	2,959
Accumulated balance of NCI as at 31 December (LKR '000)	166,281	816,587	131,717	17,223
Dividends paid to NCI (LKR '000)	8,811	–	–	–

29.7 Summarised Financial Information of Subsidiaries

For the year ended 31 December	2016				
	PDL LKR '000	MBSL LKR '000	MSS LKR '000	PDML LKR '000	TRAVELS LKR '000
Statement of Profit or Loss					
Total income	839,397	4,888,154	671	271,601	110,073
Profit/(Loss) after tax	415,723	176,149	419	108,014	26,711
Other comprehensive income	100,983	(79,086)	–	(341)	546
Total comprehensive income	516,706	97,063	419	107,673	27,257
Statement of Financial Position					
Total assets	4,659,695	31,933,847	9,925	1,582,329	300,012
Total liabilities	1,594,340	28,828,725	387	78,975	87,944
Net assets	3,065,355	3,105,122	9,538	1,503,354	212,068
Dividends paid	1,188,000	–	–	20,200	5,000
Statement of Cash Flows					
Operating cash flows	194,024	(783,969)	(273)	91,228	(11,622)
Investing cash flows	328,616	(484,106)	56	(158,614)	(19,884)
Financing cash flows	(179,857)	1,345,090	–	(20,200)	(7,351)
Net increase/(decrease) in cash and cash equivalents	342,783	77,015	(217)	(87,586)	(38,857)

For the year ended 31 December	2015				
	PDL LKR '000	MBSL LKR '000	MSS LKR '000	PDML LKR '000	TRAVELS LKR '000
Statement of Profit or Loss					
Total income	711,485	4,199,057	513	245,044	98,534
Profit/(Loss) after tax	348,743	(91,219)	351	56,505	32,745
Other comprehensive income	263,531	(26,304)	–	412	43
Total comprehensive income	612,274	(117,523)	351	56,917	32,788
Statement of Financial Position					
Total assets	4,205,069	28,256,613	9,527	1,488,095	264,869
Total liabilities	468,420	25,261,467	408	72,214	75,058
Net assets	3,736,649	2,995,146	9,119	1,415,881	189,811
Dividends paid	198,000	–	–	40,400	4,500
Statement of Cash Flows					
Operating cash flows	123,184	1,930,366	(128)	18,235	30,394
Investing cash flows	771,303	1,572,409	(2,581)	(75,559)	(4,715)
Financing cash flows	(180,426)	(3,531,908)	(24)	(40,400)	(6,849)
Net increase/(decrease) in cash and cash equivalents	714,061	(29,133)	(2,733)	(97,724)	18,830

For the year ended 31 December	2016				
	HCL LKR '000	HH LKR '000	MBSL INS LKR '000	KHP LKR '000	BOC UK LKR '000
Statement of Profit or Loss					
Total income	237,237	146,221	1,503,367	92,572	434,757
Profit/(Loss) after tax	12,709	(99)	(235,248)	51,950	(24,417)
Other comprehensive income	–	–	(10,620)	103	(396,425)
Total comprehensive income	12,709	(99)	(245,868)	52,053	(420,842)
Statement of Financial Position					
Total assets	285,483	28,871	1,769,111	466,631	25,673,579
Total liabilities	64,898	27,831	1,677,211	27,537	23,215,837
Net assets	220,585	1,040	91,900	439,094	2,457,742
Dividends paid	–	–	–	–	–
Statement of Cash Flows					
Operating cash flows	6,731	63	(234,589)	60,205	(139,137)
Investing cash flows	249	(1,608)	218,070	(78,262)	(9,386)
Financing cash flows	(1,750)	–	–	–	–
Net increase/(decrease) in cash and cash equivalents	5,230	(1,545)	(16,519)	(18,057)	(148,523)

For the year ended 31 December	2015				
	HCL LKR '000	HH LKR '000	MBSL INS LKR '000	KHP LKR '000	BOC UK LKR '000
Statement of Profit or Loss					
Total income	262,457	134,985	1,215,291	97,234	374,252
Profit/(Loss) after tax	(14,686)	(2,926)	(108,871)	66,505	(64,870)
Other comprehensive income	2,068	–	(7,386)	90	(1,911)
Total comprehensive income	(12,618)	(2,926)	(116,257)	66,595	(66,781)
Statement of Financial Position					
Total assets	289,838	28,605	1,920,340	414,767	26,855,102
Total liabilities	78,402	27,498	1,586,809	27,726	23,976,518
Net assets	211,436	1,107	333,531	387,041	2,878,584
Dividends paid	–	–	–	–	–
Statement of Cash Flows					
Operating cash flows	(4,826)	4,745	5,154	74,894	1,709
Investing cash flows	70	(1,486)	(11,779)	(67,265)	(9,184)
Financing cash flows	(3,000)	–	(1,384)	–	–
Net increase/(decrease) in cash and cash equivalents	(7,756)	3,259	(8,009)	7,629	(7,475)

30. Investment in Associate Companies

Associates are those entities in which the Bank has significant influence, but not control, over the financial and operating policies. Investments in associate entities are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

The Consolidated Financial Statements include the Bank's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Bank's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reported at nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the associate subsequently reports profits, the Bank resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

A list of the Bank's associates is shown in Note 30.4 to the Financial Statements.

The Bank discontinues the use of the Equity Method from the date that it ceases to have significant influence over an associate and accounts for such investments in accordance with the Sri Lanka Accounting Standard – LKAS 39 on 'Financial Instruments: Recognition and Measurement'.

Upon loss of significant influence over the associate, the Bank measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

30.1 Unquoted Associates

As at 31 December	Bank				Group			
	2016		2015		2016		2015	
	Cost LKR '000	Directors' Valuation LKR '000	Cost LKR '000	Directors' Valuation LKR '000	Equity Value LKR '000	Directors' Valuation LKR '000	Equity Value LKR '000	Directors' Valuation LKR '000
Ceybank Asset Management Limited (1,240,002 ordinary shares)	31,048	31,048	31,048	31,048	216,704	216,704	199,108	199,108
Lanka Securities (Private) Limited (3,594,857 ordinary shares)	41,940	41,940	41,940	41,940	131,006	131,006	138,406	138,406
Mireka Capital Land (Private) Limited* (75,000,000 ordinary shares)	–	–	750,000	750,000	–	–	1,511,877	1,511,877
Southern Development Financial Company Limited (2,500,001 ordinary shares)	25,000	–	25,000	–	–	–	–	–
Transnational Lanka Records Solutions (Private) Limited (2,000,000 ordinary shares)	20,000	20,000	20,000	20,000	72,959	72,959	62,926	62,926
Total investment in unquated associates	**117,988**	**92,988**	**867,988**	**842,988**	**420,669**	**420,669**	**1,912,317**	**1,912,317**
Provision for impairment of investments in associates	(25,000)	–	(25,000)	–	–	–	–	–
Net investment in unquoted associates	**92,988**	**92,988**	**842,988**	**842,988**	**420,669**	**420,669**	**1,912,317**	**1,912,317**

**Mireka Capital Land (Private) Limited (MCL) was disposed on 30 December 2016 for the amount of LKR 3.88 billion. The effects on this transaction have been adjusted in these Financial Statements.*

30.2 Movement in Investment in Associate Companies

	Bank		Group	
	Cost		Equity Value	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Balance as at 1 January	867,988	867,988	1,912,317	1,870,035
Increase/(Decrease) in investment	(750,000)	–	(1,501,333)	–
Share of profit/(loss), net of tax	–	–	62,952	93,590
Share of other comprehensive income	–	–	2,174	416
Share of dividends	–	–	(55,441)	(53,938)
Other adjustments	–	–	–	2,214
Balance as at 31 December	**117,988**	**867,988**	**420,669**	**1,912,317**

30.3 Movement in Provision for Impairment of Investment in Associate Companies

	Bank	
	2016 LKR '000	2015 LKR '000
Balance as at 1 January	25,000	25,000
Impairment charge during the year	–	–
Balance as at 31 December	**25,000**	**25,000**

30.4 Share Holding Structure of Associate Companies

Name of the Company	Equity Interest % 2016	Equity Interest % 2015	Shareholding Structure Name	Shareholding Structure Holding %
Ceybank Asset Management Limited (CAML)	43.36	43.36	Bank of Ceylon	43.36
			Sri Lanka Insurance Corporation	26.57
			Unit Trust of India	17.48
			Carson Cumberbatch PLC	12.59
Lanka Securities (Private) Limited (LSL)	41.60	41.60	First Capital Securities Corporation Limited	51.00
			Merchant Bank of Sri Lanka & Finance PLC	29.00
			Bank of Ceylon (Bank of Ceylon indirectly hold 21.6%)	20.00
Transnational Lanka Records Solutions (Private) Limited (TLRS)	24.69	24.69	Transnational (Pte) Limited – Singapore	62.96
			Bank of Ceylon	24.69
			Seylan Bank PLC	12.35
Southern Development Financial Company Limited (SDFC)*	41.67	41.67	Bank of Ceylon	41.67
			People's Bank	41.67
			Southern Development Authority of Sri Lanka	16.66

**SDFC is not in operation and in the process of liquidation.*

30.5 Summerised Financial Information of Associates

For the year ended 31 December	2016		
	CAML LKR '000	LSL LKR '000	TLRS LKR '000
Statement of Profit or Loss			
Total income	173,482	89,605	121,861
Profit/(Loss) before tax	84,185	(18,749)	89,617
Profit/(Loss) after tax	69,514	(21,358)	83,158
Other comprehensive income	(11,809)	3,569	–
Total comprehensive income	57,705	(17,789)	83,158
Statement of Financial Position			
Current assets	380,618	356,787	30,443
Total assets	551,965	391,591	503,735
Current liabilities	30,220	46,976	4,877
Total liabilities	52,187	76,676	208,230
Net assets	499,778	314,915	295,505
Dividends paid	17,160	–	32,400
Dividends received to the Bank (net)	7,156	–	10,500

For the year ended 31 December	2015			
	CAML LKR '000	LSL LKR '000	MCL LKR '000	TLRS LKR '000
Statement of Profit or Loss				
Total income	144,523	158,050	895,827	71,534
Profit/(Loss) before tax	76,904	24,413	112,320	55,523
Profit/(Loss) after tax	65,359	19,114	100,387	50,422
Other comprehensive income	(5,036)	(2,504)	9,103	–
Total comprehensive income	60,323	16,610	109,490	50,422
Statement of Financial Position				
Current assets	327,272	444,237	958,881	49,389
Total assets	509,222	478,049	4,560,802	428,670
Current liabilities	28,848	116,397	761,440	30,472
Total liabilities	50,025	145,346	770,747	173,797
Net assets	459,197	332,703	3,790,055	254,873
Dividends paid	17,160	41,940	46,875	31,914
Dividends received to the Bank (net)	6,863	1,730	33,750	5,000

31. Investment Property

Accounting Policy

Recognition

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Measurement

Investment property is accounted for under Cost Model in the Financial Statements. Accordingly, after initial recognition as an asset, the property is carried at its cost, less accumulated depreciation and impairment losses.

If any property is reclassified to investment property due to changes in its use, fair value of such property at the date of reclassification becomes its cost for subsequent accounting.

Depreciation

Depreciation is provided on a straight-line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal. Provision for depreciation is made over the period of 20 years at the rate of 5% per annum using the straight-line method for buildings classified as investment property. Land is not depreciated under normal circumstances.

Derecognition

Investment properties are derecognised when they are disposed of or permanently withdrawn from use since no future economic benefits are expected. Transfers are made to and from investment property only when there is a change in use. When the use of a property changes such that it is reclassified as Property, Plant and Equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Cost				
Balance as at 1 January	–	–	165,876	165,876
Disposals during the year	–	–	(15,791)	–
Transfers from Property, Plant and Equipment	3,000,000	–	–	–
Balance as at 31 December	3,000,000	–	150,085	165,876
Less: Accumulated Depreciation				
Balance as at 1 January	–	–	20,036	17,000
Charge for the year	–	–	2,961	3,036
Disposal/Transfer	–	–	(582)	–
Balance as at 31 December	–	–	22,415	20,036
Net investment properties	**3,000,000**	**–**	**127,670**	**145,840**

During the year the Bank has classified a property at York Street, Colombo 1 from Property Plant and Equipment to Investment Property due to cessation of the owner occupation. This property covers land area of 181.85 perches and building at site runs to six floors with a basement floor consists with 261,610 square feet.

The carrying value of the property as of 31 December 2016 stood at LKR 1,605.4 million and the entire property was valued to LKR 3,000.0 million by Mr K T D Tissera – Chartered Valuation Surveyor [Diploma in Valuation (Sri Lanka), FRICS (Eng), FIV (Sri Lanka)] based on the investment method of valuation. The Bank has considered this value as the fair value of the property when classifying said property as an investment property. Accordingly revaluation gain of LKR 1,394.6 million has been identified and accounted for by the Bank as of 31 December 2016.

31.1 Unobservable Inputs Considered in Measuring Fair Value

Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Estimated value per perch	LKR 12.0 million	Positive correlated sensitivity
	LKR 16.0 million	

31.2 Investment Properties Held by the Group

As at 31 December	Building (Sq. ft)	Extent of Land (Perches)	2016 Cost Land LKR '000	2016 Cost Building LKR '000	2016 Cost Total LKR '000	2016 Fair Value Total LKR '000	2015 Cost Total LKR '000	2015 Fair Value Total LKR '000
Nos. 64 and 66, Nonagama Road, Pallegama, Embilipitiya	–	16.61	1,750	–	1,750	26,200	1,750	13,000
No. 300/8, Thalawathugoda Road, Madiwela, Kotte	2,000	16.15	–	–	–	–	5,100	14,727
No. 385/1, Kotte Road, Pittakotte	2,896	19.01	2,958	1,730	4,688	5,298	4,688	5,298
No. 116/4,116/7,116/26,116/27,116/29 1st Cross Street, Colombo 01	–	12.35	1,249	–	1,249	2,602	1,249	2,602
No. 43,45,49,51 and 53, New Olcott Mawatha, Colombo 11	–	7.50	–	–	–	–	9,950	75,000
No. 102 and 104, Dam Street, Colombo 12	20,368	50.70	17,970	11,989	29,959	233,000	29,959	233,000
Kumbuththukuliya Watte, Bangadeniya Road, Puttalam	–	320.00	600	–	600	3,400	600	3,400
Mirissawelawatta Hena; Thekkawatta, Dambadeniya	–	188.00	162	–	162	2,000	162	600
No. 50/21, Old Kesbawa Road, Raththanapitiya, Boralesgamuwa	–	364.35	65,604	44,396	110,000	298,015	110,000	298,015
No. 64, Gabadawa Estate, Pitipana, Homagama	–	10.00	686	–	686	1,400	1,427	2,900
No. 2, Plan No. 1206, Silverberst Estate, Pitipana, Homagama	–	100.70	991	–	991	2,014	991	2,014
Total			**91,970**	**58,115**	**150,085**	**573,929**	**165,876**	**650,556**

Note:

31.2. a The fair value of the investment properties as at 31 December 2016 was based on market valuations carried out in the years 2011, 2013, 2014 and 2016 by Mr D N Dhammika Baranage [RICS (UK), DIV AIS (SL)] and Mr H A W Perera [B Sc Estate Management and Valuation (Special)], Mr Samantha Kumara Madawan Arachchi [B Sc Estate Management and Valuation (Special), City Planning (JP), Dip (UPM)NI, AIREV] and Mr A G Gunarathne [B.Sc. Estate Mgt & Valuation, F.I.V (Sri Lanka)], Mr L G T Thungasiri [(AIV) F.I.V (Sri Lanka), Dip. in Valuation (SLTC)], who are independent valuers not connected with the companies. The Directors have reviewed values of the investment properties as at 31 December 2016 and concluded that there was no impairment.

32. Property, Plant and Equipment

Recognition

Property, Plant and Equipment (PPE) are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be reliably measured.

Measurement

Cost of Property, Plant and Equipment includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Items of Property, Plant and Equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Revaluation model is applied for entire class of freehold land and buildings and buildings on leasehold lands. The market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use are taken into account in measuring the fair value.

Properties that carried at revaluation amount being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and building of the Group are revalued every three to five years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the Reporting date. Any surplus arising on revaluation of an asset is accumulated under the Revaluation Reserve in Equity through Other Comprehensive Income. However, if there is any revaluation deficit of the same asset previously recognised on profit or loss, revaluation surplus is recognised on profit or loss to the extent it reverse such deficit. Any deficit arising on revaluation of a asset is recognised in profit or loss and such deficit is recognised in Other Comprehensive Income to the extend of any credit balance existing in the revaluation reserve in respect of that asset.

Accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of assets and the net amount restated to the revalued amount of the assets. Where the carrying value of the Property, Plant and Equipment are reviewed for impairment, when an event or changes in circumstances indicate that the carrying value may not be recoverable.

When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Subsequent Costs

The cost of replacing a part of an item of Property, Plant and Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of Property, Plant and Equipment are recognised in the Statement of Profit or Loss in 'Other operating expenses' (Note 15) as incurred.

Capital Work in Progress

Capital work in progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, awaiting capitalisation.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Depreciation

Depreciation is recognised in Statement of Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of Property, Plant and Equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. Further, cost of expansion and major renovations on the building are depreciated over the remaining useful lives of the original buildings.

Provisioning for depreciation of Property, Plant and Equipment is made on pro rata basis.

The Group's estimated useful lives for the current and comparative periods are as follows:

Freehold buildings	40-60 years
Office equipment	08 years
Furniture and fittings	08 years
Computer equipment	05 years
Motor vehicles	04 years
Power plant	20 years

Depreciation methods, useful lives and residual values are reassessed at each financial year end and adjusted if appropriate.

Useful Life and Residual Values

Residual value is the amount that Group could receive for an asset at the Reporting date if the asset was already at the age and in the condition that it will be in when the Group expects to dispose it.

The residual and useful life of an asset are reviewed at least at each Reporting date, changes in the residual value and useful life are accounted for prospectively as a change in an accounting estimate only if the residual value is material.

Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, replacement or when no future economic benefits are expected from its use. The gain or loss arising from the de-recognition of an item of Property, Plant and Equipment is included in the 'Other operating income (Note 12)/Other operating expenses (Note 15)' in the Statement of Profit or Loss in the year the item is derecognised.

Reclassification as Investment Property

When the use of property changes such that is reclassified as investment property, its fair value at the date of reclassification becomes its cost for subsequent accounting. Any gain arising on remeasurement is recognised in the Statement of Profit or Loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in revaluation reserve in equity. Any loss is recognised immediately in the Statement of Profit or Loss.

32.1 Bank

	Freehold Land LKR '000	Freehold Building LKR '000	Building on Leasehold Land LKR '000	Equipment (Note 32.12.1) LKR '000	Motor Vehicles LKR '000	Leasehold Motor Vehicles LKR '000	Capital Work in Progress LKR '000	2016 Total LKR '000	2015 Total LKR '000
Cost or Valuation									
As at 1 January	8,901,908	3,081,618	1,372,945	10,686,794	1,045,554	50,377	441,145	25,580,341	24,346,690
Additions during the year									
Acquisitions	32,717	20,577	3,625	1,462,444	262,682	–	270,760	2,052,805	1,332,486
Capitalisations	–	66,632	310,012	–	–	–	(376,644)	–	–
Changes in revaluation surplus/(deficit)	1,394,640	–	–	–	–	–	–	1,394,640	8,169
Transfer of accumulated depreciation on asset revaluation	–	(146,155)	–	–	–	–	–	(146,155)	–
Disposals during the year	–	–	–	(1,043,664)	(60,238)	–	(19,089)	(1,122,991)	(118,534)
Impairment to profit or loss	–	–	–	(2,127)	–	–	–	(2,127)	–
Exchange rate adjustments	–	–	–	4,075	86	–	–	4,161	11,530
Transfers to investment property	(2,414,640)	(585,360)	–	–	–	–	–	(3,000,000)	–
Transfers/Adjustments	–	–	–	–	7,060	(7,060)	–	–	–
As at 31 December	**7,914,625**	**2,437,312**	**1,686,582**	**11,107,522**	**1,255,144**	**43,317**	**316,172**	**24,760,674**	**25,580,341**
Accumulated depreciation									
As at 1 January	–	157,847	572,862	7,670,294	803,203	50,377	–	9,254,582	8,158,357
Charge for the year	–	158,463	75,780	893,038	136,633	–	–	1,263,914	1,196,066
Transfer of accumulated depreciation on assets revaluation	–	(146,155)	–	–	–	–	–	(146,155)	–
Disposals during the year	–	–	–	(1,042,241)	(54,232)	–	–	(1,096,473)	(111,384)
Exchange rate adjustments	–	–	–	2,714	(72)	–	–	2,643	11,544
Transfers/Adjustments	–	–	–	–	7,060	(7,060)	–	–	–
As at 31 December	**–**	**170,155**	**648,642**	**7,523,805**	**892,592**	**43,317**	**–**	**9,278,511**	**9,254,583**
Net book value as at 31 December 2016	**7,914,625**	**2,267,157**	**1,037,940**	**3,583,717**	**362,552**	**–**	**316,172**	**15,482,163**	**–**
Net book value as at 31 December 2015	8,901,908	2,923,771	800,083	3,016,500	242,351	–	441,145	–	16,325,758

32.2 Group

	Freehold Land LKR '000	Freehold Building LKR '000	Building on Leasehold Land LKR '000	Equipment (Note 32.12.2) LKR '000	Motor Vehicles LKR '000	Leasehold Motor Vehicles LKR '000	Capital Work in Progress LKR '000	2016 Total LKR '000	2015 Total LKR '000
Cost or valuation									
As at 1 January	9,221,549	5,410,568	8,065,331	11,955,654	1,178,274	62,954	497,516	36,391,846	35,073,536
Additions during the year									
Acquisitions	32,717	48,429	66,552	1,623,667	286,518	–	331,903	2,389,786	1,571,210
Capitalisations	–	66,632	310,012	–	–	–	(376,644)	–	–
Changes in revaluation surplus/(deficit)	1,394,640	103,868	808,944	–	–	–	–	2,307,452	933,459
Transfer of accumulated depreciation on asset revaluation		(248,437)	(269,206)	–	–	–	–	(517,643)	(943,435)
Disposals during the year	–	–	(4,750)	(1,050,920)	(71,450)	–	(81,630)	(1,208,750)	(281,753)
Impairment to profit/loss	–	–	–	(2,127)	–	–	–	(2,127)	–
Exchange rate adjustments	(42,816)	(44,296)	–	(911)	86	–	–	(87,937)	38,829
Transfers/Adjustments	–	–	–	(7,220)	7,060	(7,060)	–	(7,220)	–
As at 31 December	**10,606,090**	**5,336,764**	**8,976,883**	**12,518,143**	**1,400,488**	**55,894**	**371,145**	**39,265,407**	**36,391,846**
Accumulated depreciation									
As at 1 January	–	451,529	222,794	8,345,779	872,044	57,897	–	9,950,043	9,427,520
Charge for the year	–	220,914	382,269	1,001,893	149,921	3,044		1,758,041	1,637,836
Transfer of accumulated depreciation on assets revaluation	–	(248,437)	(269,206)	–	–	–	–	(517,643)	(943,435)
Disposals during the year	–	–	(3,275)	(1,048,871)	(63,798)	–	–	(1,115,944)	(198,205)
Exchange rate adjustments	–	(966)	–	(864)	(76)	–	–	(1,906)	12,882
Transfers/Adjustments		–	–	(7,220)	7,060	(7,060)	–	(7,220)	13,445
As at 31 December	**–**	**423,040**	**332,582**	**8,290,717**	**965,151**	**53,881**	**–**	**10,065,371**	**9,950,043**
Net book value as at 31 December 2016	**10,606,090**	**4,913,724**	**8,644,301**	**4,227,426**	**435,337**	**2,013**	**371,145**	**29,200,036**	**–**
Net book value as at 31 December 2015	9,221,549	4,959,039	7,842,537	3,609,875	306,230	5,057	497,516	–	26,441,803

32.3 Title Restriction on Property, Plant and Equipment

There were no restrictions that existed in the title of the Property, Plant and Equipment of the Bank and the Group as at the Reporting date.

32.4 Property, Plant and Equipment Pledged as Security for Liabilities

No freehold Property, Plant and Equipment have been pledged as security for any liability.

32.5 Compensation from Third Parties for Items of Property, Plant and Equipment

There were no compensation received/receivable from third parties for items of Property, Plant and Equipment which were impaired or given up.

32.6 Fully Depreciated Property, Plant and Equipment

The initial cost of fully-depreciated Property, Plant and Equipment which are still in use are as follows:

As at 31 December	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Motor vehicles	578,506	613,958	613,438	645,501
Computer equipment	2,533,514	3,199,381	2,671,694	3,292,094
Equipment, furniture and fittings	1,055,784	958,685	1,201,608	1,082,753
Buildings on leasehold lands	98,684	140,708	98,684	140,708
Plant and machinery	970,897	890,304	971,173	890,304
Total	**5,237,385**	**5,803,036**	**5,556,597**	**6,051,360**

32.7 Temporarily Idle Property, Plant and Equipment

There were no temporarily idle Property, Plant and Equipment as at the Reporting date.

32.8 Property, Plant and Equipment Retired from Active Use

The Group held no Property, Plant and Equipment retired from active use and which were not classified as held for sale in accordance with SLFRS 5 – 'Non-current assets held for sale and discontinued operations'.

32.9 Freehold Properties

The carrying value of freehold properties, that would have been recognised in the Financial Statements, if they were carried at cost less accumulated depreciation is as follows:

32.9.1 Bank

As at 31 December	2016			2015		
	Cost LKR '000	Accumulated Depreciation LKR '000	Net Book Value LKR '000	Cost LKR '000	Accumulated Depreciation LKR '000	Net Book Value LKR '000
Land	488,167	–	488,167	455,450	–	455,450
Building	1,042,569	(505,403)	537,166	1,021,992	(480,338)	541,654
Total	**1,530,736**	**(505,403)**	**1,025,333**	**1,477,442**	**(480,338)**	**997,104**

32.9.2 Group

As at 31 December	2016			2015		
	Cost LKR '000	Accumulated Depreciation LKR '000	Net Book Value LKR '000	Cost LKR '000	Accumulated Depreciation LKR '000	Net Book Value LKR '000
Land	498,128	–	498,128	465,411	–	465,411
Building	2,171,952	(900,148)	1,271,804	2,069,048	(873,025)	1,196,023
Total	**2,670,080**	**(900,148)**	**1,769,932**	**2,534,459**	**(873,025)**	**1,661,434**

32.10 Revaluation of Leasehold/Freehold Properties – Group

The following buildings on leasehold/freehold lands of the subsidiaries were revalued during the year by professionally qualified independent valuers.

Leasehold Properties	2016				
Details of Properties	Valuer	Basis of Valuation	Carrying Value LKR '000	Revalued Amount of Building LKR '000	Surplus/ (Loss) of Building LKR '000
Property Development PLC Bank of Ceylon Head Office Building 'BOC Square', Colombo 01 (Revalued as at 31 December 2016)	M/s P B Kalugalagedara & Associates	Market value method	6,289,157	7,126,000	836,843
BOC Property Development & Management (Private) Limited Bank of Ceylon – Ceybank House No. 86, Sri Dalada Veediya, Kandy (Revalued as at 31 December 2016)	M/s P B Kalugalagedara & Associates	Market value method	481,755	453,856	(27,899)

Freehold Properties	2016				
Details of Properties	Valuer	Basis of Valuation	Carrying Value LKR '000	Revalued Amount of Building LKR '000	Surplus/ (Loss) of Building LKR '000
BOC Property Development & Management (Private) Limited Bank of Ceylon – Merchant Tower St. Micheal's Road, Colombo 03 (Revalued as at 31 December 2016)	M/s P B Kalugalagedara & Associates	Market value method	1,739,178	1,843,046	103,868

32.11 Unobservable Inputs Considered in Measuring Fair Value

The following table depicts information about significant unobservable inputs used in measuring fair value of the assets categorised under Level 3 of the fair value hierarchy.

32.11.1 Bank

Type of Asset	Fair Value as at 31.12.2016 LKR '000	Valuation Technique	2016		
			Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Sensitivity of Fair value to Unobservable Inputs
Freehold land	7,914,625	Market comparable method	Estimated cost per perch	LKR 17,500 – LKR 10,000,000	Positively correlated sensitivity
Freehold buildings	2,267,157	Market comparable method	Estimated cost per square feet	LKR 1,000 – LKR 10,000	Positively correlated sensitivity
Buildings on leasehold lands	1,037,940	Rental value basis	Estimated rental value per square feet	LKR 38 – LKR 150	Positively correlated sensitivity
			Expected market rental growth	0%	Positively correlated sensitivity
			Discount rate	3.3% – 5.5%	Negatively correlated sensitivity

32.11.2 Group

Type of Asset	Fair Value as at 31.12.2016 LKR '000	Valuation Technique	2016 Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Sensitivity of Fair value to Unobservable Inputs
Freehold land	10,606,090	Market comparable method	Estimated cost per perch	LKR 17,500 – LKR 10,000,000	Positively correlated sensitivity
Freehold buildings	4,913,724	Market comparable method	Estimated cost per square feet	LKR 1,000 – LKR 10,750	Positively correlated sensitivity
Buildings on leasehold lands	8,644,301	Rental value basis	Estimated rental value per square feet	LKR 38 – LKR 275	Positively correlated sensitivity
			Expected market rental growth p.a.	5%	Positively correlated sensitivity
			Anticipated maintainance cost	40%	Positively correlated sensitivity
			Discount rate	3.3% – 5.5%	Negatively correlated sensitivity
		Investment method	Estimated rental value per sq.m. per month	LKR 125 – LKR 200	Positively correlated sensitivity

32.12 Equipment

32.12.1 Bank

	Computer Equipment LKR '000	Furniture and Fittings LKR '000	Office Equipment LKR '000	2016 Total LKR '000	2015 Total LKR '000
Cost					
Balance as at 1 January	5,410,325	2,904,537	2,371,932	10,686,794	9,964,482
Additions during the year					
– Acquisitions	942,376	344,434	175,634	1,462,444	810,718
Disposals during the year	(991,686)	(23,889)	(28,089)	(1,043,664)	(99,133)
Impairment to profit or loss	(1,934)	–	(193)	(2,127)	–
Exchange rate adjustments	3,614	188	273	4,075	10,727
Balance as at 31 December	**5,362,695**	**3,225,270**	**2,519,557**	**11,107,522**	**10,686,794**
Accumulated Depreciation					
Balance as at 1 January	4,243,062	1,874,375	1,552,857	7,670,294	6,921,314
Charge for the year	452,499	252,386	188,153	893,038	836,180
Disposals during the year	(991,409)	(23,121)	(27,711)	(1,042,241)	(98,384)
Exchange rate adjustments	1,732	17	965	2,714	11,184
Balance as at 31 December	**3,705,884**	**2,103,657**	**1,714,264**	**7,523,805**	**7,670,294**
Net book value as at 31 December 2016	**1,656,811**	**1,121,613**	**805,293**	**3,583,717**	**–**
Net book value as at 31 December 2015	1,167,263	1,030,162	819,075	–	3,016,500

32.12.2 Group

	Computer Equipment LKR '000	Furniture and Fittings LKR '000	Office Equipment LKR '000	Power Plant LKR '000	2016 Total LKR '000	2015 Total LKR '000
Cost						
Balance as at 1 January	5,706,610	3,477,524	2,472,522	298,998	11,955,654	11,132,552
Additions during the year						
– Acquisitions	1,054,211	392,276	177,180	–	1,623,667	940,397
Disposals during the year	(996,235)	(26,219)	(28,466)	–	(1,050,920)	(129,304)
Impairment to profit or loss	(1,934)	–	(193)	–	(2,127)	–
Exchange rate adjustments	2,214	(3,398)	273	–	(911)	12,009
Transfers/Adjustments	–	(6,099)	(1,121)	–	(7,220)	–
Balance as at 31 December	**5,764,866**	**3,834,084**	**2,620,195**	**298,998**	**12,518,143**	**11,955,654**
Accumulated Depreciation						
Balance as at 1 January	4,479,891	2,229,816	1,581,624	54,448	8,345,779	7,511,145
Charge for the year	483,386	310,818	192,739	14,950	1,001,893	938,773
Disposals during the year	(995,957)	(24,770)	(28,144)	–	(1,048,871)	(126,040)
Exchange rate adjustments	546	(2,376)	966	–	(864)	11,956
Transfers/Adjustments	17	(6,116)	(1,121)	–	(7,220)	9,945
Balance as at 31 December	**3,967,883**	**2,507,372**	**1,746,064**	**69,398**	**8,290,717**	**8,345,779**
Net book value as at 31 December 2016	**1,796,983**	**1,326,712**	**874,131**	**229,600**	**4,227,426**	**–**
Net book value as at 31 December 2015	1,226,719	1,247,708	890,898	244,550	–	3,609,875

32.13 The Details of Freehold Land and Building Held by the Bank as at 31 December 2016 are as Follows:

Name of Premises	Extent (Perches)	Building (Square Feet)	Date of Valuation	Cost or Revalued Amount of Land LKR '000	Cost or Revalued Amount of Building LKR '000	Total Value LKR '000	Accumulated Depreciation LKR '000	Written-Down Value LKR '000
Central Province								
Galaha Branch 59/37, Deltota Road, Galaha	15.00	8,410	30.11.2014	15,000	17,661	32,661	883	31,778
Gampola Branch 44, Kadugannawa Road, Gampola	175.00	9,832	30.11.2014	180,675	15,806	196,481	790	195,691
Hatton Branch 46, Circular Road, Hatton	85.65	8,784	30.11.2012	120,000	20,000	140,000	1,000	139,000
Hatton Staff Quarters 110, Hatton House Road, Hatton	40.00	5,560	30.11.2012	48,000	12,000	60,000	600	59,400
Kandy 2nd City Branch 22, Dalada Veediya, Kandy	42.81	27,081	30.11.2012	214,000	16,000	230,000	1,392	228,608
Maskeliya Branch 66, Upcot Road, Maskeliya	42.05	6,402	30.11.2012	31,000	13,000	44,000	866	43,134
Nawalapitiya Branch 6, Gampola Road, Nawalapitiya	21.92	6,150	30.11.2012	14,000	14,000	28,000	700	27,300
Nuwara Eliya Branch 43, Lawson Street, Nuwara Eliya	133.50	17,737	30.11.2012	460,000	41,008	501,008	2,296	498,712
Nuwara Eliya Staff Quarters (Clerical) 14,19, Hill Street, Nuwara Eliya	96.39	4,646	31.12.2014	56,000	3,000	59,000	2,050	56,950
Talawakelle Branch 23,25,29, Hatton Road, Talawakelle	25.30	7,236	30.11.2014	29,920	14,305	44,225	716	43,509
Talawakelle Staff Quarters Talawakelle Estate Plantation	160.00	4,898	30.11.2014	9,600	12,240	21,840	612	21,228
				1,178,195	179,020	1,357,215	11,905	1,345,310

Name of Premises	Extent (Perches)	Building (Square Feet)	Date of Valuation	Cost or Revalued Amount of Land LKR '000	Cost or Revalued Amount of Building LKR '000	Total Value LKR '000	Accumulated Depreciation LKR '000	Written-Down Value LKR '000
Eastern Province								
Batticaloa Branch Covington Road, Batticaloa	65.00	6,997	30.11.2014	26,000	16,000	42,000	1,280	40,720
Muttur Branch No. 36/1, Ward No. 07, Mutur	71.00	11,847	30.11.2014	8,000	67,745	75,745	1,251	74,494
Pottuvil Branch Main Street, Pottuvil	10.70	4,977	30.11.2014	10,750	15,750	26,500	788	25,712
Trincomalee Branch 24, Inner Harbour Road, Trincomalee	90.00	10,710	30.11.2014	49,500	22,180	71,680	4,436	67,244
Trincomalee City Branch 09, Main Street, Trincomalee	21.90	2,670	30.11.2014	24,000	4,800	28,800	960	27,840
Valachchenai Branch Main Street, Valaichchenai	47.34	6,391	30.11.2014	28,400	19,000	47,400	1,086	46,314
				146,650	145,475	292,125	9,801	282,324
Northern Province								
Jaffna Area Office and Branch No. 476, 476 A, Hospital Road, Jaffna	166.25	21,393	30.11.2014	249,500	36,445	285,945	3,644	282,301
Mannar Branch (Ice factory) 52, Pallimunai Road, Grand Bazaar, Mannar	63.22	5,720	30.11.2014	9,500	7,850	17,350	784	16,566
Nelliadi Branch No. 23, Kodikamam Road, Nelliady	162.04	7,661	30.11.2014	17,750	28,750	46,500	1,438	45,062
Karainagar Branch Post Office View, Karainagar	22.11	2,718	30.11.2014	3,300	5,850	9,150	572	8,578
				280,050	78,895	358,945	6,438	352,507
North Western Province								
Alawwa Branch 64, Giriulla Road, Alawwa	31.80	7,300	30.11.2014	32,440	21,900	54,340	1,096	53,244
Chilaw Branch Radaguru Edmund Peiris Mawatha, Chilaw	37.75	8,304	11.12.2014	47,000	19,000	66,000	1,520	64,480
Dummalasuriya Branch 227, Kuliyapitiya – Madampe Road, Dummalasuriya	41.68	5,611	30.11.2014	22,672	12,328	35,000	616	34,384
North western Province Office, AGM's Quart. and CM Quart. 18, Mihindu Mawatha, Kurunegala	225.00	17,210	30.11.2012	157,500	29,975	187,475	1,498	185,977
Kurunegala Super Grade Branch Commercial Complex, Kurunegala	–	12,242	30.11.2014	–	69,778	69,778	3,488	66,290
Kurunegala 2nd City Branch (Bazaar) 34, Colombo Road, Kurunegala	49.75	16,677	30.11.2014	174,125	18,617	192,742	1,862	190,880
Madampe Branch 10, Station Road, Madampe	114.50	7,032	30.11.2014	34,900	13,100	48,000	656	47,344
Narammala Branch 139, Negombo Road, Narammala	117.50	9,296	30.11.2014	63,000	46,501	109,501	3,286	106,215
Madurankuliya Branch No. 66 , Colombo Road, Madurankuliya	46.00	5,746	30.11.2014	11,000	25,000	36,000	1,250	34,750
Malsiripura Branch (Proposed) No. 254, Dambulla Road, Malsiripura	46.20	–		46,799	–	46,799	–	46,799
				589,436	256,199	845,635	15,272	830,363

Name of Premises	Extent (Perches)	Building (Square Feet)	Date of Valuation	Cost or Revalued Amount of Land LKR '000	Cost or Revalued Amount of Building LKR '000	Total Value LKR '000	Accumulated Depreciation LKR '000	Written-Down Value LKR '000
Sabaragamuwa Province								
Balangoda Branch 137, Main Street, Balangoda	14.50	3,516	30.11.2012	21,750	2,845	24,595	330	24,265
Dehiowita Branch 62 Main Street, Dehiowita	38.69	3,819	30.11.2014	8,288	7,018	15,306	464	14,842
Kegalle Branch 110, Colombo Road, Kegalle	118.24	15,447	30.11.2014	104,190	25,270	129,460	1,585	127,875
Ratnapura Branch 4, Dharmapala Mawatha, Ratnapura	99.70	9,808	30.11.2014	69,500	14,206	83,706	1,118	82,588
Land in Ratnapura 195, Main Street, Ratnapura	31.69	–	30.11.2014	58,000	–	58,000	–	58,000
				261,728	49,339	311,067	3,497	307,570
Southern Province								
Ambalangoda Branch 345, Galle Road, Ambalangoda	58.00	5,600	14.12.2012	49,300	14,700	64,000	980	63,020
Ambalantota Branch 11 Wanduruppa Road, Ambalantota	38.00	5,981	30.11.2012	14,000	12,658	26,658	601	26,057
Beliatta Branch No.67, Walasmulla Road, Beliatta	53.02	6,200	30.11.2014	37,800	35,265	73,065	1,691	71,374
Galle Province Office 2, Light House Street, Fort, Galle	32.62	13,160	01.01.2015	130,000	20,000	150,000	1,334	148,666
Galle Branch 2, Gamini Road, Galle	31.50	12,600	01.01.2015	155,000	20,000	175,000	1,334	173,666
Hakmana Branch Beliatta Road, Hakmana	36.70	3,490	30.11.2014	28,700	8,785	37,485	555	36,930
Imaduwa Branch Ahangama Road, Imaduwa	83.50	3,395	30.11.2014	20,000	8,072	28,072	403	27,669
Matara Branch 11, Kumaratunga Mawatha, Matara	104.40	15,905	30.11.2014	186,600	18,150	204,750	3,630	201,120
Matara City Branch No. 58, New Tangalle Road, Kotuwegoda, Matara	49.25	7,105	30.11.2014	114,350	34,600	148,950	1,730	147,220
Nagoda Branch Nagoda	40.00	3,050	30.11.2014	9,400	18,974	28,374	508	27,866
Tangalle Branch Sea Street, Tangalle	21.05	5,373	30.11.2014	19,000	23,000	42,000	1,150	40,850
Weeraketiya Branch Beliatta Road, Weeraketiya	36.89	4,055	30.11.2014	20,250	13,500	33,750	676	33,074
Weligama Branch 239, Main Street, Weligama	97.75	8,100	30.11.2014	44,000	24,000	68,000	1,600	66,400
Walasmulla Branch (Proposed) 453, Walasmulla South, Walasmulla	38.00	–		32,717	–	32,717	–	32,717
				861,117	251,704	1,112,821	16,192	1,096,629

Name of Premises	Extent (Perches)	Building (Square Feet)	Date of Valuation	Cost or Revalued Amount of Land LKR '000	Cost or Revalued Amount of Building LKR '000	Total Value LKR '000	Accumulated Depreciation LKR '000	Written-Down Value LKR '000
Uva Province								
Uva Province Office Bank Road, Badulla	118.75	7,366	30.11.2014	11,750	10,272	22,022	493	21,529
Bandarawela Branch 198 B, Badulla Road, Bandarawela	9.52	7,731	30.11.2012	25,000	20,000	45,000	1,000	44,000
Ettampitiya Branch No. 23, Nuwara Eliya Road, Ettampitiya	20.35	2,560	30.11.2014	5,792	9,721	15,513	486	15,027
Haputale Branch (Browns) 20, Station Road, Haputale	130.63	5,200	30.11.2014	18,313	7,760	26,073	388	25,685
Moneragala Branch and Mgr's Quarters and Staff Quarters 401, Wellawaya Road, Moneragala	160.00	15,000	30.11.2014	50,000	31,650	81,650	1,582	80,068
				110,855	79,403	190,258	3,949	186,309
Western Province North								
Borella Branch 71, Danister de Silva Mawatha, Borella	42.29	19,280	30.11.2012	163,000	62,000	225,000	3,100	221,900
Borella Branch Parking Borella	6.65	–	–	31,199	–	31,199	–	31,199
City Office 41, Bristol Street, Colombo 1	39.50	24,952	30.11.2012	280,000	95,000	375,000	4,750	370,250
Grand Pass Branch 703, Sirimavo Bandaranaike Mawatha, Grandpass	20.12	6,210	30.11.2014	70,420	21,480	91,900	1,228	90,672
Gampaha Branch No. 16, Rest House Road, Gampaha	34.06	–	30.11.2014	102,180	–	102,180	–	102,180
Ja-Ela Branch 19, Negombo Road, Ja-Ela	40.64	8,090	30.11.2014	81,280	19,836	101,116	2,645	98,471
Kadawatha Branch 469, Ragama Road, Kadawatha	28.86	6,181	30.11.2012	24,500	14,830	39,330	742	38,588
Negombo Branch 118, Rajapakse Broadway, Negombo	97.25	16,760	30.11.2014	171,160	39,950	211,110	3,196	207,914
Pettah Branch 212/63, Gas Works Street, Colombo 11	28.29	24,530	30.11.2014	212,000	36,000	248,000	4,800	243,200
Dematagoda Branch (Proposed) Nos. 45, 47, Kolonnawa Road, Colombo 09	38.14	–	30.11.2014	112,359	–	112,359	–	112,359
				1,248,098	289,096	1,537,194	20,461	1,516,733
Western Province South								
Aluthgama Branch No. 14, Douglous Gunawardana Mawatha, Aluthgama	36.60	7,151	30.11.2012	25,620	37,800	63,420	1,890	61,530
Bambalapitiya Branch No. 20, Unity Plaza Building, Galle Road, Colombo 04	–	7,776	30.11.2014	–	171,600	171,600	8,580	163,020
Beruwala Branch No.165A, Galle Road, Beruwala	21.50	4,712	30.11.2014	42,800	4,200	47,000	420	46,580
Bulathsinhala Branch No. 40, Horana Road, Athura, Bulathsinhala	53.85	6,304	30.11.2014	29,750	11,250	41,000	1,125	39,875
Dehiwala Branch 207, Galle Road, Dehiwela	22.00	12,422	24.12.2014	77,500	33,500	111,000	1,676	109,324

Name of Premises	Extent (Perches)	Building (Square Feet)	Date of Valuation	Cost or Revalued Amount of Land LKR '000	Cost or Revalued Amount of Building LKR '000	Total Value LKR '000	Accumulated Depreciation LKR '000	Written-Down Value LKR '000
Horana Branch 87, Anguruwatota Road, Horana	70.00	8,568	30.11.2012	60,000	9,445	69,445	3,725	65,720
Idama (Moratuwa) Branch 707, Galle Road, Moratuwa	60.00	8,272	22.12.2014	135,000	12,858	147,858	2,441	145,417
Kalutara Area Office 108, Old Road, Kalutara	52.65	3,300	30.11.2014	34,000	3,500	37,500	350	37,150
Kalutara Branch 218, Galle Road, Kalutara South, Kalutara	45.86	11,436	30.11.2014	77,630	24,833	102,463	1,212	101,251
Maharagama Branch and Central Training Institute No.88, Highlevel Road, Maharagama	185.10	82,121	30.11.2014	443,458	173,033	616,491	14,427	602,064
Matugama Branch No. 72, Agalawatte Road, Matugama	9.00	4,400	30.11.2014	27,000	15,226	42,226	719	41,507
Nugegoda Branch No. 138 A, S de S Jayasinghe Mawatha, Nugegoda	67.50	53,419	24.12.2014	235,000	265,000	500,000	17,667	482,333
Panadura Branch No. 21, Susantha Mawatha, Panadura	80.00	10,529	30.11.2014	120,000	23,126	143,126	1,149	141,977
Wadduwa Branch (Proposed) No. 557/A, Galle Road Wadduwa	27.70	–	30.11.2014	34,625	–	34,625	–	34,625
Wellawatte Branch 149/2, Galle Road, Colombo 06	51.25	15,832	30.11.2014	230,625	36,962	267,587	1,848	265,739
Panadura City Branch (Proposed) No. 17/3D, Jayathilaka Mawatha, Panadura	36.00	–	–	26,638	–	26,638	–	26,638
				1,599,646	822,333	2,421,979	57,229	2,364,750
Holiday Homes and Rests								
Land in Badulla 153, Spring Valley Road, Badulla	222.25	–	30.11.2012	20,000	–	20,000	–	20,000
Bandarawela Holiday Home Bandarawela	115.00	3,028	30.11.2012	8,000	6,034	14,034	344	13,690
Dickoya Upper Glencarn Bungalow Dickoya	189.65	8,665	30.11.2012	4,500	20,500	25,000	5,126	19,874
Dickoya Lower Glencarn Bungalow Dickoya	100.00	5,925	30.11.2012	2,500	14,800	17,300	2,960	14,340
Haputale Woodland Bungalow Haputale	120.00	3,010	30.11.2012	10,800	5,900	16,700	786	15,914
Jaffna Bank Rest 34-34/3, Rasavinthoddam Road, Jaffna	166.25	–	30.11.2014	86,250	–	86,250	–	86,250
Lindula Ridge Holiday Home Lindula	175.00	3,010	30.11.2012	3,000	6,800	9,800	906	8,894
Nuwara Eliya Holiday Home 16, Hill Street, Nuwara Eliya	35.27	3,388	31.12.2014	35,000	10,040	45,040	801	44,239
Nuwara Eliya Holiday Home (Phase I) 12, Hill Street, Nuwara Eliya	67.54	3,820	31.12.2014	55,000	25,000	80,000	1,250	78,750
				225,050	89,074	314,124	12,173	301,951

Name of Premises	Extent (Perches)	Building (Square Feet)	Date of Valuation	Cost or Revalued Amount of Land LKR '000	Cost or Revalued Amount of Building LKR '000	Total Value LKR '000	Accumulated Depreciation LKR '000	Written-Down Value LKR '000
Others								
GM's Bangalow 75, Ananda Kumaraswamy Mawatha, Colombo 07	79.80	6,380	30.11.2014	359,100	7,974	367,074	798	366,276
Colombo Darley Road Stores Browns Building 481, T B Jayah Mawatha, Colombo 10	151.00	29,946	22.12.2014	880,000	20,000	900,000	4,000	896,000
Walker's & Sons 28, St. Michael's Road, Cololmbo 03	57.00	–	30.11.2014	174,700	–	174,700	–	174,700
World Trade Centre 08, 8-2/1, Bank of Ceylon Mawatha, Colombo 01	–	6,345	30.11.2014	–	168,800	168,800	8,440	160,360
				1,413,800	196,774	1,610,574	13,238	1,597,336
Grand Total				**7,914,625**	**2,437,312**	**10,351,937**	**170,155**	**10,181,782**

33. Leasehold Properties

Accounting Policy

The determination of whether an arrangement is a lease or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset/assets or the arrangement conveys a right to use the asset/assets, even if that right is not explicitly specified in an arrangement.

Group as a Lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the lower of fair value of the leased property or present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Statement of Profit or Loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognised as an operating expense in the Statement of Profit or Loss on straight-line basis over the lease term.

	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Cost				
Balance as at 1 January	126,715	126,715	192,948	192,948
Additions during the year	–	–	–	–
Balance as at 31 December	126,715	126,715	192,948	192,948
Accumulated Amortisation				
Balance as at 1 January	22,062	19,248	52,618	48,447
Amortisation during the year	2,814	2,814	4,175	4,171
Balance as at 31 December	24,876	22,062	56,793	52,618
Net book value	**101,839**	**104,653**	**136,155**	**140,330**

Leasehold properties represent the leasehold interest in the lands held for own use. The value of buildings situated in the leasehold land is shown separately under Property, Plant and Equipment. The interest on leasehold land is stated at cost less accumulated amortisation.

34. Intangible Assets

Accounting Policy

Basis of Recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost.

Intangible assets represent the value of computer application software and licenses, other than software applied to the operation software system of computers.

Measurement

Intangible assets acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure incurred on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation and Impairment

Amortisation is recognised in the Statement of Profit or Loss on straight line basis over the estimated useful lives of the intangible assets, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of intangible assets is five years or the best estimate of its useful economic life whichever is lower. The intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognised as expenses in the Statement of Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits. Amortisation methods, useful lives and residual values are reviewed at each Reporting date and adjusted if appropriate.

Derecognition

Intangible assets are derecognised when it reveals that they will not generate economic benefits or circumstances indicate that the carrying value is impaired.

Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the Statement of Profit or Loss.

	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Cost				
Balance as at 1 January	2,230,371	2,049,778	2,554,377	2,320,051
Additions during the year	376,643	180,593	393,152	205,725
Derecognised during the year	(98,173)	–	(98,173)	(6,327)
Exchange rate adjustment	–	–	(19,695)	5,652
Adjustments/Transfers	–	–	3,097	29,276
Balance as at 31 December	**2,508,841**	**2,230,371**	**2,832,758**	**2,554,377**
Accumulated Amortisation				
Balance as at 1 January	1,857,056	1,665,201	2,050,419	1,788,384
Amortisation during the year	186,468	191,855	234,727	240,019
Derecognised during the year	(98,173)	–	(98,173)	–
Exchange rate adjustment	–	–	(12,847)	2,918
Adjustments/Transfers	–	–	3,002	19,098
Balance as at 31 December	**1,945,351**	**1,857,056**	**2,177,128**	**2,050,419**
Net book value	**563,490**	**373,315**	**655,630**	**503,958**

34.1 Fully Amortised Intangible Assets

The initial cost of fully amortised intangible assets which are still in use are as follows:

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Computer software	1,479,233	1,314,766	1,562,982	1,401,632
	1,479,233	**1,314,766**	**1,562,982**	**1,401,632**

35. Deferred Tax (Assets)/Liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- The initial recognition of goodwill
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- Differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the Reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each Reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The following table shows deferred tax recorded in the Statement of Financial Position and charge/(reversal) recorded in the income tax expense (Note 17).

35.1 Bank

As at 31 December	2016				2015			
	Deferred Tax Assets LKR '000	Deferred Tax Liabilities LKR '000	Statement of Profit or Loss LKR '000	Other Comprehensive Income/Equity LKR '000	Deferred Tax Assets LKR '000	Deferred Tax Liabilities LKR '000	Statement of Profit or Loss LKR '000	Other Comprehensive Income/Equity LKR '000
Retirement benefits	–	(54,786)	(5,192)	(32,038)	–	(17,556)	176,012	365,207
Impairment allowance for loans and advances	–	(890,683)	–	–	–	(890,683)	–	–
Revaluation of Property, Plant and Equipment	–	474,388	–	–	–	474,388	–	(12,318)
Investment in financial instruments – Other countries	–	131,554	–	8,893		122,661	–	122,661
Other temporary differences	–	1,778,812	(49,373)	–	–	1,828,185	(205,902)	–
	–	**1,439,285**	**(54,565)**	**(23,145)**	**–**	**1,516,995**	**(29,890)**	**475,550**

35.2 Group

As at 31 December	2016				2015			
	Deferred Tax Assets LKR '000	Deferred Tax Liabilities LKR '000	Statement of Profit or Loss LKR '000	Other Comprehensive Income/Equity LKR '000	Deferred Tax Assets LKR '000	Deferred Tax Liabilities LKR '000	Statement of Profit or Loss LKR '000	Other Comprehensive Income/Equity LKR '000
Retirement benefits	(5,328)	(52,696)	(4,663)	(30,061)	(4,688)	(18,612)	172,836	377,122
Impairment allowance for loans and advances	–	(890,683)	–	–	–	(890,683)	–	–
Revaluation of Property, Plant and Equipment	–	3,024,403	–	255,587	–	2,768,816	64,320	246,763
Investment in financial instruments – Other countries	–	131,554	–	8,893	–	122,661	–	122,661
Other temporary differences	(128)	1,866,156	(94,887)	–	(5,454)	1,966,369	(325,220)	–
	(5,456)	**4,078,734**	**(99,550)**	**234,419**	**(10,142)**	**3,948,551**	**(88,064)**	**746,546**

36. Other Assets

Prepaid Staff Cost

Staff loans are initially recognised at fair value according to LKAS 39 – 'Financial Instruments: Recognition and Measurement'. The difference between granted amount and its fair value is treated as prepaid staff cost and amortise over the loan period.

Gold Stock in Hand

The gold inventory is valued at lower of cost or net realisable value. Cost includes all cost of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

Employee Benefit Asset

Employee benefit assets represents net retirement benefit assets of Bank of Ceylon Pension Fund – 2014. For more details, refer Note 44.

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Consumable stock in hand	735,746	548,345	812,406	661,418
Prepaid staff cost	9,689,695	7,996,413	9,735,168	8,008,522
Cheques in transit – Local	1,361,061	1,178,599	1,361,061	1,178,599
Cheques in transit – Foreign	12,514	25,914	12,514	25,914
Tax recoverable	6,048	–	27,482	24,951
Gold bullion and coins in hand	65,576	29,855	65,576	29,855
Gold stock in hand	13,410,931	16,985,087	13,410,931	16,985,087
Net employee benefit asset [Note 44]	1,789,844	–	1,789,844	–
Other	19,722,974	21,280,022	20,506,719	21,763,240
Total other assets	**46,794,389**	**48,044,235**	**47,721,701**	**48,677,586**

37. Due to Banks

Accounting Policy

Due to banks represents credit balances in Nostro Accounts and short-term borrowings from banks. These are initially recognised at fair value. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any transaction costs that are an integral part of the EIR. The EIR amortisation is included in 'Interest expenses' (Note 8.2) in the Statement of Profit or Loss.

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Deposits from other banks	1,234,969	1,243,180	1,234,969	1,243,180
Bank overdrafts	807,353	1,387,228	818,976	1,389,647
Total due to banks	**2,042,322**	**2,630,408**	**2,053,945**	**2,632,827**

38. Derivative Financial Instruments

Accounting Policy

Derivative financial instruments include contracts which are entered by the Bank that are not designated as hedging instruments in hedge relationships as per the Sri Lanka Accounting Standard – LKAS 39 on 'Financial Instruments: Recognition and Measurement'.

Derivatives are recorded at fair value and carried as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in 'Net gains/(losses) from trading' (Note 10) in Statement of Profit or Loss.

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Foreign Currency Derivatives				
Forward exchange contracts	8,210	11,406	8,210	11,406
Currency SWAPs	163,453	144,896	163,453	144,896
Total derivative financial instruments	**171,663**	**156,302**	**171,663**	**156,302**

39. Due to Customers

Accounting Policy

Due to customers include non-interest-bearing deposits, savings deposits, term deposits, deposits payable at call and certificate of deposits, which are initially recognised at fair value. Subsequent to initial recognition, deposits are measured at their amortised cost using the Effective Interest Rate (EIR) method, except where the Group designates liabilities at fair value through profit or loss. The EIR amortisation is included in 'Interest expenses' (Note 8.2) in the Statement of Profit or Loss.

39.1 By Product

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Local Currency Deposits				
Demand deposits	110,289,302	108,093,327	110,085,641	107,843,116
Savings deposits	321,546,458	298,982,460	322,247,426	299,654,895
Time deposits	509,930,350	391,998,852	525,465,049	406,049,403
Certificates of deposit	4,315	4,315	8,918	8,918
Other deposits	3,172,486	3,408,403	3,172,486	3,408,403
Total local currency deposits	**944,942,911**	**802,487,357**	**960,979,520**	**816,964,735**
Foreign Currency Deposits				
Demand deposits	33,967,358	18,988,483	34,548,616	19,564,489
Savings deposits	77,935,473	77,085,118	78,259,071	77,558,608
Time deposits	198,582,914	183,214,749	198,683,246	183,301,459
Other deposits	1,160,834	561,411	1,160,834	561,411
Total foreign currency deposits	**311,646,579**	**279,849,761**	**312,651,767**	**280,985,967**
Total deposits	**1,256,589,490**	**1,082,337,118**	**1,273,631,287**	**1,097,950,702**

39.2 By Currency

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Sri Lankan Rupee	944,942,911	802,487,357	960,979,520	816,964,735
United States Dollar	232,593,675	204,676,037	232,607,478	204,706,151
Great Britain Pound	27,759,556	31,308,159	28,744,868	32,395,029
Maldivian Rufiyaa	29,039,013	23,303,374	29,039,013	23,303,374
Seychellois Rupee	1,501,364	877,410	1,501,364	877,410
Euro	7,522,874	8,398,118	7,528,947	8,417,340
Australian Dollar	7,658,880	7,317,051	7,658,880	7,317,051
Indian Rupee	4,397,059	2,762,619	4,397,059	2,762,619
Other	1,174,158	1,206,993	1,174,158	1,206,993
Total deposits	**1,256,589,490**	**1,082,337,118**	**1,273,631,287**	**1,097,950,702**

Note: The maturity analysis of deposits is given in Note 54.

40. Other Borrowings

Accounting Policy

Other borrowings represent Senior notes, Term borrowings from banks in abroad and Sri Lanka, Term borrowings from other financial institutions in Sri Lanka and refinance borrowings which are initially recognised at fair value. Subsequent to initial recognition, these borrowings are measured at their amortised cost, using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'Interest expenses' (Note 8.2) in the Statement of Profit or Loss.

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Senior notes [Note 40.1]	151,331,226	145,332,658	151,331,226	145,332,658
Term borrowings from banks abroad	41,523,039	89,472,659	48,290,569	92,799,663
Term borrowings from banks and other financial institutions in Sri Lanka	–	12,295,090	2,247,918	14,674,063
Refinance borrowings	2,615,588	2,988,695	2,615,588	2,988,695
Total other borrowings	**195,469,853**	**250,089,102**	**204,485,301**	**255,795,079**

40.1 Senior Notes

Senior notes represent two senior unsecured notes, each worth of USD 500 million which are listed in Singapore Stock Exchange. Interest paid semi-annually, based on fixed coupon rate.

As at 31 December	Issued Date	Maturity Date	Coupon Rate %	Bank		Group	
				2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Senior note 1	03.05.2012	03.05.2017	6.8750	75,686,428	72,655,246	75,686,428	72,655,246
Senior note 2	16.04.2013	16.04.2018	5.3250	75,644,798	72,677,412	75,644,798	72,677,412
				151,331,226	**145,332,658**	**151,331,226**	**145,332,658**

41. Debt Securities Issued

Accounting Policy

Debt securities issued represent funds borrowed for long-term funding purposes where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. Debt securities are initially recognised at fair value. Subsequent to initial recognition these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'Interest expenses' (Note 8.2) in the Statement of Profit or Loss.

41.1 Senior Debentures

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Listed Debentures				
Unsecured, redeemable debentures of LKR 100 each	–	–	4,933,275	5,276,689
Unlisted debentures				
Unsecured, redeemable debentures of LKR 100 each (private placement)	3,427,058	3,427,058	3,427,058	3,427,058
Total debt securities issued	**3,427,058**	**3,427,058**	**8,360,333**	**8,703,747**

41.2 Movement in Senior Debentures

	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Balance as at 1 January	3,427,058	20,762,198	8,703,747	26,218,337
Redemptions	–	(17,335,140)	(336,238)	(17,619,209)
Amortisation adjustment	–	–	(7,176)	104,619
Balance as at 31 December	**3,427,058**	**3,427,058**	**8,360,333**	**8,703,747**

41.3 Senior Debentures

	Notes	Interest Payable Frequency	Issue Date	Maturity Date	Coupon Rate		Amount as at 31 December			
							Bank		Group	
					2016 %	2015 %	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Fixed Interest Rate										
Unsecured, redeemable debentures		Semi annually	18.06.2012	17.06.2017	14.75	14.75	1,286,404	1,286,404	1,286,404	1,286,404
Unsecured, redeemable debentures		Annually	07.12.2012	06.12.2017	15.50	15.50	2,140,654	2,140,654	2,140,654	2,140,654
Unsecured, redeemable debentures	(a)	Annually	28.03.2013	27.03.2018	17.50	17.50	–	–	735,088	734,412
Unsecured, redeemable debentures	(a)	Annually	28.03.2013	27.03.2017	17.25	17.25	–	–	569,943	569,250
Unsecured, redeemable debentures	(a)	Quarterly	28.03.2013	27.03.2018	16.70	16.70	–	–	655,752	655,818
Unsecured, redeemable debentures	(a)	Monthly	28.03.2013	27.03.2018	16.50	16.50	–	–	168,786	168,718
Unsecured, redeemable debentures	(a)	Annually	17.12.2013	16.12.2017	14.25	14.25	–	–	771,044	770,901
Unsecured, redeemable debentures	(a)	Annually	17.12.2013	16.12.2016	13.50	13.50	–	–	–	336,238
Unsecured, redeemable debentures	(a)	Quarterly	17.12.2013	16.12.2017	13.50	13.50	–	–	18,137	18,137
Unsecured, redeemable debentures	(a)	Monthly	17.12.2013	16.12.2017	13.25	13.25	–	–	11,599	11,599
Unsecured, redeemable debentures	(a)	Annually	13.11.2014	12.11.2019	9.00	9.00	–	–	868,031	876,589
Unsecured, redeemable debentures	(a)	Annually	13.11.2014	12.11.2019	8.75	8.75	–	–	1,134,895	1,135,027
Total debt securities issued							**3,427,058**	**3,427,058**	**8,360,333**	**8,703,747**

Notes: (a) Debentures that are listed in Colombo Stock Exchange.

42. Insurance Contract Liabilities

Accounting Policy

Life Insurance Contract Liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are received. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used.

The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each Reporting date are recorded in the Statement of Profit or Loss. Profits originated from margins of adverse deviations on run-off contracts are recognised in the Statement of Profit or Loss over the life of the contract, whereas losses are fully recognised in the Statement of Profit or Loss during the first year of run off. The liability is derecognised when the contract expires, is discharged or is cancelled.

At each Reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of related Present Value Interest Factor (PVIF) and Deferred Acquisition Cost (DAC), by using an existing liability adequacy test. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows, option pricing models and stochastic modelling. To the extent that the test involves discounting of cash flows, the interest rate applied may be based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in the Statement of Profit or Loss, initially by impairing PVIF and DAC and subsequently, by establishing a technical reserve for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation.

Non-Life Insurance Contract Liabilities

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the Reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the Reporting date. The liability is calculated at the Reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The liabilities are derecognised when the contract expires, is discharged or is cancelled.

This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the Statement of Profit or Loss by setting up a provision for liability adequacy.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income. At each Reporting date the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the Statement of Profit or Loss by setting up a provision for liability adequacy.

42.1 Insurance Provision – Life

	Group	
	2016 LKR '000	2015 LKR '000
Balance as at 1 January	444,257	349,901
Increase in life fund	70,357	75,330
Fair value reserve	(16,803)	(1,152)
Unclaimed benefits	16,864	20,178
Balance as at 31 December	**514,675**	**444,257**

42.2 Insurance Provision – Non-life

As at 31 December	Group 2016 LKR '000	Group 2015 LKR '000
Provision for reported claims by policyholders	407,014	115,520
Provision for claims on Incurred But Not Reported (IBNR)	50,002	43,354
Outstanding claims provision	**457,016**	**158,874**
Provision for unearned premiums	324,018	353,459
Deferred acquisition	(5,659)	5,326
Total insurance provision – Non-life	**775,375**	**517,659**

43. Other Liabilities

As at 31 December	Bank 2016 LKR '000	Bank 2015 LKR '000	Group 2016 LKR '000	Group 2015 LKR '000
Cheques sent on clearing	886,701	446,325	886,701	446,325
Lease creditors				
Within 12 months	–	–	5,057	3,841
Later than 12 months	–	–	10,686	14,898
Dividend payable	–	1,000,000	58,253	1,013,004
Net employee benefit liabilities [Note 44]	5,876,927	2,546,651	6,161,273	2,856,030
Other	12,468,205	17,592,668	14,534,543	18,853,834
Total other liabilities	**19,231,833**	**21,585,644**	**21,656,513**	**23,187,932**

44. Employee Retirement Benefit Plans

Accounting Policy

The Bank has the pension schemes established under an Industrial Award which are solely funded by the Bank. There is also a Widows'/Widowers' and Orphans' Pension Scheme established by the members who joined the Bank before 1 January 1996.

The assets of these three plans are held independently of the Bank's assets and administered by Boards of Trustees/Managers, representing the management and the employees, as provided in the Trust Deed/Rules of the respective funds.

These funds are subject to annual audits independent to the audit of the Bank, by a firm/s of Chartered Accountants appointed by the members and actuarial valuations are carried out at least once in three years, as per the rules governing these funds.

As at 31 December	Bank 2016 LKR '000	Bank 2015 LKR '000	Group 2016 LKR '000	Group 2015 LKR '000
Net Employee Benefit Liabilities				
Bank of Ceylon Pension Trust Fund [Note 44.1]	5,409,473	2,427,336	5,409,473	2,427,336
Provision for terminal gratuity [Note 44.3]	195,663	62,700	480,009	372,079
Provision of encashment of medical leave	271,791	56,615	271,791	56,615
Total net employee benefit liabilities	**5,876,927**	**2,546,651**	**6,161,273**	**2,856,030**
Net Employee Benefit Assets				
Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund [Note 44.2]	–	–	–	–
Bank of Ceylon Pension Fund – 2014 [Note 44.4]	1,789,844	–	1,789,844	
Total net employee benefit assets	**1,789,844**	**–**	**1,789,844**	**–**

44.1 Bank of Ceylon Pension Trust Fund

The 'Bank of Ceylon Pension Trust Fund' is a funded, non-contributory, defined retirement benefit plan, operated for the payment of pensions until death of the permanent employees who have completed a minimum of ten years of continuous service with the Bank, at their retirement on reaching the retirement age on or after 55 years or on medical grounds, before reaching retirement age. The pension is computed as a percentage of the last drawn salary excluding certain allowances.

Contributions to the Pension Trust Fund are made monthly, based on the advice of a qualified actuary, currently at 56.8% of gross salary. The Fund is valued by a qualified actuary annually. This fund has been approved by the Government and administrated independently. The subsidiaries and associate companies of the Group do not have pension funds.

An actuarial valuation of the Pension Trust Fund as at 31 December 2016 was carried out by Messrs Actuarial & Management Consultants (Pvt) Limited.

The valuation has been done using the 'Projected Unit Credit Method', which is recommended in the Sri Lanka Accounting Standard – LKAS 19 'Employee Benefits'. The benefit is available to all permanent employees who have joined the Bank prior to 1 January 1996. The results of the actuarial valuation of the Pension Trust Fund is summarised as follows:

44.1.1 Net Benefit Expense (Recognised Under Personnel Expenses)

For the year ended 31 December	Bank/Group	
	2016 LKR '000	2015 LKR '000
Current service cost	377,255	584,869
Net interest expenses	242,733	187,834
Net benefit expense	**619,988**	**772,703**

44.1.2 Amount Recognised in Other Comprehensive Income

For the year ended 31 December	Bank/Group	
	2016 LKR '000	2015 LKR '000
Actuarial gains/(losses) on the defined benefit obligation	(3,006,581)	(930,734)
Actuarial gains/(losses) on plan assets	(384,886)	(53,780)
Net actuarial gains/(losses) recognised in other comprehensive income	**(3,391,467)**	**(984,514)**

44.1.3 Retirement Benefit Liability

As at 31 December	Bank/Group	
	2016 LKR '000	2015 LKR '000
Fair value of plan assets	55,033,729	54,595,690
Defined benefit obligation	60,443,202	57,023,026
Net retirement benefit liability	**5,409,473**	**2,427,336**

44.1.4 Changes in Fair Value of Plan Assets

	Bank/Group	
	2016 LKR '000	2015 LKR '000
Opening fair value of plan assets	54,595,690	53,839,059
Expected return	5,459,570	5,114,711
Contribution by employer	1,029,318	1,307,076
Benefits paid	(5,665,963)	(5,611,376)
Actuarial gains/(losses)	(384,886)	(53,780)
Closing fair value of plan assets	**55,033,729**	**54,595,690**

44.1.5 Changes in the Present Value of the Defined Benefit Obligation

	Bank/Group	
	2016 LKR '000	2015 LKR '000
Opening defined benefit obligation	57,023,026	55,816,255
Interest cost	5,702,303	5,302,544
Current service cost	377,255	584,869
Benefits paid	(5,665,963)	(5,611,376)
Losses due to change in assumptions	(6,522,289)	(7,707,001)
Actuarial losses on obligation	9,528,870	8,637,735
Closing defined benefit obligation	**60,443,202**	**57,023,026**

The present value of the Defined Benefit Obligation as of the valuation date with respect to active employees and pensioners are LKR 12,073.1 million and LKR 48,370.1 million respectively.

44.1.6 Plan Assets Consist of the Following

As at 31 December	Bank/Group	
	2016 LKR '000	2015 LKR '000
Fixed deposits	15,407,000	14,345,000
Treasury bonds	9,486,293	7,076,364
Debentures	17,883,209	17,570,971
Investment in shares	4,973,588	5,062,755
Government bonds	3,000,000	3,000,000
Others	4,283,639	7,540,600
Total plan assets	**55,033,729**	**54,595,690**

44.1.7 Actuarial Assumptions

	Bank/Group	
	2016 %	2015 %
Future salary increment rate	6.5 p.a	6.5 p.a
Increase in future Cost of Living Allowance (COLA)	5.5 p.a	5.5 p.a
Increase in pension in payment (basic)	Nil	Nil
Discount rate	11.5 p.a	10.0 p.a
Rate of return on plan assets	10.0 p.a	10.0 p.a
Attrition rate	Nil	Nil

The Bank uses IALM (2006-2008) Ultimate Mortality Table issued by the Institute of Actuaries of India.

Increase/decrease in the following assumptions will change the present value of defined benefit obligation as illustrated below:

	Bank/Group	
	0.5% increase LKR '000	0.5% decrease LKR '000
Discount rate	58,315,631	62,718,161
Salary increment	60,535,801	60,353,748
Cost of Living Allowance	61,956,913	59,027,151

Further, the remaining years of benefit payments are expected to be 8.1 years.

The following payments are expected from the Pension Trust Fund in future years.

As at 31 December	Bank/Group	
	2016 LKR '000	2015 LKR '000
Within the next 12 months	5,976,289	5,212,686
Between 1 and 5 years	23,344,228	22,205,635
Between 5 and 10 years	14,467,992	13,762,329
Beyond 10 years	16,654,693	15,842,376
Total expected payments	**60,443,202**	**57,023,026**

44.2 Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund

The Bank is liable for and guarantees the payments to the beneficiaries of the 'Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund' to which the Bank's employees monthly contribute 8% of their gross salary. The Bank's liability towards the beneficiaries of the employees arises when an employee who has contributed to the fund for five continuous years dies while in service or on the death of a pensioner where the Bank will be liable to pay Widows' and Orphans' Pension to his/her beneficiaries monthly. The pension to the beneficiaries of an employee who dies while in service is based on the last drawn salary excluding certain allowances.

An actuarial valuation of the Widows'/Widowers' and Orphans' Pension Fund as at 31 December 2016 was carried out by Messrs Actuarial & Management Consultants (Pvt) Limited. Funding would be done in consultation with the Actuary, trustees and beneficiaries.

This fund has been approved by the Government and administered independently.

The valuation has been done using the 'Projected Unit Credit Method', which is recommended in the Sri Lanka Accounting Standard – LKAS 19 'Employee Benefits'. The results of the actuarial valuation of the Widows'/Widowers' and Orphans' Pension Fund is summarised as follows:

44.2.1 Net Benefit Expense (Recognised Under Personnel Expenses)

For the year ended 31 December	Bank/Group	
	2016 LKR '000	2015 LKR '000
Current service cost	36,139	–
Net interest income	(405,562)	(274,158)
Net benefit expense	**(369,423)**	**(274,158)**

44.2.2 Amount Recognised in Other Comprehensive Income

For the year ended 31 December	Bank/Group	
	2016 LKR '000	2015 LKR '000
Actuarial gains/(losses) on the defined benefit obligation	2,477,376	381,537
Actuarial gains/(losses) on plan assets	44,247	135,126
Actuarial gains/(losses) on actuarial valuation	2,521,623	516,663
Derecognition of plan asset	(2,521,623)	(516,663)
Net actuarial gains/(losses) recognised in other comprehensive income	–	–

44.2.3 Retirement Benefit Assets

As at 31 December	Bank/Group	
	2016 LKR '000	2015 LKR '000
Fair value of plan assets	19,471,795	17,823,591
Defined benefit obligation	(11,947,782)	(13,767,980)
Retirement benefit assets*	**7,524,013**	**4,055,611**

**The above retirement benefit asset have not been recognised in the Financial Statements.*

44.2.4 Changes in Fair Value of Plan Assets

	Bank/Group	
	2016 LKR '000	2015 LKR '000
Opening fair value of plan assets	17,823,591	16,362,449
Expected return	1,782,359	1,554,436
Contribution paid into plan	121,356	149,500
Actual employer contribution	456,000	456,000
Benefits paid	(755,758)	(607,371)
Actuarial gains/(losses) on plan asset	44,247	(91,423)
Closing fair value of plan assets	**19,471,795**	**17,823,591**

44.2.5 Changes in the Present Value of the Defined Benefit Obligation

	Bank/Group	
	2016 LKR '000	2015 LKR '000
Opening defined benefit obligation	13,767,980	13,476,610
Interest cost	1,376,798	1,280,278
Current service cost	36,139	–
Benefits paid	(755,758)	(607,371)
Actuarial (gains)/losses on obligation	(239,511)	2,161,878
Gain due to change in assumptions	(2,237,866)	(2,543,415)
Closing defined benefit obligation	**11,947,782**	**13,767,980**

The present value of the Defined Benefit Obligation as of the valuation date with respect to active employees, pensioners and family pensioners who are receiving benefits are LKR 1,106.8 million, LKR 3,773.8 million and LKR 7,067.3 million respectively.

44.2.6 Plan Assets Consist of the Following

As at 31 December	Bank/Group	
	2016 LKR '000	2015 LKR '000
Fixed deposits	9,279,000	10,135,000
Treasury bonds	3,729,092	876,622
Debentures	5,455,511	5,455,510
Others	1,008,192	1,356,459
Total plan assets	**19,471,795**	**17,823,591**

44.2.7 Actuarial Assumptions

	Bank/Group	
	2016 %	2015 %
Future salary increment rate	6.5 p.a	6.5 p.a
Increase in future Cost of Living Allowance (COLA)	5.5 p.a	5.5 p.a
Increase in widows'/widowers' and orphans' pension in payment (Basic)	Nil	Nil
Discounting rate	11.5 p.a	10.0 p.a
Rate of return on plan assets	10.0 p.a	10.0 p.a
Attrition rate	Nil	Nil

The Bank uses IALM (2006-2008) Ultimate Mortality Table issued by the Institute of Actuaries of India.

Increase/decrease in the following assumptions will have an impact on the present value of defined benefit obligation as illustrated below:

	Bank/Group	
	0.5% Increase LKR '000	0.5% Decrease LKR '000
Discount rate	11,320,120	12,637,567
Salary increment	11,951,663	11,944,035
Cost of Living Allowance	12,538,691	10,482,754

Further, the remaining years of benefit payments are expected to be 12.2 years.

The following payments are expected from the fund in future years.

As at 31 December	Bank/Group	
	2016 LKR '000	2015 LKR '000
Within the next 12 months	721,485	831,400
Between 1 and 5 years	3,178,975	3,663,279
Between 6 and 10 years	2,540,208	2,927,199
Beyond 10 years	5,507,114	6,346,102
Total expected payments	**11,947,782**	**13,767,980**

44.3 Provision for Terminal Gratuity

In compliance with the Gratuity Act No. 12 of 1983 provision is made in the accounts from the first year of service for gratuity payable to employees who has not completed ten years of service as they are not in pensionable service of the Bank. Provision has not been made in the Financial Statements for retirement gratuity for the employees who are eligible for the retirement benefits under the pension schemes in force. However, employees whose services are terminated after five years other than by retirement are eligible to receive a terminal gratuity under the Payment of Gratuity Act No. 12 of 1983, at the rate of one half of the basic or consolidated wage or salary, cost of living and all other allowances applicable to the last month of the financial year, for each year of continuous service.

In terms of LKAS 19 – Employee Benefits, the Bank and its subsidiaries have calculated the post-employment benefit obligations, based on the actuarial valuation method recommended in the standard. The gratuity liabilities are not externally funded.

An actuarial valuation of the Gratuity Fund as at 31 December 2016 was carried out by Messrs Actuarial & Management Consultants (Pvt) Limited.

The valuation has been done using the 'Projected Unit Credit Method', which is recommended in the Sri Lanka Accounting Standard – LKAS 19 'Employee Benefits'.

	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Balance as at 1 January	62,700	18,426	372,079	322,908
Provision charge/(reversal) during the year	23,263	26,362	77,425	86,340
Actuarial (gain)/losses	114,419	20,612	73,076	(16,606)
Payment made during the year	(4,719)	(2,700)	(46,134)	(20,241)
Adjustment/transfers	–	–	3,563	(322)
Balance as at 31 December	**195,663**	**62,700**	**480,009**	**372,079**

The principal actuarial assumptions used in the valuation were as follows:

	Bank/Group	
	2016 %	2015 %
Future salary increment rate	6.5 p.a	6.5 p.a
Increase in future Cost of Living Allowance (COLA)	5.5 p.a	5.5 p.a
Discount rate	12.0 p.a	10.0 p.a

The Bank uses IALM (2006-2008) Ultimate Mortality Table issued by the Institute of Actuaries of India. Further, the remaining year of benefit payments are expected to be 8.2 years.

Increase/decrease in the following assumptions will change the present value of defined benefit obligation as illustrated below:

	Bank		Group	
	0.5% Increase LKR '000	0.5% Decrease LKR '000	0.5% Increase LKR '000	0.5% Decrease LKR '000
Discount rate	188,724	203,141	462,986	498,354
Salary increment	201,058	190,961	493,244	468,474

44.4 Bank of Ceylon Pension Fund – 2014

Under the directions of the Ministry of Finance and Planning, this pension scheme was approved by the Board of Directors of the Bank with effect from 16 December 2014 for the employees recruited to the Bank on or after 1 January 1996. Minimum period of 120 months uninterrupted active service in the Bank at the time of retirement is required to be eligible for any retirement benefit under this pension scheme. Further, the beneficiaries under this pension scheme will not be entitled for rights and privileges under the current service gratuity scheme of the Bank except death gratuity payment. Contribution to this pension scheme is made monthly, based on the advice of a qualified Actuary, currently at 12% of gross salary. The liability under this pension scheme has been valued by a qualified Actuary at the year-end.

An actuarial valuation of this fund as at 31 December 2016 was carried out by Messrs Actuarial & Management Consultants (Pvt) Limited.

The valuation has been done using the 'Projected Unit Credit Method', which is recommended in the Sri Lanka Accounting Standard – LKAS 19 'Employee Benefits'. The results of the actuarial valuation of this Pension Fund is summarised as follows:

44.4.1 Net Benefit Expense (Recognised Under Personnel Expenses)

For the year ended 31 December	Bank/Group	
	2016 LKR '000	2015 LKR '000
Current service cost	269,350	–
Net interest expenses	430,439	–
Net benefit expense	**699,789**	**–**

44.4.2 Amount Recognised in Other Comprehensive Income

For the year ended 31 December	Bank/Group	
	2016 LKR '000	2015 LKR '000
Actuarial gains/(losses) on the defined benefit obligation	1,716,311	–
Actuarial gains/(losses) on plan assets	167,671	–
Net actuarial gains/(losses) recognised in other comprehensive income	**1,883,982**	**–**

44.4.3 Retirement Benefit Assets

As at 31 December	Bank/Group	
	2016 LKR '000	2015 LKR '000
Fair value of plan assets	4,203,634	–
Defined benefit obligation	(2,413,790)	–
Net retirement benefit assets	**1,789,844**	**–**

44.4.4 Changes in Fair Value of Plan Assets

	Bank/Group	
	2016 LKR '000	2015 LKR '000
Opening fair value of plan assets	–	–
Expected return	–	–
Actual employer contribution	4,037,415	–
Benefits paid	(1,452)	–
Actuarial gains/(losses) on plan asset	167,671	–
Closing fair value of plan assets	**4,203,634**	**–**

44.4.5 Changes in the Present Value of the Defined Benefit Obligation

	Bank/Group	
	2016 LKR '000	2015 LKR '000
Opening defined benefit obligation	3,431,764	–
Interest cost	430,439	–
Current service cost	269,350	–
Benefits paid	(1,452)	–
Actuarial (gains)/losses on obligation	(783,622)	–
Gain due to change in assumptions	(932,689)	–
Closing defined benefit obligation	**2,413,790**	**–**

44.4.6 Plan Assets Consist of the Following

As at 31 December	Bank/Group	
	2016 LKR '000	2015 LKR '000
Fixed deposits	2,770,000	–
Debentures	1,386,100	–
Others	47,534	–
Total plan assets	**4,203,634**	**–**

44.4.7 Actuarial Assumptions

	Bank/Group	
	2016 %	2015 %
Future salary increment rate	6.5 p.a	–
Increase in future Cost of Living Allowance (COLA)	5.5 p.a	–
Increase in pension in payment (Basic)	Nil	–
Discounting rate	12.0 p.a	–
Rate of return on plan assets	10.0 p.a	–
Attrition rate	Nil	–

The Bank uses IALM (2006-08) Ultimate Mortality Table issued by the Institute of Actuaries of India.

Increase/decrease in the following assumptions will have an impact on the present value of defined benefit obligation as illustrated below:

	Bank/Group	
	0.5% Increase LKR '000	0.5% Decrease LKR '000
Discount rate	2,133,340	2,739,725
Salary increment	2,562,478	2,291,627
Cost of living allowance	2,610,518	2,239,733

Further, the remaining years of benefit payments are expected to be 28 years.

The following payments are expected from the Pension Fund in future years.

As at 31 December	Bank/Group	
	2016 LKR '000	2015 LKR '000
Within the next 12 months	953	–
Between 1 and 5 years	31,520	–
Between 6 and 10 years	110,870	–
Beyond 10 years	2,270,447	–
Total expected payments	**2,413,790**	**–**

45. Subordinated Term Debts

Accounting Policy

Subordinated term debts include funds borrowed for long-term funding purposes which are subordinated to other claims. These are initially recognised at fair value. Subsequent to initial recognition subordinated term debts are measured at their amortised cost, using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'Interest expenses' (Note 8.2) in the Statement of Profit or Loss.

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Unsecured, subordinated, redeemable debentures of LKR 100/- each	38,645,546	35,627,450	38,295,318	35,290,007
Total subordinated term debts	**38,645,546**	**35,627,450**	**38,295,318**	**35,290,007**

All subordinated debentures are listed in Colombo Stock Exchange.

45.1 The movement in Subordinated Term Debts

	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Balance as at 1 January	35,627,450	32,519,715	35,290,007	32,177,810
Issued during the year	8,000,000	8,000,000	7,990,000	8,000,000
Redemptions	(5,032,015)	(5,063,369)	(5,032,015)	(5,058,085)
Amortisation adjustment	50,111	171,104	47,326	170,282
Balance as at 31 December	**38,645,546**	**35,627,450**	**38,295,318**	**35,290,007**

45.2 Types of Debentures

	Notes	Interest Payable Frequency	Issue Date	Maturity Date	Coupon Rate 2016 %	Coupon Rate 2015 %	Amount as at 31 December Bank 2016 LKR '000	Bank 2015 LKR '000	Group 2016 LKR '000	Group 2015 LKR '000
Fixed Interest Rate										
Unsecured, subordinated, redeemable debentures		Annually	08.12.2011	07.12.2016	–	11.00	–	3,926,514	–	3,926,514
Unsecured, subordinated, redeemable debentures		Semi-annually	08.12.2011	07.12.2016	–	10.50	–	2,315	–	2,315
Unsecured, subordinated, redeemable debentures		Annually	30.11.2012	29.11.2017	16.00	16.00	6,034,052	6,034,052	6,028,987	6,028,990
Unsecured, subordinated, redeemable debentures		Semi-annually	30.11.2012	29.11.2017	15.25	15.25	40,189	40,189	40,189	40,189
Unsecured, subordinated, redeemable debentures		Annually	25.10.2013	24.10.2018	13.00	13.00	3,869,827	3,869,827	3,869,827	3,869,827
Unsecured, subordinated, redeemable debentures		Semi-annually	25.10.2013	24.10.2018	12.60	12.60	220,369	220,369	220,369	220,369
Unsecured, subordinated, redeemable debentures		Annually	25.10.2013	24.10.2021	13.25	13.25	1,226,594	1,226,594	1,226,594	1,226,594
Unsecured, subordinated, redeemable debentures		Annually	25.10.2013	24.10.2022	13.25	13.25	1,227,617	1,227,617	1,227,617	1,227,617
Unsecured, subordinated, redeemable debentures		Annually	25.10.2013	24.10.2023	13.75	13.75	1,638,142	1,638,142	1,638,142	1,638,142
Unsecured, subordinated, redeemable debentures		Annually	22.09.2014	21.09.2019	8.00	8.00	5,234,969	5,234,969	5,234,969	5,234,969
Unsecured, subordinated, redeemable debentures		Quarterly	22.09.2014	21.09.2019	7.75	7.75	216,182	216,182	216,182	216,182
Unsecured, subordinated, redeemable debentures		Annually	22.09.2014	21.09.2022	8.25	8.25	1,873,793	1,873,793	1,873,793	1,873,793
Unsecured, subordinated, redeemable debentures		Annually	06.10.2015	05.10.2020	8.25	8.25	293,991	293,991	293,991	293,991
Unsecured, subordinated, redeemable debentures		Quarterly	06.10.2015	05.10.2020	8.00	8.00	12,449	12,449	12,449	12,449
Unsecured, subordinated, redeemable debentures		Annually	06.10.2015	05.10.2023	9.50	9.50	1,205,580	1,205,580	1,205,580	1,205,580
Unsecured, subordinated, redeemable debentures		Annually	29.12.2016	28.12.2021	13.25	–	8,003,631	–	7,993,622	–
Unsecured, subordinated, redeemable debentures		Annually	29.12.2016	28.12.2024	12.75	–	784	–	784	–
Total fixed interest rate subordinated debentures							31,098,169	27,022,583	31,083,095	27,017,521
Floating Interest Rate										
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 75 basis points]	(a)	Semi-annually	08.12.2011	07.12.2016	–	7.75	–	1,103,186	–	1,103,186
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 125 basis points]	(a)	Semi-annually	30.11.2012	29.11.2017	12.04	8.36	424	423	424	423
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 100 basis points]	(a)	Semi-annually	25.10.2013	24.10.2018	11.51	8.81	204	203	204	203
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 100 basis points]	(a)	Semi-annually	25.10.2013	24.10.2021	11.51	8.81	1,021	1,016	1,021	1,016
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 50 basis points]	(a)	Semi-annually	22.09.2014	21.09.2019	11.29	8.36	850,292	843,802	515,138	511,421

	Notes	Interest Payable Frequency	Issue Date	Maturity Date	Coupon Rate 2016 %	Coupon Rate 2015 %	Amount as at 31 December Bank 2016 LKR '000	Bank 2015 LKR '000	Group 2016 LKR '000	Group 2015 LKR '000
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 50 basis points]	(a)	Semi-annually	22.09.2014	21.09.2022	11.29	8.36	31	31	31	31
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 125 basis points]	(a)	Semi-annually	06.10.2015	05.10.2020	11.68	9.11	4,598,903	4,572,690	4,598,903	4,572,690
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 125 basis points]	(a)	Semi-annually	06.10.2015	05.10.2023	11.68	9.11	2,095,461	2,083,516	2,095,461	2,083,516
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 125 basis points]	(a)	Semi-annually	29.12.2016	28.12.2021	11.95	–	1,021	–	1,021	–
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 125 basis points]	(a)	Semi-annually	29.12.2016	28.12.2024	11.95	–	20	–	20	–
Total floating interest rate subordinated debentures							7,547,377	8,604,867	7,212,223	8,272,486
Total subordinated debentures							**38,645,546**	**35,627,450**	**38,295,318**	**35,290,007**

Notes: All subordinated debentures are listed in Colombo Stock Exchange. Some of these have been traded in the Colombo Stock Exchange during the year

2012/2017 – (Highest price – LKR 102.65, Lowest price – LKR 102.65, Last transaction price – LKR 102.65)

2014/2019 – (Highest price – LKR 96.87, Lowest price – LKR 96.87, Last transaction price – LKR 96.87)

2015/2020 – (Highest price – LKR 95.00, Lowest price – LKR 95.00, Last transaction price – LKR 95.00)

(a) Weighted average six months Treasury Bill interest rate before deducting 10% withholding tax at the primary quotations as announced by the Central Bank of Sri Lanka, at the preceding week of the interest resetting date.

46. Share Capital

46.1 Ordinary Shares

	Bank 2016 LKR '000	Bank 2015 LKR '000	Group 2016 LKR '000	Group 2015 LKR '000
Authorised				
50,000,000 ordinary shares	50,000,000	50,000,000	50,000,000	50,000,000
Issued and Fully Paid				
Balance as at 1 January	10,000,000	5,000,000	10,000,000	5,000,000
Share issued during the year (5,000,000 ordinary shares)	–	5,000,000	–	5,000,000
Balance as at 31 December (10,000,000 ordinary shares)	10,000,000	10,000,000	10,000,000	10,000,000
Assigned Capital*				
Capital infusion during the year	5,000,000	–	5,000,000	–
Balance as at 31 December	15,000,000	10,000,000	15,000,000	10,000,000

**Assigned capital*

During the year, the Bank received LKR 5,000.0 million from the Government of Sri Lanka, the second and final phase of the total amount of LKR 10,000.0 million allocated to the Bank under the National Budget 2015. This amount has been reported under capital pending allotment as of 31 December 2016. The Bank is making arrangement to issue five million ordinary shares at LKR 1,000 each to the Government of Sri Lanka and thereby will transfer the assigned capital to the share capital during the year 2017.

46.2 Net Assets Value Per Ordinary Share

As at 31 December	Bank 2016	Bank 2015	Group 2016	Group 2015
Amount Used as the Numerator				
Total equity attributable to equity holder of the Bank (LKR '000)	92,849,595	81,484,620	102,475,291	92,063,573
Number of Ordinary Shares Used as Denominator				
Total number of ordinary shares issued	10,000,000	10,000,000	10,000,000	10,000,000
Net asset value per ordinary share (LKR)	**9,284.96**	**8,148.46**	**10,247.53**	**9,206.36**

47. Permanent Reserve Fund

	Bank 2016 LKR '000	Bank 2015 LKR '000	Group 2016 LKR '000	Group 2015 LKR '000
Balance as at 1 January	5,209,955	3,809,955	5,209,955	3,809,955
Transfers during the year	2,786,045	1,400,000	2,786,045	1,400,000
Balance as at 31 December	**7,996,000**	**5,209,955**	**7,996,000**	**5,209,955**

The permanent reserve fund is maintained as required by Bank of Ceylon Ordinance (Chapter 397) whereby the Bank must, out of net profit after taxation, but before any dividend is declared, transfer to a reserve, a sum equivalent to not less than 20% of such profit, until the reserve is equivalent to 50% of the issued and paid-up capital and thereafter, an appropriate amount determined at 2% per annum in terms of Section 20 (1) and (2) of the Banking Act No. 30 of 1988 until the reserve is equal to the paid-up capital.

In order to meet the requirement, an amount of LKR 2,786.0 million was transferred to the permanent reserve during the year 2016. (2015 – LKR 1,400.0 million).

The balance in the permanent reserve fund will be used only for the purposes specified in the Section 20 (2) of the Banking Act No. 30 of 1988.

48. Other Reserves

As at 31 December	Bank 2016 LKR '000	Bank 2015 LKR '000	Group 2016 LKR '000	Group 2015 LKR '000
Revaluation reserve [Note 48.1]	10,002,294	8,607,654	16,494,059	14,469,008
Free reserve [Note 48.2]	169,067	169,067	366,644	366,644
Exchange translation reserve [Note 48.3]	1,040,368	874,575	1,060,420	1,288,487
Available for sale reserve [Note 48.4]	4,487,181	5,537,359	5,562,266	6,539,515
Statutory reserve – other [Note 48.5]	–	–	336,899	301,669
Total other reserves	**15,698,910**	**15,188,655**	**23,820,288**	**22,965,323**

48.1 Revaluation Reserve

	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Balance as at 1 January	8,607,654	8,587,167	14,469,008	13,807,627
Change in revaluation surplus/(deficit)	1,394,640	8,169	2,307,452	933,459
Deferred tax effect on above	–	12,318	(255,587)	(246,763)
Transferred to non-controlling interest	–	–	(26,814)	(25,315)
Balance as at 31 December	**10,002,294**	**8,607,654**	**16,494,059**	**14,469,008**

The revaluation reserve represents the surpluses arising on the revaluation of freehold properties which are still in use.

According to the regulatory directives, issued by Central Bank of Sri Lanka, the Bank can consider the revaluation surplus as supplementary capital in computing capital adequacy ratio, once in every seven years.

48.2 Free Reserve

	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Balance as at 1 January	169,067	169,067	366,644	366,644
Balance as at 31 December	**169,067**	**169,067**	**366,644**	**366,644**

Free reserve has been created for unforeseeable risks and future losses.

48.3 Exchange Translation Reserve

	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Balance as at 1 January	874,575	415,014	1,288,487	710,383
Exchange gains/(losses) arising from translating the financial statement of foreign operations	165,793	459,561	(228,067)	578,104
Balance as at 31 December	**1,040,368**	**874,575**	**1,060,420**	**1,288,487**

This represents the exchange differences arising from translating investments made in the capital and net exchange movement arising on the translation of net equity of Bank of Ceylon (UK) Limited and foreign branches and also exchange differences arising from translation of the results of foreign branches for this year from the average rate to the exchange rate ruling at the year end.

48.4 Available for Sale Reserve

	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Balance as at 1 January	5,537,359	6,963,665	6,539,515	7,762,004
Gains/(Losses) on remeasuring available for sale financial investments	(1,025,760)	(1,299,873)	(957,182)	(1,094,565)
Deferred tax effect on above	(8,893)	(122,661)	(8,893)	(122,661)
Realised gains on available for sale financial investments transferred to profit or loss	(15,525)	(3,772)	(15,525)	(3,772)
Transferred to non-controlling interest	–	–	4,351	(1,491)
Balance as at 31 December	**4,487,181**	**5,537,359**	**5,562,266**	**6,539,515**

48.5 Statutory Reserve – Other

	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Balance as at 1 January	–	–	301,669	275,391
Transfers during the year	–	–	35,230	22,936
Adjustments due to merger	–	–	–	3,342
Balance as at 31 December	**–**	**–**	**336,899**	**301,669**

Statutory reserve – other represents the reserve funds maintained by Merchant Bank of Sri Lanka & Finance PLC, in terms of the Finance Companies (Capital Funds) Direction No. 01 of 2003, issued by the Central Bank of Sri Lanka.

49. Non-Controlling Interest

As at 31 December	Group	
	2016 LKR '000	2015 LKR '000
Property Development PLC	159,105	170,748
Merchant Bank of Sri Lanka & Finance PLC	660,677	685,147
MBSL Insurance Company Limited	34,318	131,717
Hotels Colombo (1963) Limited	22	21
Koladeniya Hydropower (Private) Limited	25,323	23,007
Total non-controlling interest	**879,445**	**1,010,640**

50. Notes to the Statement of Cash Flows

50.1 Change in Operating Assets

For the year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Change in deposits with regulatory authorities	(17,447,951)	(8,517,417)	(17,447,951)	(8,517,417)
Loans and advances to customers	(177,678,392)	(97,578,628)	(180,373,019)	(100,793,843)
Net (increase)/decrease in financial instruments – Held for trading	3,545,462	5,186,820	3,583,801	5,184,659
Net (increase)/decrease in securities purchased under resale agreements	26,698,388	32,027,368	26,752,059	31,681,189
Net (increase)/decrease in derivative financial instruments	2,118,444	(5,704,732)	2,118,444	(5,704,732)
Change in other operating assets	2,096,611	(303,752)	1,407,765	(64,082)
Total	**(160,667,438)**	**(74,890,341)**	**(163,958,901)**	**(78,214,226)**

50.2 Change in Operating Liabilities

For the year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Net increase/(decrease) in deposits from banks	(8,211)	903,835	(8,211)	903,835
Net increase/(decrease) in deposits from customers	169,076,395	148,197,880	170,504,609	153,843,168
Net increase/(decrease) in securities sold under repurchase agreements	(27,928,525)	36,070,317	(27,288,164)	35,294,118
Net increase/(decrease) in short-term borrowings	(12,257,447)	(2,617,464)	(12,388,503)	(5,656,678)
Net increase/(decrease) in derivative financial instruments	15,361	(578,246)	15,361	(578,246)
Change in other operating liabilities	2,514,223	6,833,842	4,060,248	7,063,270
Total	**131,411,796**	**188,810,164**	**134,895,340**	**190,869,467**

50.3 Other Non-Cash Items Included in Profit Before Tax

For the year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Exchange revaluation	(1,069,579)	(2,311,271)	(1,069,579)	(2,311,271)
Contribution paid to defined benefit plans	929,084	524,908	1,034,752	591,330
Loan impairment charges	4,396,761	5,903,803	4,421,000	6,365,954
Depreciation of investment property	–	–	2,961	3,036
Depreciation of Property, Plant and Equipment	1,263,914	1,196,066	1,758,040	1,637,836
Amortisation of intangible assets and leasehold properties	189,282	194,669	238,902	244,190
Accrual for expenses and other non-cash items	(1,877,363)	1,709,414	(1,495,233)	1,859,756
Total	**3,832,099**	**7,217,589**	**4,890,843**	**8,390,831**

51. Contingent Liabilities and Commitments

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 on 'Provisions, Contingent Liabilities and Contingent Assets'.

In the normal course of business, the Bank undertakes commitments and incurs contingent liabilities with legal recourse to its customers to accommodate the financial and investment needs of clients, to conduct trading activities and to manage its own exposure to risk. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. Operating lease commitments of the Bank (as a lessor and as a lessee) and pending legal claims against the Bank also form part of commitments of the Bank.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. These financial instruments generate interest or fees and carries elements of credit risk in excess of those amounts recognised as assets and liabilities in the Statement of Financial Position. However, no material losses are anticipated as a result of these transactions.

These commitments and contingencies are quantified below:

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Contingent liabilities [Note 51.1]	386,661,049	360,000,238	387,580,301	360,977,432
Undrawn and undisbursed facilities [Note 51.2]	149,416,786	329,432,048	149,416,786	329,432,065
Capital commitments [Note 51.3]	8,603,409	6,094,210	8,603,409	6,179,304
Lease commitments [Note 51.4]	2,717,381	1,330,554	2,733,124	1,349,293
Total contingent liabilities and commitments	**547,398,625**	**696,857,050**	**548,333,620**	**697,938,094**

51.1 Contingent Liabilities

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Acceptances and documentary credit	133,108,741	145,462,242	133,763,857	145,800,676
Bills for collection	4,924,009	9,483,364	4,924,009	9,483,364
Forward exchange contracts	78,538,947	37,342,272	78,538,947	37,342,272
Guarantees	88,636,554	91,386,393	88,975,690	91,547,460
Other commitments [Note 51.1.1]	81,452,798	76,325,967	81,377,798	76,803,660
Total contingent liabilities	**386,661,049**	**360,000,238**	**387,580,301**	**360,977,432**

51.1.1 Other Commitments

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Purchase commitment of securities for secondary market	–	300,000	–	300,000
Purchase commitment of securities for primary market	2,075,000	2,820,000	2,075,000	2,820,000
Sale commitment of securities for primary market	75,000	–	–	–
Forward exchange sales with financial institutions	65,298	75,967	65,298	75,967
Currency swaps	79,237,500	73,130,000	79,237,500	73,130,000
Other commitments	–	–	–	477,693
Total other commitments	**81,452,798**	**76,325,967**	**81,377,798**	**76,803,660**

51.2 Undrawn and Undisbursed Facilities

The unutilised value of irrevocable commitments, which cannot be withdrawn at the discretion of the Bank, without risk of incurring significant penalties or expenses are as follows:

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Undisbursed amount of loans	33,906,107	38,824,119	33,906,107	38,824,119
Undrawn limits of overdrafts	75,505,676	81,925,485	75,505,676	81,925,495
Undrawn limits of credit cards	7,344,133	6,196,195	7,344,133	6,196,195
Undrawn limits of letters of credit	18,213,723	125,420,567	18,213,723	125,420,574
Undrawn limits of letters of guarantee	14,447,147	77,065,682	14,447,147	77,065,682
Total undrawn and undisbursed facilities	**149,416,786**	**329,432,048**	**149,416,786**	**329,432,065**

51.3 Capital Commitments

Capital expenditure approved by the Directors, for which, no provision has been made in the Financial Statements, amounts to:

51.3.1 Capital Commitments in Relation to Property, Plant and Equipment

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Approved and contracted for	1,170,440	1,630,747	1,170,440	1,715,841
Approved but not contracted for	5,565,334	3,412,402	5,565,334	3,412,402
Total capital commitments in relation to Property, Plant and Equipment	**6,735,774**	**5,043,149**	**6,735,774**	**5,128,243**

51.3.2 Capital Commitments in Relation to Intangible Assets

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Approved and contracted for	1,867,635	895,061	1,867,635	895,061
Approved and not contracted for	–	156,000	–	156,000
Total capital commitments in relation to intangible assets	**1,867,635**	**1,051,061**	**1,867,635**	**1,051,061**
Total capital commitments	**8,603,409**	**6,094,210**	**8,603,409**	**6,179,304**

51.4 Lease Commitments

51.4.1 Operating Lease Commitments

Future minimum lease payments under non-cancellable operating leases, where the Bank is the lessee, are as follows:

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Not later than 1 year	1,082,266	934,280	1,082,266	934,280
Later than 1 year and not later than 5 years	1,590,947	383,386	1,590,947	383,386
Later than 5 years	44,168	12,888	44,168	12,888
Total operating lease commitments	**2,717,381**	**1,330,554**	**2,717,381**	**1,330,554**

51.4.2 Finance Lease Commitments

Future minimum lease payments under non-cancellable finance leases, where the Bank is the lessee, are as follows:

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Not later than 1 year	–	–	5,057	3,841
Later than 1 year and not later than 5 years	–	–	10,686	13,235
Later than 5 years	–	–	–	1,663
Total finance lease commitments	**–**	**–**	**15,743**	**18,739**
Total lease commitments	**2,717,381**	**1,330,554**	**2,733,124**	**1,349,293**

51.5 Litigation

Litigations are anticipated in the context of business operations due to the nature of the transactions involved. The Bank and the Group's companies are involved in various such legal actions and the controls have been established to deal with such legal claims. There are pending litigations existing as at the end of the Reporting period against the Bank, resulting through normal business operations.

Litigations against the Bank have been assessed in terms of the probability of any claims or damages arising against the Bank, which require provisions to be made in the Financial Statements as per LKAS 37 – 'Provisions, Contingent Liabilities and Contingent Assets'.

As of 31 December 2016, claims for the Legal Actions against the Bank approximately amount to LKR 2,523.7 million, nevertheless, the Bank has no impact over such claims whatsoever affecting to the business, operations or image of the Bank.

52. Assets Pledged as Security

The securities sold under repurchase agreement, debentures and debt securities issued by the Bank and the Group and details of assets pledged by the Bank and the Group, to secure those liabilities are given below:

As at 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Borrowings;				
Securities sold under repurchase agreements	59,424,629	87,353,154	58,925,801	86,213,965
Refinance purposes	–	–	361,197	131,750
	59,424,629	**87,353,154**	**59,286,998**	**86,345,715**
Secured by;				
Treasury bonds	84,117,378	99,618,044	83,411,272	98,318,907
Lease/Hire purchase rentals receivables	–	–	325,867	130,000
Fixed deposits	–	–	35,330	1,750
Total assets pledged as securities	**84,117,378**	**99,618,044**	**83,772,469**	**98,450,657**

53. Events After the Reporting Date

Events after the Reporting date are those events, favourable and unfavourable, that occur between the Reporting date and the date the Financial Statements are authorised for issue. There are no events occurring after the Reporting date which require adjustments to or disclosure in the Financial Statements, other than those disclosed below pertaining to the Group.

An indirect subsidiary company of the Bank, MBSL Insurance Company Limited, is in the disposal process when the Financial Statements are authorised for issue. The Bank holds 62.7% interest in MBSL Insurance Company limited through its direct holding of 74.5% in Merchant Bank of Sri Lanka and Finance PLC (MBSL & Finance PLC).

MBSL & Finance PLC has decided to dispose its stake in MBSL Insurance Company Limited and required approvals from the Board of Directors and Regulatory firms have been obtained in this regard. However, the sale of the investment has not taken place as at the signing date of these Financial Statements, hence no adjustments have been done in these financials.

54. Maturity Analysis of Assets and Liabilities

The analysis of total assets and liabilities of the Bank and the Group into relevant maturity groupings based on the remaining period as at 31 December 2016, into the contractual maturity date, is given in the table below:

As at 31 December 2016	Bank			Group		
	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Assets						
Cash and cash equivalents	67,705,791	–	67,705,791	73,244,043	–	73,244,043
Balances with Central Banks	56,387,741	–	56,387,741	56,387,741	–	56,387,741
Placements with banks	8,349,116	3,325,548	11,674,664	12,931,605	–	12,931,605
Securities purchased under resale agreements	1,901,618	–	1,901,618	2,350,704	–	2,350,704
Derivative financial instruments	5,300,844	–	5,300,844	5,300,844	–	5,300,844
Financial instruments – Held for trading	8,474,041	–	8,474,041	8,804,647	–	8,804,647
Financial investments – Loans and receivables	61,404,333	130,470,305	191,874,638	63,658,362	128,325,720	191,984,082
Loans and advances to customers	515,932,747	484,149,827	1,000,082,574	525,522,406	502,245,704	1,027,768,110
Financial investments – Available for sale	379,780	10,083,266	10,463,046	2,883,852	13,379,789	16,263,641
Financial investments – Held to maturity	86,711,371	156,467,029	243,178,400	86,715,615	156,538,352	243,253,967
Investment in subsidiary companies	–	6,213,048	6,213,048	–	–	–
Investment in associate companies	–	92,988	92,988	–	420,669	420,669
Investment properties	–	3,000,000	3,000,000	–	127,670	127,670
Property, Plant and Equipment	–	15,482,163	15,482,163	–	29,200,036	29,200,036
Leasehold properties	–	101,839	101,839	–	136,155	136,155
Intangible assets	–	563,490	563,490	–	655,630	655,630
Deferred tax assets	–	–	–	–	5,456	5,456
Other assets	38,045,288	8,749,101	46,794,389	38,935,923	8,785,778	47,721,701
Total assets	**850,592,670**	**818,698,604**	**1,669,291,274**	**876,735,742**	**839,820,959**	**1,716,556,701**
Percentage (%)	51.0	49.0	100.0	51.1	48.9	100.0
Liabilities						
Due to banks	2,042,322	–	2,042,322	2,053,945	–	2,053,945
Securities sold under repurchase agreements	59,424,629	–	59,424,629	58,925,801	–	58,925,801
Derivative financial instruments	171,663	–	171,663	171,663	–	171,663
Due to customers	1,204,007,842	52,581,648	1,256,589,490	1,218,172,217	55,459,070	1,273,631,287
Other borrowings	112,485,505	82,984,348	195,469,853	121,497,667	82,987,634	204,485,301
Debt securities issued	3,427,058	–	3,427,058	4,797,781	3,562,552	8,360,333
Current tax liabilities	–	–	–	253,020	–	253,020
Deferred tax liabilities	–	1,439,285	1,439,285	–	4,078,734	4,078,734
Insurance provision – Life	–	–	–	–	514,675	514,675
Insurance provision – Non-life	–	–	–	–	775,375	775,375
Other liabilities	15,074,095	4,157,738	19,231,833	16,030,315	5,626,198	21,656,513
Subordinated term debts	6,645,546	32,000,000	38,645,546	6,645,546	31,649,772	38,295,318
Equity	–	92,849,595	92,849,595	–	103,354,736	103,354,736
Total liabilities and Equity	**1,403,278,660**	**266,012,614**	**1,669,291,274**	**1,428,547,955**	**288,008,746**	**1,716,556,701**
Percentage (%)	84.1	15.9	100.0	83.2	16.8	100.0
Net gap	(552,685,990)	552,685,990	–	(551,812,213)	551,812,213	–

The analysis of total assets and liabilities of the Bank and the Group into relevant maturity groupings based on the remaining period as at 31 December 2015 into the contractual maturity date is given in the table below:

As at 31 December 2015	Bank			Group		
	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Assets						
Cash and cash equivalents	79,916,559	–	79,916,559	83,722,721	–	83,722,721
Balances with Central Banks	38,939,790	–	38,939,790	38,939,790	–	38,939,790
Placements with banks	27,975,582	–	27,975,582	28,355,579	–	28,355,579
Securities purchased under resale agreements	12,299,088	–	12,299,088	13,678,789	–	13,678,789
Derivative financial instruments	7,419,288	–	7,419,288	7,419,288	–	7,419,288
Financial instruments – Held for trading	11,244,526	928,778	12,173,304	11,797,267	928,778	12,726,045
Financial investments – Loans and receivables	97,734,654	134,826,614	232,561,268	98,269,862	134,733,880	233,003,742
Loans and advances to customers	536,053,214	290,736,416	826,789,630	545,109,197	306,796,030	851,905,227
Financial investments – Available for sale	1,536,713	10,484,856	12,021,569	3,048,241	13,218,411	16,266,652
Financial investments – Held to maturity	41,853,165	204,435,460	246,288,625	41,857,544	204,491,967	246,349,511
Investment in subsidiary companies	–	6,213,048	6,213,048	–	–	–
Investment in associate companies	–	842,988	842,988	–	1,912,317	1,912,317
Investment properties	–	–	–	–	145,840	145,840
Property, Plant and Equipment	–	16,325,758	16,325,758	–	26,441,803	26,441,803
Leasehold properties	–	104,653	104,653	–	140,330	140,330
Intangible assets	–	373,315	373,315	–	503,958	503,958
Deferred tax assets	–	–	–	–	10,142	10,142
Other assets	47,636,745	407,490	48,044,235	48,230,585	447,001	48,677,586
Total assets	**902,609,324**	**665,679,376**	**1,568,288,700**	**920,428,863**	**689,770,457**	**1,610,199,320**
Percentage (%)	57.6	42.4	100.0	57.2	42.8	100.0
Liabilities						
Due to banks	2,630,408	–	2,630,408	2,632,827	–	2,632,827
Securities sold under repurchase agreements	87,353,154	–	87,353,154	86,213,965	–	86,213,965
Derivative financial instruments	156,302	–	156,302	156,302	–	156,302
Due to customers	1,046,196,327	36,140,791	1,082,337,118	1,059,532,512	38,418,190	1,097,950,702
Other borrowings	97,540,868	152,548,234	250,089,102	99,071,109	156,723,970	255,795,079
Debt securities issued	27,058	3,400,000	3,427,058	812,628	7,891,119	8,703,747
Current tax liabilities	2,080,849	–	2,080,849	2,284,079	–	2,284,079
Deferred tax liabilities	–	1,516,995	1,516,995	–	3,948,551	3,948,551
Insurance provision – Life	–	–	–	–	444,257	444,257
Insurance provision – Non-life	–	–	–	–	517,659	517,659
Other liabilities	19,779,111	1,806,533	21,585,644	20,865,767	2,322,165	23,187,932
Subordinated term debts	5,627,450	30,000,000	35,627,450	5,627,451	29,662,556	35,290,007
Equity	–	81,484,620	81,484,620	–	93,074,213	93,074,213
Total liabilities and equity	**1,261,391,527**	**306,897,173**	**1,568,288,700**	**1,277,196,640**	**333,002,680**	**1,610,199,320**
Percentage (%)	80.4	19.6	100.0	79.3	20.7	100.0
Net gap	(358,782,203)	358,782,203	–	(356,767,777)	356,767,777	–

55. Related Party Disclosures

The Bank has entered into transactions with the parties who are defined as related parties in Sri Lanka Accounting Standard – LKAS 24 – 'Related Party Disclosures'. i.e. significant investors, subsidiary and associate companies, post employment benefit plans for the Bank's employees, Key Management Personnel (KMPs), Close Family Members (CFMs) of KMPs and other related entities. Those transactions include lending activities, acceptance and placements, off balance sheet transactions and provision of other banking and financial services that are carried out in the ordinary course of business on an arm's length basis at commercial rates, except for the transactions that KMPs have availed under schemes uniformly applicable to all the staff at concessionary rates.

55.1 Parent and the Ultimate Controlling Party

Bank of Ceylon is a Government owned bank.

55.2 Key Management Personnel (KMPs) and Their Close Family Members (CFMs)

55.2.1 Compensation to Key Management Personnel (KMPs) and their Close Family Members (CFMs)

As per the Sri Lanka Accounting Standard – LKAS 24 – 'Related Party Disclosures', the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Bank. Accordingly, the Board of Directors and selected key members of the Corporate Management are identified as KMPs who meet the above criteria.

CFMs are defined as family members who may be expected to influence or be influenced by, that KMP in their dealings with the entity, i.e. spouse, children under 18 years of age and dependants of KMPs. Dependant is defined as anyone who depends on the respective KMP for more than 50% of his or her financial needs.

Compensation to KMPs of the Bank

For the Year ended 31 December	Bank		Group	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Short-term employment benefits	19,473	15,379	21,752	15,859
Post employment benefits	4,326	3,756	4,326	3,756
Total	**23,799**	**19,135**	**26,078**	**19,615**

In addition to the above, the Bank/Group has also provided non-cash benefits to the KMPs in line with the approved benefit plans of the Bank/Group.

55.2.2 Transactions, Arrangements and Agreements Involving Key Management Personnel (KMPs) and their Close Family Members (CFMs)

(a) Items in Statement of Profit or Loss

For the year ended 31 December	KMPs & CFMs	
	2016 LKR '000	2015 LKR '000
Interest income	714	550
Interest expenses	2,238	1,272

(b) Items in Statement of Financial Position

As at 31 December	KMPs & CFMs	
	2016 LKR '000	2015 LKR '000
Assets		
Loans	11,716	9,559
Credit cards	58	389
	11,774	9,948
Liabilities		
Due to customers	37,926	25,920
	37,926	25,920

(c) Off Balance Sheet Items

As at 31 December	KMPs & CFMs	
	2016 LKR '000	2015 LKR '000
Undrawn facilities	2,192	1,361
	2,192	1,361

(d) Average Accommodations/Due to Customer Balances

As at 31 December	KMPs & CFMs	
	2016 LKR '000	2015 LKR '000
Loans	10,637	7,651
Overdrafts	81	149
Due to customers	31,223	20,412

55.3 Transactions with the Group Related Parties

The Group related parties include the subsidiaries and associates of the Bank.

55.3.1 Transactions with Subsidiaries and Associate Companies of the Bank

The aggregate amount of income and expenses arising from the transactions during the year and amount due to and due from the relevant related parties and total contract sum of off balance sheet transactions at the year end are summarised below:

(a) Items in Statement of Profit or Loss

For the year ended 31 December	Subsidiary Companies		Associate Companies	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Interest income	116,196	55,021	15,503	15,291
Interest expenses	322,755	155,194	12,250	10,625
Other income	1,233,908	306,824	55,440	51,862
Other expenses	740,746	633,546	26,144	25,198

(b) Items in Statement of Financial Position

As at 31 December	Subsidiary Companies		Associate Companies	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Assets				
Loans	1,334,779	24,620	186,536	118,345
Overdrafts	31,732	–	–	2
Investments in debts	221,594	221,551	–	–
Placements	3,325,548	3,601,077	–	–
Other receivables	825,436	897,344	–	–
	5,739,089	4,744,592	186,536	118,347
Liabilities				
Due to customers	2,480,935	1,408,587	126,900	179,018
Securities sold under repurchase agreements	900,650	1,555,661	25,708	40,005
Debentures	340,668	344,385	–	–
Other liabilities	1,326	2,795	–	17
	3,723,579	3,311,428	152,608	219,040

(c) Off Balance Sheet Items

As at 31 December	Subsidiary Companies		Associate Companies	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Letters of credit	104	38,714	–	–
Guarantees	66,382	65,325	–	500
Undrawn facilities	444,330	842,597	30,000	55,000
	510,816	946,636	30,000	55,500

(d) Average Accommodations/Due To Customer Balances

As at 31 December	Subsidiary Companies		Associate Companies	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Loans	1,066,196	42,335	123,221	131,500
Overdrafts	75,178	28,826	7,801	220
Due to customers	2,204,717	1,226,628	158,987	223,470

55.3.2 Transactions with Subsidiaries and Associate Companies of the Group

In addition to the transactions between the Bank and its subsidiaries and associate companies, transactions which were taken place between the subsidiaries and associate companies are also included in the section below:

(a) Items in Statement of Profit or Loss

For the year ended 31 December	Subsidiary Companies		Associate Companies	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Interest income	116,639	55,025	15,503	17,046
Interest expenses	322,755	156,949	12,693	10,629
Other income	1,417,231	542,291	55,440	54,370
Other expenses	923,690	868,731	26,478	27,988

(b) Items in Statement of Financial Position

As at 31 December	Subsidiary Companies		Associate Companies	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Assets				
Loans	1,334,779	24,620	186,536	118,345
Overdrafts	31,732	–	–	2
Investments in debts	221,594	221,551	–	–
Placements	3,325,548	3,601,077	–	–
Other receivables	1,062,616	1,115,577	–	–
	5,976,269	4,962,825	186,536	118,347
Liabilities				
Due to customers	2,480,935	1,408,587	140,936	179,018
Securities sold under repurchase agreements	900,650	1,555,661	25,708	40,005
Debentures	340,668	344,385	–	–
Other liabilities	252,542	221,297	–	17
	3,974,795	3,529,930	166,644	219,040

(c) Off Balance Sheet Items

As at 31 December	Subsidiary Companies		Associate Companies	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Letters of credit	104	38,714	–	–
Guarantees	66,382	65,325	–	500
Undrawn facilities	444,330	842,597	30,000	55,000
	510,816	946,636	30,000	55,500

(d) Average Accommodations/Due To Customer Balances

As at 31 December	Subsidiary Companies		Associate Companies	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Loans	1,066,196	42,335	123,221	131,500
Overdrafts	75,178	29,095	7,801	220
Due to customers	2,204,717	1,226,628	158,987	223,470

55.4 Transactions with the Significant Investors having Significant Influence Over the Bank and the Post Employment Benefit Plans for Bank's Employees

Significant investor of the Bank is the Government as it is a state owned entity. The Government refers to the Government of Sri Lanka, Government Corporations, Provincial Councils, Local Government bodies, other Government entities and their subsidiaries.

Post employment benefit plans are arrangements made by the Bank to provide post employment benefits for its employees.

Transactions and arrangements entered into by the Bank with the Government and Government controlled entities (significant investor) and post employment benefit plans which are individually significant and for other transactions that are collectively but not individually significant are as follows:

55.4.1 Transactions which are Collectively Significant

(a) Items in Statement of Profit or Loss

For the year ended 31 December	Significant Investor		Post Employment Benefit Plans	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Interest income	62,320,382	59,257,452	–	–
Other income	620,014	1,233,270	–	–
Interest expenses	10,467,922	11,523,327	8,823,935	5,312,011
Dividends paid	17,346,410	6,346,410	–	–
Contribution made	–	–	973,518	1,801,097

(b) Items in Statement of Financial Position

As at 31 December	Significant Investor		Post Employment Benefit Plans	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Assets				
Loans and advances	324,329,198	320,702,006	–	–
Investment in securities and bonds	425,264,492	477,993,779	–	–
Investment in equity instruments	1,155,370	1,155,370	–	–
	750,749,060	799,851,155	–	–
Liabilities				
Due to customers	138,029,997	115,044,541	41,559,908	34,346,832
Securities sold under repurchase agreements	51,712,660	58,538,571	4,134,000	7,798,041
Debentures	9,200,006	10,252,818	18,300,543	19,021,236
	198,942,663	183,835,930	63,994,451	61,166,109

(c) Off Balance Sheet Items

As at 31 December	Significant Investor	
	2016 LKR '000	2015 LKR '000
Letters of credit	68,964,283	68,730,612
Bills and acceptances	28,764,217	26,704,317
Guarantees	9,064,702	19,646,065
Forward exchange contracts	82,390,000	79,234,265
	189,183,202	194,315,259

(d) Other Transactions

As at 31 December	Significant Investor	
	2016 LKR '000	2015 LKR '000
Gross foreign exchange transactions		
– Sales	376,943,911	212,794,526
– Purchases	373,415,579	208,847,126

(e) Average Accommodations/Due to Customer Balances

As at 31 December	Significant Investor		Post Employment Benefit Plans	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Loans and advances	262,164,808	338,552,931	–	–
Due to customers	106,241,117	94,537,896	32,039,996	30,227,015
Off balance sheet facilities	191,749,231	197,992,622	–	–

55.4.2 Transactions which are Individually Significant

The Bank uses internal assessment methodology in order to identify significance of the transactions with the Government and Government related entities. Accordingly, the transactions which have been considered in normal day-to-day business operations which are carried on normal market conditions are considered as individually significant transactions.

During the year, the Bank received LKR 5,000 million from the Government of Sri Lanka, the second and final phase of the total amount of of LKR 10,000 million allocated to the Bank under the National Budget 2015.

55.4.3 Transactions with the Significant Investor – Group

Other than the transactions carried out by the Bank and balances held by the Bank with the Government, subsidiaries of the Group have carried out following transactions with the Government and balances held with the Government as follows:

As at 31 December	Significant Investor	
	2016 LKR '000	2015 LKR '000
Investment in securities and bonds	3,122,690	2,781,412
Nostro balance with Central Bank of Sri Lanka	168,917	196,018
Income from investment in securities and bonds	195,339	208,669

Apart from the transactions listed above, the Group carried out transactions with the Government of Sri Lanka and other Government related entities in the form of providing services, investments in shares for trading purpose and other financial service transactions, including inter bank placements during the year ended 31 December 2016 on comparable terms, which are applicable to transactions between the Group and its unrelated customers.

56. Financial Reporting by Segment

Segmental information is presented in respect of Group business distinguishing the component of the Group that is engaged in different business segments or operations within a particular economic environment, which is subject to risk and returns that are different from those of other segments.

56.1 Primary Segment Information – Operating Segments – Group

'An operating segment is a component of the Group that engages in business activities, from which it may earn revenues and incur expenses, including revenues and expenses that relating to transactions with any of the Group's other components, whose operating results are reviewed by the management to make decisions about resource allocation to each segment and assess its performances. The Group comprises the following major business segments: Retail banking, Corporate banking, International, Treasury and Investments, other non-banking and Group functions'.

The management monitors the operating results of its business segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performances are evaluated based on their operating profits or losses. VAT, NBT and Income Tax are managed on a Group basis and are not allocated to operating segments.

For the year ended 31 December	Retail Banking		Corporate Banking	
	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
Revenue from External Customers:				
Net interest income	25,759,855	22,387,946	10,936,983	11,056,885
Net fee and commission income	3,106,885	3,351,876	2,690,661	3,108,889
Other income	2,119,051	2,266,332	439,410	2,067,980
Total operating income	**30,985,791**	**28,006,154**	**14,067,054**	**16,233,754**
Impairment (charge)/reversal for loans and other losses	(179,231)	(2,953,286)	(4,172,581)	(2,867,378)
Other operating expenses	(18,876,104)	(19,195,165)	(5,644,963)	(4,173,311)
Total expenses	**(19,055,335)**	**(22,148,451)**	**(9,817,544)**	**(7,040,689)**
Operating profit before VAT and NBT	**11,930,456**	**5,857,703**	**4,249,510**	**9,193,065**
VAT and NBT on financial services	–	–	–	–
Operating profit after VAT and NBT				
Share of profits/(losses) of associate companies, net of tax	–	–	–	–
Profit/ (loss) before income tax	**11,930,456**	**5,857,703**	**4,249,510**	**9,193,065**
Income tax expense	–	–	–	–
Profit for the Year				
Total assets	**571,620,284**	**478,085,347**	**509,159,945**	**429,748,985**
Total liabilities	**539,825,526**	**453,245,149**	**480,839,366**	**407,420,231**
Cash flows from/(used in) operating activities	(9,045,387)	58,709,257	(3,840,442)	28,995,134
Cash flows from/(used in) investing activities	(843,790)	(523,228)	(751,590)	(470,328)
Cash flows from/(used in) financing activities	(23,972,659)	5,872,608	(21,353,192)	5,278,864
Capital expenditure to non-current assets	–	–	–	–
Depreciation and amortisation expenses	497,622	423,959	443,248	381,095

Being the major customer of the Bank, 'Government and State-Owned Enterprises (SOEs)' represents 16% of revenue of the Bank's, (2015 – 19%) and included under Retail and Corporate segments. More details are given in Note 55 – 'Related Party Disclosures'.

International, Treasury and Investment		Group Function		Unallocated		Total	
2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000	2016 LKR '000	2015 LKR '000
18,242,730	12,933,938	2,646,753	2,376,914	(979,829)	(53,198)	56,606,492	48,702,485
854,021	816,961	156,377	243,540	567,868	560,624	7,375,812	8,081,890
7,834,266	5,032,548	2,869,873	3,028,978	(2,246,027)	(753,852)	11,016,573	11,641,986
26,931,017	**18,783,447**	**5,673,003**	**5,649,432**	**(2,657,988)**	**(246,426)**	**74,998,877**	**68,426,361**
–	–	(24,239)	(462,151)	(44,949)	(83,139)	(4,421,000)	(6,365,954)
(5,582,410)	(5,010,554)	(4,494,198)	(4,468,631)	450,557	1,043,276	(34,147,118)	(31,804,385)
(5,582,410)	**(5,010,554)**	**(4,518,437)**	**(4,930,782)**	**405,608**	**960,137**	**(38,568,118)**	**(38,170,339)**
21,348,607	**13,772,893**	**1,154,566**	**718,650**	**(2,252,380)**	**713,711**	**36,430,759**	**30,256,022**
–	–		–	–	–	(6,376,679)	(4,872,944)
				(2,252,380)		**30,054,080**	**25,383,078**
–	–	62,952	93,590	–		62,952	93,590
21,348,607	**13,772,893**	**1,217,518**	**812,240**	**(2,252,380)**	**713,711**	**30,117,032**	**25,476,668**
–	–	–	–	–	–	(6,731,105)	(8,089,281)
						23,385,927	17,387,387
521,697,826	**599,586,745**	**66,709,365**	**63,961,962**	**47,369,281**	**38,816,281**	**1,716,556,701**	**1,610,199,320**
492,679,863	**568,433,618**	**55,603,568**	**51,559,499**	**44,253,642**	**36,466,610**	**1,613,201,965**	**1,517,125,107**
(6,405,803)	33,917,443	(929,388)	6,233,124	344,060	(139,505)	(19,876,960)	127,715,453
83,372,062	(101,196,615)	(98,472)	(70,002)	(69,923)	(42,481)	81,608,287	(102,302,654)
(21,879,007)	7,365,083	(2,469,252)	668,046	(1,965,224)	472,491	(71,639,334)	19,657,092
–	–	–	–	–	–	2,597,824	1,776,935
454,162	531,705	247,202	237,601	357,669	310,702	1,999,903	1,885,062

56.2 Secondary Segment Information – Geographical Segments

Geographical segments provide products or services within a particular economic environment where risk and returns are different from those of other economic environments.

These segment comprise domestic operations, offshore banking division and overseas banking units.

	Bank				Group			
	2016 LKR '000	%	2015 LKR '000	%	2016 LKR '000	%	2015 LKR '000	%
Assets								
Domestic banking unit	1,376,413,525	82.5	1,236,088,152	78.8	1,423,678,953	83.0	1,251,143,670	77.7
Offshore banking division	254,548,971	15.2	304,044,704	19.4	254,548,970	14.8	304,044,704	18.9
Overseas banking units	38,328,778	2.3	28,155,844	1.8	38,328,778	2.2	55,010,946	3.4
Total assets	**1,669,291,274**	**100.0**	**1,568,288,700**	**100.0**	**1,716,556,701**	**100.0**	**1,610,199,320**	**100.0**
Total Income								
Domestic banking unit	134,711,699	87.4	113,341,534	86.2	140,291,552	87.9	119,449,627	86.6
Offshore banking division	14,765,257	9.6	14,708,134	11.2	14,765,257	9.2	14,708,134	10.6
Overseas banking units	4,644,416	3.0	3,452,141	2.6	4,644,416	2.9	3,826,589	2.8
Total income	**154,121,372**	**100.0**	**131,501,809**	**100.0**	**159,701,225**	**100.0**	**137,984,350**	**100.0**
Profit Before Tax								
Domestic banking unit	27,598,676	88.5	20,866,197	82.5	26,527,023	88.0	21,128,880	83.0
Offshore banking division	(223,917)	(0.7)	2,478,919	9.8	(223,917)	(0.7)	2,478,919	9.7
Overseas banking units	3,813,926	12.2	1,933,799	7.7	3,813,926	12.7	1,868,869	7.3
Total profit before tax	**31,188,685**	**100.0**	**25,278,915**	**100.0**	**30,117,032**	**100.0**	**25,476,668**	**100.0**
Profit After Tax								
Domestic banking unit	22,048,818	88.9	14,284,168	82.3	20,643,749	88.3	14,379,047	82.7
Offshore banking division	(223,917)	(0.9)	1,784,822	10.3	(223,917)	(1.0)	1,784,822	10.3
Overseas banking units	2,966,095	12.0	1,288,448	7.4	2,966,095	12.7	1,223,518	7.0
Total profit after tax	**24,790,996**	**100.0**	**17,357,438**	**100.0**	**23,385,927**	**100.0**	**17,387,387**	**100.0**

57. Fair Values of Assets and Liabilities

Accounting Policy

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

in the principal market for the asset or liability; or
in the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Valuation technique using quoted market price:

Financial instruments with quoted prices for identical instruments in active markets.

Level 2 – Valuation technique using observable inputs:

Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 – Valuation technique with significant unobservable inputs:

Financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Bank uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

57.1 Assets and Liabilities Measured at Fair Value

Derivative Financial Instruments

All Derivative financial instruments are classified as held for trading are valued using a valuation technique with market observable and market unobservable inputs. The most frequently applied valuation technique include forward foreign exchange spot and forward premiums.

Financial Instruments Held for Trading

Financial instruments classified as held for trading consists Government securities, Quoted debt securities and Quoted equities. Government securities are valued using yield curve published by the Central Bank of Sri Lanka and the Bank uses quoted market prices in the active market for the valuation of quoted equities and quoted debt securities as at the Reporting date.

Financial Investments – Available for Sale

Financial investments classified as available for sale consists Government securities, Quoted equities Unquoted equities and Units in units trusts.

- Government securities are valued using yield curve published by the Central Bank of Sri Lanka as at the Reporting date.
- The Bank uses quoted market prices in the active market for the valuation of quoted equities and quoted debt securities as at the Reporting date.
- Unquoted equities are carried at cost except Regional Development Bank investment in shares since it is the most reasonable value available to represents the price of such securities. Fair value of Regional Development Bank derived using an internal management valuation technique which details are given in Note 57.1.3.
- Units in units trusts are valued using management buying price of such asset management company since it is the most relevant exit price of such assets.

Property, Plant and Equipment

Free hold lands and buildings and buildings on leasehold lands are carried at revalued amount less any subsequent accumulated depreciation and impairment losses.

57.1.1 Fair Value Hierarchy

As at 31 December 2016	Bank				Group			
	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial Assets								
Derivative Financial Instruments								
Forward exchange contracts	–	9,063	–	9,063	–	9,063	–	9,063
Currency SWAPs	–	–	5,291,781	5,291,781	–	–	5,291,781	5,291,781
	–	**9,063**	**5,291,781**	**5,300,844**	**–**	**9,063**	**5,291,781**	**5,300,844**
Financial Instruments – Held for Trading								
Treasury bills	4,538,007	–	–	4,538,007	4,538,007	–	–	4,538,007
Treasury bonds	679,650	1,789	–	681,439	679,650	1,789	–	681,439
Sri Lanka soverign bonds	156,142	–	–	156,142	156,142	–	–	156,142
Quoted equities	3,098,453	–	–	3,098,453	3,426,824	–	–	3,426,824
Other debt securities	–	–	–	–	2,235	–	–	2,235
	8,472,252	**1,789**	**–**	**8,474,041**	**8,802,858**	**1,789**	**–**	**8,804,647**
Financial Investments – Available for Sale								
Quoted Investments								–
Government Securities								
Treasury bills	–	–	–	–	2,320,821	–	–	2,320,821
Treasury bonds	431,247	3,228	–	434,475	1,161,743	3,228	–	1,164,971
Other countries	1,627,319	–	–	1,627,319	2,915,692	–	–	2,915,692
Equities	3,938,737	–	–	3,938,737	5,325,122	–	–	5,325,122
Unquoted Investments								
Units in unit trusts	–	3,764,963	–	3,764,963	–	3,798,173	–	3,798,173
Equities	–	469,835	227,717	697,552	–	469,835	269,027	738,862
	5,997,303	**4,238,026**	**227,717**	**10,463,046**	**11,723,378**	**4,271,236**	**269,027**	**16,263,641**
Total financial assets	**14,469,555**	**4,248,878**	**5,519,498**	**24,237,931**	**20,526,236**	**4,282,088**	**5,560,808**	**30,369,132**
Non Financial Assets								
Property, Plant and Equipment	–	–	11,219,722	11,219,722	–	–	24,164,115	24,164,115
	–	–	11,219,722	11,219,722	–	–	24,164,115	24,164,115
Total	**14,469,555**	**4,248,878**	**16,739,220**	**35,457,653**	**20,526,236**	**4,282,088**	**29,724,923**	**54,533,247**
Financial Liabilities								
Derivative Financial Instruments								
Forward exchange contracts	–	8,210	–	8,210	–	8,210	–	8,210
Currency SWAPs	–	–	163,453	163,453		–	163,453	163,453
Total	**–**	**8,210**	**163,453**	**171,663**	**–**	**8,210**	**163,453**	**171,663**

As at 31 December 2015	Bank				Group			
	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial Assets								
Derivative Financial Instruments								
Forward exchange contracts	–	33,318	–	33,318	–	33,318	–	33,318
Currency SWAPs	–	–	7,385,970	7,385,970	–	–	7,385,970	7,385,970
	–	**33,318**	**7,385,970**	**7,419,288**	**–**	**33,318**	**7,385,970**	**7,419,288**
Financial Instruments – Held for Trading								
Treasury bills	7,298,725	–	–	7,298,725	7,298,725	–	–	7,298,725
Treasury bonds	946,502	630	–	947,132	946,502	630	–	947,132
Sri Lanka soverign bonds	141,502	–	–	141,502	141,502	–	–	141,502
Quoted equities	3,785,945	–	–	3,785,945	4,336,272	–	–	4,336,272
Other debt securities	–	–	–	–	2,414	–	–	2,414
	12,172,674	**630**	**–**	**12,173,304**	**12,725,415**	**630**	**–**	**12,726,045**
Financial Investments – Available for Sale								
Quoted Investments								–
Government Securities								
Treasury bills	467,734	–	–	467,734	1,826,836	–	–	1,826,836
Treasury bonds	625,898	375,475	–	1,001,373	1,346,993	375,475	–	1,722,468
Other countries	1,143,583	–	–	1,143,583	1,972,336	–	–	1,972,336
Equities	4,683,444	–	–	4,683,444	5,969,583	–	–	5,969,583
Unquoted Investments								
Units in unit trusts	–	4,059,644	–	4,059,644	–	4,068,328	–	4,068,328
Equities	–	438,074	227,717	665,791	–	438,074	269,027	707,101
	6,920,659	**4,873,193**	**227,717**	**12,021,569**	**11,115,748**	**4,881,877**	**269,027**	**16,266,652**
Total financial assets	**19,093,333**	**4,907,141**	**7,613,687**	**31,614,161**	**23,841,163**	**4,915,825**	**7,654,997**	**36,411,985**
Non Financial Assets								
Property, Plant and Equipment	–	–	12,625,762	12,625,762	–	–	22,023,125	22,023,125
	–	–	12,625,762	12,625,762	–	–	22,023,125	22,023,125
Total	**19,093,333**	**4,907,141**	**20,239,449**	**44,239,923**	**23,841,163**	**4,915,825**	**29,678,122**	**58,435,110**
Financial Liabilities								
Derivative Financial Instruments								
Forward exchange contracts	–	11,406	–	11,406	–	11,406	–	11,406
Currency SWAPs	–	–	144,896	144,896		–	144,896	144,896
Total	**–**	**11,406**	**144,896**	**156,302**	**–**	**11,406**	**144,896**	**156,302**

57.1.2 Movements in Level 3 Assets Measured at Fair Value

The following table shows a reconciliation of the opening and closing amounts of level 3 assets and liabilities which are recorded at fair value:

	Bank					Group				
	As at 1 January 2016 LKR '000	Total Gains/ (Losses) Recorded in Profit or Loss LKR '000	Total Gains/ (Losses) Recorded in OCI LKR '000	Purchases/ (Sales) and Other Adjustments LKR '000	As at 31 December 2016 LKR '000	As at 1 January 2016 LKR '000	Total Gains/ (Losses) Recorded in Profit or Loss LKR '000	Total Gains/ (Losses) Recorded in OCI LKR '000	Purchases/ (Sales) and Other Adjustments LKR '000	As at 31 December 2016 LKR '000
Financial Assets										
Derivative Financial Instruments										
Currency SWAPs	7,385,970	–	–	(2,094,189)	5,291,781	7,385,970	–	–	(2,094,189)	5,291,781
Financial Investments – Available for Sale										
Unquoted Investments										
Equities	227,717		–	–	227,717	269,027		–	–	269,027
Total Level 3 financial assets	**7,613,687**	**–**	**–**	**(2,094,189)**	**5,519,498**	**7,654,997**	**–**	**–**	**(2,094,189)**	**5,560,808**
Non-Financial Assets										
Property, Plant and Equipment	12,625,762	(234,243)	1,394,640	(2,566,437)	11,219,722	22,023,125	(603,183)	2,307,452	436,721	24,164,115
Total Level 3 assets	**20,239,449**	**(234,243)**	**1,394,640**	**(4,660,626)**	**16,739,220**	**29,678,122**	**(603,183)**	**2,307,452**	**(1,657,468)**	**29,724,923**
Financial Liabilities										
Currency SWAPs	144,896			18,557	163,453	144,896			18,557	163,453
Total Level 3 financial liabilities	**144,896**	**–**	**–**	**18,557**	**163,453**	**144,896**	**–**	**–**	**18,557**	**163,453**
Net Level 3 financial assets	**7,468,791**	**–**	**–**	**(2,112,746)**	**5,356,045**	**7,510,101**	**–**	**–**	**(2,112,746)**	**5,397,355**

The following table shows a reconciliation of the opening and closing amounts of level 3 assets and liabilities which are recorded at fair value:

	Bank					Group				
	As at 1 January 2015 LKR '000	Total Gains/ (Losses) Recorded in Profit or Loss LKR '000	Total Gains/ (Losses) Recorded in OCI LKR '000	Purchases/ (Sales) and Other Adjustments LKR '000	As at 31 December 2015 LKR '000	As at 1 January 2015 LKR '000	Total Gains/ (Losses) Recorded in Profit or Loss LKR '000	Total Gains/ (Losses) Recorded in OCI LKR '000	Purchases/ (Sales) and Other Adjustments LKR '000	As at 31 December 2015 LKR '000
Financial assets										
Derivative Financial Instruments										
Currency SWAPs	1,489,402	–	–	5,896,568	7,385,970	1,489,402	–	–	5,896,568	7,385,970
Financial Investments – Available for Sale										
Unquoted Investments										
Equities	227,717		–	–	227,717	248,285	–	242	20,500	269,027
Total Level 3 financial assets	**1,717,119**	**–**	**–**	**5,896,568**	**7,613,687**	**1,737,687**	**–**	**242**	**5,917,068**	**7,654,997**
Non-Financial Assets										
Property, Plant and Equipment	12,563,558	(232,598)	8,169	286,633	12,625,762	21,389,538	(232,598)	933,459	(67,274)	22,023,125
Total Level 3 assets	**14,280,677**	**(232,598)**	**8,169**	**6,183,201**	**20,239,449**	**23,127,225**	**(232,598)**	**933,701**	**5,849,794**	**29,678,122**
Financial Liabilities	–	–	–	144,896	144,896	–	–	–	144,896	144,896
Total Level 3 financial liabilities	**–**	**–**	**–**	**144,896**	**144,896**	**–**	**–**	**–**	**144,896**	**144,896**
Net Level 3 financial assets	**1,717,119**	**–**	**–**	**5,751,672**	**7,468,791**	**1,737,687**	**–**	**242**	**5,772,172**	**7,510,101**

57.1.3 Unobservable Inputs Used in Measuring Fair Value of Level 3

The table below sets out information about significant unobservable inputs used as at 31 December 2016 in measuring financial instruments categorised as level 3 in the fair value hierarchy:

Type of Financial Instrument	Fair Value As at 31 December 2016 LKR '000	Valuation Technique	Significant Unobservable Input	Range of Estimates (Weighted Average) for unobservable Input	Fair Value Measurement Sensitivity to Unobservable Input
Derivative Financial Instruments					
Currency SWAPs	5,291,781	Forward pricing model	Foreign exchange forward rate. Discount for counterparty credit risk.	Negative 0.01 to positive 0.01 basis point.	Unfavourable or favourable impact on derivative assets value of LKR 5.3 million respectively.
Financial Investments – Available for Sale Unquoted Equity Shares					
Regional Development Bank	162,300	Discounted Cash Flow method	Constant Dividend model	Decreased by 5% and increased by 5% for exsisting cost of capital.	Impact to the fair value will be within negative and positive LKR 8.1 million no significant impact to the investment.
Credit Information Bureau of Sri Lanka	41,596	Value at cost*			*Fair value cannot be reliably measured, These are investments in mutual entities that provide transaction processing and transaction services to members on a pricing basis intended to recover the entities operating cost.
Fitch Ratings Lanka Limited	625	Value at cost*			
LankaClear (Private) Limited	21,000	Value at cost*			
Lanka Financial Services Bureau Limited	2,250	Value at cost*			

57.2 Fair Value of Assets and Liabilities not Carried at Fair Value

The following table summerised the fair value for assets and liabilities which are not already recorded at fair value in the Financial Statement:

	Bank					Group				
	Fair Value					Fair Value				
As at 31 December 2016	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000	Carrying Value LKR '000	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000	Carrying Value LKR '000
Assets										
Financial investments – Loans and receivables	–	191,780,103	–	191,780,103	191,874,638	–	191,889,547	–	191,889,547	191,984,082
Financial investments – Held to maturity	–	235,401,153	–	235,401,153	243,178,400	–	235,476,720	–	235,476,720	243,253,967
Investment properties	–	–	3,000,000	3,000,000	3,000,000	–	–	573,929	573,929	127,670
Total	**–**	**427,181,256**	**3,000,000**	**430,181,256**	**438,053,038**	**–**	**427,366,267**	**573,929**	**427,940,196**	**435,365,719**
Liabilities										
Other borrowings	152,311,563	–	44,138,627	196,450,190	195,469,853	152,311,563	–	51,193,401	203,504,964	204,485,301
Debt securities issued	–	3,422,247	–	3,422,247	3,427,058	–	8,355,522	–	8,355,522	8,360,333
Subordinate term debts	38,717,099	–	–	38,717,099	38,645,546	38,366,871	–	–	38,366,871	38,295,318
Total	**191,028,662**	**3,422,247**	**44,138,627**	**238,589,536**	**237,542,457**	**190,678,434**	**8,355,522**	**51,193,401**	**250,227,357**	**251,140,952**

As at 31 December 2015	Bank					Group				
	Fair Value					Fair Value				
	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000	Carrying Value LKR '000	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000	Carrying Value LKR '000
Assets										
Financial investments – Loans and receivables	–	232,564,862	–	232,564,862	232,561,268	–	233,007,336	–	233,007,336	233,003,742
Financial investments – Held to maturity	–	253,772,055	–	253,772,055	246,288,625	–	253,832,941	–	253,832,941	246,349,511
Investment properties	–	–	–	–	–	–	–	650,556	650,556	145,840
Total	**–**	**486,336,917**	**–**	**486,336,917**	**478,849,893**	**–**	**486,840,277**	**650,556**	**487,490,833**	**479,499,093**
Liabilities										
Other borrowings	145,403,881	–	104,756,444	250,160,325	250,089,102	145,403,881	–	111,601,610	257,005,491	255,795,079
Debt securities issued	–	3,429,748	–	3,429,748	3,427,058	–	8,706,437	–	8,706,437	8,703,747
Subordinate term debts	35,331,364	–	–	35,331,364	35,627,450	34,993,921	–	–	34,993,921	35,290,007
Total	**180,735,245**	**3,429,748**	**104,756,444**	**288,921,437**	**289,143,610**	**180,397,802**	**8,706,437**	111,601,610	**300,705,849**	**299,788,833**

The following describes the methodologies and assumptions used to determine fair values for those assets and liabilities which are not already recorded at fair value in the Financial Statements.

Financial Investments – Loans and Receivable

Financial investments – Loans and receivables comprise Sri Lanka Development Bonds, Non-marketable Government securites and Corporate debt securities.

Sri Lanka Development Bonds are variable rate instruments which are re-pricing semi-annually. Hence it is assumed that the carrying amounts approximate their fair value. Listed corporate debt securities are valued using quoted market price as of the Reporting date and fair value of unquoted corporate debt securities and Government securities are estimated as the present value of future cash flows expected to be received from such investments calculated based on interest rates at the Reporting date for similar instruments.

Financial Investments – Held to Maturity

Financial investments – Held to maturity comprise Government debt securities and they are valued using yield curve published by the Central Bank of Sri Lanka.

Investment Properties

Investment properties are valued by the independent professional valuers and more details are given in Note 31.

Other Borrowings

Other borrowings represent Senior notes, term borrowings from banks and other financial institutions in Sri Lanka and abroad and refinance borrowings.

Senior notes are listed in the Singapore Stock Exchange and valued using quoted market price as of the Reporting date. Fair value of term borrowings and refinance borrowings are estimated by the discounting the future cash flows using effective interest rates of similar instruments.

Debt Securities Issued

Fair value of debt securities issued are estimated as the present value of future cash flows expected to be paid from such investments calculated based on interest rates at the Reporting date for similar instruments.

Subordinated Term Debts

Subordinated term debts are listed in the Colombo Stock Exchange and valued using quoted market price as of the Reporting date.

57.3 Assets and Liabilities for Which Fair Value Approximates Carrying Value

For financial assets and liabilities that have a short-term maturity, it is assumed that the carrying amounts approximate their fair value. For certain instruments which have contractual maturity of more than one year, the fair value is determined using reasonable basis. Given below is the bases adopted by the Bank in order to establish the fair values of such financial instruments.

Loans and Advances to Customers

More than 50% of the total portfolio of loans and advances to customers have a remaining contractual maturity of less than one year and 95% of balance loans are granted at floating rate. Therefore, fair value of loans and advances to customers approximates to their carrying value as at the Reporting date.

Due to Other Customers

More than 90% of the customer deposits are either repayable on demand or have a remaining contractual maturity of less than one year. Customer deposits with a contractual maturity of more than one year are subject to premature upliftment. Amounts paid to customers in the event of premature upliftment would not be materially different to its carrying value as at date. Therefore fair value of customer deposits approximates to their carrying value as at the Reporting date.

As at 31 December	2016		2015	
	Carrying Amount LKR '000	Fair value LKR '000	Carrying Amount LKR	Fair Value LKR '000
Bank				
Financial Assets				
Cash and cash equivalents	67,705,791	67,705,791	79,916,559	79,916,559
Balances with Central Banks	56,387,741	56,387,741	38,939,790	38,939,790
Placements with banks	11,674,664	11,674,664	27,975,582	27,975,582
Securities purchased under resale agreements	1,901,618	1,901,618	12,299,088	12,299,088
Loans and advances to customers	1,000,082,574	1,000,082,574	826,789,630	826,789,630
Total financial assets	**1,137,752,388**	**1,137,752,388**	**985,920,649**	**985,920,649**
Financial Liabilities				
Due to banks	2,042,322	2,042,322	2,630,408	2,630,408
Securities sold under repurchase agreements	59,424,629	59,424,629	87,353,154	87,353,154
Due to customers	1,256,589,490	1,256,589,490	1,082,337,118	1,082,337,118
Total financial liabilities	**1,318,056,441**	**1,318,056,441**	**1,172,320,680**	**1,172,320,680**
Group				
Financial Assets				
Cash and cash equivalents	73,244,043	73,244,043	83,722,721	83,722,721
Balances with Central Banks	56,387,741	56,387,741	38,939,790	38,939,790
Placements with banks	12,931,605	12,931,605	28,355,579	28,355,579
Securities purchased under resale agreements	2,350,704	2,350,704	13,678,789	13,678,789
Loans and advances to customers	1,027,768,110	1,027,768,110	851,905,227	851,905,227
Total financial assets	**1,172,682,203**	**1,172,682,203**	**1,016,602,106**	**1,016,602,106**
Financial Liabilities				
Due to banks	2,053,945	2,053,945	2,632,827	2,632,827
Securities sold under repurchase agreements	58,925,801	58,925,801	86,213,965	86,213,965
Due to customers	1,273,631,287	1,273,631,287	1,097,950,702	1,097,950,702
Total financial liabilities	**1,334,611,033**	**1,334,611,033**	**1,186,797,494**	**1,186,797,494**

57.3 Reclassification of Financial Assets and Financial Liabilities

There have been no reclassifications during 2016.

58. Risk Management

58.1 Introduction

58.1.1 Overview

The Bank considers credit risk, market risk, liquidity risk and operational risk as key risks faced by the Bank. Information presented in this note focuses on the Bank's exposure to above risks.

58.1.2 Group Risk Management

Bank of Ceylon Group consist of 10 subsidiaries and four associate companies. Their principal activities spread over diverse range. Their income and expenses, are less than 5% of the Group's income and expenses and their total assets and liabilities are less than 3% of the Group's total assets and liabilities. Therefore, the affairs of subsidiaries and associates do not have significant impact to the risk management.

The Bank is managing the strategic risk through comprehensive review of group activities on a quarterly basis. Senior officers of the Bank are representing on such Boards and these officers, are involved in risk and audit committees, hence Bank closely involves in risk and audit affairs of subsidiaries. On special circumstances Internal Auditor of the Bank carries out audits in subsidiaries. In addition, the Bank has developed and implemented a reporting mechanism for subsidiaries through risk dashboards. The dashboard includes all the headline risk indicators of the respective subsidiary companies.

58.1.3 Risk Management Framework

Risk management governance structure of the Bank begins with oversight by the Board of Directors, which assures the performance of overall risk management framework. The Board establishes the risk appetite and sets strategic direction through risk management policies. The Bank's Independent Integrated Risk Management Division (IIRMD) is headed by the Chief Risk Officer (CRO), who directly reports to the Integrated Risk Management Committee (IRMC), which is a Subcommittee of the Board. CRO is also a member of management level committees such as Credit Committee, Asset and Liability Management Committee (ALCO), Operational Risk Management Executive Committee (ORMEC), IT Steering Committee, Fraud Risk Management Committee and Non-Performing Advances Monitoring Committee, which assist in managing various risks that the Bank is exposed to.

58.1.4 Risk Measurement and Reporting Systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur, in fact, do occur.

Monitoring and controlling risks are primarily performed based on limits established by the Bank. The risk appetite and limits for the Bank are approved by the Board based on recommendations of IRMC and inputs from the IIRMD by considering the operating business environment and the types of risk taking activities that are assumed in pursuit of the Bank's strategic and financial objectives. In the limits setting process through risk appetite statement, the Bank is controlling the risk-taking activities within the tolerance limits for credit, market, and operational risks.

In addition to that the Bank has an internal process for assessing its overall capital adequacy in relation to the Bank's risk profile and a strategy for maintaining its capital levels. The Internal Capital Adequacy Assessment Process (ICAAP) sets out the framework for the Bank's internal governance and the operation of the risk and capital planning. The process provides an assurance that the Bank has adequate capital to support all risks in its business and an appropriate capital buffer based on its business profile.

The IRMC receives a comprehensive risk report once a month which is designed to provide all the necessary information to assess and manage risks of the Bank.

58.1.5 Risk Mitigation

As part of its overall risk management, the Bank uses mitigation techniques and strategies to reduce the risk. In managing credit risk, the Bank actively uses counterparty evaluation to reduce its credit risks. Collaterals are used to further mitigate losses. Market risk is mitigated using derivative instruments in limited context. Strong internal control mechanism is in place to manage operational risks and insurance is used as a operational risk transfer strategy where necessary.

58.2 Credit Risk

Credit risk management process is based on credit risk management policy and lending guidelines approved by the Board of Directors. These documents lay down the conditions and guidelines for granting, maintenance, monitoring and management of credit, at both transaction and portfolio levels.

58.2.1 Maximum Exposure to Credit Risk

58.2.1.1 Collateral and Other Credit Enhancements

The Bank obtains collateral from borrowers/counterparties in order to mitigate credit risk. The amount/types of collateral required depend on the credit risk assessment of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over immovable properties, inventory and trade receivables
- For personal lending, mortgages over properties, cash and cash equivalents and gold articles
- For Government and State-Owned Enterprises, Sovereign guarantee

The Bank monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The following table shows the maximum exposure to credit risk, total fair value of collateral, any surplus collateral and the net exposure to credit risk:

31 December 2016		Fair Value of Collateral and Other Credit Enhancements Held			
	Maximum Exposure to Credit Risk LKR '000	Cash LKR '000	Gold LKR '000	GoSL Securities/ Guarantees LKR '000	Movables LKR '000
Financial Assets					
Cash and cash equivalents	67,705,791	28,901,214	–	–	–
Balances with Central Banks	56,387,741	56,387,741	–	–	–
Placements with banks	11,674,664	–	–	–	–
Securities purchased under resale agreements	1,901,618	–	–	1,901,618	–
Derivative financial instruments	5,300,844	–	–	–	–
Financial instruments – Held for trading	8,474,041	–	–	5,375,587	–
Financial investments – Loans and receivable	191,874,638	–	–	185,683,966	–
Loans and advances to customers	1,047,189,690	60,535,565	44,954,643	281,263,263	98,159,598
Impairment	(47,107,116)	–	–	–	–
Financial investments – Available for sale	10,463,046	–	–	2,061,794	–
Financial investments – Held to maturity	243,178,400	–	–	159,061,000	–
Total Financial Assets	**1,597,043,357**	**145,824,520**	**44,954,643**	**635,347,228**	**98,159,598**

31 December 2015		Fair Value of Collateral and Other Credit Enhancements Held			
	Maximum Exposure to Credit Risk LKR '000	Cash LKR '000	Gold LKR '000	GoSL Securities/ Guarantees LKR '000	Movables LKR '000
Financial Assets					
Cash and cash equivalents	79,916,559	28,436,414	–	–	–
Balances with Central Banks	38,939,790	38,939,790	–	–	–
Placements with banks	27,975,582	–	–	–	–
Securities purchased under resale agreements	12,299,088	–	–	12,299,088	–
Derivative financial instruments	7,419,288	–	–	–	–
Financial instruments – Held for trading	12,173,304	–	–	8,387,359	–
Financial investments – Loans and receivable	232,561,268	–	–	227,544,757	–
Loans and advances to customers	869,316,278	38,194,086	59,141,394	282,660,460	106,561,530
Impairment	(42,526,648)		–	–	–
Financial investments – Available for sale	12,021,569	–	–	2,612,690	–
Financial investments – Held to maturity	246,288,625	–	–	146,670,625	–
Total Financial Assets	**1,496,384,703**	**105,570,290**	**59,141,394**	**680,174,979**	**106,561,530**

Property LKR '000	Others LKR '000	Surplus Collateral LKR '000	Net Collateral LKR '000	Net Exposure LKR '000
–	–	–	28,901,214	38,804,577
–	–	–	56,387,741	–
–	–	–	–	11,674,664
–	–	–	1,901,618	–
–	–	–	–	5,300,844
–	–	–	5,375,587	3,098,454
–	–	–	185,683,966	6,190,672
192,955,783	60,339,865	(88,264,007)	649,944,710	397,244,980
–	–	–	–	(47,107,116)
–	–	–	2,061,794	8,401,252
–	–	–	159,061,000	84,117,400
192,955,783	**60,339,865**	**(88,264,007)**	**1,089,317,630**	**507,725,727**

Property LKR '000	Others LKR '000	Surplus Collateral LKR '000	Net Collateral LKR '000	Net Exposure LKR '000
–	–	–	28,436,414	51,480,145
–	–	–	38,939,790	–
–	–	–	–	27,975,582
–	–	–	12,299,088	–
–	–	–	–	7,419,288
–	–	–	8,387,359	3,785,945
–	–	–	227,544,757	5,016,511
144,571,329	35,617,772	(81,320,764)	585,425,807	283,890,471
–	–	–	–	(42,526,648)
–	–	–	2,612,690	9,408,879
–	–	–	146,670,625	99,618,000
144,571,329	**35,617,772**	**(81,320,764)**	**1,050,316,530**	**446,068,173**

58.2.2 Credit Quality by Class of Financial Assets

The Bank has established borrower risk rating models for corporate exposures covering different industries through the Integrated Risk Management System (IRMS), which would be used for decision making process and estimation of probability of default. In addition, facility rating models have been established for the transaction specific factors; these would be subsequently used in Internal Rating Based Approach under Basel II. The borrower risk rating system categorises all performing corporate credits into eight grades on the basis of underlying credit quality. For consumer lending, the Bank has established credit-scorecards covering retail segment through the IRMS for evaluating credit facilities and monitoring credit quality.

The Bank's non-performing advances are categorised as per the CBSL guidelines. At each Reporting date the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that there is an incurred loss.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an impairment charges against loans and advances. A detailed note on impairment of loans and advances is in Note 26 to the Financial Statements.

The Bank writes off certain loans and advances and investment securities when they are determined to be uncollectible.

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system and intrinsic risk of the financial assets. Highgrades include advances granted to GOSL and loans and advances granted to corporate borrowers whose internal credit ratings are AAA, AA or A. Standard grade consists of corporate borrowers whose internal credit rating is BBB, BB or B. Substandard grade includes corporate borrowers whose credit rating is C or D:

	As at 31 December 2016						
	Neither Past Due/Nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Grades not Allocated/ Unrated	Past Due but not Individually Impaired	Individually Impaired	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial Assets							
Cash and cash equivalents	43,393,783	–	–	24,312,008	–	–	67,705,791
Balances with Central Banks	56,387,741	–	–	–	–	–	56,387,741
Placements with banks	11,674,664	–	–	–	–	–	11,674,664
Securities purchased under resale agreements	1,901,618	–	–	–	–	–	1,901,618
Derivative financial instruments	5,300,844	–	–	–	–	–	5,300,844
Financial instruments – Held for trading	5,375,587	–	–	3,098,454	–	–	8,474,041
Financial investments – Loans and receivable	185,683,966	–	–	6,190,672	–	–	191,874,638
Loans and advances to customers	279,845,017	108,409,398	16,554,840	422,192,716	187,105,186	33,082,533	1,047,189,690
Impairment	-	–	–	–	–	–	(47,107,116)
Financial investments – Available for sale	2,061,794	–	–	8,401,252	–	–	10,463,046
Financial investments – Held to maturity	242,480,848	–	–	697,552	–	–	243,178,400
Total Financial Assets	**834,105,862**	**108,409,398**	**16,554,840**	**464,892,654**	**187,105,186**	**33,082,533**	**1,597,043,357**

Age Analysis of Past Due But Not individually Impaired Loans	Past Due But Not individually Impaired					
	Less than 30 Days LKR '000	31 to 60 Days LKR '000	61 to 90 Days LKR '000	91 to 180 Days LKR '000	181 Days and Over LKR '000	Total LKR '000
Loans and advances to customers	93,525,723	51,317,462	5,680,504	5,122,053	31,459,444	187,105,186

Note: Age analysis of past due but not individually impaired loans include facilities in arrears of one day and above.

	As at 31 December 2015						
	Neither Past Due/Nor Impaired						
	High Grade LKR '000	Standard Grade LKR '000	Substandard Grade LKR '000	Grades not Allocated/ Unrated LKR '000	Past Due but not Individually Impaired LKR '000	Individually Impaired LKR '000	Total LKR '000
Financial Assets							
Cash and cash equivalents	41,360,175	–	–	38,556,384	–	–	79,916,559
Balances with Central Banks	38,939,790	–	–				38,939,790
Placements with banks	27,975,582	–	–	–	–	–	27,975,582
Securities purchased under resale agreements	12,299,088	–	–	–	–	–	12,299,088
Derivative financial instruments	7,419,288	–	–	–	–	–	7,419,288
Financial instruments – Held for trading	8,387,359	–	–	3,785,945	–	–	12,173,304
Financial investments – Loans and receivable	227,544,756	–	–	5,016,512	–	–	232,561,268
Loans and advances to customers	253,180,078	34,899,289	112,019,544	308,135,174	124,136,118	36,946,075	869,316,278
Impairment	–						(42,526,648)
Financial investments – Available for sale	2,612,690	–	–	9,408,879	–	–	12,021,569
Financial investments – Held to maturity	246,288,625	–	–	–	–	–	246,288,625
Total Financial Assets	**866,007,431**	**34,899,289**	**112,019,544**	**364,902,894**	**124,136,118**	**36,946,075**	**1,496,384,703**

Age Analysis of Past Due But not individually Impaired Loans	Past Due but not individually Impaired					
	Less than 30 Days LKR '000	31 to 60 Days LKR '000	61 to 90 Days LKR '000	91 to 180 Days LKR '000	181 Days and Over LKR '000	Total LKR '000
Loans and advances to customers	54,684,470	37,297,031	5,786,244	2,875,788	23,492,585	124,136,118

Note: Age analysis of past due but not individually impaired loans include facilities in arrears of one day and above.

Country Wise Exposure

31 December 2016	Sri Lanka LKR '000	United Kingdom LKR '000	Maldives LKR '000	India LKR '000	United States of America LKR '000	Seychelles LKR '000	Other Countries LKR '000	Total LKR '000
Financial Assets								
Cash and cash equivalents	38,436,122	13,156,378	3,912,193	89,880	10,908,334	94,560	1,108,324	67,705,791
Balances with Central Banks	50,700,556	–	4,900,518	516,838	–	269,829	–	56,387,741
Placements with banks	156,619	10,200,705	–	1,317,340	–	–	–	11,674,664
Securities purchased under resale agreements	1,901,618	–	–	–	–	–	–	1,901,618
Derivative financial instruments	5,300,844	–	–	–	–	–	–	5,300,844
Financial instruments – Held for trading	8,474,041	–	–	–	–	–	–	8,474,041
Financial investments – Loans and receivable	176,705,115	–	15,169,523	–	–	–	–	191,874,638
Loans and advances to customers	953,431,521	–	39,544,046	6,145,043	–	961,964	–	1,000,082,574
Financial investments – Available for sale	9,321,157	–	–	1,141,889	–	–	–	10,463,046
Financial investments – Held to maturity	243,178,400	–	–	–	–	–	–	243,178,400
Total Financial Assets	**1,487,605,993**	**23,357,083**	**63,526,280**	**9,210,990**	**10,908,334**	**1,326,353**	**1,108,324**	**1,597,043,357**
Financial Liabilities								
Due to banks	1,309,844	–	–	732,478	–	–	–	2,042,322
Securities sold under resale agreements	59,424,629	–	–	–	–	–	–	59,424,629
Derivative financial instruments	171,663	–	–	–	–	–	–	171,663
Due to customers	1,222,384,532	–	29,039,013	3,664,581	–	1,501,364	–	1,256,589,490
Other borrowings	4,197,950	–	–	276,903	–	–	190,995,000	195,469,853
Debt securities issued	3,427,058	–	–	–	–	–	–	3,427,058
Subordinated term debts	38,645,546	–	–	–	–	–	–	38,645,546
Total Financial Liabilities	**1,329,561,222**	**–**	**29,039,013**	**4,673,962**	**–**	**1,501,364**	**190,995,000**	**1,555,770,561**

31 December 2015	Sri Lanka LKR '000	United Kingdom LKR '000	Maldives LKR '000	India LKR '000	United States of America LKR '000	Seychelles LKR '000	Other Countries LKR '000	Total LKR '000
Financial Assets								
Cash and cash equivalents	68,093,505	731,685	272,922	62,314	10,071,356	107,792	576,985	79,916,559
Balances with Central Banks	30,164,106	–	8,209,788	464,892	–	101,004	–	38,939,790
Placements with banks	58,341	26,376,605	–	1,540,636	–	–	–	27,975,582
Securities purchased under resale agreements	12,299,088	–	–	–	–	–	–	12,299,088
Derivative financial instruments	7,419,288	–	–	–	–	–	–	7,419,288
Financial instruments – Held for trading	12,173,304	–	–	–	–	–	–	12,173,304
Financial investments – Loans and receivable	224,985,928	–	7,575,340	–	–	–	–	232,561,268
Loans and advances to customers	799,139,228	–	21,762,791	5,161,128	–	726,483	–	826,789,630
Financial investments – Available for sale	10,877,987	–	–	1,143,582	–	–	–	12,021,569
Financial investments – Held to maturity	246,288,625	–	–	–	–	–	–	246,288,625
Total Financial Assets	**1,411,499,400**	**27,108,290**	**37,820,841**	**8,372,552**	**10,071,356**	**935,279**	**576,985**	**1,496,384,703**
Financial Liabilities								
Due to banks	1,010,161	–	–	1,620,247	–	–	–	2,630,408
Securities sold under resale agreements	87,353,154	–	–	–	–	–	–	87,353,154
Derivative financial instruments	156,302	–	–	–	–	–	–	156,302
Due to customers	1,055,393,715	–	23,303,374	2,762,619	–	877,410	–	1,082,337,118
Other borrowings	3,362,252	21,609,000	–	18,295,620	7,178,952	–	199,643,278	250,089,102
Debt securities issued	3,427,058	–	–	–	–	–	–	3,427,058
Subordinated term debts	35,627,450	–	–	–	–	–	–	35,627,450
Total Financial Liabilities	**1,186,330,092**	**21,609,000**	**23,303,374**	**22,678,486**	**7,178,952**	**877,410**	**199,643,278**	**1,461,620,592**

58.2.3 Analysis of Risk Concentration

At portfolio level, risk arise from concentration of exposures to individual/group of borrowers, industry/sectors and geographical regions.

Country Wise Exposure

The Bank maintains exposures outside Sri Lanka mainly due to its three branches in India, Maldives and Seychelles and the fully-owned subsidiary operating in United Kingdom (UK). All overseas branches are operating with pre-set limits (credit limits as well as country limits) and are approved by the Board of Directors while the credits are managed through delegated authority where the higher levels of authority is retained within Head Office in Colombo.

UK subsidiary is operating under regulatory purview of UK Prudential Regulation Authority and by having the control over the decentralised credit decision through the Board of Directors appointed by the Bank. The key staff including Chief Executive Officer and Deputy Chief Executive Officer are the employees seconded from Bank of Ceylon. UK operations have established risk exposure levels as part of its risk management framework.

Exposures in other countries include placements with banks and Nostro account balances with correspondent banks whose risks are managed through Board approved bank limits and country limits.

Sector Wise Exposure

31 December 2016	Agriculture and Fisheries LKR '000	Banking Finance and Insurance business LKR '000	Hotels, Travels and Services LKR '000	Housing, Construction and Infrastructure LKR '000	Manufacturing LKR '000	Commercial Trade LKR '000
Cash and cash equivalents	–	14,492,569	–	–	–	–
Balances with Central Banks	–	–	–	–	–	–
Placements with banks	–	11,674,664	–	–	–	–
Securities purchased under resale agreements	–	–	–	–	–	–
Derivative financial instruments	–	5,300,844	–	–	–	–
Financial instruments – Held for trading	531,124	82,702	386,666	93,999	827,151	972,381
Financial investments – Loans and receivable	–	5,225,215	–	–	–	965,457
Loans and advances to customers	93,122,279	35,577,036	38,962,287	220,818,815	64,745,001	180,657,875
Impairment	–	–	–	–	–	–
Financial investments – Available for sale	–	8,401,252	–	–	–	–
Financial investments – Held to maturity	–	–	–	–	–	–
Total Financial Assets	**93,653,403**	**80,754,282**	**39,348,953**	**220,912,814**	**65,572,152**	**182,595,713**

31 December 2015	Agriculture and Fisheries LKR '000	Banking Finance and Insurance business LKR '000	Hotels, Travels and Services LKR '000	Housing, Construction and Infrastructure LKR '000	Manufacturing LKR '000	Commercial Trade LKR '000
Cash and cash equivalents	–	12,923,761	–	–	–	–
Balances with Central Banks	–	–	–	–	–	–
Placements with banks	–	27,975,582	–	–	–	–
Securities purchased under resale agreements	–	–	–	–	–	–
Derivative financial instruments	–	7,419,288	–	–	–	–
Financial instruments – Held for trading	129,977	109,331	484,159	369,648	1,481,977	107,582
Financial investments – Loans and receivable	–	4,321,008	–	–	–	695,505
Loans and advances to customers	86,660,336	17,621,880	27,853,322	178,161,683	49,931,287	167,215,850
Less: Impairment	–	–	–	–	–	–
Financial investments – Available for sale	–	9,408,879	–	–	–	–
Financial investments – Held to maturity	–	–	–	–	–	–
Total Financial Assets	**86,790,313**	**79,779,729**	**28,337,481**	**178,531,331**	**51,413,264**	**168,018,937**

**This excludes exposure to State Owned Enterprises (SOEs).*

Sovereign and Direct Government LKR '000	Transportation and Logistics LKR '000	Other Commercial Services LKR '000	Consumption and Others LKR '000	Total LKR '000
–	–	–	53,213,222	67,705,791
56,387,741	–	–	–	56,387,741
–	–	–	–	11,674,664
1,901,618	–	–	–	1,901,618
–	–	–	–	5,300,844
5,375,587	11,274	193,157	–	8,474,041
185,683,966	–	–	–	191,874,638
101,138,871*	49,524,934	22,027,488	240,615,104	1,047,189,690
–	–	–	–	(47,107,116)
434,475	–	–	1,627,319	10,463,046
243,178,400	–	–	–	243,178,400
594,100,658	**49,536,208**	**22,220,645**	**295,455,645**	**1,597,043,357**

Sovereign and Direct Government LKR '000	Transportation and Logistics LKR '000	Other Commercial Services LKR '000	Consumption and Others LKR '000	Total LKR '000
–	–	–	66,992,798	79,916,559
38,939,790	–	–	–	38,939,790
–	–	–	–	27,975,582
12,299,088	–	–	–	12,299,088
–	–	–	–	7,419,288
8,387,359	–	1,103,271	–	12,173,304
219,969,415	–	–	7,575,340	232,561,268
108,448,614*	44,549,525	28,241,499	160,632,282	869,316,278
–	–	–	–	(42,526,648)
1,469,107	–	–	1,143,583	12,021,569
246,288,625	–	–	–	246,288,625
635,801,998	**44,549,525**	**29,344,770**	**236,344,003**	**1,496,384,703**

58.2.4 Commitments and Guarantees

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Bank.

The table below shows the Bank's maximum credit risk exposure for commitments and guarantees.

As at 31 December	Bank	
	2016 LKR '000	2015 LKR '000
Acceptances and documentary credit	133,108,741	145,462,242
Forward exchange contracts	78,538,947	37,342,272
Guarantees	88,636,554	91,386,393
	300,284,242	**274,190,907**

58.3 Liquidity Risk and Funding Management

ALCO being the main Management Committee for taking important decisions on managing liquidity and market risk, Bank's funding plan is reviewed regularly and remedial measures are proposed to rectify any material deviation which might lead to a stressed liquidity situation.

Treasury division prepares the Maturity Gap Analysis on a monthly basis and submits to ALCO for decision making purpose. Assets and liabilities of the Bank are positioned into predefined time bands according to their residual term to maturity. Assets and liability mismatches are monitored against the limits to mitigate liquidity risk of the Bank.

The table below presents the contractual undiscounted maturity of the Bank's financial liabilities as at 31 December 2016.

31 December 2016	On Demand LKR '000	Less than 3 Months LKR '000	3 to 12 Months LKR '000	1 to 5 Years LKR '000	Over 5 Years LKR '000	Total LKR '000
Due to banks	–	2,042,322	–	–	–	2,042,322
Securities sold under resale agreements	–	43,420,086	61,985,387	17,307	–	105,422,780
Derivative financial instruments	–	171,663	–	–	–	171,663
Due to customers	544,978,039	286,365,143	390,777,612	61,946,504	3,178	1,284,070,476
Other borrowings	–	34,719,659	81,273,566	79,892,126	824,918	196,710,269
Debt securities issued	–	–	3,823,000	–	–	3,823,000
Subordinated debentures	–	–	9,584,647	8,595,013	9,455,669	27,635,329
Total Financial Liabilities	**544,978,039**	**366,718,873**	**547,444,212**	**150,450,950**	**10,283,765**	**1,619,875,839**

31 December 2015	On Demand LKR '000	Less than 3 Months LKR '000	3 to 12 Months LKR '000	1 to 5 Years LKR '000	Over 5 Years LKR '000	Total LKR '000
Due to banks	–	2,630,408	–	–	–	2,630,408
Securities sold under resale agreements	–	–	–	–	–	–
Derivative financial instruments	–	156,302	–	–	–	156,302
Due to customers	503,153,702	220,273,160	317,080,983	49,419,624	38,025	1,089,965,494
Other borrowings	–	141,294,433	64,601,985	161,719,368	–	367,615,786
Debt securities issued	–	–	517,400	3,823,000	–	4,340,400
Subordinated debentures	–	–	8,908,873	32,151,422	8,789,641	49,849,936
Total Financial Liabilities	**503,153,702**	**364,354,303**	**391,109,241**	**247,113,414**	**8,827,666**	**1,514,558,326**

58.4 Market Risk

Market risk is the risk that the fair value of the future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, equity prices and commodity prices. The Bank classifies exposures into either trading or non-trading portfolios and manages each of these portfolios separately. The market risk for the foreign exchange and equity trading portfolio are managed and monitored based on a Value at Risk (VaR) methodology that reflects the interdependency between risk variables. Interest rate risk of the trading portfolio is managed through Price Value per Basis Point (PVBP) and duration analysis.

Non-trading portfolios are managed and monitored using sensitivity analysis and stress testing.

58.4.1 Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to foreign exchange rates. The Bank carries moderate level of open positions and therefore does not have significant sensitivity to profit and loss over foreign currency trading transactions. A detailed limit structure along with VaR limits prescribed by the IIRMD govern the foreign exchange risk. Currency VaR as at 31 December 2016 LKR 829,036/- (2015 – LKR 1,317,688/-) and our risk appetite limit is LKR 8,000,000/- (2015 – LKR 8,000,000/-).

Foreign Exchange Position as at 31 December	2016		2015	
	Net Overall Long LKR '000	Net Overall Short LKR '000	Net Overall Long LKR '000	Net Overall Short LKR '000
Currency				
United states dollar	82,924	–	–	(231,518)
Great britain pound	14	–	671	–
Euro	112	–	–	(113)
Japanese yen	2	–	1,512	–
Australian dollar	–	(1,123)	65	–
Canadian dollar	–	(326)	–	(415)
Swiss franc	489	–	1,617	–
Singapore dollar	–	(1,052)	–	(967)
Hong Kong dollar	(1,838)	–	–	(789)
Subtotal	11,745	(2,501)	3,865	(233,802)
Other currencies	4,783	(647)	4,783	(647)
Grand total	2,376	(3,148)	8,648	(234,449)
Higher of long or short		(3,148)		(234,449)

Impact on Income Statement due to Exchange Rate Shocks

Exchange Rate Shocks	2016		2015	
	Net Open Position (After Rate Shocks) LKR '000	Impact on Income Statement as at 31 December 2016 LKR '000	Net Open Position (After Rate Shocks) LKR '000	Impact on Income Statement as at 31 December 2015 LKR '000
5%	(2,991)	157	(222,726)	11,722
10%	(2,833)	315	(211,003)	23,445
-5%	(3,305)	(157)	(246,172)	(11,722)
-10%	(3,463)	(315)	(257,893)	(23,444)

58.4.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rate will affect future cash flows or the fair value of the financial instruments.

PVBP and duration analysis are monitored weekly to assess the impact of interest rate changes on Bank's trading portfolios of Treasury Bonds and Bills.

	2016	2015
HFT Bond Portfolio		
PVBP (LKR million)	0.1	0.5
Duration (Years)	2.4	2.4
HFT Bill Portfolio		
PVBP (LKR million)	0.2	0.1
Duration (Years)	0.4	0.2
AFS Bond Portfolio		
PVBP (LKR million)	0.1	0.1
Duration (Years)	2.9	4.4
AFS Bill Portfolio		
PVBP (LKR million)	–	0.02
Duration (Years)	–	0.4

Interest rate risk in the bank book is monitored by placing the interest sensitive assets and liabilities in predetermined maturity buckets considering its residual time to maturity and setting and monitoring gap limits and the repricing profile.

2016	Up to 1 Month %	1-3 Months %	3-6 Months %	6-12 Months %	1-2 Years %	2-3 Years %	3-4 Years %	4-5 Years %	Over 5 Years %
Rate sensitive assets	8.6	13.8	9.5	13.8	15.1	15.1	3.6	3.6	16.9
Rate sensitive liabilities	8.1	11.7	8.4	25.1	7.4	7.4	4.5	4.5	23.0
GAP	-0.5	-2.1	-1.0	11.3	-7.7	-7.7	0.8	0.8	6.1

2015	Up to 1 Month %	1-3 Months %	3-6 Months %	6-12 Months %	1-2 Years %	2-3 Years %	3-4 Years %	4-5 Years %	Over 5 Years %
Rate sensitive assets	13.9	14.9	4.3	12.0	14.3	14.3	5.5	5.5	15.3
Rate sensitive liabilities	14.6	14.7	9.5	14.4	6.9	6.9	6.4	6.4	20.3
GAP	-0.7	0.2	-5.2	-2.4	7.4	7.4	-0.9	-0.9	-5.0

58.4.3 Equity Risk

Equity risk is the risk that the fair value of equity portfolio decreases due to a change in the level of equity indices and individual stocks. Equity risk is monitored by stipulating overall portfolio limits and use of VaR methodology.

Equity VaR	2016 LKR'000	2015 LKR'000
Highest	151,146	201,966
Lowest	117,168	124,690
Average	134,170	155,150
31 December	131,409	145,900

58.5 Operational Risk

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

The Bank recognises the significance of operational risk, which is inherent in all areas of business. The Bank seeks to minimise exposure to operational risk, through implementing improved management and control mechanisms.

Bank uses Basic Indicator Approach (BIA) to allocate capital for operational risk. Even though the capital allocated for operational risk was significant, the actual operational loss was far below the allocated capital.

58.6 Capital Management

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

58.6.1 Capital Adequacy

Capital Adequacy Ratio (CAR) is a measure of the Bank's capital expressed as a percentage of risk-weighted assets of credit, market and operational aspects of the banking business. It is a measure of financial strength of the Bank which indicates its ability to maintain adequate capital to face with unforeseen scenarios.

Central Bank of Sri Lanka (CBSL) defines and monitors CAR to ensure that banks are not participating or holding investments that increase the risk of default and that they have enough capital to sustain operating losses and thereby maintaining confidence in the banking system.

The Bank calculates CAR based on International Convergence of Capital Measurement and Capital Standards, Revised framework, which is commonly known as Basel II framework. IIRMD actively and continuously monitor the CAR, while stressing rigorously for worst possible scenarios. ICAAP factors out all possible risks such as reputation risk, strategic risk, compliance risk, concentration risk and interest rate risk by banking book.

59. Comparative Information

Following comparative information of these Financial Statements are amended to conform to the current year's presentation.

		Bank			Group		
	Note	As presented in this report LKR '000	Disclosed in 2015 LKR '000	Adjustment LKR '000	As presented in this report LKR '000	Disclosed in 2015 LKR '000	Adjustment LKR '000
Statement of Profit or Loss							
Interest income	59.1	112,745,122	114,158,754	(1,413,632)	117,083,894	118,497,526	(1,413,632)
Impairment charge/(reversal) for loans and other losses	59.1	5,903,803	7,317,435	(1,413,632)	6,365,954	7,779,586	(1,413,632)
Share of profits/(losses) of associate companies	59.2	–	–	–	93,590	106,833	(13,243)
Income tax expense	59.2	–	–	–	8,089,281	8,102,524	(13,243)
Statement of Other Comprehensive Income							
Gains/(Losses) on remeasuring available for sale financial investments	59.3	(1,299,873)	(1,303,645)	3,772	(1,094,565)	(1,098,337)	3,772
Realised gains on AFS financial investments transferred to profit or loss	59.3	(3,772)	–	(3,772)	(3,772)	–	(3,772)

59.1 Interest recognition on past due loans and advances under homogeneous category was changed during the year and accordingly comparative numbers are begin adjusted through interest income and impairment.

59.2 Share of profit of associate companies was recognised on net of taxes instead of gross basis.

59.3 Realised gains on AFS financial investments have been stated separately.

Compliance Annexes

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Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of Compliance during the Year 2016
3 (1)	**The Responsibilities of the Board**	
3 (1) (i)	The Board shall strengthen the safety and soundness of the bank by ensuring the implementation of the following: a. Approve and oversee the bank's strategic objectives and corporate values and ensure that these are communicated throughout the bank;	Complied with. Strategic objectives and values are incorporated in the Board-approved Corporate Plan for the period 2016-2018. These were communicated to all levels of staff through regular briefing sessions and at off-site discussion meetings, where the Corporate Plan was launched and reinforced by the Corporate Management Team. The Board-approved Corporate Plan for 2017-2019 is in place. The Corporate values are included in the Employee Handbook given to all employees which is also available on the intranet.
	b. Approve the overall business strategy of the bank, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least the next three years;	Complied with. The Bank's overall Business Strategy is included in the Corporate Plan 2016-2018 and the Action Plan for the same period which was approved by the Board. The risk appetite, policy, management framework and mechanisms have also been approved by the Board in line with the strategic plan. Measurable goals for the Bank as a whole have been set and performance is measured in line with these goals also at off-site discussion meetings.
	c. Identify the principal risks and ensure implementation of appropriate systems to manage the risks prudently;	Complied with. The Board has appointed a Board Integrated Risk Management Committee tasked with approving the Bank's Risk Policy, defining the risk appetite, identifying principal risks, setting governance structures and implementing systems to measure, monitor and manage the principal risks. The Bank has implemented a process where the Board members discuss at length the risks arising out of new strategies and further the ways and means to mitigate such risks. A Board-approved Integrated Risk Management Policy covering all areas of risk is in place. The following reports also provide further details in this regard: ■ Risk Management Report on pages 78 to 92. ■ Integrated Risk Management Committee Report on pages 72 and 73.
	d. Approve implementation of a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers;	Complied with. Board has approved and implemented a Communication Policy covering all stakeholders which is reviewed periodically.
	e. Review the adequacy and the integrity of the bank's internal control systems and management information systems;	Complied with. The Board Audit Committee which reports to the Board is tasked with reviewing the adequacy and the integrity of the Bank's internal control system. The Board reviews the adequacy of Management Information Systems (MIS). This Committee reviewed reports from the Internal Audit Department which reports directly to the Audit Committee and from the External Auditors in carrying out this task. Internal Audit Department is tasked with information systems audits to assess the effectiveness of the MIS. The Board has reviewed the adequacy of the MIS and the Internal Control System.

Section	Principle	Level of Compliance during the Year 2016
	f. Identify and designate Key Management Personnel;	Complied with. In terms of the Central Bank of Sri Lanka guidelines dated 2 December 2015 and Banking Act Determination No. 3 of 2010, the Bank has identified the General Manager, Deputy General Managers, the Assistant General Managers and officers in allied grades as Key Management Personnel (KMP) of the Bank for Corporate Governance purposes.
	g. Define the areas of authority and key responsibilities for the Board Directors themselves and for the Key Management Personnel;	Complied with. Areas of authority and key responsibilities have been defined for the Directors and Key Management Personnel during 2016 through the Board Charter and position descriptions respectively. Board Charter was reviewed.
	h. Ensure that there is appropriate oversight of the affairs of the bank by Key Management Personnel, that is consistent with Board policy;	Complied with. Performance against the Bank's Corporate Plan is reviewed by the Board based on the Action Plan. Key Management Personnel make regular presentations to the Board and Subcommittees on matters under their purview and are also called in by the Board as and when needed to explain matters relating to their areas.
	i. Periodically assess the effectiveness of the Board Directors' own governance practices, including: (i) the selection, nomination and election of Directors and Key Management Personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary;	Complied with. Implementation of governance practices are reviewed periodically by the Nomination and Corporate Governance Committee and reported to the Board. A self-evaluation of the performance of the Board is carried out annually in relation to business strategy and contribution based on their field of expertise.
	j. Ensure that the bank has an appropriate succession plan for Key Management Personnel;	Complied with. A Succession Plan for Key Management Personnel (viz. for the Corporate and Executive Management) is in place. This is reviewed by the Nomination & Corporate Governance Committee and submitted to the Board.
	k. Meet regularly, on a needs basis, with the Key Management Personnel to review policies, establish communication lines and monitor progress towards corporate objectives;	Complied with. Key Management Personnel regularly present or are called in for discussions at the meetings of the Board and its Subcommittees on policy and other matters relating to their areas. The performance review of the Corporate Plan is carried out at off-site locations with the participation of the management.
	l. Understand the regulatory environment and ensure that the bank maintains an effective relationship with regulators;	Complied with. On appointment as Directors, the Board is furnished with all applicable regulatory requirements. They are also briefed about developments in the regulatory environment at Board meetings to ensure that their knowledge is updated regularly to facilitate effective discharge of their responsibilities. Compliance reports submitted to Central Bank of Sri Lanka which includes all returns to regulators are presented to the Board monthly and monitored closely by the Board.
	m. Exercise due diligence in the hiring and oversight of External Auditors.	Complied with. As provided for in the Constitution of the country, the Auditor General is the External Auditor of the Bank as it is a State-Owned Enterprise.

Section	Principle	Level of Compliance during the Year 2016
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.	Complied with when read in conjunction with Direction No. 3 (9) (ii). The Board appoints the Chief Executive Officer referred to as the General Manager in the Bank of Ceylon with the approval of the Minister under whose purview the Bank falls and the Chairman is appointed by the said Minister in terms of the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Board has also approved their functions and responsibilities maintaining the balance of power between the two roles through the Board Charter.
3 (1) (iii)	The Board shall meet regularly and Board meetings shall be held at least twelve times a year at approximately monthly intervals. Such regular Board meetings shall normally involve active participation in person of a majority of Directors entitled to be present. Obtaining the Board's consent through the circulation of written resolutions/papers shall be avoided as far as possible.	Complied with. Regular fortnightly Board meetings are held and special meetings are scheduled as and when the need arises. During the year under review the Board met 28 times. The Bank has minimised obtaining approval via circular resolutions and it is done only on an exceptional basis and such resolutions are ratified by the Board at the next meeting. During the year 2016 five resolutions have been passed by circulation.
3 (1) (iv)	The Board shall ensure that arrangements are in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the bank.	Complied with. Meetings are scheduled and the Board is informed at the beginning of the each calendar year to enable submission of proposals to the agenda for regular meetings.
3 (1) (v)	The Board procedures shall ensure that notice of at least seven days is given of a regular Board meeting to provide all Directors an opportunity to attend. For all other Board meetings, reasonable notice may be given.	Complied with. Notice of meetings are given through an Annual Calendar at the beginning of the year. Agenda and Board papers for the Board meetings are circulated to the Directors seven days prior to the meetings through a secure eSolution. Reasonable notice is given before any special meeting.
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.	The Directors are apprised of their attendance in accordance with the Corporate Governance Code. Details of the Directors' attendance are set out on page 66 No Director has been absent for three consecutive meetings during the year 2016.
3 (1) (vii)	The Board shall appoint a Company Secretary who satisfies the provisions of Section 43 of the banking Act No. 30 of 1988, whose primary responsibilities shall be to handle the secretariat services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied with. The Secretary, Bank of Ceylon/Secretary to the Board is an Attorney-at-Law, whose credentials/qualifications are in compliance with the provisions of Section 43 of the Banking Act No.30 of 1988 and its amendments. She is primarily responsible for handling the secretariat services to the Board and carrying out other functions specified in the statutes and other regulations.

Section	Principle	Level of Compliance during the Year 2016
3 (1) (viii)	All Directors shall have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable rules and regulations are followed.	Complied with. All members of the Board have the opportunity to obtain the advice and services of the Secretary to the Board who is an Attorney-at-Law and who is responsible to the Board for follow up of Board procedures, compliance with rules and regulations, directions and statutes and keeping and maintaining minutes and relevant records of the Bank.
3 (1) (ix)	The Company Secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any Director.	Complied with. The Secretary, Bank of Ceylon/Secretary to the Board maintains the minutes of the Board meetings and circulates same to all Board Members through a secure eSolution. The minutes are approved at the subsequent Board meeting. Additionally, the Directors have access to the past Board papers and minutes through a secure electronic link.
3 (1) (x)	Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes shall also serve as a reference for regulatory and supervisory authorities to assess the depth of deliberations at the Board meetings. Therefore, the minutes of a Board meeting shall clearly contain or refer to the following: a. a summary of data and information used by the Board in its deliberations; b. the matters considered by the Board; 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; 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; 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 f. the decisions and Board resolutions.	Complied with. Minutes of the meetings are kept covering the given criteria.
3 (1) (xi)	There shall be a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the bank's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director or Directors to discharge his/her/their duties to the bank.	Complied with. A Policy for Directors' Access to Independent Professional Advice is in place and the Directors are able to obtain independent professional advice when deemed necessary.
3 (1) (xii)	Directors shall avoid conflicts of interests, or the appearance of conflicts of interest, in their activities with, and commitments to, other organisations or related parties. If a Director has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, the matter should be dealt with at a Board meeting, where Independent Non-Executive Directors [refer to Direction 3 (2) (iv) of these Directions] who have no material interest in the transaction, are present. Further, a Director shall abstain from voting on any Board resolution in relation to which he/she or any of his/her close relation or a concern, in which a Director has substantial interest, is interested and he/she shall not be counted in the quorum for the relevant agenda item at the Board meeting.	Complied with. The Directors are conscious of their obligation to deal with a situation when there is a conflict of interest in accordance with applicable regulations. A Board approved Policy on Conflict of Interest is in place. As a practice at every Board meeting (held on a fortnightly basis) Directors are required to declare any interest in contracts/new appointments to any other Board or Institution. Directors abstain from participating in the discussions, voicing their opinion or approving in situations where there is a conflict of interest and such Director is not counted in the quorum in such instances.

Section	Principle	Level of Compliance during the Year 2016
3 (1) (xiii)	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the Direction and control of the bank is firmly under its authority.	Complied with. Powers Reserved for the Board are included in the Board Charter which was reviewed.
3 (1) (xiv)	The Board shall, if it considers that the Bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of bank Supervision of the situation of the bank prior to taking any decision or action.	Such a situation has not arisen during the year 2016. Monthly Financial Statements submitted to the Board assures the Board of the Bank's solvency.
3 (1) (xv)	The Board shall ensure that the Bank is capitalised at levels as required by the Monetary Board in terms of the Capital Adequacy Ratio and other prudential grounds.	The Board ensures that the Bank is capitalised at levels as required by the Monetary Board in terms of the Capital Adequacy Ratio (CAR) and other prudential grounds. Capital Augmentation Plan is submitted to the Board on quarterly basis. Calculation of CAR is submitted to the Board with the monthly Financial Statements of the Bank.
3 (1) (xvi)	The Board shall publish in the Bank's Annual Report, an annual Corporate Governance Report setting out the compliance with Direction 3 of these Directions.	Complied with. These disclosures are part of the Corporate Governance Report in the Bank's Annual Report.
3 (1) (xvii)	The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually, and maintain records of such assessments.	Complied with. A scheme of self-assessment is adopted. The self-assessment reports of the Board is maintained by the Secretary, Bank of Ceylon/Secretary to the Board.
3 (2)	**The Board's Composition**	
3 (2) (i)	The number of Directors on the Board shall not be less than 7 and not more than 13.	According to the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments the number of Directors permitted on the Board is six and the present Board consists of six Directors. Bank is in the process of amending the said Bank of Ceylon Ordinance to accommodate the said requirement of the Direction.
3 (2) (ii)	a. The total period of service of a Director other than a Director who holds the position of Chief Executive Officer shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such Director up to 1 January 2008.	Complied with. Present Directors of Bank of Ceylon have been in office for a period less than nine years. Details of their appointments are given on pages 36 to 41 of this Annual Report.
	b. In this context, the following general exemption shall apply: A Director who has completed nine years as at 1 January 2008, or who completes such term at any time prior to 31 December 2008, may continue for a further maximum period of three years commencing 1 January 2009.	Not applicable.
3 (2) (iii)	An employee of a bank may be appointed, elected or nominated as a Director of the bank (hereinafter referred to as an 'Executive Director') provided that the number of Executive Directors shall not exceed one-third of the number of Directors of the Board. In such an event, one of the Executive Directors shall be the Chief Executive Officer of the bank.	Complied with. There are no Executive Directors in Bank of Ceylon.

Section	Principle	Level of Compliance during the Year 2016
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 1 January 2010 onwards. A Non-Executive Director shall not be considered independent if he/she: a. has direct and indirect shareholdings of more than 1%of the bank; 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 No. 3 (7) hereof, exceeding 10% of the regulatory capital of the bank; c. has been employed by the bank during the two year period immediately preceding the appointment as Director; 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; e. represents a specific stakeholder of the bank; f. is an employee or a Director or a material shareholder in a Company or business organisation: i. which currently has a transaction with the bank as defined in Direction No. 3 (7) of these Directions, exceeding 10% of the regulatory capital of the bank, or ii. in which any of the other Directors of the bank are employed or are Directors or are material shareholders; or iii. in which any of the other Directors of the bank have a transaction as defined in Direction No. 3 (7) of these Directions, exceeding 10% of regulatory capital in the bank;	Complied with. The entire Board of Bank of Ceylon consists of six Non-Executive Directors. Out of them five are identified as Independent Directors based on the criteria specified in this Direction. They are identified on pages 36 to 41 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 Director was appointed to represent any Director.
3 (2) (vi)	Non-Executive Directors shall be persons with credible track records and/or have necessary skills and experience to bring an independent judgment to bear on issues of strategy, performance and resources.	Complied with. Present Directors' Profiles appearing on pages 36 to 41 spell out the necessary information.
3 (2) (vii)	A meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present, unless more than one half of the number of Directors present at such meeting are Non-Executive Directors. This sub-direction shall be applicable from 1 January 2010 onwards.	Complied with. All the Board Members of Bank of Ceylon are Non-Executive.

Section	Principle	Level of Compliance during the Year 2016
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 with. During the year 2016 the Board consisted of the following members – ■ Mr Ronald C Perera, PC Independent Non-Executive Director ■ Ms. Pushpa Wellapili Non-Executive Ex officio Director (Ceased to be a Director with her retirement from the Government Service on 31 March 2016) ■ Mr Sajith R Attygalle Non-Executive Ex officio Director (Appointed with effect from 27 April 2016 in place of Ms Wellappili) ■ Mr Ranel T Wijesinha Independent Non-Executive Director ■ Mr Charitha N Wijewardane Independent Non-Executive Director ■ Mr Sanjaya Padmaperuma Independent Non-Executive Director ■ Mr H P Ajith Gunawardana 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	Appointments to the Board are made by the shareholder, the Government of Sri Lanka through Minister under whose purview the Bank falls under in terms of the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments.
3 (2) (x)	All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first General Meeting after their appointment.	This does not arise since the relevant Minister appoints them.
3 (2) (xi)	If a Director resigns or is removed from office, the Board shall: 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 b. issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.	Complied with. The Government of Sri Lanka, the sole shareholder does the appointments as well as the removals through the Minister in charge of the subject of Finance. Any resignation is also referred to the same Minister. The Central Bank of Sri Lanka and the Colombo Stock Exchange are kept informed of the resignations. During the year under review Ms Pushpa Wellapili Non-Executive Ex officio Director ceased to be a Director with her retirement from the Government Service on 31 March 2016.
3 (2) (xii)	A Director or an employee of a bank shall not be appointed, elected or nominated as a Director of another bank except where such bank is a subsidiary company or an associate company of the first mentioned bank.	Neither Directors nor employees of Bank of Ceylon are Directors of another Bank, other than for the appointment of a Deputy General Manager to the *Pradeshiya Sanwardana* Bank as per the requirements of the enabling enactments of this Bank (*Pradeshiya Sanwardana* Bank Act No. 41 of 2008).

Section	Principle	Level of Compliance during the Year 2016
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: A Director who has reached the age of 70 years as at 1 January 2008 or who would reach the age of 70 years prior to 31 December 2008 may continue in office for a further maximum period of three years commencing 1 January 2009.	Complied with. None of the Directors of the Bank are over 70 years of age.
3 (3) (ii)	A person shall not hold office as a Director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the bank.	Complied with. No Director holds directorships of more than 20 companies/entities.
3 (4)	**Management Functions Delegated by the Board**	
3 (4) (i)	The Directors shall carefully study and clearly understand the delegation arrangements in place.	The Board periodically reviews and approves the delegation arrangements in place and ensures that the extent of delegation addresses the needs of the Bank whilst enabling the Board to discharge their functions effectively. The provisions in the governing ordinance are considered in this process.
3 (4) (ii)	The Board shall not delegate any matters to a Board Committee, Chief Executive Officer, Executive Directors or Key Management Personnel, to an extent that such delegation would significantly hinder or reduce the ability of the board as a whole to discharge its functions.	
3 (4) (iii)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the bank.	
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 with. 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. A Board Charter is in place defining the responsibilities of the Chairman and the General Manager.
3 (5) (ii)	The Chairman shall be a Non-Executive Director and preferably an Independent Director as well. In the case where the Chairman is not an Independent Director, the Board shall designate an Independent Director as the Senior Director with suitably documented Terms of Reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the bank's Annual Report.	Complied with. The Chairman of Bank of Ceylon is an Independent Non-Executive Director and as such the need to appoint a Senior Independent Director does not arise.
3 (5) (iii)	The Board shall disclose in its Corporate Governance Report, which shall be an integral part of its Annual Report, the identity of the Chairman and the Chief Executive Officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairman and the Chief Executive Officer and the relationships among members of the Board.	Complied with. The identity of the Chairman and the General Manager are disclosed in the Annual Report on pages 38 to 44 there are many references to these roles throughout. There are no material, financial, business or family relationships between the Chairman, General Manager and other members of the Board as per annual declarations taken as at year end 2016.

Section	Principle	Level of Compliance during the Year 2016
3 (5) (iv)	The Chairman shall: (a) provide leadership to the Board; (b) ensure that the board works effectively and discharges its responsibilities; and (c) ensure that all key and appropriate issues are discussed by the Board in a timely manner.	Complied with. The Chairman provides leadership to the Board and ensures that the Board functions effectively in discharging its responsibilities. The Board in a timely manner deliberates all key issues.
3 (5) (v)	The Chairman shall be primarily responsible for drawing up and approving the agenda for each Board meeting, taking into account where appropriate, any matters proposed by the other Directors for inclusion in the agenda. The Chairman may delegate the drawing up of the agenda to the Company Secretary.	Complied with. The Secretary, Bank of Ceylon/Secretary to the Board draws up the agenda under the authority delegated by the Chairman based on the memoranda submitted through the General Manager and any other relevant items proposed by any Board member.
3 (5) (vi)	The Chairman shall ensure that all Directors are properly briefed on issues arising at Board meetings and also ensure that Directors receive adequate information in a timely manner.	The Chairman ensures that the Board is adequately briefed and informed regarding the matters arising at Board meetings. The following procedures are in place to ensure this: ▪ Board papers are circulated seven days prior to the Board meetings through a secured electronic link. ▪ Relevant members of the management team are on hand for explanation and clarifications. ▪ Management information is provided in agreed formats on a regular basis to enable Directors to assess the performance and stability of the Bank. ▪ Directors are able to seek independent professional advice on a needs basis at the Bank's expense.
3 (5) (vii)	The Chairman shall encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the bank.	Complied with.
3 (5) (viii)	The Chairman shall facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relations between Executive and Non-Executive Directors.	Complied with. The entire Board consists of all Non-Executive Directors.
3 (5) (ix)	The Chairman, shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.	Complied with. Chairman is an Independent Non-Executive Director and does not get involved in the direct supervision of Key Management Personnel or any other executive duties.
3 (5) (x)	The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied with. Effective communication is maintained with the Government of Sri Lanka who is the sole shareholder. The Ex officio Director acts as the channel between the Board and the shareholder.
3 (5) (xi)	Chief Executive Officer shall function as the apex executive-in-charge of the day-to-day management of the bank's operations and business.	Complied with. The day-to-day operations of the Bank is the responsibility of the General Manager. The Board Charter specifically refers to such authority of the General Manager.

Section	Principle	Level of Compliance during the Year 2016
3 (6)	**Board Appointed Committees**	
3 (6) (i)	Each bank shall have at least four board committees as set out in Directions 3 (6) (ii), 3 (6) (iii), 3 (6) (iv) and 3 (6) (v) of these Directions. Each committee shall report directly to the Board. All committees shall appoint a secretary to arrange the meetings and maintain minutes, records, etc., under the supervision of the Chairman of the committee. The Board shall present a report of the performance on each committee, on their duties and roles at the Annual General Meeting.	Complied with. Four Subcommittees of the Board (viz. Audit, Human Resources and Remuneration, Nomination and Corporate Governance and Integrated Risk Management) have been established as required under this Direction which are reporting directly to the Board. The Terms of Reference for each Subcommittee is in place and are reviewed annually. The Secretary, Bank of Ceylon/Secretary to the Board serves as Secretary to all Subcommittees and maintains minutes etc. with oversight by the respective Chairpersons. The reports of the Subcommittees are included in this Annual Report. Audit Committee on pages 69 to 71. Integrated Risk Management Committee on pages 72 and 73. Human Resources and Remuneration Committee on pages 74 and 75. Nomination and Corporate Governance Committee on pages 76 and 77. The Government being the sole shareholder, the Annual Report of the Bank is submitted to the Parliament of Sri Lanka and to the relevant Ministries.
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.	Complied with. The Chairman of the Audit Committee is an Independent Non-Executive Director who has required qualifications as indicated under the profiles on page 39.
	b. All members of the Committee shall be Non-Executive Directors.	Complied with. All members of the Committee are Non-Executive Directors.
	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; (ii) the implementation of the Central bank Guidelines issued to Auditors from time to time; (iii) the application of the relevant accounting standards; and (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.	Complied with. In accordance with the Terms of Reference, the Audit Committee makes the following recommendations among many others: ■ The implementation of the Central Bank Guidelines issued to Auditors from time to time. ■ The application of the relevant accounting standards. Since the Auditor General is the External Auditor of the Bank, the Committee has no role to play in the engagement of the External Auditor.
	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.	Complied with. The Bank's Auditor being the Auditor General, his independence and effectiveness is guaranteed under the Constitution of Sri Lanka.

Section	Principle	Level of Compliance during the Year 2016
	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: (i) whether the skills and experience of the audit firm make it a suitable provider of the non-audit services; (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 (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.	Complied with. This does not arise since 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: (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; (ii) the preparation of Financial Statements for external purposes in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between firms where more than one audit firm is involved.	Complied with. The scope and the extent of audit have been determined by the Auditor General and it is stated that M/s Ernst & Young, Chartered Accountants (E&Y) who assist the Auditor General can make further changes/amendments to the scope having considered the volume and risk associated. E&Y presented the Audit Plan for year 2016 and the Committee discussed and agreed to it.
	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: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.	Complied with. There is a continuing process carried out in reviewing monthly, quarterly and annual financials of the Bank by the Committee and recommendations are made to the Board.
	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.	Complied with. The Committee discusses issues, problems and reservations arising from the interim and final audits. The representative of the Auditor General was present at the Committee meetings along with the representatives of E&Y who assisted the Auditor General. The Committee on one occasion met the External Auditors without the presence of the executives of the Bank.

Section	Principle	Level of Compliance during the Year 2016
	i. The Committee shall review the External Auditor's management letter and the management's response thereto.	Complied with. The Committee reviewed the External Auditor's Management Letter and the management responses thereto and follow up action taken accordingly.
	j. The Committee shall take the following steps with regard to the internal audit function of the bank: (i) Review the adequacy of the scope, functions and resources of the Internal Audit Department, and satisfy itself that the Department has the necessary authority to carry out its work;	Complied with.
	(ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department;	Complied with.
	(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit Department;	Complied with. Performance Appraisal of Chief Internal Auditor and the work process and results of the internal audit function have been evaluated by the Audit Committee. Performance evaluation of senior staff is carried out according to the Board-approved evaluation process by the Chief Internal Auditor and is tabled before the Audit Committee.
	(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;	Complied with.
	(v) Ensure that the Committee is appraised of resignations of senior staff members of the Internal Audit Department including the Chief Internal Auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;	Complied with. Such a situation has not arisen during the year.
	(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;	Complied with. According to the Organisation Structure of the Bank, the Chief Internal Auditor reports directly to the Board through the Audit Committee and he is independent of any operations of the Bank.
	k. The Committee shall consider the major findings of internal investigations and management's responses thereto;	Complied with. The Audit Committee has reviewed the major findings of internal investigations and management responses thereto.
	l. The Chief Finance Officer, the Chief Internal Auditor and a representative of the External Auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the Committee. However, at least twice a year, the Committee shall meet with the External Auditors without the Executive Directors being present.	Complied with. The General Manager, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor, Compliance Officer, representative of the Auditor General and the representatives of E&Y who are appointed to assist the Auditor General participate at all Committee meetings. Other Board members attend meetings upon the invitation of the Committee. Members of the management are invited for any explanations, if necessary.

Section	Principle	Level of Compliance during the Year 2016
	m. The Committee shall have: (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Complied with.
	n. The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied with. The Audit Committee has scheduled regular meetings. Additional meetings are convened when required. The Committee met 15 times during the year. The members of the Committee are served with due notice of issues to be discussed and the conclusions in discharging its duties and responsibilities are recorded in the minutes of the meetings maintained by the Secretary to the Board/Secretary, Bank of Ceylon.
	o. The Board shall disclose in an informative way, (i) details of the activities of the Audit Committee; (ii) the number of Audit Committee meetings held in the year; and (iii) details of attendance of each individual Director at such meetings.	Complied with. Activities of the Committee are reported in Audit Committee Report on pages 69 to 71. The Committee met 15 times during the year 2016 and details of attendance are given on page 66.
	p. The secretary of the Committee (who may be the Company Secretary or the head of the Internal Audit function) shall record and keep detailed minutes of the Committee meetings.	Complied with. Minutes are maintained by the Secretary to the Board/Secretary, Bank of Ceylon who is also the Secretary to the Committee.
	q. The Committee shall review arrangements by which employees of the bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the Committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the bank's relations with the External Auditor.	Complied with. A Whistle-Blower Policy is in place which covers these aspects and significant findings were reported to the Audit Committee for appropriate follow-up action. The Audit Committee is the key representative body for overseeing the Bank's relations with the External Auditor.
3 (6) (iii)	The following rules shall apply in relation to the **Human Resources and Remuneration Committee:**	
	a. The Committee shall determine the remuneration policy (salaries, allowances and other financial payments) relating to Directors, Chief Executive Officer (CEO) and Key Management Personnel of the bank.	Complied with. The Remuneration for Directors is according to the circulars/letters issued by the Government of Sri Lanka through the relevant Ministry and the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Bank has also adopted a Remuneration Policy based on the said circulars. The Board-approved Remuneration Policy for the Key Management Personnel is in place.

Section	Principle	Level of Compliance during the Year 2016
	b. The Committee shall set goals and targets for the Directors, CEO and the Key Management Personnel.	Complied with. No targets for the Directors are set since all of them are Non-Executive Directors. Goals and targets for KMPs are documented and detailed in the Action Plan prepared based on the Corporate Plan of the Bank. The General Manager is responsible for the implementation of the Corporate Plan through Key Management Personnel (KMPs). Performance on same is reviewed by the full Board on a periodic basis. A separate evaluation of the performance of the General Manager is also carried out on an annual basis.
	c. The committee shall evaluate the performance of the CEO and Key Management Personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.	Complied with. The Committee evaluated the performance of the Deputy General Managers including the General Manager against the targets given to them at the beginning of the year. Performance of the Assistant General Managers were evaluated through the evaluation carried out on them by the respective Deputy General Managers.
	d. The CEO shall be present at all meetings of the Committee, except when matters relating to the CEO are being discussed.	Complied with.
3 (6) (iv)	The following rules shall apply in relation to the **Nomination Committee**:	The Bank has established a Nomination and Corporate Governance Committee. In addition to the duties of the Nomination Committee given under this Direction, certain other duties pertaining to upholding the applicable Corporate Governance Principles are included under the Terms of Reference of this Committee.
	a. The Committee shall implement a procedure to select/ appoint new Directors, CEO and Key Management Personnel.	Complied with. The Directors are appointed by the Minister under whose purview the Bank falls. The General Manager is appointed by the Board with the approval of the said Minister. There is a Board-approved general procedure/scheme for the appointment of the KMP.
	b. The Committee shall consider and recommend (or not recommend) the re-election of current Directors, taking into account the performance and contribution made by the Director concerned towards the overall discharge of the Board's responsibilities.	Does not arise since the Directors are appointed by the relevant Minister.
	c. The Committee shall set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO and the key management positions.	Complied with. The General Manager is appointed based on the Bank's accepted procedure with the approval of the Board of Directors and the relevant Minister as specified in the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Board-approved promotion schemes stipulate the attributes required to be eligible to be selected or promoted to the other key management positions.
	d. The Committee shall ensure that Directors, CEO and Key Management Personnel are fit and proper persons to hold office as specified in the criteria given in Direction 3 (3) and as set out in the statutes.	Complied with. Annual declarations from Directors ensuring that they are fit and proper persons to hold office as specified in the criteria given in Direction 3 (3) and as set out in statutes are sent to CBSL. Also the Committee ensures that KMPs are fit and proper persons to hold their offices when they are promoted or appointed as KMPs.

Section	Principle	Level of Compliance during the Year 2016
	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.	A Succession Plan for the KMPs is in place. Additional or new expertise that is needed are either recommended by the Board Subcommittees or decided by the Board.
	f. The Committee shall be chaired by an Independent Director and preferably be constituted with a majority of Independent Directors. The CEO may be present at meetings by invitation.	Complied with. The Committee is chaired by an Independent Non-Executive Director. Page 38 of this Annual Report provides 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 with. The Committee comprises three Non-Executive Directors, General Manager and the Chief Risk Officer who supervises credit, market, operational, reputational and strategic risks. The Chief Internal Auditor, Chief Financial Officer and Compliance Officer participate at all Committee meetings at the request of the Committee. Any other KMP and other staff are invited as and when the Committee needs their presence. The Committee works closely with KMPs within the framework of authority and responsibility assigned to the Committee.
	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.	Complied with. Independent Integrated Risk Management Division of the Bank assesses the credit, market liquidity, operational, strategic and operational risks of the Bank based on the policy documents recommended by this Committee and approved by the Board, on a monthly basis and the summary reports are submitted to the Committee at its regular meetings and then to the next immediate Board meeting. In the case of subsidiaries and associates, a risk management dashboard has been developed to address the risks.
	c. The Committee shall review the adequacy and effectiveness of all management level committees such as the Credit Committee and the Asset-Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.	Complied with.
	d. The Committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the bank's policies and regulatory and supervisory requirements.	Complied with. Specific quantitative and qualitative risks which went beyond the limits are monitored by the Chief Risk Officer and reported direct to the Committee based on the severity of the issues involved.
	e. The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Complied with. During the year, the Committee has had seven meetings. Details of meetings and attendance are given on page 66.
	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. Formal documented disciplinary action procedure is in place in the Bank.

Section	Principle	Level of Compliance during the Year 2016
	g. The Committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied with. The minutes of the meetings are submitted to the next immediate Board meeting together with the recommendations and Risk Management Reports.
	h. The Committee shall establish a compliance function to assess the bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated Compliance Officer selected from Key Management Personnel shall carry out the compliance function and report to the Committee periodically.	Complied with. The Bank has established a separate compliance function to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. This function is headed by a dedicated Compliance Officer and he submits quarterly Compliance Reports to the Committee and monthly compliance reports to the Board. The compliance function also assess the Bank's compliance with Internal Controls and approved policies on all areas of business operations.
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: a. Any of the bank's subsidiary companies; b. Any of the bank's associate companies; c. Any of the Directors of the bank; d. Any of the bank's Key Management Personnel; e. A close relation of any of the bank's Directors or Key Management Personnel; f. A shareholder owning a material interest in the bank; g. A concern in which any of the bank's Directors or a close relation of any of the bank's Directors or any of its material shareholders has a substantial interest.	Complied with. There is a Board-approved Policy on Related Party Transactions covering related parties, their transactions, and restrictions on offering more favourable treatment to related parties in order for the Board members to avoid any Conflict of Interest in this regard. Directors who have related party transactions are individually requested to declare their transactions. Transactions are monitored through an automated system.
3 (7) (ii)	The type of transactions with related parties that shall be covered by this Direction shall include the following: a. The grant of any type of accommodation, as defined in the Monetary Board's Directions on maximum amount of accommodation, b. The creation of any liabilities of the bank in the form of deposits, borrowings and investments, c. The provision of any services of a financial or non-financial nature provided to the bank or received from the bank, d. The creation or maintenance of reporting lines and information flows between the bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.	Complied with. Information in this regard, is disclosed in Note 55 on 'Related Party Disclosures' statement.

Section	Principle	Level of Compliance during the Year 2016
3 (7) (iii)	The Board shall ensure that the bank does not engage in transactions with related parties as defined in Direction No. 3 (7) (i) above, in a manner that would grant such parties 'more favourable treatment' than that accorded to other constituents of the bank carrying on the same business. In this context, 'more favourable treatment' shall mean and include treatment, including the: 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: (i) 'Accommodation' shall mean accommodation as defined in the banking Act Direction No. 7 of 2007 on Maximum Amount of Accommodation. (ii) The 'total net accommodation' shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the bank's share capital and debt instruments with a maturity of five years or more. 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; 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; d. Providing services to or receiving services from a related-party without an evaluation procedure; e. Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.	Complied with. The Bank has implemented a Board-approved process to monitor related party transactions which is monitored by the Compliance division. This system will be further strengthened to cover all other products of the Bank such as Trade related and Treasury transactions of the related parties.
3 (7) (iv)	A bank shall not grant any accommodation to any of its Directors or to a close relation of such Director unless such accommodation is sanctioned at a meeting of its Board of Directors, with not less than two-thirds of the number of Directors other than the Director concerned, voting in favour of such accommodation. This accommodation shall be secured by such security as may from time to time be determined by the Monetary Board as well.	Complied with.
3 (7) (v)	a. Where any accommodation has been granted by a bank to a person or a close relation of a person or to any concern in which the person has a substantial interest, and such person is subsequently appointed as a Director of the bank, steps shall be taken by the bank to obtain the necessary security as may be approved for that purpose by the Monetary Board, within one year from the date of appointment of the person as a Director.	Complied with. Such a situation has not arisen during the year 2016.

Section	Principle	Level of Compliance during the Year 2016
	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. 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. 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.	
3 (7) (vi)	A bank shall not grant any accommodation or 'more favourable treatment' relating to the waiver of fees and/or commissions to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such bank or when secured by security as may be approved by the Monetary Board in respect of accommodation granted as per Direction 3 (7) (v) above.	Complied with. No favourable treatment/accommodation is provided to any employee of the Bank on more favourable terms unless under general staff loan schemes applicable to all employees of the Bank. Circular instructions have been issued in this regard. Close relations of Bank employees are also not given any favourable treatment/recommendation.
3 (7) (vii)	No accommodation granted by a bank under Direction 3 (7) (v) and 3 (7) (vi) above, nor any part of such accommodation, nor any interest due thereon shall be remitted without the prior approval of the Monetary Board and any remission without such approval shall be void and of no effect.	Complied with. Such a situation has not arisen during the year 2016.
3 (8)	**Disclosures**	
3 (8) (i)	The Board shall ensure that: 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. b. such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Complied with.
3 (8) (ii)	The Board shall ensure that the following minimum disclosures are made in the Annual Report: a. A statement to the effect that the Annual audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied with. Disclosed in the 'Annual Report of the Directors on the State of Affairs of the Bank' on pages 135 to 139 and Directors' Responsibility for Financial Reporting on page 145.
	b. A report by the Board on the bank's internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Complied with. Disclosed in the "Directors' Statement on Internal Control" on page 142 and 143 of this Annual Report and Directors' Responsibility for Financial Reporting on page 145.

Section	Principle	Level of Compliance during the Year 2016
	c. The Assurance Report issued by the auditors under 'Sri Lanka standard on Assurance Engagements SLSAE 3050 – Assurance Reports for banks on Directors' Statements on Internal Control'.	Complied with. The Bank has obtained a certificate on the Effectiveness of Internal Controls over Financial Reporting from the Auditor General which is published on page 144 of this Annual Report.
	d. Details of Directors, including names, fitness and propriety, transactions with the bank and the total of fees/remuneration paid by the bank.	Complied with. Details of Directors are given on pages 36 to 41. Directors' Interest in Contracts with the Bank are given on pages140 and 141. Remunerations paid by the Bank are given in Note 15 to the Financial Statements on page 175.
	e. Total net accommodation as defined in 3 (7) (iii) granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the bank's regulatory capital.	Complied with. 'Total net accommodation' granted to each category of related party during the year 2016 as a percentage of the Bank's regulatory capital is given below: LKR '000 / % Key Management Personnels (KMPs): 145,449 / 0.14 Subsidiaries: 1,690,146 / 1.61 Associates: 216,536 / 0.21 Government and Government related entities (Refer definition in Note 55.4 of Financial Statements): 914,576,887 / 872.21
	f. The aggregate values of remuneration paid by the bank to its Key Management Personnel and the aggregate values of the transactions of the bank with its Key Management Personnel, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the bank.	Complied with. The aggregate amount of remuneration paid by the Bank and transactions with KMPs for the year 2016 are stated below: LKR '000 Short-term employment benefits: 491,398 Post-employment benefits: 110,592 In addition to above, the Bank has also paid non-cash benefits such as use of vehicles to KMPs in line with the approved benefit plan of the Bank. LKR '000 Loans: 475,505 Overdrafts: 12,017 Credit cards: 8,456 Deposits: 444,368 Debentures: 12,902 Undrawn facilities: 55,849
	g. A confirmation by the Board of Directors in its Annual Corporate Governance Report that all the findings of the 'Factual Finding Reports' of Auditors issued under 'Sri Lanka Related Services Practice Statement 4750' have been incorporated in the Annual Corporate Governance Report provided that Auditors confirm to the Director of bank Supervision to this effect.	Complied with. The Bank has obtained a certificate from the Auditor General in compliance with the Corporate Governance Direction No. 11 of 2007. The Board has confirmed that all findings of the Auditors have been incorporated in this Corporate Governance Report and any recommendations will be dealt within 2017.

Section	Principle	Level of Compliance during the Year 2016
	h. A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliances.	Complied with. The Statement of Directors' Responsibility for Financial Reporting on page 145 clearly sets out details regarding compliance with prudential requirements, regulations, laws and internal controls.
	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.	Complied with. There were no lapses which caused supervisory concern on the Bank's Risk Management Systems or non-compliance with these directions which led to them being pointed out by the Director of Bank Supervision of the Central Bank of Sri Lanka and which have caused the Monetary Board to give directions that they be disclosed to the public. Since there have been no such lapses or instances of non-compliance and since no such directions have been given by the Monetary Board, the issue of measures to be taken does not arise and there is nothing to disclose in this regard.
3 (9) (i)	**Transitional and Other General Provisions** Compliance with this Direction shall commence from 1 January 2008 onwards and all licensed commercial banks shall fully comply with the provisions of this Direction by or before 1 January 2009 except where extended compliance dates have been specifically provided for in this Direction.	Complied with.
3 (9) (ii)	In respect of the banks that have been incorporated by specific statutes in Sri Lanka, the Boards as specified in such statutes shall continue to function in terms of the provisions of the respective statutes, provided they take steps to comply with all provisions of this Direction that are not inconsistent with the provisions of the respective statutes.	Complied with. Bank of Ceylon has taken all possible measures to comply with all applicable provisions of this Direction that are not inconsistent with the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments, the enabling enactment. Any instances of non-compliance and where Bank of Ceylon has continued to function in terms of the provisions of the statutes applicable to it has been specifically mentioned above against the relevant sections.
3 (9) (iii)	This Direction shall apply to the branches of the foreign banks operating in Sri Lanka to the extent that it is not inconsistent with the regulations and laws applicable in such bank's country of incorporation. The branch of a foreign bank shall also publish its parent bank's annual corporate governance report together with its annual report and accounts of the branch operations in Sri Lanka.	Not applicable.
3 (9) (iv)	In the event of a conflict between any of the provisions of this Direction and the Articles of Association (or Internal Rules) pertaining to any bank, the provisions of this Direction shall prevail. However, if the Articles of Association of an individual bank set a more stringent standard than that specified in this Direction, such provisions in the Articles of Association may be followed.	Not applicable.
3 (9) (v)	If for any reason such as ill health or any incapacity as provided in the banking Act, the Monetary Board considers that exemptions referred to in Directions 3 (2) (ii) B, 3 (3) (i) A and 3 (3) (ii) A should not be availed of, such ground may be notified to the person by the Monetary Board, and after a hearing, the Monetary Board may limit the period of exemption.	Not applicable.

Compliance Requirements Enforced by Colombo Stock Exchange

Compliance to the Listing Rules on contents of Annual Report, which were applicable to the Bank for the year ended 31 December 2016 enforced by the Colombo Stock Exchange, are summarised below:

Rule No.	Requirement	Period	Date submitted
7.4 a (i)	The Interim Financial Statements prepared on quarterly basis, approved by the Board of Directors to be submitted to CSE within 45 days from respective quarter ends for the first three quarters and within two months at the end of 4th quarter	Quarter 1 ended 31 March 2016	12 May 2016
		Quarter 2 ended 30 June 2016	12 August 2016
		Quarter 3 ended 30 September 2016	15 November 2016
		Quarter 4 ended 31 December 2016	01 March 2017

Rule No.	Requirement	Compliance
7.4 b (i)	Comply with LKAS 34 and disclose Group and Bank separately	Complied with
7.4 b (ii)	Disclose the additional notes and ratios as per Listing Rules	Complied with
7.4 b (iii)	Be signed by two Directors	Complied with
7.4 b (iv)	State whether the Financial Statements are audited or not	Complied with
7.5 a	Annual Report to be submitted to CSE within five months from the closure of financial year	The Audited Financial Statements for the year ended 31 December 2016 was submitted on 30 March 2017. Annual Report for the year 2016 will be submitted before the deadline

Rule No.	Disclosure Requirement	Reference/Comments	Page No.
7.6 (i)	Names of persons who during the financial year were Directors of the entity;	Annual Report of the Board of Directors on the State of Affairs of Bank of Ceylon	137
7.6 (ii)	Principal activities of the entity and its Subsidiaries during the year and any changes therein	Annual Report of the Board of Directors on the State of Affairs of Bank of Ceylon	135
		Notes to the Financial Statements	156
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Government of Sri Lanka is the sole shareholder of Bank of Ceylon	344
7.6 (iv)	The public holding percentage	Not applicable	
7.6 (v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year	Not applicable	
7.6 (vi)	Information pertaining to material foreseeable risk factors of the entity	Risk Management Report	78-92
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the entity	No material issues occurred during the year under review	
7.6 (viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	Notes 31 and 32 to the Financial Statements	218-231
7.6 (ix)	Number of shares representing the entity's stated capital	Note 46.1 to the Financial Statements	252
7.6 (x)	A distribution shedule of the number of holders in each class of equity securities and percentage of their total holdings	Investor Information	344

Rule No.	Disclosure Requirement	Reference/Comments	Page No.
7.6 (xi)	Ratios and market price information:		
	1. Dividend per share, net assets value per share, interest rate of comparable Government Securities, debt/equity ratio, interest cover and liquid asset ratio	Notes 18.3 and 46.2 to the Financial Statements, Investor Information	179, 253, 343
	2. Market information on listed debentures	Note 45 to the Financial Statements Investor Information	250-252 344-345
	3. Any changes in credit rating	Awards	102
7.6 (xii)	Significant changes in the entity's or its Subsidiaries' fixed assets and the market value of the land, if the value differs substantially from the book value	Note 32 to the Financial Statements	219-231
7.6 (xiii)	During the year, the entity has raised funds either through a public issue, rights issue and private placement	Notes 41 and 45 to the Financial Statements	238-239 250-252
7.6 (xiv)	Information in respect of each employee share ownership or stock option scheme	Not applicable	
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 (c) and 7.10.6 (c) of Section 7 of the Rules	Exempted under Section 7.10 of Listing Rules since the Bank complies with direction laid down in the Banking Act Direction No. 11 of 2007 on Corporate Governance	
7.6 (xvi)	Related party transactions exceeding 10% of the equity or 5% of the total assets of the entity as per Audited Financial Statements, whichever is lower	Investor Information	347

Compliance Requirements Enforced by the Central Bank of Sri Lanka

Compliance to the directions on Interim Financial Statements, which were applicable to the Bank for the year ended 31 December 2016, enforced by the Central Bank of Sri Lanka, are summarised below:

Circular No.	Requirement	Period	Date Published in Sinhala, Tamil & English Newspapers
02/04/003/0401/001 30 September 2005	The publication should be made within two months from the end of each quarter, at least once in an English, Sinhala and Tamil newspaper	Quarter 1 ended 31 March 2016	27 May 2016
		Quarter 2 ended 30 June 2016	30 August 2016
		Quarter 3 ended 30 September 2016	29 November 2016
02/04/003/0401/001 21 February 2006	If the Bank publishes its Audited Financial Statements within three months from the end of the financial year, the requirement to publish the Financial Statements for the 4th quarter in terms of the Circular dated 30 September 2005 would not be mandatory	Quarter 4 ended 31 December 2016 (Audited)	31 March 2017

Compliance to Other Disclosure Requirements on Annual Financial Statements, which were Applicable to Licensed Commercial Banks are Summerised below:

1.	**Information about the Significance of Financial Instruments for Financial Position and Performance**	
1.1	Statement of Financial Position	
1.1.1	Disclosures on categories of financial assets and financial liabilities	Note 19 to the Financial Statements
1.1.2	Other disclosures	
	i. Special disclosures about financial assets and financial liabilities designated to be measured at fair value through profit or loss, including disclosures about credit risk and market risk, changes in fair value attributable to these risks and the methods of measurement	Note 4.4 to the Financial Statements
	ii. Reclassifications of financial instruments from one category to another	Note 57.3 to the Financial Statements
	iii. Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral	Note 52 to the Financial Statements
	iv. Reconciliation of the allowance account for credit losses by class of financial assets	Note 26.2 to the Financial Statements
	v. Information about compound financial instruments with multiple embedded derivatives	None
	vi. Breaches of terms of loan agreements	None
1.2	Statement of Comprehensive Income	
1.2.1	Disclosures on items of income, expense, gains and losses	Note 7 to 15 to the Financial Statements
1.2.2	Other disclosures	
	i. Total interest income and total interest expense for those financial instruments that are not measured at fair value through profit and loss	Note 8 to the Financial Statements
	ii. Fee income and expense	Note 9 to the Financial Statements
	iii. Amount of impairment losses by class of financial assets	Note 13 to the Financial Statements
	iv. Interest income on impaired financial assets	Note 8.1 to the Financial Statements
1.3	Other Disclosures	
1.3.1	Accounting policies for financial instruments	Notes 4 and 20 to 28 to the Financial Statements
1.3.2	Information on hedge accounting	None

1.3.3	Information about the fair values of each class of financial assets and financial liability, along with:	Notes 20 to 28, 37 to 41 and 45 to the Financial Statements
	i. Comparable carrying amounts	Note 57 to the Financial Statements
	ii. Description of how fair value was determined	Note 57 to the Financial Statements
	iii. The level of inputs used in determining fair value	Note 57 to the Financial Statements
	iv. Reconciliations of movements between levels of fair value measurement hierarchy, additional disclosures for financial instruments that fair value is determined using level 3 inputs	Note 57 to the Financial Statements
	v. Information of fair value cannot be reliably measured	Note 57 to the Financial Statements
2.	**Information about the Nature and Extent of Risks Arising from Financial Instruments**	
2.1	Qualitative Disclosures	
2.1.1	Risk exposures for each type of financial instrument	Risk Management Report and Note 58 to the Financial Statements
2.1.2	Management's objectives, policies, and processes for managing those risks.	Risk Management Report
2.1.3	Changes from the prior period	None
2.2	Quantitative Disclosures	
2.2.1	Summary of quantitative data about exposure to each risk at the Reporting date	Note 58 to the Financial Statements
2.2.2	Disclosures about credit risk, liquidity risk, market risk, operational risk, interest rate risk and how these risks are managed	Note 58 to the Financial Statements
	i. Credit Risk	
	a. Maximum amount of exposure (before deducting the value of collateral), description of collateral, information about credit quality of financial assets that are neither past due nor impaired and information about credit quality of financial assets	Note 58.2.1 to the Financial Statements
	b. For financial assets that are past due or impaired, disclosures on age, factors considered in determining as impaired and the description of collateral on each class of financial asset	Note 58.2.2 to the Financial Statements
	c. Information about collateral or other credit enhancements obtained or called	Note 58.2.1 to the Financial Statements
	d. For other disclosures, refer Banking Act Direction No. 07 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H)	Note 58.1.3 to the Financial Statements
	ii. Liquidity Risk	
	a. A maturity analysis of financial liabilities	Note 58.3 to the Financial Statements
	b. Description of approach to risk management	Risk Management Report and Note 58.3 to the Financial Statements
	c. For other disclosures, refer Banking Act Direction No. 07 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H)	Note 58.3 to the Financial Statements
	iii. Market Risk	
	a. A sensitivity analysis of each type of market risk to which the entity is exposed	Note 58.4 to the Financial Statements
	b. Additional information, if the sensitivity analysis is not representative of the entity's risk exposure	Note 58.4 to the Financial Statements
	c. For other disclosures, refer Banking Act Direction No. 07 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H)	Note 58.4 to the Financial Statements
	iv. Operational Risk	
	Refer Banking Act Direction No. 07 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H)	Note 58.5 to the Financial Statements

	v. Equity Risk in the banking book	
	a. Qualitative disclosures	
	■ Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons	Notes 24 to 27 to the Financial Statements
	■ Discussion of important policies covering the valuation and accounting of equity holdings in the banking book	Notes 24 to 27 to the Financial Statements
	b. Quantitative disclosures	
	■ Value disclosed in the Statement of Financial Position of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly-quoted share values where the share price is materially different from fair value	Notes 24.1, 24.2 ,27.1 and 27.2 to the Financial Statements
	■ The types and nature of investments	Notes 24, 25, 27 and 28 to the Financial Statements
	■ The cumulative realised gains/(losses) arising from sales and liquidations in the reporting period	Notes 10 and 11 to the Financial Statements
	vi. Interest rate risk in the banking book	
	a. Qualitative disclosures	
	Nature of interest rate risk in the banking book (IRRBB) and key assumptions	Note 58.4.2 to the Financial Statements
	b. Quantitative disclosures	
	The increase/(decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant)	None
2.2.3	Information on concentrations of risk	Note 58.2.3 to the Financial Statements
3.	**Other Disclosures**	
3.1	Capital	
3.1.1	Capital structure	
	i. Qualitative disclosures	
	Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of innovative, complex or hybrid capital instruments	Debt – Note 45 to the Financial Statements Equity – None
	ii. Quantitative disclosures	
	a. The amount of Tier I capital, with separate disclosure of:	
	• Paid-up share capital/common stock	Capital Adequacy
	• Reserves	Capital Adequacy
	• Non-controlling interests in the equity of subsidiaries	Capital Adequacy
	• Innovative instruments	None
	• Other capital instruments	None
	• Deductions from Tier I capital	Capital Adequacy
	b. The total amount of Tier II and Tier III capital	Capital Adequacy
	c. Other deductions from capital	Capital Adequacy
	d. Total eligible capital	Capital Adequacy
3.1.2	Capital Adequacy	
	i. Qualitative disclosures	
	A summary discussion of the bank's approach to assessing the adequacy of its capital or support current and future activities	Risk Management Report and Note 58.6 to the Financial Statements
	ii. Quantitative disclosures	
	a. Capital requirements for credit risk, market risk and operational risk	Capital Adequacy
	b. Total and Tier I capital ratio	Capital Adequacy

Capital Adequacy

Capital Adequacy Ratio (CAR) is the ratio of a bank's capital in relation to its risk weighted assets and it is decided by central banks and bank regulators to prevent banks from taking excess leverage and becoming insolvent in the process.

$$CAR = \frac{\text{Tier I Capital + Tier II Capital}}{\text{Risk Weighted Assets}}$$

Journey from Basel I to Basel III

With a view to enhance the financial stability through the improvement of supervisory knowledge and ensuring continuous advancement of the quality of banking supervision worldwide, Basel Committee was established by the Governors of Central Banks in the G10 Countries at the end of 1974.

Capital adequacy became the main priority for the Committee. Backed by the G10 Governors, the Committee resolved to arrest and eradicate the erosion of capital standards within the banking system. This ensuing result was a broad consensus on a weighted approach to the measurement of risk, both on and off the Banks' balance sheets.

Introduced in 2004, Basel II encompasses guidelines for capital adequacy embedding more refined definitions for disclosures and risk management, which includes market risk and operational risk.

Towards Basel III

Basel III is part of the continuous effort to enhance the banking regulatory framework. It builds on the Basel I and Basel II documents and seeks to improve the banking sector's ability to deal with financial stress, improve risk management and strengthen the Banks' transparency. A focus of Basel III is to foster greater resilience at the individual bank level in order to reduce the risk of system-wide shocks.

The three pillars as established by Basel II have been revised and strengthened, while the framework itself was extended with astute innovative features:

- An additional layer of common equity – the capital conservation buffer – that, when breached, restricts payouts of earnings to help protect the minimum common equity requirement;
- a countercyclical capital buffer, which places restrictions on participation by banks in system-wide credit booms with the aim of reducing their losses in credit busts;
- a leverage ratio – a minimum amount of loss-absorbing capital, relative to all of a bank's assets and off-balance sheet exposures regardless of risk weighting. Leverage ratio will be implemented in Sri Lanka from 1 January 2018 with observation period commencing from 1st quarter 2017, which will be monitored by the Central Bank of Sri Lanka.
- Liquidity requirements – a minimum liquidity ratio, the liquidity coverage ratio (LCR), intended to provide enough cash to cover funding needs over a 30-day period of stress; and a longer-term ratio, the net stable funding ratio (NSFR), intended to address maturity mismatches over the entire balance sheet; and
- Additional proposals for domestic systemically important banks (D-SIBs), including requirements for supplementary capital, augmented contingent capital and strengthened arrangements for cross-border supervision and resolution. According to the Central Bank of Sri Lanka, banks with a total asset base of over LKR 500 billion, in the latest Annual Audited Financial Statements will be identified as D-SIBs in the banking sector.

Basel III		
Pillar 1	Pillar 2	Pillar 3
Enhanced Minimum Capital and Liquidity Requirement	Enhanced Supervisory Review Process for Firm-wide Risk Management and Capital Planning	Enhanced Risk Disclosure and Market Discipline

The Central Bank of Sri Lanka, emphasising the need to improve the quantity and quality of capital prevalent within the banking system, issued new banking Act Direction No. 01 of 2016 to all Licensed Commercial Banks and Licensed Specialised Banks on the 29 December 2016, determining the framework for the implementation of Basel III minimum capital requirements across the banking sector which will be effective from the 1 July 2017.

Bank of Ceylon has already begun imbuing the directives within this framework, using a parallel calculation of Basel III from the third quarter of 2015. This is being calculated based on the Central Bank of Sri Lanka Guidelines.

The Bank's ratio remains above regulatory requirements as of 31 December 2016. Despite challenging conditions, BoC is well-positioned to meet the Basel III requirements when regulations become completely effective in 1 January 2019.

Basel III Transitional Phase-in-arrangement of capital requirements for banks with assets of LKR 500 billion and above

Components of Capital	01.07.2017 %	01.01.2018 %	01.01.2019 %
Common Equity Tier I	4.50	4.50	4.50
Capital Conservation Buffer	1.25	1.875	2.50
Surcharge on Domestic – Systematically Important Banks (D-SIBs)	0.50	1.00	1.50
Additional Tier I Capital	1.50	1.50	1.50
Total Tier I Capital	7.75	8.875	10.00
Minimum Total Capital Ratio including Capital Conservation Buffer and Capital surcharge on D-SIBs	11.75	12.875	14.00

	Bank		Group	
	2016 LKR million	2015 LKR million	2016 LKR million	2015 LKR million
Tier I: Core Capital				
Paid-up ordinary shares	15,000	10,000	15,000	10,000
Permanent reserve fund	7,996	5,210	7,996	5,210
Published retained profits	54,155	51,086	55,659	53,888
General and other reserves	1,209	1,044	1,764	1,957
Non-controlling interests (Consistent with the above capital constituents)	–	–	879	1,010
Deductions				
50% of investments in unconsolidated banking and financial subsidiaries	(2,179)	(2,179)		
Other deductions	(2,053)	(953)	(2,150)	(953)
Total eligible core capital (Tier I capital)	74,128	64,207	79,148	71,112
Tier II: Supplementary Capital				
Revaluation Reserves (as approved by Central Bank of Sri Lanka)	2,373	2,373	2,373	2,373
General Provisions	4,648	3,857	4,647	3,857
Approved Subordinated Term Debt	27,378	24,567	27,377	24,567
Deductions	(3,669)	(2,759)	(1,489)	(580)
Total eligible supplementary capital (Tier II capital)	30,730	28,038	32,909	30,217
Total capital base	104,858	92,245	112,057	101,329

Risk-Weighted Assets

Risk weighted assets are computed as per the CBSL direction which specifies the risk-weight factors to be assigned to various asset classes as enumerated below.

Computation of Risk-Weighted Assets		Bank				Group			
		2016		2015		2016		2015	
	Risk-Weight Factor	On Balance Sheet Assets & Credit Equivalent of Off Balance Sheet Assets LKR million	Risk-Weighted Assets LKR million	On Balance Sheet Assets & Credit Equivalent of Off Balance Sheet Assets LKR million	Risk-Weighted Assets LKR million	On Balance Sheet Assets & Credit Equivalent of Off Balance Sheet Assets LKR million	Risk-Weighted Assets LKR million	On Balance Sheet Assets & Credit Equivalent of Off Balance Sheet Assets LKR million	Risk-Weighted Assets LKR million
Assets									
Claims on Government of Sri Lanka and Central Bank of Sri Lanka	0	604,897	–	670,543	–	611,663		676,228	
Claims on foreign sovereigns and their Central Banks	0-150	18,047	17,217	20,542	19,923	18,047	17,217	20,542	19,923
Claims on Public Sector Entities (PSEs)	20-150	72,847	72,847	60,154	60,154	72,847	72,847	60,154	60,154
Claims on banks	20-150	63,910	33,074	71,114	37,754	65,167	34,331	71,494	38,134
Claims on financial institutions	20-150	26,260	13,486	8,996	5,443	26,260	13,486	8,996	5,443
Claims on corporates	20-150	200,222	195,155	147,338	145,371	226,381	221,314	178,877	176,910
Retail claims	75-100	374,859	307,972	261,303	217,016	374,859	307,973	261,303	217,016
Claims secured by residential property	50-100	54,492	36,135	57,358	38,135	54,491	36,135	57,358	38,135
Non-performing assets (NPAs)	50-150	4,457	5,797	15,549	22,434	4,457	5,797	15,549	22,434
Cash items	0-20	55,742	2,673	49,119	734	61,280	2,673	52,925	734
Exposures collateralised by cash, gold & Government Securities	0	242,523		253,269		242,523		253,269	
Property, plant and equipment	100	15,584	15,584	16,430	16,430	26,464	26,464	26,728	26,728
Other assets	100	34,879	34,873	34,769	34,769	35,806	35,806	35,543	35,543
Total exposure		1,768,719	734,820	1,666,484	598,163	1,820,245	774,043	1,718,966	641,154
Off balance sheet exposures	Credit conversion Factor %	Assets	Credit equivalent	Assets	Credit equivalent	Assets	Credit equivalent	Assets	Credit equivalent
Direct credit substitutes	100	42,383	42,383	34,636	34,636	42,383	42,383	34,636	34,636
Transaction-related contingencies	50	33,839	16,919	41,819	20,909	33,839	16,919	41,819	20,909
Short-term self-liquidating trade-related contingencies	20	150,448	30,090	159,923	31,985	150,448	30,090	159,923	31,985
Other commitments with an original maturity of up to one year or which can be unconditionally cancelled at any time	0	81,126		83,858		81,126		83,858	
Commitments with an original maturity up to 1 year & maturity of over one year	20-50	31,393	15,589	35,305	17,091	31,393	15,589	35,305	17,091
Foreign exchange contracts	2-5	157,776	3,155	110,472	2,209	157,776	3,155	110,472	2,209
Total off balance sheet exposure		496,965	108,136	466,013	106,830	496,965	108,136	466,013	106,830

Market Risk – The Standardised Measurement Approach

	Bank		Group	
	2016 LKR million	2015 LKR million	2016 LKR million	2015 LKR million
Capital Charge for				
Interest rate risk	77	122	77	122
Equity	551	682	551	682
Foreign exchange & gold	1,359	1,725	1,359	1,725
Total capital charge for market risk	1,987	2,529	1,987	2,529
Total risk-weighted assets for market risk	19,872	25,294	19,872	25,294

Operational Risk – The Basic Indicator Approach

	Bank		Group	
	2016 LKR million	2015 LKR million	2016 LKR million	2015 LKR million
Capital Charge for Operational Risk				
Total gross income of three consecutive years	190,071	164,837	209,143	186,910
Average gross income	63,357	54,946	69,714	62,303
Total capital charge for operational risk – (15%)	9,503	8,241	10,457	9,345
Total risk weighted assets for operational risk	95,035	82,418	104,572	93,455

In the Basic Indicator Approach (BIA), the Bank shall calculate its annual gross income for the most recent year by aggregating the gross income of the last four financial quarters and follow same to calculate annual gross income for each of the two years preceding the most recent year.

The Central Bank of Sri Lanka has given the guidelines to the Sri Lankan banks to move to the standardised approach (TSA) or alternative standardised approach (ASA) subject to the prior approval.

	Bank		Group	
	2016 LKR million	2015 LKR million	2016 LKR million	2015 LKR million
Computation of Ratios				
Total Risk Weighted Assets				
Total risk weighted assets for credit risk	734,820	598,163	774,043	641,154
Total risk weighted assets for market risk	19,872	25,294	19,872	25,294
Total risk weighted assets for operational risk	95,036	82,419	104,572	93,455
Sub total	849,728	705,876	898,487	759,903
Minimum Capital Charge				
Credit risk	73,482	59,816	77,404	64,115
Market risk	1,987	2,529	1,987	2,529
Operational risk	9,503	8,241	10,457	9,345
Total eligible core capital (Tier I capital)	74,128	64,207	79,148	71,112
Total eligible supplementary capital (Tier II capital)	30,730	28,038	32,909	30,217
Total capital base	104,858	92,245	112,057	101,329
Core capital ratio (%)	8.7	9.1	8.8	9.4
Total capital adequacy ratio (%)	12.3	13.1	12.5	13.3

Certificate of the Director on Transfer Pricing

Deputy General Manager
Finance & Planning Division

BANK OF CEYLON
BOC
Bankers to the Nation

10th Floor, Bank of Ceylon Head Office, "BOC Square", No.1 Bank of Ceylon, Mawatha, Colombo 1, Sri Lanka.
Tel: 2432680, Fax: 2448203, E-mail dgmfp@boc.lk

The Commissioner General
Department of Inland Revenue,
Colombo 2.

19 December 2016

Madam,

Certificate of the Director on Transfer Pricing

It is certified that the Bank of Ceylon has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act, No. 10 of 2006. The information pursuant to these Regulations is given in approved accountant certificate produced under Section 107(2) (a) of the said Inland Revenue Act. I believe that the record of transactions entered into with associated undertaking during the period from 01 of January 2015 to 31 December 2015 are at arm's length, not prejudicial to the interests of the Bank and not carried out for profit shifting purposes.

Records and information of all transactions have been submitted to the approved accountant who reviewed the transfer pricing records and no adverse remarks have been made in the certificate done by the approved accountant.

Bank of Ceylon – Head Office
.....
Place

.....
For and on behalf of the Board of Directors

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Milestones

1939
Bank of Ceylon incorporated as the nation's first indigenous bank under the Bank of Ceylon Ordinance

1941
First branch of the Bank opened in Kandy

1945
The Bank widened into the periphery by opening branches in Jaffna and Trincomalee

1961
The Bank was nationalised in terms of the Finance Act No. 65 of 1961

1967
Staff training school established to uplift employees' skills

1973
Bank's sub-branches opened in each Agricultural Services Centre to enhance agricultural lending

1981
Fully fledged branch opened in Male

1985
New 32 storey Head Office opened at Echelon square, the tallest building in Sri Lanka at the time

1988
Entered into the Electronic Banking Era with the introduction of Automated Teller Machines and Cheque Guarantee Cards

1999
Bank's authorised capital raised to LKR 50,000 million by an Act of Parliament

2004
Introduced International Comprehensive Banking System (ICBS), an online, centralised computer system.

Introduced Bank of Ceylon Flag

2008
Issued first ever listed, subordinated five year, Rupee debentures and raised LKR 4.2 billion

2012
Became the first bank in Sri Lanka to surpass LKR one trillion asset base

Issued US Dollar denominated 500 million, five year bonds listed in Singapore Stock Exchange for the first time in Sri Lankan commercial banking history

Exceeded 1,000 customer service points

Obtained an international rating in par with sovereign rating (Fitch = BB-/Stable, Moody's = B1/Stable)

1946
Foreign department opened in Colombo Fort to facilitate transactions of foreign exchange business

1949
First overseas branch opened in London

1953
Mr C Loganathan was appointed as the first native General Manager

1978
Non-Resident Foreign Currency (NRFC) deposits scheme introduced

1979
Foreign Currency Banking Unit set up to undertake off shore operations

Introduced service award for employees who completed 25 years in the Bank

1980
Set up the computer division

1989
Issued the first Credit Card in Sri Lanka to celebrate the golden jubilee of the Bank in collaboration with VISA international

1992
First Sri Lankan commercial bank to be ranked among the best 200 banks in Asia and 1,000 banks in the world by "Banker" magazine and retained the position to date

1995
Expanded overseas branches with a branch in Chennai

2009
Bank is evaluated as 'best brand name of the year' by Brand Finance Institution

BoC has retained the position to-date. Launched the Islamic Banking Unit with an island-wide coverage

2010
Converted the London Branch into a Subsidiary

2011
Fitch Ratings Lanka Ltd upgraded the Bank's rating to AA+ (lka) stable outlook, which the Bank maintains upto now

2013
Issued USD 500 million bond for second consecutive year

2014
Commemorated 75th anniversary

Entered the African continent by opening a branch in Seychelles

Obtained the services of Boston Consulting Group to reshape the business processes

2015
Became the first bank in Sri Lanka to surpass LKR one trillion deposit base and Introduced CDMs

2016
Triple trillion in balance sheet

BoC scored its third trillion in loans & advances, another unique milestone in its 77 year journey

LKR 31.2 billion Profit Before Tax

Asia Best Employer Brand 2016 conferred on BoC

Stakeholder Engagement and Materiality

Engagement Mechanism	Frequency and Communication Channel	Engagement Framework	Identified Needs	Solutions/Needs Implemented
Employees				
▪ Employee engagement surveys ▪ Consultative meetings with the trade unions ▪ Employee suggestion schemes ▪ Grievance reporting procedure ▪ Social entertainment and sport events ▪ Welfare facilities to staff members ▪ Performance Appraisal system	Annually When the need arises	We will invest in developing our employees in an environment where they are treated with respect, while their professional development and economic well-being is enhanced	▪ Development and career progression ▪ Performance enabling environment ▪ Work-life balance ▪ Health and safety ▪ Collective bargaining ▪ Equal opportunity ▪ Special needs of key groups such as women	▪ An attractive salary increase given for all bank employees during the year ▪ Incentive bonus and annual bonus paid ▪ Financial support for professional and postgraduate studies, reimbursement of membership fee ▪ Comprehensive medical scheme, holiday home facilities, subsidised meals for staff at head office and subsidised transport facility for all staff ▪ Accident leave and compensation payments ▪ Providing facilities for health and well-being of the staff e.g. Gymnasium, Library, Yoga
Customers				
▪ Online and local engagement by branch teams and relationship managers ▪ Customer satisfaction surveys ▪ Production, promotion campaigns and facilitation programmes ▪ Province customer day	Regularly	We uphold the rights of our customers in line with our customer charter ensuring that they understand the terms and conditions relating to services accessed by them	▪ Customer service ▪ Convenience of transacting ▪ Up holding customer charter ▪ Improving financial inclusion through appropriate products, education advice and consultation ▪ Communication in language of choice	▪ Well scattered branch/ATM network enabling easy access to the customers. ▪ Diversified product portfolio from childhood to elders ▪ Speedy delivery e.g. housing loan within two weeks by two visits ▪ Technology driven e.g. e-banking facility, smart zone, and SmartGen account ▪ Microfinancing and SME banking ▪ Introduction of new products to improve financial inclusion e.g. Branch on the wheel, '*Samata Ginumak*' programme
Investors				
▪ One to one meetings with large investors ▪ Relationships with intermediaries ▪ Investor presentation ▪ Road shows	When the need arises	We commit to providing a balanced review of our performance and prospects in our communications with investors ensuring a competitive return to their investment	▪ Comprehensive but concise information on operations and future out look at regular intervals ▪ Returns commensurate with risks assumed ▪ Exit mechanisms	▪ Rated by international and local rating agencies and continuous review ▪ Financial Statements are published on a quarterly basis in Colombo Stock Exchange web, BoC web and newspapers and comprehensive Annual Report in Sinhala, Tamil and English languages along with audited financials are published annually ▪ Complied with all regulatory guidelines

Engagement Mechanism	Frequency and Communication Channel	Engagement Framework	Identified Needs	Solutions/Needs Implemented
Government and Regulators				
▪ Periodic meetings with Regulators, Government on matters relating to performance and compliance ▪ Meetings, policy trend analysis and industry forums ▪ Continuous updating based on regulatory requirement of Government and Regulators	Regularly	The Bank is committed to meet its economic, social and environmental obligations in line with the country's strategy. The corporate plan of the Bank has adopted a sustainable integration programme with Government's development programme	▪ Stability and growth of financial sector ▪ Large funding needs of the Government's capital expenditure ▪ Responsible business practices ▪ Alignment of national priorities to Bank's strategy ▪ Financial inclusion ▪ Financing and facilitation of Infrastructure projects ▪ Compliance with regulatory direction and contribution to ongoing dialogue on financial sector reform ▪ Value addition	▪ Value added to Government during the year – LKR 30.1 Billion ▪ Major contributor to Government projects, through SOEs ▪ Facilitate to implement Government policies
Community				
▪ Local branch engagement, media, social events and sponsorships ▪ Higher degree of participation	When the need arises	We engage with local communities to develop economic activity providing opportunities and facilitating their socio economic well-being	▪ Responsible business practices ▪ Community development ▪ Community empowerment ▪ Employment ▪ Financial strength and credibility	▪ CSR activities ▪ Microfinancing and SME Banking
Suppliers and Service Providers				
▪ Regular meetings, written communication ▪ Transparent bidding process ▪ Relationship building	When the need arises	We recognise excellence in service by our suppliers and look to support their growth through mutually rewarding partnerships	▪ Business growth ▪ Ease of transacting ▪ Strategic partnerships ▪ Transformation in procurement process ▪ Open communication ▪ Transparent and equal opportunities on green criteria	▪ Responsible business practices

Determining Material Aspects

In identifying the material issues that may impact our Bank, we have considered all matters that are or are likely to be of relevance and significance to the ongoing business of the Bank, that could substantively influence the assessment made by our stakeholders. In this report, we have identified the relevance of the material issues that impact or have the potential to impact the Bank's ability to create value over time. The material issues that may impact BoC are identified at an interactive session conducted for the formation and revision of the corporate plan attended by all Board members, Corporate Management Team and the Executive Management. The potential issues and events are discussed at length at this forum to determine the impact of each event. Identified events are assigned to the relevant Corporate Management Team member to monitor, measure and control the possible impact on the Bank's performance and progress.

Events or issues that are considered material and may have an impact on financial reporting and sustainability reporting have been taken into consideration, if they are of such relevance and importance that they could affect the assessments of providers of financial capital and other stakeholders as well as our ability to create value. This process of value creation takes into account numerous factors including the Bank's strategy, strengths and weaknesses, the resilience of our business model, sustainability in the context of the triple bottom line, various opportunities and threats in the environment as well as the risks we are exposed to, the quality of relationships with our stakeholders and assessments of these relationships.

Further, the involvement of senior management and those charged with governance in the materiality determination process is emphasised and detailed in the Bank's Sustainability Policy. This enables us to determine the best disclosure mechanisms and the uniqueness of our value creation process in a meaningful and transparent way.

BoC's Materiality Determination Process

Relevance

Identifying relevant matters and its impact on the past, present or future of the Bank's ability to create value over time with reference to our strategy, business model, capitals and the impacts on those capitals.

Importance

Determining the importance by evaluating the magnitude of the impact based on past, present or future occurrence and/or the magnitude of the impact and likelihood of occurrence.

Prioritisation

Prioritising material matters, which is a process involving Senior Management and those charged with governance based on their importance, ensuring they are satisfied with the filters and processes in place to identify material matters requiring their attention.

Disclosure

Determining matters to be disclosed in the Report with reference to the importance these issues have to the Bank, its stakeholders and envisaged risk, frequency and impact on the value creation process.

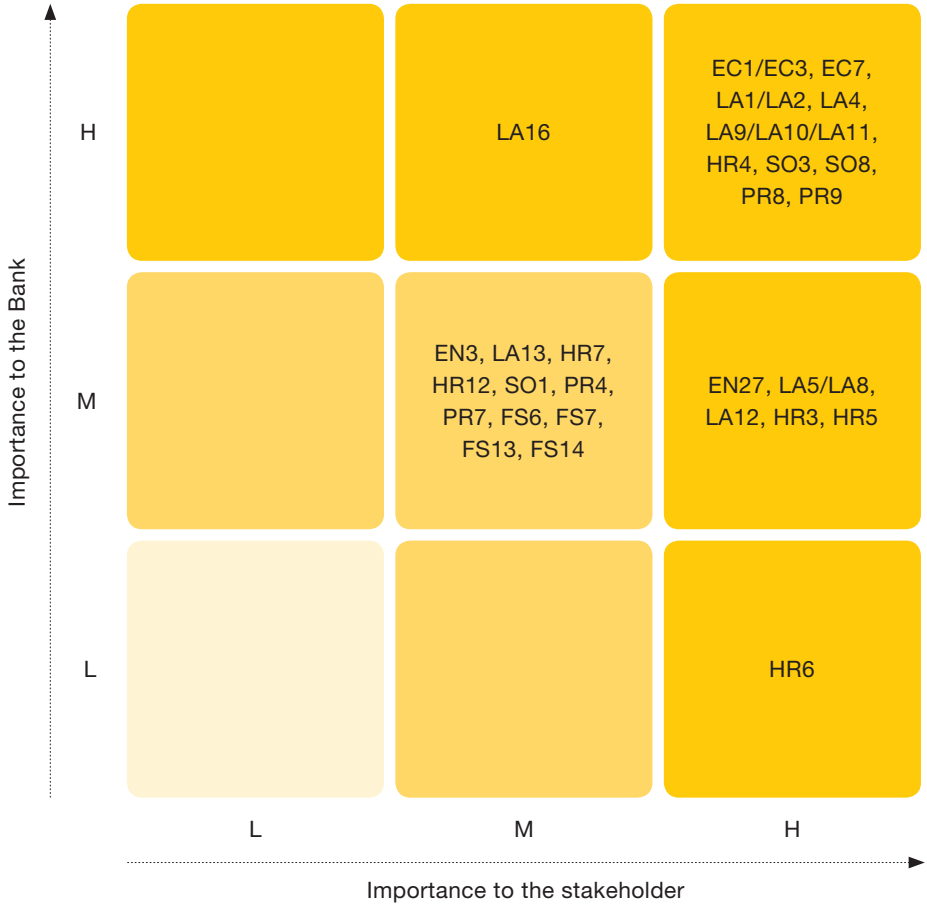
The Bank follows the GRI G4 Sustainability Reporting Guidelines published by the Global Reporting Initiative (GRI) to give direction in determining material aspects and indicators for disclosure within this Report. This also spotlights the virtuous cycle for measurement, monitoring and improvement of the identified indicators. The annual procedure for determination also discusses, if necessary, the need for amendments, in order to reflect any changes to the Bank's value creation model and stakeholder requirements and aspirations.

The Bank continues to report under the 'In accordance core' option of the GRI G4 Sustainability Reporting Guideline stipulations, as it remains the most suitable form of reporting in the current circumstances.

Category	Economic	Environmental
Aspect	Economic performance (EC1/EC3)	Energy (EN3)
	Indirect economic impacts (EC7)	Products and services (EN27)

Category	Social			
Subcategory	Labour Practices and Decent Work	Human Rights	Society	Product Responsibility
Aspect	Employment (LA1/LA2)	Non-discrimination (HR3)	Local communities (SO1) (FS13)(FS14)	Product and services labelling (PR4) (FS 6) (FS 7)
	Labour management relations (LA4)	Freedom of association and collective bargaining (HR 4)	Anti-corruption (SO3)	Marketing Communication (PR7)
	Occupational health and safety (LA 5/LA 8)	Child labour (HR5)	Compliance (SO8)	Customer privacy (PR 8)
	Training and education (LA 9/LA 10/LA 11)	Forced or compulsory labour (HR 6)		Compliance (PR 9)
	Diversity and equal opportunity (LA 12)	Security practices (HR7)		
	Equal remuneration for men and Women (LA 13)	Human rights grievance mechanisms (HR 12)		
	Labour practices and grievance mechanisms (LA 16)			

Materiality Matrix



L - Low M - Medium H - High

GRI Index

GRI G4 content index – 'In accordance – core'

No.	Disclosure Item	Location/Explanation	Page No.
Strategy and Analysis			
G4-1	Statement from the most senior decision-maker	Chairman's Message	12
Organisational Profile			
G4-3	Name of the Organisation	Corporate Information	Inner Back Cover
G4-4	Primary brands, products, and/or services	Fostering Mutually Rewarding Relationships	107 – 109
G4-5	Location of Organisation's headquarters	Corporate Information	Inner Back Cover
G4-6	Number of countries where the organisation operates and names of countries where the Organisation has significant operations	Integrated Reporting Framework	5
G4-7	Nature of ownership and legal form	Corporate Information	Inner Back Cover
G4-8	Markets served	Fostering Mutually Rewarding Relationships	111
G4-9	Scale of the reporting organisation	Highlights	2 – 4
G4-10	Employee details	Recognising Our Employee Excellence	124 – 125
G4-11	Percentage of total employees covered by collective bargaining agreements	Recognising Our Employee Excellence	127
G4-12	Describe the organisation's supply chain	Stakeholder Engagement and Materiality	328-329
G4-13	Significant changes during the Reporting period regarding the Organisation's size, structure, ownership, or its supply chain	No Significant Change	–
G4-14	Report whether and how the precautionary approach or principle is addressed by the Organisation	Integrated Reporting Framework	5
G4-15	Externally-developed economic, environmental, and social charters, principles, or other initiatives to which the Organisation subscribes or endorses	Compliance requirements enforced by Colombo Stock Exchange/the Central Bank of Sri Lanka	314 – 318
G4-16	Memberships of associations and/or national/international advocacy organisations	Fostering Mutually Rewarding Relationships	121
Identified Material Aspects and Boundaries			
G4-17	Entities included in the organisation's consolidated Financial Statements or equivalent documents	Group Structure	156
G4-18	Process for defining the content and the Aspect Boundaries	Stakeholder Engagement and Materiality	330
G4-19	Material aspects	Stakeholder Engagement and Materiality	331
G4-20	Aspect boundary within the organisation	Stakeholder Engagement and Materiality	330
G4-21	Aspect boundary outside the organisation	Stakeholder Engagement and Materiality	330
G4-22	The effect of any restatement of information provided in previous reports, and the reasons for such restatements	Financial Reports	292
G4-23	Significant changes from previous Reporting period in the Scope and Aspect Boundaries.	No change	–

No.	Disclosure Item	Location/Explanation	Page No.
Stakeholder Engagement			
G4-24	Stakeholder groups engaged by the organisation	Stakeholder Engagement and Materiality	328 – 329
G4-25	The basis for identification and selection of stakeholders	Stakeholder Engagement and Materiality	328 – 329
G4-26	Approach to stakeholder engagement	Stakeholder Engagement and Materiality	328 – 329
G4-27	Key topics and concerns that have been raised through stakeholder engagement and the Organisation's response	Stakeholder Engagement and Materiality	328 – 329
Report Profile			
G4-28	Reporting period	Integrated Reporting Framework	5
G4-29	Date of most recent previous report	31 December 2015	–
G4-30	Reporting cycle	Annually	–
G4-31	Contact point for questions regarding the report or its contents	Corporate Information	Inner Back Cover
G4-32	Compliance with GRI G4 Guidelines, GRI Content Index and the External Assurance Report	Integrated Reporting Framework	5
G4-33	Policy and current practice with regard to seeking external assurance for the Report	Integrated Reporting Framework	5
Governance			
G4-34	Governance structure of the organisation	Corporate Governance	61
Ethics and Integrity			
G4-56	Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Profitable catalyst for Equitable Development	103
Specific Standard Disclosures			
G4-DMA	Disclosures on Management Approach	Throughout the Report	–
Economic			
Aspect: Economic Performance			
G4-EC1	Direct Economic value generated and distributed	Creating Value Beyond the Numbers	25
G4-EC3	Coverage of the organisation's defined benefit plan obligations	Financial Reports	159
Aspect: Indirect Economic Impacts			
G4-EC7	Development and impact of infrastructure investments and services supported	Committing Our Numbers to Sustainability	28 – 32
Environmental			
Aspect: Energy			
G4-EN3	Energy consumption within the organisation	Beacon for Progress and Growth	131
Aspect: Products and Services			
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No.	Disclosure Item	Location/Explanation	Page No.
Social			
Subcategory: Labour Practices and Decent Work			
Aspect: Employment			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Recognising Our Employee Excellence	123, 128
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Recognising Our Employee Excellence	128
Aspect: Labour-Management relations			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Three months	–
Aspect: Occupational Health and Safety			
G4-LA5	Percentage of total workforce represented in formal joint management – worker health and safety committees	Recognising our Employee Excellence	127
G4-LA8	Health and safety topics covered in formal agreements with trade unions	Recognising our Employee Excellence	127
Aspect: Training and Education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Recognising our Employee Excellence	123, 126
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Recognising our Employee Excellence	126
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Recognising our Employee Excellence	127
Aspect: Diversity and Equal Opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age, group, minority group membership, and other indicators of diversity	Recognising our Employee Excellence	124 – 125
Aspect: Equal Remuneration Women and Men			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Male/Female basic salary is same	–
Aspect: Labour Practices Grievance Mechanisms			
G4-LA16	Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms	None	–
Subcategory: Human Rights			
Aspect: Non-discrimination			
G4-HR 3	Total number of incidents of discrimination actions taken	None	–
Aspect: Freedom of Association and Collective Bargaining			
G4-HR4	Operations identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk and measures taken to support these rights	No such operations	–
Aspect: Child Labour			
G4-HR5	Operations identified as having significant risk for incidents of child labour	None	–

No.	Disclosure Item	Location/Explanation	Page No.
Aspect: Forced or Compulsory Labour			
G4-HR6	Operations identified as having significant risk for incidents of forced or compulsory labour	No compulsory labour	–
Aspect: Security Practices			
G4-HR7	Percentage of security personnel trained in the Organisation's human rights policies or procedures that are relevant to operations	63 programmes	–
Aspect: Human Rights Grievance Mechanisms			
G4-HR12	Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms	Recognising our Employee Excellence	127
Subcategory: Society			
Aspect: Local Communities			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments and development programmes	Stakeholder Engagement and Materiality	329
FS-13	Access points in low-populated or economically disadvantaged areas by type	Operational Footprint	350 – 365
FS-14	Initiatives to improve access to financial services for disadvantaged people	Fostering Mutually Rewarding Relationships	112
Aspect: Anti-corruption			
G4-SO3	Operations assessed for risks related to corruption and the significant risks identified	Risk Management – Ensuring the Safety of the Numbers	88
Aspect: Compliance			
G4- SO8	Monitory value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	None	–
Subcategory: Product Responsibility			
Aspect: Product and Services Labelling			
G4-PR 4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	None	–
FS-6	Percentage of the portfolio for business lines by specific region, size and by sector	Fostering Mutually Rewarding Relationships	104 – 120
FS-7	Monetary value of product and services designed to deliver a special social benefit for each business line broken down by purpose	Fostering Mutually Rewarding Relationships	104 – 120
Aspect: Marketing Communications			
G4-PR 7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	None	–
Aspect: Customer Privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	None	–
Aspect: Compliance			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None	–

Independent Assurance Report

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Independent Assurance Report to the Stakeholders of Bank of Ceylon on the Sustainability Report – 2016

Introduction and Scope of the Engagement

The management of Bank of Ceylon ("Bank") engaged us to provide an independent assurance on the following elements of the Sustainability Report 2016 ("the Report").

- Reasonable assurance on the information on financial performance as specified on pages 24 and 25 of the Report.
- Limited assurance on key performance indicators and other information presented in the Report, prepared in accordance with the requirements of Global Reporting Initiative G4 in accordance with – core guideline.

Responsibility of the Management on the Report

The Management of the Bank is responsible for the preparation and presentation of the Report in accordance with the Bank's sustainability practices and policies which are derived from Global Reporting Initiatives (GRI-G4) Sustainability Reporting Guidelines. These responsibilities include among other things, identification of stakeholders and material issues, determining the sustainable performance criteria for reporting and establishing appropriate processes and internal control systems to measure and report the sustainability performance criteria.

Our Responsibility

Our responsibility is to perform a reasonable and limited assurance engagement and express conclusions based on the work performed in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

Reasonable assurance is a high level of assurance. However, reasonable assurance is not an absolute level of assurance because there are inherent limitations of assurance engagement.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

This Report is made solely to the Bank in accordance with our engagement letter dated 2 March 2017. We disclaim any assumption of responsibility for any reliance on this Report to any person other than the Bank or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code of Ethics for Professional Accountants issued by the CA Sri Lanka.

Assurance Procedures Carried Out

Financial Information

We reconciled the information on financial performance as reported on pages 24 and 25 of the Report with the audited Financial Statements of the Bank for the years ended 31 December 2015 and 2016.

Key Performance Indicators

We reviewed the reliability of the data/information on Key Performance Indicators for the year ended 31 December 2016 based on reviews of:

- the systems used to generate, aggregate and report these information;
- the information reported by the relevant business units to corporate level;
- the information validation processes at corporate and business level;
- the information trends in discussions with management; and
- the calculation performed by the Bank on a sample basis through recalculation.

Other Information

We planned and performed following assurance procedures on other information presented in the Report:

- Inquiring relevant Bank's personnel to understand the process for collection, analysis, aggregation and presentation of information in the Report.
- Reviewing the system used to generate, aggregate and report the information in the Report.

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Partners : Sujeewa Rajapakse FCA, FCMA, MBA. Tishan H. Subasinghe FCA, ACMA, CISA, MBA. H.Sasanka Rathnaweera FCA, ACMA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. Hasanthi D. Amarakoon ACA, ACMA. R. Vasanthakumar Bsc (Acc), ACA

- Interviewing the senior management and relevant staff at corporate level and selected business unit level and obtained the evidence concerning sustainability strategy and policies for material issues and implementation of those across operation of the Bank.
- Reviewing and validating the Information contained in the Report.
- Reading the information presented in the Report to determine whether that information is in line with our overall knowledge of, and experience with, sustainability performance of the Bank.
- Comparison of the content of the report against the criteria for a Global Reporting Initiatives G4 in accordance with – core guidelines.

Conclusion

Based on the procedures performed, as described above, we conclude that:

- The information on financial performance as specified on pages 24 and 25 of the Report is properly derived from the audited Financial Statements of the Bank for the years ended 31 December 2015 and 2016.
- Nothing has come to our attention that causes us to believe that key performance indicators and other information presented in the Report are not presented, in all material respects, in accordance with the Bank's sustainability practices and policies which are derived from GRI (G4) Sustainability Reporting Guidelines.

BDO Partners

Chartered Accountants
Colombo

30 March 2017
TS/cc

Statement of Profit or Loss in USD

For the year ended 31 December	Bank		Group	
	2016 USD '000	2015 USD '000	**2016 USD '000**	2015 USD '000
Total income	1,028,848	912,813	1,066,097	957,810
Interest income	899,101	782,614	932,587	812,731
Less: Interest expenses	538,904	461,046	554,707	474,666
Net interest income	**360,197**	**321,568**	**377,880**	**338,065**
Fee and commission income	58,342	61,843	59,967	64,267
Less : Fee and commission expenses	10,148	7,433	10,729	8,167
Net fee and commission income	**48,194**	**54,410**	**49,238**	**56,100**
Net gains/(losses) from trading	13,762	27,544	13,601	27,663
Net gains/(losses) from financial instruments designated at fair value through profit or loss	–	–	–	–
Net gains/(losses) from financial investments	1,828	4,237	2,085	4,456
Other operating income	55,814	36,575	57,857	48,693
Total operating income	**479,795**	**444,334**	**500,661**	**474,977**
Less: Impairment charge/(reversal) for loans and other losses	29,351	40,981	29,513	44,189
Net operating income	450,444	403,353	471,148	430,788
Less: Operating expenses				
Personnel expenses	112,446	116,229	122,893	126,043
Other expenses	87,974	78,223	105,059	94,725
Total operating expenses	**200,420**	**194,452**	**227,952**	**220,768**
Operating profit before Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	250,024	208,901	243,196	210,020
Less: Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	41,822	33,428	42,568	33,825
Operating profit after Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	208,202	175,473	200,628	176,195
Share of profits/(losses) of associate companies, net of tax	–	–	420	650
Profit before income tax	208,202	175,473	201,048	176,845
Less: Income tax expense	42,708	54,986	44,934	56,151
Profit for the year	**165,494**	**120,487**	**156,114**	**120,694**
Profit attributable to:				
Equity holder of the Bank	165,494	120,487	156,853	120,615
Non-controlling interest	–	–	(739)	79
Profit for the year	**165,494**	**120,487**	**156,114**	**120,694**
Earnings per share:				
Basic earnings per share (USD)	16.55	16.91	15.69	16.93
Diluted earnings per share (USD)	16.28	12.05	15.43	12.06
Dividend per share (USD)	11.58	6.18	11.58	6.18

Exchange rate of one USD was LKR 149.80 as at 31 December 2016 (LKR 144.06 as at 31 December 2015).

The Statement of Profit or Loss given in this page does not form part of the Audited Financial Statements and it is solely for the convenience of the shareholder, investors, bankers and other interested parties of the Financial Statements of the Bank.

Statement of Comprehensive Income in USD

For the year ended 31 December	Bank		Group	
	2016 USD '000	2015 USD '000	2016 USD '000	2015 USD '000
Profit for the year	165,494	120,487	156,114	120,694
Other comprehensive income, net of tax	–	–	–	–
Items that will not be reclassified to profit or loss	–	–	–	–
Changes in revaluation surplus/(deficit)	9,310	57	15,404	6,480
Deferred tax effect on above	–	86	(1,706)	(1,713)
Actuarial gains/(losses) on defined benefit plans	(10,827)	(6,977)	(10,551)	(6,719)
Deferred tax effect on above	214	(2,535)	201	(2,618)
Net other comprehensive income that will not be reclassified to profit or loss	(1,303)	(9,369)	3,348	(4,570)
Items that are or may be reclassified to profit or loss				
Exchange gains/(losses) arising from translating the financial statements of foreign operations	1,107	3,190	(1,522)	4,013
Gains/(Losses) on remeasuring available for sale financial investments	(6,848)	(9,023)	(6,390)	(7,598)
Deferred tax effect on above	(59)	(851)	(59)	(851)
Realised gains on available for sale financial investments transferred to profit or loss	(104)	(26)	(104)	(26)
Share of other comprehensive income of associate companies, net of tax	–	–	15	3
Net other comprehensive income that are or may be reclassified to profit or loss	(5,904)	(6,710)	(8,060)	(4,459)
Other comprehensive income for the year, net of tax	(7,207)	(16,079)	(4,712)	(9,029)
Total comprehensive income for the year	158,287	104,408	151,402	111,665
Attributable to:				
Equity holder of the Bank	158,287	104,408	151,925	111,392
Non-controlling interest	–	–	(523)	273
Total comprehensive income for the year	158,287	104,408	151,402	111,665

Exchange rate of one USD was LKR 149.80 as at 31 December 2016 (LKR 144.06 as at 31 December 2015).

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Statement of Financial Position in USD

As at 31 December	Bank 2016 USD '000	Bank 2015 USD '000	Group 2016 USD '000	Group 2015 USD '000
Assets				
Cash and cash equivalents	451,975	554,736	488,946	581,156
Balances with Central Banks	376,420	270,298	376,420	270,298
Placements with banks	77,935	194,191	86,326	196,829
Securities purchased under resale agreements	12,694	85,373	15,692	94,951
Derivative financial instruments	35,386	51,501	35,386	51,501
Financial instruments – Held for trading	56,569	84,500	58,776	88,337
Financial investments – Loans and receivables	1,280,872	1,614,310	1,281,603	1,617,382
Loans and advances to customers	6,676,119	5,739,112	6,860,935	5,913,450
Financial investments – Available for sale	69,847	83,447	108,569	112,914
Financial investments – Held to maturity	1,623,354	1,709,598	1,623,858	1,710,021
Investment in subsidiary companies	41,476	43,128	–	–
Investment in associate companies	621	5,852	2,808	13,274
Investment properties	20,027	–	852	1,012
Property, Plant and Equipment	103,352	113,324	194,927	183,544
Leasehold properties	680	726	909	974
Intangible assets	3,762	2,591	4,377	3,498
Deferred tax assets	–	–	36	70
Other assets	312,379	333,496	318,570	337,893
Total assets	**11,143,468**	**10,886,183**	**11,458,990**	**11,177,104**
Liabilities				
Due to banks	13,634	18,259	13,711	18,276
Securities sold under repurchase agreements	396,693	606,357	393,363	598,449
Derivative financial instruments	1,146	1,085	1,146	1,085
Due to customers	8,388,448	7,512,980	8,502,212	7,621,360
Other borrowings	1,304,872	1,735,979	1,365,055	1,775,587
Debt securities issued	22,878	23,789	55,810	60,417
Current tax liabilities	–	14,444	1,689	15,855
Deferred tax liabilities	9,608	10,530	27,228	27,409
Insurance provision – Life	–	–	3,436	3,084
Insurance provision – Non-life	–	–	5,176	3,593
Other liabilities	128,383	149,833	144,569	160,957
Subordinated term debts	257,982	247,306	255,643	244,964
Total liabilities	**10,523,644**	**10,320,562**	**10,769,038**	**10,531,036**
Equity				
Share capital	100,134	69,414	100,134	69,414
Permanent reserve fund	53,378	36,165	53,378	36,165
Retained earnings	361,513	354,611	371,555	374,062
Other reserves	104,799	105,431	159,014	159,412
Total equity attributable to equity holder of the Bank	**619,824**	**565,621**	**684,081**	**639,053**
Non-controlling interest	–	–	5,871	7,015
Total equity	**619,824**	**565,621**	**689,952**	**646,068**
Total liabilities and equity	**11,143,468**	**10,886,183**	**11,458,990**	**11,177,104**
Contingent liabilities and commitments	3,654,196	4,837,192	3,660,438	4,844,696
Net assets value per share (USD)	61.98	56.56	68.41	63.91

Exchange rate of one USD was LKR 149.80 as at 31 December 2016 (LKR 144.0623 as at 31 December 2015).

The Statement of Financial Position given in this page does not form part of the Audited Financial Statements and it is solely for the convenience of the shareholder, investors, bankers and other interested parties of the Financial Statements of the Bank.

Quarterly Performance

Summary of the Statement of Profit or Loss

LKR million

For the quarter ended	2016				2015			
	31 March	30 June	30 September	31 December	31 March	30 June	30 September	31 December
Bank								
Net interest income	12,738	12,285	13,353	15,581	11,046	12,292	12,173	10,815
Non-interest income	3,145	4,578	4,500	7,213	3,928	4,109	5,386	5,333
Non-interest expense	(6,196)	(8,600)	(9,586)	(7,161)	(5,903)	(7,277)	(7,551)	(8,354)
Impairment (charge)/reversal for loans and other losses	(572)	165	(252)	(3,738)	(3,921)	(3,363)	(1,441)	2,822
Operating profit before VAT and NBT	**9,115**	**8,428**	**8,015**	**11,895**	**5,150**	**5,761**	**8,567**	**10,616**
VAT and NBT on financial services	(1,268)	(1,478)	(1,427)	(2,091)	(794)	(1,034)	(1,098)	(1,889)
Profit before income tax	**7,847**	**6,950**	**6,588**	**9,804**	**4,356**	**4,727**	**7,469**	**8,727**
Income tax expense	(2,035)	(1,948)	(1,539)	(876)	(1,382)	(1,034)	(1,846)	(3,660)
Profit after income tax	**5,812**	**5,002**	**5,049**	**8,928**	**2,974**	**3,693**	**5,623**	**5,067**
Other comprehensive income	(1,075)	90	515	(610)	(379)	308	(259)	(1,986)
Total comprehensive income	**4,737**	**5,092**	**5,564**	**8,318**	**2,595**	**4,001**	**5,364**	**3,081**
Group								
Net interest income	13,370	12,893	14,004	16,339	11,596	12,866	12,767	11,473
Non-interest income	3,332	4,577	5,506	6,584	4,200	4,100	6,577	6,022
Non-interest expense	(6,982)	(9,224)	(11,002)	(8,546)	(6,633)	(7,766)	(9,161)	(9,421)
Impairment (charge)/reversal for loans and other losses	(586)	181	(251)	(3,764)	(4,160)	(3,435)	(1,545)	2,776
Operating profit before VAT and NBT	**9,134**	**8,427**	**8,257**	**10,613**	**5,003**	**5,765**	**8,638**	**10,850**
VAT and NBT on financial services	(1,288)	(1,514)	(1,453)	(2,122)	(797)	(1,054)	(1,115)	(1,907)
Operating profit after VAT and NBT	**7,846**	**6,913**	**6,804**	**8,491**	**4,206**	**4,711**	**7,523**	**8,943**
Share of profits/(losses) of associate companies, net of tax	1	41	36	(15)	57	22	16	(1)
Profit before income tax	**7,847**	**6,954**	**6,840**	**8,476**	**4,263**	**4,733**	**7,539**	**8,942**
Income tax expense	(2,066)	(2,022)	(1,573)	(1,070)	(1,417)	(1,073)	(1,879)	(3,720)
Profit after income tax	**5,781**	**4,932**	**5,267**	**7,406**	**2,846**	**3,660**	**5,660**	**5,222**
Other comprehensive income	(1,419)	202	632	(121)	(693)	602	(113)	(1,097)
Total comprehensive income	**4,362**	**5,134**	**5,899**	**7,285**	**2,153**	**4,262**	**5,547**	**4,125**

Summary of the Statement of Financial Position

LKR million

As at	2016				2015			
	31 March	30 June	30 September	31 December	31 March	30 June	30 September	31 December
Bank								
Assets								
Investments	526,305	514,882	506,561	462,198	434,900	451,103	460,460	522,400
Loans and advances to customers	869,096	875,036	901,114	1,000,083	805,370	794,001	834,919	826,790
Property, Plant and Equipment	16,738	16,758	16,943	16,147	16,661	16,761	16,740	16,804
Other assets	185,437	176,020	199,115	190,863	132,902	144,614	171,710	202,295
Total assets	**1,597,576**	**1,582,696**	**1,623,733**	**1,669,291**	**1,389,833**	**1,406,479**	**1,483,829**	**1,568,289**
Liabilities and Equity								
Due to customers	1,100,833	1,118,938	1,180,113	1,256,589	912,402	947,347	997,623	1,082,337
Debt securities and borrowed funds	383,596	342,641	327,844	296,967	379,930	354,899	383,496	376,497
Other liabilities	27,099	31,977	25,745	22,885	20,274	24,504	19,591	27,970
Equity	86,048	89,140	90,031	92,850	77,227	79,729	83,119	81,485
Total liabilities and equity	**1,597,576**	**1,582,696**	**1,623,733**	**1,669,291**	**1,389,833**	**1,406,479**	**1,483,829**	**1,568,289**
Group								
Assets								
Investments	527,895	516,347	508,330	463,078	436,503	452,684	461,449	523,937
Loans and advances to customers	894,477	900,380	927,338	1,027,768	827,705	816,898	858,610	851,905
Property, Plant and Equipment	26,886	26,789	26,913	29,992	26,342	26,440	26,248	27,086
Other assets	190,277	179,849	208,463	195,719	137,571	151,816	176,764	207,271
Total assets	**1,639,535**	**1,623,365**	**1,671,044**	**1,716,557**	**1,428,121**	**1,447,838**	**1,523,071**	**1,610,199**
Liabilities and Equity								
Due to customers	1,117,728	1,134,868	1,196,566	1,273,631	923,824	960,823	1,012,698	1,097,951
Debt securities and borrowed funds	392,084	350,434	341,515	310,067	390,599	366,648	391,595	386,003
Other liabilities	32,409	37,624	31,296	29,505	26,135	30,052	24,888	33,171
Equity	96,326	99,433	100,619	102,475	86,523	89,247	92,823	92,064
Non-controlling interest	988	1,006	1,048	879	1,040	1,068	1,067	1,010
Total liabilities and equity	**1,639,535**	**1,623,365**	**1,671,044**	**1,716,557**	**1,428,121**	**1,447,838**	**1,523,071**	**1,610,199**

Summary of the Financial Measures

As at	2016				2015			
	31 March	30 June	30 September	31 December	31 March	30 June	30 September	31 December
Bank								
Profitability								
Interest margin (%)	3.2	3.2	3.2	3.3	3.3	3.4	3.4	3.3
Return on average assets (before tax) (%)	1.9	1.9	1.8	1.9	1.3	1.3	1.6	1.7
Return on average equity (after tax) (%)	27.8	25.3	24.7	28.4	15.7	17.3	20.8	22.2
Investor Information								
Interest cover (times)	2.4	2.3	2.2	2.3	1.9	1.9	2.1	2.2
Net assets value per share (LKR)	8,605	8,914	9,003	9,285	15,446	15,946	8,312	8,148
Capital Adequacy Ratio								
Core capital adequacy ratio, % (Tier I)	8.9	8.3	7.6	8.7	8.6	8.4	8.4	9.1
Total capital adequacy ratio, % (Tier I + II)	12.8	11.9	10.8	12.3	12.4	11.9	11.8	13.1
Assets Quality								
Gross non-performing advances ratio (%) (Net of interest in suspense)	3.8	3.5	3.4	2.9	4.4	5.4	5.1	4.3
Net non-performing advances ratio (%) (Net of interest in suspense and provisions)	1.4	1.1	1.2	0.4	2.2	2.9	2.6	1.8
Regulatory Liquidity								
Statutory liquid assets ratio								
– Domestic banking unit (%)	23.9	22.1	24.1	21.6	26.6	30.8	26.0	28.2
– Off-shore banking unit (%)	35.5	39.8	35.0	28.1	31.7	28.9	31.3	37.6
Group								
Profitability								
Interest margin (%)	3.3	3.3	3.3	3.4	3.3	3.5	3.4	3.4
Return on average assets (before tax) (%)	1.9	1.8	1.8	1.8	1.2	1.3	1.5	1.7
Return on average equity (after tax) (%)	24.3	22.1	21.9	23.8	13.2	14.8	18.1	19.5
Investor Information								
Net assets value per share (LKR)	9,633	9,943	10,062	10,247	17,305	17,849	9,282	9,206
Capital Adequacy Ratio								
Core capital adequacy ratio, % (Tier I)	9.2	8.5	8.0	8.8	9.0	8.7	8.7	9.4
Total capital adequacy ratio, % (Tier I + II)	13.2	12.2	11.3	12.5	12.9	12.3	12.1	13.3

Share and Debenture Information

Share Information

As at 31 December	2016		2015	
Shareholder	No. of Ordinary Shares	Holding %	No. of Ordinary Shares	Holding %
Government of Sri Lanka	15,000,000*	100	10,000,000	100

**This includes 5,000,000 Nos. of shares pending allotment.*

Debenture Information

The Bank has issued the following debt securities which are listed on the Colombo Stock Exchange (CSE):

Unsecured, Subordinated, Redeemable Debentures (Par value LKR 100)	Type	Interest Payable Frequency	Interest Rate (per annum)
November 2012–2017 series	A	Annually	16.00%
	B	Semi-annually	6 months TB rate (gross) plus 125 basis points
	C	Semi-annually	15.30%
October 2013–2023 series	A	Annually	13.00%
	B	Annually	12.60%
	C	Semi-annually	6 months TB rate (gross) plus 100 basis points
	D	Annually	13.25%
	E	Semi-annually	6 months TB rate (gross) plus 100 basis points
	F	Annually	13.25%
	H	Annually	13.75%
September 2014–2022 series	A	Annually	8.00%
	B	Quarterly	7.75%
	C	Semi-annually	6 months TB (gross) rate plus 50 basis points
	D	Annually	8.25%
	E	Semi-annually	6 months TB (gross) rate plus 50 basis points
October 2015–2023 series	A	Annually	8.25%
	B	Quarterly	8.00%
	C	Semi-annually	6 months TB (gross) rate plus 125 basis points
	D	Annually	9.50%
	E	Semi-annually	6 months TB (gross) rate plus 125 basis points
December 2016–2024 series	A	Annually	13.25%
	B	Quarterly	6 months TB (gross) rate plus 125 basis points
	C	Semi-annually	12.75%
	D	Annually	6 months TB (gross) rate plus 125 basis points

Trading Information on Listed Debentures

The debentures that have been traded during the year ended 2016 and 2015 are as follows:

As at 31 December	2016					2015				
	Highest LKR	Lowest LKR	Last Traded LKR	Interest Yield* %	Yield to Maturity* %	Highest LKR	Lowest LKR	Last Traded LKR	Interest Yield* %	Yield to Maturity* %
BoC Debentures 2012–2017										
Unsecured, surbodinated, redeemable, 5 years, fixed rate (16.0%)	102.65	102.65	102.65	13.94	15.59	100.00	100.00	100.00	15.87	16.00
BoC Debentures 2013–2023										
Unsecured, surbodinated, redeemable, 10 years, fixed rate (13.75%)	N/T	N/T	N/T	N/T	N/T	117.32	117.32	117.32	10.39	11.72
BoC Debentures 2014–2022										
Unsecured, surbodinated, redeemable, 5 years, fixed rate (8.0%)	96.87	96.87	96.87	9.06	8.26	99.90	95.50	95.50	9.47	8.38
BoC Debentures 2015–2023										
Unsecured, surbodinated, redeemable, 5 years, floating rate 6 months TB rate (gross) rate plus 125 basis points	95.00	95.00	95.00	13.39	12.29	N/T	N/T	N/T	N/T	N/T

**As at date of last trade done.*
N/T – Not Traded

Ten Year Statistical Summary – Bank

LKR million

For the year ended 31 December	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating Results										
Income	50,159	60,182	63,461	63,363	70,457	110,138	127,464	126,546	131,502	154,121
Interest income	42,286	49,684	53,077	50,843	61,222	95,022	114,863	107,395	112,745	134,685
Interest expenses	(29,453)	(35,989)	(38,267)	(31,200)	(36,216)	(59,701)	(77,720)	(68,945)	(66,419)	(80,728)
Net interest income	12,833	13,695	14,810	19,643	25,006	35,321	37,143	38,450	46,326	53,957
Other operating income	7,873	10,498	10,385	12,515	9,235	15,116	12,601	19,151	18,756	19,437
Other operating expenses	(14,315)	(16,889)	(17,992)	(18,104)	(15,241)	(27,428)	(31,324)	(33,258)	(34,987)	(35,940)
Operating profit before VAT and NBT	6,391	7,304	7,203	14,054	19,000	23,009	18,420	24,343	30,095	37,454
VAT and NBT on financial services	(1,873)	(2,073)	(2,995)	(4,001)	(2,516)	(3,214)	(2,711)	(4,052)	(4,816)	(6,265)
Profit before income tax	4,518	5,231	4,208	10,053	16,484	19,795	15,709	20,291	25,279	31,189
Income tax expense	(1,675)	(1,670)	(1,124)	(3,688)	(4,567)	(5,378)	(3,622)	(6,717)	(7,922)	(6,398)
Profit for the year	2,843	3,561	3,084	6,365	11,917	14,417	12,087	13,574	17,357	24,791

As at 31 December	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assets										
Cash and cash equivalents	9,244	10,168	13,509	14,104	18,671	31,545	24,901	35,583	79,917	67,706
Balances with Central Banks	17,253	15,629	16,263	25,642	30,223	29,963	28,699	30,422	38,940	56,388
Placements with banks	19,722	16,403	45,867	42,709	14,581	19,394	19,315	13,349	27,976	11,675
Loans and advances to customers	284,496	271,105	265,065	368,302	543,149	691,899	725,332	741,348	826,790	1,000,082
Other financial assets	80,635	144,913	168,481	241,205	195,444	239,089	335,455	438,554	522,762	461,193
Investments in subsidiaries and associates	3,650	3,603	4,037	6,124	7,084	7,636	7,672	7,056	7,056	6,306
Investment properties	559	–	–	–	–	–	–	–	–	3,000
Property, Plant and Equipment	4,982	5,018	5,724	5,621	10,595	11,516	12,089	16,296	16,431	15,584
Intangible assets	399	233	111	164	343	376	501	385	373	563
Other assets	16,961	17,304	19,184	16,377	18,183	16,803	39,617	46,027	48,044	46,794
Total assets	437,901	484,376	538,241	720,248	838,273	1,048,221	1,193,581	1,329,020	1,568,289	1,669,291
Liabilities										
Due to banks*	–	–	–	2,215	6,508	10,128	1,166	890	2,630	2,042
Due to customers	308,856	316,070	408,607	530,092	595,774	693,441	842,070	933,966	1,082,337	1,256,589
Debt securities issued and subordinated term debts	9,150	17,988	18,045	40,115	42,591	47,114	45,326	53,282	39,055	42,072
Other borrowings	84,658	111,100	67,302	105,169	138,389	233,795	235,370	246,736	337,442	254,895
Current tax liabilities	885	1,079	190	2,200	1,139	2,208	–	–	2,081	–
Other liabilities	13,302	15,037	19,198	10,551	12,518	10,582	11,949	19,340	23,259	20,843
Total liabilities	416,851	461,274	513,342	690,342	796,919	997,268	1,135,881	1,254,214	1,486,804	1,576,441
Equity										
Share capital	5,000	5,000	5,000	5,000	5,000	5,000	5,000	10,000	10,000	15,000
Permanent reserve fund	2,515	2,585	2,650	2,777	3,008	3,286	3,538	3,810	5,210	7,996
Retained earnings	12,161	14,335	15,820	14,564	21,733	27,639	31,419	44,861	51,086	54,155
Other reserves	1,374	1,182	1,429	7,565	11,613	15,028	17,743	16,135	15,189	15,699
Total equity	21,050	23,102	24,899	29,906	41,354	50,953	57,700	74,806	81,485	92,850
Total liabilities and equity	437,901	484,376	538,241	720,248	838,273	1,048,221	1,193,581	1,329,020	1,568,289	1,669,291
Contingent liabilities and commitments	134,713	164,813	246,245	313,040	409,747	455,181	655,441	721,763	696,857	547,399

As at 31 December	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Ratios										
Return on average assets (%)	1.1	1.1	0.8	1.6	2.1	2.1	1.4	1.6	1.7	1.9
Return on average equity (%)	14.6	16.1	12.9	24.0	33.5	31.2	22.2	20.5	22.2	28.4
Income growth (%)	42.5	20.0	5.5	(0.2)	11.2	56.3	15.7	(0.7)	3.9	17.2
Capital adequacy ratio (%)										
– Tier I	11.4	11.3	11.2	10.3	7.8	8.3	8.4	9.5	9.1	8.7
– Tier I + Tier II	11.4	15.9	14.2	13.7	10.9	11.5	12.1	13.6	13.1	12.3
Capital funds to liabilities including contingent liabilities (%)	3.8	3.7	3.3	3.1	3.4	3.5	3.2	3.8	3.7	4.4
Liquidity ratio – domestic (%)	21.2	24.2	21.1	28.7	23.4	21.8	27.7	30.8	28.2	21.6
Cost to income ratio (%)	67.5	64.2	68.3	53.7	51.1	42.7	49.1	44.0	44.7	43.0
Other Information										
No. of employees	8,253	7,912	7,538	8,204	8,115	7,790	8,883	8,577	7,980	7,569
No. of branches	307	309	310	309	318	324	567	573	578	580
No. of ATMs	203	251	329	352	404	451	523	540	549	678
No. of advances ('000)	1,867	1,839	2,011	2,261	2,837	3,363	3,193	2,384	2,146	2,122
No. of deposits ('000)	6,993	7,494	8,440	9,321	10,179	10,955	11,606	12,311	12,322	12,706
Cashflows from operating activities	(13,713)	30,262	100,115	10,271	(42,348)	(19,271)	47,051	72,987	127,503	(21,346)
Cashflows from investing activities	3,034	(67,091)	(20,775)	(59,418)	6,924	(52,965)	(51,351)	(27,222)	(101,988)	83,642
Cashflows from financing activities	8,120	34,433	(45,144)	46,554	12,476	89,640	(4,377)	(29,519)	17,982	(73,927)
Capital expenditure on purchase of Property, Plant and Equipment	(544)	(647)	(1,446)	(1,168)	(1,905)	(1,483)	(1,682)	(1,743)	(1,332)	(2,053)

**From 2007 to 2009 Due to banks amount is included in Due to customers and Other borrowings*

***Highlighted information is based on LKASs/SLFRSs.*

Disclosure in terms of Section 7.6 (xvi) of the Listing Rules of the Colombo Stock Exchange on related party transactions exceeding 10% of the equity or 5% of the total assets of the Bank

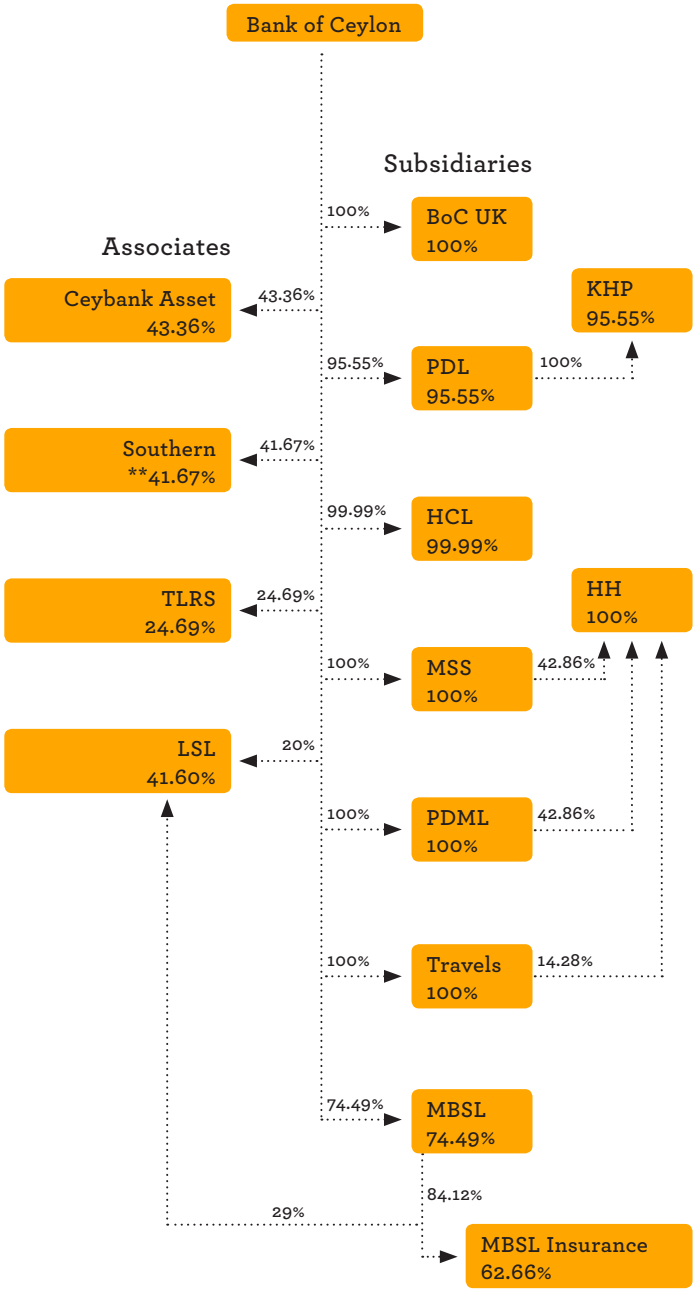
The Bank did not carry out any transactions exceeding 10% of the equity or 5% of the total assets of the Bank, whichever is lower, with the related parties given in Note No. 55 to the Financial Statements, except for the transactions engaged with the Government of Sri Lanka and Government-related entities.

The Government of Sri Lanka, who holds 100% shareholding in the Bank of Ceylon and Government-related entities, carry out transactions with the Bank, in the ordinary course of business and the aggregate monetary value of these transactions exceeded the threshold given in Section 7.6 (xvi) of the Listing Rules of Colombo Stock Exchange. These transactions include:

1. Overdraft facility granted to the Deputy Secretary to the Treasury.
2. Foreign currency loans granted to the Government of Sri Lanka and State-Owned Enterprises.
3. Investment in Sri Lanka Development Bonds and Restructuring Bonds issued by the Government of Sri Lanka.
4. Extending of trade finance credit and other related services to facilitate import transactions of the Government of Sri Lanka and State-Owned Enterprises.
5. Deposits made by the Government and Government-related entities with the Bank.

Most of these transactions are considered as recurrent nature transactions and the outstanding balances as at Reporting date during the year 2016, are given in the Note 55.4 to the Financial Statements.

Subsidiaries and Associates



Subsidiary Companies	Directors*
Property Development PLC 19th Floor, BoC Head Office Building, 'BOC Square' No. 01, Bank of Ceylon Mawatha, Colombo 01 Tel :011 2544328 Fax :011 2544329 e-mail :pdlhrm@sltnet.lk	Mr K A K Jayathilake *(Chairman)* Mr W P Russel Fonseka Mr K K U Wijeyesekara Mr R P Halwala Mr W I L Weeratne Mr S M De Zoysa Secretaries M/s Corporate Services (Private) Limited
Merchant Bank of Sri Lanka & Finance PLC BOC Merchant Tower, No. 28, St. Michael's Road, Colombo 03 Tel :011 4711711, 011 2565636 Fax :011 2565666 e-mail :mbslbank@mbslbank.com Website :www.mbslbank.com	Dr Sujeewa Lokuhewa *(Chairman)* Mr Charitha N Wijewardane Mr D M Gunasekara Mr Senarath Bandara Mr W P Russel Fonseka Mr N Perera Mr S N Dayaratne Mr S P Arsakularatne Mr H J D Fonseka Secretary Ms Karnika Jayathilake
BOC Management & Support Services (Private) Limited 25th Floor, BoC Head Office Building, 'BOC Square' No. 01, Bank of Ceylon Mawatha, Colombo 01 Tel :011 2432680	Mr D M Gunasekara *(Chairman)* Mr D P K Gunasekera Mr W A C Tissera Secretary Ms Janaki Senanayake Siriwardane
BOC Property Development & Management (Private) Limited 10th Floor, BOC Merchant Tower, No. 28, St. Michael's Road, Colombo 03 Tel :011 2301911 Fax :011 2370606 e-mail :indika@bocpdml.lk	Mr M H M Faizer *(Chairman)* Mr H Ashraff Mr D M Gunasekara Ms S T K Hettigoda Mr S M S C Jayasuriya *(Alternate Director to Mr D M Gunasekara)* Secretaries M/s Corporate Services (Private) Limited
BOC Travels (Private) Limited 1st Floor, BoC Super Grade Branch Building, Baseline Road, Colombo 08 Tel :011 2688154-8 Fax :011 2688175 e-mail :ceybank@eureka.lk Website :www.boctravels.com	Mr M H K Paranavithana *(Chairman)* Mr P Dheerasinghe Mr Charitha N Wijewardane Mr D M Gunasekara Mr F A R Aziz Mr R Wijewardena Mr C Amarasinghe *(Alternate Director to Mr D M Gunasekara)* Secretaries M/s S S P Corporate Services (Private) Limited

Subsidiaries

1. PDL – Property Development PLC
2. MBSL – Merchant Bank of Sri Lanka & Finance PLC
3. MSS – BOC Management & Support Services (Private) Limited
4. PDML – BOC Property Development & Management (Private) Limited
5. Travels – BOC Travels (Private) Limited
6. HCL – Hotels Colombo (1963) Limited
7. HH – Ceybank Holiday Homes (Private) Limited
8. MBSL Insurance – MBSL Insurance Company Limited
9. KHP – Koladeniya Hydropower (Private) Limited
10. BoC UK – Bank of Ceylon (UK) Limited

Associates

11. Ceybank Asset – Ceybank Asset Management Limited
12. Southern – Southern Development Financial Company Limited
13. LSL – Lanka Securities (Private) Limited
14. TLRS – Transnational Lanka Records Solutions (Private) Limited

**as at 31 December 2016*
***not in operation*

Subsidiary Companies	Directors*
Hotels Colombo (1963) Limited No. 02, York Street, Colombo 01 Tel :011 2320320 Fax :011 2380433 e-mail :info@grandoriental.com Website :www.grandoriental.com	Mr Charitha N Wijewardane *(Chairman)* Mr D M Gunasekara Mr J C Ratwatte Mr Vipula Jayabahu *(Alternate Director to Mr D M Gunasekara)* Secretaries M/s S S P Corporate Services (Private) Limited
Ceybank Holiday Homes (Private) Limited 12th Floor, BoC Head Office Building, 'BOC Square', No. 01, Bank of Ceylon Mawatha, Colombo 01 Tel :011 2447845, 011 2204103-4 Fax :011 2447845 e-mail :ceybankhh@gmail.com Website : www.ceybankholidayhomes.com	Mr D M Gunasekara *(Chairman)* Mr S Hewawitharana Mr Y P Warnasekara Ms D N Wickramasinghe Mr Senarath Bandara *(Alternate Director to Mr D M Gunasekara)* Secretary Ms Janaki Senanayake Siriwardane
MBSL Insurance Company Limited No. 122, Kew Road, Colombo 02 Tel :011 2304500 Fax :011 2300499 e-mail :info@mbslinsurance.lk Website :www.mbslinsurance.lk	Dr Sujeewa Lokuhewa *(Chairman)* Mr Charitha N Wijewardane Mr H P Lokuyaddhehige Mr A S Rangana Mr D M Gunasekara Mr N Perera Mr S P Arsakularatne Mr Senarath Bandara Mr W P Russel Fonseka Mr S N Dayaratne Secretaries M/s Waters Secretarial Services (Private) Limited
Koladeniya Hydropower (Private) Limited 19th Floor, BoC Head Office Building, 'BOC Square', No. 01, Bank of Ceylon Mawatha, Colombo 01 Tel :011 2544328, 011 2541113 Fax :011 2544329 e-mail :pdlfin@sltnet.lk	Mr K A K Jayatilake *(Chairman)* Mr Sanjaya Padmaperuma Mr D M Gunasekara Mr N M Musafer Mr Senarath Bandara *(Alternate Director to Mr D M Gunasekara)* Secretaries M/s Em En Es (Assignments) (Private) Limited
Bank of Ceylon (UK) Limited No. 01, Devonshire Square, London EC2M 4WD United Kingdom Tel :+44 207 3771 888 Fax :+44 207 3775 430 e-mail :info@bankofceylon.co.uk Website :www.bankofceylon.co.uk	Mr Ronald C Perera Mr D M Gunasekara Mr A R F John Pulle Mr M P R Kumara Mr W D R Swanney Mr R England Secretary Mr Colin Finlayson

as at 31 December 2016

Associate Companies	Directors*
Lanka Securities (Private) Limited No. 228/1 Galle Road, Colombo 04 Tel :011 4706757 Fax :011 4706767 e-mail :lankasec@sltnet.lk Website : www.lankasecurities.com	Ms Aamna Taseer *(Chairperson)* Mr M Eshan ul-Haq Mr Farooq Bin Habib Mr K U D Gamage Mr H P Ajith Gunawardana Mr W P Russel Fonseka Mr S A Taseer *(Alternate to Mr M Eshan ul-Haq)* Mr S Taseer *(Alternate to Mr Farooq Bin Habib)* Mr I Hafeez *(Alternate to Ms Aamna Taseer)* Secretaries M/s S S P Corporate Services (Private) Limited
Transnational Lanka Records Solutions (Private) Limited 160/16, Kirimandala Mawatha, Narahenpita Colombo 05 Tel :011 7574574 Fax :011 4514588 e-mail : suneth@transnational-grp.com Website : www.transnational-grp.com	Mr W P Russel Fonseka *(Chairman)* Mr S M S C Jayasuriya Mr D K W Liew Mr D M H Liew Mr C R Norwood Mr P C Dodanwela Secretaries M/s P W Corporate Secretarial (Private) Limited
Ceybank Asset Management Limited No. 54/C1, Ward Place Colombo 07 Tel :011 7602000 Fax :011 2683095 e-mail :ceybank@slt.lk Website :www.ceybank.com	Mr P S C Pelpola *(Chairman)* Mr D M Gunasekara Mr S M S C Jayasuriya Mr M Selvanathan Mr C Sathkumara Mr M S P R Perera Mr P A Liyanamana Shri B Babu Rao Mr G A Jayashantha *(Alternate Director to Mr D M Gunasekara)* Mr U D Liyanagamage (Alternate Director to Mr P A Liyanamana) Mr A P Weeratunge (Alternate Director to Mr M Selvanathan) Secretaries M/s Carsons Management Services (Private) Limited

Operational Footprint

Name of Branch	Telephone	Email Address	No. of ATMs	No. of CDMs	Postal Address
Central Province					
Adikarigama	081-3838538	boc487@boc.lk			Raja Mawatha, Adikarigama
Agarapathana ■	051-2230133	boc488@boc.lk	1		No. 23, Main Street, Agarapathana
Akurana	081-2301477	boc489@boc.lk	1		No. 197, Kurunduahawela, Matale Road, Akurana
Aladeniya	081-2058358	boc812@boc.lk	1		No. 447, Kurunegala Road, Aladeniya
Alawathugoda	066-2242327	boc768@boc.lk	1		No. 1496, Matale Road, Alawathugoda
Ankumbura	066-2240399	boc490@boc.lk			No. 38/3, Alawathugoda Road, Ankumbura
Bogawanthalawa	052-2267599	boc491@boc.lk	1		No. 84, 86 Main Street, Bogawanthalawa
BOI Pallekelle	081-5672445	boc464@boc.lk	1		Kandy Industrial Park, Balagolla, Kengalla
Bokkawala	081-2461056	boc465@boc.lk			No. 135/1B, Bokkawala
Dambulla ▲	066-2285270	boc576@boc.lk	2	1	No. 438/B, Kandy Road, Dambulla
Danture	081-2575228	boc466@boc.lk			No. 572, 572 A, Main Street, Danture
Daulagala	081-2315171	boc467@boc.lk			No. 01/1, Imbuldeniya Handessa, Daulagala
Digana	081-2376928	boc273@boc.lk	2		No. 02, New Town, Digana, Rajawella.
Digana Village	081-2375851	boc469@boc.lk			Digana Village, Digana
Galagedara	081-2461214	boc615@boc.lk	1		No. 237, Rambukkana Road, Galagedara
Galaha	081-2467213	boc101@boc.lk	1		No. 59/37, Deltota Road, Galaha
Galewala	066-2288258	boc432@boc.lk	2		No. 168, Kurunegala – Dambulla Road, Galewala
Gampola ▲	081-2350108	boc575@boc.lk	2	1	No. 44, Kadugannawa Road, Gampola
Gampola City	081-2354214	boc470@boc.lk	1		No. 23, Nawalapitya Road, Gampola
Gelioya	081-2314777	boc524@boc.lk	1		430, Karamada, Gampola Road, Gelioya
Ginigathhena	051-2242310	boc471@boc.lk	1		No. 29/B, Colombo Road, Ginigathhena
Hatharaliyadda	081-2464187	boc472@boc.lk	1		Bank of Ceylon Building, Kandy Road, Hatharaliyadda
Hatton	051-2225015	boc040@boc.lk	2	1	No. 46, Circular Road, Hatton
Kandapola	052-2229636	boc633@boc.lk	1		No. 31, 33, Main Street, Kandapola
Kandy ▲	081-2223697	boc002@boc.lk	4	2	No. 88, Ceybank House, Dalada Veediya, Kandy
Kandy 2nd City	081-2234292	boc649@boc.lk	2	1	No. 22, Dalada Veediya, Kandy
Kandy City Centre ☼	081-2205110	boc473@boc.lk	1	1	Premises No. 19 Level 1, Dalada Veediya, Kandy
Kandy Court Complex	081-2387490	boc474@boc.lk	1		Kandy Court Complex, William Gopallawa Mawatha, Kandy
Kandy Teaching Hospital	081-2233335	boc454@boc.lk	1		Kandy Teaching Hospital, Kandy
Katugastota	081-2498948	boc666@boc.lk	2	1	No. 161/A, Madawala Road, Katugastota
Kotagala	051-2244107	boc455@boc.lk	1		No. 182, Main Street, Kotagala
Kurunduwatte	081-2357115	boc809@boc.lk			Ayurvedic Centre Building, Kurunduwatte Bazaar
Madawala Bazaar	081-2476214	boc581@boc.lk	1		No. 35 A2, Wattegama Road, Madawala
Marassana	081-2405105	boc456@boc.lk	1		No. 29, Meeruppa, Marassana
Maskeliya	052-2277280	boc506@boc.lk	1		No. 66, Upcott Road, Maskeliya
Matale ▲	066-2222262	boc068@boc.lk	2	1	No. 5/2, Trincomalee Street, Matale
Medawala H.P.	081-2490574	boc797@boc.lk			No. 13, Doranegama Road, Medawala, Harispattuwa
Meepilimana	052-2237410	boc458@boc.lk			No. 67/68 A, Meepilimana, Nuwara Eliya
Menikhinna	081-2376911	boc459@boc.lk	1		No. 31, Kandy Road, Menikhinna
Naula	066-2246280	boc092@boc.lk	1		No. 85, Matale Road, Naula
Nawalapitiya	054-2222233	boc598@boc.lk	2	1	No. 6, Gampola Road, Nawalapitiya
Nuwara Eliya	052-2224047	boc029@boc.lk	2	1	No. 43, Lawson Street, Nuwara Eliya
Padiyapalella	052-2287035	boc492@boc.lk	1		No. 267/2, 267/3, Ragala Road, Padiyapelella
Palapathwela	066-2225505	boc461@boc.lk			No. 409, Dambulla Road, Palapathwala
Pallepola	066-2247272	boc640@boc.lk	1		No. 19, 19/1, Akuramboda Road, Pallepola
Peradeniya	081-4945343	boc588@boc.lk	2	1	No. 115/7, Sirimavo Bandaranaike Mawatha, Peradeniya
Peradeniya Botanical Garden	081-2386463	boc462@boc.lk	1		Peradeniya Botanical Garden, Peradeniya
Peradeniya University	081-2392422	boc445@boc.lk	1		University of Peradeniya, Peradeniya
Pilimatalawa	081-3753517	boc587@boc.lk	2	1	No. 246/2, Colombo Road, Pilimatalawa
Provincial Council Complex Pallekelle	081-2424545	boc802@boc.lk	1		Provincial Council Complex, Pallekelle
Pujapitiya	081-2301718	boc441@boc.lk	1		No. 72 B, Bokkawala Road, Pujapitiya
Pundaluoya	051-2233205	boc425@boc.lk	1		Ihala Veediya, Pundaluoya
Pussellawa	081-2478642	boc337@boc.lk	1		No. 437/439, Nuwara Eliya Road, Pussellawa

Name of Branch	Telephone	Email Address	No. of ATMs	No. of CDMs	Postal Address
Ragala	052-2265660	boc442@boc.lk	1		No. 1/19, Ragala, Halgranoya, Ragala
Rattota	066-2255280	boc639@boc.lk	1		Matale Road, Rattota
Rikillagaskada	081-2365314	boc167@boc.lk	2		No. 03, Dimbulkumbura Road, Rikillagaskada
Sigiriya	066-2286270	boc443@boc.lk	1		No. 01, Airport Road, Kimbissa, Sigiriya
Talatuoya	081-2404334	boc650@boc.lk	1		No. 02, Kandy Road, Talatuoya
Talawakelle	052-2258280	boc531@boc.lk	2		No. 23, 25, 29, Hatton Road, Talawekelle
Teldeniya	081-2376820	boc781@boc.lk	1		No. 17/2, Wilamuna Building, Circular Road, Karalliyada
Ududumbara	081-2402317	boc606@boc.lk	1		No. 44, 46, Mahiyangana Road, Ududumbara
Ukuwela	066-2244676	boc444@boc.lk	1		No. 154/3/1, Matale Road, Ukuwela.
Upcott	051-2235095	boc446@boc.lk			No. 77, Main Street, Upcott
Walapane	052-2279180	boc743@boc.lk	1		Ratnayake Building, Walapane
Wattegama	081-2475838	boc340@boc.lk	1		No. 110, Kandy Road, Wattegama
Wilgamuwa	066-2250002	boc447@boc.lk	1		No. 80/2/1, Hettipola New Town, Wilgamuwa
Yatawatta	066-2221084	boc144@boc.lk	1		Yelakkare Junction, Yatawatta
Other Service Points					
Dedicated Economic Centre Dambulla ☼	066-2285217	boc576e1@boc.lk	1		Dedicated Economic Centre, Dambulla
Kandy District Secretariat Branch	081-2224214	boc002e1@boc.lk			Kandy District Secretariat Building, Kandy
Matale District Secretariat Branch	066-2222024	boc068e1@boc.lk	1		Kachcheri Building, Matale
Nuwara Eliya District Secretariat Branch	052-2222770	boc029e1@boc.lk	1		Kachcheri Building, Nuwara Eliya
Offsite ATMs					
Trendy Wear Adikarigama			1		
Sigiriya Rock			1		
Nuwara Eliya Hospital			1		
Eastern Province					
Addalaichenai	067-2279303	boc448@boc.lk	1		No. 1 A, Main Street, Addalaichenai-11
Akkaraipattu	067-2279242	boc590@boc.lk	1		No. 288, Main Street, Akkaraipattu
Alankerny	026-2236500	boc449@boc.lk			Ward No. 01, Alankerny, Kinniya
Ampara	063-2222981	boc021@boc.lk	2	1	No. 115A, D. S. Senanayake Street, Ampara
Arayampathy	065-2247939	boc451@boc.lk			Co-Operative Building, Kalmunai Road, Arayampathy
Batticaloa City Branch	065-2227032	boc452@boc.lk	1		No. 09, Arunagiri Road, Batticaloa
Batticaloa Super Grade	065-2227410	boc012@boc.lk	1	1	Covington Road, Batticaloa
Central Camp	063-2051851	boc811@boc.lk			CC/37, Main Street, Central Camp, Ampara
Chenkaladi	065-2240492	boc630@boc.lk	1		No. 6, Trincomalee Road, Chenkaladi
China Bay	026-2242327	boc436@boc.lk			No. 61, Kinniya Road, Fourth Milepost, China Bay
Eastern University	065-2241528	boc437@boc.lk	1		Vantharumoolai, Chenkaladi, Batticaloa
Eravur	065-2241012	boc790@boc.lk	1		MPCS Building, Punnakudah Road, Eravur
Gonagolla	063-2050044	boc438@boc.lk			Kandy Road, Gonagolla
Hingurana	063-2240037	boc509@boc.lk	1		Jeyalanka Building, Hingurana Junction, Hingurana
Irakkamam	063-2050155	boc439@boc.lk			No. 150, Ampara Road, Irakkamam, Ampara
Kallady	065-2227972	boc426@boc.lk	1		No. 180A, New Kalmunai Road, Kallady
Kallar	067-2225421	boc427@boc.lk			Main Street, Periyakallar-01
Kalmunai	067-2229340	boc510@boc.lk	1	1	No. 78, Kitddanki Road, Kalmunai
Kaluwanchikudy	065-2250012	boc611@boc.lk	1		Main Street, Kaluwanchikudy
Kantale	026-2234230	boc623@boc.lk	1	1	No. 91, Agrabodhi Mawatha, Kantale
Karadiyanaru	065-2241330	boc428@boc.lk			No. 01, Badulla Road, Karadiyanaru
Karaitivu	067-2225484	boc429@boc.lk	1		No. 20, Main Street, Karaitivu
Kattankudy	065-2248463	boc648@boc.lk	1		No. 40, 40B, 40C, Fauzi Mawatha, Kattankudy 02
Kinniya	026-2236270	boc735@boc.lk	1		No. 27, 27/1, 27/2, 29, Lathef Vidhan Road, Kinniya-05
Kiran	065-3651142	boc430@boc.lk			Trincomalee Road, Kiran, Batticaloa
Kokkadacholai	065-2227916	boc431@boc.lk			Main Street, Kokkadacholai South, Kokkadacholai

Name of Branch	Telephone	Email Address	No. of ATMs	No. of CDMs	Postal Address
Malwatte	063-2051515	boc422@boc.lk			Main Street, Malwatte
Mamanagam	065-2227973	boc423@boc.lk			No. 450 A, Bar Road, Batticaloa
Maruthamunai	067-2220503	boc424@boc.lk			No. 1,024, Batticaloa Road, Maruthamunai
Mollipothana	026-2246220	boc417@boc.lk			96th Junction, Mollipothana
Morawewa	026-2225825	boc418@boc.lk	1		Pradesiya Sabha Market Complex, Morawewa
Muttur	026-2238327	boc118@boc.lk	1		No. 36/1 Trincomalee Road, Ward No. 07, Muttur
Navithanvely	067-2226140	boc419@boc.lk			Manikka Pillyar Kovil Road, Navithanveli-01, Kalmunai
Nilaveli	026-2232290	boc420@boc.lk			Ward No. 02, Main Street, Nilaveli
Nintavur	067-2250039	boc591@boc.lk	1		No. 75, Main Street, Nintavur
Oddamavady	065-2258111	boc402@boc.lk			Main Street, Mawadichchenai, Oddamavady
Oluvil	067-2255397	boc403@boc.lk			Grand Mosque Road, Oluvil-03
Palugamam	065-2251622	boc404@boc.lk			Main Sreet, Veeranchenai, Palugamam
Polwatta	063-2242128	boc405@boc.lk	1		No. 12, Temple Junction, Polwaga Janapadaya, Polwatta, Ampara
Pottuvil	063-2248021	boc318@boc.lk	1		Main Street, Pottuvil
Pulmuddai	026-2256200	boc406@boc.lk	1		Main Road, Ward No. 03, Pulmuddai
Sainthamarathu	067-2220478	boc407@boc.lk	1		No. 1,115, Akkaraipattu Road, Sainthamaruthu 09
Sammanthurai	067-2260054	boc440@boc.lk	1		No. 49/1 C, Ampara Road, Sammanthurai
Serunuwara	026-2251010	boc408@boc.lk	1		MPCS Building, Batticaloa Road, Serunuwara
Thambiluvil	067-2265309	boc409@boc.lk			Main Street, Thambiluvil 02
Thampalakamam	026-2248043	boc410@boc.lk	1		MPCS building, Kandy Road, Puthukudiyiruppu
Thoppur	026-2240989	boc411@boc.lk			MDN Bawa Building, Main Street, Thoppur-04
Trincomalee Super Grade	026-2223084	boc006@boc.lk	2	1	No. 24, Inner Harbour Road, Trincomalee
Trincomalee City ▲	026-2223880	boc624@boc.lk	1		No. 167, 167 1/1, 167 2/1, Main Street, Trincomalee
Uhana	063-2250001	boc413@boc.lk			Jayanthi Building, Kandy Road, Uhana
Uppuveli	026-2226227	boc414@boc.lk			No. 820A, Ehambaram Road, Uppuveli
Vakarai	065-2258181	boc415@boc.lk			Trincomalee Road, Kandalady, Vakarai
Valachchenai	065-2257708	boc626@boc.lk	1		Main Street, Valachchenai
Vavunathivu	065-3063522	boc385@boc.lk			Market Complex, Vavunathivu
Vellaveli	065-2251113	boc386@boc.lk			No. 100B, Main Street, Vellaveli
Other Service Points					
Ampara District Secretariat Branch	063-2224150	boc021@boc.lk			Ampara District Secretariat Building, Ampara
Batticaloa District Secretariat Branch	065-2228688	boc012@boc.lk			Batticaloa District Secretariat Building, Batticaloa
Trincomalee District Secretariat Branch	026-2242999	boc006e1@boc.lk	1		Trincomalee District Secretariat Building, Trincomalee
Offsite ATMs					
Air Force Base Uhana Ampara			1		
Naval Base Trincomalee			1		
Trincomalee – Air Force China Bay			1		
Batticaloa Air Force Base			1		
North Central Province					
Anuradhapura ▲	025-2222393	boc022@boc.lk	3	2	Maithripala Senanayake Mawatha, Anuradhapura
Anuradhapura City	025-2222160	boc551@boc.lk	1		No. 250, Main Street, Anuradhapura
Anuradhapura N'Town ■	025-2223685	boc098@boc.lk	2		New Town, Anuradhapura
Aralaganwila ▲	027-2257135	boc599@boc.lk	1		No. 2/119, Main Street, Aralaganwila
Bakamoona	066-2256680	boc652@boc.lk	1		Lanka Banku Mawatha, Bakamoona
Bogaswewa	025-3244951	boc808@boc.lk	1		Bogaswewa, Vavuniya
Dehiattakandiya ▲	027-2250287	boc686@boc.lk	2	1	New Town, Dehiattakandiya
Diyabeduma	027-2050016	boc388@boc.lk	1		Gamage Building, Katukeliyawa Road, Diyabeduma
Diyasenpura	027-2248061	boc389@boc.lk			Lakshan Tex, Ground Floor, Main Street, Diyasenpura
Doramadalawa	025-7200895	boc390@boc.lk	1		Rajamaha Viharaya, Doramadalawa, Mihintale
Eppawala	025-2249180	boc692@boc.lk	1		No. 68/5, Kanthi City Building, Thalawa Road, Eppawala

Name of Branch	Telephone	Email Address	No. of ATMs	No. of CDMs	Postal Address
Galamuna	027-2245990	boc391@boc.lk			No. 145, Pansalgodella, Galamuna
Galenbindunuwewa	025-2258280	boc122@boc.lk	1		Denzil Kobbekaduwa Mawatha, Galenbindunuwewa
Galkiriyagama	025-2265299	boc653@boc.lk	1		New Town, Galkiriyagama
Galnewa	025-2269580	boc514@boc.lk	1		Thambuttegama Road, Galnewa
General Hospital Anuradhapura	025-3778400	boc392@boc.lk	1		General Hospital, Anuradhapura
Habarana	066-2270048	boc393@boc.lk	1		Trincomalee Road, Habarana
Hingurakgoda ■	027-2247642	boc601@boc.lk	1		Saint Michel Building, Main Street, Hingurakgoda
Horawpothana	025-2278416	boc217@boc.lk	1		Anuradhapura Road, Horowpothana
Ipalogama	025-2264279	boc236@boc.lk			Kekirawa Road, Ipalogama
Jayanthipura	027-2222266	boc600@boc.lk	1		22 Mile Post, Jayanthipura
Kaduruwela ▲	027-2225025	boc502@boc.lk	2	1	No. 812/614, Batticaloa Road, Kaduruwela
Kahatagasdigiliya	025-2247480	boc622@boc.lk	1		Trincomalee Road, Kahatagasdigiliya
Kebithigollawa ■	025-2298680	boc621@boc.lk	1		Padaviya Road, Kebithigollawa
Kekirawa ▲	025-2264280	boc676@boc.lk	3	1	Kekirawa
Madatugama	025-2264283	boc654@boc.lk	1		Kekirawa/Dambulla Road, Madatugama
Medawachchiya	025-2245683	boc162@boc.lk	3	1	No. 36, Jaffna Road, Medawachchiya
Medirigiriya	027-2248337	boc641@boc.lk	2		School Junction, Medirigiriya
Meegalewa	025-2281102	boc728@boc.lk	1		Meegallewa
Mihintale	025-2266503	boc335@boc.lk	1		Trincomalee Road, Mihintale
Minneriya	027-2245333	boc394@boc.lk	1		Habarana Road, Minneriya
Nochchiyagama	025-2257880	boc656@boc.lk	1		Main Street, Nochchiyagama
Padavi Parakramapura	025-2254018	boc127@boc.lk	1		Padavi Parakramapura
Padaviya	025-2253011	boc395@boc.lk	1		Bandaranayake Mawatha, Padaviya
Pemaduwa	025-2223307	boc152@boc.lk	1		Mannar Road, Pemaduwa
Polonnaruwa New Town	027-2223010	boc083@boc.lk	1	1	No. 286, New Town, Polonnaruwa
Rajanganaya	025-2276558	boc396@boc.lk	1		5 Mile Post, Rajanganaya
Rajina Junction	025-2275057	boc397@boc.lk	1		No. 157, Rajina Junction, Thambuttegama
Rambewa	025-2266555	boc782@boc.lk	1		Kadaveediya, Rambewa
Ranajayapura	025-2262003	boc398@boc.lk	1		Ranajayapura, Ipalogama
Sevanapitiya	027-2050280	boc399@boc.lk	1		No. 63, Batticaloa Rd, Sevanapitiya
Sewagama	027-2222585	boc183@boc.lk			No. 338, Walekade Junction, Sewagama
Thalawa	025-2275090	boc400@boc.lk	1		Anuradhapura Road, Thalawa
Thambuttegama	025-2276280	boc655@boc.lk	1		Rajanganaya Road, Thambuttegama
Thanthirimale	025-2245725	boc256@boc.lk	1		Opposite Raja Maha Viharaya, Thanthirimale
Tirappana	025-2050115	boc157@boc.lk	1		Colombo/Anuradhapura Road, Tirappana
Wahalkada	025-2253225	boc815@boc.lk			D4, Wahalkada, Kebithigollewa
Welikanda	027-2259060	boc817@boc.lk	1		Bank of Ceylon, Welikanda
Weli Oya – Sampathnuwara	025-3244950	boc803@boc.lk	1		No. 41, Weli Oya – Sampathnuwara
Other Service Points					
Anuradhapura District Secretariat	025-2222142	boc022@boc.lk			Kachcheri Building, Anuradhapura
Provincial Council Complex Anuradhapura	025-2235687	boc022@boc.lk	1		Provincial Council Complex, Anuradhapura
Offsite ATMs					
Air Force Hingurakgoda			1		
Air Force Anuradhapura			1		
Maliban Textiles (Private) Limited			1		
Polonnaruwa Hospital			1		
Rajarata University Mihintale			1		
Rajarata University – Medical Faculty			1		
Anuradhapaura Market Site			1		

Name of Branch	Telephone	Email Address	No. of ATMs	No. of CDMs	Postal Address
Northern Province					
Alaveddy	021-2059656	boc380@boc.lk			Alaveddy Centre, Alaveddy
Andankulam	023-3233751	boc381@boc.lk			Agrarian Service Centre Building, Andankulam
Atchuvely ▲	021-2058011	boc778@boc.lk	1		Central College View, Rosa Veethy, Atchuvely
Chankanai ▲	021-2250015	boc792@boc.lk	1		Main Street, Chankanai.
Chavakachcheri ▲	021-2270060	boc501@boc.lk	1		No. 4, Kandy Road, Chavakachcheri
Cheddikulam	024- 2260017	boc382@boc.lk	1		Mannar Road, Cheddikulam
Chunnakam ▲	021-2242495	boc053@boc.lk	1	1	No. 146, KKS Road, Chunnakam
Delft	021-2215213	boc383@boc.lk			Main Street, Ward No. 12, Delft
Ilavalai	021-2211979	boc377@boc.lk			Main Street, Ilavalai
Jaffna ▲	021-2224018	boc005@boc.lk	2	1	No. 476, 476A, Hospital Road, Jaffna
Jaffna 2nd ▲	021-222 2598	boc500@boc.lk	2	1	No. 56, Stanley Road, Jaffna
Jaffna Bus Stand	021-222 1010	boc366@boc.lk			No. 400, Hospital Road, Jaffna
Jaffna Main Street	021-2224564	boc368@boc.lk	1		No. 320, Main Street, Jaffna
Jaffna University	021-2219570	boc369@boc.lk			Students Complex, University of Jaffna, Thirunavely
Kaithady	021-2057121	boc370@boc.lk	1		A9 Road, Kaithady Junction, Kaithady
Kalviyankadu	021-2219571	boc371@boc.lk			Point Pedro Road, Kalviyankadu Junction, Kalviyankadu
Kankesanthurai	021-2241024	boc605@boc.lk	1		No. 51, K. K. S Road, Mallakam
Karainagar	021-2211707	boc749@boc.lk	1		Post Office View, Karainagar
Karanavai	021-2262597	boc372@boc.lk			Kunchar Kadai Junction, Karavanai Centre, Karavanai
Kayts	021-2211664	boc373@boc.lk	1		Bank of Ceylon Building, Main Street, Kayts
Kilinochchi ▲	021-2280002	boc093@boc.lk	2	1	Kilinagar A9 Road, Kilinochchi
Kodikamam	021-2050315	boc375@boc.lk	1		Piont Pedro Road, Kodikamam
Kokuvil	021-2052694	boc376@boc.lk	1		No. 108, KKS Road, Kokuvil
Kopay	021-223 0084	boc787@boc.lk	1		No. 57, Point Pedro Road, Kopay North, Kopay
Madhu	023-2280079	boc378@boc.lk			Periyapandivirichchan, Madhu
Mallavi	021-2060747	boc349@boc.lk	1		Thunukkai Road, Mallavi
Manipay ▲	021-2255177	boc281@boc.lk	1		No. 174, Jaffna Road, Manipay
Mankulam	021 2060009	boc574@boc.lk	1		A9 Road, Mankulam Junction, Mankulam
Mannar ▲	023-2222337	boc046@boc.lk	2	1	No. 52, Pallimunai Road, Grand Bazaar, Mannar
Manthikai	021-226 3354	boc351@boc.lk			Maruthankerny Road, Manthikai Junction, Manthikai
Maruthankerny	021-226 0525	boc352@boc.lk			Thalaiyady, Maruthankerny
Mulankavil	021-2283131	boc353@boc.lk	1		No. 09, Nachchikuda Junction, Mulankavil
Mullaitivu	021-2290002	boc355@boc.lk			Post Office Road, Mullaitivu
Mulliyawalai ▲	021-2061020	boc511@boc.lk	1		Ward No. 03, Mankulam Road, Thaneerutu Junction, Mulliyawalai
Murungan	023-205 0364	boc356@boc.lk	1		No. 28, Madawachchiya Road, Murungan
Nainativu	021-320 2107	boc357@boc.lk			Ward No. 02, Nainativu
Nallur	021-2219966	boc358@boc.lk	1		No. 590, Point Pedro Road, Nallur
Nanatan	023-2050696	boc359@boc.lk			Uyilankulam Road, Moddakkadai, Nanatan
Nedunkerny	024-2053024	boc360@boc.lk	1		Mullaitivu Road, Nedunkerny
Nelliady ▲	021-2264815	boc638@boc.lk	1	1	No. 23, Kodikamam Road, Nelliady
Oddusudan	021-206 1720	boc361@boc.lk			Mankulam Road, Oddusudan
Omanthai	024-2052740	boc362@boc.lk			A9 Road, Omanthai
Pallai	021-2050020	boc363@boc.lk	1		Kandy Road (A9), Pallai
Paranthan	021-2280177	boc364@boc.lk			A9 Road, Paranthan Junction, Paranthan
Pesalai	023-2050010	boc344@boc.lk	1		Church Road, Ward No. 07, Pesalai
Point Pedro ▲	021-2263570	boc028@boc.lk	1	1	No. 165/10, Main Street, Point Pedro
Poonagary	021-2060820	boc345@boc.lk			Vadiyady Junction, Poonagary
Poovarasankulam (Thalikkulam)	024-3248002	boc346@boc.lk	1		Mannar Road, Poovarasankulam, Vavuniya
Punnalaikadduwan	021-2059390	boc347@boc.lk			Palay Road, Punnalaikadduwan
Puthukkudiyiruppu	021-2061601	boc341@boc.lk	1		Ward No. 07, Paranthan Road, Puthukkudiyiruppu Junction, Puthukkudiyiruppu
Puthukulam	024-2053499	boc342@boc.lk			Kalmadhu Road, Puthukulam, Vavuniya
Savalkaddu	021-2255992	boc338@boc.lk			Annamalai Street, Savalkaddu
Sirupiddy	021-2231092	boc339@boc.lk			Point Pedro Road, Siruppiddy

Name of Branch	Telephone	Email Address	No. of ATMs	No. of CDMs	Postal Address
Thalaimannar Pier	023-2281085	boc336@boc.lk			Thalaimannar Pier, Thalaimannar
Thirumurukandi	021-2060110	boc326@boc.lk			Akkarayan Road, Thirumurukandi
Thirunelveli ▲	021-2223948	boc761@boc.lk	1		No. 102, Palaly Road, Thirunelveli
Urumpirai	021-2230899	boc794@boc.lk	1		No. 39/1, Palaly Road, Urumpirai
Vaddukoddai	021-2250990	boc804@boc.lk	1		Sangaraththai Junction, Vaddukoddai
Valvettiturai	021-2264883	boc791@boc.lk	1		No. 65, Jaffna Road, Valvettiturai
Vavuniya ▲	024-2222141	boc044@boc.lk	2	2	No. 75, Station Road, Vavuniya
Vavuniya City	024-2226631	boc793@boc.lk	1		No. 192, Bazaar Street, Vavuniya
Velanai ▲	021-2225274	boc063@boc.lk	1		Vangalavady Junction, Velani
Visuvamadu	021-2061830	boc328@boc.lk			No. 268, Middle Class Scheme, New Punnaineeravi
Other Service Points					
Jaffna District Secretariat Branch	021-2228808	boc005@boc.lk	1		Jaffna District Secretariat Building, A9 Road, Jaffna
Kilinochchi District Secretariat Branch	021-2285549	boc093@boc.lk			Kilinochchi District Secretariat Building, A9 Road, Kilinochchi
Mannar District Secretariat Branch	023-2251577	boc046@boc.lk			Mannar District Secretariat Building, Mannar
Mullaitivu District Secretariat Branch	021-2290021	boc511@boc.lk	1		Mullaitivu District Secretariat Building, Mullaitivu
Vavuniya District Secretariat Branch	024-2222626	boc044e1@boc.lk	1		Vavuniya District Secretariat Building, A9 Road, Vavuniya
Offsite ATMs					
Air Force Iranamadu			1		
Air Force Vavuniya			1		
Jaffna University			1		
Jaffna Railway			1		
Jaffna Hospital			1		
North Western Province					
Alawwa	037-2278180	boc498@boc.lk	1		No. 64, Giriulla Road, Alawwa
Ambanpola	037-2254099	boc329@boc.lk	1		'Jayani Building', Anuradhapura Road, Ambanpola
Anamaduwa	032-2263280	boc548@boc.lk	1		Nawagattegama Road, Anamaduwa
Anavilundawa	032-2259050	boc330@boc.lk	1		No. 55, 57, Puttalam Road, Anavilundawa
Bingiriya ■	032-2246999	boc554@boc.lk	1		No. 35A, Chilaw Road, Bingiriya
Chilaw ▲	032-2223401	boc020@boc.lk	1	1	Radaguru Edmund Peiris Mawatha, Chilaw
Dambadeniya	037-2266144	boc331@boc.lk			No. 70, Kurunegala Road, Dambadeniya
Dankotuwa	031-2258180	boc497@boc.lk	2		No. 46, 48, Kurunegala Road, Dankotuwa
Dummalasuriya	032-2240690	boc580@boc.lk	1		No. 227, Kuliyapitiya – Madampe Road, Dummalasuriya
Galgamuwa ▲	037-2253080	boc549@boc.lk	2	1	No. 67, 69, Anuradhapura Road, Galgamuwa
Giriulla	037-2288080	boc553@boc.lk	1		Market Complex, Giriulla
Hettipola	037-2291080	boc570@boc.lk	1		No. 141/B, Kurunegala Road, Hettipola
Hiripitiya ■	037-2264080	boc569@boc.lk	2		No. 35/1, Kumbukgete Road, Hiripitiya, Nikadalupotha
Ibbagamuwa	037-2259970	boc770@boc.lk	1		No. 110, Dambulla, Kurunegala Road, Ibbagamuwa
Kalpitiya ■	032-2260702	boc589@boc.lk	1		No. 90, Main Street, Kalpitiya
Katuneriya	031-2245500	boc332@boc.lk			Salwe Building, Kumara Veediya Junction, Katuneriya
Katupotha	037-2247471	boc333@boc.lk	1		Rambawewa Road, Katupotha
Kirimatiyana	031-2249960	boc334@boc.lk	1		'Gayani Building' Kirimatiyana, Lunuwila
Kobeigana	037-2293101	boc172@boc.lk	1		Main Street, Kobeigana
Kochchikade	031-2277353	boc323@boc.lk			No. 23, Chilaw Road, Kochchikade
Kuliyapitiya	037-2281280	boc052@boc.lk	2	1	No. 70, Madampe Road, Kuliyapitiya
Kumbukgete	037-2264680	boc324@boc.lk	1		Bhagya Traders Building, Kumbukgete
Kurunegala ▲	037-2233880	boc009@boc.lk	1	1	Commercial Complex, Kurunegala
Kurunegala 2nd City ▲	037-2222331	boc513@boc.lk	3	1	No. 34, Colombo Road, Kurunegala
Madampe	032-2247680	boc544@boc.lk	1		No. 10, Station Road, Madampe
Madawakkulama	032-2052888	boc805@boc.lk	1		No. 85, Medawakkulama, Andigama
Madurankuliya ■	032-2268003	boc565@boc.lk	1		No. 66, Colombo Road, Madurankuliya

Name of Branch	Telephone	Email Address	No. of ATMs	No. of CDMs	Postal Address
Mahawewa	032-2054255	boc319@boc.lk	1		Kudawewa Road, Mahawewa
Maho	037-2275280	boc564@boc.lk	1		No. 145, Nikaweratiya Road, Maho
Makandura	031-2298303	boc299@boc.lk			Bandaranayake Mawatha, Makandura
Malkaduwawa	037-2052405	boc255@boc.lk	1		Décor Building, Negombo Road, Malkaduwawa, Kurunegala
Marawila	032-2252675	boc300@boc.lk	1		No. 27/1, Chilaw Road, Marawila
Mawathagama	037-2299259	boc257@boc.lk	1		No. 58/108, Main Street, Mawathagama
Melsiripura ■	037-2250165	boc555@boc.lk	2	1	No. 254, Dambulla Road, Melsiripura
Narammala	037-2249280	boc534@boc.lk	2	1	No. 139, Negombo Road, Narammala
Nattandiya ■	032-2254280	boc050@boc.lk	1		Kuliyapitiya Road, Nattandiya
Nikaweratiya	037-2260280	boc547@boc.lk	1	1	Puttalam Road, Nikaweratiya
Norochcholai ▲	032-2268555	boc779@boc.lk	1		Kalpitiya Road, Norochcholai
Palaviya	032-2269210	boc301@boc.lk	1		Colombo Road, Palaviya
Pallama ▲	032-2224945	boc302@boc.lk	1		Anamaduwa Road, Pallama
Pannala	037-2246080	boc546@boc.lk	2	1	Public Ground Road, Pannala
Paragahadeniya	037-2296085	boc303@boc.lk	1		No. 123J, Balasuriya Watta, Kandy Road, Ilukewela, Wauda, Paragahadeniya
Polgahawela	037-2243280	boc526@boc.lk	1		No. 135, Dutugamunu Junction, Kegalle Road, Polgahawela
Polpithigama	037-2273103	boc783@boc.lk	1		Madagalla Road, Polpithigama
Pothuhera	037-2237619	boc664@boc.lk	1		No. 96, Colombo Road, Pothuhera
Puttalam ■	032-2265216	boc048@boc.lk	2	1	No. 53, Kurunegala Road, Puttalam
Ridigama	037-2252080	boc532@boc.lk	1		Keppetigala Road, Ridigama
Saliyawewa	032 4934326	boc814@boc.lk			Anuradhapura-Puttalam Road, Kande Uda, Saliyawewa
Thoduwawa ▲	032-2256330	boc305@boc.lk			Church Road, Thoduwawa
Udappuwa ▲	032-2258675	boc306@boc.lk			2nd Division, Udappuwa
Waikkal	031-2277280	boc558@boc.lk			No. 316A, Chilaw Road, Waikkal
Wariyapola	037-2267348	boc379@boc.lk	2	1	No. 1, Chilaw Road, Wariyapola
Wayamba University	037-2284480	boc307@boc.lk	1		Lionel Jayathilake Mawatha, Kanadulla, Kuliyapitiya
Weerapokuna	032-3297720	boc308@boc.lk	1		Bowatta, Weerapokuna Road, Weerapokuna
Wellawa	037-2235499	boc309@boc.lk	1		Sovis Building, Hiripitiya Road, Wellawa
Welpalla	031-2299512	boc104@boc.lk			Agriculture Service Centre, Welpalla
Wennappuwa	031-2255280	boc508@boc.lk	1	1	No. 197, Chilaw Road, Wennappuwa
Other Service Points					
Kurunegala District Secretariat Branch	037-2229726	boc009e1@boc.lk			Kurunegala District Secretariat Building, Kurunegala
Puttalam District Secretariat Branch	032-2265351	boc048@boc.lk			Puttalam District Secretariat Building, Puttalam
Kuliyapitiya Hospital			1		
Mobile Branch					
Mobile Branch			1		
Offsite ATMs					
BOI Mawathagama			1		
Chilaw Hospital			1		
Kuliyapitiya Hospital			1		
Kurunegala Base Hospital			1		
Kurunegala Provincial Council			1		
North Western Province Office			1		
Thulhiriya Mas Fabric			1		
Waikkal SME Centre			1		
Badagamuwa Tourrist Information Centre			1		

Name of Branch	Telephone	Email Address	No. of ATMs	No. of CDMs	Postal Address
Sabaragamuwa Province					
Aranayake	035-2258016	boc566@boc.lk	1		No. 480, Dippitiya, Aranayake
Avissawella ▲	036-2222099	boc530@boc.lk	3	1	No. 47, Dharmapala Mawatha, Avissawella
Ayagama	045-2250080	boc401@boc.lk	1		No. 38, Kalawana Road, Ayagama
Balangoda ■	045-2288390	boc688@boc.lk	2		No. 137, Main Street, Balangoda
Bulathkohupitiya	036-2247356	boc311@boc.lk	1		New Town Centre, Kegalle Road, (Opposite Police Station), Bulathkohupitiya
Dehiowita	036-2222580	boc634@boc.lk	1		No. 62, Main Street, Dehiowita
Deraniyagala	036-2249280	boc642@boc.lk	1		No. 37, Noori Road, Deraniyagala
Eheliyagoda ■	036-2259571	boc057@boc.lk	2	1	No. 46, Main Street, Eheliyagoda
Embilipitiya	047-2230980	boc535@boc.lk	2	1	No. 545, New Town, Embilipitiya
Embilipitiya City	047-2261981	boc312@boc.lk	1		No. 187, Moraketiya Road, Embilipitiya
Endana	045-3450661	boc313@boc.lk	1		New Town, Endana, Gabbela, Kahawatta
Galigamuwa	035-2282050	boc314@boc.lk	1		No. 97, Kegalle Road, Galigamuwa
Godakawela	045-2240080	boc786@boc.lk	1		No. 168, Main Street, Godakawela
Gonagaldeniya	036-2267280	boc316@boc.lk			Basnagoda Road, Gonagaldeniya
Hemmathagama	035-2257280	boc772@boc.lk	1		No. 86, Mawanella Road, Hemmathagama
Kahawatta	045-2270180	boc507@boc.lk	1		No. 692, Main Street, Kahawatta
Kalawana	045-2255280	boc645@boc.lk	1		No. 53C, 53C 1/1, 53C 1/2, Ratnapura Road, Manana, Kalawana
Karawanella	036-2268780	boc294@boc.lk			No. 133/7, Avissawella Road, Karawanella
Karawita	045-2279070	boc295@boc.lk			Palawela Road, Udakarawita, Karawita
Kegalle	035-2230600	boc027@boc.lk	2	1	No. 110, Colombo Road, Kegalle
Kegalle City	035-2222550	boc536@boc.lk			No. 681/5, Main Street, Kegalle
Kegalle Hospital	035-2222765	boc297@boc.lk	1		Base Hospital Premises, Kegalle
Kiriella	045-2265080	boc317@boc.lk	1		No. 7A, Idangoda, Kiriella
Kithulgala	036-2287747	boc282@boc.lk			No. 81, Hatton Road, Kithulgala
Kolonna	045-2260280	boc283@boc.lk	1		Kurundu Welendasela, New Town, Kolonna
Kotiyakumbura	035-2289240	boc284@boc.lk	1		No. 132, Kegalle Road, Kotiyakumbura
Kuruwita	045-2262581	boc325@boc.lk	1	1	No. 60, Ratnapura Road, Kuruwita
Mawanella	035-2246280	boc559@boc.lk	2	1	No. 43, Main Street, Mawanella
Morontota	035-2278114	boc285@boc.lk			Bulathkohupitiya Road, Morontota
Nelundeniya	035-2284855	boc799@boc.lk	1		No. 25, Kandy Road, Nelundeniya
Nivitigala ■	045-2279280	boc597@boc.lk	1		No. 72, Kalawana Road, Nivitigala
Pallebedda	045-2241614	boc816@boc.lk	1		No. 191, Main Street, Pallebedda
Pelmadulla	045-2274380	boc683@boc.lk	1		No. 57, Main Street, Pelmadulla
Pinnawala ■	035-2264294	boc287@boc.lk			Elephant Orphanage, Pinnawala
Rakwana	045-2246280	boc594@boc.lk	1		No. 51, Main Street, Rakwana
Rambukkana	035-2265280	boc582@boc.lk	2	1	No. 8A, Diyasunnatha Mawatha, Rambukkana
Ratnapura Hospital	045-2223561	boc315@boc.lk	1		General Hospital, Ratnapura
Ratnapura ■	045-2222100	boc031@boc.lk	2	1	No. 4, Dharmapala Mawatha, Ratnapura
Ratnapura City	045-2222710	boc684@boc.lk	1	1	No. 195, Main Street, Ratnapura
Ruwanwella ■	036-2266280	boc585@boc.lk	1		Public Trade Complex, Ruwanwella
Sabaragamuwa Provincial Council	045-2226116	boc288@boc.lk	1		Provincial Council New Building, New Town, Ratnapura
Sabaragamuwa University	045-2280093	boc286@boc.lk	1		Sabaragamuwa University, Pambahinna, Balangoda
Seethawakapura	036-2232656	boc290@boc.lk	1		BOI Sri Lanka Office Complex, Industrial Processing Zone, Seethawakapura
Thalduwa	036-2234412	boc798@boc.lk	1		No. C 250/2, Thalduwa, Avissawella
Udawalawa	047-2232180	boc291@boc.lk	1		No. 168/6, Walawa Junction, Udawalawe
Warakapola	035-2267258	boc562@boc.lk	1		No. 89A, Main Street, Warakapola
Weligepola	045-2227180	boc292@boc.lk			No. 299/2, Weligepola
Weli Oya	045-3603304	boc274@boc.lk	1		Madabedda, Weli Oya
Yatiyantota	036-2271280	boc477@boc.lk	1		No. 93, Ginigathhena Road, Yatiyantota

Name of Branch	Telephone	Email Address	No. of ATMs	No. of CDMs	Postal Address
Other Service Points					
Kegalle District Secretariat Branch	035-2231574	boc027@boc.lk			Kegalle District Secretariat Building, Kegalle
Ratnapura District Secretariat Branch	045-2222454	boc031@boc.lk			Ratnapura District Secretariat Building, Ratnapura
Offsite ATMs					
Embilipitiya Hospital			1		
Hydramani Industries Kuruwita			1		
Jay Jay Mills Avissawella			1		
Macro Ware Nivitigala			1		
Petrol Shed – By pass way to Kegalle			1		
Southern Province					
Ahangama	091-2283977	boc276@boc.lk	1		No. 71/1, Galle Road, Ahangama
Ahungalla	091-2264107	boc754@boc.lk	1		No. 87A, Galle Road, Ahungalla
Akuressa	041-2283280	boc613@boc.lk	2	1	No. 50, D C Wanigasekara Mawatha, Akuressa
Aluthwala	091-3094700	boc277@boc.lk			Aluthwala Junction, Aluthwala
Ambalangoda	091-2256307	boc047@boc.lk	2	1	No. 345, Galle Road, Ambalangoda
Ambalantota	047-2223280	boc537@boc.lk	2	1	No. 11, Wanduruppa Road, Ambalantota
Angunakolapellasa	047-2229120	boc774@boc.lk	1		Hungama Road, Angunakolapellasa
Baddegama	091-2292280	boc525@boc.lk	1		Abeywickrama Building, Baddegama
Barawakumbuka	047-3621008	boc278@boc.lk			New Road, Barawakumbuka
Batapola	091-2260405	boc522@boc.lk	1		Aluthwaththa, Batapola
Beliatta	047-2243274	boc539@boc.lk	1		No. 67, Walasmulla Road, Beliatta
Bentota	034-2275283	boc102@boc.lk	1		Tourist Village, Bantota
Deiyandara	041-2268598	boc784@boc.lk	1		Hakmana Road, Deiyandara
Deniyaya	041-2273870	boc528@boc.lk	1		Main Street, Deniyaya
Devinuwara	041-2222247	boc504@boc.lk	1		Tangalle Road, Devinuwara
Dickwella	041-2255280	boc592@boc.lk	1		No. 28 & 28/1, Beliatta Road, Dickwella
Elpitiya ▲	091-2291280	boc619@boc.lk	2	1	Janadhipathi Mawatha, Elpitiya
Galle	091-4933120	boc003@boc.lk	1	1	No. 2, Light House Street, Fort, Galle
Galle City ▲	091-2227804	boc089@boc.lk	3	2	No. 2, Gamini Road, Galle
Hakmana	041-2286280	boc691@boc.lk	1		Beliatta Road, Hakmana
Hambantota	047-2220180	boc085@boc.lk	1	1	No. 33, Tower Hill Road, Hambantota
Hikkakaduwa	091-2277813	boc609@boc.lk	1		No. 223, Galle Road, Hikkaduwa
Imaduwa	091-2286030	boc135@boc.lk	1	1	Ahangama Road, Imaduwa
Kamburupitiya	041-2292213	boc529@boc.lk	1		School Lane, Kamburupitiya
Karapitiya	091-2227090	boc280@boc.lk	1		No. 600/2, Hirimbura Road, Karapitiya
Kataragama	047-2235280	boc616@boc.lk	1		No. 315, Tissamaharama Road, Kataragama
Katuwana	047-3621005	boc261@boc.lk			Urubokka Road, Katuwana
Kekunadura	041-2265061	boc262@boc.lk	1		Sarath Building, Kekanadura Junction, Kekunadura
Koggala	091-2283380	boc750@boc.lk	1		Koggala, Habaraduwa
Kosmodara	041-2271070	boc263@boc.lk	1		'Deshan Building', Deniyaya Road, Kotapola
Kudawella	041-2257514	boc264@boc.lk	1		No. 116 B, East Kudawella, Nakulugamuwa
Lunuganvehera	047-3621007	boc265@boc.lk			No. 7, New Town, Lunugamvehera
Maha-Edanda	091-3932627	boc266@boc.lk	1		Maha-Edanda, Karandeniya
Makandura-Matara	041-2268785	boc267@boc.lk	1		Samarasinghe Building, Makandura
Malimbada	041-2240447	boc268@boc.lk			Akuressa Road, Malimbada
Matara ▲	041-2229280	boc024@boc.lk	3	1	No. 11, Kumaratunga Mawatha, Matara
Matara City	041-2222218	boc614@boc.lk	1	1	No. 58, New Tangalle Road, Kotuwegoda, Matara
Mattala Airport ◄	047-2031909	boc796@boc.lk	1		Mattala Airport, Mattala
Middeniya	047-2247280	boc518@boc.lk	1		Panamure Road, Middeniya
Morawaka	041-2282700	boc270@boc.lk	1		Nilwala Court, Pansalagodella watta, Morawaka
Nagoda	091-2296241	boc818@boc.lk			Mapalagama Road, Nagoda

Name of Branch	Telephone	Email Address	No. of ATMs	No. of CDMs	Postal Address
Neluwa	091-3783014	boc667@boc.lk	1		Kadihingala Road, Neluwa
Pasgoda	041-3444321	boc271@boc.lk	1		Nishantha Building, Pasgoda Junction, Pasgoda
Pitabeddara	041-2281081	boc272@boc.lk	1		Deniyaya Road, Pitabeddara
Pitigala	091-2291205	boc610@boc.lk	1		No. 39, North Pitigala Road, Pitigala
Ranna	047-2227280	boc767@boc.lk	1		No. 165/1, Thissa Road, Ranna
Rathgama ▲	091-2267791	boc259@boc.lk	1		Mangala Food City Building, Galle Road
Ruhunu Campus	041-2232880	boc693@boc.lk	1		Meddawatta, Matara
Suriyawewa	047-2288280	boc751@boc.lk	1		No. 27/1, Main Street, Suriyawewa
Talgaswela	091-2296480	boc596@boc.lk	1		Elpitiya, Mapalagama Road, Talgaswela
Tangalle	047-2240280	boc056@boc.lk	2	1	Muhudumawatha, Tangalle
Tawalama	091-3783030	boc250@boc.lk	1		No. 7, Egiliyagedera Watta, Tawalama
Thihagoda	041-2245529	boc752@boc.lk			Pradeshiya Sabha Building, Thihagoda
Tissamaharama	047-2237280	boc538@boc.lk	2	1	No. 70, Main Street, Tissamaharama
Udugama	091-2285015	boc753@boc.lk			H A L A Building, Watte Kade, Udugama
Uragasmanhandiya ▲	091-2264865	boc748@boc.lk	1		Main Street, Uragasmanhandiya
Urubokka	041-2272280	boc298@boc.lk	1		Main Street, Urubokka
Walasmulla	047-2245280	boc517@boc.lk	1		No. 70, Beliatta Road, Walasmulla
Walgama	041-3497192	boc744@boc.lk	1		No. 904, Galle Road, Walgama
Wanduramba	091-3096061	boc800@boc.lk	1		Lion Centre, Mapalagama Road, Wanduramba
Warapitiya	047-3623303	boc733@boc.lk			Siththam Gallena Road, Rammala, Warapitiya
Weeraketiya	047-2246280	boc139@boc.lk	1		Belliatta Road, Weeraketiya
Weligama	041-2250280	boc550@boc.lk	2	1	No. 239, Main Street, Weligama
Yakkalamulla	091-2286080	boc578@boc.lk	1		Yakkalamulla Junction, Yakkalamulla
Other Service Points					
Hambantota Administrative Complex	047-2256180	boc085e2@boc.lk			Administrative Complex, Gannoruwa Road, Siribopura, Hambantota
Galle District Secretariat Branch	091-2234514	boc003@boc.lk	1		Galle District Secretariat Building, Galle
Matara District Secretariat Branch	041-2222673	boc024e1@boc.lk	1		Matara District Secretariat Building, Matara
Offsite ATMs					
Hambantota Base Hospital			1		
Beliatte Bus Stand			1		
Dakshinapaya Labuduwa			1		
MAS Holdings Middeniya			1		
Matara General Hospital			1		
Ranna BAM Holdings			1		
Uva Province					
Badalkumubura	055-2250279	boc540@boc.lk	1	1	No. 127, Main Street, Badalkumbura
Badulla	055-2222980	boc011@boc.lk	3	1	Bank Road, Badulla
Badulla City	055-2229580	boc729@boc.lk			No. 1, Bandarawela Road, Badulla
Ballekatuwa	055-2285160	boc320@boc.lk	1		No. 36, Passara Road, Ballekatuwa
Bandarawela	057-2230014	boc515@boc.lk	2	1	No. 198B, Badulla Road, Bandarawela
Bibile	055-2265480	boc579@boc.lk	1		No. 41, Mahiyangana Road, Bibile
Bogahakumbura	057-2280088	boc699@boc.lk	1		No. 67, Kappetipola Road, Bogahakumbura
Boragas	052-2051888	boc795@boc.lk			No. 2/50, Padinawela, Nuwara Eliya Road, Boragas
Buttala	055-2273980	boc560@boc.lk	2	1	Moneragala Road, Buttala
Dambagalla	055-2275092	boc700@boc.lk	1		Opposite New Bus Stand, Makulla Town, Dambagalla
Diyatalawa	057-2229092	boc260@boc.lk	1		No. 28, Chandrasiri Building, Bandarawela Road, Diyatalawa
Ella	057-2228899	boc701@boc.lk	1		Wellawaya Road, Ella
Ethiliwewa	055-2272515	boc702@boc.lk			Ethiliwewa Junction, Ethiliwewa
Ethimale	055-2275511	boc810@boc.lk	1		Lakjaya Enterprises Building, Ethimale
Ettampitiya	055-2294080	boc476@boc.lk	1		No. 23, Nuwara Eliya Road, Ettampitiya

Name of Branch	Telephone	Email Address	No. of ATMs	No. of CDMs	Postal Address
Girandurukotte	027-2254380	boc669@boc.lk	1		New Town, Girandurukotte
Haldumulla	057-2050202	boc463@boc.lk	1		Colombo Road, Haldumulla
Hali-Ela	055-2295080	boc785@boc.lk	1		No. 47, Bandarawela Road, Hali-Ela
Haputale	057-2268080	boc035@boc.lk	1		No. 20, Station Road, Haputale
Hasalaka	055-2257180	boc365@boc.lk	1		New Town, Hasalaka
Keppetipola	057-2280043	boc703@boc.lk	1		No. 18, Boralanda Road, Keppetipola
Koslanda	057-2257780	boc629@boc.lk	1		No. 03, Poonagala Road, Koslanda
Lunugala	055-2263980	boc577@boc.lk			No. 149, Main Street, Lunugala
Lunuwatta	057-2232742	boc647@boc.lk	1		Padmasiri Building, Udapussellawa Road, Lunuwatta
Maha Oya	063-2244155	boc806@boc.lk	1		Wijethunga Building, Maha Oya
Mahiyangana	055-2258195	boc542@boc.lk	1	1	Badulla Road, Mahiyangana
Medagama	055-2266580	boc238@boc.lk	1		No. 171, Main Street, Medagama
Meegahakivula	055-2245707	boc384@boc.lk	1		Ratnayake Complex, Meegahakivula
Moneragala	055-2276180	boc082@boc.lk	2	1	No. 401, Wellawaya Road, Moneragala
Moneragala City	055-2277270	boc705@boc.lk	1		Near the Lanka Hardware, New Bus Stand Road, Moneragala
Okkampitiya	055-2272092	boc706@boc.lk			Ubeysiri Building, Okkampitiya
Padiyatalawa	063-2246003	boc348@boc.lk	1		Main Street, Padiyatalawa
Passara	055-2288280	boc503@boc.lk	1	1	No. 386, Main Street, Passara
Pelwatta	055-3559825	boc707@boc.lk	1		Sugar Complex Branch, Pelwatta
Siyambalanduwa	055-3555360	boc416@boc.lk	1		Moneragala Road, Siyambalanduwa
Thanamalwila	047-2234080	boc322@boc.lk	1		No. 6, Tissa Road, Thanamalwila
Uva-Paranagama	057-3577000	boc343@boc.lk			Lunuatugama, Walahamulla, Uva-Paranagama
Welimada	057-2245984	boc730@boc.lk	1	1	Hemapala Munidasa Mawatha, Welimada
Wellawaya	055-2274880	boc434@boc.lk	2	1	Tissamaharama Road, Wellawaya
Other Service Points					
Badulla District Secretariat Branch	055-2225475				Badulla District Secretariat Building, Badulla
Moneragala District Secretariat Branch	055-2055517				Moneragala District Secretariat Building, Moneragala
Offsite ATMs					
Air Force – Diyatalawa			1		
Badulla Bus Stand			1		
Badulla Hospital			1		
Bandarawela New Bus Stand			1		
Sirigala Hospital Moneragala			1		
Uva Wellassa University			1		
Wijewickrama Book Shop – Welimada			1		
Mahiyanganaya Bus Stand			1		
Mahiyanganaya Base Hospital			1		
Western Province (North)					
Andiambalama	011-2258184	boc494@boc.lk	1		No. 113, Minuwangoda Road, Andiambalama
Batuwatte	011-2960892	boc708@boc.lk	1		Narangodapaluwa, Batuwatta
Biyagama ▲	011-5058970	boc732@boc.lk	2		IPZ Administrative Complex, Biyagama
Bopitiya	011-2243172	boc711@boc.lk	1		No. 2, Bopitiya Junction, Pamunugama
Borella ▲	011-4612617	boc038@boc.lk	4	1	No. 71, Dr. Danister De Silva Mawatha, Colombo 08
Borella 2	011-2685140	boc668@boc.lk			No. 845, Super Market Complex, Colombo 08
Central Bus Stand	011-5365118	boc573@boc.lk			Central Bus Stand, Colombo 11
Central Super Market	011-2446475	boc672@boc.lk			2nd Floor, Central Super Market, Colombo 11
City Office	011-2438455	boc001@boc.lk	2	1	No. 41, Bristol Street, Colombo 01
Dalugama	011-2909929	boc715@boc.lk	1		No. 465/A, Kandy Road, Dalugama, Kelaniya
Delgoda	011-2402970	boc716@boc.lk	1		No. 351/H/5, New Kandy Road, Delgoda
Demanhandiya	031-2228730	boc717@boc.lk	1		No. 370, Westerseaton Farm, Divulapitiya Road, Demanhandiya
Dematagoda	011-5335594	boc561@boc.lk			No. 45, 47, Kolonnawa Road, Colombo 09

Name of Branch	Telephone	Email Address	No. of ATMs	No. of CDMs	Postal Address
Divulapitiya	031-2246280	boc433@boc.lk	2	1	No. 34, Negombo Road, Divulapitiya
Elakanda	011-2932282	boc258@boc.lk	1		No. 48, Hendala Road, Hendala, Wattala
Enderamulla	011-2937240	boc674@boc.lk	1		No. 117, Gongithota Road, Enderamulla, Wattala
Fish Market Peliyagoda ◂	011-2934042	boc718@boc.lk	1		No. RMU 9, New Fish Market Complex, Peliyagoda
Gampaha ◂	033-2234404	boc045@boc.lk	3	2	No. 16, Rest House Road, Gampaha
Ganemulla	033-2265888	boc720@boc.lk	1		No. 378/C, Kadawatha Road, Genemulla
Gothatuwa	011-2411018	boc721@boc.lk	1		No. 33, Gothatuwa New Town, Gothatuwa
Grandpass ▲	011-2448202	boc628@boc.lk	1		No. 703, Sirimavo Bandaranaike Mawatha, Colombo 14
Hulftsdorp	011-2422770	boc032@boc.lk	1	1	No. 30, St. Sebastian Hill, Colombo 12
Ja-Ela ▲	011-2236494	boc039@boc.lk	2	1	No. 19, Negombo Road, Ja-Ela
Kadawatha	011-2920687	boc059@boc.lk	3	1	No. 469, Ragama Road, Kadawatha
Kadawatha 2 City	011-2922095	boc780@boc.lk	1		No. 430/11, New Town Complex, Kandy Road, Kadawatha
Kandana	011-2232398	boc771@boc.lk	1		No. 41/B-1/1, Negombo Road, Kandana
Katana	031-2228353	boc722@boc.lk	1		No. 305/J/1, Mirigama Road, Mahahunupitiya
IPZ Katunayake	011-2259583	boc658@boc.lk	1		No. 436, Baseline Road, Averiwatta, Katunayake IPZ
Katuwellegama	011-2299055	boc714@boc.lk	1		No. 487, Negombo Road, Katuwellegama
Kiribathgoda ▲	011-2911304	boc543@boc.lk	2	1	No. 201, Kandy Road, Kiribathgoda
Kirindiwela	033-2269944	boc571@boc.lk	2		No. 137, Radawana Road, Kirindiwela
Kolonnawa ▲	011-2572265	boc595@boc.lk	2	1	No. 430A, IDH Road, Kolonnawa
Kotahena	011-2448632	boc663@boc.lk	1	1	No. 182, George R De Silva Mawatha, Colombo 13
Lake House	011-5863723	boc636@boc.lk	1		D R Wijeyawardena Mawatha, Colombo 10
Lake View	011-5859693	boc612@boc.lk	1		No. 142, Sir. James Peiris Mawatha, Colombo 02
Main Street ▲	011-2393541	boc026@boc.lk	2	1	No. 94, Main Street, Colombo 11
Makola	011-2964401	boc789@boc.lk	1		No. 177/1, Makola South, Makola
Maradana	011-2684219	boc041@boc.lk	1		No. 94, S Mahinda Himi Mawatha, Colombo 10
Minuwangoda	011-2295214	boc545@boc.lk	3	1	No. 21A, Divulapitiya Road, Minuwangoda
Mirigama	033-2275975	boc088@boc.lk	2	1	No. 12, Amaratunga Mawatha, Mirigama
Mulleriyawa New Town	011-2157465	boc723@boc.lk	1		No. 314/R, Avissawella Road, Mulleriyawa New Town
Naiwala	033-2297720	boc724@boc.lk	1		Divulapitiya Road, Naiwala
Narahenpita	011-2368514	boc762@boc.lk	1		No. 540, Thimbirigasyaya Road, Colombo 05
Negombo ▲	031-2224711	boc018@boc.lk	2	1	No. 118, Rajapakse Broadway, Negombo
Negombo City ▲	031-2232133	boc572@boc.lk	1		No. 111, Main Street, Negombo
Nittambuwa	033-2287280	boc675@boc.lk	3	1	Market Complex, Nittambuwa
Peliyagoda ▲	011-2980025	boc042@boc.lk	1	1	No. 51, Negombo Road, Peliyagoda
Personal ☼	011-2446821	boc681@boc.lk	3	1	Head Office, 'BOC Square', No. 1, Bank of Ceylon Mawatha, Colombo 01
Pugoda ▲	011-2404821	boc765@boc..lk	1		No. 40/1, 43, Kospitiyana, Pugoda
Raddolugama	011-2289977	boc687@boc.lk	1		No. 9B, 94L, National Housing Scheme, Raddolugama
Ragama	011-2960291	boc764@boc.lk	2	1	No. 16/26, Kadawatha Road, Ragama
Regent Street ▲	011-2690506	boc627@boc.lk	1		National Hospital, Colombo 08
Seeduwa	011-2259590	boc421@boc.lk	1		No. 429, 429/1, Negombo Road, Seeduwa
The Central Hospital	011-2690546	boc713@boc.lk	1		No. 114, 4 Floor, Norris Canal Road, Colombo 10
Veyangoda	033-2287279	boc682@boc.lk	1		No. 203A, Negombo Road, Veyangoda
Wattala ▲	011-5868394	boc505@boc.lk	2		No. 216, Negombo Road, Wattala
Welisara ▲	011-2958485	boc527@boc.lk	1		No. 540/2, Negombo Road, Welisara
Weliweriya	033-2255444	boc677@boc.lk	1		No. 342, New Kandy Road, Weliweriya
Yakkala	033-2233591	boc769@boc.lk	1	1	No. 38A, Kandy Road, Yakkala
Other Service Points					
BOI Cash Collection Centre ◂	011-2448875	boc681@boc.lk			BOI Cash Collection Center, WTC Building, Ground Floor, Colombo 01
BOI Katunayake-Cash Collection Centre ▲	011-2252523	boc658@boc.lk			Export Processing Road, Katunayake
Cargo Office ▲	011-2251943	boc658@boc.lk			Air Cargo Building, Sri Lankan Air Lines, BOI, Katunayake
Gampaha District Secretariat Branch	033-2220860	boc045@boc.lk			Gampaha District Secretariat Building, Gampaha
Narahenpita District Secretariat Branch	011-3000140	boc762@boc.lk			Narahenpita District Secretariat Building, Narahenpita

Name of Branch	Telephone	Email Address	No. of ATMs	No. of CDMs	Postal Address
Mobile Branch					
Mobile Branch			1		Mobile Vehicle ATM installed on 6 January 2017
Offsite ATMs					
Agio Tobacco Co., BEPZ, Malwana			1		
Air Force Camp Ekala			1		
Air Force Camp Katunayake			1		
Castle Hospital, Borella			1		
Grandpass Sugathadasa Stadium			1		
Lady Ridgeway Hospital			1		
Linea Aqua Garments, Kapugoda			2		
Narahenpita Economic Centre			1	1	
Sri Lanka Navy Camp Welisara			1		
Negombo Bus Stand			1		
Negombo Hospital			1		
New Nuge Road, Peliyagoda			1		
Petroleum Corporation – Kolonnawa			1		
Regent Street Doctors Quarters			1		
Sri Lanka Standards – Borella			1		
Trelleborg Lanka (Private) Limited, Supugaskanda			1		
World Trade Centre			1		
Western Province (South)					
Administrative Complex Isurupaya	011-2785875	boc671@boc.lk	1		Education Department, Isurupaya, Pelawatta, Battaramulla
Agalawatta	034-2243450	boc657@boc.lk	1		No. 22, Matugama Road, Agalawatta
Aluthgama ▲	034-2271413	boc680@boc.lk	2		No. 14, Douglas Gunawardana Mawatha, Aluthgama
Athurugiriya	011-2561378	boc757@boc.lk	1	1	No. 70/20, Malabe Road, Athurugiriya
Baduraliya ■	034-2244167	boc662@boc.lk	1		No. 75, Rathnapura Road, Baduraliya
Bambalapitiya ▲	011-2583330	boc037@boc.lk	2	1	No. 10, Unity Plaza Building, Galle Road, Bambalapitiya
Bandaragama	038-2290280	boc665@boc.lk	2	1	Janadhipathi Mawatha, Bandaragama
Battaramulla	011-2862575	boc679@boc.lk	2	1	No. 231, Main Street, Battaramulla
Beruwala ▲	034-2279899	boc058@boc.lk	1	1	No. 165 A, Galle Road, Beruwala
Bombuwela	034-2289825	boc651@boc.lk	1		No. 22/8, Dehigalawala Road, Mankada, Bombuwala
Boralesgamuwa	011-2518478	boc646@boc.lk	1		No. 50, Lake Road, Boralesgamuwa
Bulathsinhala	034-2283116	boc673@boc.lk	1		Athura, Bulathsinhala
Dehiwala ■	011-2712075	boc051@boc.lk	2	1	No. 207, Galle Road, Dehiwala
Dharga Town	034-2275247	boc563@boc.lk	1		No. 298, Main Street, Darga Town
Dodangoda ▲	034-2281628	boc293@boc.lk	1		No. 14, Tudugala Junction, Dodangoda
Gonapola	034-2257550	boc643@boc.lk	1		No. 643, Colombo Road, Gonapola
Gurugoda	034-4285500	boc659@boc.lk	2		Body Line (Pvt.) Limited, Gurugoda, Horana
Hanwella ▲	036-2253520	boc741@boc.lk	2		No. 133/8, Low Level Road, Hanwella
Homagama ▲	011-2855059	boc568@boc.lk	2	1	No. 93, High Level Road, Homagama
Horana ■	034-2260428	boc054@boc.lk	3	1	No. 87, Anguruwathota Road, Horana
Hyde Park	011-2687281	boc521@boc.lk	1		No. 500, T. B. Jayah Mawatha, Colombo 10
Independence Square ▲	011-2678073	boc453@boc.lk	1	1	Independence Square, Colombo 07
Ingiriya	034-2269280	boc604@boc.lk	1		No. 20, Panadura Road, Ingiriya
Jayawardenapura Hospital	011-2779136	boc520@boc.lk	1		Sri Jayawardenapura Hospital, Thalapathpitiya, Nugegoda
Kaduwela	011-2537999	boc608@boc.lk	2	1	No. 123A, Colombo Road, Kaduwela

Name of Branch	Telephone	Email Address	No. of ATMs	No. of CDMs	Postal Address
Kalutara ☼	034-2229804	boc016@boc.lk	2	1	No. 218, Galle Road, Kalutura South, Kalutara
Katubedda Campus	011-3096112	boc631@boc.lk	1		Bank of Ceylon Extension Office, University of Moratuwa, Moratuwa
Katubedda	011-2625438	boc030@boc.lk	1		No. 601, Galle Road, Katubedda
Katukurunda ■	034-2221364	boc625@boc.lk	1		No. 915, Galle Road, Katukurunda
Kesbewa	011-2602517	boc620@boc.lk	1		No. 229/D/2, Bandaragama Road, Kesbewa
Keselwatta ▲	038-2288888	boc617@boc.lk	1		No. 29, Galle Road, Keselwatta, Panadura
Kirulapone	011-2513874	boc602@boc.lk	1		No. 88, High Level Road, Kirulapone
Kollupitiya	011-4795036	boc034@boc.lk	1		No. 28, St. Michael's Road, Colombo 03
Kollupitiya 2 City	011-2565380	boc670@boc.lk	1		No. 409, Galle Road, Colombo 03
Kothalawala Defence University	011-2636280	boc813@boc.lk	1		General Sir John Kothalawala Defence University, Kandawala Estate, Ratmalana
Kottawa ■	011-2783313	boc773@boc.lk	1		No. 103, High Level Road, Kottawa, Pannipitiya
Lanka Hospitals ▲	011-2369535	boc603@boc.lk	1		No. 578, Elvitigala Mawatha, Narahenpita, Colombo 05
Maharagama ▲	011-2746146	boc055@boc.lk	4	2	No. 88, High Level Road, Maharagama
Malabe ■	011-2760753	boc763@boc.lk	3	1	No. 787, Kaduwela Road, Malabe
Mattegoda	011-2782399	boc583@boc.lk	1		No. 193/20, Opposite Bus Stand, Mattegoda
Matugama ■	034-2243590	boc556@boc.lk	2	1	No. 72, Agalawatta Road, Matugama
Meegoda	011-2831589	boc567@boc.lk	1		No. 35, Padukka Road, Meegoda
Milagiriya	011-2504627	boc593@boc.lk	1		No. 248, Galle Road, Colombo 04
Moratumulla	011-2652178	boc557@boc.lk	1		No. 240/2/1, De Soyza Road, Moratumulla, Moratuwa
Moratuwa ▲	011-2644161	boc061@boc.lk	2		No. 707, Galle Road, Moratuwa
Mount Lavinia ▲	011-2721060	boc766@boc.lk	1		No. 286, Galle Road, Mount Lavinia
National Institute of Education Maharagama	011-7601605	boc552@boc.lk			No. 21, High Level Road, Maharagama
Nugegoda ▲	011-2825612	boc049@boc.lk	3	2	No. 174, Highlevel Road, Nugegoda
Padukka ▲	011-2859112	boc678@boc.lk	2	1	No. 33, Horana Road, Padukka
Panadura ▲	038-2243323	boc007@boc.lk	2	1	No. 21, Susantha Mawatha, Panadura
Panadura City ▲	038-2243324	boc607@boc.lk	1		No. 21, Jayathilaka Mawatha, Panadura
Parliament	011-2777309	boc644@boc.lk	1		Parliament Complex Branch, Sri Jayawardenepura, Kotte
Pelawatta	011-2785550	boc690@boc.lk			No. 18A, Parliament Road, Pelawatte, Battaramulla
Pelawatte City – Kalutara	034-2284717	boc541@boc.lk	1		No. 151, Matugama Road, Pelawatte
Piliyandala ▲	011-2614165	boc736@boc.lk	2	1	No. 58, Moratuwa Road, Piliyandala
Pitakotte	011-2820311	boc533@boc.lk	1		No. 130C/1, Pagoda Road, Pitakotte
Rajagiriya	011-2887637	boc746@boc.lk	2	1	No. 608, Nawala Road, Rajagiriya
Ratmalana ▲	011-2719735	boc689@boc.lk	2	1	No. 452, Galle Road, Ratmalana
Sethsiripaya	011-2863637	boc523@boc.lk			Sethsiripaya Complex, Battaramulla
Thalawathugoda	011-2775027	boc516@boc.lk	1		No. 215/2, Pannipitiya Road, Thalawathugoda
Thimbirigasyaya	011-2590602	boc512@boc.lk	1		Sambuddathwa Jayanthi Mandiraya, Thunmulla Junction, Colombo 05
Union Place	011-2314757	boc043@boc.lk	1		No. 278, Access Tower, Colombo 02
Visakha Vidyalaya	011-2556226	boc775@boc.lk	1		No. 133C, Vajira Road, Colombo 04
Wadduwa ▲	038-2232538	boc584@boc.lk	1		No. 557/A, Galle Road Wadduwa
Wellawatte ▲	011-2588941	boc023@boc.lk	2	1	No. 149/2, Galle Road, Colombo 06
Wijerama Junction	011-2803551	boc499@boc.lk	1		No. 705, Gangodawila, Nugegoda
Other Service Points					
B.M.I.C.H Premises	011-2696820		1		BMICH, Bauddhaloka Mawatha, Colombo 07
Immigration & Emigration Office	011-2862065		1		Secretariat of Personal Identification, 'Suhurupaya', Subhuthipura, Battaramulla
Kalutara District Secretariat Branch	034-2222286		1		Kalutara District Secretariat Building, Kalutara
Development Lotteries Board	011-2333547				P O Box No. 2,220, No. 356, Dr. Colvin R. De Silva Mawatha, (Union Place), Colombo 02.
Srawasthi Mandiraya	011-2681366		1		Srawasthi Mandiraya, Colombo 07
NSBM University	011-2755510		1		University Complex of NSBM, Pitipana, Homagama

Name of Branch	Telephone	Email Address	No. of ATMs	No. of CDMs	Postal Address
Offsite ATMs					
NIE Maharagama			1		
Air Force Ratmalana			1		
Army Camp Panagoda			1		
Auditor General's Department			1		
Ballys Entertainment Centre, D R Wijewardana Mawatha			2		
Body Line Agalawatta			1		
Central Engineering Consultancy Bureau Bauddhaloka Mawatha			1		
Dehiwala Zoo			1		
German Technical Training Institute, Ratmalana			1		
HIL Garments – Kahathuduwa			1		
Homagama Hospital			1		
Kalubowila Hospital			1		
Katubedda University			1		
Maharagama Cancer Hospital			1		
Marina Club (Rank Entertainment)			1		
Odel Alexandra Place			1		
Panadura Base Hospital			1		
Salawa Army Camp			1		
SLIIT Malabe			1		
Sports Ministry			1		
Sri Lanka Insurance Corporation			1		
Stardust (Rank Entertainment)			1		
Water Board, Ratmalana			1		
Private Medical College Malabe			1		
Southern Express Way			2		
NIE – Meepe			1		
Corporate Branches					
Corporate	011-2446814	agmcr@boc.lk			Bank of Ceylon Head Office, 'BoC Square' No. 01 Bank of Ceylon Mawatha, Colombo 01
Corporate 2	011-2386080	agmrecco@boc..lk			Bank of Ceylon Head Office, 'BoC Square' No. 01 Bank of Ceylon Mawatha, Colombo 01
Offshore banking Division	011-2338765	agmoffsho@boc.lk			Bank of Ceylon Head Office, 'BoC Square' No. 01 Bank of Ceylon Mawatha, Colombo 01
Pettah ▲	011-2434478	bocpb@boc.lk	2	1	No. 212/63, Gas Works Street, Colombo 11
Metropolitan	011-2328521	bocmb@boc.lk	2	1	No. 61, Hospital Lane, Colombo 01
Taprobane	011-2422267	boc747@boc.lk			No. 61, Hospital Lane, Colombo 01
Other Service Points					
Canal Yard – S L P A ▲	011-2483526				Sri Lanka Ports Authority, Canal Yard, Colombo 01
Permit Office – S L P A Hunters ▲	011-2483542				Security Division, Sri Lanka Ports Authority, Colombo 01
Sri Lanka Bureau of Foreign Employment ▲	011-2864147				No. 234, Denzil Kobbekaduwa Mawatha, Koswatta, Battaramulla
Warehouse Sri Lanka Ports Authority ▲	011-2942620				Warehouse, New Nuge Road, Peliyagoda
Pettah Divisional Secretariat Branch	011-2434478-50				Colombo Divisional Secretariat Branch, No. 80, Dam Street, Colombo 12
Ceylon Shipping Lines Limited	011-2680301				No. 760, Dr Danister de Silva Mawatha, Colombo 09

Name of Branch	Telephone	Email Address	No. of ATMs	No. of CDMs	Postal Address
Customs Imports Unit (Long Room) ▲■	011-2447030 011-2447031				No. 40, Customs New Building, Colombo 11
Ministry of Health	011-2694033				Suwasiripaya, No. 38, Ven. Baddegama Wimalawansa Thero Mawatha, Colombo 10
Inland Revenue Department	011-2337367				Department of Inland Revenue, Sir Chittampalam A Gardiner Mawatha, Colombo 02
Jawatta Inland Revenue	011-5657162				Inland Revenue Department, No. 80, Jawatte Road, Colombo 05
Laksiri Seva (Private) Limited	011-2917729				No. 66, New Nuge Road, Peliyagoda
Trico Maritime (Private) Limited	011-3134764				No. 50, K Cyril C Perera Mawatha, Colombo 13
Offsite ATMs					
Sri Lanka Ports Authority, Jaya Terminal			1		
Bellagio Club, Duplication Road, Colombo 3			2		
Sri Lanka Bureau of Foreign Employment			1		
Ceylon Dockyard PLC			1		
Ceylon Fisheries Harbour			1		
Sri Lanka Air Force Head Quarters, Colombo 2			1		
Ministry of Health			1		
Dept. of Pensions – Maligawatte			1		
Customs New Head Office			1		
Inland Revenue Department			1		
Int-Pay Office					
Katunayake Airport	011-2252424	payofficebia@boc.lk	2		Bank of Ceylon, Bandaranayake International Airport, Katunayake
Premier Banking					
BOC Premier	011-2694282	pbc@boc.lk	1		No. 21, Sir Ernest De Silva Mawatha, Colombo 07
Mobile Banking					
Mobile Banking Unit			1		
Overseas Branches					
Malé	+9603323045 +9603314764	bcmale@ dhivehinet.net.mv	2		Aage 12, Boduthakurufaanu, Magu, Henveiru, Malé. 20094, Republic of Maldives
Chennai	+914439519913 +914428190972	ceybank@vsnl.com			No. 2, Zerat Garden, 2 Lane, Off Casa Major Road, Egmore, Chennai 600 008
Seychelles	+2484611880 +2484611889	boc807@boc.lk	2		2-05, Capital City Building, Independence Avenue, Victoria, Mahe, Republic of Seychelles

Holiday and special banking services

- ■ *Sunday*
- ▲ *Saturday*
- ◄ *Saturday & Sunday*
- ☼ *365 day Banking*
- ✧ *Night Banking*

Correspondent Banks by Country

Afghanistan

1. DA Afghanistan Bank

Albania

2. Raiffeisen Bank

Algeria

3. Banque Exterieure d'Algerie

Argentina

4. Banco Credicoop Cooperativo Ltd
5. Banco Finansur SA
6. Banco Macro SA

Armenia

7. ArdshinInvest Bank CJSC

Australia

8. Australia & New Zealand Banking Group Ltd
9. HSBC Bank Australia Ltd
10. National Australia Bank Ltd
11. Westpac Banking Corporation

Austria

12. Allgemeine Sparkasse Oberosterreich Bank AG
13. BAWAG PSK Bank
14. BKS Bank AG
15. Erste Bank der Oesterreichischen Sparkassen AG
16. Erste Group Bank AG
17. Oberbank AG
18. Raiffeisen Bank International AG
19. Raiffeisenlandesbank Oberosterreich Aktiengesellschaft
20. Salzburger Landes – Hypothekenbank AG
21. Volksbank Wien-Baden AG
22. Uni Credit Bank Austria AG (Bank Austria Creditanstalt AG)
23. Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

Bahrain

24. Ahli United Bank
25. Al Baraka Islamic Bank
26. Bahrain Islamic Bank
27. Arab Banking Corporation
28. BBK (Formerly Bank of Bahrain & Kuwait BSC)
29. BMI Bank B S C (C)
30. Gulf International Bank
31. Habib Bank Limited
32. HSBC Bank Middle East
33. National Bank of Bahrain
34. The Arab Investment Company

Bangladesh

35. Agrani Bank
36. Bangladesh Krishi Bank
37. BASIC Bank Ltd (Bangladesh Small Industries & Commerce Bank Ltd)
38. Dutch-Bangla Bank
39. Janata Bank
40. Prime Bank Ltd
41. Pubali Bank Ltd
42. Sonali Bank
43. The Premier Bank Ltd
44. Uttara Bank Ltd

Belarus

45. Belarus Bank
46. Belvnesheconombank

Belgium

47. Antwerpse Diamant Bank NV
48. Banca Monte Paschi, Belgio
49. Byblos Bank Europe SA
50. Deutsche Bank SA/NV
51. Fortis Bank NV/SA
52. ING Belgium SA/NV
53. KBC Bank NV

Bermuda

54. Bank of Bermuda Ltd

Botswana

55. Barclays Bank of Botswana Ltd

Brazil

56. Banco ABC Brazil S.A.
57. Banco do Brazil
58. Banco Fibra S.A.
59. Banco Industrial e Comercial S.A. (BICBANCO)
60. Banco Indusval S.A.

Bulgaria

61. Central Cooperative Bank
62. Investbank PLC
63. Municipal Bank PLC
64. Raiffeisenbank (Bulgaria) EAD
65. Teximbank
66. UniCredit BulBank AD (Formerly Bulbank AD)
67. United Bulgarian Bank AD

Cambodia

68. ACLEDA Bank PLC

Canada

69. Bank of Montreal
70. Bank of Nova Scotia
71. Canadian Imperial Bank of Commerce
72. HSBC Bank Canada
73. Royal Bank of Canada
74. Toronto Dominion Bank

Chile

75. Corpbanca

China

76. Bank of Changsha
77. Bank of China
78. Bank of Communications
79. Bank of Hangzhou Co. Ltd
80. Bank of Jiangsu Co. Ltd
81. Bank of Jiujiang Co. Ltd
82. Bank of Nanjing
83. Bank of Shaoxing Co. Ltd
84. Bank of Xi'an Co. Ltd
85. Changshu Rural Commercial Bank
86. China Construction Bank Corporation
87. China Development Bank Corporation
88. China Everbright Bank Co. Ltd
89. Evergrowing Bank Co. Ltd
90. Export Import Bank of China
91. OCBC Wing Hang Bank (CHINA) Ltd
92. Zhejiang Nanxun Rural Cooperative Bank
93. Zhejiang Xiaoshan Rural Cooperative Bank

Colombia

94. Banco Popular

Cook Islands

95. WSBC Bank Co. Ltd

Croatia

96. Zagrebacka Banka dd

Cyprus

97. Alpha Bank Cyprus Ltd
98. Bank of Cyprus Public Company Ltd
99. Hellenic Bank Public Company Ltd
100. National Bank of Greece (Cyprus) Ltd

Czech Republic

101. Ceska Sporitelna A.S.
102. Ceskoslovenska Obchodni Banka A.S.
103. Komercni Banka A.S.
104. LBBW Bank CZ A.S.
105. Moneta Money Bank A.S.
106. Raiffeisen Bank A.S.
107. UniCredit Bank CZECH Republic A.S.

Denmark

108. ALS Skiern Bank
109. Danmarks National Bank
110. Danske Bank A/S
111. Jyske Bank A/S
112. Nordea Bank Danmark A/S
113. Nordjyske Bank A/S
114. Rinkjobing Landbo- bank
115. Skjern Bank
116. Spar Nord Bank A/S
117. Sparebank Vest
118. Sydbank A/S
119. Vestjysk Bank

Ecuador

120. Banca International Produbanco

Egypt

121. ABC Egypt (Arab Banking Corp.)
122. Arab International Bank
123. Bank of Alexandria (ALEXBANK)
124. Banque Du Caire SAE
125. Banque Misr SAE
126. Central Bank of Egypt
127. Commercial International Bank (Egypt) SAE
128. Calyon Bank (Egypt) SAE
129. Egyptian Saudi Finance Bank
130. Faisal Islamic Bank of Egypt SAE
131. Mohandes Bank
132. National Bank of Egypt
133. Suez Canal Bank SAE

Estonia

134. SEB Bank

Ethiopia

135. Commercial Bank of Ethiopia

Fiji

136. National Bank of Fiji Limited
137. Westpac Banking Corporation

Finland

138. Aktia Bank PLC
139. Nordea Bank Finland PLC
140. OKO Osuuspankkien Keskuspankki OYJ
141. OP Corporate Bank PLC
142. Sampo Bank PLC

France

143. AL Khaliji France SA
144. Bank of India (Paris Branch)
145. Banque BIA
146. Banque De Neuflize, Schlum-berger, Mallet, Demachy
147. Banque D'Escompte
148. Banque Federative DU Credit Mutuel
149. Banque Palatine
150. Banque SBA
151. BNP Paribas
152. Calyon
153. CIC Lyonnaise De Banque
154. Credit Agricole
155. Credit Cooperatif
156. Credit DU Nord
157. Credit Industrial DEL'Quest
158. Credit Industrial ET Commercial (CIC)

159. Credit Lyonnais
160. HSBC Private Bank France SA
161. NATIXIS (Formerly Natexis Banque Popularies)
162. Societe Generale
163. Union De Banques A Paris (UBAF)-(Union De Banques Arabes ET Francaises)
164. VTB Bank (France) SA (Formerly Banque Commerciale Pour L'Europe Du Nordeurobank)

Georgia

165. Bank of Georgia

Germany

166. Baden Wuttenbergische Bank AG
167. Bankhaus Carlf Plump & Co.
168. Bankhaus Neelmeyer AG
169. Bayerische Landesbank
170. Berenberg Bank
171. Berliner Volksbank EG
172. BHF Bank Aktiengeselschaft
173. Bremer Landesbank
174. CommerzBank AG (Dusseldorf)
175. CommerzBank AG (Frankfurt)
176. Degussa Bank
177. Deutsche Bank AG
178. Deutsche Bundesbank
179. Deutsche PostBank AG
180. DVB Bank AG
181. DZ Bank AG Deutsche Zentral Genossenschaftsbank
182. Frankfurter Volksbank EG
183. Hamburger Sparkasse AG
184. HSBC Trinkaus & Burkhardt KGA
185. ING BHF – Bank AG
186. Kreissparkasse Esslingen-Nurtingen
187. Kreissparkasse Goppingen
188. Kreissparkasse Heilbronn
189. Landesbank Baden-Wurttemberg
190. Landesbank Berlin AG (Merger of Bankgesel-Ischaft Berlin AG & Landesbank Berlin AG)
191. Landesbank Hessen Thuringen Girozentrale
192. LRP Landesbank Rheinland PFALZ
193. Mainzer Volksbank eG
194. Nassauische Sparkasse
195. Nordeutsche Landes–bank Girozentrale
196. NRW Bank
197. Oldenburgische Landesbank AG
198. Sparkasse Bielefeld
199. Sparkasse Dortmund
200. Sparkasse Duren
201. Sparkasse Essen (Stadtsparkasse Essen)
202. Sparkasse Hannover
203. Sparkasse Herford
204. Sparkasse Pforzheim Calw
205. Stadtsparkasse Dusseldorf
206. Stadtsparkasse Monchengladbach
207. Stadtsparkasse Wuppertal
208. Standard Chartered Bank (Frankfurt)
209. UniCredit Bank AG (Bayerische Hypo-und Vereinsbank AG)
210. Westlab AG

Ghana

211. Ghana Commercial Bank Ltd

Greece

212. Alpha Bank
213. Aspis Bank
214. EFG Eurobank Ergasias SA
215. Marfin Egnatia Bank SA
216. National Bank of Greece
217. Piraeus Bank

Hong Kong

218. Bank of East Asia Ltd
219. Cathay Bank
220. Chiyu Banking Corporation Limited
221. Chong Hing Bank Limited
222. DAH Sing Bank Limited
223. DBS Bank (Hong Kong) Ltd
224. Hang Seng Bank Ltd
225. Hong Kong & Shanghai Banking Corporation
226. Industrial & Commercial Bank of China (Asia) Ltd
227. Nan Yang Commercial Bank Ltd
228. OCBC Wing Hang Bank Ltd
229. Oversea-Chinese Banking Corporation
230. Shanghi Commercial Bank Ltd
231. UBAF Hong Kong Ltd (Union De Banques Arabes ET Francaises – UBAF)

Hungary

232. Bank of Hungarian Savings Cooperatives Co. Ltd
233. Budapest Bank RT
234. Central-European Int'l Bank Ltd (CIC Bank)
235. Erst Bank Hungary NYRT
236. Kereskedelmi ES HitelBank (K and H Bank NYRT)
237. Magyar Nemzeti Bank (National Bank of Hungary)
238. Raiffeisen Bank ZRT
239. UniCredit Bank Hungary ZRT

Iceland

240. Glitnir Banki HF (Formerly Islandbanki FAB Ltd)

India

241. Allahabad Bank
242. Andhra Bank
243. Axis Bank
244. Bank of Baroda
245. Bank of India (Mumbai)
246. Bank of Maharashtra
247. Canara Bank
248. Central Bank of India
249. Corporation Bank
250. Development Credit Bank Ltd
251. HDFC Bank
252. ICICI Bank Ltd
253. IDBI Bank Ltd
254. Indian Bank
255. Indian Overseas Bank
256. Indusind Bank Ltd
257. Jammu & Kashmir Bank Ltd
258. Karur Vysya Bank
259. Punjab & Sind Bank Ltd
260. Punjab National Bank
261. RBL Bank Ltd
262. Saraswat-Cooperative Bank Ltd
263. State Bank of India
264. State Bank of Hyderabad
265. State Bank of Travancore
266. Syndicate Bank
267. Tamilnad Mercantile Bank Ltd
268. The Bank of Rajastan Ltd
269. UCO Bank
270. Union Bank of India
271. United Bank of India
272. YES Bank

Indonesia

273. Bank Artha Graha
274. Bank International Indonesia
275. Bank Mega
276. PT Bank Bukopin
277. PT Bank Central Asia TBK
278. PT Bank Ekspor Indonesia
279. PT Bank Mandiri (PERSERO)
280. PT Bank Negara Indonesia TBK
281. PT Bank Pan Indonesia TBK (Panin Bank)
282. PT Bank Permata TBK
283. PT Bank Rabobank International
284. PT Bank Rakyat Indonesia

Iraq

285. Central Bank of Iraq
286. Rafidain Bank
287. Rasheed Bank

Ireland

288. Allied Irish Bank PLC

Israel

289. Bank Hapoalim Bank
290. Bank Leumi Le Israel BM
291. Bank of Palestine
292. First International Bank of Israel Ltd
293. Israel Discount Bank
294. Mercantile Discount Bank Ltd
295. Mizrahi Tefahot Bank Ltd
296. Union Bank of Israel Ltd

Italy

297. Banca Agricola Mantovana SPA
298. Banca Antonveneta SpA
299. Banca Carige SpA
300. Banca Delle Marche SpA
301. Banca Popolare DI Cividale SCPA
302. Banca DI Credito Cooperativo DI ALBA
303. Banca DI Imola SpA
304. Banca DI Roma
305. Banca Etruria Soc.Coop.
306. Banca Monte DEI Paschi DI Siena
307. Banca Nazional Del Lavoro SpA
308. Banca Popolare Soc. Coop. (Banca Popolare DI Verona E Novara SCRL) – Verona
309. Banca Popolare – Volksbank (Banca Popolare Dell Alto ADIGE)
310. Banca Popolare Dell Emilia Romagna
311. Banca Popolare DI Milano
312. Banca Popolare DI Ravenna SpA
313. Banca Popolare DI Sondrio
314. Banca Popolare DI Vicenza Joint Stock Company
315. Banca Regionale Europea SpA
316. Banca Toscana SpA
317. Banca UBAE SpA
318. Banca Valsabbina SCPA
319. Banco Carim–Cassa DI Risparmio DI Rimini SpA
320. Banca DI Desio E Della Brianza SpA
321. Banco DI Sardegna SpA
322. Banco DI Sicilia
323. Bipop – Carires
324. Cassa DI Risparmio DI Parma e Piacenza SpA, (CARIPARMA SPA)
325. Cassa DI Risparmio DI Ascoli Piceno SpA
326. Cassa DI Risparmio DI Bolzano SpA
327. Cassa DI Risparmio DI Carrara SpA
328. Cassa DI Risparmio DI Prato SpA (CARIPRATO)
329. Cassa DI Risparmio DI San Miniato SpA
330. Credito Valtellinese
331. Deutsche Bank SpA
332. Hypo Alpe-Adria-Bank SpA
333. Intesa San Paolo SpA (Formerly Banca Intesa SpA)
334. IW Bank SPA

335. UGF Banca
336. UniCredit Bank AG (UniCredito Italiano SpA)
337. Unipol Banca SpA

Jamaica

338. National Commercial Bank of Jamaica Ltd

Japan

339. 77 Bank Ltd
340. Aozora Bank Ltd
341. Australia & New Zealand Banking Group Ltd
342. AWA Bank Ltd
343. Bank of Kochi Ltd
344. Bank of Kyoto
345. Bank of Tokyo – Mitsubishi UFJ Ltd
346. Bank of Yokohama Ltd
347. Chiba Kogyo Bank Ltd
348. Chukyo Bank Ltd
349. Chuo Mitsui Trust and Banking Co. Ltd
350. Gunma Bank Limited
351. Higashi-Nippon Bank
352. Hokuriku Bank Ltd
353. Kinki Osaka Bank Ltd
354. Kiyo Bank Ltd
355. Kyoto Shinkin Bank
356. Minato Bank Ltd (Formerly Midori Bank Ltd)
357. Mitsubish Trust & Banking Co.
358. Mizuho Bank Ltd
359. Nishi Nippon City Bank Ltd
360. Okazaki Shinkin Bank
361. Osaka City Shinking Bank
362. Resona Bank
363. Saitama Resona Bank Ltd
364. SETO Shinkin Bank
365. Shiga Bank Ltd
366. Shinkin Central Bank
367. Shinsei Bank Ltd (Formerly Long Term Credit Bank of Japan)
368. Standard Chartered Bank
369. Sugamo Shinkin Bank
370. Sumitomo Mitsui Banking Corporation
371. The Asahi Shinkin Bank
372. The Ashikaga Bank Ltd
373. The Hokkaido Bank Limited
374. The Shikoku Bank Ltd
375. The Shizuoka Bank Ltd
376. The Yokohama Shinkin Bank
377. Tokushima Bank Ltd
378. Tokyo Tomin Bank Ltd
379. Tomato Bank Ltd
380. Towa Bank Ltd
381. Yamagata Bank Ltd
382. Yamaguchi Bank Ltd
383. Yamanashi Chuo Bank Ltd

Jordan

384. Arab Bank PLC
385. Arab Jordan Investment Bank
386. Bank AL Etihad
387. Bank Audi SAL Audi Saradar Group
388. Bank of Jordan PLC
389. Cairo Amman Bank
390. Housing Bank for Trade & Finance
391. InvestBank (JIF Bank) (Formerly Jordan Investbank & Finance Bank)
392. Islamic International Arab Bank Ltd
393. Jordan Ahli Bank PLC
394. Jordan Commercial Bank
395. Jordan Dubai Islamic Bank
396. Jordan Kuwait Bank

Kazakstan

397. JSC Bank CenterCredit

Kenya

398. Barclays Bank of Kenya Ltd
399. Kenya Commercial Bank Ltd

Korea

400. CitiBank Korea Inc
401. KEB Hana Bank
402. Kookmin Bank
403. Korea Development Bank
404. Kyongnam Bank
405. Pusan Bank
406. The Kwangju Bank Ltd
407. Woori Bank

Kuwait

408. AL Ahli Bank of Kuwait
409. Bank of Kuwait & The Middle East Kuwait SAKP
411. Commercial Bank of Kuwait SAK
412. Gulf Bank
413. Kuwait International Bank
414. National Bank of Kuwait SAKP

Kyrgystan

415. Asia Universal Bank

Latvia

416. Parex Bank
417. Rietumu Bank
418. SEB Banka

Lebanon

419. Al Ahli International Bank SAL
420. Arab African International Bank
421. Arab Bank PLC (Lebanon Branches Centre) Beirut
422. Audi Private Bank SAL
423. Bank Audi SAL
424. Bank Bemo SAL
425. Bankmed SAL
426. Bank of Beirut SAL
427. Banque Libano Francaise
428. BBAC SAL
429. BLC Bank SAL
430. BLOM Bank SAL
431. Byblos Bank SAL
432. Credit Libanais SAL
433. First National Bank SAL
434. Fransbank SAL
435. IBL Bank
436. Jamal Trust Bank SAL
437. MEAB Bank (Middle East & African Bank SAL)
438. Near East Commercial Bank SAL
439. Societe Generale Banque AU Liban SAL
440. Societe Nouvelle DE LA Banque De Syrie ET DU Liban SAL

Libya

441. Gumhoria Bank
442. National Commercial Bank SAL
443. Umma Bank SAL
444. Wadha Bank

Lithuania

445. AB Bankas Hansa Bankas
446. AB Bankas Snoras
447. SEB Bank
448. UKIO Bank AS

Macau

449. Banco Weng Hang SA

Madagascar

450. Bank of Africa – Madagascar
451. Banque Centrale De Madagascar

Malawi

452. National Bank of Malawi

Malaysia

453. Alliance Bank Malaysia, Berhad
454. Ambank Berhad
455. Bank Islam Malaysia Berhad
456. CIMB Bank Berhad
457. EON Bank Berhad
458. Malayan Banking Berhad (MAYBANK)
459. OCBC (Malaysia) Berhad
460. Oversea-Chinese Banking Corporation Ltd (Kuala Lumpur)
461. Public Bank Berhad
462. RHB Bank Berhad
463. Royal Bank of Scotland
464. United Overseas Bank (Malaysia) Berhad

Maldives

465. Bank of Maldives PLC
466. Habib Bank Ltd

Malta

467. Bank of Valleta
468. FIM Bank PLC Ltd
469. HSBC Bank Malta PLC

Mauritius

470. State Bank of Mauritius Ltd
471. The Mauritius Commercial Bank Ltd

Mexico

472. Banco Nacional De Mexico SA
473. Banco Santander Mexicano SPA
474. BBVA Bancomer SA
475. HSBC Mexico SA

Mongolia

476. Trade & Development Bank of Mongolia

Morocco

477. Credit DU Marco SA

Mozambique

478. Banco Internacional de Mocombique SARL

Namibia

479. Bank Windhoek Ltd

Nepal

480. Himalanyan Bank Ltd
481. Nepal Bank Ltd
482. Nepal Credit Commercial Bank
483. Standard Chartered Bank Nepal Ltd

Netherlands

484. ABN Ambro Bank – Royal Bank of Scotland
485. Cooperative Rabobank U.A. Netherlands
486. F Van Lanschot Bankiers NV
487. Hollandsche Bank – UNIE NV
488. ING Bank NV
489. SNS Bank NV
490. The Economy Bank NV
491. Yapi Ve Kredi Bankasi AS

New Zealand

492. ANZ Bank National Bank Ltd
493. ASB International Bank
494. Bank of New Zealand
495. Westpac Banking Corporation

Nigeria

496. First Bank of Nigeria PLC
497. Union Bank of Nigeria PLC

Norway

498. DNB NOR Bank ASA
499. Nordea Bank Norge AS
500. Sparebanken Hedmark
501. Sparebanken More
502. Sparebanken Nord Norge

Oman

503. Bank Dhofar SAOG
504. Bank Sohar SAOG
505. Bankmuscat SAOG
506. National Bank of Oman SAOG
507. Oman Arab Bank SAOG
508. Oman International Bank

Pakistan

509. Allied Bank of Pakistan
510. Askaribank Limited
511. Atlas Bank
512. Bank Al Habib Limited
513. BankIslami Pakistan Ltd
514. Bank of Khyber
515. Bank of Punjab
516. Dawood Islamic Bank Ltd
517. Dubai Islamic Bank Pakistan Ltd.
518. Faysal Bank Ltd
519. Habib Bank Ltd
520. Habib Metropolitan Bank Ltd
521. MCB Bank Ltd
522. Meezan Bank Ltd
523. Mybank Ltd
524. National Bank of Pakistan
525. Soneri Bank Ltd
526. Standard Chartered Bank (Pakistan) Ltd
527. United Bank Limited

Palestinian Autonomous Area

528. Arab Islamic Bank

Papua New Guinea

529. Westpac Banking Corporation

Paraguay

530. Banco Amambay SA

Peru

531. Banco DE Creditio DEL Peru

Philippines

532. Metropolitan Bank & Trust Co.
533. Philippine National Bank

Poland

534. Bank BGZ
535. Bank Gospodarstwa Krajowego
536. Bank Handlowy Warszawa SA
537. Bank Millennium SA
538. Bank Pekao SA
539. Kredyt Bank SA
540. PKO Bank Polski SA (Powszechna Kasa Oszczednosci Bank Polski SA)
541. Raiffeisen Bank Polska SA

Portugal

542. Banco BPI SA
543. Banco Espirito Santo SA
544. BNP-Banco Portugues DE Negocios SA
545. Finibanco SA
546. Millennium BCP

Qatar

547. Barwa Bank
548. Doha Bank
549. Qatar International Islamic Bank
550. Qatar Islamic Bank SAQ

Romania

551. Banca Commerciala Carpatica
552. Banca Commericla Romana SA
553. Banca Transilvania
554. BRD-Groupe Societe Generale SA
555. UniCredit Bank SA

Russia

556. Bank for Development & Foreign Economic Affairs
557. Bank Jugra
558. Bank of Moscow
559. B and N Bank (PJSC)
560. BIN Bank
561. International Moscow Bank
562. Khanty-Mansiysk Bank Otkritie (PJSC)
563. ROS Bank
564. Sberbank
565. Trans Credit Bank
566. Vnesheconombank
567. VTB-24 (PJSC) (Formerly JSC VTB Bank)

Saudi Arabia

568. Alawwal Bank
569. Al Rajhi Bank
570. Arab National Bank
571. Bank Al Bilad
572. Bank Al Jazira
573. Banque Saudi Fransi
574. National Commercial Bank Limited
575. Riyad Bank
576. SAMBA Financial Group
577. Saudi British Bank

Scotland

578. Royal Bank of Scotland

Serbia

579. Banca Intesa AD Beograd
580. National Bank of Serbia

Seychelles

581. Seychelles International Mercantile Banking (NOUVOBNQ)

Singapore

582. ABN AMRO
583. Bank of India
584. DBS Bank Ltd
585. Dexia Banque Internationale A Luxembourge
586. Far Eastern Bank Limited
587. Indian Bank
588. Oversea-Chinese Banking Corporation Ltd
589. Skandinaviska Enskilda Banken AB
590. Standard Chartered Bank
591. State Bank of India
592. The Bank of East Asia Ltd
593. UCO Bank
594. Union DE Banques Arabes ET Francaises (UBAF)
595. United Overseas Bank Ltd
596. VTB Bank Europe PLC

Slovakia

597. Ceskoslovenska Obchodni Banka AS
598. Postova Bank AS
599. Slovenska Sporitenlna AS
600. TARTA Bank AS
601. UniCredit Bank Slovakia AS
602. Vseobecna Uverova Bank AS

Slovenia

603. Abanka Vipa DD
604. Gorenjska Banka
605. Nova Kreditna Banka Maribor DD
606. Nova Ljubljanska Banka DD Ljubljana

Solomon Islands

607. National Bank of Solomon Islands

Somalia

608. Commercial & Savings Bank of Somalia

South Africa

609. ABSA Bank Ltd
610. FirstRand Bank Ltd
611. Nedcord Bank Ltd (NED Bank)
612. Standard Bank of South Africa Ltd
613. The Standard Chartered Bank of South Africa, Johannesburg

Spain

614. Banco Bilbao Vizcaya Argentaria SA
615. Banco DE Europa SA
616. Banco De Sabadell SA
617. Banco De Valencia
618. Banco Guipuzcoano SA
619. Banco Intercontinental Espanol (BANKINTER)
620. Banco Pastor SA
621. Banco Santander Central Hispano
622. Caixa'd Estalvis DE Catalunya
623. Caja DE Ahorrosy Pensiones DE Barcelona LA Caixa
624. Caja Madrid

Sweden

625. Nordbanken AB (PUBL)
626. SEB Merchant Banking
627. Skandinaviska Enskilda Banken AB (PUBL)
628. Svenska Handelsbanken AB (PUBL)
629. SWED Bank

Switzerland

630. Banque Cantonale DE Genève
631. Banque Cantonale Vandoise
632. Banque DE Commerce ET DE Placements
633. BNP Paribas (Sussie) SA
634. BSI SA
635. Credit Agricole (Sussie) SA
636. Credit Sussie
637. Faisal Private Bank (Switzerland) SA
638. Habib Bank AG, Zurich
639. Luzerner Kantonal Bank
640. UBS Switzerland AG
641. Zurcher Kantonalbank

Taiwan

642. Bank of Taiwan
643. CTBC Bank Co. Ltd
644. Chinfon Commercial Bank
645. E-Sun Commercial Bank Ltd
646. First Commercial Bank
647. HUA NAN Commercial Bank
648. Mega International Commercial Bank
649. Shanghi Commercial & Savings Bank Ltd
650. Shin Kong Bank
651. Taipei Fubon Commercial Bank
652. Taiwan Cooperative Bank
653. Union Bank of Taiwan

Tanzania

654. NBC Limited (National Bank of Commerce)

Thailand

655. Bangkok Bank Public Company Ltd
656. Bank of Ayudhya Public Company Ltd
657. Export Import Bank of Thailand
658. Kasikornabank Public Company Ltd
659. Krung Thai Bank Public Company Ltd
660. Siam City Bank Public Company Ltd
661. Siam Commercial Bank PCL
662. Standard Chartered Bank (THAI) Public Company Ltd
663. United Overseas Bank (Thai) Public Co. Ltd

Tunisia

664. Banque Nationale Agricole
665. Attijari Bank
666. Societe Tunisienne DE Banque

Turkey

667. AK Bank TAS
668. Anadolu Bank
669. Arab Turkish Bank
670. ASYA Katilim Bankasi AS
671. EURO Tekfen AS
672. ING Bank AS
673. Kuvoyt Turk Katilim Bankasi AS
674. Tekstil Bankasi AS
675. Turk Economi Bankasi
676. Turkiye Finance Katilinyu Bankasi AS
677. Turkiye Halk Bankasi AS
678. Turkiye Garanti Bankasi AS
679. Turkiye IS Bankasi AS
680. Turkiye Vakiflar Bankasi TAO
681. Turkland Bank – T Bank
682. Yapi VE Kredi Bankasi AS

United Arab Emirates (UAE)

683. Abu Dhabi Commercial Bank
684. Abu Dhabi Islamic Bank
685. Arab Bank for Investment & Foreign Trade
686. Commercial Bank International PLC
687. Commercial Bank of Dubai PSC
688. Dubai Islamic Bank PLC
689. Emirates NBD PJSC
690. First Gulf Bank
691. Mashreqbank PSC
692. Middle East Bank PJSC
693. National Bank of Abu Dhabi
694. National Bank of Fujirah
695. Noor Bank
696. Union National Bank
697. United Arab Bank

Uganda

698. Barclays Bank of Uganda Ltd

United Kingdom (UK)

699. AIB Group
700. Barclays Bank PLC
701. Clydesdale Bank PLC
702. Gulf International Bank (UK) Limited
703. Habib Bank AG Zurich
704. Habibsons Bank Ltd
705. HSBC Bank PLC
706. Investec Bank (UK) Ltd
707. ICBC Standard Bank PLC
708. Lloyds TSB Bank PLC
709. National Westminister Bank PLC
710. Royal Bank of Scotland PLC
711. Standard Chartered Bank

Ukraine

712. Calyon Bank
713. First Ukrainian International Bank PJSC
714. OTP Bank – Public Joint Stock Company
715. PJSC – ALFA Bank
716. Prominvest Bank
717. UKREXIMBANK (State Export-Import Bank of Ukraine)

Uruguay

718. The Banco DE LA Republic Oriental Del Uruguay

United States of America (USA)

719. American Express Bank Ltd
720. Banco Del Pichincha CA
721. Bank of America NA
722. The Bank of New York Mellon
723. Bank of TAMPA
724. Branch Banking & Trust Co.
725. Brown Brothers Harriman & Co.
726. CITIBANK NA
727. COBank ACB
728. Commerce Bank NA
729. Deutsche Bank Trust Company Americas
730. First Hawian Bank
731. French American Banking Corp
732. Habib American Bank
733. Hibernia National Bank
734. HSBC Bank USA
735. Huntington National Bank
736. Israel Discount Bank of New York
737. JP Morgan Chase Bank
738. LA Salle Bank Midwest
739. M & T Bank (Formerly Allfirst Bank)
740. National City Bank of Indiana
741. National Penn Bank
742. Northern Trust Company
743. PNC Bank NA
744. SAN Diego National Bank
745. Silicon Valley Bank
746. Sovereign Bank
747. Standard Chartered Bank
748. State Street Bank & Trust Co.
749. Sun Trust Bank Ltd
750. UMB Bank NA
751. Union Bank of California NA
752. US Bank NA
753. Wells Fargo Bank NA

Vietnam

754. Bank For Foreign Trade of Vietnam
755. Bank For Investment & Development of Vietnam

Yemen

756. National Bank of Yemen
757. Yemen Bank for Reconstruction & Development
758. Yemen Commercial Bank
759. Yemen Kuwait Bank
760. International Bank of Yemen YSC

Zambia

761. Barclays Bank of Zambia Ltd

Zimbabwe

762. Barclays Bank of Zimbabwe Limited

Exchange Companies by Country

Australia

1. Cash Plus Forex Pty Ltd
2. Ceylon Exchange Pty Ltd
3. Kapruka Pty Ltd
4. Serendib Financial Pty Ltd

Bahrain

5. Bahrain Financing Co.
6. Ezremit Ltd
7. National Finance & Exchange Co.WLL
8. Zenj Exchange Co.
9. Zenj Exchange Co. WLL (Turbo Cash)

Cyprus

10. Masari Payment Services Ltd

France

11. Tempo France

Greece

12. International Express Remittance Services S.A. (IERS)

Hong Kong

13. Orient Exchange Co.(Hk) Ltd

Israel

14. Tifco Logistics & Trade Ltd

Italy

15. Valutrans SpA

Japan

16. Japan Remit Finance Co. Ltd
17. Unidos Co. Ltd

Jordan

18. Alwaneh Exchange Co.
19. Shift Financial Services Ltd

Kuwait

20. Al Mulla International Exchange Co. WLL
21. Al Muzaini Exchange Co. Ksc (Closed)
22. Al Nada International Exchange Co.WLL
23. Aman Exchange Co. WLL
24. Bahrain Exchange Co. WLL
25. City International Exchange Co. WLL
26. Dollarco Exchange Co. Ltd
27. Etemadco Exchange Co. WLL
28. International Financial Line Co.
29. Joyalukkas Exchange Co. WLL
30. Kuwait Asian International Exchange Co. WLL
31. Kuwait Bahrain International Exchange Co.
32. Kuwait India International Exchange Co.
33. National Exchange Co. WLL
34. National Money Exchange Co. WLL
35. Oman Exchange Co. Ltd
36. UAE Exchange Centre WLL

Lebanon

37. Services Exchange Co.

Malaysia

38. Merchantrade Asia SDN BHD

Oman

39. Asia Express Exchange
40. Gulf Overseas Exchange Co. LLC
41. Hamdan Exchange
42. Majan Exchange LLC
43. Modern Exchange Co. LLC
44. Musandam Exchange
45. Mustafa Sultan Exchange Co. LLC
46. Oman & UAE Exchange Centre Co. LLC
47. Oman International Exchange LLC
48. Oman United Exchange Co. LLC
49. Purshottam Kanji Exchange Co. LLC

Qatar

50. Al Dar for Exchange Works
51. Al Fardan Exchange Co. WLL
52. Al Mana Exchange WLL
53. Al Sadd Exchange
54. Al Zaman Exchange WLL
55. Al Mirqab Exchange Co.
56. Arabian Exchange Company WLL
57. City Exchange Co. WLL
58. Eastern Exchange EST
59. Gulf Exchange Company
60. Habib Qatar International Exchange Ltd
61. Islamic Exchange
62. National Exchange Co. WLL

Singapore

63. HBZ International Exchange Co. (Singapore) Pvt Ltd
64. Mustafa Foreign Exchange

Switzerland

65. Motherhouse GMBH

United Arab Emirates (UAE)

66. Al Ahalia Money Exchange Bureau
67. Al Ansari Exchange EST
68. Al Fardan Exchange
69. Al Mona Exchange Co. LLC
70. Al Rostamani International Exchange
71. Delma Exchange
72. Dubai Exchange Centre LLC
73. Emirates India International Exchange Co.
74. Hadi Express Exchange
75. Index Exchange Co. LLC
76. Joyalukkas Exchange
77. Lari Exchange Establishment
78. Lulu International Exchange LLC
79. National Exchange Co.
80. Orient Exchange Co. LLC
81. Redha Al Ansari Exchange Est.
82. UAE Exchange Centre
83. Wall Street Exchange Centre
84. Xpress Money Services Ltd
85. Zareen Exchange

United Kingdom (UK)

86. 3R Telecom Ltd
87. An Express Ltd
88. Currency Exchange Corporation
89. Global Exchange Ltd
90. INTL Fc Stone Ltd (IFL)
91. Sigue Global Services Ltd
92. World Remit Ltd

United States of America (USA)

93. Moneygram INC
94. Prabhu Group INC
95. RIA Financial Services (Continental Exchange Solutions INC)
96. Trans-Fast Remittance LLC

Glossary of Financial/Banking Terms

A

Acceptances
Promise to pay created when the drawee of a time draft stamps or writes the word 'accepted' above his signature and a designated payment date.

Accounting Policies
The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

Accrual Basis
To recognise the effects of transactions and other events as they occur, without waiting for the receipt or payment of related cash or its equivalent.

Actuarial Assumptions
An entity's unbiased and mutually compatible best estimates of the demographic and financial variables that will determine the ultimate cost of providing post-employment benefits.

Actuarial Gains and Losses
Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

Actuarial Present Value of Promised Retirement Benefits
The present value of the expected payments by a retirement benefit plan to existing and past employees, attributable to the service already rendered.

Actuarial Valuation
Fund value determined by computing its normal cost, actuarial accrued liability, actuarial value of its assets, and other relevant costs and values.

Amortisation
The systematic allocation of the depreciable amount of an asset over its useful life. In the case of an intangible asset or goodwill, the term 'amortisation' is generally used instead of 'depreciation'. Both terms have the same meaning.

Amortised Cost
The amount at which a financial asset or liability is measured at initial recognition, minus any repayment of principal, minus any reduction for impairment or uncollectibility, and plus or minus the cumulative amortisation using the effective interest method of the difference between that initial amount and maturity amount.

Anti-Money Laundering (AML)
A set of procedures, laws or regulations designed to prevent money laundering. Money laundering is an activity which aims to disguise the ownership of money that has an illegal origin such as trading of drugs, organised crimes, fraud and terrorism.

Associate Company
A company other than a Subsidiary in which a holding company has a participating interest and exercises a significant influence over its operating and financial policies.

Attrition Rate
A measure of how many employees leave over a certain period of time.

Average Weighted Deposit Rate (AWDR)
AWDR is calculated by the Central Bank monthly on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates.

Average Weighted Prime Lending Rate (AWPLR)
AWPLR is calculated by the Central Bank of Sri Lanka weekly based on commercial banks lending rates offered to their prime customers during the week.

B

Basis Points
A unit that is equal to 1/100 th of 1%. Often used in quotation of spreads between interest rates or to change in yield in securities.

Bills of Exchange
A signed, written unconditional order addressed by one person (the drawer) directing another person (the drawee) to pay a specified sum of money to the order of a third person (the payee). The terms bills of exchange and drafts are often used interchangeably.

C

Capital Adequacy Ratio (CAR)
The ratio between capital and risk weighted assets, as defined under the framework of risk based capital standards developed by the Bank for International Settlements (BIS) and as modified to suit local requirements by Central Bank of Sri Lanka.

Cash Equivalents
Investments/assets that are readily convertible to cash, subject only to an insignificant risk of change in their value.

Collectively-Assessed Loan Impairment Provisions
Impairment assessment which carried out on a collective basis for homogeneous groups of loans that are not considered individually significant, in order to cover losses that has been incurred but has not yet been identified at the Reporting date.

Compound Annual Growth Rate (CAGR)
The year over year growth rate over a specified period of time.

Contractual Maturity
Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

Corporate Governance
The process by which corporations are directed and controlled. It is concerned with the rights and responsibilities among stakeholders used to determine and control the strategic directions and performance of the corporation.

Cost/Income Ratio
Operating expenses excluding impairment charge for loans and other losses, as a percentage of total operating income.

Country Risk
The credit risk associated with lending to borrowers within a particular country, sometimes taken to include sovereign risk.

Credit Risk
The risk of loss due to non-payment of a loan or other line of credit (either the principal or interest or both), by the borrower or a counterparty.

Credit Ratings
An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting carried out by an independent rating agency.

D

Dealing Securities
Securities acquired and held with the intention of reselling them in the short-term.

Debt Equity Ratio
Long-term borrowings divided by shareholder's equity.

Deferred Taxation
Sum set aside for tax in the financial statements that will become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

Defined Benefit Plans
Retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earning history, tenure of service and age.

Derivatives
A financial instrument, the price of which has a strong relationship with an underlying commodity, currency variable or financial instrument.

Documentary Letters of Credit (LC)

Written undertakings by a bank on behalf of its customers (typically an importer), authorising a third party (eg. an exporter) to draw drafts on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

E

Equity Method

A method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the invested. The income statement reflects the investor's share of the results of operations of the invested.

Events After the Reporting Date

Events after the Reporting date are those events, both favourable and unfavourable, that occur between the Reporting date and the date when the financial statements are authorised for issue.

Exchange Company/House

An overseas location where the Bank's representatives provide banking services as a promotional tool.

F

Fair Value

The price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease

Leases which transfer risks and rewards of ownership. Title may or may not eventually be transferred.

Financing Activities

Activities that result in changes in the size and composition of the equity capital and borrowings of the entity.

Financial Instruments

Financial instrument is any contract that gives rise to financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Instruments Held for Trading

Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as at fair value through profit or loss.

Financial Investments Available for Sale

All non-derivative financial assets that are not in any of the following three categories; loans and receivables, held to maturity of financial instruments and held for trading.

Financial Investments Held to Maturity

Held to maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Financial Investments Loans and Receivables

Non-derivative financial assets with fixed or determinable payments which are not quoted in an active market.

Foreclosed Properties

Properties acquired in full or partial settlement of debts, which will be held with the intention of resale at the earliest opportunity.

Foreign Exchange Income

The gain recorded when assets or liabilities denominated in foreign currencies are translated into Sri Lankan Rupees on the Reporting date at prevailing rates which differ from those rates in force at inception or on the previous Reporting date. Foreign exchange income also arises from trading in foreign currencies.

Forward Exchange Contracts

Agreements between two parties to exchange one currency for another at a future date at a rate agreed upon today.

G

Global Reporting Initiatives (GRI)

GRI is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

Gross Domestic Product (GDP)

The value of all goods and services produced domestically in an economy during a specified period, usually a year. Nominal GDP, adjusted for inflation, gives GDP in real terms.

Guarantees

Primarily represent irrevocable assurances that a bank will make payments in the event that its customer is unable to perform its financial obligations to third parties. Certain other guarantees represent non-financial undertakings such as bid and performance bonds.

H

Historical Cost Convention

Recording transactions at the actual value received or paid.

I

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Individually Significant Loan Impairment Provisions

Impairment measured individually for loans that are individually significant to the Group.

Intangible Asset

An identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

Interest Margin

Net interest income as a percentage of average interest earning assets.

Interest Spread

Represents the difference between the average interest rate earned on interest earning assets and the average interest rate incurred on interest bearing liabilities.

Investment Securities

Securities acquired and held for yield or capital growth purposes and usually held to maturity.

K

Key Management Personnel

Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Key Performance Indicators (KPI)

KPIs are quantifiable measures that a company users to gauge its performance over time.

L

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange, treasury bills.

Liquid Assets Ratio

Liquid assets expressed as a percentage of total liabilities other than shareholders' funds.

Loss Given Default (LGD)

LGD is the percentage of an exposure that a lender expects to lose in the event of default.

M

Mark to Market

The practice of periodically revaluing marketable securities to their current market value.

Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

Minority Interest

That portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through Subsidiaries, by the Parent.

Mortality Rate

A measure of the number of deaths in some population, scaled to the size of that population, per unit time.

N

Net Asset Value Per Share

Shareholders' equity divided by the number of ordinary shares in issue.

Net Interest Income

The difference between what the Bank earns as interest on assets such as loans and securities and what it pays as interest on liabilities such as deposits, refinance funds and interbank borrowings.

Net Realisable Value

The estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Nostro Account

A nostro account is a bank account held in a foreign country by a domestic bank, denominated in the currency of that country.

O

Off Balance Sheet Transactions

Transactions not recognised as assets or liabilities in the balance sheet but which give rise to contingencies and commitments.

Operating Activities

The principal revenue producing activities of an entity and other activities that are not investing or financing activities.

P

Plan Assets of an Employee Benefit Plan

Assets held by a long-term employee benefit fund.

Price Value Per Basic Point (PVBP)

Estimated change in the value of portfolio due to one basic point change in interest rate.

Primary Dealer Special Risk Reserve

Reserve maintained in order to strengthen capital base further with development of capital market.

Probability of Default (PD)

PD is a financial term describing the likelihood of a default over a particular time horizon. It provides an estimate of the likelihood that a borrower will be unable to meet its debt obligations.

Projected Unit Credit Method

An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Property, Plant and Equipment (PPE)

Tangible assets that:

(a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

(b) are expected to be used during more than one period.

Prudence

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty such that assets or income are not overstated and liabilities or expenses are not understated.

R

Redemption

Repayment of principal monies.

Related Parties

Two parties where one controls the other or exercise significant influence in financial and operating decisions, directly or indirectly.

Repurchase Agreement

Contracts relating to securities sold to creditors (who lend money for funding purposes), with the intention of buying them back at a set price on a specified future date.

Return On Average Assets (ROAA)

Profit before tax expressed as a percentage of average total assets. Used along with ROAE, as a measure of profitability and as a basis of intra industry performance comparison.

Return On Average Equity (ROAE)

Profit after tax less preferred share dividends, if any, expressed as a percentage of average ordinary shareholders' equity.

Revenue Reserves

Reserves set aside for future distribution and investment.

Risk-Weighted Assets

On balance sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

S

Securities Purchased Under Resale Agreement

The purchase of securities under an agreement to resell at a given price on a specific future date.

Shareholders' Equity

Shareholders' equity consists of issued and fully paid ordinary share capital plus capital and revenue reserves.

Significant Influence

Significant influence is the power to participate in the financial and operating policy decisions of an investee but is not controlled or jointly controlled over those policies.

Solvency

The availability of cash over the long-term to meet financial commitments as they fall due.

Subordinated Debenture

The claims of the debenture holders shall in the event of winding up, rank after all the claims of the secured and unsecured creditors and any preferential claims under any statutes, but in priority to and over claims and rights of the shareholders.

Swaps

The simultaneous purchase and sale of foreign exchange or securities, with the purchase executed at once and the sale back to the same party. Carried out on an agreed upon price to be completed at a specified future date. Swaps include interest rate swaps, currency swaps and credit swaps.

Syndicated Loan

A large loan by a group of banks to a large multinational firm or government. Syndicated loans allow the participating banks to maintain diversification by not lending too much to a single borrower.

T

Tier I Capital

Consists of the sum total of paid up ordinary shares, non-cumulative, non-redeemable preference shares, share premium, statutory reserve fund, published retained profits, general and other reserves, less intangible assets and other deductions.

Tier II Capital

Consists of the sum total of revaluation reserves, general provisions, hybrid capital instruments and approved subordinated debentures.

Total Capital

The sum of Tier I and Tier II capital.

U

Unit Trust

An undertaking formed to invest in securities under the terms of a trust deed.

Unsecured

Repayment of the principal and interest not being secured by any specific asset.

V

Value at Risk (VaR)

Estimated maximum loss that the Bank may incur in a given horizon at 99% confidence level.

Vostro Account

A local currency current account maintained with a bank by another bank.

Corporate Offices and Overseas Branches

Corporate Office

BoC Card Centre

Issuing and managing VISA and Master branded Credit Cards. Franchising and servicing merchants using point of sales machines

Level – 1, West Tower, World Trade Centre
Echelon Square,
Colombo 1, Sri Lanka

Tel : +94 11 2445799, 2325088,2395806, 2205600, 2205620, 2205680
Fax : +94 11 2325099, 2325092, 2395807
Email : agmccc@boc.lk/cmcardrec@boc.lk/ cmccc@boc.lk
Branch Code : 731

BoC Premier Centre

Dedicated Centre for Private Banking

21, Sir Ernest De Silva Mawatha, Colombo 7,
Sri Lanka

Tel : +94 11 2694282 – 86
Fax : +94 11 2694280
Email : pbc@boc.lk
Branch Code : 788

Correspondent Banking Unit

Gateway to global banking and financial relationships

9th Floor, Bank of Ceylon Head Office,
'BOC Square'
No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka

Tel : +94 11 2445791
Fax : +94 11 2445791
Email : corresbd@boc.lk/cbd@boc.lk/ cmcbd@boc.lk
Branch Code : 087

Credit Support Department

Issuing of local and international guarantees and documentation of credit facilities

3rd Floor, Bank of Ceylon Head Office
'BOC Square'
No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka

Tel : +94 11 2541943
Fax : +94 11 2446820
Email : corpcrsupport@boc.lk crsupport@boc.lk
Branch Code : 660

Dealing Room

Providing money market and foreign exchange-related services

7th Floor, Bank of Ceylon Head Office,
'BOC Square'
No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka

Tel : +94 11 2445785-7, 2386862
Fax : +94 11 2445788
Email : chiefdealer@boc.lk
Branch Code : 760

Electronic Banking Unit

Management of ATM card operations, facilitator for internet and mobile banking

21st Floor, Bank of Ceylon Head Office,
'BOC Square'
No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka

Tel : +94 11 2204650–63
Fax : +94 11 2447569
Email : cmebu@boc.lk, debitcard@boc.lk, ebank@boc.lk
Branch Code : 777

Cey Bank Gold Shop

Supplier of precious gold to the nation

Ground Floor, Bank of Ceylon Head Office,
'BOC Square'
No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka

Tel : +94 11 2345420
Fax : +94 11 2345420
Email : goldshop@boc.lk
Branch Code : 087

Inward Remittances Department

Facilitator in processing inward remittances to Sri Lanka

8th Floor, Bank of Ceylon Head Office,
'BOC Square'
No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka

Tel : +94 11 2445792, 2541933
Fax : +94 11 2344845
Email : irdept@boc.lk
Branch Code : 087

Islamic Banking Unit

Brand house for all Islamic Banking products and services

25th Floor, Bank of Ceylon Head Office,
'BOC Square'
No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka

Tel : +94 11 2205030
Fax : +94 11 2445811
Email : ibu@boc.lk
Branch Code : 776

Primary Dealer Unit

Buying and selling of Government securities

7th Floor, Bank of Ceylon Head Office,
'BOC Square'
No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka

Tel : +94 11 2448830, 2203607
Fax : +94 11 2448207
Email : pdu@boc.lk
Branch Code : 760

Trade Promotion Department

Service provider for migrant employee community

7th Floor, Bank of Ceylon Head Office,
'BOC Square'
No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka

Tel : +94 11 2447831, 2203626
Fax : +94 11 2346841
Email : inttrade@boc.lk
Branch Code : 087

Trade Services Department

Providing trade finance facilities and advisory services

2nd Floor, Bank of Ceylon Head Office,
'BOC Square'
No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka

Tel +94 11 2394310, 2203310
Fax : +94 11 2542170
Email: agmtradefinance@boc.lk
Branch Code : 660

Overseas Branches

Malé Branch

'Aage' 12, Boduthakurufaana Magu,
Henveiru, Malé. 20094,
Republic of Maldives

Tel : +960 3323045, 3314764
Email : bcmale@dhivehinet.net.mv
SWIFT code : BCEYMVMV
Branch code : 632

Chennai Branch

No. 2, Off Casa Major Road,
Zerat Garden, 2 Lane,
Egmore, Chennai 600 008, India

Tel : +91 44 2819 0972, 3951 9913
Email : ceybank@vsnl.com
SWIFT code : BCEYIN5M
Branch code : 758

Seychelles Branch

Oliaji Building,
Fransis Rachel Street,
P.O. Box 1599,
Victoria, Mahe,
Republic of Seychelles

Tel : +248 461 1880, 461 1889
Email : boc807@boc.lk
SWIFT Code : BCEYSCSC
Branch Code : 807

Corporate Information

Name of the Institution

Bank of Ceylon

Legal Form

- A banking corporation domiciled in Sri Lanka, duly incorporated on 1 August 1939 under the Bank of Ceylon Ordinance No. 53 of 1938.
- A licensed commercial bank established under the Banking Act No. 30 of 1988.

Registered Office

'BOC Square'
No. 01, Bank of Ceylon Mawatha,
Colombo 01, Sri Lanka
Tel : +94 11 2203333 (Hotline)
+94 11 2446790-811 (22 lines)
+94 11 2338741-47 (7 lines)
+94 11 2445815-20 (6 lines)
+94 11 2544340-44 (5 lines)
+94 11 2544333-37 (5 lines)
Facsimile : +94 11 2321160
Bank : 7010
SWIFT Code : BCEYLKLX
E-Mail : boc@boc.lk, customercare@boc.lk
Website : www.boc.lk

Call Centre

Tel : +94 11 2204444
Facsimile : +94 11 2320864

24 Hour Service Centre

Travel Counter, Ground Floor
Bank of Ceylon Head Office
'BOC Square'
No. 01, Bank of Ceylon Mawatha,
Colombo 01, Sri Lanka
Tel : +94 11 2203044/45
Facsimile : +94 11 2445801

Accounting Year End

31 December

Tax Payer Identification Number (TIN)

409000070

VAT Registration Number

409000070-7000

SVAT Registration Number

SVAT002898

Stock Exchange Listing

The Unsecured, Subordinated Redeemable Debentures of November 2012/November 2017 series, October 2013/October 2023 series, September 2014/September 2022 series, October 2015 /October 2023 series and December 2016/December 2024 series with fixed and floating interest rates are listed on Colombo Stock Exchange.

The USD senior notes of May 2012/May 2017 and April 2013/April 2018 with fixed rates are listed on Singapore Stock Exchange.

Local Ratings

- National Long-term rating:
  'AA+(lka)' Outlook Stable
- Subordinated debentures:
  'AA(lka)' by Fitch Ratings Lanka Limited
- Issuer rating: (SL) AAA Stable by ICRA Lanka Limited

Global Ratings

'B+' stable by Fitch Ratings and 'B 1' negative by Moody's Investors Service

Lawyers

Ms Gaya Jayasinghe
Chief Legal Officer of Bank of Ceylon and
her assistants
Tel : +94 11 2445813
+94 11 2321167
E-mail : clo@boc.lk

Compliance Officer

Mr A De S Pinnaduwage
(Assistant General Manager – Compliance)
Tel : +94 11 2448532
Facsimile : +94 11 2544306
E-mail : agmcmpl@boc.lk

Auditor

The Auditor General
The Auditor General's Department
306/72, Polduwa Road,
Battaramulla, Sri Lanka
Tel : +94 11 2887028-34 (6 lines)
Facsimile : +94 11 2887223
E-mail : oaggov@sltnet.lk

(Appointed in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka)

Registrars to the Debenture Issues

Bank of Ceylon Investment Banking Division
7th Floor, Bank of Ceylon Head Office
'BOC Square'
No. 01, Bank of Ceylon Mawatha,
Colombo 01, Sri Lanka
Tel : +94 11 2448348
+94 11 2440081
+94 11 2346845
Facsimile : +94 11 2346842
E-mail : investment@boc.lk

Registrars to the USD Senior Notes

Citigroup Global Markets Deutschland AG
Reuterweg
1660323
Frankfurt, Germany
Tel : +49 69 1366 2216
E-mail : dirk.loscher@citi.com

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building, Polaris
2-4 rue Eugene ruppert, L-2453
Luxembourg
Tel : +352 24 524 1

Board of Directors

Mr Ronald C Perera PC (Chairman)
Mr Sajith R Attygalle
Mr Ranel T Wijesinha
Mr Charitha N Wijewardane
Mr Sanjaya Padmaperuma
Mr H P Ajith Gunawardana

Secretary, Bank of Ceylon/ Secretary to the Board

Ms Janaki Senanayake Siriwardane

For Clarifications on the Report, Please Contact

Deputy General Manager (Finance and Planning)
10th Floor, Bank of Ceylon Head Office
'BOC Square'
No. 01, Bank of Ceylon Mawatha,
Colombo 01, Sri Lanka
Tel : +94 11 2432680
+94 11 2203900
Facsimile : +94 11 2448203
E-Mail : dgmfp@boc.lk

Audit Committee

Mr Ranel T Wijesinha (Chairman)
Mr Sajith R Attygalle
Mr Charitha N Wijewardane
Mr Sanjaya Padmaperuma

Human Resources and Remuneration Committee

Mr H P Ajith Gunawardana (Chairman)
Mr Ronald C Perera PC
Mr Sajith R Attygalle
Mr Charitha N Wijewardane

Nomination and Corporate Governance Committee

Mr Ronald C Perera PC (Chairman)
Mr Sanjaya Padmaperuma
Mr H P Ajith Gunawardana

Integrated Risk Management Committee

Mr Charitha N Wijewardane (Chairman)
Mr Sanjaya Padmaperuma
Mr H P Ajith Gunawardana

BANK OF CEYLON
BOC
Bankers to the Nation

BOC Square
No. 01, Bank of Ceylon Mawatha
Colombo 01
Sri Lanka

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