2015
Annual Report

Taking Charge of Change

BANK OF CEYLON
BOC
Bankers to the Nation



As you'd expect from such a customer focused business,
we've created an online reporting suite
which works for your specific needs:

2015
Annual Report

Taking Charge of Change

When change is in the air, it's always reassuring to know that someone is in charge. At the Bank of Ceylon we see change and transformation all around and we are proud to step forward to lead the evolving story of growth and progress that drives our nation forward today.

We have 76 years of experience in accelerating national development and economic progress through the banking products and services we offer, tailored to serve Sri Lankan corporates, small businesses, the rural sector and individuals of every community. We're creating new opportunities and driving value creation for thousands of Sri Lankans including some from the most underserved regions of the island. That's why we are so confident that we are very much in charge of our own destiny and the best equipped bank to positively change theirs.

Taking charge is what we do best.
And now, we're Taking Charge of Change.

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Our Vision

"Bankers to the Nation"

Our Mission

Customers

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

Staff

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

Owners

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

Society

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

Our Numbers at a Glance

LKR 25.3 billion

Profit before tax – 25% over 2014

LKR 1.6 trillion

Total assets - 18% over 2014

LKR 1.1 trillion

Total deposits crossed LKR one trillion landmark
16% over 2014

1,200

Brick and mortar network

7,980

Strength of high achieving team

858 Correspondent banks and Exchange houses

+4 Overseas Branches/ Subsidiary

Beyond local boundaries

LKR 870.7 billion

Total gross loans and advances
12% over 2014

11.7 million

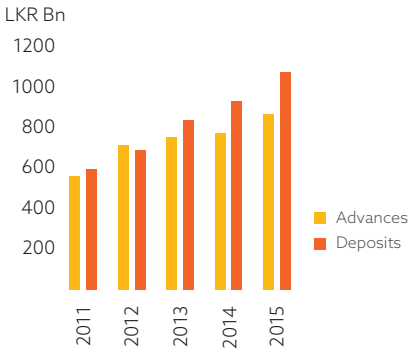
Customers in Sri Lanka and among the diaspora

10 Subsidiaries

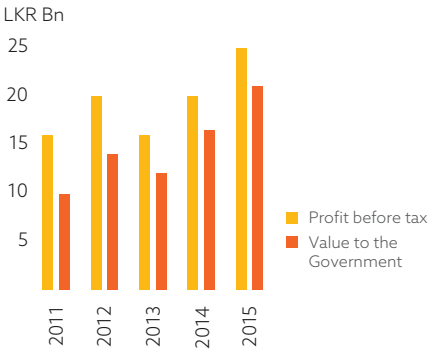
+5 Associates

Group structure

Advances and Deposits



Profit and Value to the Government



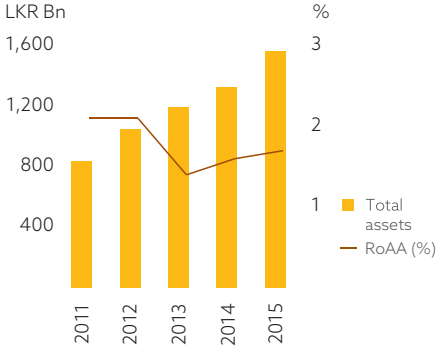
LKR 360.0 billion

Foreign exchange remittances

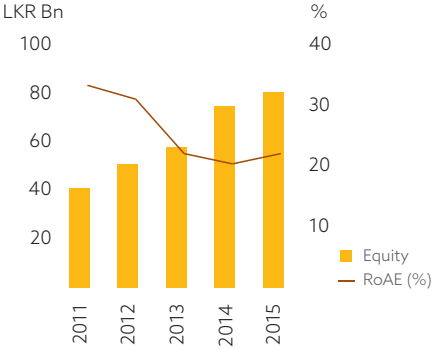
LKR 41.4 billion

Brand value
Crowned as the No. 1 Brand in the country by Brand Finance Lanka for the eighth consecutive year

Total Assets and RoAA



Equity and RoAE



Financial Highlights

	Bank			Group		
	2015	2014	Change %	2015	2014	Change %
Results of Operations (LKR million)						
Total income	132,915	126,546	5.0	139,398	133,023	4.8
Net interest income	47,739	38,450	24.2	50,116	40,754	23.0
Profit before financial VAT, NBT and taxation	30,095	24,343	23.6	30,256	25,074	20.7
Profit before taxation	25,279	20,291	24.6	25,490	21,431	18.9
Profit after taxation	17,357	13,574	27.9	17,387	14,372	21.0
Value to the Government	21,129	16,500	28.1	21,622	16,832	28.5
Financial Position (LKR million)						
Total assets	1,568,289	1,329,020	18.0	1,610,199	1,365,404	17.9
Gross loans and advances	870,730	777,505	12.0	897,353	801,584	11.9
Loans and advances net of provisioning for impairment	826,790	741,348	11.5	851,905	763,772	11.5
Customer deposits	1,082,337	933,966	15.9	1,097,951	943,934	16.3
Total liabilities	1,486,804	1,254,214	18.5	1,517,125	1,279,823	18.5
Total equity	81,485	74,806	8.9	93,074	85,581	8.8
Per Share Data (LKR)						
Basic earnings per share	2,437	2,715	(10.2)	2,439	2,885	(15.5)
Net assets value per share	8,148	14,961	(45.5)	9,206	16,879	(45.5)
Performance Ratios (%)						
Return on average assets	1.7	1.6	0.1	1.7	1.7	-
Return on average equity	22.2	20.5	1.7	19.5	18.9	0.6
Interest margin	3.3	3.1	0.2	3.4	3.2	0.2
Cost to income	43.7	44.0	(0.3)	46.4	46.6	(0.2)
Loans to deposits	80.4	83.2	(2.8)	81.7	84.9	(3.2)
Debt to equity	228.2	293.1	(64.9)	-	-	-
Impairment provision as a percentage of gross loans and advances	5.0	4.7	0.3	5.1	4.7	0.4
Statutory Ratios (%)						
Liquid assets ratio (Domestic) (minimum requirement 20%)	28.2	30.8	(2.6)	-	-	-
Core capital adequacy ratio (minimum requirement 5%)	9.1	9.5	(0.4)	9.4	9.8	(0.4)
Capital adequacy ratio (minimum requirement 10%)	13.1	13.6	(0.5)	13.3	14.0	(0.7)

Our History at a Glance

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

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

1961

The Bank was nationalized 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

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

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

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.

1995

Expanded overseas branches with a branch in Chennai

1999

Bank's authorized capital raised to LKR 50,000 million by an Act of Parliament

2008

Issued first ever listed, subordinated five year, rupee debentures and raised LKR 4.2 billion

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 in to 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

2004

Introduced International Comprehensive Banking System (ICBS), an online, centralized computer system

Introduced Bank of Ceylon Flag

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 equal in par with sovereign rating (Fitch = BB-/Stable, Moody's = B1/Stable)

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 LKR 25 billion profit before tax

Leading the Honour Roll

Every accolade hails our pioneering, spearheading and championing spirit; each award cements the fact that we are constantly raising the benchmark, not only for ourselves but for our industry, positioning ourselves against global giants in order to continually raise the bar.

This year too our honours have been many; while some have been firsts, others have been continuous annual awards, all of which demonstrate that BoC has invested significantly in brand building, delivering on its promise and maintaining top of mind recall which ultimately translates to better customer experiences.

National Business Excellence Awards 2015

(by National Chamber of Commerce of Sri Lanka)













SAFA Award 2014 (conducted in 2015)

Winner - Public Sector Banking Institutions



The Banker

Among top 1,000 Banks in the world since 2012

Country Ranking - No. 1

Among top 5 Banks in Asia Pacific 2015 (excluding China and Japan) in terms of return on capital

Brand Finance Lanka a subsidiary of Brand Finance Network (UK)

No. 1 Brand
in Sri Lanka

Global Ratings

Fitch Ratings : revised to align with country rating as B+ with negative outlook

Moody's : reaffirmed as B1 with stable outlook

Asian Banker 500 (AB500)

Strongest Bank by Balance Sheet in Sri Lanka 2015



Local Ratings

Fitch Ratings Lanka Ltd : reaffirmed as AA+ (lka) with stable outlook

ICRA Lanka Limited : (SL) AAA with stable outlook

What This Report Entails

Welcome to our 3rd Integrated Annual Report

Scope and boundary

This is our third Integrated Report, reported according to the diktats of the International Integrated Reporting Council (IIRC) framework and the G4 (Core) Guidelines of the Global Reporting Initiative (GRI). The report also conforms to a plethora of reporting rules, conventions, regulations and compliance initiatives issued by various authoritative bodies and the regulator pertaining to the Bank specifically and the financial services industry in the broader sense, as well as industry in general. BoC hence complies with the Bank of Ceylon ordinance No 53 of 1938, the Banking Act No 30 of 1988 and subsequent amendments thereto, the Continuing Listing Requirements of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The reporting period is between 1 January 2015 and 31 December 2015 and any material events post this end date and upto the sign-off date by the Board of Directors on 21 March 2016, has also been included. BoC has striven to present a balanced and comprehensive scrutiny of the Bank's strategy, performance, operations and future outlook worked on a concise analysis in our bid to make this report reader-friendly and yet, contain all relevant information pertaining to the use of all stakeholders.

All Financial Statements are compliant with Sri Lanka Accounting Standards comprising the latest International Accounting Standards. We have also attempted wherever possible, to infuse a culture of going beyond compliance, reporting voluntarily on information we may deem useful to our stakeholders.

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The 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, with the larger amount of information relating to Bank of Ceylon, which is the holding entity, as it is BoC that contributes the most to the profitability of the Group. In perusing this report, it is to be noted that all information relating to the Group or its subsidiaries is clearly denoted, to ensure it is differentiated from the Bank's operations. All data within the narratives of this report are in the context of BoC, unless it is otherwise indicated.

Given the Bank's diverse range of stakeholders and recognizing the varied information required by them to give a true and fair depiction of our entity, BoC's primary focus in this integrated report will be to capital providers. However, the information within this report details a comprehensive repository of information for informed decision making by any stakeholder.

"The 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, with the larger amount of information relating to Bank of Ceylon, which is the holding entity, as it is BoC that contributes the most to the profitability of the Group"

This has led us to make this report accessible not only via the web on www.boc.lk but also in hard copy format in all three languages applicable to commercial business in Sri Lanka and the other countries we operate in, i.e. English, Sinhala and Tamil.

Materiality

All material developments pertaining to the Bank's operations are reported aligned with the timeline specified above. This includes all financial and non-financial information which have had direct or indirect impact on our performance, both present and most likely to have an impact on our future performance as well. These material developments have been defined as any event, action or decision, external or internal, which would substantively impact the way we do business and which in turn, impacts our ability to create value and hence meet our goals and objectives. This will naturally permeate to impacting our stakeholders, positively or negatively.

The materiality principle has been applied in accessing all areas covered in this report, relevant to our stakeholders.

We also report on how we have managed these material developments, our proactive stance in managing them by engaging in continuous dialogue with our stakeholders and our information cascade updates on likely developments. Identifying strengths and ways of augmenting them, recognizing weaknesses and initiating features to bridge gaps and transform those weaknesses into positives have also been taken into account. Also, ascertaining threats and pinpointing initiatives that would mitigate risks arising from these and evaluating opportunities that would maximize our growth and enhance performance have all been detailed to give a true and fair depiction of the BoC business model and operational formula.

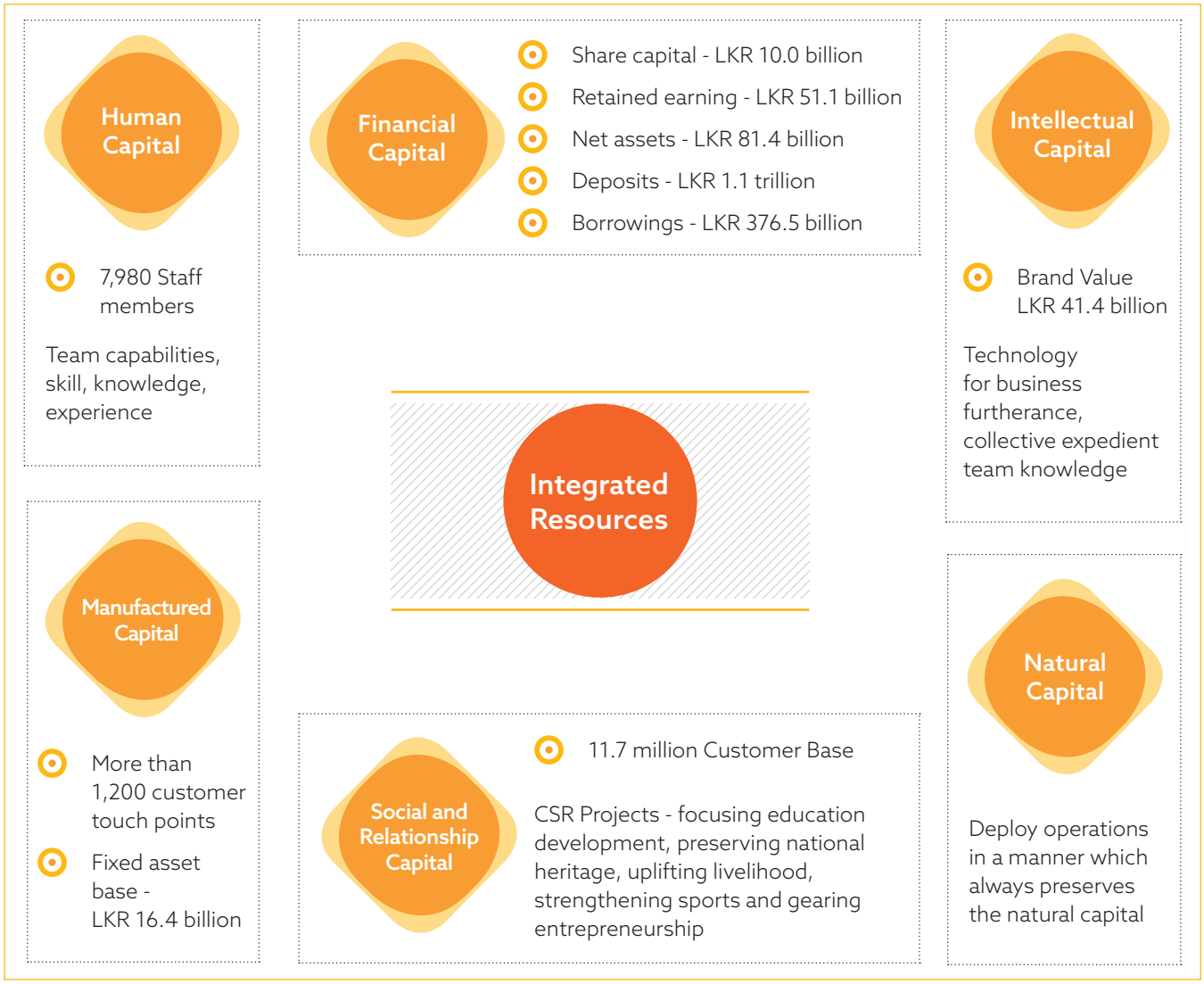
What This Report Entails

The Capitals

In creating value for a sustainable business, it is imperative that we understand the importance of resources and relationships, realizing that each is inextricably intertwined into the short, medium and long term goals of our business. Adhering to the IIRC Framework, in this report we have adopted the categorization as recommended, identifying our resources and relationships under the six broad capitals and how the inputs, activities, output and outcomes impact our business.

These capitals, as depicted in the pictorial portrayal, represent the stores of value that can be augmented and transformed to suit business goals and aligning these with our business model and its ability to create value over time. It is crucial therefore that these capitals are maintained so as to create sustainable value for the future of the business. These capitals form a cohesive thought process that enables us to benchmark our capitals, how they are used, the impacts they have on our business and the ultimate outcome aligned with the business' goals, mission and vision.

A full and comprehensive analysis of our capital management is detailed from page 55 to page 111.



"Being a 100% state owned bank, BoC comes under the absolute and complete monitoring of the Auditor General's Department, who, was assisted by a firm of Chartered Accountants in public practice, have given assurance on the Financial Statements and Directors' Statement on Internal Control."

Assurance

Being a 100% state owned bank, BoC comes under the absolute and complete monitoring of the Auditor General's Department, who, was assisted by a firm of Chartered Accountants in public practice, have given assurance on the Financial Statements, Directors' Statement on Internal Control and compliance requirement of the Corporate Governance direction issued by the Central Bank of Sri Lanka. Besides this and our intent on maintaining a culture that goes beyond compliance, we have voluntarily gained external assurance on the sustainability features embedded in our report for the salient aspects found in the capital management report including social and environmental performance indicators. This has been obtained from M/s BDO Partners.

Statements on Future Outlook

In reading this report, there are some words including anticipates, assumes, envisages, estimates, expects, should, believes, foresees, predicts, envisions, forecasts, will, may likely result in, projects, forecasts and similar expressions in the narratives, that generally identify with the Bank's future outlook. These words or any such word with similar connotation must be read and construed in the context of the Bank's forward looking statements relating to vision, mission, plans, objectives, goals, strategies and future operation and performance.

These forward looking statements, by their very nature imply risk, threats and uncertainty as they are related to future events and circumstances. There are many factors that can contribute or be the primary cause in impacting the actual results, macro and micro, external and internal and thus, these results could differ materially from the expected or implied results detailed in these forward looking statements.

Hence, it is pertinent to note that forward looking statements form no guarantee or warranty of any future results given the very nuances of the statement. BoC therefore will not be obligated to update any historical information or forward looking statements contained herein.

These forward looking statements, by their very nature imply risk, threats and uncertainty as they are related to future events and circumstances.

Determining Material Issues

In identifying the material issues that impact our Bank, we have considered all material matters that are of relevance and importance 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 impacting BoC is identified at an interactive session conduct for the development and revision of the corporate plan formation which all Board members, Corporate Management members and Executive Management members are immensely contributed. Ultimately it also assigns accountability to the relevant heads of department to measure and monitor activities that have an impact on the Bank's continuous progress.

Matters that are considered material for financial reporting purposes and for sustainability reporting have been considered, if they are of such relevance and importance that they could change the assessments of providers of financial capital and our ability to create value. This value creation takes into context numerous factors including the Bank's strategy, resilience to our business model, sustainability in the context of the triple bottom line, various opportunities and risks we are exposed to and the quality of relationships we have 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 emphasized and detailed in the Bank's Sustainability Policy. This enables us to determine the best disclosure mechanisms and the uniqueness of our value creation in a meaningful and transparent way.

BoC's Materiality Determination Process

Relevance

Identify relevant matters and the impacts it has 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

Assess importance by evaluating the magnitude of that impact based on past, present or future occurrence and/or the magnitude of the impact and likelihood of occurrence.

Prioritization

Prioritize 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

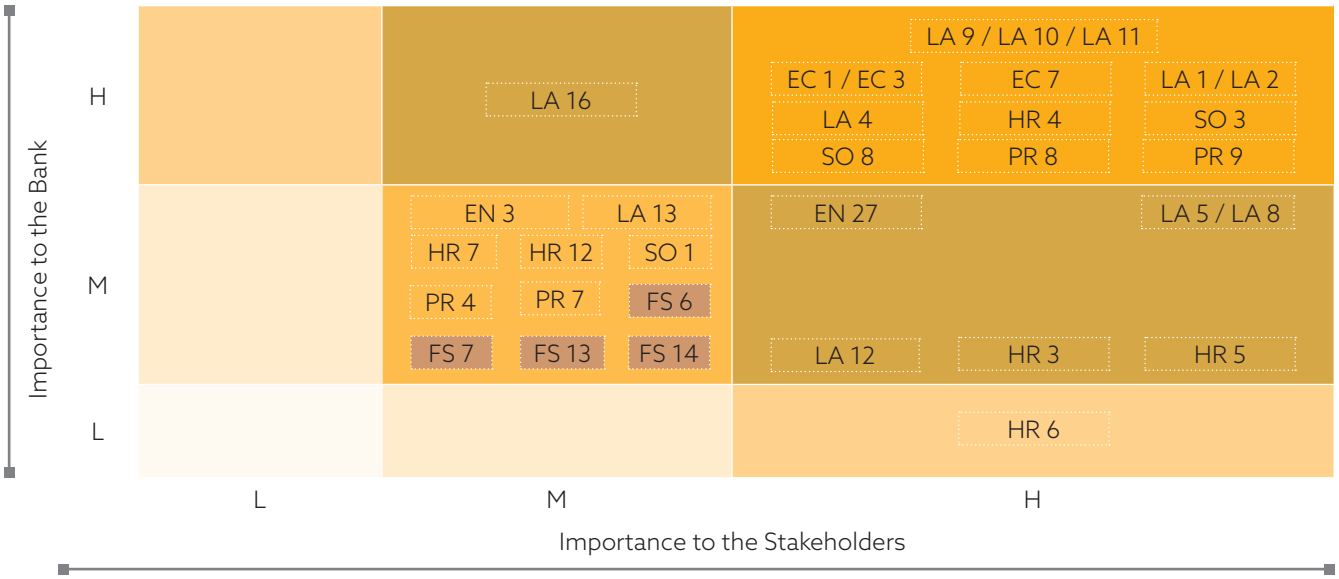
Determining matters to be disclosed in the Report in reference to the importance these issues have to the Bank, its stakeholders and envisaged risk and/or frequency.

The Bank uses the G4 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 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			
Sub Category	**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)			



Instigating Change

The connotations embedded in the BoC vision of being Bankers to the Nation are multi-faceted and manifold. It places an immense responsibility on the Bank to spearhead, champion and be the nation's catalyst in overall economic development, while also ensuring that this economic prosperity becomes tangible to every strata, every geographical area, every demographic and every individual. Our Vision is simply about optimizing our resources, building on our opportunities and looking beyond the framework we have, into transforming our Bank to magnify the very rudiments of this vision.

BoC's leadership stance has always encouraged us to push boundaries. In over 75 years, this Bank has shaped and crafted the banking industry to be one that is emulated for some exceptional best practices. Birthed during the period of British rule in 1939 when foreign monopolies in trade, commerce and industry was the norm, this was a national bank that was mooted to suit local entrepreneurs, providing finance on a progressive scale to diversify the economy.

Primarily a domestic bank at the time, BoC had an inherent characteristic; fortitude. Severe competition from exchange banks and informal money lenders only served to spur its unwavering determination to excel. Change even at that time was a requisite. Before long, a strategic branch network began emerging, first in Kandy, then in Galle, Jaffna and Trincomalee and its first overseas branch in London in 1949, just one year post independence, which has been converted to fully own subsidiary of the Bank in 2010. Independence also changed the ilk of BoC a few years later; it was nationalized in 1961 to facilitate national development efforts.

"BoC's leadership stance has always encouraged us to push boundaries. In over 75 years, this Bank has shaped and crafted the banking industry to be one that is emulated for some exceptional best practices."

And so, BoC began building trusses to fulfil the aspirations of the nation, expanding strategically to the agrarian areas set in the rural environs of the country. On the other side, with the onset of the open economy, BoC ushered in change once more, pioneering various initiatives. These spurred growth and saw the Bank reach new heights with expansive island wide coverage, increased business volumes, strong financial grounding and significant overseas presence. Pragmatic as always, it also began diversifying into other business areas through subsidiaries and associate companies.

It was BoC that also instigated the transformation of Colombo's skyscape. The construction of the iconic 32 storied head office was truly ahead of its time and remains to date, a symbol of the commercial capital.



The Board of Directors, Corporate and Executive Management at strategy formulation process

The readiness for change also heralded the turnaround initiative of its entire branch network brought onto a single online platform, a historic move which began in 2005 and concluded in 2009. BoC also broke ground in 2008 by raising LKR 4.2 billion via a subordinated Sri Lankan Rupee debenture of five years, listing that issue on the Colombo Stock Exchange. This was repeated from 2010 to 2015 consecutively with an issue of LKR 40.0 billion cumulatively over the five years period. The diversification of its portfolio into non-core banking areas including Islamic Banking and Investment Banking has undoubtedly added further impetus to its forward journey.

The innovative focus, service differentiation, diversification, cross-selling ability and unprecedented governance and risk control have remained the strong trusses to BoC's growth. Overall national development remains ingrained within its ethos, while a singular focus on stakeholder growth is the ultimate goal.

Hence it is our Wenesa Programme that has been the springboard to the Bank's transformation process in taking charge of change. In pursuit of this, taking change as a catalyst for the future, BoC's entire outlook for the transformation was constructed around the changes evolving in the global and local milieus, all of which are in a constant state of evolution. For BoC to go beyond its current vision and move into horizons that will add fortitude to compete successfully with the best, empowerment of stakeholders to achieve their aspirations and in instituting initiatives that would lead to that empowerment became imperative. This means that Wenesa became the conduit to maximizing on the impending changes and the opportunities that result from these changes. When Wenesa was launched in July 2014, it was intended to form the blueprint that will enable BoC to continue holding fast onto our position at the zenith among



the banks in Sri Lanka, a status we have maintained for decades. Cementing our leadership position therefore becomes the overall priority and BoC donned that mantle to ensure that change would be the underlying ethos that would keep the Bank at the helm of the financial services industry in Sri Lanka.

One year on, transformation has begun fuelling that change. Our results showcase this as do the experiences and efficiencies we have imbued into our operations. There is a tangible attitudinal transformation that has permeated our team, which has resulted in positive outcomes overall, amply reflected in our bottom line and in a wider sense among our communities, the industry and the nation. With the achievements garnered through Wenesa, we do believe we are taking charge of change and able to drive it so we remain leaders and role models for change.

Our transformation Programme is the foundation to our forward journey. It embeds our strategic priorities and the path we will take in ensuring we achieve the goals we are working towards in taking charge of change.



Sharing success of 2015, launching Corporate Plan 2016-2018

Expansive and Experiential



- Current Accounts
- Prestige Plus Current Accounts

- Fixed Deposits
- Savings Certificates
- 7 Days Call Deposits
- Senior Citizens Fixed Deposits

- Normal Savings
- Ran Kekulu Ginum
- 14+ Teenagers' Savings Account
- 18+ Savings Account
- Kantha Ran Ginum
- BOC Pranama
- Senior Citizens Savings Account
- Ran Govi Thenpathu
- Ranaviru Ran Ginum
- Samurdhi Savings
- Dheevara Thenpathu
- 3G Savings
- BOC Smart Gen

- Term Loans
- Personal Loans
- SME Loans
- Overdraft facilities
- Lease Financing
- Special Loans Schemes

- BOC Ran Ulpata Investment Scheme
- BOC Abhimana Retirement Scheme
- BOC Smart Investor

- Internet Banking
- Mobile Banking (BOC Paymate)
- Bancassurance
- Credit/Debit card facilities



- NRFC Accounts (Current/Savings/ Fixed)
- RFC (Savings/Fixed)
- Dual Citizenship Foreign Currency Fixed Deposits (DCFD)
- Resident Non National Foreign Currency Accounts (RNNFC) (Savings/Current/Fixed)
- Ran Kekulu NRFC/RFC
- Resident Guest Foreign Currency (RGFCA)
- Foreign Exchange Earners Account (FEEA)
- Inward Remittances Distribution Accounts (IRDA)
- Special Foreign Investment Deposit Account (SFIDA) (Savings/Fixed)
- Diplomatic Foreign Currency Account (DFA)
- Non Resident Rupee Account (NRRA) (Savings/Current/Fixed)

- Senior FIDA
- Non Resident Non National Foreign Currency Account (NRNNFCA) (Savings)
- Outward Investment Account (OIA)
- Foreign Currency Account for an Agent of Foreign Shipping Line/ Airline(FCAASA) (Savings/Current)
- Senior Foreign National Special Account
- Foreign Currency Accounts for International Service Providers and their Employees(FCAISPE) (Savings/Current/Fixed)
- Securities Investment Account (SIA)
- Diplomatic Rupee Account (DRA)
- Non Resident Blocked Accounts (NRBA)and Migrant Blocked Accounts(MBA)

- Treasury Bills and Bonds
- Foreign Exchange Swaps
- Foreign Exchange Options
- Forward Contracts
- REPO
- Reverse REPO
- Debentures
- International/ Local Bonds
- Money Market Operations
- Foreign Exchange Rates
- Sri Lanka Development Bonds
- Bond Swaps
- Currency Options

- BOC Smart Remit
- SWIFT
- Web Based Fund Transfer System
- SLIPS
- RTGS Fund Transfer
- Trustee and Custodial Services
- Debt and Equity Financing
- Corporate Advisory Services
- Foreign Currency loans

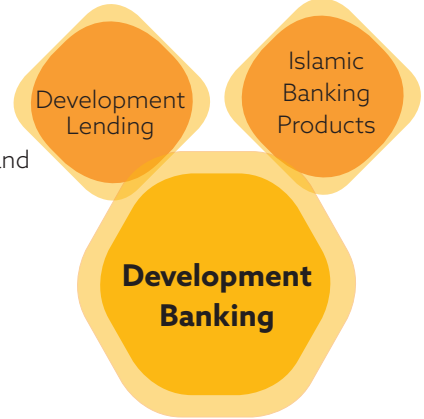
Expansive and Experiential



- Term Loans
- Overdrafts
- International/Local Bank Guarantees
- Project Financing/Loan Syndication
- Online EPF/ETF Payments

- Series of Loans
- Advertising and transferring Letters of Credit
- Negotiation Bills
- Bills Discounting
- Purchase and Collection of Export Bills
- Status Report
- Duty Rebates

- Letters of Credit (Online facility Available)
- Shipping Guarantees
- Bills Acceptance
- Collection Bills
- Pledge Loans
- Hypothecation Loans
- Trust Receipts



- SME Loans
- Agriculture and Dairy
- Fishery
- Micro Financing, Micro Small and Medium Enterprises
- Self-employment
- Special Credit Scheme for Public and Personal Transport
- Educational Loans
- Special Loan Schemes for Pensioners, Members of Associations and forces
- BOC housing Loan Scheme
- BOC Personal Loan Scheme
- BOC Educational Loan Scheme
- BOC Computer Loan Scheme
- BOC Divi Maga (An amalgamated self-employment Credit scheme)

Deposits Products

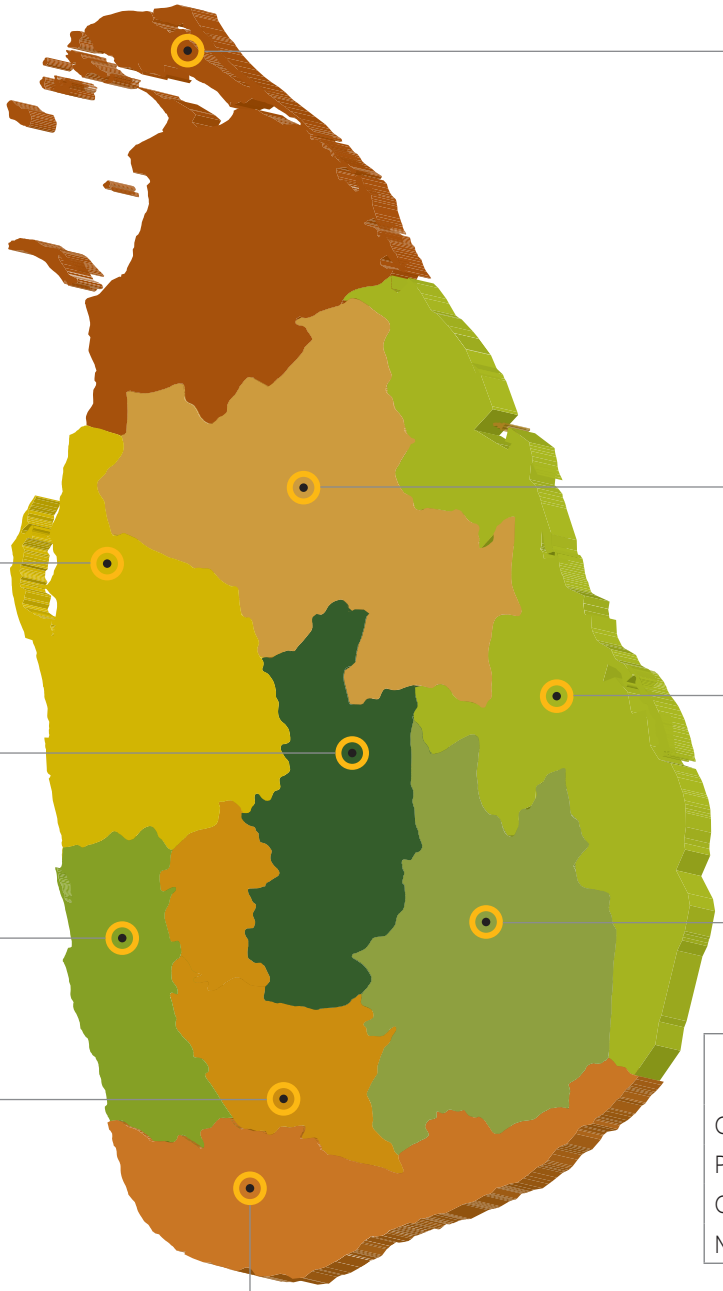
- BOC An-Noor Current Account
- BOC An-Noor Savings Account (Mudaraba)
- BOC An-Noor Children Savings Account (Athfal)
- NRFC Athfal Savings Account
- An-Noor NRFC Savings Account (Murabaha)

Lending Products

- Term Loans (Murabaha)
- An-Noor Wakala
- Local Murabaha
- Letters of Guarantee (Local)
- An-Noor Trade Finance
- An-Noor Leasing (Ijarah)
- Ijarah(Leasing) USD based

Operational Footprint

Read our service points online



Northern Province

Branches	ATMs	Other Service Points	CDMs	SME Centres	Regional Loan Centres
63	34	5	-	1	1

North Central Province

Branches	ATMs	Other Service Points	CDMs	SME Centres	Regional Loan Centres
48	42	2	1	1	1

Eastern Province

Branches	ATMs	Other Service Points	CDMs	SME Centres	Regional Loan Centres
55	29	3	-	1	1

Uva Province

Branches	ATMs	Other Service Points	CDMs	SME Centres	Regional Loan Centres
39	32	2	-	2	-

North Western Province

Branches	ATMs	Other Service Points	CDMs	SME Centres	Regional Loan Centres
57	52	2	1	2	1

Central Province

Branches	ATMs	Other Service Points	CDMs	SME Centres	Regional Loan Centres
67	53	4	2	2	1

Western Province

Branches	ATMs	Other Service Points	CDMs	SME Centres	Regional Loan Centres
127	186	11	7	1	2

Sabaragamuwa Province

Branches	ATMs	Other Service Points	CDMs	SME Centres	Regional Loan Centres
49	40	2	2	2	1

Southern Province

Branches	ATMs	Other Service Points	CDMs	SME Centres	Regional Loan Centres
63	59	3	1	3	1

	Branches	ATMs	Other Service Points
Corporate Branches	6	16	13
Premier Banking	1	1	-
Overseas Branches	3	4	-
Mobile Unit	-	1	-

578	549	47	14	15	9
Branches	ATMs	Other Service Points	CDMs	SME Centres	Regional Loan Centres

Who's in Charge?



"Being in charge also means giving leadership. To give leadership, there must be vision and to have a vision that ultimately ends in fruition, leaders must have an inherent need to spearhead success. This is the winning formula that BoC has within its leadership; a leadership that takes charge and executes steadfast results."

This question is as pertinent as it is timely. BoC is now well into its transformation process but it is a process that began with a simple vision – to retain BoC's leadership stance. However, envisioning change, spearheading change and executing change can be challenging. But challenges are what BoC thrives on, because for BoC, championing change is exhilarating. Change hence is all about unwavering commitment to seeing the results of that vision, optimized and maximized.

BoC's formula to bring our vision to fruition is two-pronged. Firstly, the Chairman and Board of Directors build a vision that will prepare BoC to exploit opportunities, instituting a framework that will gear the Bank for a fast evolving technology-driven future. It is this broad framework that then forms the foundation for the design, implementation and execution of that vision.

Enter the General Manager and his management team of competent experienced professionals, who take direction and guidance from that vision. Tasked with broadening that framework and preparing multiple springboards to spur change implementation, it is they who drive BoC into moving ahead via a team of amazing individuals for whom execution of this vision is truly one of great pride.

What you read in the next two sections is how our the transformation process for BoC was envisioned and mapped on the one hand and is now being implemented and executed on the other hand. Given impetus by two spearheads, each experienced, each specialized and each garnering the maximum from their team to maintain BoC's undisputed leadership, the BoC transformation story is inspiring.

Being in charge also means giving leadership. To give leadership, there must be vision and to have a vision that ultimately ends in fruition, leaders must have an inherent need to spearhead success. This is the winning formula that BoC has within its leadership; a leadership that takes charge and executes steadfast results.

Chairman's Message

Looking back over this year where we have been taking charge of change, I am very pleased to declare that Bank of Ceylon, as Bankers to the Nation have delivered value once again to our stakeholders. Recording the highest ever profitability of any bank in the country and with each of our performance indicators showcasing record upward trajectory, helming a bank of this stature is truly rewarding. Our impressive performance also reiterates that our strategic priorities are being met, priorities which we identified through our transformation programme, begun in 2014 and now showing fruition of those pragmatic decisions.

Working on a holistic business model in readiness for the results of change, we clearly articulated five strategic priorities this year, each of which, through comprehensive inputs and well thought out approaches, has achieved the targets set out. Our strategic priorities are firstly to increase the Bank's profitability and growth which is clearly showcased in the best ever profitability in our entire history, as well as the massive growth seen in all other areas of our performance. Secondly, by introducing a host of products and services constructed on innovation, customer aspirations and technological infusion, we have transformed the perceptions reflected of the Bank. The change now has begun to reveal instead a contemporary flexible innovative bank that is geared to offer customers a best in class experience. By building digital channels and technology capabilities, our third strategic priority, that best in class experience has been further enhanced, given that BoC has now a strong technological platform that supports back, front and middle office functions, adding greater efficiency, productivity, innovation, flexibility, governance and control mechanisms.

None of this would be possible if not for the backing of an amazing team, who have been the backbone of this Bank and have taken absolute ownership of this transformation programme. Our fourth strategic priority therefore is to build capacity and skill enhancement for our team, equipping them with competencies that will prepare them for an era of transformational progress, where digitization becomes common place but proactive human intervention is also an imperative. Our fifth strategic priority ties in all features of our Bank and that is the responsibility we have as a state bank to contribute towards nation building as Bankers to the Nation.

Read Chairman's Message online.

The sustainability ethos

This brings me to a strategic priority that is not articulated in words but is the underlying ethos of being contributing towards nation building. And that is our sustainability strategy, well embedded in our business model and an uncompromising element in our entire business strategy. Every single aspect of our Bank, whether it's decisions we make, the impacts we have or the products we innovate, ultimately reflects our sustainability ethos. Being a bank, the very nature of our business is about sustainability; having a positive impact on each of our stakeholders and thus, a permeating impact on the ultimate development of the nation. Sustainability therefore remains ingrained in our very heart and soul and this means, we must walk the talk and practice what we preach.

By inculcating a savings culture among young and old, or in uplifting micro, small and medium entrepreneurs to reach their potential and think beyond constraints, whether in creating a knowledge gaining culture for our 7,980 strong team or in innovating and developing best in class services for our customers, in instilling governance and risk management mechanisms that also permeate to our valued business

"The change now has begun to reveal instead a contemporary flexible innovative bank that is geared to offer customers a best in class experience."

Ronald
C Perera PC
Chairman



Chairman's Message

"Our team is all about progress and sustaining that progress. They have observed the competition and understand the challenges that pervade the industry. "

partners, the impact that BoC has on the nation, is massive and tangible. Our very stature lends itself to being a leader, a spearhead, a pioneer and corporate steward and these labels we don with pride and responsibility. Sustainability to us is about impacting our stakeholders positively and this means making a lasting impact. For example, our holistic approach extends to the contribution we make to the country's infrastructure development, which in turn develops communities across the country. In ensuring green practices both within and through best practices cascaded to our stakeholders, we are proud to be a corporate leader that possesses the reputation to transform mindsets and habits for the better. Reducing our carbon footprint is a collective effort as is the sustainable development of the nation, in which we continue to be the flag bearer, imbuing the message of sustainability as an integral feature in the way we work and how we work.

In last year's report, I mentioned some set goals we intended to achieve. These revolved around customer centric transformation, employee focus, technology and governance, all of which as mentioned above, form the foundations for our strategic priorities. As a Chairman who has helmed this Bank for over a year now and having spearheaded the directives of the transformation process that is bound to make this bank a leader in this region, I would like to broadly take stock of where we stand within these four primary drivers in our Bank.

Customer Centricity

Being the oldest state bank in the country, BoC has carried with it legacies, both positive and negative. One negativity has always been that BoC is an old-fashioned bank with old-fashioned ideas. Modern, contemporary and state of the art is what we would like to be. Incorporating the inherent passion we possess in always wanting to be the best, BoC made a conscious decision to Take Charge of Change and imbue contemporary state of the art facets that would transform stakeholder mindsets holistically and position the Bank at the helm of modern-day banking. Customer centricity became an imperative and thus, product and service development, innovation and support services all had to form the trusses to ensure that the Bank begins serving diverse needs of diverse age groups.

You will now see a bank with a complete attitudinal conversation, where customers are seeing a palpable difference in not only service levels, but in the range of technology-oriented contemporary products being delivered too. Each of our systems and processes have been revisited and restrategized for better response time and control mechanisms, as is seen in our loan disbursement process which has reduced approval time phenomenally. Similarly, the establishment of Regional Loan Centres has spurred faster response time and our housing loans for example, have grown significantly. The tech-savvy generation is now finding that BoC is catering to their aspirations, feeding a definite gap that existed in years past. Technologically driven products and services are now an imperative facet of our product development process, redefining the Bank's focus on being Bankers to the Nation in a holistic sense.

Building a winning team

There has always been strong discourse on the need for brick and mortar infrastructure and human interface as the world moves towards digital banking. I'm a strong believer that technology is driven by human beings and one compliments the other. Having recognized this, BoC has pushed the boundaries of technology to very broad parameters, while however, ensuring that our team is well equipped in both knowledge and



Sri Lanka has already positioned herself as a pioneer in various technological initiatives, prompted primarily by mobile technology. This has augured well for the banking industry given that Sri Lanka now has 100% mobile penetration which opens out expansive doors for the industry to penetrate reach without compromise.

skill to use the technology we infuse effectively. A bank is always as good as its last service encounter whether technologically or on-premise and it is this that we at BoC concentrate on. While infusing world class technology initiatives that would enhance our customer service levels is paramount, BoC is also concentrating on equipping our team with soft skills that will augment technological inputs, making banking whether via technology or on-premise, a pleasurable experience. Adding efficiency, flexibility, speed and responsiveness is surely a competitive advantage.

Our team is all about progress and sustaining that progress. They have observed the competition and understand the challenges that pervade the industry. They are also aware that this Bank is able to retain top of mind recall only because it is the team instigates it. This is a premise that has driven our team to look inwards and work on developing their strengths, addressing their weaknesses and work on the inherent capabilities they possess to make change possible. We all realize that we are custodians of public funds and that underlying foundation of absolute governance and compliance remains ingrained in our psyche, no matter how difficult the challenges are or how competitive the environment is.

Technology for Change

From customer to team member to technology, each of these are inextricably intertwined in gearing BoC into the digital banking space. As the world moves from on-premise banking to an omni-channel digital experience, BoC's technology strategy is about having a blend that would suit the aspirations of our diverse customer demographics, while also striving to meet the Bank's regional aspirations. Digital disruption is now *de regueur* for any industry but in the banking industry it is the fine line between survival and demise.

Sri Lanka has already positioned herself as a pioneer in various technological initiatives, prompted primarily by mobile technology. This has augured well for the banking industry given that Sri Lanka now has 100% mobile penetration which opens out expansive doors for the industry to penetrate reach without compromise. The use of smart technology has also increased significantly which now pushes BoC to ensure that we ourselves are smart-savvy, taking the concepts of mobile and internet banking to higher levels, while leveraging on the synergies we possess to ensure uninterrupted service.

The interconnected branch network and compliance focused state of the art infused back and front office operations have placed BoC well on the path to give our customers this omni-channel digital banking experience. However, given the lightening speed in which technology evolves, BoC must well in keep in mind that staying ahead of the game is vital and therefore ensuring that our technology is constantly geared for the future, is imperative.

While there are challenges we have to contend with in operating as a conventional bank in this omni-channel banking milieu, including that even the most mundane banking transactions are now being performed via mobile technology, being a regulated industry, there are norms and compliance measures that BoC and the industry must always be cognizant of. As an undisputed leader, we recognize the challenges that ensue in gaining a competitive edge in a regulated industry and these have been factored in through Taking Charge of Change ensuring that our transformational process will be the catalyst in moving BoC into a highly compliant state of the art regional banking giant.

Chairman's Message

"The cohort of professionals we have among the Bank's spearheads infuse an unrivalled collation of rich experience and knowledge from diverse fields, in both the public and private sectors."

Compliance and Beyond

Bank of Ceylon is a 100% state owned bank which places immense onus on us, the Board of Directors, to maintain a governance and risk management structure that is unassailable. The current Board has now fulfilled a little over a year's tenure in office and are tasked with gearing BoC for the macro challenges ahead.

The cohort of professionals we have among the Bank's spearheads infuse an unrivalled collation of rich experience and knowledge from diverse fields, in both the public and private sectors. The thinking therefore is a pragmatic blend of progressive proactive thought collectives that are focused on giving BoC the impetus to exploit the extraordinary potential it possesses. In elevating the transformational process from strategy into execution, the Board has been cognizant in instigating and sustaining dialogue with the Board sub-committees and senior management whose input has been invaluable in laying the groundwork and in constructing the trusses for the revolutionary changes the Bank is currently undergoing.

In Taking Charge of Change, governance and risk management have remained vital conduits in maintaining focus on progress and change. Driven by a highly experienced compliance team of governance and risk management professionals, BoC is fortunate to use this expertise in tandem with the state of the art core banking system we now have in place to augment our compliance culture. While compliance is a top down approach in the sense of policy and direction, at BoC, the total acceptance of transparency, accountability, ethics, principles and sincerity of action make governance a way of life. The entire concept runs parallel among departments, while salient features of both governance and risk management are cascaded to all relevant team members, making compliance a team effort.

I would like to reiterate that the Board remains extremely committed to good governance, more so based on sustainability principles that govern global financial markets. We remain very compliant with international best practices and financial reporting standards, following the principles and diktats. There is also a vital need to maintain governance focus through a self governing model that enables us to look inwards critically, identifying any gaps that require attention to ensure that our compliance levels are well aligned to global best practices.

In Appreciation

Steering this Bank through this revolutionary transformational phase has been exciting and rewarding. In performing our tasks we have gained immense guidance and direction from the Ministers and officials of the Ministry of Finance as well as the Ministry of Public Enterprise Development for which we remain extremely grateful. As in other years, the Auditor General and his officials have assisted us in numerous ways to provide assurance on the financial statements we present to our stakeholders. This is most appreciated as is the continuous engagement we have with the Governor and officials of the Central Bank of Sri Lanka who willingly assist the Bank in ensuring due diligence and that our compliance practices are aligned with standard regulations and directives.

Working with my Board of Directors has been an absolute pleasure. Their valued contribution towards the strategic decisions that conceptualize the

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forward direction of the Bank has been invaluable. I record my appreciation to members who resigned from the Board during this financial year. I look forward to working together even more in steering Bank of Ceylon towards the fruition of the change that we have now chartered.

As we step into a new year, my fervent wish is for Bank of Ceylon to etch its premier position even further and make headlines around the world. The legacy we leave with each generation that comes forth shouldn't be simply about profitability, but about a bank that truly follows the tenets of holistic leadership, where each of our stakeholders take pride in being an integral part of the Bank's journey. We want our team to be the best there is, where they feel rewarded and motivated and are equipped with a vibrancy that will be reflected in the way we do business. The results we bring forth therefore must positively impact the nation as a whole because that's what being a national spearhead is all about. We have thus far been a role model for this nation and we intend to entrench this even further, moving across our shores into newer horizons and placing our name with great strength on various continents, a process we have already begun.

The year ahead is surely one of promise given the macro stability we observe from a national perspective and the indications of a better global performance overall. This augments the dynamism we have imbued since Taking Charge of Change, stimulating BoC to build on the framework we have now constructed and prepare our Bank to etch a new pathway of holistic growth that would reflect positively on each of our stakeholders and the nation as a whole.



Ronald C Perera PC
Chairman

21 March 2016
Colombo

General Manager's Review

The surpassing of a milestone of 75 years, which we did last year, has heralded the onset of a new era for us. It is one that places a crown of responsibility firmly on us, pushing Bank of Ceylon to embrace the mantle of being much more than Bankers to the Nation. This responsibility of being Bankers to the Nation has been inherent in us from inception, long before the country gained independence in 1948 and gaining ground and momentum as the country travelled its historic course with the Bank being a strategic partner in etching these historic chapters.
The unique brand of financial inclusivity and economic empowerment we espoused from over seven decades ago has been the panacea in lifting the citizens of this land into collating their synergies for collective contribution towards national development.
BoC's stewardship in championing aggressive national development agendas, in energizing the spirit of entrepreneurship, in fuelling the knowledge spark among young people and in invigorating entire communities to be empowered, has stimulated holistic growth across the country.

But, times they are a-changing! And BoC has recognized that, taking full note of the winds of change. Global headwinds began blowing manifold changes and revolutions in the financial milieu began spinning. Within Sri Lanka too, it became apparent that entire mindsets must transform if the nation is to remain competitive and gain a position as a hub in South Asia. BoC has always been confident of the country's potential and the role that the Bank itself can play in making Sri Lanka a regional spearhead. This prompted the Bank to look inwards first, while strategically earmarking the paradigms that emerged in the macro milieu. Change became imperative if BoC was to take advantage of the multitude of opportunities transpiring in a fast evolving world and hence, BoC took the plunge. A transformation process began.

"We have instituted some pragmatic initiatives that have truly heralded palpable change."

Read General Manager's Review online.

Fuelling Change Strategies

In 'Taking Charge of Change', BoC is augmenting our reputation as a spearhead; a trailblazer that has always taken the lead, launching pioneering products and services that revolutionized the banking industry in the country. Inherently we are leaders and therefore our spirit of change is not simply to change, but to lead change, not only for ourselves but for the entire country. We will lead the way in introducing a highly advanced banking environment into Sri Lanka. By engaging some of the world's best agents of change, renowned financial consultants and advisors, we have instituted some pragmatic initiatives that have truly heralded palpable change.

"The phenomenal increase in our deposit base as in other areas of business is undoubtedly due to the concentrated efforts we have imbued to ensure accessibility of our products and services across a wide and varied clientele."



D M Gunasekara
General Manager

General Manager's Review

"By reaching out to our 11.7 million customers across the country we grew our deposit base by 16%, which is LKR 148.4 billion against the industry growth of 15%."

Technology is the nucleus upon which the fundamentals of change revolve, while in tandem, our team, infrastructure and entire positioning has seen rapid change. From an increase in capital expenditure to a state of the art core banking system, relevant hardware, software and peripherals, to rebranding ourselves as a corporate ready for a new era and positioning ourselves as a bank where customer service excellence reigns supreme, where our emphasis on capacity building will surely enable us to cross the 'LKR two –trillion' mark effortlessly, we are now ready for the new journey.

We are also taking full advantage of the new opportunities that are emerging within the nation, where infrastructure development has gained a new impetus, open minded thinking is being pursued and global competitiveness has fuelled new corporate thinking. This augurs well for the strategies we are pursuing in 'Taking Charge of Change.'

Here we are then, making it an imperative in our journey ahead and pushing our boundaries into areas of infinite opportunities. This tangible change we are now seeing in just a little under two years into the transformation process, using "Wenesa" as the conduit of change. We are already seeing impressive results both quantitatively and qualitatively. It is very apparent thus, that we are Taking Charge of Change, preparing for emerging opportunity, while honing our strengths and augmenting them to be prepared for a fast evolving milieu.

Figures of Change

The strategies infused, from top-down, bottom-up and inside-out are comprehensive, encompassing and very cohesive. This is what has produced the tangible results, clearly observed in our profitability, the highest in our 76 year history and undoubtedly a gain accomplished through digitization and tandem initiatives. This year, we recorded LKR 25.3 billion as profit before tax and profit after tax is recorded at LKR 17.4 billion, which once again is a growth of 28% over last year. We have already passed the LKR one trillion milestones in assets and deposits stamping our stability.

While profitability in the banking sector continued its upward trajectory, although not as momentous as last year, it is noteworthy that BoC continues to affirm its presence at the zenith of the industry's profitability index. This affirmation is further underscored given that BoC and the next entity on the ladder, has widened considerably.

Each of our KPIs are well entrenched in the upward trajectory of our performance. It is well evidenced that the impressive overall performance of the Bank has been well augmented by the infrastructure and hardware transformations initiated, well supported by a team whose attitudinal mindset is now geared to continually strive for excellence and beyond. These have added major impetus to the team's productivity levels, innovation in product and service development and an unwavering drive to go beyond being a benchmarked leader.

The loan book showcased a significant growth of LKR 93.2 billion in loans and advances, which is 12% over last year, once again establishing that the new Regional Loan Centres, of which there are nine across the island with priority in rural areas and aggressive loan promotion by the Outbound Sales Teams brought in the desired results.

We remain extremely cognizant of the potential that micro and SME businesses have on macro development, especially in uplifting existing industries, innovating products and services, engineering new industries, employment generation among communities and thus prompting a permeating impact on lifestyles across the country. BoC has been a consistent presence among



BoC's compliance culture is one built on unwavering accountability, uncompromising transparency and unrelenting focus. Adhering to regulatory diktats, the Bank's core capital and capital adequacy ratio is comfortably above the regulatory directive minimum of 5% and 10%, recorded at 9.1% and 13.1%.

micro and SME business from grass-root level, encouraging and promoting improvement and development through re-strategizing our internal mechanisms including relocating SME centres, building capacity among the team for knowledge permeation to our SME customers and revisiting our SME pricing policy. We strongly believe that our proactive engagement in this area of business will be the nucleus in building a strong and robust SME business collective.

By reaching out to our 11.7 million customers across the country we grew our deposit base by 16%, which is LKR 148.4 billion against the industry growth of 15%. But it is the fact that we have now achieved an industry first of LKR one trillion in our deposit base that is truly a milestone, emphasizing that BoC remains at top of mind recall across diverse demographics around the country. Our total deposit base therefore stands at LKR 1,082.3 billion this year, up from LKR 934.0 billion in 2014.

The phenomenal increase in our deposit base as in other areas of business is undoubtedly due to the concentrated efforts we have imbued to ensure accessibility of our products and services across a wide and varied clientele. From the rural farmer to the city dweller, to senior citizens and tech savvy youth, the diverse array of touch points remain unparalleled in the industry. Our branch network of 578 on-premise branches along with 47 other service points is supported by 549 ATMs, while mobile and internet banking supported by our state of the art core banking solution is moving towards an omni-channel digital experience, which has also prompted some technological initiatives that are unique and innovative. BoC expanding its relationship purview with a network of 100 exchange houses and 758 correspondent banks scattered over all continents improved our inward remittances to LKR 360.0 billion.

With the core banking solution already well entrenched into the workings of the Bank, the digitization process is aimed at offering customers a best in class internet and mobile banking solution where seamless banking at their fingertips will be the norm. By revamping both our internet and mobile banking platforms, our customer profile has now expanded to include new age customers who are digitally savvy, preferring the use of technology for ease in banking rather than a human interface. Our bottom line also gained the advantage of this technology infusion given that it had considerable impact on reducing our cost of transaction and therefore our cost base. Our focus on Gen-X, Gen-Y and Gen-Z in our product development strategies as seen in the totally digitally driven BoC SmartGen next generation passbook free savings account launched this year is a good example of BoC's new focus on moving ahead with the times.

BoC's compliance culture is one built on unwavering accountability, uncompromising transparency and unrelenting focus. Adhering to regulatory diktats, the Bank's core capital and capital adequacy ratio is comfortably above the regulatory directive minimum of 5% and 10%, recorded at 9.1% and 13.1%.

The Bank's notable performance across all facets is inextricably linked to the remarkable transformation observed across our team, who have taken absolute ownership to ensure that BoC remains the Bankers to the Nation, as our vision denotes. There has been a palpable thirst for knowledge and a dire request for new-age training and development that will equip our team with the skills and competencies required to take BoC into its new chapter. There is a tangible increase in productivity levels prompted through enhanced training and development and the penetrating use of technology. In addition, succession planning was also flagged as an imperative. An extensive talent management process has been implemented to identify BoC's future leaders, encouraging the long term development of team members across different cadres. Driven by a specially appointed Talent Committee, multiple inputs examine

General Manager's Review

"The emphasis on growing export oriented industries as well as indigenous industry also augurs well for growing BoC's corporate portfolio."

each team member's potential with long term career progress aligned to the Bank's strategic priorities.

The Performance Management System (PMS) also introduced as a part of the HR development strategy, builds in standardized KPIs for each job role adding greater weightage for each to make it measurable, objective and quantitative and ensure greater fairness and standardization. With this incentivized landscape now well entrenched in the way we work, BoC introduced a "Century Scorecard" initiative across the branch network to collectively motivate branch teams using a business intelligence tool which reviews branch and province performance daily across a range of performance parameters. The result was that over 200 branches gained ample rewards during the course of 2015 for performance excellence, motivating the branch teams and augmenting customer service.

Working Through Changing Times

Being the Bankers to the Nation, it is understood that BoC becomes the spearhead in understanding challenges and identifying opportunities through those challenges to ensure that a positive impact is prompted for the nation. Now working in a new milieu where macro performance indicators are highly development oriented, foreign investment emphasized and economic and social sustainability is highlighted, BoC has already firmed the blueprint to exploit potential, while identifying challenges.

The accent on infrastructure development drawn on the lines of Sri Lanka becoming a hub for the region aligns well with the collaborations we continue to have with the state and large private and public sector enterprises engaged in numerous facets of large scale development. The emphasis on growing export oriented industries as well as indigenous industry also augurs well for growing BoC's corporate portfolio. Similarly, the emphasis by the Government on re-iterating SMEs as the backbone of development and pushing this sector to contribute significantly to the GDP is another factor that sits well with BoC's strategic priorities of increasing profitability and growth and the weight we have always induced on developing the country's SME portfolio.

The economic blueprint presented by the Government is well aligned with BoC's future quest of being an integral partner in the country's development agenda, where by using the expertise the Bank has garnered for nearly eight decades, the fillip we can add to this goal is significant.

Moving into a Transformed Future

Through our corporate plan we have set goals for ourselves, some of them ambitious but all achievable because we are confident that we have the technology and the people to meet these goals. Our entire ethos has been built on the two words of quality and excellence and our team is tasked with driving these two concepts into the very heart and soul of the Bank. By equipping our people, who now encompass an ideal mix of experienced banking specialists and dynamic young professionals, via skill and talent development aptly aided by world class technology, our quality of service, innovative mindset and continued imperative to raise the bar has become an everyday occurrence. Our people have thus imbibed quality and excellence unequivocally into the very fabric of the Bank and are continuing to do it, as evidenced in the results we have posted this year. This is both in terms of numbers and in terms of how our stakeholders perceive us, given the best practices and technological advancements we have imbued.

This is what saw us proudly hold aloft a number of accolades in 2015, some of them repeated many times over. These awards applaud us for our governance, accountability, sustainability and transparency.

Through our corporate plan we have set goals for ourselves, some of them ambitious but all achievable because we are confident that we have the technology and the people to meet these goals. Our entire ethos has been built on the two words of quality and excellence and our team is tasked with driving these two concepts into the very heart and soul of the Bank.

The fact that international entities like "The Banker" and "The Asian Banker" have recognized us as being the strongest bank and given us country rankings of No 1, the fact that our Annual Report has collated laurels displaying our commitment to best reporting and compliance practices from Institute of Chartered Accountants of Sri Lanka, the South Asian Federation of Accountants and the League of American Communication Professionals and that we have gained kudos from the National Chamber of Commerce and Industry with repeated National Business Excellence Awards all denote our leadership prowess. Our national ratings have remained consistent as well.

However, while accolades do reiterate our leadership status, our focus on that continually improving bar of excellence is mandatory. Our goal is to improve each year and hence, every measurement and parameter is analysed to give us a better understanding of the gaps and weaknesses. It is these that are focused upon to strengthen our next step, so that the standards expected of the Bank will be on a continuous upward trajectory.

From an industry perspective, we are moving into challenging times, where competition is rife and margins are thin. BoC however has made the change and is prepared for these challenges, working with other banks to improve and develop the industry, shifting from the price war paradigm to a more quality service oriented battlefield built on excellence. We are the leaders and it is we who can take on mantle and show the industry the path to be trod.

Acknowledgements

The journey of change continues to be exciting. But it is a journey that continuously needs the support of our stakeholders because the change we envisage is one that embraces the entirety of the banking sector and not just BoC. My appreciation to all our customers who have been the catalyst for this change, prompting us to continually raise the bar and reach for excellence. Our team, led by a professional highly driven management team, has been the truss that has taken the full weight of this revolutionary change upon their shoulders and are driving it with immense force. You are truly a winning team who take on challenges passionately and are enthusiastic about being No 1.

My sincere thanks are extended to the Chairman and Board of Directors who continue to have immense confidence in me and my ability to spearhead the Bank through this transformational phase. Their constant guidance and counsel is truly appreciated. I would also like to place on record my gratitude to the Secretary to the Treasury, Governor and officials of the Central Bank of Sri Lanka, officials of Ministry of Finance and Ministry of Public Enterprise Development and the Auditor General who have proactively engaged with us throughout and enabled us to be the Bankers to the Nation that we proudly uphold as a title we have truly earned. I also thank our unions who worked collaboratively with us throughout the year in taking the Bank to this height.

As we move into a new year, I reiterate that our leadership standing now has more connotations than ever before. We can no longer be satisfied with being Bankers to the Nation because we have now reached that vision and fulfilled our mandate to the nation. It is now time to move outwards, to look beyond our shores and build on this brand that has truly become symbolic of benchmarked leadership. This is where change is taking us and this is where we will map our future journey.



D M Gunasekara
General Manager

21 March 2016
Colombo

The Board of Directors



Left to right

Ms Janaki Senanayake Siriwardane (Secretary to the Board/ Secretary, Bank of Ceylon), A P Kurumbalapitiya (Alternate Director to Non-Executive Ex officio Director), H P Ajith Gunawardana (Independent Non-Executive Director), Ronald C Perera PC (Chairman, Independent Non-Executive Director)



Left to right

Sanjaya Padmaperuma (Independent Non-Executive Director), Ms Pushpa Wellappili (Non-Executive Ex officio Director), Ranel T Wijesinha (Independent Non-Executive Director), Charitha N Wijewardane (Independent Non-Executive Director)

Board of Directors

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 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 specialized in Commercial Law, Banking Law, Industrial Law, Injunctions, Defamation, Election Petitions, Civil Appeals, Revision Applications, Writ Applications, and Fundamental Rights Cases. Additionally, 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. Director of Mireka Capital Land (Private) Limited and Mireka Homes (Private) Limited.

Previous appointments

He was a Director of Bank of Ceylon.

Ms Pushpa Wellappili

Non-Executive Ex officio Director

Skills and experience

Ms Wellappili is an Officer of the Sri Lanka Administrative Service and counts over 33 years of experience in management in the public sector.

She holds a Bachelor of Science (Hons) Degree in Mathematics and Statistics from the University of Jaffna, Bachelor of Laws (LLB) Degree from the Open University of Sri Lanka, Master's Degree in Law from the University of Colombo and a Postgraduate Diploma in Urban Development from the Institute of Housing and Urban Development Studies in Rotterdam, Netherlands.

Appointed to the Board

On 12 February 2015 as the Ex officio Director representing the Ministry of Finance.

Membership of Board Subcommittees

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

Current appointments

A Deputy Secretary to the Treasury of the Ministry of Finance. Director, on the Insurance Board of Sri Lanka and Chairperson of the Vehicle Emission Test Trust Fund.

Previous appointments

Was Additional Secretary to the President, Director General, Public Finance Department of the General Treasury, Director in the Ministry of Housing and Urban Development and Assistant Commissioner of Probation and Childcare Services. She was a Director on the Boards of Management of Sri Lanka Telecom, Sri Lanka Tea Board, Post Graduate Institute of Science, National Police Academy, Institute of Policy Studies and Sri Lanka Institute of Development Administration until end of 2014.

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, in 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, in post soviet nations in the Caucasus's such as Armenia, and Azerbaijan, and Infrastructure related Financial Management Assessments, Project Evaluation, Institutional Development and Capacity Building assessments, in the Kyrgyz Republic, Afghanistan and India. He has also performed assignments for the World Bank, UNESCAP, UNIDO, UNDP, IFAD, USAID, and the Friedrich Naumann Stiftung.

His experience in the Private Sector, includes serving the John Keells Holdings Group, PricewaterhouseCoopers and Deloitte in The Bahamas. Having trained at KPMG Sri Lanka, he commenced his post qualification career with John Keells, then worked overseas with Deloitte in Nassau, The Bahamas, and also established a new branch in Freeport Bahamas and served as its first Resident Manager. On his return to the country, he proposed the setting up of the first Business Development Division for the John Keells Holdings Group and functioned as Director Business Development, advising the Main Board on strategic redirection, corporate turnarounds, new project evaluation, privatisation related diagnoses and bidding, acquisitions and divestments. He was subsequently invited to the partnership of Coopers & Lybrand to revive and restructure the consulting and advisory services of the firm and served as a Partner and Head of Consulting and Financial Advisory Services of PricewaterhouseCoopers Sri Lanka, pursuant to the firm's global merger.

He is a Fellow of the Institute of Chartered Accountants of Sri Lanka, and a holder of a Masters 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 09 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, and is a long serving, Non Executive Director, of a Sri Lanka and Maldives based, hotel chain comprising 11 properties, owned and operated by John Keells Hotels, a public quoted company, where he served as Chairman of the Board Audit Committee, since 2005.

Previous appointments

Director, Hotels Colombo (1963) Limited, a subsidiary of the Bank; Partner and Head of Consulting of PricewaterhouseCoopers Sri Lanka; Director, Business Development, John Keells Holdings Group.

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; Post Graduate Institute of Management; Member, Main Committee, Ceylon Chamber of Commerce; Advisor, Federation of Chambers of Commerce; and Industry of Sri Lanka; 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.

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 sub-cultures. 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, Lanka Irion-Ore Mining and Smelting Company Limited, Lio Quartz Processing (Private) Limited, Emjay Group Holdings Company (Private) Limited and Global Facilitators (Private) Limited. He is currently into other areas of business involving agriculture, engineering , power generation and mineral industry.

Previous appointments

Was Country General Manager for IBM, Sri Lanka. Headed mass marketing programmes in IBM's Asia Pacific Group Head Quarters in Hong Kong and IBM ASEAM operations in Singapore. Based in Sydney, Australia, worked as Regional Manager at Lexmark International's, Asia Pacific operations 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 CEO 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, The Systems Workshop (Private) Limited (Maldives) and SAT Agro (Private) Limited.

Previous appointments

Was 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 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 05 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.

Previous appointments

Was a Director/ CEO of Janashakthi Securities Limited. Director of Kshatriya Holdings PLC, First Capital Holdings PLC, Kelsey Homes PLC and Kotmale Holdings PLC.

Mr A P Kurumbalapitiya

Alternate Director to Non-Executive Ex officio Director

Skills and experience

Mr Kurumbalapitiya has wide experience in the public sector and finance. He holds a Bachelor of Science (Public) Special Degree from the University of Sri Jayawardenepura, Higher National Diploma in Accountancy (HNDA) and Postgraduate Diploma in Accounting and Financial Management from the University of Sri Jayawardenepura. He is a Fellow member of the Institute of Public Finance Accountants of Sri Lanka and member of Certified Business Accountant, The Institute of Chartered Accountants of Sri Lanka.

Appointed to the Board

26 February 2015

Current appointments

He is the Director of Macro Accounts and Accrual Accounts, Department of State Accounts, Ministry of Finance.
He is the Chairman of the Lady Lochore Loan Fund and a Director of Lanka Sathosa Limited and Sri Lanka Atomic Energy Board.

Previous appointments

He has held the position of Deputy Director of the Department of Public Finance, Ministry of Finance.

Ms Janaki Senanayake Siriwardane

Secretary to the Board/Secretary Bank of Ceylon/Deputy General Manager
Attorney-at-Law, LLB, MBA

Corporate Management



Left to right seated

S M S C Jayasuriya, Ms Chandrani Jayaratne, W P Russel Fonseka, D M Gunasekara, Senarath Bandara, Ms Janaki Senanayake Siriwardane, D P K Gunasekara, Ms S H Ranawaka



Left to right standing

D N L Fernando, P M Liyanage, Dr Indunil Liyanage, K E D Sumanasiri, M M Luxaman Perera, S Hewavitharana, G L Palitha Jinasoma, G H Chandrasiri

Corporate Management

Mr D M Gunasekara

General Manager

Skills and Experience

Mr Gunasekara is a career banker with 32 years of diversified banking experience covering corporate and offshore banking, sales and channel management and international banking operations. Prior to his appointment 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.

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

He is a Non-Executive nominee Director on the Boards of BOC Travels (Private) Ltd, BOC Property Development & Management (Private) Limited, Property Development PLC, BOC Management & Support Services (Private) Limited, Bank of Ceylon (UK) Limited, Ceybank Holiday Homes (Private) Limited, Ceybank Asset Management Limited, Hotels Colombo (1963) Limited, Merchant Bank of Sri Lanka & Finance PLC, Institute of Bankers of Sri Lanka, Credit Information Bureau of Sri Lanka, Lanka Financial Services Bureau Limited, LankaClear (Private) Limited, Sri Lanka Banks' Association (Guarantee) Limited, The Financial Ombudsman Sri Lanka (Guarantee) Limited, Mireka Homes (Private) Limited and Mireka Capital Land (Private) Limited.

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 served at the London Branch from 1997 – 2000. He has made an important contribution through his services as a resource person of Bank's Central Training Institute and with the Institute of Bankers of Sri Lanka. He is also a Council Member of the Association of Professional Bankers and a Committee Member of the Asia-Pacific Rural Agricultural Credit Association (APRACA).

Mr Senarath Bandara

Deputy General Manager (Product and Development Banking)

Skills and Experience

Mr Bandara is a career banker counting over 26 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 and Masters of Business Administration from Postgraduate Institute of Management, University of Sri Jayewardenepura, Sri Lanka. He is also a Fellow Member of the Institute of Bankers of Sri Lanka.

Appointment to the Corporate Management

He has been a Deputy General Manager since March 2012 and his current portfolio includes Product Management, Islamic Financing, Development Banking, Electronic Banking and Card Payments.

Positions Held During the Year

He is a nominee Director of BoC to Regional Development Bank and an alternate Director of Ceybank Holiday Homes (Private) Limited.

Career Milestones

He joined as a Management Trainee to the Bank 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) before becoming the Chief Executive Officer of Bank of Ceylon (UK) Limited in 2011.

He has been very much part of the technology driven development projects of the Bank and provided leadership to core banking system upgrade in 2014/15 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, in the fields of credit and investment management.

Prior to joining the Bank, he served at the University of Kelaniya and Mahaweli Authority of Sri Lanka for nearly four years.

He is currently the Vice President of Association of Professional Bankers of Sri Lanka, the premier body of professional bankers in the country.

Mr W P Russel Fonseka

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

Skills and Experience

Mr Fonseka possesses over 26 years of hands on experience in banking operations with specialized knowledge in financial management and strategic planning.

Graduated from the University of Sri Jayewardenepura, Sri Lanka, with a Bachelor of Science (Special) Degree in Business Administration and holds a Postgraduate Diploma in Management from the Postgraduate Institute of Management, University of Sri Jayewardenepura, Sri Lanka and Masters of 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 was appointed as the Deputy General Manager (Finance and Planning) from April 2015. He served as the Acting Chief Financial Officer from 25 July 2014 and promoted as Chief Financial Officer on 2 March 2016 in addition to his duties as the Deputy General Manager (Finance and Planning). He has been a member of the Corporate Management of the Bank since 2012.

Positions Held During the Year

Mr Fonseka is the Chairman on the Board of Transnational Lanka Records Solutions (Private) Limited since November 2012. He has been serving as an alternate Director on the Board of Mireka Capital Land (Private) Limited since 2008 and also on the Board of Mireka Homes (Private) Limited. He has been appointed as a Director of Lanka Securities (Private) Limited from November 2015. 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 sub committee of LankaClear (Private) Limited since November 2012. He is an Alternate 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 and also as the Chairman of the Audit Committee of MBSL Insurance Company Limited.

Career Milestones

He joined the Bank in January 1990. Commenced his career with retail banking and then specialized 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.

He held the position of Deputy General Manager (Retail Banking) from May 2013 to April 2015.

Mr D P K Gunasekara

Deputy General Manager (Corporate and Off-Shore Banking)

Skills and Experience

Mr Gunasekera carries more than 36 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 Post Graduate Diploma in Business and Finance Administration from the Institute of Chartered Accountants of Sri Lanka. Mr Gunasekera is an Associate Member of the Institute of Bankers of Sri Lanka and he has also obtained Masters of Business Administration from the University of Southern Queensland, Australia.

Corporate Management

Appointment to the Corporate Management

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

Positions Held During the Year

He serves as a Director on the Boards of BOC Travels (Private) Limited, BOC Management and Support Services (Private) Limited and Hotels Colombo (1963) Limited.

Career Milestones

Mr Gunasekera 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 of 2000-2003 and as the Deputy Manager, Chennai branch from 2008-2010.

Mr Gunasekera 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 Bank of Ceylon dealing room. He was one of the pioneer members in setting up of middle office in the Bank of Ceylon Treasury Division. Mr Gunasekera also held the positions of Assistant General Manager (Overseas Branches) and Assistant General Manager (Corporate Relations) since October 2010.

Mr K E D Sumanasiri

Deputy General Manager (Recovery)

Skills and Experience

Mr Sumanasiri possesses 26 years of rich and diversified experience in retail banking, micro finance, 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. He is an Associate Member of the Institute of Bankers of Sri Lanka and also successfully completed the Special Management Course for Higher Management and Public Policy for Business Leaders conducted at the Post Graduate Institute of Management of University of Sri Jayewardenepura, Sri Lanka. He has also completed a Management Development Programme for Key Management Personnel.

Appointment to the Corporate Management

Appointed as the Deputy General Manager (Recovery) in May 2013. From April 2014 to February 2015, he served as the Deputy General Manager (Human Resources). He has been serving as the Deputy General Manager (Recovery) since February 2015.

Positions Held During the Year

Mr Sumanasiri was appointed as an Alternative 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 leading role in 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 29 years of service in Banking was in the domestic banking in the early part of his career and later specialized 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 Operation, 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, Ceybank Asset Management Limited and Property Development PLC. He is also an Alternate Director for BOC Property Development & Management (Private) Limited, Credit Information Bureau of Sri Lanka

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 maximizing foreign exchange income.

Mr Jayasuriya played a very active role in both USD 500 million international bond issues and was a member of the road show team. In addition, he played key roles in Debenture issues done by BoC to enhance the Tier II Capital and Debenture issue of Urban Development Authority. He had used his relationship with international banks to mobilize a substantial amount of funding through several 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.

He was a member of the Executive Management since November 2009. He held the position of Assistant General Manager (Treasury) and Assistant General Manager (Investment Banking) prior to his 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 H Chandrasiri

Deputy General Manager (Human Resource)

Skills and Experience

Mr Chandrasiri has over 29 years of experience in banking operations with emphasis on human resource operations, domestic banking, procurement, training and development etc. He has hands on experience of the DGM areas of Support Services and Human Resources.

He is an Associate Member of the Institute of Bankers of Sri Lanka and also obtained a Postgraduate Executive Diploma in Bank Management from the same institute. He graduated from the University of Sri Jayewardenapura, Sri Lanka with a (Special) Degree in Commerce and holds Higher National Diploma in Accountancy from the Sri Lanka Technical College and Higher National Diploma in Management from the Open University of Sri Lanka. He is also a licentiate of the Institute of Chartered Accountants of Sri Lanka.

He imparts knowledge by lecturing at the Central Training Institute, Maharagama for induction programmes for all grades of staff.

Appointment to the Corporate Management

He was appointed as Deputy General Manager (Support Services) in September, 2013 and presently serves as Deputy General Manager (Human Resource).

Career Milestones

He joined the Bank in October 1986. He commenced his career from Ballaketuwa Agriculture Service Centre. Whilst acquiring wide experience in domestic banking, he also served in Lebanon as a BoC representative in 1993/1994. Prior to his appointment to the Corporate Management, he held the positions of Assistant General Manager (Business Process Re-Engineering Project) and Assistant General Manager (Uva Province).

Before joining the Bank he worked in the Department of Immigration and Emigration. He also served in the National Paper Corporation and Mahaweli Engineering and Consultancy Bureau as an Accountant.

Corporate Management

Mr G L Palitha Jinasoma

Deputy General Manager (Sales and Channel Management)

Skills and Experience

Mr Jinasoma has over 32 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, specializing 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 recognized 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

He was appointed as the Deputy General Manager (Sales and Channel Management) in June 2014.

Positions Held During the Year

Mr Jinasoma serves as a Director on the Board of BOC Travels (Private) Limited.

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 Male branch, Maldives and obtained an excellent exposure in credit management.

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).

Mrs Chandrani Jayaratne

Deputy General Manager (Retail Banking)

Skills and Experience

Mrs Jayaratne joined the Bank's service in 1981 as a Management Trainee, graduated from the University of Sri Jayewardenepura, Sri Lanka with a Special Degree in Estate Management & Valuation. She is a career banker with 34 years of diversified banking experience. She has played a dynamic role in various positions having vast experience in different business operations in the Bank. She was appointed as the Coordinator to the Chairman, Bank of Ceylon and Assistant General Manager (Customer Relations) in 2011.

She played a vital role as the Assistant General Manager, Pettah Supra Grade Branch contributing immensely towards the financial hub of the country, which is mainly based on dealing with import and export activities, from September 2011 to March 2015.

She is a Life Member of the Association of Professional Bankers of Sri Lanka, and also a Life Member of Clearing Association of Sri Lanka. She has successfully completed the Management Development Programme for Key Managers conducted by the Post Graduate Institute of Management, University of Sri Jayewardenepura, Sri Lanka. She is also a Certified Member of the International Professional Managers Association.

Mrs Jayaratne served as a Director of Transnational Lanka Records Solutions (Private) Limited, an associate of Bank of Ceylon, from 2010 to 2011, and also a Director of Merchant Credit of Sri Lanka Financial Services (Private) Limited, a subsidiary of Bank of Ceylon from September 2011 to December 2014.

Appointment to the Corporate Management

She was appointed as the Deputy General Manager (Retail Banking) in April 2015.

Positions Held During the Year

She holds the position of President of Bank of Ceylon Sewa Vanitha Unit at present and contributes immensely towards the corporate social responsibility through the Unit.

Career Milestones

Mrs Jayaratne provides leadership to the Retail Banking Division which offers a broad range of deposits and lending products and services to the retail sector of the market. She oversees the entire retail network, and

liaises with the Provincial Assistant General Managers that lead the ten administrative Provinces, in order for the disbursement of quality advances and guide them for any matter related to branch network ensuring the smooth functioning of branches.

Mr S Hewavitharana

Deputy General Manager (Support Services)

Skills and Experience

Mr Hewavitharana is a career banker counting 34 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.

Career Milestones

Having joined the Bank in 1981, 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 persons during the period. He had taken initiative in establishing the Premier Branch at Flower Road and served as the first Chief Manager to the same. He also served in BoC Chennai branch as a Deputy Manager and obtained an exposure in international banking and corporate banking. He initiated conversion of core banking system of BoC Chennai into parent Bank ICBS system.

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

Ms S H Ranawaka

Chief Legal Officer

Skills and Experience

Ms Ranawaka counts over 29 years of experience in the Bank alone and over 35 years of experience in the legal field covering all the aspects of legal practices.

She holds a Masters Degree in International Trade Law awarded by the University of Wales and Post Attorney Diplomas in Banking and Insurance Laws and International Trade Law awarded by the Sri Lanka Law College.

Appointment to the Corporate Management

She was appointed as the Chief Legal Officer of Bank of Ceylon in April 2012.

Positions Held During the Year

She was a Director of BOC Property Development & Management (Private) Limited, a subsidiary of the Bank and an Alternate Director on the Board of Mireka Capital Land (Private) Limited from 2012 to March 2015. She is an Associate Faculty Member of the Central Training Institute of the Bank.

Career Milestones

Ms Ranawaka is an Attorney-at-Law by profession and started her career in the Galle Bar in 1980 and joined Bank of Ceylon, Legal Department in June 1986. She is a member of the Bar Association of Sri Lanka and the President of the Corporate Lawyers Association of Sri Lanka.

Ms Janaki Senanayake Siriwardane

Secretary to the Board/ Secretary, Bank of Ceylon

Skills and Experience

Counting over 18 years of experience in the Bank, Ms Siriwardane specializes 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 Masters Degree in Business Administration from the University of Colombo, Sri Lanka.

Appointment to the Corporate Management

Ms Siriwardane was elevated to the grade of Deputy General Manager 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 of Ceylon in January 1996 as its Assistant Secretary to the Board. She was appointed as Secretary to the Board / Secretary, Bank of Ceylon in December 2005.

Corporate Management

In addition to her work as the Secretary to the Board/Secretary, Bank of Ceylon, 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 HR 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 30 years of experience in the Bank 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.

Prior to his appointment as the Chief Risk Officer, he held the position of Chief Executive Officer for 3 years at Bank of Ceylon (UK) Limited, the only overseas subsidiary of the Bank. He is in the alumni of the University of Colombo as a Bachelor of Science Graduate in Mathematics stream. He is also an Associate Member of the Institute of Bankers of Sri Lanka.

Appointment to the Corporate Management

Mr Fernando was appointed Deputy General Manager in December, 2015 and designated as the Chief Risk Officer from January 2016.

Positions held during the year

He was the Chief Executive Officer of Bank of Ceylon (UK) Limited, and also served in the directorate of Bank of Ceylon (UK) Limited, as an authorized person to perform Significantly Influenced Functions (SIF) in a UK Bank, as approved by PRA/FCA, the regulatory arm of Bank of England, UK.

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 3 years in then Karachi branch of Bank of Ceylon in Pakistan. He was also the Assistant General Manager in-charge of Western Province South, for 4 years before taking up the position of Chief Executive Officer of Bank of Ceylon (UK) Limited in December 2012.

Mr M M Luxaman Perera

Head of IT

Skills and Experience

Counting over 30 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 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 IT in August 2013.

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 IT (Application Systems).

He has also served at the Standard Bank of South Africa during the period from 1996 to 1997.

Dr Indunil Liyanage

Chief Marketing Officer

Skills and Experience

Having served for many organizations in the field of marketing since 1989, Dr Indunil Liyanage counts over 26 years of experience in financial services industry, fast moving consumer goods (FMCG), electronics and agriculture sectors in Sri Lanka.

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.

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 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 organizations 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 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 an Associate Member of the Institute of Chartered Accountants of Sri Lanka with 16 years of post-qualified experience.

He holds a Bachelor of Science Accountancy and Financial Management (Special) Degree 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 & Finance (PLC) Limited, and Pan Asia Bank in the same capacity. Mr Liyanage has served Bank of Ceylon in Assistant General Manager grade during the period 2006 – 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.

Executive Management



D M L C Kumara
Assistant General Manager
- Accounting and Tax



D K N Piyasoma
Assistant General Manager
- Southern Province



R M Haputhanthri
Assistant General Manager
- Overseas Branches



H S Jayawardana
Assistant General Manager
- Consumer Product Management



W C K Wickramarachchi
Assistant General Manager
- Branch Credit



J M D B Jayasundera
Assistant General Manager
- Credit Audit



C Amarasinghe
Assistant General Manager
- Offshore Banking



K P Anandanadesan
Assistant General Manager
- Marketing



Ms W I Hettihewa
Assistant General Manager
- Administrative Services



M T M Jalaldeen
Assistant General Manager
- Organization Transformation Project



M J P Salgado
Assistant General Manager
- Province Sales Management



W A C Tissera
Assistant General Manager
- Product and Development Banking



D M L B Dassanayake
Country Manager
- Male



S M W Samarakoon
Assistant General Manager
- International



R M D V Jayabahu
Assistant General Manager
- Budget, Strategic Planning and MIS



G H Wickremasinghe
Assistant General Manager
- Treasury Back Office



G A Jayashantha
Assistant General Manager
- Risk Management



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 Jayarathne
Assistant General Manager
- North Western Province



T A D Kularatne
Country Manager
- Seychelles



D S Muthukudaarachchi
Assistant General Manager
- Corporate Relations



B Nanthakumar
Assistant General Manager
- Recovery Provinces

Executive Management



D R L Perera
Assistant General Manager
- Recovery Corporate



Y P Warnasekara
Assistant General Manager
- Human Resource Operations



W N I B S M Fernando
Assistant General Manager
- Western Province South



W Y Bandula
Assistant General Manager
- Investment Operations



Y A Jayathilaka
Assistant General Manager
- Business Process Re-engineering



A R F John Pulle
Chief Executive Officer
- Bank of Ceylon (UK) Ltd



D G Madurapala
Assistant General Manager
- Pettah Branch



V S Wickramarachchie
Assistant General Manager
- Treasury



G R De Silva
Assistant General Manager
- Trade Services



M D Chandrasena
Assistant General Manager
- Investigations



W W R W M Cyril Bandara
Assistant General Manager
– Eastern Province



H M M B Herath
Assistant General Manager
- Sabaragamuwa Province



S N Manikkasinghe
Assistant General Manager
- Northern Province



Ms W B P Ratnayake
Assistant General Manager
- Western Province North



P D R Mahanama
Assistant General Manager
- North Central Province



M M Nimal Ananda
Assistant General Manager
- Information Systems Audit



Q Pathiranage
Assistant General Manager
- Superannuation Schemes



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)



Ms H M C M Maldeni
Assistant Director - IT
(Application Systems)



Ms D Kitulgoda
Deputy Chief Legal Officer
- International and
Investment Banking



Ms G Jayasinghe
Deputy Chief Legal Officer
- Credit



Ms M D Munasinghe
Deputy Chief Legal Officer
- Recovery

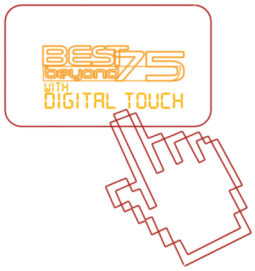


Chaaminda D Kumarasiri
Financial Controller

Creating Value Through Our Business Model

Our business model is simple; it is constructed upon our vision of being Bankers to the Nation and is now well entrenched within the new Corporate Plan which we launched in 2015 for a period of three years. Having reached a milestone of 75 years in the banking industry, our ethos was to continue being the best.

As is practice, the Corporate Plan is assessed annually against goals and validity detailed within its structure. In 2016 therefore, having re-assessed the Plan against the objectives and goals set for the end of 2015, it was revised to ensure that the Bank addressed the transformations, macro paradigms and emerging trends that will have an impact on the Bank's short, medium and long term goals. The Bank's transformation programme constructed on the platform of being a digitally driven bank was also further entrenched and the new slogan, 'BEST beyond 75 with digital touch' was declared as the ethos to drive the Bank ahead. Remaining with the acronym for the word BEST, comprising Business Excellence, Exceed Expectation and Speedy Delivery, it's the final T that collated the Bank's ultimate heritage and legacy to transform into Timeless Trust.



Our Purpose

By being the Bankers to the Nation, our purpose is to ensure that the economic value we create is inclusive and equitable; by making sure that we reach the furthest corners of the country and are readily accessible to our citizenry overseas as well, and in being a true partner to the sustained prosperity of each of our stakeholders, BoC is unequivocally committed to absolute financial inclusion and total wealth creation across our multiple stakeholders, all of who have been an integral facet in our success.

Our Positioning

Ever since our inception, for over seven decades now, we have striven to meet stakeholder expectations. Judging by the benchmarks and milestones we have achieved and continue to notch, we have undoubtedly exceeded those expectations. As pioneers we have etched industry firsts, as spearheads we have created benchmarks and as a nation's leader, we affirm a dominance in all key performance areas that remains unmatched.

Accounts for 23% of banking sector assets

Deposit base surpassed LKR one trillion while stamping domestic market share in

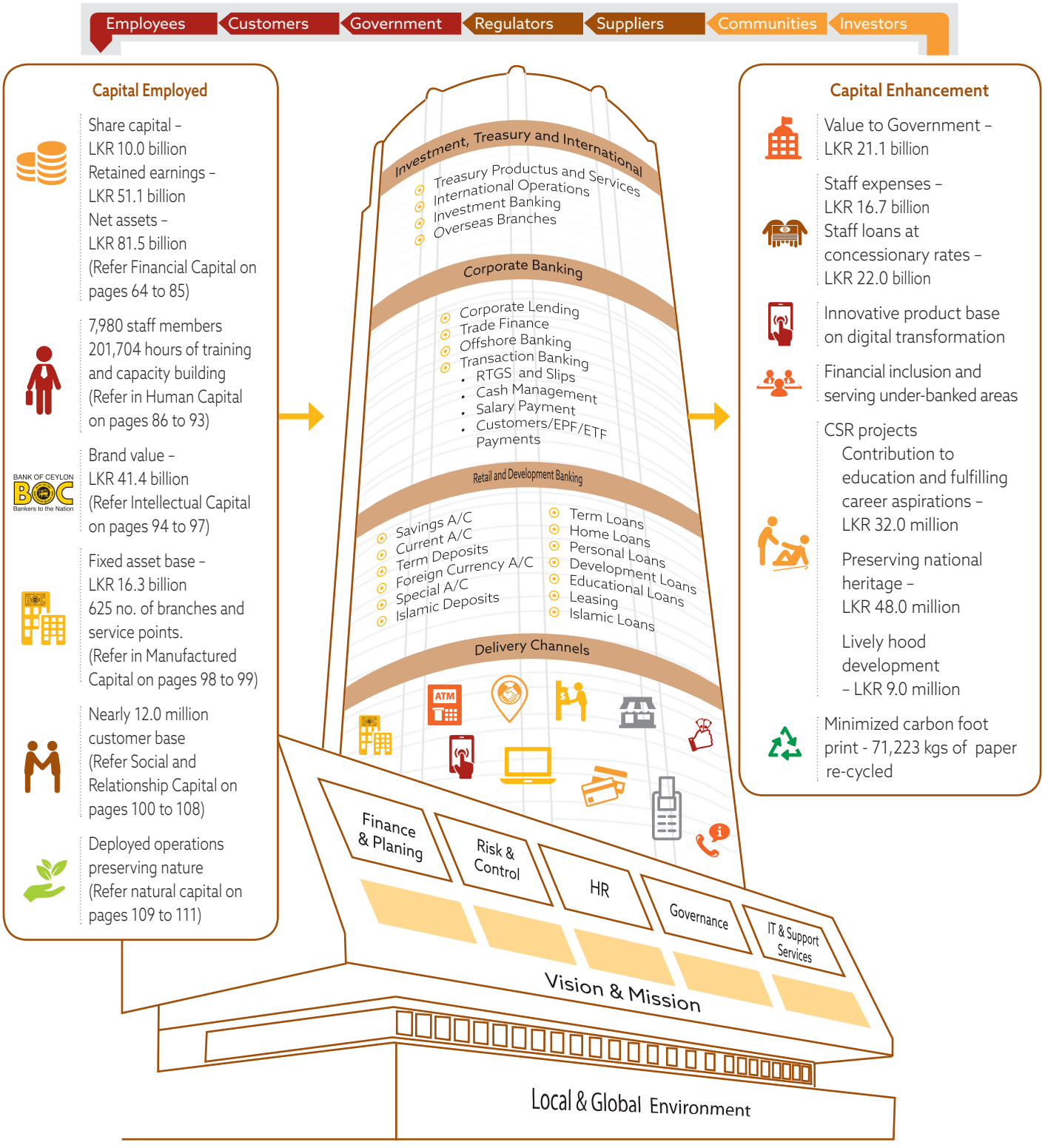
- Savings deposits 22%
- Demand deposits 29%
- Term deposits 19%
- NRFC deposits 34%

Domestic loans and advances 20%

Inward remittances 42%

Our Key Differentiators

- The undisputed leader in banking with 100% state ownership
- Multiple award winner at both local and international level
- Among the top 1,000 banks in the world
- Highest rating awarded to any Sri Lankan commercial bank
- No 1 Brand in Sri Lanka for eight consecutive years
- Consistent financial results showcasing extraordinary resilience, stability and strategic thought processes
- A team committed to customer service excellence
- Unprecedented accessibility and reach through 1,200 touch points
- Global accessibility via over 800 destinations
- A customer base of nearly 12 million
- Unmatched product portfolio built on innovation
- Impeccable governance framework

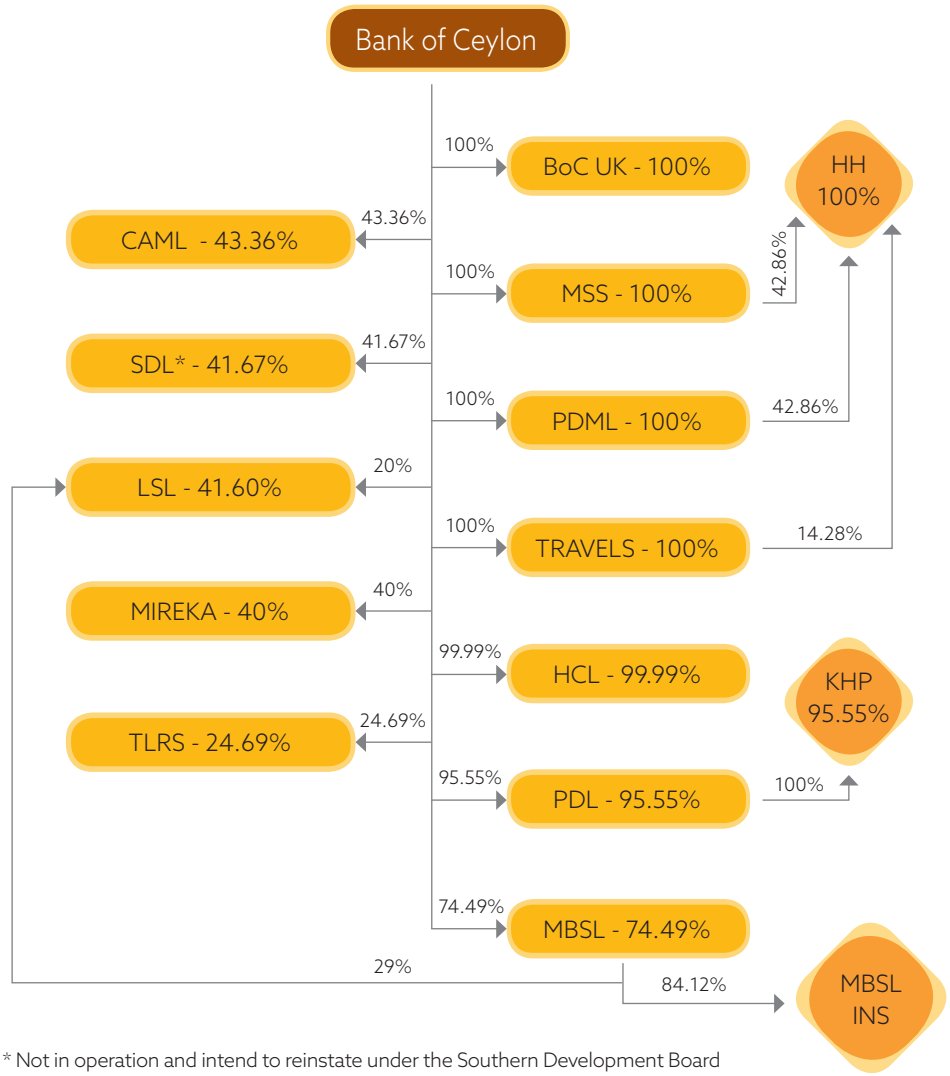

Employees
Customers
Government
Regulators
Suppliers
Communities
Investors
Capital Employed
Share capital – LKR 10.0 billion
Retained earnings – LKR 51.1 billion
Net assets – LKR 81.5 billion
(Refer Financial Capital on pages 64 to 85)
7,980 staff members
201,704 hours of training and capacity building
(Refer in Human Capital on pages 86 to 93)
Brand value – LKR 41.4 billion
(Refer Intellectual Capital on pages 94 to 97)
Fixed asset base – LKR 16.3 billion
625 no. of branches and service points.
(Refer in Manufactured Capital on pages 98 to 99)
Nearly 12.0 million customer base
(Refer Social and Relationship Capital on pages 100 to 108)
Deployed operations preserving nature
(Refer natural capital on pages 109 to 111)
Investment, Treasury and International
Treasury Productus and Services
International Operations
Investment Banking
Overseas Branches
Corporate Banking
Corporate Lending
Trade Finance
Offshore Banking
Transaction Banking
RTGS and Slips
Cash Management
Salary Payment
Customers/EPF/ETF Payments
Retail and Development Banking
Savings A/C
Current A/C
Term Deposits
Foreign Currency A/C
Special A/C
Islamic Deposits
Term Loans
Home Loans
Personal Loans
Development Loans
Educational Loans
Leasing
Islamic Loans
Delivery Channels
ATM
Finance & Planing
Risk & Control
HR
Governance
IT & Support Services
Vision & Mission
Local & Global Environment
Capital Enhancement
Value to Government – LKR 21.1 billion
Staff expenses – LKR 16.7 billion
Staff loans at concessionary rates – LKR 22.0 billion
Innovative product base on digital transformation
Financial inclusion and serving under-banked areas
CSR projects
Contribution to education and fulfilling career aspirations – LKR 32.0 million
Preserving national heritage – LKR 48.0 million
Lively hood development – LKR 9.0 million
Minimized carbon foot print - 71,223 kgs of paper re-cycled

Group Structure

BoC's stance as Bankers to the Nation has taken on new dimensions in these seven decades with the collation of a pragmatic group of subsidiaries and associates, designed to give further credence to this title. Under the umbrella of the BoC Group, ten subsidiaries and five associate companies are currently in operation as of 31 December 2015, of which five are fully owned subsidiaries.

The contribution by Group companies to total assets is 3%. MBSL Savings Bank Limited and MCSL Financial Services Limited merged with the Merchant Bank of Sri Lanka Finance PLC on the 01 January 2015.

In continuing to instil best practice through prudent governance and risk management frameworks, the Bank monitors subsidiary performance via a comprehensive annual Subsidiary Performance Review. The Bank is represented on most of the Boards of Directors of these subsidiaries and associate companies to ensure that the Bank's interests are looked after and that the Bank's stringent monitoring practices are adhered to, while policy and strategy remains aligned to the macro vision and objectives.



* Not in operation and intend to reinstate under the Southern Development Board which is expected to be established by the Ministry of Southern Development.

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 INS - MBSL Insurance Company Limited
9. KHP - Koladeniya Hydropower (Private) Limited
10. BOC UK - Bank of Ceylon (UK) Limited

ASSOCIATES

11. CAML - Ceybank Asset Management Limited
12. SDL - Southern Development Financial Company Limited
13. LSL - Lanka Securities (Private) Limited
14. MIREKA - Mireka Capital Land (Private) Limited
15. TLRS - Transnational Lanka Records Solutions (Private) Limited

Capital Management Report

In Taking Charge of Change, BoC is eager to elevate value for our stakeholders. By comprehensively elaborating on the capitals available to us and reporting on its increase, decrease or transformation as a result of our value added activities, we are consciously maintaining the momentum to elevate stakeholder value. Sustainable development requires a balance between economic progress, social advances and environmental protection, which we strongly believe is the foundation of value creation. By drawing from our multiple capitals and resources, recognizing that these are inextricably intertwined to form a competitive strategy in this balance, this multiple capitals approach enables us to not only evaluate how this connectivity and interdependence impacts value creation, but also our ability to mitigate risks, adapt to change and interact with shifting paradigms.

Elevating Value for Our stakeholders

We are committed on

Business Excellence
Exceeding Customer Expectations
Speedy Delivery
Timeless Trust

In addition, given our unique customer-centric culture, our growth oriented strategy that integrates sustainability throughout our business, enables us to maintain our leadership stance by strengthening our capitals in all dynamics and instituting an unwavering mindset to take charge of change.

Our Long Term Goals

Our mission, goals and strategic priorities are driven by the ultimate vision of being Bankers to the Nation. Besides those goals and objectives detailed in our Corporate Plan and the transformation programme from which the Plan took its founding guidance, BoC has also mapped long term goals that enable us to create value for our stakeholders and focus on business issues that are pertinent for the sustainable running of our business.

- Spearhead the banking industry to become a hub in South Asia
- With inclusivity as the goal, ensure that banking is accessible via multiple forms and channels
- Champion a highly specialized team whose training and learning abilities are above par
- Spur savings and investments to be an imperative truss in national development objectives
- Client centred innovation to continue driving product solutions
- Financial inclusivity and social empowerment remain imperatives to overall growth
- Sustainable knowledge gain forms the crux of educating future generations
- Reduce carbon footprint through astute cost and energy management

Operating Environment

In order to be a sustainable bank over the long term, we must be cognizant of the socio-economic context in which we operate. Our business, present and future depends much on the factors that impact global and local economy and industry. We also believe, that our business prospects are highly inter-dependent on the development and improvement of society.

How the global economy fared

With BoC now having set our focus on etching a presence regionally given the strategic expansion we have been fuelling into our vision, it is imperative that we are cognizant of the trends emerging from a global perspective. This means that we must be mindful of the paradigms of both developed and emerging economies. The fact that global growth fell short of expectations yet again, decelerating to 2.4% compared to 2.6% in 2014 is not however a cause for concern as all indicators point towards better performance from the next year on. The slowdown this year is primarily reflected in the continued growth deceleration experienced in emerging and developing economies amid post-crisis lows in commodity prices, weaker capital flows and subdued global trade. Currency pressures have increased while domestic challenges have intensified, with elevated private sector debt, slowing credit, and weaker productivity growth. Prospects of rising borrowing costs combined with lingering vulnerabilities in some countries could heighten the risk of financial market turbulence. Further growth disappointments in major emerging economies could disproportionately affect other developing countries.

The recovery in major high-income countries gained traction last year, increasingly driven by stronger domestic demand, particularly in the United States, where employment conditions are robust. In the Euro area, credit growth is showing signs of picking up and unemployment is declining, supported by strengthening domestic demand and exports. However, recovery remains fragile in Japan despite substantial policy stimulus, with private consumption and investment failing to pick up in 2015. The growth slowdown in China has been most noticeable among enterprises operating in the manufacturing and real estate sectors. Observing the main global economic drivers, rebalancing in China is continuing accompanying a growth slowdown, while Brazil and Russia have been going through severe adjustments in the face of external and domestic challenges. According to the World Bank's Quarterly Economic Brief, the five years of war in Syria and spillovers to neighbouring countries has seen considerable drop in output around the world with unemployment high among refugees and continued conflict and violence reversing the trajectories in the key indicators of education, health, poverty and economic progress. Besides the fears about China, oil prices plummeting to historic twelve year lows too has seen world stock markets plunge, with fears that the Middle East crisis which has now stretched from the Arabian Gulf to Wall Street will only exacerbate this year too.

Growth estimates for more than half of the developing countries were further downgraded with disappointments concentrated in Latin America and, to a lesser degree, Sub-Saharan Africa, where a number of commodity exporters are struggling to maintain growth. However, in the orbit of developing nations, South Asia, which has reflected reduced macroeconomic vulnerabilities and reflecting off the domestic policy reforms in India is a notable exception, showing better performance than its global counterparts. Growth in low income countries generally remained robust in 2015.

The Global Economy from 2016

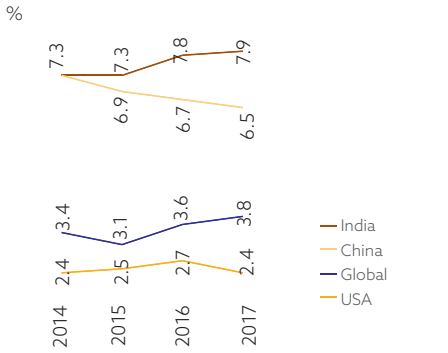
With recovery of the economy now being tangible, the global GDP is due to edge upwards to 3.6%, led by rebounds from hard hit emerging markets, primarily India and China and marginal improvements to be seen in Europe and Japan. There will also be much more employment generated with commerce gaining momentum, with the US and UK enjoying the fruits of this result.

"With Sri Lanka's primary foreign exchange earners including tourism, apparel, foreign employment and agriculture heavily reliant on both developed and emerging economies, the resurgence in these economies is a welcome feature for our economic prospects."

% Change YoY (GDP Growth)	2015	2016 Forecast
World	3.1	3.6
Developed Markets	1.6	2.1
Emerging Markets	3.7	4.2

Source : World Bank

Real GDP Growth Forecast



Source : World Bank

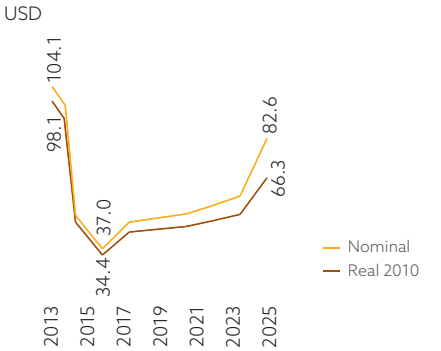
However, in looking at 2016, the World Bank predicts a more protracted slowdown across large emerging markets which could have substantial spillovers to other developing economies like ours, which would have a cascading impact of holding back recovery in advanced economies. This broad based slowdown across developing countries could also pose a threat to the hard won gains in raising people out of poverty. 40% of the world's poor live in developing countries where growth slowed in 2015. This could have a permeating impact on Sri Lanka too. The country has renewed its focus on forging and strengthening its micro and SME base as a means of lifting the almost 40% of the population that live close to the 'Near Poverty Line' measurement as declared by the World Bank.

Headline inflation is expected to increase across developed markets, bringing core inflation closer to target. Efficient labour and recovering oil prices will reduce deflation premiums in US interest rates and inflation. Central banks in emerging markets will have to astutely balance inflation and growth, a paradigm which the Central Bank of Sri Lanka has been focusing on considerably, aligning this with the ambitious development plans in the pipeline.

It is believed that the US Federal Reserve's monetary tightening policy will have more impacts than envisaged. However, as the World Economic Outlook details, despite the US being open about this tightening and the cascading impacts it will have the rest of the world, the European Central Bank and Bank of Japan will not be too inclined to take aggressive action to alleviate or mitigate the impacts this tightening would have.

With oil prices being at an all time low, the near-term risks for oil prices are expected to drop further as oil inventories reach storage limits. Oil demand is expected to reach 94.2 million barrels per day.

Crude Oil, Price per Barrel



Source : World Bank

What this means for BoC

With Sri Lanka's primary foreign exchange earners including tourism, apparel, foreign employment and agriculture heavily reliant on both developed and emerging economies, the resurgence in these economies is a welcome feature for our economic prospects. For BoC which is well entrenched in these industries and also in spurring entrepreneurial, microfinance and SMEs in sectors that have export potential, the economic impacts are significant and will certainly pave the way for better bottom line performance. Declining oil prices too will continue to impact industry which in turn will spur more development prospects for the industries that BoC is involved in.

BoC's unswerving focus on poverty alleviation through sustainable development is well aligned to the meeting of sustainable development goals earmarked by the United Nations,

Operating Environment

pushing those living below the poverty line into the next realm and beyond. The assistance granted to micro entrepreneurs and the proactive engagement in inculcating a savings culture remains paramount to this endeavour and a facet that BoC intends to be very engaged in.

Managing inflation and the exchange rate is a priority for Sri Lanka too, given the trends emerging in developed markets specifically which naturally permeate to trade and commerce across the globe. BoC continues to watch both these trends vigilantly given the cascading impact they have on the Bank's bottom line performance.

How Sri Lanka's Economy Fared

Given below are some salient features observed within Sri Lanka's economic performance and its materiality and relevance to the Bank's performance and impact on it.

Macro Performance

Sri Lanka's GDP was at 4.8% for 2015 under the revised GDP calculation process, marginally behind 4.9% reported in 2014. It reported 5.5%, 3.0% and 5.3% growth rates respectively for Agriculture, Industries and Services activities for 2015.

Growth reported in the agricultural sector was mainly due to improved rice and vegetable harvests, which compensated for the slight drop experienced in tea and marine fishing. Furthermore, animal production and fruits including coconut, reported favourable results.

Among the industrial activities, the sub activities of food, beverages and tobacco, rubber products, furniture and electricity contributed with a higher share, while both mining and construction activities reported a slight decline over last year.

During 2015, the services sector performance was underpinned especially by the sub activities of IT programming, consultancy and related activities, financial services and real estate, which reported significantly higher growth rates compared to the previous year.

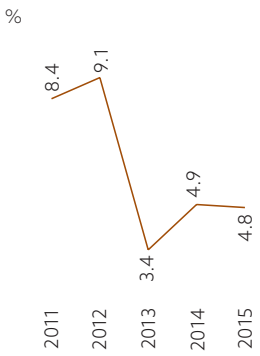
Tourism in the meanwhile continued its successful course, exceeding expectations to welcome 1.8 million arrivals and a growth of 17.8% for the year.

The estimated employment population in Sri Lanka is 8.5 million as estimated in the 3Q 2015 by the Department of Census and Statistics. The estimated economically active population is 9 million encompassing 64.5% males and 35.5% females. From the total employment population, 45.5% are engaged in service sector, 27.2% in the industrial sector and 27.4% in agricultural sector. Estimated unemployment rate is 5% for this period.

Rating agency Moody's stated that Sri Lanka's continued high fiscal deficit is credit negative. The agency retained Sri Lanka's sovereign rating at B1 Stable, although both Fitch Ratings and Standard & Poor's (S&P) downgraded Sri Lanka's outlook. Fitch pushed the credit rating down by a notch to B+ with a negative outlook based on the country's mounting debt, depleted foreign exchange reserves and evidence of capital flight, signalling that Sri Lanka's sovereign debt is now riskier, making borrowing from international markets more expansive. S&P downgraded the country's long term foreign currency sovereign credit rating from B+ stable to B+ Negative outlook based on similar findings as those of Fitch.

Sri Lanka's deficits have reduced from a peak of 9.9% of GDP to 7.2%, the latter exceeding its original revised target of 6.2%. The Government reasons that heavy expenditure on contractual payments for infrastructure projects in prior years triggered the incline. The targeted fiscal deficit for 2016 is 5.9% of GDP, underpinned by plans to increase spend on education, health and infrastructure. While this would enhance growth prospects, on the converse it would further delay fiscal consolidation and add to the already high debt.

GDP Growth Rate (Base year 2010)



Source : Department of Census and Statistics

What this Means for BoC

The upward trajectories in key sectors are echoed in the successful business partnerships we have forged this year. The portfolios we possess in agricultural products, tourism and infrastructure development have all seen positive growth. The Government has also begun focusing on renewable energy projects adding further fillip to BoC's emphasis on funding projects in this arena.

BoC observes the unemployment rate of 5% as being an opportunity that can be used to encourage more to be employed, fuelling entrepreneurs and developing existing and emerging industries, while inspiring new industries.

The launch of various entrepreneurship, learning and development programmes have been some features that will help in this regard. Overall, BoC's bottom line reflects the upward trajectory seen in the country's GDP growth.

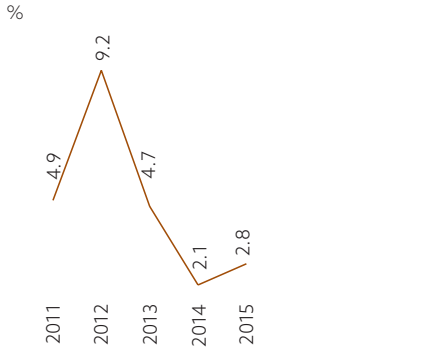
Monetary Policy, Money Supply, Inflation and Exchange Rate

Broad money supply continued to expand at a rate of 17.2% in November 2015 compared to 17.0% recorded in the previous month. Due to this reason, credit granted to the private sector in November 2015 by the banking system increased by 27.0% YoY, compared to 26.3% in the previous month. Meanwhile, excess liquidity in the domestic money market continues to remain high, fuelling monetary expansion.

Inflation as measured by the change in the Colombo Consumer Price Index (CCPI) decreased to 2.8% in December 2015 compared to 3.1% recorded in November 2015 YoY. Annual average inflation remained unchanged at 0.9% as recorded in November 2015, while core inflation increased to 4.5% in December 2015, from 4.3% in November 2015 YoY.

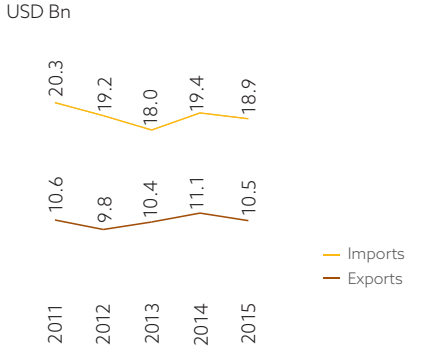
The Sri Lankan Rupee depreciated by 9.9% against the US Dollar and against all other major currencies except the Euro in which it appreciated by 1.3%. It posted a depreciation of 8.9% against the Japanese Yen and 4.7% against the Pound Sterling. The heavy borrowing to cover the budget deficit has also seen Sri Lanka's Rupee hover at record lows since it was floated in September, falling 6.6% since then.

Inflation Rate (YoY)



Source : Department of Census and Statistics

Export and Import Performance



Source : Central Bank of Sri Lanka

Remittances

In 2014 remittances grew around 9.5% which followed a 7% growth in 2013. However in 2015, workers' remittances recorded USD 6,980 million posting 0.5% contraction compared to the year 2014.

SME Sector

Continuous impetus has been given to develop and nurture the SME sector in Sri Lanka and position it as the backbone of the economy. The SME sector, both formal and informal, constitutes about 90% of business in the country. A USD 100 million project funded by the Asian Development Bank is being launched to strengthen the SME sector.

Sri Lanka will also draft a new bill to facilitate secured transactions instead of the existing act to cater to the evolving needs emerging in the SME sector. The Secured Transactions Act was adopted with the view of facilitating small and medium scale entrepreneurs to obtain loans from banks and financial institutions by providing mobile assets including machinery as security, in the event there are no fixed assets.

What this Means for BoC

With the US Federal Reserve intent on pursuing its monetary policy tightening stance as seen in interest rates inclining 25 basis points after nearly a decade, the gradual tightening that will follow will incite higher inflation. Given the US global trading presence which permeates across the major trading commercial countries, Sri Lanka's export industries will have to be mindful of the cascading effects. In similar vein, BoC's portfolio of export oriented industries will also have to remain vigilant for emerging consumer trends which influence ultimate purchasing power.

Operating Environment

BoC continued to watch the movements of the LKR against all major currencies, instituting some prudent measures to manage volatility that emerged during the course of the year. The insightful analysis enabled the Treasury to post an impressive exchange income.

Observing a continuous upward trend in remittance inflows, being the market leader BoC promoted numerous initiatives including new products, promotional campaigns, incentives, accessibility via expansion of correspondent agents and personal relationship building to capitalize on the trend and encourage more remittances, savings and better lifestyles to affirm the position.

Being passionately committed towards developing the country's SME sector and in optimizing the links we have with the Government, we do believe we may be able to partner the State in astutely utilizing this funding avenue for the SME sector. The new Act will surely add impetus to the growth of this sector and with BoC's new controls and monitoring platforms in place, it would make the process of assessing such security easier and speedier with the island-wide extended network.

The Sri Lankan Economy from 2016

Sri Lanka is expected to reach a higher growth, aligned with other countries in South Asian emerging markets estimated to record 5.5% growth. Achieving this growth however is dependent on national strategies including settling the revised budget deficit, the Government's ability to balance trade union pressure in the implementation of IMF requests for fiscal consolidation and tightening monitory policies. It is expected however that the operating environment will remain healthy and asset quality and profitability will be stable, offsetting some moderate deterioration in funding and liquidity.

The Statutory Reserve Ratio (SRR) applicable to all rupee deposit liabilities of commercial banks have been raised by 1.5% to 7.5% from 16 January 2016 with a view curbing excess liquidity. This was the first time that CBSL changed its SRR since July 2013. The Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) also changed to of 6.5% and 8% respectively from 19 February 2016.

Expected growth in the US at 2.7% in 2016 from 2.5% in 2015 will be positive for external sector development in Sri Lanka due to about 25% of Sri Lankan exports being US bound. Having continued to battle its way out of its economic quagmire and an immigrant issue that plagued Europe for most of the year, a trend which continues, European economies are expected to grow much more slowly at 1.7% in 2016 compared to 1.5% in 2015. But this growth augurs well for Sri Lanka as since the depression of 2008, Europe will once again begin to have promise and expanding exports to that region can be emphasized much more. This same trend can be echoed for tourism as well.

What this Means for BoC

The significant change of the SRR by 1.5% which comes into effect in January 2016 signals monetary tightening, which in turn will see an incline in market interest rates and a decline of LKR 69.6 billion in market liquidity based on commercial banks' deposit base of LKR 4.6 trillion. BoC will see its loanable fund decline by LKR 11.8 billion, an assumption done using total BoC domestic deposits as at end December 2015.

Being the major state bank which accounts for 23% of the sector's assets as of December 2015, the very proactive and empowering nature that BoC possesses, will augur well in partnering the state in its development strategies, while also instituting strategies including those seen in Wenesa, to offset some of the funding, liquidity and business challenges the industry will no doubt encounter.

BoC's emphasis on developing and nurturing thrust industries including apparel and tourism adds to the Bank's vision of being Bankers to the Nation. The global economy's resurgence, albeit marginal in some regions but nevertheless positive, promises to be a boon for the industries that BoC partners and further expansion into industries with potential.

Given BoC's PBT of LKR 25.3 billion, which is highest in the industry with 18% contribution to industry's PBT, it is apparent that BoC has reiterated its phenomenal industry leadership with great competitive advantage.

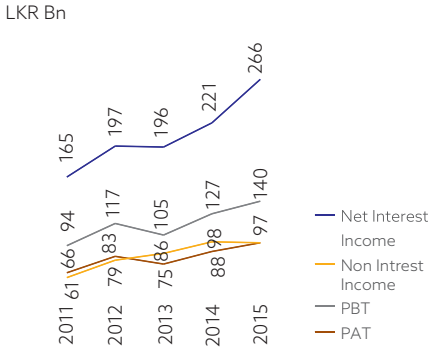
How the Financial Sector Fared

The Central Bank of Sri Lanka declares that the financial sector continued healthy and posted improved performance in nearly all sub-sectors, which had to contend with some challenges. Both Licensed Commercial Banks and Non-Bank Financial Institutions have recorded accelerated growth in asset and profitability, prompted by increased accessibility and touch points. However, as mentioned in both the global and Sri Lankan performance overviews above, the lingering uncertainty due to the growing divergence of policy actions in advanced and emerging market economies, will impact the performance, financial conditions and underlying risk profile of the financial system. The rapid acceleration in loans and advances, in consumption related activities, backed by low interest rate regimes and the availability of relatively short term funding from domestic and foreign sources has augmented the good performance seen in the sector.

Profitability

While the industry has maintained adequate liquidity, the industry took advantage of all positive factors to post growth in profitability, with the capital position continuing well above the minimum regulatory requirement. This reflects astute monetary strategies prevalent across the entire financial services industry, ensuring loss-absorbing capacity in times of distress. Profitability for the industry showcased growth of 11.0%, standing at LKR 140.0 billion, compared to LKR 126.5 billion in last year. Total income for the entire industry gained a marginal increase of 4.3% to LKR 688.4 billion.

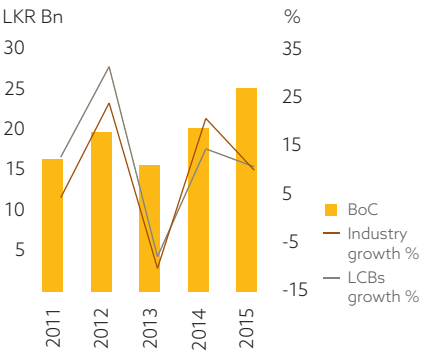
Profitability of Banking Sector



Source : Central Bank of Sri Lanka

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Profitability

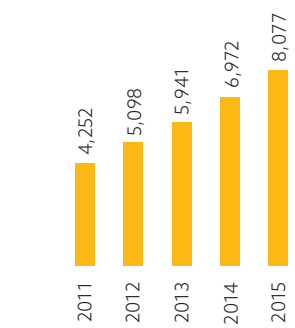


Source : Central Bank of Sri Lanka

Assets

The banking sector continued to expand its asset base with increased demand for credit from both the state and private sector, steering asset growth and improved financial performance of banks. The total assets recorded for the licensed commercial banking sector surpassed the LKR 6.9 trillion milestone compared to last year's LKR 5.9 trillion, a growth of 19%. The entire industry recorded a significant growth of 16%, posting total assets at LKR 8. 1 trillion compared to last year's LKR 7.0 trillion.

Banking Sector Assets Growth

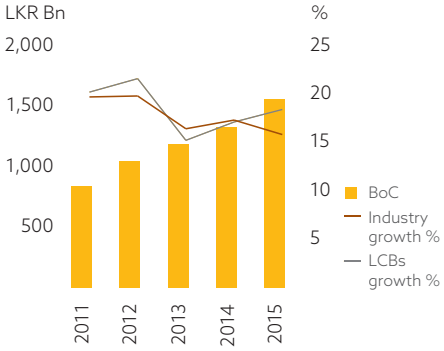


Source : Central Bank of Sri Lanka

In comparison to industry figures, BoC has continued its upward trajectory posting an impressive portfolio of LKR 1.6 trillion in total assets.

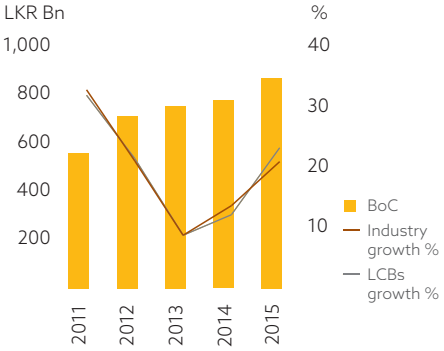
Operating Environment

Total Assets



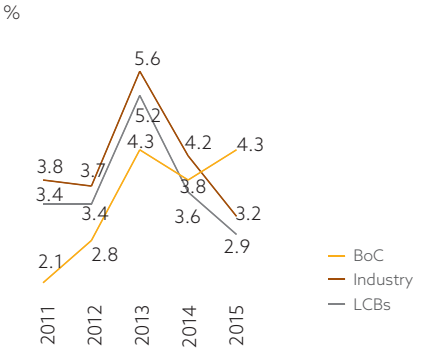
Source : Central Bank of Sri Lanka

Loan Growth



Source : Central Bank of Sri Lanka

Assets Quality

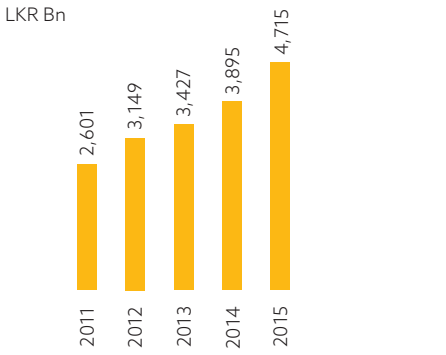


Source : Central Bank of Sri Lanka

Loans and advances

Gross loans and advances recorded an increase of 21%, driven by a higher demand for credit due to lower interest rates and reflected primarily in the trading and financial and commercial services. The pawning portfolio however, continued to contract due to falling global gold prices. As at end of December 2015, Gross loans and advances stood at LKR 4.7 trillion compared to last year's LKR 3.9 trillion.

Banking Sector Loan Growth



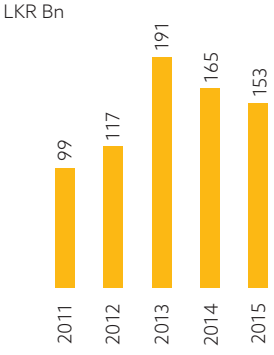
Source : Central Bank of Sri Lanka

The Bank emphasised on better asset quality while disbursing quality loans.

Assets Quality

Total NPLs for the industry decreased to LKR 152.8 billion from LKR 165.5 billion in last year, with the NPL ratio standing at 3.2%. However, increase in NPLs was recorded till 3Q 2015 in the tourism, agriculture, fishing and services sectors, as well as in products such as term loans and pawning advances. However, the NPL ratio improved, albeit slightly in the latter part of 2015.

Banking Sector Non Performing Loans



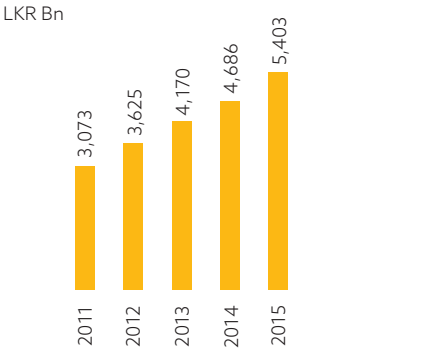
Source : Central Bank of Sri Lanka

The ratio for the industry is stated at 3.2%, compared to BoC's NPL ratio which remains above industry average at 4.3%.

Deposits

Deposits, the main source of funds for lending activities comprising both LKR and FCY deposits in Time, Savings, Current and Other, displayed a growth of 15% to stand at LKR 5.4 trillion compared to last year's LKR 4.7 trillion. The primary contributor to the deposit portfolio was in domestic LKR deposits, which saw an incline of 14% to be posted at LKR 4.5 trillion, an increase over last year's LKR 3.9 trillion. CASA as a percentage of total deposits improved to 40%.

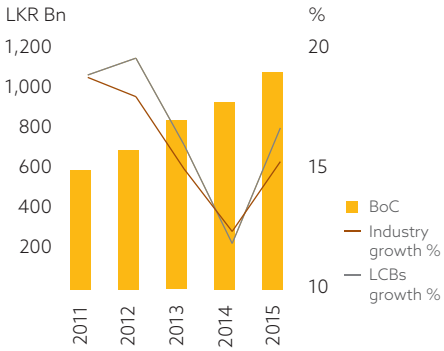
Banking Sector Deposits Growth



Source : Central Bank of Sri Lanka

The fact that BoC now holds the highest deposit base in the country having surpassed the milestone of LKR One trillion this year, showcases our inimitable stewardship in the banking industry in Sri Lanka. The Bank's CASA ratio displays the prudency in which we manage our financial rudiments, showcased as it is at 46.5%.

Deposits



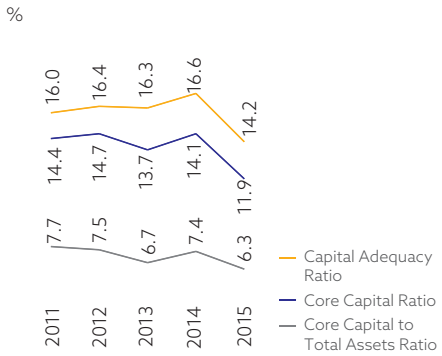
Source : Central Bank of Sri Lanka

Capital Adequacy

In capital adequacy, the LCB sector has been in compliance with the new capital requirements under Basel III. The CBSL continued to introduce new prudential policy measures with a view to enhancing the safety and soundness of the entire industry. Capital Adequacy Ratio for the industry stands at 14.2%, well above the minimum requirement of 10%, while the Core Capital Ratio stands at 11.9%, also above the minimum requirement of 5%. Both have experienced a slight decline but nevertheless remain above the compulsory benchmark.

During the year a directions on Liquidity Coverage Ratio (LCR) under Basel III Liquidity Standards were issued, requiring banks to maintain a minimum LCR of 60% from 01 April 2015. A Consultation Paper on the Implementation of Basel III Minimum Capital Requirements and Leverage Ratio was issued to banks this year, with the relevant regulations proposed to be issued in due course.

Soundness Indicators of Banking Sector

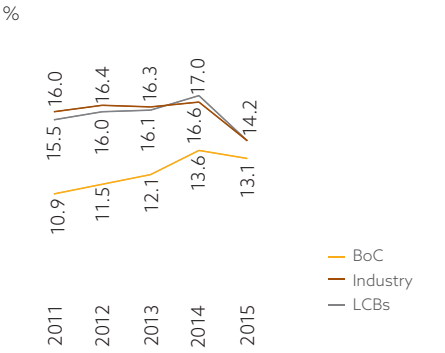


Source : Central Bank of Sri Lanka

How does this compare with BoC

BoC's Capital Adequacy Ratio is recorded at 13.1% and Core Capital Ratio at 9.1%, although below industry levels, remains well above the minimum regulatory requirement and reiterating the Bank's strong financial fundamentals. BoC also complies with the CBSL directive of maintaining the LCR at the compliance levels regulated.

Capital Adequacy



Source : Central Bank of Sri Lanka

Considerable emphasis has been placed on accessibility of banking services, especially expanding access to banking for difficult and non-bankable areas, outside the Western Province. Using a combination of technology and strategic infrastructure developments, the banking industry increased both its on-premise accessibility and remote accessibility. The total number of banking outlets increased to 5,774 at the end of 2015, with 21 new banking outlets being opened during this period. A total of 60 ATMs were also installed in this period.

How does this compare with BoC

Using the framework of our transformation programme which has infused significant technological inputs into the Bank's expansion plan, BoC now has a total of 578 branches and, 47 other service points, nine Regional Loan Centres (RLCs), 15 SME Centres across the country along with 549 ATMs and 14 Cash Deposit Machines (CDMs) adding upto 1,212 total touch points. This year we added a total of five branches, nine ATMs, 14 CDMs and nine RLCs. Technology initiatives have also increased the usage of both mobile and internet banking.

Financial Capital

Yet another year of phenomenal results has been posted by BoC this year, further signifying that the transformational initiatives instituted over the year have come to fruition. In the 76 years of our legendary presence in Sri Lanka, we have continued to post extraordinary financial performances and this year, we post the best ever in our entire history. Profits moved upwards to an impressive LKR 25.3 billion, augmenting the consistent performance we have espoused reflecting sustainable strength and financial stability.

Observing our performance this year, we have unequivocally topped our key drivers, a paradigm we have continued in the last few years. These performance indicators are also indicative of a consistent stable performance which, once more, tops the industry leader board, affirming our vision of being Bankers to the Nation. This leadership is reflected not only in our profitability, but in our deposits, loans and advances and total assets as well.

The leadership BoC has always displayed, is well exampled through its results, which shows that BoC has exceeded set targets consistently in Key Performance Indicators (KPIs). This has been a paradigm BoC has consistently showcased, reiterating the Bank's sound and stable financial fundamentals, which are conceptualized and executed to ensure an astute upward growth trajectory. Each of the actual KPIs have well exceeded the budgeted forecast, despite each being ambitious and considerably dependent on macro factors as well.

Description	2015 Actual	2015 Target
	LKR billion	
Total income	132.9	122.9
Net interest income	47.7	37.2
Pre- tax profit	25.3	24.1
Total Assets	1,568.3	1,413.8
Gross loans and advances	870.7	844.7
Deposits	1,082.3	1,018.0
Borrowings	376.5	266.2
Equity	81.5	87.1
NPA	4.3%	2.4%
RoAA	1.7%	1.8%
RoAE	22.2%	23.4%
CAR	13.1%	14.7%
Cost to income	43.7%	50.3%
Liquidity	28.2%	29.1%

The Bank has had to contend with some challenges however, including the NPA which continued to edge upwards. The Bank is very cognizant of the impacts of a rising NPA, which was mainly due to the pawning business being dependent on global prices not performing well since the gold price fallout a few years ago. However, BoC has emphatically begun reducing exposure to this area of business and with the focus the Bank has given to reducing this exposure has observed some positive results emerging. This is further discussed under impairment provision.

The Bank's RoAE and CAR were also below targeted forecasts due to the transitions being effected in the macro environment changes as well as other external circumstances prompted by these changes. The envisaged capital infusion of LKR 5.0 Billion from the Government yet to be materialized and hence impacted our CAR. We did meet our profit target however, but as can be seen from our figures, equity did not gain growth as estimated, due to payment of super gain taxation, dividends and the envisaged capital not being received.

The Bank's well thought out strategies in analysing market movements, emerging trends and risk management portals has panned out well in showcasing these results, each of which has augmented the Bank's overall performance.

With 2015 being an year with a difference, the transformational plan which has categorically infused BoC's responsibility to the nation as the largest state bank in the country and the undisputed leader in the industry. Despite lulls in general market sentiment and the 'wait and see' attitude prompted by envisaged policy changes, BoC continued the strategies embedded in its corporate plan of growing KPIs and taking advantage of the more favourable policy strategies.

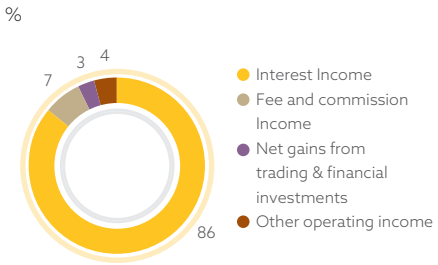
Total income

Total income of the Bank showed incline of 5%, from LKR 126.5 billion to LKR 132.9 billion. This accounts for 19% of the total income of the industry, reiterating the Bank's leadership stance in the financial services space.

The major contributor to this was interest income which heralded 6% growth, a converse trend to last year's decrease. An incline seen primarily due to the emphasis the Bank placed this year on numerous initiatives introduced to increase interest income.

Fee and commission income which contributes 7% to total income and 14% to total operating income depicted decline of 3% mainly due to decrease in fee income from trade finance related activities.

Composition of the Total Income



Slow performance of the stock market negatively affected to the Bank's financial investment activities and net gains from trading securities. However, it contributed 3% to total income. Other operating income improved following the increase in exchange gain derived through rupee depreciation and discussed in more detail in the succeeding part of this report.

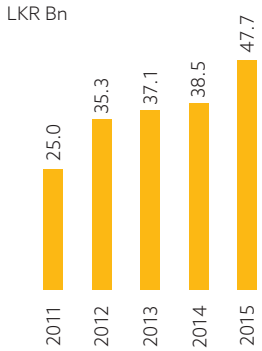
Net Interest Income (NII)

Contributing a significant 36% of the Bank's total revenue, interest income gained impetus this year to showcase growth of 6%, posting LKR 114.2 billion compared to last year's LKR 107.4 billion. This is primarily due to increase in interest from financial investments, interest from term loans and personal loans through improved loan portfolio.

Interest expenses decreased by 4% to be posted at LKR 66.4 billion, compared to last year's LKR 68.9 billion, attributed to enhanced CASA mix.

Hence, NII this year which stands at LKR 47.7 billion showcased growth of an impressive 24%, which last year was posted at LKR 38.5 billion. Net Interest Margin (NIM) improved marginally this year to 3.3%, compared to 3.1% of last year.

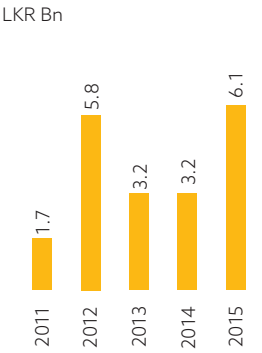
Net Interest Income



Exchange Earnings

BoC gained considerable impetus to its foreign exchange earnings portfolio posting a remarkable LKR 6.1 billion by end December 2015. This is an impressive 90% incline from the figure posted at end 2014, which was LKR 3.2 billion.

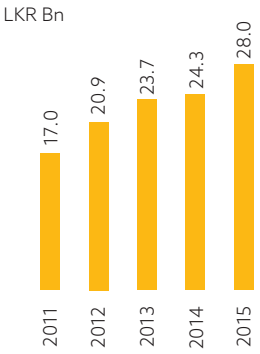
Exchange Earnings



Operating Expenses

The augmentation of the transformation process has seen an increase in operating expenses mainly in personnel expenses, given the expanding of the branch network specifically infrastructure and technological inputs and developing other business areas. In addition, BoC experienced an increase in personnel expenditure due to remuneration increases as well as the contribution made to the pension fund, both of which are aligned to ensuring that our team is amply rewarded for the consistent results they produce. The increase in the latter is due to BoC now contributing for team members who joined the Bank post 1996, all of who are entitled to a pension. Total operating expenses increased by 16% at LKR 28.0 billion, in which personnel expenses reflected 22% growth to stand at LKR 16.7 billion.

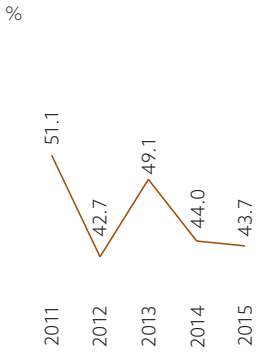
Operating Expenses



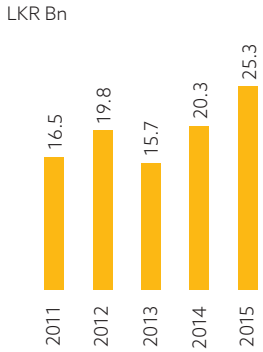
Despite of upward shift in operating expenses, the Bank's cost to income ratio this year declined to 43.7% from 44.0% due to a series of initiatives infused during the year. The prudent cost management strategies enabled better resource management combined with astute technology that has seen the implementation of numerous business re-engineering processes. Productivity and efficiency levels have been impressive as have the significant rise seen in levels of customer satisfaction which is reflective of holistic improvement.

Financial Capital

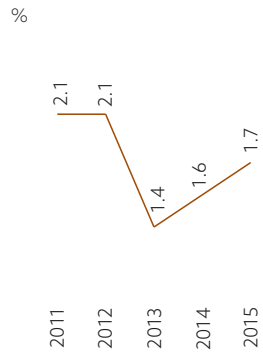
Cost to Income



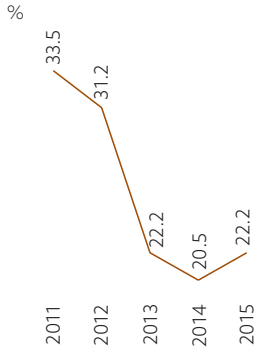
Profit Before Tax



Return on Average Assets (RoAA)



Return on Average Equity (RoAE)



Profitability

25% is an impressive growth BoC is posting this year, with key sources of income coupled with forward thinking strategies combining both IT and a comprehensive network of systems and processes well augmenting our bottom line. Profit before tax for 2015 is a noteworthy LKR 25.3 billion, compared to last year's LKR 20.3 billion. Net interest income continues to be the largest contributor to the Bank's total revenue, contributing LKR 47.7 billion to the total income of LKR 132.9 billion. Other operating income contributed LKR 5.3 billion, accounting for a growth of 137%. main increase is from foreign exchange and service income.

BoC continued to augment all revenue sources, instilling its transformational strategies aligned with its pragmatic corporate plan, all of which have been instrumental in producing this healthy bottom line.

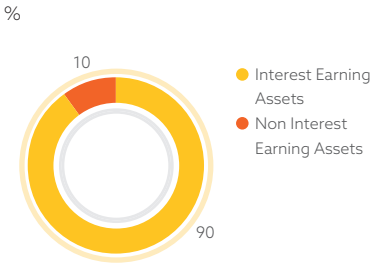
Indicative of the impressive and consistent performance delivered by the Bank over the year, analysis of the performance ratios reflects that the strong and stable grounding of the Bank's key indicators.

Assets

From the LKR 1.3 trillion posted last year, BoC grew its assets by 18%, even higher than the growth of 11% experienced in 2014 to further cement the Bank's well established financial stability and strength. This year, the total assets portfolio stands at LKR 1.6 trillion, adding further credibility to BoC donning the crown as the largest financial institution in Sri Lanka, holding an impressive 19% of the industry's assets. 90% of our assets comprise with interest earning assets which denotes the efficiency of our assets portfolio.

Financial investments held to maturity, LKR 246.3 billion encompassing Government Treasury Bills and Bonds prompted an upward change of 15% over last year. This contributes a considerable 16% to the Bank's asset portfolio.
The main growth drivers in our asset portfolio were loan portfolio and financial investments.

Composition of Assets



Loans and Advances

Gross loans and advances which at year end stands at LKR 870.7 billion accounts for 56% of the total assets of the Bank and experienced a growth of 12% from LKR 777.5 billion over last year. While the loans and advances portfolio performed significantly well, pawning which has seen consistent decline over the last few years ever since the world experienced a downward spiral of gold prices. This segment of our business remained disappointing this year as well. However, BoC has been instituting some strategies to overcome decline of this segment through other portfolio. The highest contributors to the growth of the loans and advances portfolio were personal loans, term loans, housing loans and overdrafts.

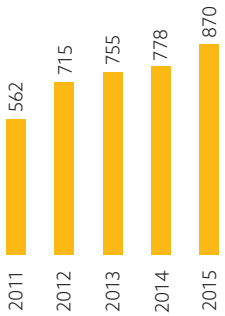
"25% is an impressive growth BoC is posting this year, with key sources of income coupled with forward thinking strategies combining both IT and a comprehensive network of systems and processes well augmenting our bottom line."

The establishment of new Outbound Sales Team and the efficiencies infused which resulted in better systems, procedures, monitoring and controls as well as elevating of productivity levels among the team contributed considerably to increasing customer satisfaction levels which are well evidenced in the increase of quantitative business numbers overall. BoC has been concentrating this year on working on the optimum mix of retail and corporate business, pushing the concept of growing its retail business, while maintaining corporate business prudently. This also encouraged BoC to concentrate on growing its SME portfolio, aligned with the Government's thrust of adding impetus to the micro and SME sectors while the corporate banking portfolio, focused its engagement with infrastructure projects and thrust industries. Yet another encouraging factor is that BoC's strategic policy of growing its overseas presence astutely has augured well for the bottom line, seeing these branches now increasing its contribution.

As directed by the Sri Lanka Accounting Standards after adjustments to foreseeable losses, our net loans and advances are posted at LKR 826.8 billion, which well entrenches the diversity of our portfolio, a healthy mix which we intend strengthening over the next few years.

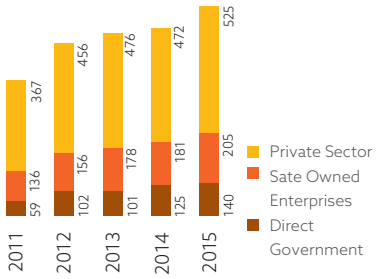
Gross Loans

LKR Bn



Composition of Loan Portfolio

LKR Bn



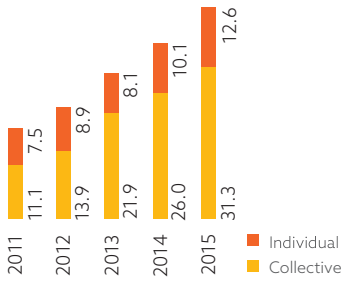
Impairment Provision on Loans and Advances

A total of LKR 43.9 billion was observed in the total impairment provision, detailing an increase of 22% from LKR 36.1 billion, due to increase in impairment charge. The Bank's Non Performing Advances (NPA), stood at 4.3%, requiring further attention. Pawning continues to be the concern in reducing our NPA but the strategies infused this year and the reduction in emphasis on this business, should enable BoC to continue controlling the declining percentage. This year has also seen a significant infusion of monitoring and control mechanisms well supported by IT initiatives that add to better credit appraisal and post disbursement supervision.

The Bank continues to inculcate its culture of working beyond compliance, adhering stringently to all best practices and prevalent international and local diktats expected of a bank of our stature. The increase in our impairment provision, as directed by the Sri Lanka Accounting Standards well evidences the Bank's unwavering commitment to compliance. Augmenting our controls and monitoring processes with state of the art technology, a holistic risk management framework and stringent governance blueprint have all enabled the Bank to maintain its leadership stature of a stable, strong and sustainable financial leader.

Impairment Provision

LKR Bn



Deposits

The concerted efforts made by the Bank to expand deposit mobilization has borne fruit achieving LKR 1.1 trillion deposit base with a healthy improvement in the Current and Savings Account (CASA) balances to total deposits.

Financial Capital

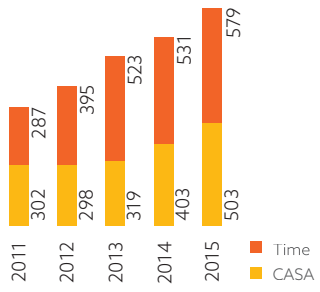
BoC holds fast to its leadership position of accounting for 20% of the total market share in deposits in the industry, with intentions of growing it further given the transformational strategies being infused. CASA this year improved to 46.5% from 43.2%, well above the industry average of 40%, contributing 23% of the CASA portfolio in the banking sector. Total current accounts both local and foreign stands at LKR 127.1 billion, while savings accounts in total details at LKR 376.1 billion.

A number of new product and development initiatives were launched during the year, including technologically advanced products geared towards the technology-savvy generation, which spiked the Bank's deposit base considerably, while also positioning us as a lead presence in the contemporary banking space.

From a total of LKR 1.1 trillion in total deposits, local currency deposits comprises LKR 802.5 billion, showcasing a growth of 13%, while foreign currency deposits grew by 23% to stand at LKR 279.8 billion. In 2014, the figure was posted at LKR 707.2 billion and LKR 226.7 billion respectively.

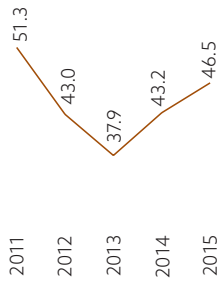
Deposit Composition

LKR Bn



Current and Savings Accounts (CASA)

%

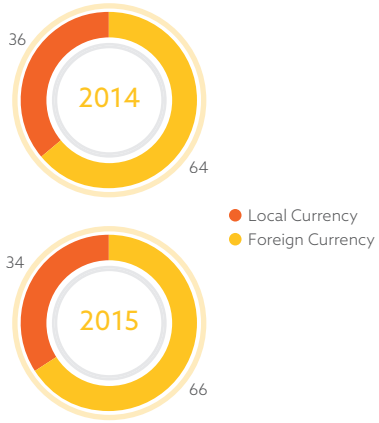


Borrowings

While BoC's borrowings and debt securities portfolio gained considerable fillip last year due to the raising of LKR 8.0 billion through the issue of listed, rated, unsecured, subordinated, redeemable debentures of five and eight year tenures, the momentum gained continued this year with the Bank augmenting its borrowings portfolio due to the positivities emerging from astute foreign currency borrowing which are obtained at low cost.

Borrowings

%



Shareholders' Funds

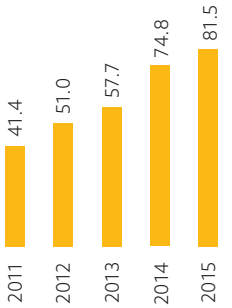
A considerable increase of 8.9% is noted in shareholders' funds, moving upwards from LKR 74.8 billion to LKR 81.5 billion, due to increase in retained profit. Share capital remained at LKR 10.0 billion, augmenting the Tier 1 capital adequacy ratio to 9.1%. The statutory requirement in capital adequacy ratio is 5%.

A drop of 10.2% was experienced in the basic Earnings per Share from LKR 2,714.8 per share to LKR 2,436.7 due to doubling the number of shares.

The fact that BoC continues to cultivate a stringent culture of compliance augments the emphasis of ensuring that the Bank maintains or exceeds the regulatory ratios. This authenticates the Bank's dynamism and vibrancy in capital management, the vigilance it espouses in emerging paradigms and the strategic outlook it continually advocates to maintain that soundness and stability.

Shareholders fund

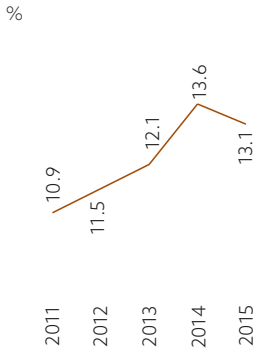
LKR Bn



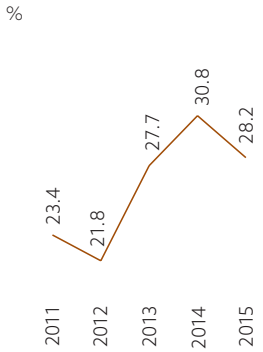
Regulatory Requirement	2015 %	2014 %	Minimum %	Industry average %
Statutory Liquid Assets Ratio (Domestic)	28.2	30.8	20.0	39.5
Core Capital Adequacy – Tier I	9.1	9.5	5.0	11.9
Total Capital Adequacy – Tier II	13.1	13.6	10.0	14.2

As the chart above depicts, BoC is well above the regulatory diktats required for capital adequacy as directed by the Central Bank of Sri Lanka. In both Tier I and Tier II capital for Core and total Capital Adequacy where the minimum requirement is 5% and 10%, BoC stands well above with 9.1% and 13.1% respectively. The Statutory Liquid Assets Ratio too remains well within compliance diktats at 28.2%, with regulatory minimum being 20%. .

Capital Adequacy Ratio (CAR)



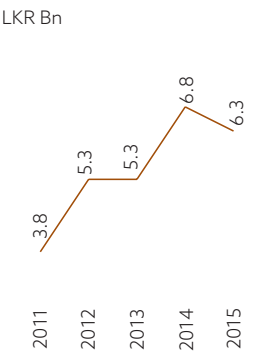
Liquidity Assets (Domestic)



Dividends

In consultation with the Ministry of Finance and Ministry of Public Enterprise Development who are the representatives of our shareholder, the Government of Sri Lanka, BoC will be paying a full and final dividend of LKR 6.3 billion. Although this is a decrease from the dividend of LKR 6.8 billion paid last year, the shareholder recognizes and is cognizant of the impact the transformation plans the Bank is engaged in and the investments required for such changes. It thus remains very supportive of the strategies being employed by the Bank to found and strengthen a sustainable future which will augur well for investment opportunities being pursued by the Bank.

Dividends



The Way Forward

Having achieved our strategic priorities this year, it is imperative however that BoC maintains the momentum required to push the Bank into meeting even more ambitious targets. Propelling the Bank upwards is inextricably intertwined with meeting stakeholder expectations which the BoC continues to focus on, strengthening an entire plethora of imperative fundamentals that are ingrained within the Bank's operational philosophy.

Very cognizant of ensuring positive features within the Bank's triple bottom line focus, especially the impacts these have on our sustainability and stakeholder engagement, the Bank's priority is to continue maintaining its stability and soundness of financial fundamentals. This will be fuelled by employing an unbeatable combination of technology and human intervention, which the transformation programme has now well entrenched. The ensuing cost efficiencies, speed, responsiveness and proactive engagement that both technology and competency training infuses into the BoC culture, will also be the initiator for even better compliance and prudent governance. This governance culture is a tenet we are extremely keen on improving continually, as being a leader in the financial services industry space, we are upheld as icons to be emulated by the industry.

With the nation poised for more ambitious development chapters and a definite presence in the South Asian region, BoC is keen on becoming a key driver in the country's development initiatives. Having always been a champion of development enthusiastically aligning ourselves with the state's vision for a progressive Sri Lanka, we will continue to articulate our belief that we must, as an industry leader, pave the way for the fruition of national development initiatives that will holistically benefit the nation.

Core Areas of Operation

Retail Banking

In taking up the mantle in Taking Charge of Change, retail banking continued to augment its island-wide presence across multiple customer segments, adding a host of new initiatives in the transformation process to ensure a better customer experience as its end goal. In synopsis, this included the establishment of Fortune branches, Smart Zones and Regional Loan Centres (RLCs) and the implementation of the Century Scorecard (CS), Queue Management System (QMS) and Customer Data Management System (DMS).

Our biggest change initiation was in establishing Regional Loan Centres which are dedicated to the speedy and efficient processing of commercial or home loan applications. Offering customers a faster disbursement of loans and increasing efficiency in loan processing, RLCs have also reduced workload in branches. All this has resulted in a tangible improvement in the processing time which is now just an average of 15 days for a home loan and 25 days for a commercial loan on case by case basis.

One of the priorities in setting up the RLCs was providing integrated service to small businesses and rural based customers. All provinces are now have fully functional RLCs with a total of nine RLCs positioned in strategic locations around the country in 2015 and by end 2016, a total of 20 RLCs envisaged.

Our broader product areas encompass products both deposit and loan products that reflect these characteristics. Under the Wenesa Programme, the new home loan process, 'BOC Siri Medura' promotes a home loan with just two visits to the Bank and disbursement within 15 days, which is a reduction of processing time and over 2,000 loans disbursed since the launch. The added benefit of SMS updates at each stage of the loan process is also a boon to attract customers and has positioned BoC as the leader in home loans in the banking industry.

Key Performance Indicators	2015	2014	%
Financial			
Deposits (LKR million)	766,920	642,515	19.4
Loans and advances (LKR million)	423,812	340,803	24.4
Net interest income (LKR million)	22,981	20,114	14.2
Fee and commission (LKR million)	3,678	3,350	9.8
Operating profit before tax (LKR million)	5,390	3,206	68.1
Non performing advances (NPA) Ratio %	5.3	5.4	(0.1)
Social			
Micro finance beneficiaries	124,008	108,487	14.3
SME Centres	15	15	-

Prompting Inclusivity

BoC's product portfolio in retail banking has always been inclusive, whether in age, gender, geographic location or any other demographic. The expansive portfolio, detailed in prior pages in this report, is conceptualized on an inclusive platform, upon which evolving customer needs and aspirations are taken into account to ensure relevance, affordability and the bearing of our product on customer expectations.

In developing our product portfolio, we retain a client-centred innovation focus addressing specific customer needs. By introducing prudent cost management initiatives and better technology drivers, we have created value for our customers permeated through lower banking costs and enhancing customer experiences.

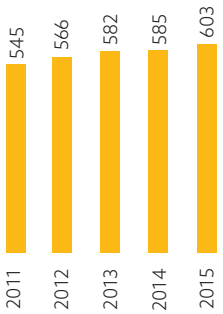
Our strategic priorities aligned to the Wenesa programme has been zealous about catering to the transforming demands of nearly 12 million customers while focusing on the segments who are very tech savvy and want speedy fingertip solutions. Gen-Z or The Plurals or Founders as the generation born post late 1990s is now called, gained our absolute focus when we developed BOC SmartGen, the next

generation savings account. Devoid of any delays, it is currently the fastest savings account in the island being fully active in 10 minutes and has a host of 'instant' features which makes it very attractive for this App Generation. It introduces a plethora of IT savvy features including free SMS alerts, monthly email statements, digital capture of photograph and signature for easy banking at any BoC branch and a paperless milieu through a pass book free savings account, positioning it as an unparalleled revolution in banking annals.

Reaching out

In increasing our profitability and growth, reach and accessibility remains paramount to achieving this priority. While products and services augmented by digitization is of vital importance, it is our extensive reach of over 2,500 customer touch points, among the largest in the country, that enables us to grow our business and hence our bottom line. Our reach and the plans for higher accessibility which maintains a focus on reaching out to under-banked communities to ensure financial inclusivity, remains well aligned with the national budget proposals of expanding the existing branch network by 15% in under-banked areas which must employ at least six in the team per branch.

No. of Branches and Other Service Points - Retail Segment



No. of ATMs - Retail Segment



Making banking inclusive and thus prompting inclusive growth remains high on our business agenda. This responsive stance has enabled us to retain our customers. Working towards a long term goal that access to banking is a fundamental right for every citizen, the expansion of touch points has been primarily mooted in rural areas, where accessibility is difficult or challenged. Using our state of the art IT platform, we have connected even the most remote areas of the country into our network, making banking a practical exercise, devoid of time delays. Given that technology remains the bridge in the great divide of physical infrastructure accessibility and customer aspirations, we have formulated a multi-pronged delivery channel strategy that can optimize our plans and thus maximize our growth strategy and thus, profitability.

Wenesa has prompted a complete transformation in our branch outlook, making digitization a priority in the transformation process. Connectivity has been enhanced impressively, while upgrades, relocations and mooting of new branches has continued according to intended plans. Earmarking a total of 200, BoC began an ambitious upgrading programme of strategic branches, naming them Fortune branches, to be completed by end of 2016. The pilot programme began with five and given its success, by 2015, 50 branches were completed and 150 branches to be completed by the end of 2016. 14 branches were also relocated for better visibility and accessibility.

One of the challenges we had to contend with in this transformation process the core of which essentially takes place within the branch network, is to maintain business momentum and meet targets, while having the changes being instituted in tandem. Balancing the equation has not been easy but given our results, we are proud of our achievements.

More information about our branch transformation is discussed under Manufactured Capital and Intellectual Capital.

Deposits

BoC notched yet another record this year by surpassing LKR one trillion in our deposit base, the largest in the country and one that etches us even more strongly as Bankers to the Nation. Our deposits have grown this year at a rate of 19%, contributing the largest segment to the Bank's bottom line. The focus on inclusiveness has enabled us to spread our deposit net and hence, inculcate a savings mindset which cascades to ultimate community empowerment and national development.

It is our savings accounts that gave considerable impetus into growing our deposits, enabling us to possess a sustainable low cost fund base. Aggressive marketing and promotional campaigns throughout the year augmented the growth of our retail product portfolio. This year, there was considerable focus on promoting festive spirit. The Avurudu campaign for example aimed at inculcating traditions among customers coupled with a savings mindset, netted in the children's Ran Kekulu savings product as well. Another focus area was in segmented customer groups including women, senior citizens, young children

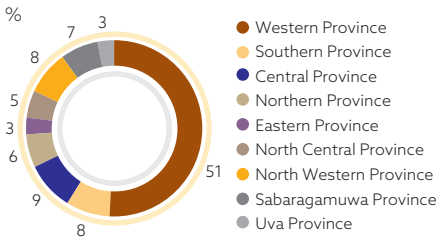
Core Areas of Operation

Retail Banking

and new borns. Mass media campaigns for the women's Kantha Ran Ginum, Ran Ulpatha, Abimana, Ithurum Mahagedara and Ran Kekulu added to the momentum.

With the introduction of various technology initiatives including Cash Deposit Machines (CDMs), a larger network of ATMs, digitized Fortune branches, tech savvy products and quick responses, BoC has begun concentrating on this revolutionary process of expanding the geographical base. Currently the bulk of deposits yet remain with the western province, which is natural considering that high density of population and the commercial capital yet retains an indisputable lure for commercial activity. During the year the Bank succeeded in expanding the deposit base in other provinces too.

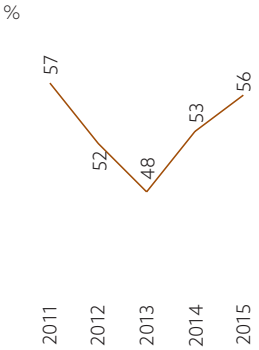
Deposit Distribution - Retail Segment



The Bank leveraging on a number of positives including its new IT initiatives that have added a host of benefits to the customers' experiences, extensive multi-channel customer touch points accessible anytime anywhere real time, a strong and enduring corporate brand that has proven its mettle globally and a portfolio of products attuned to the changing needs of multiple customer profiles. We do believe that in embracing the totality of digitization into every facet of our business, we have gained considerable leeway in augmenting our deposit base.

The CASA ratio hence improved from last year at 53% to 56%, an impressive higher benchmark than the industry average which stood at 40.5%. The marketing campaigns conducted for NRFC accounts too did have a beneficial impact as remittance inflows from migrant employees reached a considerable 13.7% of our total deposits.

CASA - Retail Segment



Loans and Advances

Focusing primarily on general loans and leasing which would contribute towards increasing profitability and growth, the year saw a host of initiatives being introduced, infusing better control mechanisms and speedier responses to customer needs, elevating customer experiences. While RLCs played a leading role in meeting these goals both in home and commercial categories, the centralization processes for added efficiency will be enhanced further through DMS. Other initiatives include rebranding of some products for better capture of the market.

Yet another groundbreaking initiative was the mooting of BoC's first ever Outbound Sales Teams, which netted over LKR 5.7 billion business canvassing during the year, working across all provinces. Tangible inclines in efficiency, effectiveness, quality of services and productivity cascaded to positive feedback received from customers.

Our lending portfolio performed admirably despite intense competition, with all business lines, except pawning, meeting budgetary forecasts.

Leasing

While the leasing business has enormous growth potential given its high margins, it is undoubtedly the preferred option by financial institutions. It continues to be an exceptionally competitive industry to operate in and this year followed similar patterns. The weak demand that ensued for automobiles which forms a significant segment of our leasing portfolio despite it being the preferred leasing growth factor in the past due to its attractive yields, being asset backed, a robust second hand market and good asset quality, did not have the same attractiveness this year.

Our leasing portfolio showcased considerable growth to stand at over LKR 46.3 billion, exceeding forecast figures by achieving an overall growth

"Yet another ground-breaking initiative was the mooting of BoC's first ever Outbound Sales Teams, which netted over LKR 5.7 billion business canvassing during the year, working across all ten provinces."

of 54% in leasing during the year 2015. However, with this business forming a large segment of our business portfolio, we instituted a number of strategies to promote leasing. These included the introduction of risk based competitive interest rates, conduct of joint campaigns with dealers and at select locations and training and development of a dedicated sale force for each province. This continuous training initiative imparts knowledge on leasing products, current market trends and the Sky Lease system, which was implemented to automate all leasing activities.

The targeted communication campaigns also assisted greatly in building business and more astute control and monitoring mechanisms enabled NPA levels to be maintained at 2.7%, compared to 4.4% last year.

Pawning

With gold prices not being favourable, our pawning business did fall behind budgetary forecasts. This is a trend that has been prevalent within the entire industry since 2013 given the global fallout of gold prices, a phenomenon that has continued. The challenging operating environment continued with decreasing gold prices in both the international and local market. However, one of the tasks set before us for 2015 was in increasing the pawning portfolio, while minimizing NPAs.

The reduction of NPA did not materialize however as not only did the pawning portfolio see a decline, but the NPA heralded an incline. The loan to value ratio was reduced to



A workshop being conducted for potential SME sector entrepreneurs

61% which resulted reducing the total pawning portfolio. Acting prudently, we continued with the rate of interest of 12% p.a. for pawning advances.

With gold prices reducing in the global market, its commodity value and demand declined, also leading to some customers not attempting to redeem already pawned articles. There have also been instances where articles have not been redeemed due to financial constraints faced by customers.

With the suspension of auctions for six month in last year, unredeemed gold articles idled at the Bank. Even with the restart of the auctions, the Bank did not get expected prices due to the global price decline. Despite the challenges faced by the pawning business, prudent measures taken by the Bank led to a reduction in NPA level as well as any adverse impacts on bottom line.

A new Ran Surakum Naya Seva (RSNS) Integration System was implemented to facilitate pawning customers access details of their advances from any BoC branch. We have also begun infusing IT into the auction process and in developing a mobile app that will enable customers obtain their details via SMS.

Small and Medium Enterprises (SMEs)

In aligning ourselves with the national objective of uplifting the SME sector which encompasses majority of all business enterprises in the country, we also recognize the formidable role played by SMEs in developing



SME entrepreneurs supported by BoC tending their business enterprises

Core Areas of Operation

Retail Banking

and sustaining Sri Lanka's economic growth. Being a fully state owned bank and possessing that inherent psyche of sustainable development in us, our commitment to uplifting SMEs and placing them as the undisputed engine of growth is an insatiable passion.

Our aim is to facilitate the creation of a competitive, dynamic, innovative, technologically driven, eco-friendly and sustainable SME sector that can contribute to the economy and generate sustainable employment. Focusing on projects that do generate higher employment numbers, use local raw material and generate foreign exchange through export, this year, we have been working with thrust industries, tourism, construction, food processing, power, services and in smaller measure, tea.

The operating environment this year has remained intensely competitive given that all players in the financial services industry are competing for SME market segments. However, with the Government's focus in promoting SMEs as lifeblood to the economy, SME lending did gain upward momentum, which saw BoC also give its highest collective of SME funding this year.

In our bid to assuage the competition, we relocated three SME centres into areas where business potential is high, while concurrently building capacity among our SME teams, including those credit officers at the RLCs, SME centres and branches. Capacity building was also extended to entrepreneurs across all provinces, given the need for them to be well versed in owning





SME entrepreneurs supported by BoC tending their business enterprises

Four pronged approach to SME Development

1. **Enable access to finance**
   - Through customized products and services
   - Allocation of Bank funds at comparatively lower interest rates
2. **Develop SME sector**
   - Access to information and markets at District SME Banking Centres
   - Providing Business Development Services and assisting in outsourcing professional activities, R&D and product diversification
   - Formulate inter-firm linkages, subcontracting and technology transfer initiatives though SME clusters
   - Entrepreneurship, soft skills and knowledge development
   - Provide technical assistance for capacity building in collaboration with external entities
   - Assistance for turnaround of 'sick' projects
3. **Build institutional capacity to meet SME Mission**
   - Training and development for all relevant teams
   - Institute IT processes and better systems and milieu for higher productivity and efficiency
4. **Promote environmental conservation and social protection**
   - Prioritize given to green projects
   - Prioritize finance for projects minimizing negative or hazardous environmental impacts
   - Continuous involvement to ensure compliance of social and environmental regulations

and managing a business in full realization of trends, opportunities and market paradigms. We also revisited the SME pricing policy, a necessary attempt given the high competition we were dealing with. This heralded the allocation of a special fund of LKR 10 billion for SME financing at a comparatively lower interest rate.

The lack of a salient mechanism for proper evaluation, controls and monitoring, hampered our NPA levels. We did begin implementing better processes and systems via digitization initiatives introduced through the Wenesa programme. In addition, District SME Banking Centres were merged with RLCs, which spurred better quality and attentiveness in the loan appraisal and assessment, while also increasing the efficiency and effectiveness of the loan approval process.

We also began establishing robust relationships with related entities including the Chamber of Commerce and the National Enterprise Development Authority, actively involved in promoting SMEs, which proved to be very successful in garnering business share. We have been concentrating on spreading business as equitably as possible across provinces, an attempt which has seen some fruition this year.

Microfinance

Similar to SMEs, microfinance remains integral to the socio-economic development of communities, especially those living in rural areas and most often in economically disadvantaged or difficult environs. By developing a cohort of strong micro entrepreneurs, we aim to build communities that are robust and dynamic, with the ability to contribute and construct vibrant economic communities that are independent, skilled and proactive.

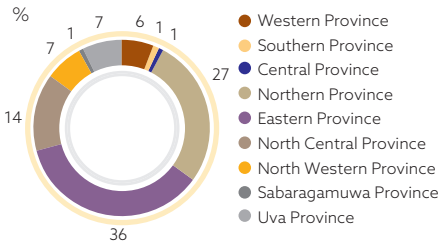


A Sirimedura Housing Loan granted in two weeks with just two visits to the Bank

BOC Mithuru is a microfinance programme wherein five to eight members of a community form a society that adopts a formal identity as recommended by the Bank, registered under the Society Ordinance with the Registrar of Companies. Encouraged to inculcate a savings habit, this group will work together to resolve economic issues that arise individually or for the community and be an inspiration to each other or those in the community who have aspirations to become micro entrepreneurs. Formal meetings are held and the Bank, through a mentor, enables these micro entrepreneurs to be trained in cash management, leadership, organizational skills, administration and management of an enterprise.

Once these groups have been well established and are able to function cohesively, they pool their resources and form a development society, to which the BoC actively extends its fullest support via finance, monitoring and guiding progress. This active engagement and the progress have inspired the formation of more development societies this year, growing from 191 last year to 310 this year comprising a total of 24,175 small groups. We have seen tangible benefits cascade to over 100,000 individuals and as at end 2015 loan portfolio amounted to LKR 2.0 billion.

Geographical Distribuion of BOC Mithuru Loan Portfolio



Housing Loans

This is our most exciting year yet having seen the launch of our most successful housing loan process, 'BOC Siri Medura', with its best in class home loan offering. The one stop shop concept which enables disbursement in just 15 days with just two visits to the Bank has definitely added to the bottom line and seen impressive growth of the home loan business. Hence we experienced a growth of 17% in BoC housing loan portfolio during the year 2015.

Core Areas of Operation

Retail Banking



The BOC Smart-zone

To increase awareness of this new and exciting initiative, we actively engaged our Business Development Officers through our RLCs, supporting their efforts with an aggressive media campaigns. It must be mentioned that the first two RLCs, Wellawatte and Peliyagoda, which piloted the housing loans, made remarkable inroads in reducing processing time and increasing numbers posting an impressive performance. With the streamlining of the processes through RLCs, the branches have seen a considerable reduction in workload, increasing productivity and efficiency levels.

Consumer Finance

Personal loans in the Bank are very popular credit products as it consists of tailor made schemes for diverse segment of clientele. Professionals are being entertained under various schemes according to suit their requirements. Non-professionals too are being entertained with a general loan scheme which caters to a very broad segment of clientele.

A continued strong growth in consumer lending exhibited a significant asset growth of the Bank during the year under review.

Personal loans segment grew by 87.7% to reach LKR 107 billion, accounting for 12% of the total loan portfolio.

Multi-channel Delivery

Our transformation programme is the catalyst in augmenting multi-channel distribution initiatives, each interlinked and interwoven to meet the common goal of accessibility being the comprehensive premise. While our brick and mortar infrastructure with its impressive network around the country remains the primary distribution channel, adding numerous technology channels into this multi-pronged approach has given a considerable boost to BoC.

This pragmatic balance of technology and physical infrastructure well evidences the Bank's strong ethos of financial inclusivity, empowering stakeholders across multiple demographics to access the Bank's products and services devoid of hassle.

In our attempts to embrace multiple age groups and multiple customer requirements, including a renewed focus on the Millennials and Gen-Z, we introduced some new initiatives in the electronic banking sphere. We are also cognizant of the country being significantly IT savvy given its 100% mobile penetration, which encourages us to develop technology fuelled banking initiatives that have and will increase growth and profitability. The launch of the paperless savings account, SmartGen this year was one such effort.

We have already facilitated utility bill payments and remittances island-wide, delivered mobile solutions through a secure SMS service, networked exchange houses for faster online transfers and real time updating of accounts supported by SMS alerts within 15 minutes of the transfer and added buoyancy to our web page with more user friendly features. Real time transfer of funds through the VISA Money Transfer launched last year has gained further momentum this year. The BOC Smart Remit, a campaign launched during the Sinhala and Hindu

New Year via a widespread marketing campaign also proved to be extremely successful.

Aligned to Taking Charge of Change, the IT platforms have been newly launched or upgraded where consolidation, amalgamation and elimination of unnecessary processes were instituted to aid and assist distribution channels via electronic banking. These system upgrades prompted numerous benefits for the end customer as itemized below, in addition to a number of technology initiatives introduced for debit and credit cards which are detailed below in the Card Payment segment.

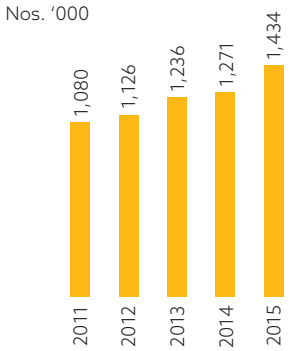
- Real time activation of Internet Banking access
- SMS alerts for customers
- Installation of Cash Deposit Machines and encouraging customers to use CDMs
- BoC's ATM network expanded to 549
- Call Centre facilities enhanced

Payment Cards

Moving towards a cashless society is fast becoming a reality and BoC has used this prevailing mindset to aggressively promote its card business. Supported by dynamic promotional and marketing campaigns, a large network of international merchants and assertive sales pitches, our cards have added considerably to meeting the strategic priority of increasing profitability and growth.

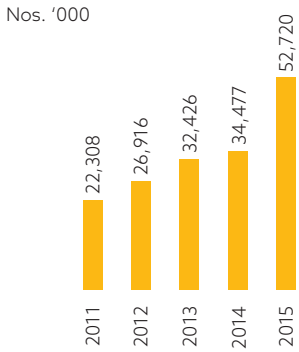
Building on our pioneering stance of being the very first bank to introduce VISA credit cards to Sri Lanka 25 years ago, BoC has weathered many a storm of competition, whether in battling discounts or various other attempts at gaining market share, to be prudent in building its card business and thus, has consciously grown a quality portfolio.

Credit Card Transactions



This year, we issued a total of 782,537 debit cards, increasing this portfolio to 2,721,847, while 10,224 credit cards were issued bringing the total to 80,628. A promotional campaign to increase usage of both debit and credit cards was launched during April, additionally promoting Platinum and Gold credit cards to build up a larger high end clientele.

Debit Card Transactions



Initiatives in 2015

- Instant issue of debit cards spurring increased numbers
- Real time activation of debit cards
- Enabled e-commerce transactions for debit cards
- Dollar Debit card solution launched

What our stakeholders can expect in retail banking in 2016 and beyond

With our retail banking initiatives having trail-blazed numerous pathways in the banking industry, we intend using this status to continue seeking opportunities for savings and investment through a more technology advanced product portfolio. There are also plans to enhance the personal product portfolio by 30%, commercial loan product portfolio by 20%, increase digital and social selling, redefine our SME credit culture to journey towards achieving 50% growth by 2018 and become the preferred choice in home loans to achieve a portfolio growth of 20%.

While the transformation process has been looking at higher growth and profitability, cost efficiencies have also been brought into the equation as an integral facet to achieving these goals. Hence, cost optimization initiatives will continue being the enabling driver in investing in developing skill, knowledge and process improvements.

We are also exploring new avenues to invest LKR 8.63 billion which resulted from the reduction gained in our pawning loan book, while improving retail asset quality and managing cost of funds through productivity enhancement for competitive pricing strategy for retail assets. We have an ambitious target of adding 40,000 new customers to our customer portfolio by end 2016, increasing the PoS network and thus usage in the card business, which will also have a high-end card portfolio. On the other end of the spectrum, keen as we are on social and economic equality, we will be seeking avenues to redistribute wealth and empower women and young entrepreneurs.

Core Areas of Operation

Corporate and Offshore Banking

With our asset base of over LKR 425 billion, our corporate banking division concluded yet another successful year, augmenting our customer base and developing a range of products that cater to short, medium and long term financing. We remain at the helm of national development, optimizing on our wide expertise and experience across multiple industry sectors. Observing the macro milieu, we identified the growth industries of construction, real estate, tourism, infrastructure, manufacturing, apparel, pharmaceutical, food and beverages, shipping, energy, and finance companies to concentrate on, optimizing on business opportunities emerging from the private sector.

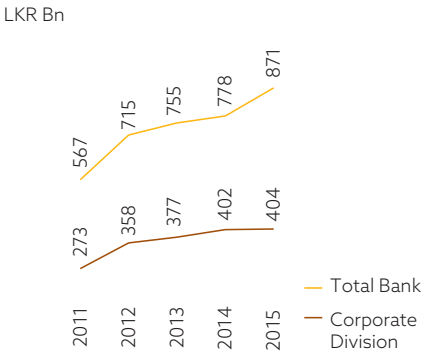
Based on a three pronged strategy, corporate banking was maintained at an optimum mix in exposure in Government and private sector. This year we increased our private sector business, diversified into export business and began canvassing high net worth customers. This enabled us to increase profitability and growth with inclines seen in syndicates and project loans portfolio given that our sales force added substandard new customers besides those existing. Being a 5S implemented division has also helped us greatly in working towards fruition of our business strategy.

Performance

Key Performance Indicators	2015 LKR million	2014 LKR million	Change %
Loans and advances	403,750	401,693	0.5
Deposits	271,483	257,179	5.7
Net interest income	10,335	8,074	28.0
Fee and commission income	3,402	4,332	(21.5)
Operating profit before tax	8,118	6,245	30.0
NPA ratio	3.2%	2.1%	1.1

We reduced our Government: private sector exposure this year preparing for new paradigms ahead. Loan portfolio of the corporate banking showed a slight growth of 0.5%, while the deposit base saw an increase of 5.7% at a healthy CASA mix. We have unfortunately had to grapple with a comparatively higher NPA from last year, due to challenges faced by few industries. However we remain par with the industry average of 3.2%, in contributing to growth and profitability, we grew our business volumes to LKR 674 billion.

Gross Loans and Advances

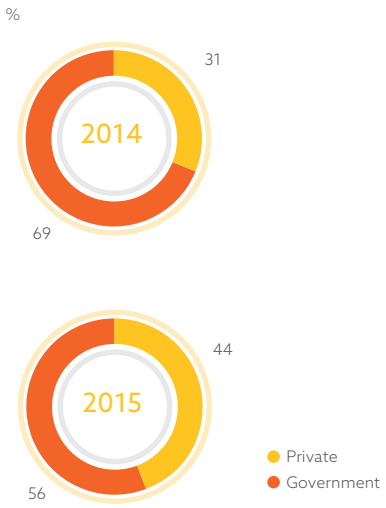




The Corporate Banking team visits a newly constructed bottle manufacturing plant funded by the Bank

"Based on a three pronged strategy, corporate banking was maintained at an optimum mix in exposure in Government and private sector."

Private Sector Advances Vs Government Sector



From a macro perspective, consolidation plans for the financial services sector and volatility in exchange rates and commodity prices also posed considerable road blocks.

New Initiatives

In Taking Charge of Change, customer retention and attraction was focused on as a primary step for change. Given the challenges, we began engaging with our customers much more aggressively and instituting some technological initiatives for better follow up and instilling solutions. The "BoC One View" management report is one such and the redesign of specific processes including Credit Appraisal Memo (CAM) and implementing a new trade finance system, for better response time and greater efficiency is another.

"BoC One View" is a comprehensive repository of information, a digital dash board that monitors business and customer performance. It tracks customer visits, engagement process and salient of the ensuing discussion, generated to all those relevant within the team, for appropriate follow up. CAM has standardized and streamlined our credit approval process, making us much more responsive. Our ultimate goal is to make all our processes paperless and this should become reality once the Data Management System (DMS) is in place.

We also monitor customer exposure through the new Account Planner, both direct and indirect which enables us to plan the next steps ahead in our customer engagement and business proposition process, as well as the specific issues that require attention. This enables us to cross-sell products as well. The risk based pricing model we have implemented enables us to assuage the fallout, giving us a competitive edge on rates given to customers.

The introduction of the Century Scorecard promotes healthy competition with rewards given during the year for impressive monthly results across a range of performance parameters including total advances, total deposits and number of new customers canvassed. The Duck and Eagle incentive scheme for Relationship Managers and Relationship Officers also adds an element of competition into the customer service sphere.



Empowering construction and engineering sector- financed high-tech ship building

Core Areas of Operation

Corporate and Offshore Banking

Product Focus and Development

Our corporate banking portfolio is well diversified. However, with the transformation initiatives being put into place, this division has set out to optimize on available resources and capabilities. Given that some of our facilities had not been optimized fully before, spurred by the interest reduction, these facilities are now being utilized more. We have also changed our focus to forward based project lending.

Aligned with identifying emerging industries that have potential to add value to the macro economy, BoC has been involved in setting the framework for some of these industries to gain a foothold and begin contributing towards the larger space of the economy. One such industry is the Food & Beverage sector in which we have been involved with for a few years. Building and strengthening relationships in these identified sectors, BoC has been able to extend financial assistance to these customers thus enabling them to develop their skills, technology, competencies and know how. These entities have thus pushed boundaries, reached towards new horizons and begun competing effectively with their counterparts, sometimes even regionally or globally. Building industry is a vital facet in the responsibility we are tasked with as Bankers to the Nation and within our transformation strategy. We intend identifying such industries and working together with them to add value to the larger milieu.



BoC's contribution towards a knowledge based economy



Financing for a modern education centre

Aligned with the bank-wide transformation strategy, we intend to initiate DPay next year, a pioneering dealer financing facility. This will add fillip to expanding our customer portfolio given the very nature of the product that institutes a tripartite partnership between the company, Bank and valued business partners.

Offshore Banking Division (OBD)

It has become absolutely imperative that this unit differentiates itself from the competition by using its excellent service tenets and responsive and well-structured financial solutions.
As of end 2015 OBD has reported USD 1,055 million gross loan base and intends to augment its loan base through local and foreign syndication loans.

Some of the differentiators as mentioned above have been in BoC working on projects that will uplift the country's competitiveness in high-tech industries and also granting funding assistance to offshore projects. One such in the latter category was the Hulhumale Island development project in the Maldives, which was identified by the Government of the Maldives as a decisive step to revitalize its economy and uplift local communities through the effective allocation of resources. BoC granted funding assistance of for this project which aims to transform 188 hectares of land into a modern city housing 60,000 people. This emerging city located just a kilometer from the international airport and three kilometers from Male, is now a hub for potential investment, with burgeoning business opportunities which augurs well for building the South Asian region into a commercial metropolis.

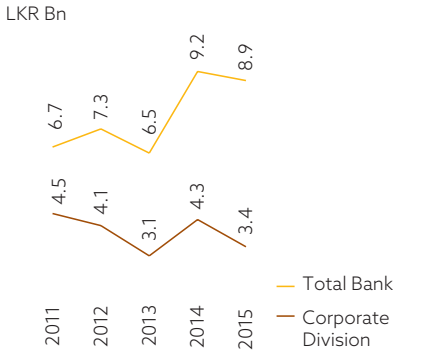
BoC is also funding into augmenting the road infrastructure of seven islands in the Maldives. With a leading Sri Lankan construction company is billed to be the contractor for the project jointly with the Maldives Road Development Corporation, a total of 40 kilometers of road is scheduled to be constructed on these islands within a period of twelve months, meeting an urgent requirement within that country for paved roads.

BoC has also been enthusiastic on developing and improving the country's high-tech industries believing strongly that the country has immense potential in this area of expertise. With an inherent innovative mindset and competencies including mathematics, the sciences and engineering being impressively high in Sri Lanka, BoC is encouraging national industries to pursue high-tech capabilities, especially in niche areas, as the country has immense potential to compete in the international arena competitively and effectively if these knowledge areas are honed. This is well exampled in the funding assistance granted to a highly specialized ship building and engineering facility which services carriers docking into the Colombo Port from all over the world.

Trade Finance

Maintaining our status as a leader in trade services has been challenging given the competitive milieu we operate in. However, the strategic advantage we do possess is the well established network of nearly 800 correspondent banks and a team equipped with the best knowledge and largest pool of experience within the industry. Given the strong relationships we maintain across our expansive correspondent banks, our negotiation abilities are renowned in gaining very competitive rates and prices.

Fee and Commision



We continually ensure that our team remains above par in the knowledge stakes, exposing them to cohesive training and learning programmes, with specific focus on specialized and technical knowledge gain. Add an unblemished reputation, responsive solutions and the status of being a state bank, it is understandable then that our Trade Finance business continues to dominate the industry sphere.

However, this year did pose some challenges. There was a decline in trade finance business and we also had to contend with volatility in exchange rates and commodity prices. Further, with exports continuing to slow down and the Sri Lankan Rupee depreciating, negative impacts did ensue.

With trade finance and offshore banking also coming under the umbrella of the corporate banking division, the competitive operating environment encouraged us to incentivize our teams working within the various branches as per the Century Scorecard explained above. We have also recruited a cohort of Management trainees, training them in the skills required in trade finance management.

Exports this year have declined. However, we began working with a series of export industries, with great success gained with export crops such as cinnamon traders from various parts of the Island. Expanding our horizons, we made inroads into the frozen food and spices industries, coconut, rubber and agricultural products. On the export of fish however, we await the results of negotiations between the Government and the European Union.

We also concentrated on augmenting Government business although volumes were much better in private sector business, concentrating in tea and rubber with plans of expanding into other industries.

What our stakeholders can expect in corporate and offshore banking in 2016 and beyond.

We intend prompting an increase in private sector exposure of our loan portfolio by instilling smart objectives linked to private sector canvassing. By broad basing corporate lending products, we will expand our private sector corporate customers and syndicated loan facilities by end 2016. It would be astute to take advantage of the national focus on the SME sector, private sector boom, new FDIs and share market growth, heralding expansion through business diversification and more customer engagement strategies aided by the establishment of an integrated highly trained business hunting unit.

Another feature we intend introducing next year is a special unit to improve and maintain asset quality and overall ratings. The predicted gradual recovery of the global economy will undoubtedly positively impact the OBD business, which augurs well for Sri Lanka's exports and the industries that BoC is involved.

Core Areas of Operation

International, Treasury, Investment and Overseas Branches

This division that comprises Treasury, International, Investments and Overseas branches, worked on a number of strategies that would enable us hone our strengths, while bridging gaps and exploiting opportunities. Our international rating is on par with the sovereign, which certainly gives us a highly competitive edge in this business, as does our diversified funding base and our large Government securities customer base. Keeping our leadership bearing in focus, we possess the largest share of Government securities in both LKR and foreign currency.

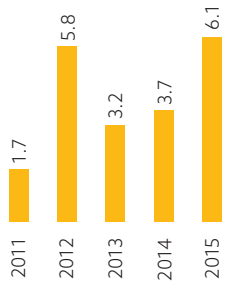
Treasury

The Treasury comprises the three main departments namely Dealing Room, Primary Dealer Unit (PDU) and Asset and Liability Management Unit (ALM) and is mainly responsible for the management of assets and liabilities, liquidity risk, interest rate risk and foreign exchange risk. The general functions of the Treasury division encompass money market dealing, equity trading, fund management, investments in Government securities, pricing of products and maintenance of reserve and liquidity ratios and contributes significant portion to profitability. By instituting system changes and upgrades and gaining the advantages of the IT platforms being implemented through Finacle Treasury, our new treasury system, this division enjoyed the benefits of being more responsive, efficient, productive and most of posting good performance.

Engaging in foreign currency transactions and providing services of trading in treasury bills and bonds, the year was an extremely successful one for the BoC Treasury. Achieving almost all of its goals, Treasury optimized on the positives emerging from the exchange rate which depreciated by approximately 9% against the US dollar reflecting domestic and global developments, posting highest ever foreign exchange profit in the Banking sector with an impressive LKR 6.1 billion by December 2015. Some initiatives designed and instituted to expand that business such as expanding the corporate desk, introducing a competitive pricing mechanism, aggressive foreign exchange trading, expanding relationships with exchange houses and system enhancement were all instrumental in the better results.

Exchange Income

LKR Bn



The launch of Finacle Treasury, the new treasury system in collaboration with expert system developers, is aimed at extending the realms of service excellence offered by BoC Treasury, while strengthening the risk management platform adding to the momentum. This new age treasury solution is a state of the art platform



The Finacle treasury system is launched

that, while instigating a new paradigm of service excellence, also strengthens the Bank's risk management framework, adding efficiency and speed into the equation covering an extensive array of services BoC offers to its expansive portfolio of local and foreign clientele.

Treasury is in the process of implementing a new system for Asset and Liability Management Unit (ALM) which facilitates the generation of required reports and will invariably enhance the decision making function of the bank. This system will go live in mid 2016 adding further impetus for accurate management of assets and liabilities. In streamlining PDU operations, under the guideline of the Audit Committee, BoC has set a series of measurement parameters to enhance the processes already in place including updating policies and related manuals. Treasury division established new limits on Government securities, approved limits for new counterparties, loss limits and portfolio limits. In addition to establish new procedures for aiding auction bids, new procedures have been formalized on third party bids for Government

securities, Government security SWAPS and reverse REPO transactions. The Treasury division has revised the treasury policy and ALM policy manuals suits to the latest changes in the market.

Being astute in our massive investment portfolio of over LKR 500 billion, our investments were cautious yet incisive, having continuously analyzed paradigms that are prevalent and emerging. In addition to investing in Government securities, we also divided our investments into Sri Lanka Development Bonds (SLDBs), debentures and in equities. Bank has invested USD 1.4 billion in SLDBs.

With aggressive trading embarked upon in both treasury bills, bonds and equity adding trading of gilt-edged securities into the equation, the Treasury had a significant capital gain from Government securities of LKR 307.5 million by year end.

The Central Bank of Sri Lanka has pointed out that excess liquidity in the domestic money market continues to remain high, fuelling monetary expansion. Operating within this environment of high liquidity, competition and upward inflation can be challenging. It is estimated that if this trend of high excess liquidity continues, it could lead to an undue expansion in monetary aggregates, fuelling future inflation in the economy. However, anticipating the negatives that may arise, we intend expanding the REPO base, optimize fund management in Nostro accounts, arrange foreign currency syndications and bi-lateral loans and issue more long term debentures in order to maintain a healthy liquidity position.

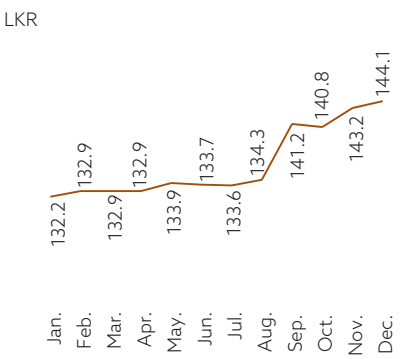
Accordingly, the Statutory Reserve Ratio (SRR) applicable to all rupee deposit liabilities of commercial banks was increased by 1.5% to 7.5%, to be effective from the reserve week commencing 16 January 2016. On 19 February 2016, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), which had remained unchanged at 6.0% and 7.0%, respectively, increased to 6.5% and 8%.

Meanwhile, the commercial banks' lending and deposit rates remained on a similar base as that of last year, with little changes observed. The Average Weighted Fixed Deposit Rate (AWFDR) at end 2015 edged slightly upwards to 7.57% from 7.33% last year, while the Average Weighted Prime Lending Rate (AWPLR) gained a little over a percentage point at 7.53%. The Monthly Average Weighted Deposit Rate (AWDR) remained unchanged at 6.2%.

We did see a YoY growth of broad money continue to expand at 17.8% in December 2015, which is considerably higher, fuelled by credit expansion to both the private and public sectors by the banking sector. It was seen that credit granted to the private sector by commercial banks increased by 25.1% during that month, (YoY) a trend that continued for the rest of the year.

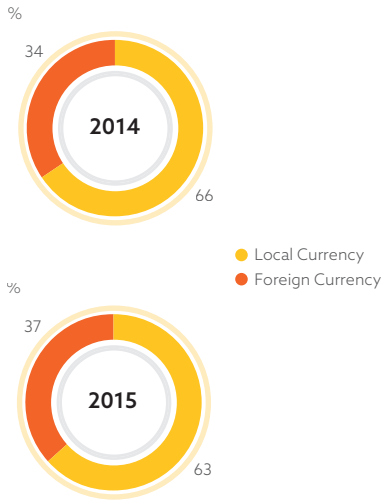
The USD/LKR gained 9% over the year from LKR 132.20 in 31 December 2014 to close at LKR 144.06 on 31 December 2015. It reached an all time high during the month of December to stand at LKR 144.38 (Source: Bloomberg).

Exchange Rate - USD

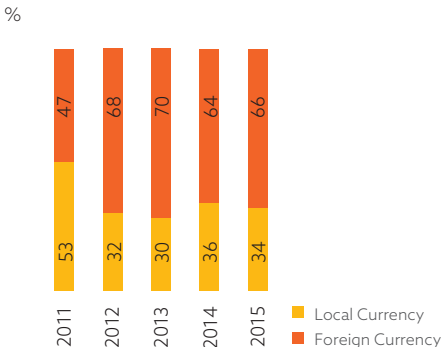


Source : Central Bank of Sri Lanka

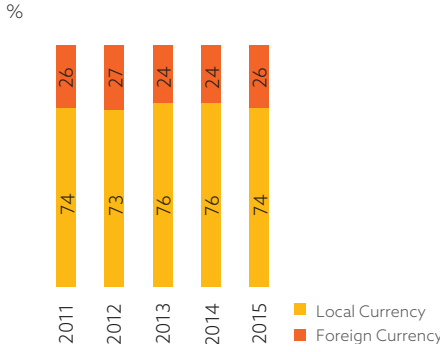
Funding Base – Currency wise



Borrowings



Deposit Mix



Core Areas of Operation

International, Treasury, Investment and Overseas Branches

International

We have begun Taking Charge of Change, studying new business trends in international markets and ensuring our business units take advantage of emerging opportunities. Being responsible for the promotion of NRFC deposits, inward remittances and correspondent banking relationships, the rapport we have with a correspondent network of 758 banks and 100 exchange houses has enabled us to grow our remittance business significantly. With nearly two million migrant workers based across 115 countries, the 25 representatives we have in the important migrant employee markets have surely helped in business growth.

Being the market leader and the very first bank to introduce NRFC deposits, BoC continues to hold leading market share. The competitive advantages of a highly networked overseas presence and a loyal customer base have enabled us to capture a phenomenal 34% of market share. The NRFC/RFC/RNNFC portfolio grew at an impressive 8%, which is USD 973 million. Foreign currency deposits also heralded an upward trajectory, growing by 14% to USD 1,973 million, which is over LKR 270 billion and the highest in the banking sector.

Marketing and communication support assisted greatly in increasing sales of the products. The "BOC SMART REMIT" campaign on mass media during the festive season in March and April, well buttressed with the sponsorship of all major events overseas attended by Sri Lankan expatriates and a promotional campaign for remittances during the Ramazan, and continuous promotion campaigns on NRFC, all infused fruitful results to the bottom line. Continuous awareness programmes are being conducted to increase the foreign currency deposit base as well. Also during the period concerned we could introduce new pre departure loan schemes to Italy, South Korea, and Israel and also introduced foreign currency loan schemes for NRFC and FEEA customers. During the year 2015 we recorded a growth in inward remittances by 2% despite the country reported otherwise.



A training programme being conducted in Tangalle for potential workers to Israel

Investment Banking

Firmly installed in this aspect of business too, BoC's debt and equity investment in both private and public institutions has always been regarded as an imperative truss to the nation's economic growth. The investment climate over last year however was somewhat lacklustre. However by focusing strongly on increasing investments in short and medium term instruments such as corporate debts and trust certificates, the investment portfolio was well diversified, for improved performance.

The division embarked on automation of the equity portfolio for better operational capabilities. We believe that to contribute towards the growth of profitability we must increase earnings on investment and even though the equity market had a less than good performance, we identified high end dividend yields where there was potential to invest. Our investment portfolio showcased a performance that did have the characteristics of a prudently managed well thought out strategic investment base.

We continued holding the accolade as the largest issuer of debentures in Sri Lanka raising a total of LKR 45 billion. We launched the seventh listed debenture issue in October this year, which was oversubscribed on the opening day itself raising LKR 8 billion, which is a key achievement. The unsecured subordinated redeemable debentures were rated AA by Fitch Ratings Lanka and listed on the Colombo Stock Exchange. Listed corporate debts are monitored and regulated by the Colombo Stock Exchange and the Securities and Exchange Commission. The debenture issue was heralded as adding significant impetus for the Sri Lankan debt market. It has five and eight year maturities with fixed and floating coupon rates and offered at par value of LKR 100 in five types. The funds raised through the issue are being utilized for long term lending in development projects, which contribute to the economic and social development of the country and aligned with our vision of being Bankers to the Nation.

"With the banking industry having performed admirably in 2015, we intend taking advantage of the potential growth opportunities expected in coming years, while looking towards spurring inward remittances as a result of global economic recovery."

The division acted as Joint Financial Advisors and Managers to the LKR 4 billion debenture issue of Housing Development Finance Corporation (HDFC) Bank of Sri Lanka. The issue was successfully launched on 16 November 2015 and was oversubscribed on the opening day itself.

BoC is the leading state bank that provides trustee and custodian services for range of funds, asset backed securitizations and clientele with a asset portfolio coverage exceeding LKR 200 billion. Further the value of corporate debt issues, listed and unlisted for which trustee services were provided by the division during the year exceeded LKR 28 billion. The division also commenced intermediary functions for syndicate term loans during the year 2015.

Overseas Branches

Having established our first Overseas Branch in London, which was the first overseas presence by any Sri Lankan Bank, we always have maintained a passion to take BoC branch beyond borders. However the expansion is being done carefully after analyzing the market trends and justifying our presence in these locations. At present BoC has three Overseas Branches in Maldives, Chennai and Seychelles. Bank of Ceylon (UK) Ltd. is a fully owned subsidiary of Bank of Ceylon and it is a registered bank in UK. The performance of Male and Chennai is very impressive and the Seychelles Branch recorded a profit at the end of second year of operation.

Overseas Branches Performance

		LKR million
	2015	2014
Deposits	27,709	16,532
Advances	20,598	14,714
NPA	1,757	1,476
Operational profit	1,934	1,403

The operating models for each of these branches have been selectively astute. Having studied the country, market and proposed customer profile, we introduce lines of business that would be most suited for the location. The Male and Seychelles branches are corporate branches, while Chennai is much more comprehensive offering a slew of corporate, treasury, trade finance and retail products and correspondent banking facilities to Sri Lankan banks. London remains somewhat curtailed but does offer retail, trade finance and treasury operations.

The integration of our Core Banking System to these branches has been a great advantage, and now all our branches are connected to one network. This mooted a more cohesive engagement with stakeholders and interlinks within the Bank and to also align the Bank to the dynamics of world trade.

What our stakeholders can expect from International, Treasury and Overseas branches in 2016 and beyond

With the banking industry having performed admirably in 2015, we intend taking advantage of the potential growth opportunities expected in coming years, while looking towards spurring inward remittances as a result of global economic recovery. We are building a strong regional presence, having strategically located our branches in destinations of promise, an avenue we intend pursuing next year, with plans on opening branches in Bangalore and the Maldives in 2016 and explore potential in Myanmar, Italy, Canada and Australia. This emphasis on having a strong regional presence with a global touch will also see BoC in other states in India as well. We will also expand our correspondent banking network with the opening of new exchange offices and representative offices in potential markets.

Having always been a firm partner in national development plans, we will continue actively participating in government projects, while also maximizing BoC's competitive advantage in raising low cost short terms and long term funds, enhancing earning capacity by improving on fees, commissions, earnings on equity investments and interest income and focusing on asset products. A competitive pricing structure based on customer profitability and rating will also add advantage. Improving on our capital adequacy ratio through mobilization of long term funds via debenture issues is also planned.

Human Capital

"Our people – an amazing collective of knowledge, skill and competency; they are a cohort of dynamic, motivated exceptional individuals who scale unexpected heights to deliver remarkable results."

Strategic Priority: Transform Human Resources, Capability building and skill enhancement

Achieving our strategic priority

- 1,211 training programmes for responsive capacity building and in establishing a pool of knowledgeable skilled professionals
- 770 promotions to fuel expansion process
- Century Scorecard for branch incentivization implemented
- Revamping process of Performance Appraisal System (PAS) to Performance Management System (PMS) commenced in terms of greater fairness and standardization
- Incentivized performance, LKR 30.5 million paid out under the Century Scorecard
- Collective bargaining process augmented for better trade union relations; new agreement signed this year

Impact on other capitals

- It is our human capital that is tasked with driving profitability and growth and thus, enhancing shareholder returns, impacting our financial capital
- Proactive engagement to continue raising the bar in customer service and community engagement adds great advantages to our social and relationship capital
- The team's ready embrace of technological advancements impacts positively on our intellectual capital
- Enhancements infused into our manufactured capital are being optimized
- Focus on energy and waste management initiatives by the team has influenced positively on natural capital



No. of Employees
7,980



No. of Training Programmes
1,211

Risks/Challenges, Mitigators and Opportunities in Delivery of Strategic Priority

Risks/Challenges	Mitigators	Opportunities
Experienced staff retiring in considerable numbers	New recruitments Training and development to meet career aspirations Talent management initiatives	Expansion of business opportunities due to upgrading of people skills Further automation Centralization of activities Use innovative mindsets to maximize on market dynamics and paradigms
Minimizing attrition by managing external influences and fast changing career aspirations	Enhancing equitable employee benefits and work-life balance to build loyalty and commitment Building attractive work environment through providing competitive salary and fringe benefits with enhanced career development	Enhanced loyalty of staff fuels further industry leadership, paving the way for more accolades
Effective implementation of current succession plan	A comprehensive succession plan to optimize young pool of knowledge	Use young knowledge pools and skill sets to drive innovation and digitization
Specialized areas having insufficient skills and knowledge to cater dynamic industry requirements	Enhance efforts to acquire necessary skills through recruitments and developing internal staff	Newly acquired skills and knowledge can turn around lagging areas
Challenges in deploying team members into remote areas	District basis recruitment	Further penetration to rural sector

Our people – an amazing collective of knowledge, skill and competency; they are a cohort of dynamic, motivated exceptional individuals who scale unexpected heights to deliver remarkable results. This is our human capital, leaders who are the backbone of our Bank and the reason we continue to entrench the Bank as leader in the industry as proven many times over.

This winning team encompasses young dynamism and experienced commitment, an unequivocal combination that gives us the competitive edge in the industry. It is this formula also that has added a unique dimension to the way we think and work. To our people, this Bank is their bank, this business their business and the results, their results. This ownership dynamic is the reason that has enabled the team to Take Charge of Change without ambiguity or hesitance.

Human Capital

"We pride ourselves on possessing an excellent mix of various age groups equipped with a wide range of specialist knowledge, professional and academic standing."

In Taking Charge of Change, Wenesa was welcomed, as here lay the prospects for the team itself to drive change. It is they who became change agents and enthusiastically began implementing the project, taking a leadership role in imbuing a customer oriented culture. Our objective is to mould each of our team to be professionals, high achievers and those unafraid of challenges; those who will treat stakeholders as assets and partner them in their journey.

Aligned with the Bank's vision of being Bankers to the Nation, the HR vision aims at creating and sustaining a highly motivated exceptionally productive and empowered workforce that contributes towards corporate excellence. This encourages team members to play a partner who adds value to corporate objectives and the Bank in turn, becomes a partner in journeying with them to meet their career aspirations.



Gender Composition
Male : 52%
Female : 48%

Becoming a part of a winning team

Our full time workforce numbers 7,980, all of who are recruited through a stringent transparent recruitment process. The mix of age and gender remain fair and just, with geographic recruitment also being driven by skill, experience, location and practicality. In fact, district-wise recruitment is based on the work place being in close proximity to the recruit's home, which yields better productivity and better work-life balance.

We pride ourselves on possessing an excellent mix of various age groups equipped with a wide range of specialist knowledge, professional and academic standing.

Workforce by Nature of Employment and Gender

Employment Base	2015				2014			
	Male	Female	Total	% by nature of employment	Male	Female	Total	% by nature of employment
Full time	3,571	4,409	7,980	86	3,966	4,611	8,577	87
Outsourced	1,238	31	1,269	14	1,267	27	1,294	13
On contract	6	-	6	-	7	1	8	-
Total	4,815	4,440	9,255	100	5,240	4,639	9,879	100
% by gender	52	48	100		53	47	100	

Workforce by Geographical Distribution

Region	2015			2014		
	Male	Female	Total	Male	Female	Total
Western province	1,580	1,940	3,520	1,787	2,150	3,937
Central province	280	379	659	315	378	693
Eastern province	260	166	426	280	173	453
Northern province	264	243	507	272	246	518
North Central province	278	287	565	304	274	578
North Western province	286	377	663	321	376	697
Sabaragamuwa province	222	302	524	233	300	533
Southern province	234	463	697	267	460	727
Uva province	167	252	419	187	254	441
Total	3,571	4,409	7,980	3,966	4,611	8,577
% by gender	45%	55%		46%	54%	

Workforce by Employment Category

Category	2015			2014		
	Male	Female	Total	Male	Female	Total
Corporate management	11	3	14	12	2	14
Executive management	47	6	53	44	6	50
Chief manager	65	37	102	66	34	100
Senior manager	115	65	180	116	59	175
Branch manager and other officer grades	1,365	2,024	3,389	1,519	2,032	3,551
Management trainees	52	155	207	70	184	254
Staff assistants and allied grades	1,403	2,105	3,508	1,532	2,201	3,733
Office assistants and allied grades	513	14	527	607	93	700
Total	3,571	4,409	7,980	3,966	4,611	8,577

Workforce by Age Distribution According to Employment Category

Age Distribution	18 - 24	25 - 34	35 - 44	45 - 54	55 - 60	Total
Corporate management	-	-	-	5	9	14
Executive management	-	-	-	11	42	53
Chief manager	-	-	2	29	71	102
Senior manager	-	-	49	47	84	180
Branch manager and other officer grades	-	1551	547	380	911	3,389
Management trainees	3	201	3	-	-	207
Staff assistants and allied grades	637	2,438	124	165	144	3,508
Office assistants and allied grades	21	151	167	111	77	527
Total for 2015	661	4,341	892	748	1,338	7,980
Total for 2014	1,088	4,127	782	842	1,738	8,577

Human Capital

"We are in the process of implementing a fully fledged Human Capital Management System which enables all HR processes to be technologically driven"

We have always been upheld as a preferred employer, a feature that is well evidenced with the low levels of attrition we have experienced. In fact, our employee retention is undoubtedly the highest among the industry, a reason we are very proud of given that the banking industry has relatively high turnover of employees as a general feature.

The Bank recruits mainly management trainees and trainee staff assistants which are entry level positions for new entrants to the workforce. We also gain the expertise of consultants for specialized fields on contract.

Vacancies are advertised through mass media, while specialized posts may be head hunted. Initial testing is conducted by the Department of Examinations or approved agencies, which vouches immensely for the transparency instilled in the process. This is followed by interviews. All recruits undergo a comprehensive orientation and induction process, which ensures they imbue the Bank's culture, values, ethics and code of conduct, while also acquiring the knowledge that they are stakeholders in the sustainability of the Bank.

During the year we have recruited four employees for the posts of curator (one male) and trainee legal officers (two female and one male)

Being technology driven

We are in the process of implementing a fully fledged Human Capital Management System which enables all HR processes to be technologically driven. This includes online applications for employment, promotions and job tests, employee profile management, HR business intelligence, benefit administration and a centralized time attendance system. The Document Management System (DMS) has definitely gained momentum in usage, reaping in productivity benefits, as has the newly implemented Century Scorecard (CS) which has seen over 500 branches rewarded as an incentive for bringing in high levels of business. The tablet and desktop based business intelligence tool which is branded as "BOC 360", enables a comprehensive monitoring of branch and provincial performance daily. It is significant that

Number of Employees Trained

Category	Number of employees				Average hours of training			
	2015		2014		2015		2014	
	Male	Female	Male	Female	Male	Female	Male	Female
Corporate management	11	3	12	2	109	53	51	32
Executive management	44	6	44	6	60	75	26	31
Senior management	327	221	303	172	45	60	33	48
Executives	1,095	1,772	1,464	2,006	27	23	20	24
Trainees and others	1,738	1,930	2,143	2,425	30	25	60	75
Total	3,215	3,932	3,966	4,611	271	236	190	210

Number of Training Programmes and Participants in 2015

Description	No. of training programmes	No. of Participants
In- House	773	23,515
Local Institutions	337	6,134
Overseas	101	275
Total	1,211	29,924

LKR 30.5 million was presented to branch team members in appreciation of them exceeding targets across a wide range of performance parameters, as analysed through the CS.

The PMS being currently revamped, is a key initiative in the technology driven HR transformation process. Introducing new features including standardized KPIs for each job role with appropriate weight given to each KPI and ensuring objectivity and measurability to ensure fairness, the PMS is all encompassing. A five point scale and detailed scoring matrix measures competencies, while a separate score standardization is inbuilt for head office and branch teams.

Building a Winning Team

Training, learning and development are integral to building a winning team, especially one that has Taking Charge of Change. There was a cohesive selection of training programmes that would best optimize the skills and competencies we have within the Bank. The training programmes spanned a wide range of knowledge gain aligned to meeting our strategic priorities and individual career goals. These included customer care, communication skills, technical specialties, attitudinal change, leadership, soft skills and internal control, risk and compliance.

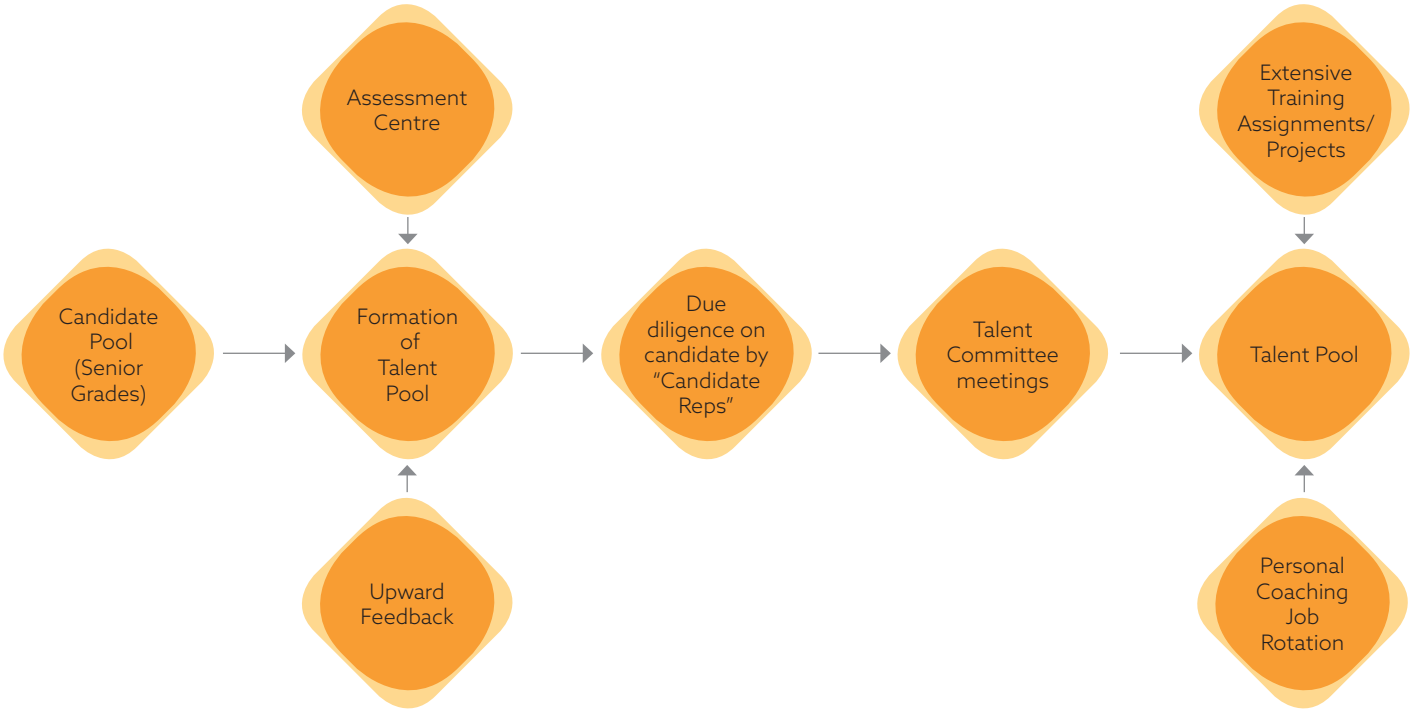
Talent Management

This year we began conducting an extensive talent management initiative for the Bank's leadership. As part of our succession plan, talent committees were formulated to ensure long term development of team members across different cadres.

With the formation of talent committees, inputs from each employee are examined by and from multiple sources. This gives a holistic view of the employee and his/her abilities and potential, leading to extensive long term training initiatives that include mandatory learning programmes, international secondments and role rotations.

Talent management process for the year 2015 is the new and the major task, which we are in the last stage to complete successfully. Grooming future leaders are most wanted for the Bank. Therefore, it's essential to identify them; train them; placing the right person on the right job with the right talent and retain them in the organization.

We believe strongly that a team of this calibre needs to be constantly challenged. It is this that spurs innovation, critical thinking and an out of the box attitude. Identified team members are tasked with challenging responsibilities and duties including implementing and excelling in 5S, Best Branch competition and Century Scorecard, for which, appreciation is given via benefits, rewards and recognitions. This year we have recognized and rewarded team members for the Best 5S branch, having conducted a competition to inculcate the salient features of this Japanese productivity philosophy. Foreign scholarships are also conferred on those who have achieved targets and shown potential to grow. In addition, 556 commendations were also conferred during the year.



Human Capital

"Human capital has an utmost importance in our business and followings are key facilitations our employees in order to give them a better work experience at BoC."

Human capital has an utmost importance in our business and followings are key facilitations our employees in order to give them a better work experience at BoC.

- Financial assistance : housing, vehicle and distress loans at concessionary rates, compensation in case of personal accident whilst engaged in official duties
- Encourages to constantly pursue academic and professional qualifications: financial support for professional and post graduate studies and reimbursement of membership fee of professional bodies, Library facilities
- Work-life balance remains fundamental to our human capital driving change: seven working days leave at a stretch for rest and relaxation , holiday bungalows and transport facilities at concessionary rates for family leisure activities
- Our team to be health conscious : workshops and lectures by doctors and other specialists, conducting yoga and aerobics classes and encouraging team members to follow the tenets embedded in "Nirogi Lanka", while a gymnasium is at their disposal, comprehensive medical assistance.

Doing what's right

Embedded in our sustainability policy is a stringent focus on human rights. We will continue to support, respect and uphold all directives and guidelines for the protection of people as detailed in all internationally accepted human rights declarations, which ensures that the Bank will never support nor defend any human rights abuses.

Our recruitment, promotions and succession plans are implemented with a high degree of meritocracy. An equal opportunity employer, we do not in any way subscribe to discrimination in age, gender, culture, ethnicity or religion. During the year we have promoted 349 male employees and 421 female employees, which adds upto 10% of total employee base. We eschew any form of child labour, a tenet we extend to our valued business partners, clientele and communities, rejecting the continuation or forging of any relationship if there is child labour involved in any way. We do not condone any form of forced or compulsory labour either.

We remain acutely aware of human rights and educate our team through workshops and exposure to various forums and campaigns, on their rights and the cascading of that information for a better informed workforce. This year we held a workshop that had modules dealing with human rights.

Being a state bank and an undisputed corporate steward which gives us immense responsibility in being a mentor and role model for the industry, we stringently abide by laws and conventions that govern employees. We adhere strictly to the diktats laid down by the Ministry of Labour and Trade Union Relations any relevant rules of the Ministry of Finance, Ministry of Public Enterprise Development and the Central Bank of Sri Lanka. We follow all international conventions signed by the Government of Sri Lanka including the various ratified conventions of the International Labour Organization. All statutory and voluntary contributions including Provident Fund (PF), Employee Trust Fund (ETF), Gratuity, accidental benefits, and pension schemes are adhered to with no compromise.

We have always maintained an extremely cordial relationship with the trade unions. This is a partnership we consider healthy and progressive for the Bank and the team, believing strongly that a powerful singular voice for a collective group is always a judicious method of getting voices heard and issues resolved. 98% of our team, that is 7,806, are members of a trade union.

It is imperative therefore that the collective bargaining process is open and trusting, with each side committed to discussion at the bargaining table and ensuring that all decisions are carried through. The collective bargaining process invites discussion on proposals from all trade unions and is an open dialogue with all trade union representatives and management.

The collective agreements endorse bargained decisions on remuneration and non-remuneration benefits including medical benefits, overtime, leave encashment and bonus payments. These are discussed and renewed every three years. The collective remuneration agreement with the Ceylon Bank Employees' Union for the period 2015 to 2017 was agreed upon and inked this year.

We remain acutely aware of human rights and educate our team through workshops and exposure to various forums and campaigns, on their rights and the cascading of that information for a better informed workforce. This year we held a workshop that had modules dealing with human rights.

BoC has a whistle blowing policy which we feel is crucial in strengthening the ethics, morals, principles and accountability ethos we espouse. Each communication, whether by telephone call, letter or email is directed to Internal Audit, where the Internal Auditor would conduct an impartial investigation after which issues are resolved or called up for further discussion.

We also established an employee grievance handling policy, giving team members the option of bringing their grievances to the notice of their superior via speech or written missive. The complaint then goes through the well laid out grievance mechanism procedure, in seeking a solution.

Human Rights Grievances

	Number
Brought forward from 2014	11
Total number of grievances reported in 2015	12
Total number of grievances addressed in 2015	(12)
Total number of grievances resolved in 2015	(4)
Total number of grievances outstanding at the end of the year 2015	7

Strengthening employee relations also requires a comprehensive occupational health and safety policy. The Bank is currently in the process of formulating one, comprehensively taking into account all aspects of occupational health and safety in the various locations in which we have deployed team members.

Employee Turnover

Retired

Age Category	Gender		Total
	Male	Female	
46 - 55	18	21	39
55>	345	158	503
Total	363	179	542

Resigned

Age Category	Gender		Total
	Male	Female	
<25	1	11	12
25 - 35	7		7
36 - 45	2		2
Total	10	11	21

Communication

Team members have access at any time to their immediate superiors, while more senior management will be open for discussion on immediate notice. We consider this open communication process a vital conduit in maintaining the trust, loyalty and commitment of our team. An open door policy exists in most instances, while written submissions are also entertained for any issues that arise.

We use numerous methods of communicating with our team members, from notice boards to newsletters and group meetings. Instilling a sense of ownership in our business is critical in sustaining our human capital and suggestions are encouraged for business improvements and development. HR day has always been a successful initiative at opening communication channels. All these have been instrumental in creating a culture of open communication where opinions are widely encouraged and views and beliefs supported.

What our stakeholders can expect in 2016 and beyond

With the transformation programme having embedded HR as the axis of seeing the programme to fruition, the emphasis on developing, upskilling and empowering our team remains in primary focus. The Performance Management System becomes completely operational in the next year to ensure greater fairness in performance appraisal, the establishment of an HR Help Desk and a comprehensive Occupational Health and Safety Policy becomes effective as part of our initiatives in developing and enhancing our human capital. A Code of Ethics is also being developed to improve compliance with internal and regulatory directives, while holistic training and learning programmes will be matched and developed to suit changing paradigms and personal objectives and aspirations. We will also be engaged in regular recruitment for development of human capital and to resolve demographic issues.

Intellectual Capital

Strategic Priority: Offer customers a best in class experience

Achieving our strategic priority

- Penetrative IT infusion continuing
- Cohesive networking and automation process of every function, department and process ongoing
- Pioneering and state of the art software adding value
- Core banking solution, the very first installation of its kind in Asia, implemented
- Large network online branches
- Ambitious technology projects completed end 2015
- No. 1 Brand for eighth consecutive years; Brand value increased to LKR 41.4 billion
- Only Sri Lankan entity to be named among top 1000 banks in the world as well as among Top 5 Banks in Asia Pacific (excluding China and Japan) in terms of return on capital by the world's premier banking and finance magazine, 'The Banker'.

Impact on other capitals

- Our human capital enriched with technical know-how, vast experience has been the driver in leading the transformational process to achieve this strategic priority
- Intellectual capital has enabled us to strengthen our social and relationship capital instituting better systems and processes for faster, speedier delivery
- The foundation for a paperless working environment has been constructed through the use of intellectual capital, permeating positives on the astute use of our natural capital
- The tangible and intangible benefits emanating from the implementation of our intellectual capital is and will continue to impact our bottom line and hence our financial capital
- Our manufactured capital is the structure upon which our intellectual capital has to be constructed, whether in brick and mortar structures or in investment in technology

Risks/Challenges, Mitigators and Opportunities in Delivery of Strategic Priority

Risks/Challenges	Mitigators	Opportunities
Maintaining position of BoC Brand	Initiatives to increase Share of Voice and Share of Mind	Emerging innovative brand building opportunities
Maintaining leadership in a highly competitive environment and aggressive competition from other banks	Optimizing on each of our capitals to benchmark ourselves against global industry leaders	Government's focus on technological advancement can support to stay competitive and maintain our leadership
Ability to leverage digital disruption to enhance customer experience while creating competitive advantage	Using the expertise of highly and professional IT business analysts to build intellectual capital	Technological advancement will be able to capture increased demand for IT related services
Faster responsiveness to dynamic industry	Strengthening Research and Development department and strong marketing structure	Optimize usage of knowledge and technology will lead for innovative products
Need to focus on Gen-Z and their fast evolving aspirations	Higher visibility on social media and technological apps being introduced for use of Gen-Z Brand visibility and perception to be continually analysed to keep up with times	Addressing Gen Z will ensure market leadership in coming years



Recognizing that intellectual capital is truly a business asset, this is a capital however that can be challenging in measuring, given that by its very nature it is intangible. These are critical to the organization and can provide significant competitive advantages. However, it is also a capital that plays an integral role in delivering customers business class experiences. In delivering this, we have identified our intellectual capital as being in our brand which includes products and intellectual property and in IT systems, procedures, protocols and software, which form the foundation in developing this capital, which for the most part remains intangible when integrated into the larger scheme of things.

The range of technology choices we identified in transformation process forms the base in meeting our strategic priority of offering our customers a best in class experience. Every single facet of the transformation process revolves around this as it is our customers who ultimately decide on the success and sustainability of the Bank. We have developed and are continually developing our expertise and experience to meet this objective. Drawing from our legacy of 76 years, the international and local accolades we have received because of this focus has added to our intellectual capital.

Achieving long term sustainability through technology

The comprehensive strategy for IT is one built on total automation of business critical processes. It establishes a stringent IT governance and project management mechanism that incorporates IT-strategic software and applications. Gaps and weaknesses were identified, while IT security was strengthened. Compliance was also focused on to ensure stringent measures with security frameworks.

Driving customer experiences directly

- BOC SmartGen – the new pass bookless savings account
- Instant debit card issue
- Queue Management System
- Demand Management Process
- Document Management System
- SMS alerts
- Wider accessibility via ATMs
- Introduction of Cash Deposit Machines through establishment of Smart Zones
- Establishment of Regional Loan Centres covering all provinces
- Multi-lingual mobile banking solution
- Online facilities payment system introduced for customs, ports, utilities, insurance

Intellectual Capital

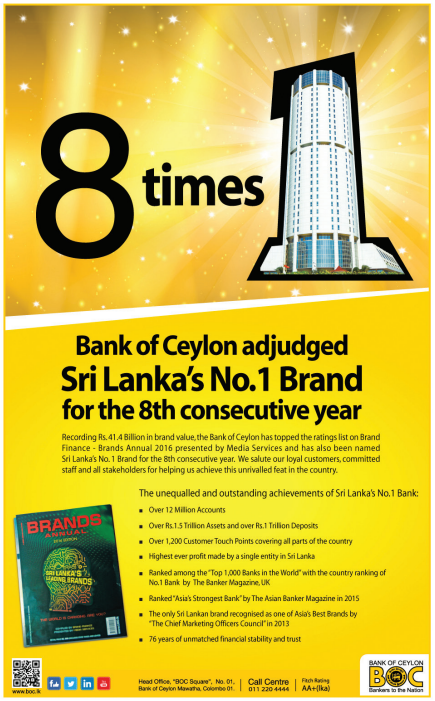
"We now possess the latest upgrade of Fiserve Core Banking Software, Signature 10.1, the very first installation of its kind in the Asian region."

Driving customer experiences indirectly

- Core Banking Solution, an empowering tool for total integration of systems and processes
- Implemented Finacle, the new multi-currency treasury software system
- Real time transfers initiated by joining CEFT (Common Electronic Fund Transfer) Switch and the Seychelles Common Payment Switch (SEFT)
- 100 back up communication links provided to branches
- Server Virtualization in the process of enhancing DMS and risk management
- Automated toll collection solution implemented on highways for real-time toll collections
- Implementation of Performance Management Tool and Century Scorecard driving attitudinal change among team pushing higher levels of customer service
- Anti-money laundering solution streamlined
- Quality Assurance Policy and procedure for in-house and third party software development

Customer benefits

- Quick banking devoid of manual intervention via Smart Zones
- Improved internet banking solutions
- Real time activation of debit cards and internet banking
- RLCs enables quick and efficient loan disbursement
- Multi-lingual mobile banking solution addressing all communities
- Assurance on better risk and security management
- Minimized hassle in customs, utility, insurance payments due to online facilities



Brand image

Building brand image is challenging, given that a brand must remain contemporary, while also holding fast to its heritage and intrinsic values. Brand building is integral to strengthening our intellectual capital and thus brand equity in tandem. With our brand equity evaluated at a phenomenal LKR 41.4 billion by Brand Finance Lanka, a subsidiary of Brand Finance (UK), the highest in the country, BoC believes that being the No. 1 brand in the country has surely augmented the best in class experience being extended customers.

Our IT delivery processes revolve around our vision of being Bankers to the Nation and thus the concept of absolute and complete financial

We have plans to design an Integration Strategy and Roadmap to enable large scale deployment and implementation of new system solutions

inclusivity. By making banking accessible to those who have been excluded from the conventional financial and banking system, our intention is to deliver best in class experiences and entice them to become financially independent and sustainable. This is augmented by our IT deliverables rolled out through the entire branch network to ensure equal distribution throughout.

Our Core Banking Solution encompasses some of the most state of the art software available in the global financial industry. We now possess the latest upgrade of Fiserve Core Banking Software, Signature 10.1, the very first installation of its kind in the Asian region. Overall bandwidth has been upgraded to cover the entire branch network and the increasing volumes of data transfers at high speed.

What our stakeholders can expect in 2016 and beyond

Technology will continue to be the driver in 2016 and beyond with each innovative initiative gaining state of the art technology input that will enable BoC to stake further claim to its leadership. By expanding 24x365 banking facilities for better accessibility and flexibility using integrated IT platforms, segmentation of debit cards to minimize risk and add flexibility, enabling e-commerce and multi-currency transactions for debit cards, developing Internet based solutions for corporate customers and activating a debit card solution for dollar accounts and for overseas branches, we are surely enabling our stakeholders to gain unprecedented technological advantages via their banking partner. Another initiative will be integration of credit card systems the Core Banking Solution.

There will be further interaction integrated into mobile and social media with the development of apps, SMS alerts to mitigate money laundering activities, ATM and debit card system integration with "Prime 4", (the new credit card online system), expansion of Contact Centre facilities and an audit tool implementation. We are also introducing an online payment facility for exchange houses.

We have plans to design an Integration Strategy and Roadmap to enable large scale deployment and implementation of new system solutions for Integrated Risk Management, Asset and Liability Management, Nostro Reconciliation, Trade Finance, Gold Shop Operations. All this will be ably supported by a strong corporate image with strategic visibility and corporate brand building.

Manufactured Capital

Strategic Priority: Build delivery channels and technology capabilities

Achieving our strategic priority

- IT infrastructure, networking back office and front office support functions being implemented cohesively
- Strong IT infrastructure base
- Branch network five new branches, seven Regional Loan Centres, 14 Cash Deposit Machines, 11 ATMs were added during the year
- Average transactions per CDM : 250 per day
- ATM withdrawals increased in excess of 35%
- Branch facets upgraded for corporate brand uniformity
- Enhanced infrastructure through the 50 new fortune branches established

Impact on other capitals

- In expanding our accessibility through branch expansion, technology automation and networking, not only to the furthest parts of the country but overseas as well, we have augmented our social and relationship capital with our customers and valued business partners.
- The need for state of the art systems and processes are mandatory for BoC to achieve its vision and mission. Hence, the software and programmes installed in our digitization process has added considerable impetus to our intellectual capital.
- Our team has been an integral facet in meeting our strategic priorities. Our human capital has been proactively engaged in enhancing the infrastructure capacities and look of our brick and mortar structures. They have also been readily willing to accept the changes that come with the implementation of our IT strategy.
- The energy saving measures introduced into our branch network and the journey towards paperless transactions mooted by our IT architecture has had a positive impact on our natural capital.
- Significant investment has been infused in improving and developing our physical IT infrastructure and maintaining our physical presence in an intensely competitive operating environment. Our financial capital will gain in profitability with the new technology strategies and expanded accessibility of our network.

Risks/Challenges, Mitigators and Opportunities in Delivery of Strategic Priority

Risks/Challenges	Mitigators	Opportunities
Constantly evolving and advancing IT infrastructure implemented by competitors	Developing end-state IT architecture that is vigilant about change.	Government emphasis on technological inputs and IT related services
Customers not requiring physical infrastructure for banking needs	Branches being conceptualized to have proactive infrastructure to become one stop financial solution providers	Obtain competitive advantage through IT driven milieu.
Expansion of branches into global context	Studying feasible regions more attentively for locating branches strategically.	Planned expansion into Asian Region

"The Core Banking System completed its transition in 2015, introducing a host of software for better channel, product and service management."



The fully fledged Fortune branch in Maharagama

Our manufactured capital encompasses the physical infrastructure of all our buildings and the technology architecture we have in place. Some of these are located in countries where we have a physical presence including London, Chennai, Seychelles and Male. We recognize that these contribute significantly to our productive activity and thus improving our levels of productivity and profitability. By managing our manufactured capital efficiently, we have seen new revolutionary capabilities being introduced and more prudent use of resources. Astute investment in manufactured capital also drives innovation, leading to greater flexibility and sustainability.

It is our transformation process that drives our focus to achieve this strategic priority of building digital channels and technology capabilities. In analyzing the banking milieu, it became imperative that BoC keeps up with the revolutions prompted by technology and the technology channels and capabilities being mooted by competitors. BoC's IT infrastructure required a revamp and has now begun the comprehensive journey of change.

The Core Banking System completed its transition in 2015, introducing a host of software for better channel, product and service management. The number of key systems have been integrated into the Core Banking System to reduce manual man hours. Besides the software, the new front end solution with a special centralized distribution architecture worked through centrally located virtual servers is impressive. 170 virtual servers run on 8 physical servers, saving cost of network power and space.

All 578 branches and 47 other service points have now been networked including the Head Office. In building digital channels and technology capabilities and in expanding the physical presence of our branch network, we maintained focus in strategically locating our branches and in pursuing overseas locations that have potential. During the year we have invested in relocating 14 branches and opening up five branches.

Infrastructure-wise, one of our biggest achievements in channel development is the transformation of some branches to have self service lobbies. These SmartZones, 50 were established this year, have multiple self service machines including ATMs and CDMs.

The investment into Regional Loan Centres and the related technological capabilities has been greatly beneficial in prompting accessibility and speedy responsiveness.

What our stakeholders can expect in 2016 and beyond

Our infrastructure is being improved in tandem with our technological ambitions and this means ensuring our touch points and accessibility augments top of mind recall. Some of the manufactured capital initiatives launched this year under the transformation programme will continue, well on the path of meeting the goals we have set out. By end 2016, we would have increased the number of SmartZones by 150 to total 200, established twenty RLCs, expanded the branch network by seven and overseas branches by two, installed more CDMs and implemented a full upgrade of systems software constructed on the IT infrastructure architecture now being established.

Social and Relationship Capital

Strategic Priority: Contribute to nation building as Bankers to the Nation

Achieving our strategic priority

Education

- Conducted 'Hapana Programme' to assist grade five school children who sit for the Scholarship exam through 65 programmes covering more than 25,000 students island wide.
- Offered 2,000 scholarships of LKR 10,000 each for grade five students who excelled in the Scholarship Examination.
- 20 Merit Scholarships of LKR 35,000 each and 75 General Scholarships of LKR 30,000 each were awarded to 18+ account holders who excelled in GCE (A/L)
- Provided more than 131 sponsorships related to the education purposes amounting to LKR 9.25 million

National Heritage

- Sponsored cultural pageant of historical significance including the Kandy Esala Perahera, Gangaramaya Nawam Maha Perahera and Daladamaligawa to protect our traditions and cultural identity amounting to LKR 47.7 million.

Livelihood Development

- Island wide Dengue Prevention Programme under direct supervision of branches
- Committed for Installation of a Reverse Osmosis Plant at Mahadiulwewa with an aim to assist prevention of Chronic Kidney disease
- Early childhood development programme in Uva Province – LKR 1.0 million

Entrepreneurship

- 310 BOC Mithuru poverty alleviation societies formed covering more than 124,000 members
- 15 SME centres island-wide
- Business development services established to enable SMEs gain knowledge and skill on business practices, R & D, value addition, product diversification and marketing
- SME clusters formulated for inter-firm linkage for technology transfer
- Three workshops on financial literacy and related training and learning initiatives covering 200 participants

Sports

- LKR 1.5 million contribution for participants - "World Games in USA 2015 "

Impact on other capitals

- Building relationships with our stakeholders including regulators and communities translate tangibly to our financial capital
- Human capital drives our stakeholder engagement and thus impacts our social and relationship capital via the strong relationships we have nurtured with communities, valued business partners and clientele
- A strong foundation of ethics, values, sincerity of action, transparency, compliance, accountability and a need to do good every time, enables BoC to grow its brand equity and build a powerful intellectual capital base
- Initiatives launched for both customers and communities have a strong environmental ethics base and thus impacts our natural capital
- Our manufactured capital, primarily customer touch points carry a good mix of technology, both through the back and front offices, as well as physical infrastructure, enables strong relationship building across all stakeholder segments

We have always maintained a holistic view of the Bank's activities, reminding ourselves constantly that it is our strength in relationships that will be the sustainable foundation in keeping our business constant and consistent.

Risks/Challenges, Mitigators and Opportunities in Delivery of Strategic Priority

Risks/Challenges	Mitigators	Opportunities
Constantly maintain a vigilant stance on community requirements	The team constantly engaging with communities around them constructing more cohesive dialogue platforms	This will be a step towards a multi cultural customer base
Making CSR initiatives more visible and creating positive impacts in society	Creating high visibility via brand image	Customers being more discerning and hence recognizing our value propositions
Young children being distracted by external facets and not valuing the power of saving	Building relationships with Gen-Z by offering technology driven mobile app products	Tech savvy younger generation will be attracted
Maintaining ethical business practices	Raising awareness on BoC's uncompromising stance on ethics	Further differentiate Bank's service quality from the rest



Formulation of the BOC Mlthuru Society

While our Sustainability Vision works believes strongly on sustainable development through the triple bottom line, our core understanding is that sustainability is a lifestyle, which to us is the strategy that reflects the way the Bank decides, act and impacts stakeholders.

Encouraging our team to build sustainable relationships across our stakeholders is the first step. Then, remembering our responsibility towards communities and the nation as a whole means that our values must be intrinsic to the way we operate. These values must translate into action and from thereon, into results. It is this focus in relationships that enable us to contribute to nation building, because we become the drivers of change, the drivers of empowerment and the drivers of vision. We build leaders, we build communities and we build foundations in ethics, morals and principles.

Two key questions we always ask ourselves are:

What is the business doing?
What is the business planning to do?

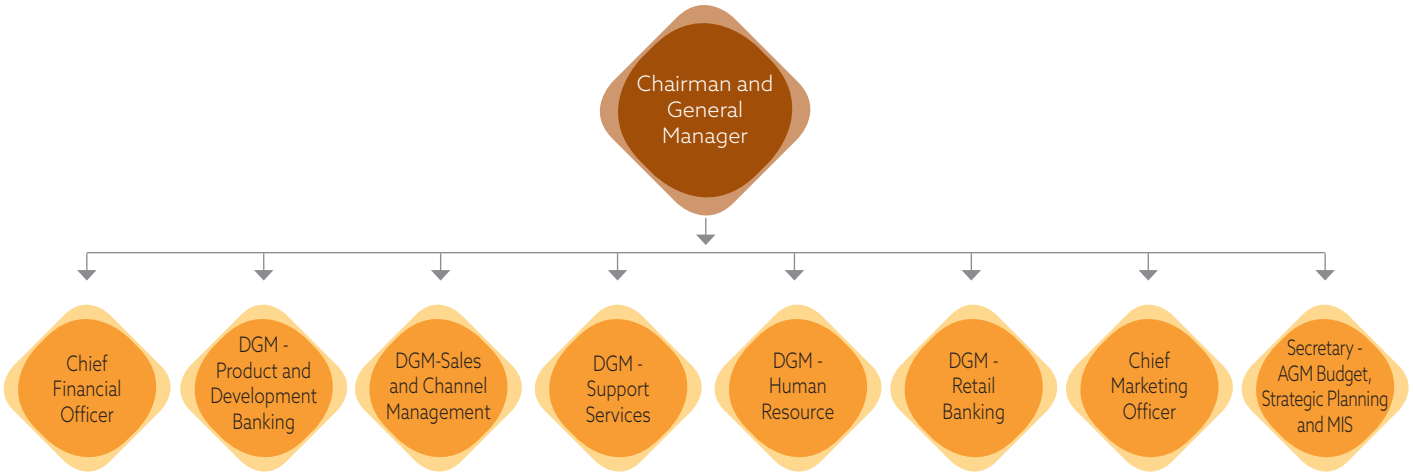
This forms the foundation to operating a sustainable business constructed on sustainable relationships.

In our Social and Relationship Capital report, we take stock of the resources we have in creating and nurturing relationships. While our human resources and most of our customer service initiatives are covered in other capital reports, we would like to concentrate on our relationships with the community in this section.

Our triple bottom line is governed on a top down approach that permeates across the nearly 8,000 team members. Spearheaded by the Chairman and Board of Directors who set strategy, a dedicated Sustainability Committee regularly met on matters pertaining to strategy, policy, implementation, monitoring and impacts. The ultimate goal is to deliver value where we contribute to nation building through cohesive consistent principles and best practices as Bankers to the Nation.

To gain the desired returns on the investment we have infused into our capitals, it is imperative that our stakeholder engagement process is inclusive, open, transparent and most of all, responsive. Given below is a comprehensive explanation of our stakeholders, the engagement process and frequency, issues highlighted and responded to.

Social and Relationship Capital



Stakeholder Engagement

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 a need arise	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 post graduate 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 ⊙ Initial discussions have been commenced on increase of non salary benefits






Fulfilling Social responsibility mandate

Engagement Mechanism	Frequency and Communication Channel	Engagement Framework	Identified Needs	Solutions/Needs Implemented
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 child hood to elders ⊙ Speedy delivery e.g.: housing loan within two weeks by two visits ⊙ Technology driven e.g.: e- banking facility, smart zone, and Smart Gen account ⊙ Micro financing and SME banking
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 web and newspapers and comprehensive Annual Report in Sinhala , Tamil and English language along with audited financials are published annually ⊙ Complied with all regulatory guidelines

Social and Relationship Capital

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 on-going dialogue on financial sector reform ⊙ Value addition	⊙ Value added to government during the year – LKR 21,129 million ⊙ 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 ⊙ Micro financing and SME Banking

Engagement Mechanism	Frequency and Communication Channel	Engagement Framework	Identified Needs	Solutions/Needs Implemented
Suppliers and service providers				
⊙ Regular meetings, written communication ⊙ Transparent bidding process ⊙ Relationship building	When the need arises	We recognize 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

Building Ethical Relationships

BoC maintains a sound relationship with industry regulator and relevant authorities, ensuring compliance remains beyond the accepted norms. Being a state bank, we also maintain apposite relationship with the Auditor General, although we follow stringent corporate guidelines in our management, accounting, governance and compliance practices.

The high levels of transparency and disclosure has surely reiterated the integrity of the Bank in ensuring that we are a benchmarked leader and role model to the nation. Our high levels of governance are further elaborated on in the Corporate Governance section of this report on pages 120 to 148.

An ethical culture is intrinsic to our values and the way we do business. It is vital to the foundation we build our relationships upon.

Hence we:

- Conduct all business ethically and transparently
- Conform to a culture beyond compliance
- Have high levels of disclosure, transparency and accountability to maintain the integrity of the Bank
- Do not condone any forms of bribery, corruption or extortion
- Ensure that advertising and promotions are responsible, clean, unambiguous and accountable
- Always adhere to a stringent voluntary code of conduct in ethical marketing and advertising, ensuring that no discrimination, harm or abuse by gender, age, culture or religion, will impact those directly or indirectly involved through our marketing and promotional campaigns
- Ensure that customer rights are not violated and they are treated fairly and vulnerable customers are not targeted in any way
- Have a high compliance threshold on anti-money laundering activities

Our customers and valued business partners therefore are well aware of our unrelenting focus on responsible business practices, whether in product development, marketing, delivery in being a responsible custodian of public funds. We have always espoused a responsible lending ethic, integrating social and environmental criteria into our lending strategy and ensuring that our funding channels reflect this responsibility. We have also initiated an Environmental and Social Management System (ESMS) to add more value to our relationships. We remain always mindful of our custodian

Social and Relationship Capital

responsibilities that lie at the heart and soul of contributing towards nation building as Bankers to the Nation.

Strengthening Relationships with Customers and Value Business Partners

For customers, we

Make innovation key in product development.

Ensure quality and service delivery is above par.

Evaluate customer surveys including satisfaction surveys for better understanding.

Imbue openness and transparency in all dealings.

For suppliers, we

Ensure adherence to prescribed sustainability standards via supplier rating system.

Encourage permeation of best practices in both a social and environmental context.

Avoid relationships with any entity involved in unethical practices in any form.

Product Development and Responsible Investment

Having always upheld the importance of developing our product and service portfolio under the banner of being a leading corporate steward, BoC's product development policy firmly revolves on the axis of delivering unique and innovative solutions that add value to customers, but with an added focus on products that would generate environmental and/or social benefits. Our emphasis therefore on developing solutions for the unbanked population and encouraging them into mainstream banking, growing microfinance and the SME sectors and lending to eco-friendly projects, reflects this stand. Our investment strategies integrate environmental and social criteria with greater emphasis. We also invest in projects and entities that will generate employment within the country, especially in the more difficult or rural based areas to make those communities more self-sufficient and on the macro scale, invest in developing the economic infrastructure of the country.

Precautionary Approach

We accept Principle 15 in the Rio declaration of 1992 and are using this principle, as the situation demands, in finding the balance between sustainability and development.

Membership in Industry Related Associations

- Asia Pacific Rural and Agricultural Credit Association (APRACA)
- Association of Banking Sector Risk Professionals, Sri Lanka
- 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

Creating Value for our Communities

Our sustainability strategy is well thought out. It is constructed on the trusses of creating sustainable value that translates into economic growth, for the individual, community, industry and nation. Driving this strategy is our team, our human capital who engage with our communities at heightened levels, whether in responsibly communicating social strategies to customers and valued business partners or in volunteering time and energy with our communities. Our CSR platforms encompass a wide array of community sustainability ventures that ultimately spur national economic growth.

What our stakeholders can expect in 2016 and beyond

The transformation programme has driven us to look inwards even more deeply at our social and relationship capital, encouraging us to constantly innovate a product portfolio that is diverse and expansive, with appeal to all demographics of customer genres. This will augment a more proactive engagement with our stakeholders. We will also continue our strong dialogue and engagement with regulators and related entities to maintain absolute vigilance on governance and compliance diktats, given the constantly evolving compliance milieu we operate in. We will continue and enhance our corporate social responsibility mandate further while delivering our fullest contribution to society.

Value Addition Statement

How we add value to nation

Economic Value Addition

Economic Value Added (EVA) indicates the true economic profit of a company. 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 16,819 million as of 31 December 2015 against LKR 14,729 million in 2014.

	2015 LKR million	2014 LKR million	Change %
Invested Capital			
Shareholders' funds	81,485	74,806	9
Add: Cumulative provision for loan losses and provision for impairment	44,666	36,882	21
	126,151	111,688	13
Return on Invested Capital			
Profit after taxation	17,357	13,574	28
Add: Provision for loan losses	7,317	7,911	(8)
Less: Loans written off	(109)	(55)	98
Total return on invested capital	24,565	21,430	15
Opportunity cost of invested capital*	(7,746)	(6,701)	16
Economic Value Added	**16,819**	**14,729**	**14**
* Calculated based on weighted average 12 months treasury bill rate	6.14%	6.00%	

Value Addition Statement

Value Addition

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

	2015 LKR million	2014 LKR million	Change %
Value Added			
Income earned by providing banking services	128,078	118,513	8
Cost of services	(55,361)	(59,923)	(8)
Value added by banking services	72,717	58,590	24
Non - banking Income	4,837	8,033	(40)
Impairment charges for loans and other losses	(7,317)	(7,911)	(8)
	70,237	**58,712**	**20**
Value Allocation			
To employees			
Salaries, wages and other benefits	16,744	13,716	22
To Government			
Dividends paid to Government of Sri Lanka	6,346	6,846	(7)
Super gain tax	2,016	-	
Income tax	7,951	5,602	42
Value added tax	4,816	4,052	19
	21,129	16,500	28
To providers of external funds			
Interest on other borrowings	16,971	13,808	23
Interest on debt issued	5,037	5,654	(11)
	22,008	19,462	13
To expansion and growth			
Retained profit	8,995	6,728	34
Depreciation and amortization	1,391	1,191	17
Deferred taxation	(30)	1,115	(103)
	10,356	9,034	15
	70,237	**58,712**	**20**

Natural Capital

Strategic initiative entrenched within our Sustainability Policy: Minimizing carbon footprint

Achieving our Strategic Initiative

- Total compliance with environmental regulations and waste disposal mechanisms as applicable to our business operations.
- 71,223 kg paper recycled.
- Paperless processes reduced with introduction of DMS and technology driven products and processes.
- 100,000 saplings planted for 75th anniversary being nurtured.

Impact on other capitals

- The usage of energy, especially electricity from the national grid and water impacts our manufactured capital. Head office and branches conforming to all environmental regulatory diktats relevant to the financial services industry.
- Better management of natural capital drives our human resources to work more intimately with stakeholders on better environmental mindset and practices.
- Prudent natural capital management including innovative eco-friendly product development translates prudently to our bottom line impacting our financial capital.
- Our customers, valued business partners and communities expect us be responsible in managing natural capital and be a role model, positively impacting our social and relationship capital.
- Innovation of technologically driven products that drives better resource management elevates our intellectual capital into championing paperless banking.

Risks/Challenges, Mitigators and Opportunities in Delivery of Strategic Priority

Risks/Challenges	Mitigators	Opportunities
Competitors being more visible in environmental initiatives	Continuing innovation and product development initiatives for environmentally friendly products	Massive upward trajectory of customers preferring technologically driven products which prompts a cascading impact on carbon footprint
Senior citizens preferring conventional banking products and hence higher physical resources required	Team engagement with senior citizens to evaluate their usage of technology and persuade transition wherever possible	Retain senior citizens with the Bank while fulfilling our mandate of being the Bankers to the Nation covering all age group

Natural Capital

"We strongly believe that environmental consciousness must be naturally intrinsic to our team. Creating awareness on the importance of conservation, environmental best practices and prudent management of resources both within the Bank and communities is therefore important."

Natural capital is the axis upon which the entire economic and social system revolves upon. It involves resources that cannot be replaced; resources that must be utilized judiciously and with respect. These resources could be energy providers including water, solar or fossil fuels and capacity utilized from the world's carbon repositories like the air, oceans, rivers and forests. Our responsibility is to neutralize or eliminate the waste generated by economic activity, making sure that our usage is done responsibility and with immense thought to the greater requirements of the planet.

Our natural capitals are determined on their materiality to our organization and the relevance it has on our business and stakeholders. Given that we are a financial services company and the impact we have on the environment could be evaluated as medium impact, BoC nevertheless has been working on initiatives that would directly and indirectly bear consequence on the ultimate environment. This means including our stakeholders in the engagement and awareness process and obtaining their buy in for better eco-friendly practices.

As embedded in the BoC Sustainability Policy, the triple bottom line focus has made us reiterate our role in environmental consciousness. Leaders as we are in the banking industry, having collated a host of accolades for our strength in spearheading nation building through economic and social development, BoC did recognize that our engagement with the environment is further uplifted for that leadership stance. We also know that embedding a cohesive environmental outlook into our strategy is challenging but in Taking Charge of Change, we have begun working on initiatives that will lead the way for bigger and better proactive engagement.

Stimulating this inherent need therefore, our sustainability objectives detail the rudiments that can drive better management of our natural capital.

Integrate sustainability in its complete sense into key business decisions

Our entire Research and Development (R & D) focus has now transformed. Through transformation process and the infusion of diverse technology platforms, our products and services are moving towards reducing carbon footprint by developing products that use technology more. SmartGen is a good example with its passbook free, mobile and internet driven application. Another is the installation of fortune branches and SmartZones with its digitized environment and green banking concepts. BoC has also stepped up its focus on responsible lending in all categories.

Environmentally driven projects are given preference and incentives, while SMEs specifically are encouraged to inculcate better environmental practices in their business operations including product development, marketing and packaging. BOC Mithuro gains additional advice through the

Resource	2015 Consumption	2015 Per head Consumption	2014 Consumption	2014 Per head Consumption
Electricity (Mwh)	17,331	2.17	16,651	1.94
Water (m^3)	305,501	38.28	304,850	35.54
Fuel (Litres)	523,204	65.56	663,689	77.38

BoC Mentor on the responsible usage of natural resources, a thought process we feel augurs well at the inception of their business, as it then becomes a way of life as they grow in stature.

Having made a conscious decision to increase Sri Lanka's forest cover given the depletion experienced in the last century due to deforestation driven by unplanned development, BoC planted 100,000 saplings during its 75th anniversary. Believing strongly that simply planting is insufficient, but nurturing these to eventually add to the forest cover is imperative, BoC continues to care for these saplings which were planted in all provinces.

Implement operational processes to minimize the Bank's carbon footprint

From permeating a comprehensive awareness programme of saving energy by switching off electric bulbs when not in use and water in washrooms and canteens, using emails and internal network communication instead of paper based documentation, introducing technology pathways that will instil faster response and higher productivity, while minimizing use of paper as is seen in the Document Management System, BoC has begun reducing its energy usage, thus impacting our carbon footprint.

Implement responsible waste management disposal systems

All used paper is recycled. The Bank utilizes the services of a value business partner, who recycles all paper used at BoC. E-waste disposal is also outsources to a reputed recycler. We encourage our team members to dispose of personal waste responsibly using the preferred avenues of disposal available within the Bank and promote these good practices to be cascaded to their homes as well.

During the year the Bank has recycled 71,223 kg of waste paper and saved;

- 1,211 fully grown trees
- 124,992 litres of Oil
- 284,880 kwh of electricity
- 2,263,372 litres of water
- 213 cubic meters of land fill
- Reduced green house gas emission by 71,223 kgs of carbon equivalent

Promote renewable energy

BoC has begun focusing on lending to industries in both the large and SME sectors, involved in renewable energy project. These projects must conform to directives and guidelines set within accepted parameters by local authorities and must have a tangible impact on energy resources. Customized lending facilities are worked on by BoC to encourage such projects.

Promote environmental literacy

We strongly believe that environmental consciousness must be naturally intrinsic to our team. Creating awareness on the importance of conservation, environmental best practices and prudent management of resources both within the Bank and communities is therefore important. Ongoing training and learning programmes are conducted for team members, who are then encouraged to share their knowledge and practical experiences with customers and valued business partners. They are also given the initiative to take these practices into the communities they work in.

What stakeholders can expect in 2016 and beyond

The focus on reducing our carbon footprint will gain added impetus next year with plans underway to roll out a comprehensive Environmental and Social Management System, while in tandem, stepping up training and awareness for team and stakeholders on environmental best practices and deploying specially trained team members on environmental management at specific branches. There will also be an added e-focus on funding being granted for renewable energy solution projects and entities, while BoC will promote programmes to provide solar energy to rural villages.

GRI Index

GRI G4 content index - "In accordance - core"

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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.	G4 Standard Disclosures and Assurance Report	112-117
G4-33	Policy and current practice with regard to seeking external assurance for the Report	What This Report Entails	11
Governance			
G4-34	Governance structure of the organization	Corporate Governance	120
Ethics and Integrity			
G4-56	Organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	Corporate Governance	120-148
Specific Standard Disclosures			
G4-DMA	Disclosures on Management Approach	Throughout the report	
Economic			
Aspect: Economic Performance			
G4-EC1	Direct Economic value generated and distributed	Value Addition Statement	107-108
G4-EC3	Coverage of the organization's defined benefit plan obligations	Financial Statements	281-287
Aspect: Indirect Economic Impacts			
G4-EC7	Development and impact of infrastructure investments and services supported	Social and Relationship Capital	100
Environmental			
Aspect: Energy			
G4-EN3	Energy consumption within the organization	Natural Capital	110

No.	Disclosure Item	Location/Reference	Page No.
Aspect: Products and Services			
G4-EN27	Extent of impact mitigation of environmental impacts of product and services	Natural Capital	109
Social			
Sub Category: 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	Human Capital	90, 93
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Human Capital	92
Aspect: Labour- Management relations			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	3 months	
Aspect: Occupational Health and Safety			
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees	Human Capital	93
G4-LA8	Health and safety topics covered in formal agreements with trade unions	Human Capital	92
Aspect: Training and Education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Human Capital	90
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Human Capital	90
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Human Capital	92
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	Human Capital	89
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	

GRI Index

No.	Disclosure Item	Location/Reference	Page No.
Aspect: Labour Practices Grievance Mechanisms			
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	None	
Sub Category :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	
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 organization's human rights policies or procedures that are relevant to operations	41 programmes conducted	
Aspect: Human Rights Grievance Mechanisms			
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	Human Capital	93
Sub Category: Society			
Aspect: Local communities			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments and development programmes	Social and Relationship Capital	100

No.	Disclosure Item	Location/Reference	Page No.
FS-13	Access points in low-populated or economically disadvantaged areas by type	Operational Footprint	19
FS-14	Initiatives to improve access to financial services for disadvantaged people	Retail Banking	75
Aspect: Anti-corruption			
G4-SO3	Operations assessed for risks related to corruption and the significant risks identified	Risk Report	171
Aspect: Compliance			
G4- SO8	Monitory value of significant fines and total number of non- monetary sanctions for non compliance with laws and regulations	None	
Sub Category: 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	Core Areas of Operation	70, 78, 82
FS- 7	Monetary value of product and services designed to deliver a special social benefit for each business line broken down by purpose	Retail Banking	75
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 – 2015

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 2015 ("the Report").

- Reasonable assurance on the information on financial performance as specified on pages 107 and 108 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 ('CASL').

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 02nd March, 2016. 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 CASL.

ASSURANCE PROCEDURES CARRIED OUT

Financial Information

We reconciled the information on financial performance as reported on pages 107 and 108 of the Report with the audited financial statements of the Bank for the years ended 31st December, 2014 and 2015.

BDO Partners, a Sri Lankan Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Partners : S. Rajapakse FCA, FCMA, MBA. Tishan H. Subasinghe FCA, ACMA, CISA, MBA. H.S. Rathnaweera FCA, ACMA.
Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. H.M. Saman Siri Lal FCA, ACMA, MBA.

BDO

Key Performance Indicators

We reviewed the reliability of the data/ information on Key Performance Indicators for the year ended 31st December, 2015 based on reviews of:

- the systems used to generate, aggregate and report these information;
- the information reported by the relevant business units to corporate level;
- the information validation processes at corporate and business level;
- the information trends in discussions with management and
- the calculation performed by the Bank on a sample basis through recalculation.

Other Information

We planned and performed following assurance procedures on other information presented in the Report:

- Inquiring relevant Bank's personnel to understand the process for collection, analysis, aggregation and presentation of information in the Report.
- Reviewing the system used to generate, aggregate and report the information in the Report
- Interviewing the senior management and relevant staff at corporate level and selected business unit level and obtained the evidence concerning sustainability strategy and policies for material issues and implementation of those across operation of the Bank.
- Reviewing and validating the information contained in the Report.
- Reading the information presented in the Report to determine whether that information is in line with our overall knowledge of, and experience with, sustainability performance of the Bank.
- Comparison of the content of the report against the criteria for a Global Reporting Initiatives G4 in accordance with – core guideline.

CONCLUSION

Based on the procedures performed, as described above, we conclude that:

- The information on financial performance as specified on pages 107 and 108 of the Report is properly derived from the audited financial statements of the Bank for the years ended 31st December, 2014 and 2015.
- 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

30th March 2016

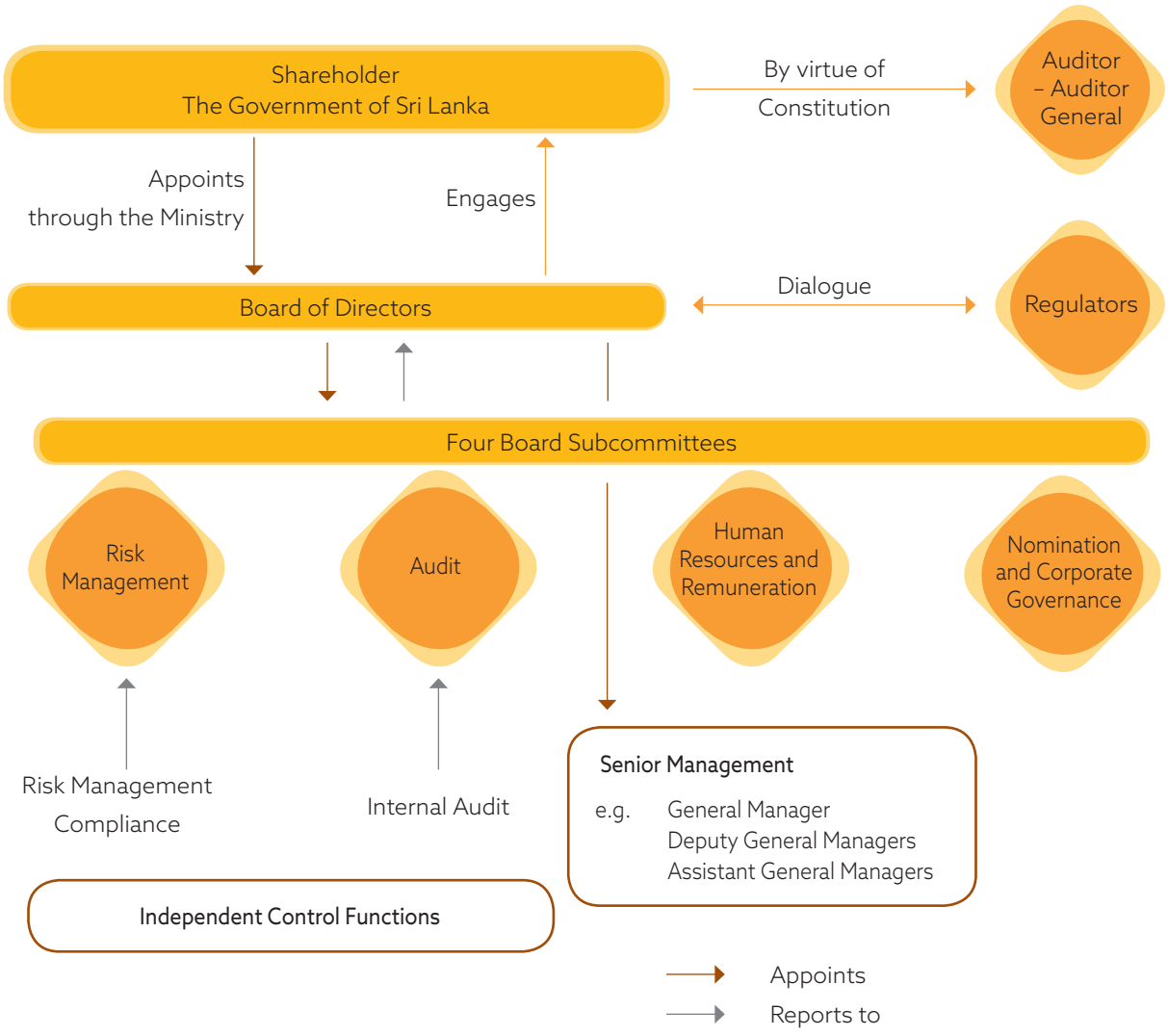
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Corporate Governance

In Taking Charge of Change, the Bank has re-emphasized its commitment to upholding high standards of corporate governance. Through its strong corporate governance framework the Bank creates value for its stakeholders.

It also recognizes that sound governance practices, transparency and accountability are all non-negotiable facets in its entire business ethos.

In implementing this framework of long term value creation, Bank has established a foundation of governance excellence which fortifies its information gathering and decision making capabilities, which enables it to discharge its duties towards its stakeholders with utmost responsibility, transparency and accountability.



In meeting the Bank's governance goals, while compliance remains the overarching tenet, the establishment of integrated IT initiatives embedded in Wenesa, the transformation journey the Bank has embarked upon, and supported through the Strategic Plan would add fillip to the entire governance process.

The Bank has introduced the following to augment its governance framework and strategies:

In 2015, the Board focused on:

Strategy and Performance – by

- Discussing strategic options and alternatives in their relation to performance and mapping it to the goals set out in the Corporate Plan
- Assessing the strategic and operational performance of the Bank vis a vis individual business units and collectively
- Discussing and approving the alignment with Wenesa (transformation exercise commenced by the Bank) and the IT strategies being infused
- Discussing and approving the Bank's offshore expansion primarily into India and other parts of South Asia

Finance, Capital and Liquidity – by

- Assessing, evaluating and monitoring actual performance against forecast financial targets regularly including all relevant bottom line impacting KPIs
- Discussing, challenging and approving the short term plans detailed in the Corporate Plan

Governance, Risk and Controls – by

- Assessing challenges that would be a hurdle to implementation of the goals embedded in the Corporate Plan
- Ensuring that the Bank's internal control process is robust
- Reviewing the independence, objectivity and performance of the internal audit function
- Ensuring that the Bank remains well aligned with its Enterprise Risk Management strategy
- Evaluating and approving proposed risk appetite for 2016
- Evaluating performance against risk appetite and risk profile
- Evaluating Board Subcommittees
- Initiating actions to enhance accountability and oversight over subsidiaries and associates

Culture and Values – by

- Approving training and development programmes driven by Wenesa to give the team a complete understanding on the transformation of the culture that will ensue.

This report is structured according to norms laid down by the regulator and various authorities and organizations that have declared rules, guidelines and directives for the Bank to follow. The first part of the report facilitates comprehensive disclosure based on the 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, based on the recommendations for disclosure contained therein.

The Bank is exempted from disclosure of compliance as stipulated in Section 7.10 of the Continuing Listing Requirements on Corporate Governance, given that it complies with the Banking Act Direction No 11 of 2007. This is set out in pages 132 to 148 in this report.

Being a state bank, assurance to compliance has been obtained from the Auditor General of Sri Lanka, who has provided assurance of the Bank's compliance to the regulator, the Central Bank of Sri Lanka.

Principle A.1 – An effective Board

Being the highest decision making body of the Bank, what the Board does and how it does it, reiterates how it delivers long term sustainable success, which in turn creates the blueprint for the management to deliver on strategy.

Helmed by a Chairman, the Board of Bank of Ceylon comprises six Non-Executive Directors appointed by the Minister in charge of state banks. The Ex officio Director in this cohort is a representative of the Ministry of Finance. This is in accordance with the Bank of Ceylon Ordinance no 53 of 1938 and its amendments. An Alternate Director is also in place for the Ex officio Director, to ensure representation of the Finance Ministry at all Board meetings. Directors run a three year tenure which can be extended as per a directive of the relevant Ministry.

As convention dictates, with the change prompted in the political milieu via the election of a new president in January 2015 and the change of Government in August 2015, there have been changes effected to the Board of Directors, as listed below -

Directors from end January 2015 to November 2015

Mr Ronald C Perera, PC - Chairman
Independent Non-Executive Director
(Appointed w.e.f. 28.01.2015)

Ms Pushpa Wellappili
Non-Executive Ex officio Director
(Appointed w.e.f. 12.02.2015)

Mr Ranel T Wijesinha
Independent Non-Executive Director
(Appointed w.e.f. 09.02.2015)

Mr Brian J Sinniah
Independent Non-Executive Director
(Appointed w.e.f. 09.02.2015)

Mr Aruna Priyadarsha Kurumbalapitiya – Alternate Director to
Non-Executive Ex officio Director
(Appointed w.e.f. 26.02.2015)

Corporate Governance

Changes to composition in November 2015 after the General Election held in August 2015

Mr Brian J Sinniah
Independent Non-Executive Director
resigned w.e.f. 05.11.2015 and the following 3 new Directors were appointed in place of the resigned Director and filling the vacant positions -

Mr Charitha N Wijewardane
Independent Non-Executive Director
(Appointed w.e.f. 05.11.2015)

Mr Sanjaya Padmaperuma
Independent Non-Executive Director
(Appointed w.e.f. 05.11.2015)

Mr H P Ajith Gunawardana
Independent Non-Executive Director
(Appointed w.e.f. 05.11.2015)

Directors resigned during the year

Air Chief Marshal (ACM) Harsha Abeywickrema - Chairman
Independent Non-Executive Director
(Resigned w.e.f.16.01.2015)

Mr Raju Sivaraman
Independent Non-Executive Director
(Resigned w.e.f. 08.01.2015 on completion of a nine year period as a Director)

Ms Nalini D Abeywardene
Non-Executive Director (Resigned w.e.f.16.01.2015)

Mr Chandrasiri de Silva
Non-Executive Director (Resigned w.e.f.16.01.2015)

Mr Lalith P Withana
Independent Non-Executive Director
(Resigned w.e.f.16.01.2015)

Ms K M A Nelumani Daulagala
Non-Executive Ex officio Director
(Resigned w.e.f.06.02.2015)

Mr R M Ananda Ratnayake
Alternate Director to
Non-Executive Ex officio Director
(Resigned w.e.f. 06.02.2015)

Mr Brian J Sinniah
Independent Non-Executive Director
(Resigned w.e.f. 05.11.2015)

Board of Directors as at end December 2015

Mr Ronald C Perera PC – Chairman
Independent Non-Executive Director
(Appointed w.e.f. 28.01.2015)

Ms Pushpa Wellappili
Non-Executive Ex officio Director
(Appointed w.e.f. 12.02.2015)

Mr Ranel T Wijesinha
Independent Non-Executive Director
(Appointed w.e.f. 09.02.2015)

Mr Charitha N Wijewardane
Independent Non-Executive Director
(Appointed w.e.f. 05.11.2015)

Mr Sanjaya Padmaperuma
Independent Non-Executive Director
(Appointed w.e.f. 05.11.2015)

Mr H P Ajith Gunawardana
Independent Non-Executive Director
(Appointed w.e.f. 05.11.2015)

Mr Aruna Priyadarsha Kurumbalapitiya
Alternate Director to Non-Executive Ex officio Director
(Appointed w.e.f. 26.02.2015)

Profiles of the Chairman and Board of Directors can be perused on pages 36 and 37.

Secretary to the Board/Secretary to Bank of Ceylon, Ms Janaki Senanayake Siriwardane is an Attorney-at-law and holds a LL.B and a MBA.

The Bank is in the process of amending the Bank of Ceylon Ordinance to increase the number of Directors required, in order to comply with Section 3(2) of the Banking Act Direction No 11 of 2007 on Corporate Governance. This direction requires the number of Directors to be not less than seven and not more than 13. This has been referred to the Legal Draftsman presently.

Board balance and diversity

There are five Independent Directors including the Chairman.

Given below is the gender diversity contained in Bank's Board composition over the last 5 years:

Gender	2015	2014	2013	2012	2011
Female	1	2	1	1	1
Male	5	4	5	5	5
Total	6	6	6	6	6

Board Subcommittees

Four Board Subcommittees established in compliance with governance codes and best practice to ensure due attention is given to specific areas to assist the Board in the discharge of its duties and responsibilities detailed via formal written terms of reference. This is reviewed annually to ensure that responsibilities are discharged effectively ensuring coverage, control and monitoring of the Bank's operations.

Board Subcommittee	Areas of Oversight	Present Composition
Audit Committee Report of the Audit Committee is given on pages 149 to 151	Financial Reporting Internal Controls Internal Audit External Audit	Comprises four Non-Executive Directors of whom three were Independent Directors including the Committee Chairman.
Nomination and Corporate Governance Committee Report of the Nomination and Corporate Governance Committee is given on pages 156 and 157	Implement procedure for appointment of Key Management Personnel Succession Planning Effectiveness of the Board, its Committees and Governance Code of Ethics	Comprises three Independent Non-Executive Directors including the Committee Chairman.
Integrated Risk Management Committee Report of the Integrated Risk Management Committee is given on pages 152 and 153	Risk appetite Risk governance Risk policy frameworks Risk monitoring and compliance Risk management	Comprises three Independent Non-Executive Directors including the Committee Chairman.
Human Resources and Remuneration Committee Report of the Human Resources and Remuneration Committee is given on pages 154 and 155	Remuneration policy Goals and targets for General Manager and Key Management Personnel Performance evaluation HR Policy Organization structure	Comprises four Non-Executive Directors of whom three are Independent Directors including the Committee Chairman.

Corporate Governance

Principle A 1.1 – Regular Meetings

Board meetings are held fortnightly, while special Board meetings are convened depending on requirement. During the year, the Board held 31 meetings, including special meetings. Board Subcommittees also met at regular intervals, all of which are detailed below, specifying attendance by each Board Director -

Directors	Board	Audit Committee	Human Resources and Remuneration Committee	Integrated Risk Management Committee	Nomination and Corporate Governance Committee
Air Chief Marshal (ACM) Harsha Abeywickrema (Resigned w.e.f.16.01.2015)	1				
Ms K M A Nelumani Daulagala (Resigned w.e.f.06.02.2015)	1				
Mr Raju Sivaraman (Resigned w.e.f.08.01.2015)	1				
Ms Nalini D Abeywardene (Resigned w.e.f.16.01.2015)	1				
Mr Chandrasiri de Silva (Resigned w.e.f.16.01.2015)	1				
Mr Lalith P Withana (Resigned w.e.f.16.01.2015)	1				
Mr R M Ananda Ratnayake (as Alternate Director to Ex officio Director) (Resigned w.e.f.06.02.2015)					
Mr Ronald C Perera PC (Appointed w.e.f. 28.01.2015)*	30		2	2	1
Ms Pushpa Wellappili (Appointed w.e.f. 12.02.2015)*	25	6	1	0	1
Mr Ranel T Wijesinha (Appointed w.e.f. 09.02.2015)	30	7			
Mr Brian J Sinniah (Appointed w.e.f. 09.02.2015 and resigned w.e.f. 05.11.2015)	26	5	2	3	1
Mr Charitha N Wijewardane (Appointed w.e.f. 05.11.2015)	4	1		2	
Mr Sanjaya Padmaperuma (Appointed w.e.f. 05.11.2015)	3	0		2	
Mr H P Ajith Gunawardana (Appointed w.e.f. 05.11.2015)	4			2	
Mr Aruna Priyadarsha Kurumbalapitiya* (Appointed as Alternate Director to Ex officio Director on 26.02.2015)	1	1	1	3	
Total no. of Meetings	31	7	2	5	1

*Ceased to be on Integrated Risk Management Committee (w.e.f. 23.11.2015)

Information dissemination is comprehensive across all members of the Board with all relevant data and information accessible in a timely and efficient manner through i-pads given to all members. While these have secure firewalls and the necessary security measures, all Directors receive information at the same time to ensure effective decision making.

General Manager's Role in the Board

The General Manager is an integral part of the information dissemination process to the Board and is invited to attend all Board meetings together with any other executives who are required, in order for the Board to make informed decisions. Led by the General Manager, these executives will make presentations to the Board on germane matters that impact the progress of the Bank especially in the implementation of strategic goals, financial, social and environmental performance, changes, weaknesses, gaps and challenges that may ensue in the operating environment. They will also recommend policy frameworks and executive governance structures that may need to be instituted to better reach strategic priorities.

Executive/Management Committees

BoC has a comprehensive network of management committees that have been established to prompt better collaboration, deliberation, information dissemination and debate on critical matters that would impact the Bank's performance and operations. The terms of reference of these Committees were reviewed. These are:

Name of the Committee	Purpose of the Committee
Corporate Management Committee	Corporate Management Committee is the highest level of management committee in the Bank. Overall purpose of the Committee is to make vital decisions of the Bank, where other management committees do not intend to cover.
Asset and Liability Management Committee (ALCO)	ALCO is the apex management committee of the Bank, which is entrusted with the responsibility of guiding the Bank towards achieving the stated goals and objectives while responding to the domestic and international economic compulsions. The primary objective of the ALCO is the management of liquidity risk and interest rate risk. To manage these risks ALCO sets risk limits by assessing Bank's risk and risk bearing capacity. ALCO manages the various financial risks of the Bank such as market, interest rate, liquidity and exchange.
Credit Committee	To formulate, review and revise policies and procedures for granting credit facilities, for the approval of the Board of Directors whilst ensuring compliance with all statutory and regulatory requirements. To approve, decline or ratify credit proposals submitted by the line management under its delegated authority limits or make appropriate recommendations to the Board of Directors. To review the credit limits from time to time with a view to monitoring and ensuring maintenance of credit and service quality. To monitor, review and renew portfolio exposure and concentration risk to ensure that the Bank maintains a well diversified and healthy credit portfolio. To monitor the remedial action taken in respect of non-performing advances
Human Resource Policy Committee	To formulate, review and revise policies and procedures relating to HR management and making recommendations to Board of Directors where necessary.
Sustainability Committee	It is responsible to the Board for overseeing the Bank's Corporate Sustainability policies (principally environmental, social, ethical and economic matters).
Reward and Recognition Policy Committee	Recognize employees who have contributed for the enhancement of productivity and the advancement of the organization beyond expectation and appreciating / rewarding such employees / teams for their contributions.
Scholarship Programme Selection Committee	To select the appropriate / suitable and required overseas programmes for the Bank.
Scholarship Committee	To select the appropriate training programme seminar/ workshops/ visits and nominate suitable participants for the overseas training / seminar / workshops / visits etc.
IT Steering Committee	To recommend to the Board, the Information Technology Plan to the Bank for the Financial Year and to prioritize within the IT Plan, the implementation of initiatives, formation of teams and monitoring of processes and their progress. To review policies relating to IT Operations periodically and recommend adoptions to the Board of Directors. To monitor and control the progress of IT Projects.
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. This is achieved by implementation and monitoring of investment activities as stipulated in the Investment Policy of Bank of Ceylon.
Non-performing Assets (NPA) Review Committee	Assist the management to minimize NPA of the Bank by periodically reviewing the NPA status and making suitable recommendations to improve the asset quality or expedite the recovery of existing NPA.

Corporate Governance

Name of the Committee	Purpose of the Committee
Committee Dealing With Forged Cheques and Frauds	Committee dealing with Forged Cheques and Frauds was established in order to write off unrecoverable balances on Forged Cheques and Frauds after considering all possible ways of recovering the same. Write off decisions not arising from frauds are outside the scope of this Committee.
Idle Assets Committee	Management and monitoring of the process of disposal of properties vested in the Bank as per rules stipulated in Bank of Ceylon Ordinance, Bank of Ceylon Act, Debt Recovery Act and Office Instruction Circular No.62/2010 dated 17.01.2011 and its addenda. To provide necessary guidelines to arrive at settlements with the previous owners who are occupying the premises, acquired by the Bank to revest the properties to them in order to avoid costly and time consuming ejectment procedure. To provide necessary guidelines and instructions to the Foreclosed Properties Unit in order to dispose the properties at a correct price.
Business Continuity Management Steering Committee	Guiding and monitoring of Business Continuity Coordinating Committee, Business Continuity Implementation Committee, Technical and Operational Committee, Business Continuity Management Alternate Committee, Damage Assessment and Restoration Committee and Business Continuity sub Committees 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 arises due to disruptions to operation
Business Continuity Coordinating Committee	Managing and coordinating all aspects of Business Continuity Management (BCM) process of the Bank.
Business Continuity Management Alternate Committee	This committee will be served 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 in terms of planning appropriate marketing strategies, positioning the Bank and its products/ services, identifying opportunities in the market to maximize 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 Bank's corporate image.
Corporate Information Security Committee	Provides the management direction and support for the Information Security initiatives. Accordingly the Committee is expected to ensure the application of processes and procedures specified in the Information Security Policy (ISP), review and communicate the Information security plans, conduct investigations of security breaches and drive the Information security of the Bank.
Operational Risk Management Executive Committee	Reviews, discuss and coordinate the various issues relating to Operational Risk Management process for the purpose of ensuring better management and measurement of the various related operational risks.
Fraud Risk Committee	Reviews and assess the effectiveness of risk management and control processes within the organization to mitigate fraud risk of the Bank.

Principle A 1.2 – Board Responsibilities

A Board Charter comprehensively details Board roles and responsibilities, which includes a schedule of powers reserved for the Board.

Key Board responsibilities and powers reserved for the Board are –

- Setting strategic direction
- Financial reporting
- Corporate governance
- Strengthening the safety and soundness of the Bank
- Overseeing the business and affairs of the Bank
- Approving major human resource policies

In a process begun in 2014, The Boston Consulting Group has been engaged by the Bank to review the Bank's operations and prepare a strategic plan for the Bank. Wenesa transformation journey is a result of this. It is this that heralded the genesis of the Corporate Plan 2015 – 2017, which is now spearheaded by the Board. This Corporate Plan is aligned to the all-encompassing strategies embedded in Wenesa, which is designed to drive an absolute and complete transformation of the Bank with a digital touch. The Board is steering the Wenesa programme.

Having already completed one year of this new Corporate Plan, the Board has been following up on matching targets with actual goals, working on any gaps that emerge and setting the pathway for the next year. Specialised areas identified for oversight by Board Subcommittees have been monitored by the Subcommittees who have reported on progress and concerns to the Board.

In synopsis, given below are the tasks that the various Subcommittees assist the Board with:

Nomination and Corporate Governance Committee:

Assists the Board in ensuring that the General Manager and key management possess necessary skill, experience and knowledge to implement strategy, by reviewing appointment criteria; annually reviews succession plan to ensure sufficient depth in top management; ensures compliance with governance requirements. It also reviews the Bank's Code of Ethics which communicates the ethical standards expected of all employees and Directors.

Human Resources and Remuneration Committee:

Evaluates performance of top management

Audit Committee:

Supported by Internal Audit, ensures that effective systems are established to secure integrity of information, internal controls; the Directors' Statement on Internal Control over Financial Reporting on page 183 and the Independent Assurance by the Auditor General on page 185 details more information related to this. In addition, it reviews accounting policies annually to ensure them being aligned with the Bank's business model and Sri Lanka Accounting Standards. Whenever necessary, advice and consultation is sought from the Auditor General and/or external auditors appointed by the Auditor General for assistance in significant changes in accounting policies.

Integrated Risk Management Committee:

Supported by Risk Management and Compliance functions, ensures compliance with the entirety of the risk management framework and compliance with laws and regulations.

A complete detailed explanation of the activities of all these committees is found from page 149 in the relevant Committee reports.

The Board has adopted several policies such as Marketing Policy, Sustainability Policy, Customer Charter, Procurement Policy etc. ensuring long term stakeholder driven value is strengthened within its governance structure.

The Capital Management Report from page 55 to page 106, details the direction these policies have given, the impacts of decisions made by the Bank and the relationship status of each of the Bank's stakeholders, as well as its integrated stakeholder engagement process.

Principle A 1.3 – Act in Accordance with laws

To discharge the fiduciary responsibilities, staying true to the Bank's values and ethical culture and in equipping it to justify its journey towards creating long term value for its stakeholders, Bank has cultivated a culture that goes beyond compliance, which has augured well for the Bank's journey through turbulent and challenging times as well. BoC complies with relevant laws, Central Bank of Sri Lanka guidelines and international best practices with regard to the operations of the Bank.

While the Board already has in place a strong framework of policies, procedures and risk management structure to ensure compliance with relevant laws, the Board gives leadership whenever possible for the Bank to imbue international best practices that would augment its operations. Whenever necessary, the Board obtains independent professional advice as dictated within the Board approved Policy on Independent Professional Advice.

Principle A 1.4 – Access to advice and services of Company Secretary

All Directors have the opportunity to obtain the advice and services of the Company Secretary referred to as Secretary to the Board/Secretary to the Bank of Ceylon who is responsible for ensuring follow up of Board procedures, compliance with rules and regulations,

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directions and statutes, keeping and maintaining minutes and relevant records of the Bank. The appointment and removal of the Secretary to the Board is a matter involving the full Board.

Principle A 1.5 – Independent Judgment

The Board of Directors possess diverse skills, expansive experience and pragmatic perspectives, all of which contribute to enriching discussion that lead to objective and independent judgement. Thus, decisions made on these judgements pertain to the short, medium and long term strategies for the Bank, taking into context performance, resources, priorities, key appointments, standards and business conduct. Composition of the Board ensures that there is a sufficient balance of power and contribution by all Directors and minimize the tendency for one or few members to dominate the Board processes or decision making.

Principle A 1.6 – Dedicate adequate time and effort to matters of the Board and the Bank

Board meeting schedule for the year is agreed upon by the beginning of the year to ensure maximum participation by the Directors and a well represented collective for fair and transparent decision making. All relevant Board Papers and the Agenda is circulated one week prior, accessible electronically for optimizing of information dissemination prior to the Board meeting. In exceptional circumstances, there may be papers which are circulated closer to the meeting, for which provision is made. Board and subcommittee deliberations are sufficiently detailed (spending approximately 5 hours for a meeting of the Board and Audit Committee and less for the other subcommittees) in addition to preparation time.

Principle A 1.7 – Training for Directors

The Directors are conscious of the need to keep abreast of current developments affecting the sector both globally and locally with particular reference to regulatory changes and the country's economy. Newly appointed Directors are provided with an orientation pack with all relevant external and internal regulation documents. Management also makes presentations on technical details and table changes in the regulatory framework to ensure that the Board is aware of key developments affecting the business operations of the Bank. Identified training programmes are proposed for Directors to attend to.

Principle A 2 – Division of Responsibilities of the Chairman and CEO

The position of the Chairman and the Chief Executive Officer referred to as the General Manager in the Bank have been separated in line with best practice in order to maintain a balance of power and authority. The separation is clearly articulated in the enabling enactment of the Bank of Ceylon. The Chairman is a Non-Executive Director whilst the General Manager is the Chief Executive Officer who is not a member of the Board. The Board appoints the General Manager with the approval of the subject Minister. There is a Board Charter in place clearly defining the roles of the Chairman and the General Manager.

Principle A3 – Chairman's Role

The Chairman provides leadership to the Board, preserving order and facilitating the effective discharge of the duties of the Board and is responsible for ensuring the effective participation of all Directors and maintaining open lines of communication with key management personnel, acting as a sounding board on strategic and operational matters.

Principle A 4 – Financial Acumen

When considering the Board of Directors, the Chairman of the Audit Committee, Mr Ranel T Wijesinha is a Fellow member of the Institute of Chartered Accountants of Sri Lanka. Ms Pushpa Wellappili is the Deputy Secretary to the Treasury in the Ministry of Finance. The Chairman, Bank of Ceylon was a Director of the same Bank at an earlier occasion and has specialized in commercial and banking law. Other Directors Mr Charitha N Wijewardane, Mr Sanjaya Padmaperuma and Mr H P Ajith Gunawardana being in the business world have financial knowledge and has proved to be extremely useful in giving accurate direction to the Bank.

Principle A 5 – Board Balance

The Board comprises solely of Non-Executive Directors of whom five are Independent Directors. The Non-Executive Directors are professionals/ academics/business leaders, holding senior positions in their respective fields. The independence of the Directors are recognized based on the criteria specified in the Banking Act Direction No. 11 of 2007.

Directors deemed independent:

Mr Ronald C Perera PC – Chairman

Mr Ranel T Wijesinha

Mr Charitha N Wijewardane

Mr Sanjaya Padmaperuma

Mr H P Ajith Gunawardana

Appointment of a Senior Independent Director is not necessary as the roles of the Chairman and Chief Executive Officer are segregated.

Board minutes are prepared in order to record any concerns of the Board as a whole or those of individual Directors regarding matters placed for their approval/guidance/action. These minutes are circulated and formally approved at the subsequent Board meeting. Additionally, Directors have access to the past Board papers and minutes in case of need via electronic means at all times.

In addition, Directors are called on to be independent, objective, fair, just and transparent in all decisions and dealings.

Principle A 6 – Supply of Relevant Information

It is the Chairman's responsibility to ensure that all Directors gain accurate briefings on issues that arise at Board meetings by directing all relevant management to provide the necessary and appropriate information comprehensively. This information, both qualitative and quantitative is circulated well in advance to the Board and Subcommittee meetings. If necessary, the Board may seek independent professional advice at the Bank's expense.

All Directors are expected to attend Board meetings. However, in the event there is a logical excuse and they are unable to do so, they are kept abreast of proceedings and discussions through:

- The minutes of the meeting, formally documented
- Clarifications if necessary from the Secretary to the Board
- Having a separate discussion prior to the start of the meeting regarding matters arising from the previous meeting
- Accessing minutes and Board papers which are archived and can be accessed electronically at convenience

If necessary, all Directors have the opportunity to interact with senior management at Board Meetings.

Principle A 7, A 8 – Appointment to the Board and Re-election

All Directors are appointed by the Minister in charge of the Bank. In 2015, due to the Presidential Election in January and the Parliamentary Election in August, Bank underwent a change in the Board of Directors. All details of the composition and aptitude of the Board are detailed on pages 36 and 37 of this report and are accessible by all stakeholders on the Bank's website, www.boc.lk.

Directors are meant to serve only a period of nine years as per the provision of the Banking Act Direction No 11 of 2007 and the present Board has not exceeded that period of service.

Principle A 9 – Appraisal of Board Performance

The Board annually apprise its own performance to ensure that they are discharging their responsibilities satisfactorily. This process requires each Director to fill a Performance Evaluation Form.

The Subcommittees also complete an annual performance evaluation.

Principle A 10 – Disclosure of information in respect of Directors

On its premise of being extremely transparent in the disclosure of all relevant information to stakeholders, all information specified in the Code pertaining to Directors is disclosed in the following pages:

Name, qualifications, expertise, material business interests and brief profiles on pages 36 and 37.

Related party transactions on pages 301 to 303.

Membership on Subcommittees on pages 149 to 157.

Attendance at Board Meetings and Subcommittee Meetings on page 124.

Principle A 11 – Appraisal of Chief Executive Officer/General Manager

In the Bank, the Chief Executive Officer is the General Manager and tasked with delivery of strategies as set out in the Bank's Corporate Plan and any other financial and non-financial targets the Board discusses and decides upon. This also encompasses short, medium and long term objectives, having a clear and objective understanding of the expectations required of him. These targets and objectives are generally set at the beginning of the year, which means the General Manager has now been appraised of the expected results for the Bank for 2016, at the time of reporting.

The Chief Executive's performance is evaluated annually by the Human Resources and Remuneration Committee and placed before the Board.

Principles B1, B2 and B3 – Directors' and Executive Remuneration

All Directors' remuneration is specified in accordance with circulars and letters issued by the Government and stated in the Directors' Remuneration Policy. No Director is involved or has the authority to determine his/her individual remuneration.

The Human Resources and Remuneration Committee makes recommendations to the Board with regard to the remuneration pertaining to the General Manager and Key Management Personnel. These remunerations are reviewed every three years. Post analysis, the Board makes recommendations to the subject Minister who is authorized to grant final approval of these remunerations. Measures are taken to have a comprehensive written policy.

All details of the composition and activities of the Human Resources and

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Remuneration Committee is found on pages 154 and 155, while Directors aggregate remuneration is detailed on page 147.

Principle C 1 – Relations with Shareholders

The sole shareholder of Bank of Ceylon is the Government of Sri Lanka and this Annual Report hence, is circulated through the Ministry of Public Enterprise Development under whose direct purview the Bank is, to Parliament. Given the multi-ethnic multi-lingual diversity which is well represented within the Government of Sri Lanka, BoC publishes this report in all official and commercial languages in use in Sri Lanka, Sinhala, Tamil and English. Once presented to the shareholder, the report is also uploaded on to the Bank website, www.boc.lk

Being a state bank, the Board is very cognizant of the responsibility the Bank has in being aligned with the country's national socio-economic development goals. Constant engagement with the subject Ministry has enabled the Bank to formulate an effective blueprint that will help articulate sole shareholder's vision for the country. The impressive contribution that will ultimately result from the fruition of Wenesa was also discussed and augurs well for the shareholder's plans.

Principle C2 – Disclosure of Major Transactions

With Wenesa and the Corporate Plan now being well-entrenched into the daily operations of the Bank with tangible results being experienced, future strategies are being mapped out taking into account trends, gaps, risks and opportunities. The Bank has mapped its short, medium and long term goals which are articulated in the Corporate Plan. In disseminating this information to the stakeholders, the Bank's major transactions that have impacted and may impact the Bank in the future and the path it is charting have been disclosed in:

Chairman's Message on pages 22 to 27.

General Manager's Review of Operations on pages 28 to 33.

Capital Management Report on pages 55 to 106.

Principle D 1- Accountability and Audit

As mentioned above, the Bank's current status, plans and prospects have been discussed in:

Chairman's Message on pages 22 to 27.

General Manager's Review of Operations on pages 28 to 33.

Capital Management Report on pages 55 to 106.

All information within this Annual Report have been collated, analysed, written and evaluated to the best of ability, to ensure transparency, accuracy, completeness and accountability. This 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. Imbuing a culture beyond compliance, BoC continues to comply with all applicable guidelines of the Central Bank of Sri Lanka, Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange. As is required in the scope of transparency, within 45 days of each quarter, Bank publishes interim financial reports in Sinhala, Tamil and English print media and uploads all this information on to the Bank's website. Any price sensitive information which may have an impact on debt securities issued by the Bank is disclosed comprehensively and precisely to the Colombo Stock Exchange whenever necessary.

In compliance with specific requirements, Bank remains very diligent in filing all reports required by regulators including to the Central Bank of Sri Lanka, Department of Inland Revenue, Sri Lanka Accounting and Auditing Standards Monitoring Board and the Colombo Stock Exchange. The Directors' Report on pages 176 to 180 details all declarations required in the Code. The Statement of Directors' Responsibility and the Report of the Auditor General found on pages 186 and 187 respectively, contains a statement about their reporting responsibilities as well. The Report of the Directors confirms that the business is a going concern and can be found on page 180.

Principle D2 and D 3 – Audit Committee and Internal Control

While the Board is responsible for formulating and implementing appropriate and adequate internal control systems to safeguard Bank assets, it is the Audit Committee that assists the Board in discharging this duty. The purview of the Audit Committee is wide and expansive but broadly defined as being responsible for financial reporting, internal controls, internal audit and external audit.

The Terms of Reference for the Audit Committee complies with the Code of Best Practice on Corporate Governance issued by the Central Bank of Sri Lanka. The Committee must gain assurance on the control over financial processes and assure integrity in the Bank's financial reports. It monitors the performance and reviews work done by the Chief Internal Auditor. The Committee also has a responsibility to ensure that the system of internal controls is sufficient and effective, the findings of which must be articulated to the Board. Reviews of these internal control systems are conducted by the Internal Audit Department, which is a centralized independent assurance function, and reported on regularly to the Audit Committee. The Committee also directly engages with the Auditor General, who conducts the Bank's external audit and partners of the audit firm who assists the Auditor General.

All relevant details including composition, key responsibilities and activities of the Audit Committee is found on pages 149 to 151 of this report.

Comprising four Directors and chaired by an Independent Non-executive Director, Audit Committee members have expertise and knowledge relevant to the Bank's operations, in financial, commercial and other specialties, which would augment the Bank's goals and the Committee's objectives. Invitation to attend meetings is extended to the General Manager, Chief Financial Officer, Deputy General Manager (Finance and Planning), Chief Internal Auditor, Chief Risk Officer, Compliance Officer, several other members of the management detailed in the Audit Committee report on pages 149 to 151, representative of the Auditor General's Department and the partners of the external audit firm that assists the Auditor General in his work, this year viz M/s Ernst & Young, Chartered Accountants.

Principles D 4 and D 5 – Code of Business Conduct and Ethics and Corporate Governance Report

The Bank has two Codes of Ethics, one applicable to all Directors and the other to the employees. The Nomination and Corporate Governance Committee of the Board is responsible for review of these. The Corporate Governance Report (which this paragraph is part of) on pages 120 to 148 provides information regarding the Corporate Governance practices in the Bank in compliance with the Banking Act Direction No. 11 of 2007 and amendments thereto on Corporate Governance issued by the Central Bank of Sri Lanka.

A strong culture of anti-bribery and corruption is also permeated across the Bank. A number of mechanisms have been instituted to ensure that any factors related to bribery or corruption is swiftly dealt with.

- All officers must submit an assets and liability declaration annually to the Human Resource Department, while Directors are required to submit this information to the relevant Ministry
- Transparent procurement procedures including precise tender processes and established Tender Boards at various levels are in place
- Key decisions regarding credit, investment and purchasing are delegated to committees who take decisions on a collective basis.
- Directors must declare their interests and obligations, if any

Principles E and F – Shareholder Relations

Given that the Bank's sole shareholder is the Government of Sri Lanka, the relevant provisions of this Code are not applicable to the Bank.

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Level of compliance with the Banking Act Direction No.11 of 2007 and subsequent amendments thereto on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka (CBSL) during the year 2015

Section	Principle	Compliance and Implementation	Complied
3. (1)	Responsibilities of the Board		
3.1. (i)	The Board has strengthened the safety and the soundness of the Bank in the following manner:		
a.	Strategic objectives and corporate values	The Bank's strategic objectives and corporate values are determined by the Board and are incorporated in the Corporate Plan for the period 2015 -2017. These are communicated to all levels of staff through regular briefing sessions and at off-site discussion meetings where the Corporate Plan is launched and reinforced by the Corporate Management Team. The corporate values are included in the Employee Hand Book given to each and every employee which is also available on the intranet.	✓
b.	Overall Business Strategy including Risk Policy and Management	The Bank's strategy is set by the Board in consultation with the senior management of the Bank for the period 2015 -2017 which has been 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.	Risk management	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 following reports provide further insights in this regard: Risk Management Report on pages 158 to 174. Integrated Risk Management Committee Report on pages 152 and 153.	✓
d.	Communication with all stakeholders	The Board has approved and implemented a Communication Policy covering all stakeholders which was reviewed during the year.	✓
e.	Internal Control System and Management Information Systems	The Board Audit Committee is tasked with reviewing the adequacy and the integrity of the Bank's internal control system and the Board reviews the adequacy of the Management Information System (MIS). Accordingly, the Audit Committee reviewed reports from the Internal Audit Department which reports directly to the Audit Committee and also from the external auditors in carrying out this function. Internal Audit Department is tasked with information systems audits to assess the effectiveness of the MIS. Board has reviewed the adequacy of MIS and Internal Control System.	✓

Section	Principle	Compliance and Implementation	Complied
f.	Key Management Personnel	Key Management Personnel as per Sri Lanka Accounting Standards are those who significantly influence policy, direct activities, operations and risk management. Further officers with designations indicated in the Directions on Corporate Governance are considered as Key Management Personnel for Corporate Governance purposes. This includes the General Manager, Deputy General Managers and Assistant General Managers and officers in the allied grades.	✓
g.	Define areas of authority and Key Responsibilities for Directors and Key Management Personnel	Areas of authority and key responsibilities have been defined for the Directors and Key Management Personnel during 2015 through the Board Charter and position descriptions respectively. Board Charter was reviewed during the year.	✓
h.	Oversight of affairs of the Bank by Key Management Personnel	Performance against the Bank's corporate plan is reviewed by the Board. Further, Key Management Personnel make regular presentations to the Board on matters under their purview and are also called in by the Board to explain matters relating to their areas.	✓
i.	Assess effectiveness of own Governance practices	The Nomination and Corporate Governance Committee monitors the compliance with the applicable governance practices. The Board appraises their performance by filling the Board Evaluation Form which is filled by each Director. The responses are collated and submitted to the Board generally through the Nomination and Corporate Governance Committee.	✓
j.	Succession Plan for Key Management Personnel	A Succession Plan for the Key Management Personnel is in place. This is reviewed by the Nomination and Corporate Governance Committee and submitted to the Board.	✓
k.	Regular meetings with Key Management Personnel	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.	✓
l.	Regulatory environment and maintaining an effective relationship with regulator	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 CBSL which includes all returns to regulators are presented to the Board monthly and monitored closely by the Board.	✓
m.	Hiring external Auditors	As provided for in the constitution of the country, the Auditor General is the external auditor for the Bank as it is a state owned enterprise.	✓
3.1. (ii)	Appointment of Chairman and CEO and defining and approving their functions and responsibilities	The Board appoints the Chief Executive Officer referred to as the General Manager with the approval of the Minister under whose purview the Bank falls and the Chairman is appointed by the same Minister as provided for in 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.	✓

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Section	Principle	Compliance and Implementation	Complied
3.1. (iii)	Regular Board Meetings	Regular fortnightly Board Meetings are held and special meetings are scheduled as and when the need arises. The Board met thirty one (31) times during 2015. 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.	✓
3.1.(iv)	Arrangements for Directors to include proposals in the agenda	Meetings are scheduled and informed to the Board at the beginning of each calendar year to enable submission of proposals to the agenda for regular meetings.	✓
3.1.(v)	Notice of Meetings	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 e-solution.	✓
3.1. (vi)	Directors' 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 124. No Director has been absent for three consecutive meetings.	✓
3.1. (vii)	Company Secretary	The Board has appointed Secretary to the Board who satisfies the provisions of Section 43 of the Banking Act No.30 of 1988 and its amendments and whose primary responsibilities shall be to handle the secretariat services to the Board and carry out other functions specified in the statutes and other regulations.	✓
3.1. (viii)	Director's access to advice and services of Company Secretary	All members of the Board have opportunity to obtain 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)	Maintenance of Board Minutes	Secretary to the Board maintains the minutes of the Board Meetings and circulates same to all Board Members. 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.	✓

Section	Principle	Compliance and Implementation	Complied
3.1. (x)	Minutes to be of sufficient detail and serve as a reference for regulators and supervisory authorities	The Minutes of the meetings include: (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 (d) the testimonies and confirmations of relevant executives with regard to the Board's strategies and policies and adherence to relevant laws and regulations; (e) matters regarding the risks to which the Bank is exposed to and an overview of the risk management measures including reports of the Board Integrated Risk Management Committee; and (f) the decisions and Board resolutions including reports of all Board subcommittees.	✓
3.1. (xi)	Directors' ability to seek independent professional advice	The Directors are able to obtain independent professional advice, as and when necessary, in discharging their responsibilities in accordance with the Bank's Policy for Directors' Access to Independent Professional Advice.	✓
3.1. (xii)	Dealing with Conflicts of Interest	The Directors are conscious of their obligation to deal with situations where there is a conflict of interest in accordance with the applicable regulations. 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 interests etc. Directors abstain from participating in the discussions, voicing their opinion or approving in situations where there is a conflict of interest. Additionally he/she is not counted in the quorum in such instances.	✓
3.1. (xiii)	Schedule of matters reserved for Board decision	The powers reserved for the Board are included in the Board Charter ensuring that the direction and control of the Bank is within the Board's authority in line with regulatory codes, guidelines and international best practice.	✓
3.1. (xiv)	Inform Central Bank if there are solvency issues	The Board is aware of the need to inform the Director of Bank Supervision prior to taking any decision or action if the Bank is about to become insolvent or about to suspend payments to its depositors and other creditors. Monthly financial statements give that assurance to the Board. Such a situation has not arisen.	✓
3.1. (xv)	Capital adequacy	The Board monitors capital adequacy and other prudential measures viz a viz regulatory requirements. The Bank is in compliance with the minimum capital requirements.	✓
3.1. (xvi)	Publish Corporate Governance Report in Annual Report	The Board publishes the Corporate Governance Report in the Bank's Annual Report. These disclosures form part of such report.	✓
3.1. (xvii)	Self-assessment of Directors	The Board has adopted a scheme of self-assessment to be undertaken by each Director annually and records of these assessments are maintained with the Secretary to the Board/Secretary, Bank of Ceylon	✓

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Section	Principle	Compliance and Implementation	Complied
3.(2)	The Board's Composition		
3.2. (i)	Number of Directors	As per CBSL Governance direction, the number of Directors should not be less than seven and not more than thirteen. The Bank's Board comprises six Directors as per Bank of Ceylon Ordinance No.53 of 1938 and its amendments. The Bank has initiated action to amend the Bank of Ceylon Ordinance to facilitate compliance with this requirement.	
3.2. (ii)	Period of service of a Director	The period of service of a Director is limited to nine years as per the Corporate Governance Direction for Licensed Commercial Banks. There are no Directors whose tenure of service has exceeded nine years on the Board. Details of their appointments are given on pages 36 and 37.	✓
3.2. (iii)	Board Balance	There are no Executive Directors in Bank of Ceylon.	✓
3.2. (iv)	Independent Non-Executive Directors	The Bank has five Independent Non-Executive Directors (INEDs) - well above the required minimum of three directors.	✓
3.2. (v)	Alternate Independent Directors	No Alternate Director has been appointed to represent an Independent Director.	✓
3.2. (vi)	Criteria for Non-Executive Directors	The full Board who are Non-Executive Directors are persons with credible track records and can bring in independent judgement to bear on issues of strategy, performance and resources.	✓
3.2. (vii)	More than half the quorum to comprise Non-Executive Directors	All Directors are Non-Executive Directors.	✓
3.2. (viii)	Identify Independent Non-Executive Directors in communications and disclose categories of Directors in Annual Report	The Independent Non-Executive Directors are expressly identified as such in all corporate communications that disclose the names of Directors of the Bank. The composition of the Board, by category of Directors, including the names of the Chairman, Non-Executive Directors and Independent Non-Executive Directors are given on page 122 of the Corporate Governance Report.	✓
3.2. (ix)	Succession planning and 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)	Re-election of Directors. Filling casual vacancies	This does not arise since the relevant Minister appoints them.	
3.2. (xi)	Communication of reasons for removal or resignation of Directors	The shareholder, the Government of Sri Lanka does the appointments through the Minister under whose purview the Bank falls under and the resignations are also submitted to him whilst keeping the CBSL and the Colombo Stock Exchange informed.	✓

Section	Principle	Compliance and Implementation	Complied
3.2. (xii)	Prohibition of Directors or Employees of a bank becoming a Director at another bank	The appointing Minister takes into account this requirement when considering appointments of Directors. However, a Deputy General Manager has been appointed to the Board of Pradeshiya Sanwardana Bank as per the requirement of the enabling enactment of this Bank (viz. Pradeshiya Sanwardana Bank Act No.41 of 2008).	
3.(3)	**Criteria to assess fitness and propriety of Directors**		
3.3. (i)	Age of Director should not exceed 70	There are no Directors who are over 70 years of age.	✓
3.3. (ii)	Directors should not be Directors of more than 20 companies	No Director holds directorships of more than 20 companies/entities.	✓
3.(4)	**Management Functions delegated by the Board**		
3.4. (i)	Understand and study delegation arrangements	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)	Extent of delegation should not hinder Board ability to discharge its functions		✓
3.4.(iii)	Review delegation arrangements periodically to ensure relevance to operations of the Bank		
3.(5)	**The Chairman and Chief Executive Officer**		
3.5. (i)	Separation of roles	The position of Chairman and the Chief Executive Officer, (General Manager) are held by two different individuals.	✓
3.5. (ii)	Non-Executive Chairman and appointment of a Senior Independent Director	Since the Chairman of Bank of Ceylon is an Independent Non-Executive Director, the need to appoint a Senior Independent Director does not arise.	✓
3.5. (iii)	Disclosure of identity of Chairman and CEO and any relationships with the Board members	The identity of the Chairman and the General Manager are disclosed in the Annual Report on pages 36 and 40 and 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 2015.	✓

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Section	Principle	Compliance and Implementation	Complied
3.5. (iv)	Chairman shall (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; (c) ensure that all key and appropriate issues are discussed by the Board in a timely manner.	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)	Responsibility for agenda lies with Chairman but may be delegated to Company Secretary	The Secretary to the Board/Secretary, Bank of Ceylon draws up the agenda for the meetings 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)	Ensure that Directors are properly briefed and provided adequate information	The Chairman ensures that the Board is adequately briefed and informed regarding the matters arising at Board. 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 explanations 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)	Encourage active participation by all Directors and lead in acting in the interests of the Bank	This requirement is complied with and addressed in the self evaluation process.	✓
3.5. (viii)	Encourage participation of Non-Executive Directors and relationships between Non-Executive and Executive Directors	Bank's Board consists of all Non-Executive Directors.	✓

Section	Principle	Compliance and Implementation	Complied
3.5. (ix)	Refrain from direct supervision of Key Management Personnel and executive duties	The Chairman does not get involved in the direct supervision of Key Management Personnel or any other executive duties.	✓
3.5. (x)	Ensure effective communication with shareholders	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)	CEO functions as the apex executive in charge of the day to day operations	The day to day operations of the Bank is the responsibility of the General Manager.	✓
3.(6)	**Board appointed Committees**		
3.6. (i)	Establishing Board sub-committees, their functions and reporting	Four subcommittees have been established by the Board with written Terms of Reference for each. The Secretary to the Board/Secretary, Bank of Ceylon serves as the Secretary for all subcommittees and maintains minutes and records with oversight by the respective Chairpersons. The reports of the subcommittees are included in the Annual Report. Audit Committee on pages 149 to 151. Integrated Risk Management Committee on pages 152 to 153. Human Resources and Remuneration Committee on pages 154 to 155. Nomination and Corporate Governance Committee on pages 156 to 157.	✓
3.6. (ii)	Audit Committee		
a.	Chairman to be an Independent Non-Executive Director with qualifications and experience in accountancy and/or audit	The Chairman of the Audit Committee is an Independent Non-Executive Director who has the required qualifications as indicated under the profiles.	✓
b.	Committee to comprise solely of Non-Executive Directors	All members of the Audit Committee are Non-Executive Directors.	✓
c.	Audit Committee functions	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.	✓

Corporate Governance

Section	Principle	Compliance and Implementation	Complied
d.	Review and monitor external auditor's independence and objectivity and the effectiveness of the audit processes	The Bank's auditor being the Auditor General, his independence and effectiveness is guaranteed under the Constitution of Sri Lanka.	✓
e.	Provision of non-audit services by external auditor	This does not arise since the Auditor General is the auditor of the Bank.	✓
f.	Determines scope of audit	The scope and extent of audit have been determined by the Auditor General and it is stated that M/s Ernst & Young (E&Y), Chartered Accountants who assisted the Auditor General could make further changes/amendments to the scope having considered the volume and risks associated.	✓
g.	Review financial information of the Bank	The Audit Committee reviews 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. The review focuses on the following: • major judgemental areas; • any changes in accounting policies and practices; • significant adjustments arising from the audit; • the going concern assumption; • the compliance with relevant accounting standards and other legal requirements. The Audit Committee makes their recommendations to the Board on the above.	✓
h.	Discussions with external auditor on interim and final audits	The Audit 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 representatives of E&Y, Chartered Accountants, who assisted the Auditor General in the year 2015 audit. The committee on one occasion met the external auditors without the presence of the executives of the Bank.	✓
i.	Review of Management Letter and Bank's response	The Audit Committee has reviewed the external auditor's Management Letter and the management's response thereto.	✓

Section	Principle	Compliance and Implementation	Complied
j.	Review of Internal Audit function	The Audit Committee has oversight of the Internal Audit function and carries out the following duties with regard to the same: • Reviews the adequacy of the scope, functions and resources of the Internal Audit department, and ensures that the department has the necessary authority to carry out its work; • Reviews the Internal Audit programme and results of the audits and ensures that appropriate actions are taken on the recommendations of the internal audit department; • Reviews appraisals of the performance of the head and senior staff members of the Internal Audit department; • Recommends any appointment or termination of the head, senior staff members; • Ensures that the committee is appraised of resignations of senior staff members of the Internal Audit department including the Chief Internal Auditor, and provides an opportunity to the resigning senior staff members to submit reasons for resigning; • Ensures that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care; • There were no outsourced functions of Internal Audit during 2015 and provisions in this regard were not applicable other than for some IS Audit Functions outsourced to an external expert with Audit Committee recommendation.	✓
k.	Internal Investigations	The Audit Committee has reviewed the major findings of internal investigations and management's responses thereto.	✓
l.	Attendees at Audit Committee Meetings	The General Manager, Chief Internal Auditor, Chief Risk Officer, Chief Financial Officer, Compliance Officer and representatives of the external auditors appointed to assist the Auditor General viz. M/s E&Y, Chartered Accountants and Auditor General's representative normally attend meetings. Other Board members may also attend meetings upon the invitation of the Committee. Members of the management are invited for any explanations if necessary. The Committee met with the auditors once during the year without the presence of Bank's staff. There are no Executive Directors.	✓
m.	Explicit authority, resources and access to information	The Audit Committee has: • explicit authority to investigate into any matter within its terms of reference; • the resources which it needs to do so; • full access to information; and • authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	✓

Corporate Governance

Section	Principle	Compliance and Implementation	Complied
n.	Regular Meetings	The Audit Committee has scheduled regular meetings. Additional meetings are convened when required. Accordingly, the Committee met seven (7) times during the year. Members of the Audit 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.	Disclosure in Annual Report	The Report of the Audit Committee on pages 149 to 151 includes the following: • Details of the activities of the Audit Committee; and • The number of Audit Committee meetings held in the year; and Details of attendance of each individual Director at such meetings are given on page 124.	✓
p.	Maintain Minutes of meetings	The Secretary to the Board/Secretary, Bank of Ceylon serves as the Secretary for the Audit Committee and maintains minutes of the committee meetings.	✓
q.	Whistle Blower Policy and relationship with external auditor	The Bank has a Board approved Whistle Blower Policy whereby an employee of the Bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Significant findings are reported to the Audit Committee for follow up action. The Audit Committee is the key representative body for overseeing the Bank's relations with the external auditor.	✓
	Human Resources and Remuneration Committee		
3.6. (iii)	HR and Remuneration Committee		
a	Remuneration policy (salaries, allowances and other financial payments) relating to Directors, Chief Executive Officer (CEO) and key management personnel of the Bank.	The Remuneration for Directors 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 Committee makes recommendations of the remuneration of General Manager and Key Management Personnel once in three years and submit to the Board and finally obtains the approval of the relevant Minister. Measures will be taken to introduce a written policy in this regard.	✓ ×
b	Set goals and targets for the Directors, CEO and the Key Management Personnel (KMP).	No targets for the Directors are set since all of them are Non-Executive Directors. Goals and targets for the 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 the 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.	✓

Section	Principle	Compliance and Implementation	Complied
c	Evaluating the performance of the CEO and Key Management Personnel	The Committee evaluates the performance of the General Manager and KMPs.	✓
d	The CEO shall be present at all meetings of the committee, except when matters relating to the CEO are being discussed.	This has been complied with.	✓
3.6. (iv)	Nomination Committee		
a.	Appointment of Directors, CEO and Key Management Personnel	Directors are appointed by the Minister under whose purview the bank falls. 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 Key Management Personnel. Measures will be taken to introduce a more specific procedure in this regard.	×
b.	Re-election of Directors	Does not arise since the relevant Minister appoints them.	
c.	Eligibility criteria for appointments to key managerial positions including CEO	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.	Fit and Proper persons	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 the Statutes is sent to CBSL.	✓
e.	Succession Plan and new expertise	The Bank has a Succession Plan for the Key Management Personnel. Additional or new expertise needed are either recommended by the Board subcommittees or decided by the Board. The latest succession plan is in place and it has been submitted for Board review.	✓
3.6. (v)	Integrated Risk Management Committee/Board Risk Management Committee		✓
a.	Composition of Risk Management Committee	The Committee comprises three Non-Executive Directors, General Manager, Chief Risk Officer who supervises credit, market, liquidity, 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. The Committee works closely with Key Management Personnel within the framework of authority and responsibility assigned to the Committee.	✓

Corporate Governance

Section	Principle	Compliance and Implementation	Complied
b.	Risk Assessment of the Bank and its Group	Independent Integrated Risk Management Division of the Bank assesses the credit, market, liquidity, operational, strategic and reputational 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 least quarterly and then to the next immediate Board meeting. In the case of subsidiaries, a risk management dash board has been developed to address the risks.	✓
c.	Review of management level committees on risk and address specific risks and manage those risk within qualitative and quantitative risk limits as specified by the Committee	Risk indicators which have gone beyond the specified quantitative and qualitative risk limits are submitted to the Committee.	✓
d.	Corrective action to mitigate risks exceeding prudential levels	The Committee takes 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.	✓
e.	Frequency of meetings	The Committee has regular meetings and schedules additional meetings when required. The agenda covers matters assessing all aspects of risk management including updated Business Continuity Plan.	✓
f.	Actions against officers responsible for failure to identify specific risks or implement corrective action	Formal documented disciplinary action procedure is in place at the Bank.	✓
g.	Risk assessment report to Board	The minutes of the meeting are submitted to the next immediate Board meeting together with the recommendations and risk management reports.	✓

Section	Principle	Compliance and Implementation	Complied
h.	Compliance function	A compliance function has been established 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 who reports to the Integrated Risk Management Committee and is responsible for providing the following: • A detailed quarterly report on statutory and mandatory reporting requirements indicating the status of compliance to the Committee and the Board; and • A monthly compliance report to the Board. The compliance function has initiated action to 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)	Avoid conflict of interest	There is a Board approved Policy on Related Party Transactions. This policy identifies related parties, types of related party transactions and restrictions on offering more favourable treatment to related parties in order for 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 which will be improved.	✓
3.7. (ii)	Related party transactions covered by direction	Definitions of related party transactions covered by the above Board process and declarations by Directors and Key Management Personnel include : 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, and 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.	✓
3.7. (iii)	Monitoring of related party transactions defined as more favourable treatment	The Bank has implemented a Board approved process to monitor related party transactions which is monitored by the Compliance Unit. This monitoring system would be further improved to cover all the products of the Bank.	✓
3.7. (iv)	Granting accommodation to Directors or close relation to a Director	All accommodations to Directors and/or their close relatives are approved by the Board and prescribed security is taken. The concerned Director refrain from participating in the deliberations or decisions.	✓

Corporate Governance

Section	Principle	Compliance and Implementation	Complied
3.7. (v)	Accommodations granted to persons, or concerns of persons, or close relations of persons, who subsequently are appointed as Directors of the Bank	This situation has not arisen in the Bank to date.	✓
3.7. (vi)	Favourable treatment or accommodation to Bank employees or their close relations	No favourable treatment /accommodation is provided to Bank employees, other than under general staff benefits. Circular instructions have been issued in this regard. Close relations of Bank employees are also not given any favourable treatment/accommodation.	✓
3.7. (vii)	Not remitting accommodations granted under (v) and (vi) above without approval of the Monetary Board	Such a situation has not arisen during the year 2015.	✓
3. (8)	**Disclosures**		
3.8. (i)	Publish annual and quarterly financial statements	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 in Sinhala, Tamil and English.	✓
3.8. (ii)	Disclosures in 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.	A statement to this effect is included in the following: Directors' Responsibility to Financial Reporting on page 186. Annual Report of the Board of Directors on the State of Affairs of the Bank on pages 176 to 180.	✓

Section	Principle	Compliance and Implementation	Complied
b.	Report by the Board on the Bank's internal control mechanism	The Annual Report includes the following reports where the Board 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 have been done in accordance with relevant accounting principles and regulatory requirements: Directors' Statement on Internal Control on pages 183 to 184. Annual Report of the Board of Directors on the State of Affairs of the Bank on pages 176 to 180.	✓
c	Auditor's certification on the effectiveness of the internal control mechanism	The Bank has obtained a certificate on the Effectiveness of Internal Controls over Financial Reporting from the Auditor General which is published on page 187.	✓
d	Details of Directors,	Details of Directors are given on pages 36 to 37. Directors' interests in contracts with the Bank are given on pages 181 to 182. Remunerations paid by the Bank are given in Notes to the Financial statements on page 220.	✓
e	Total net accommodation granted to each category of related party and as a percentage of the Bank's regulatory capital	"Total net accommodation" granted to each category of related party during the year 2015 as a % of the Bank's regulatory capital is given below Key Management Personnels (KMPs): LKR '000 100,118; % 0.11 Subsidiaries: 785,740; 0.85 Associates: 173,347; 0.19 Government and Government related entities (Refer definition in note 55.4 of Financial Statements): 972,758,226; 1,054.54	✓
f.	Aggregate values of remuneration to, and transactions with Key Management Personnel	The aggregate amount of remuneration paid by the Bank and transactions with KMPs for the year 2015 are stated below – Short-term employment benefits: LKR '000 285,243 Post employment benefits: 98,262 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. Loans: LKR '000 389,873 Overdrafts: 12,149 Credit cards: 1,393 Due to customers (Deposits): 347,927 Debentures: 17,287 Undrawn facilities: 52,518	✓

Corporate Governance

Section	Principle	Compliance and Implementation	Complied
g.	External auditors certification of compliance with these Corporate Governance Directions	The Bank has obtained a certification from the Auditor General in compliance with Corporate Governance Direction. All findings of the Auditors have been incorporated in this Corporate Governance Report and any recommendations will be dealt within 2016.	✓
h.	Report confirming compliance with prudential requirements, regulations, laws and internal controls	The Statement of Directors' Responsibility for Financial Reporting on pages 186 clearly sets out details regarding compliance with prudential requirements, regulations, laws and internal controls.	✓
i.	Non compliance Report	There were no supervisory concern lapses in the Bank's Risk Management Systems or non compliance with these directions that have been pointed out by the Director of Bank Supervision of the CBSL and to be disclosed to the public if directed by the Monetary Board and therefore there is no disclosure in this regard.	✓
3.(9)	Transitional and other general provisions	The Bank 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 amendment, the enabling enactment.	✓

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, adopted and annually reviewed by the Board.

Composition

Pursuant to a reconstitution of the Board in January 2015, the Audit Committee comprised of the following members:

- Mr Ranel T Wijesinha - Chairman
  Independent Non-Executive Director
  (Appointed w.e.f. 27.02.2015)
- Ms Pushpa Wellappili - Member
  Non-Executive Ex officio Director
  (Appointed w.e.f. 27.02.2015)
- Mr Brian J Sinniah - Member
  Independent Non-Executive Director
  (Appointed w.e.f. 27.02.2015)

With the reconstitution of the Board that took place in November 2015, the composition of the current committee is as follows:

- Mr Ranel T Wijesinha - Chairman
  Independent Non-Executive Director
  (Appointed w.e.f. 27.02.2015)
- Ms Pushpa Wellappili - Member
  Non-Executive Ex officio Director
  (Appointed w.e.f. 27.02.2015)
- Mr Charitha N Wijewardane
  Independent Non-Executive Director
  (Appointed w.e.f. 23.11.2015)
- Mr Sanjaya Padmaperuma
  Independent Non-Executive Director
  (Appointed w.e.f. 23.11.2015)

The detailed profiles of the members of the Committee appear on pages 36 to 37. The Secretary to the Board 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 therefore. The effectiveness of the Committee is evaluated annually by the Committee and the results are communicated to the Board.

Committee Meetings and interaction with External Auditors

The Committee met seven times during the year under review. The attendance of Committee members are provided in the table on page 124. 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 M/s 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. The full Audit Committee met the External Auditors at the final meeting prior to finalization 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

Upon the appointment of the new members to the Audit Committee, the Committee reviewed the Audit Committee Charter, minutes of the immediately preceding Audit Committee meeting and had discussions with key management personnel, the Chief Internal Auditor and the External Auditors appointed by the Auditor General, M/s Ernst & Young, Chartered Accountants. Interim and final audit issues raised by the External Auditors and the manner, in which they were resolved, were also reviewed and where necessary further action initiated.

The Committee further resolved to begin a process to assess risk exposures, identify gaps and weaknesses and areas of non-compliance with procedures, in order to strengthen relevant risk management and mitigation measures. Initiatives were accordingly undertaken, to review specific systems, procedures and controls and the scope, approach, methodology and effectiveness of the functions of the office of Chief Internal Auditor, and the office of the Chief Risk Officer, and such other key management positions, as might be deemed necessary. The corresponding structure, composition, qualifications, skills and experience of resources of these offices were also reviewed.

The following specific tasks were undertaken :

- Pursuant to events which occurred in February 2015, the Committee, commissioned M/s Ernst & Young, Chartered Accountants to perform an independent procedural and compliance review of the functions of the Primary Dealer Unit of the Bank. Approval of the Auditor General's Department was sought and obtained for this extension of the external audit. Gaps and weaknesses in systems, procedures and controls, areas of non-compliance with manuals of procedure and related risk exposures, were addressed. Measures were also taken to strengthen, the scope and effectiveness of the work of the office of the Chief Internal Auditor and the office of the Chief Risk Officer in relation to this Unit.
- Reviewed the accounting treatment, disclosures and strategy of the Primary Dealer Unit.
- Pursuant to a review of the rationale and adequacy of the loan loss provisioning

Board Subcommittee Reports

Audit Committee Report

effected at year end, and with a view to implementing measures to minimize the incidence and quantum of loan loss provisioning, the Committee, through the medium of the office of the Chief Internal Auditor, reviewed the credit evaluation process on account of a selected sample of significant borrowers.

- Introduced measures to strengthen the processes and procedures, the independence and integrity of Credit/ Project Appraisal, Oversight and Monitoring, Recovery and Foreclosure, which, included procedures to enhance controls over the protection of privacy and confidentiality of information of borrowers and potential borrowers.
- Met with representatives of The Boston Consulting Group, who in the year 2014 had been engaged to perform a transformation assignment for the Bank, and reviewed the scope and effectiveness of several functions by benchmarking these functions, against international best practices. Improvements and new methodology were introduced.
- Retained the services of independent professional audit firms to perform limited scope engagements on account of the following and obtained assurance on the activities that have been carried out by the Bank:
  - Review of the policies and procedures prevalent in the Bank, and compliance therewith and report on factual findings, in relation to stocks of pawned gold acquired by the Bank pursuant to auctions.
  - Review of the policies and procedures prevalent in the Bank, and compliance therewith and report on factual findings, in relation to the opening and operation of the Seychelles Branch of the Bank of Ceylon.
- Reviewed the performance of other overseas Branches of the Bank viz. Chennai and Male' and the regulatory reports thereon.
- Reviewed the Internal Audit Policy of Overseas Branches.
- Enhanced scope and coverage of data mining and analytical techniques.

In addition to the above specific assignments and tasks, the Audit Committee undertook the following activities relating to the ordinary course of banking business:-

Regulatory Compliance and Internal Controls

- Introduced greater participation of Compliance Officers.
- Reviewed the compliance with mandatory banking and other statutory requirements.
- Reviewed and improved the processes of internal control in several areas of vulnerability.
- Initiated post implementation reviews of application systems in the Bank.
- Reviewed preventive measures to hedge against any potential cyber attacks.
- Reviewed the progress of action taken in relation to the findings of the statutory examinations carried out by the regulators.
- Strengthened the internal controls over rescheduling of facilities.

The Statement by the Directors, on Internal Control and the Auditor General's report thereon is provided on pages 183 to 185. 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 reporting of the Bank's activities and financial performance.
- The adoption of the revised Sri Lanka Accounting Standards (SLFRSs/LKASs) and the impact of the same on the Bank's Financial Statements have been independently validated by the External Auditors during their audit and the process was continuously reviewed by the Committee.
- Reviewed the monthly and quarterly Financial Statements.
- Assisted the Board in ensuring that annual Audited Financial Statements are prepared and published in accordance with the requirements prescribed by the supervisory and regulatory authorities and applicable accounting standards.
- Reviewed 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.
- Reviewed the effectiveness of the implementation of the Internal Audit Plan.
- Reviewed the 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 Check List, 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 specialized training of the Internal Audit Department and the need for capacity building.

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 M/s Ernst & Young, Chartered Accountants, during the year 2015.

The Committee:

- Reviewed and followed up upon audit issues identified by the Auditors pertaining to the audit for the year 2014.
- 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 2014, the Management Letter, and the Management's responses thereto and followed up on corrective measures.
- Reviewed the above in preparation for the meeting of the Parliamentary Committee on Public Enterprises, and follow up action connected therewith.
- Reviewed the Audit Plan 2015 submitted by M/s. Ernst & Young, Chartered Accountants and followed up on all deliverables and the adequacy and effectiveness of scope and coverage.
- Reviewed and followed up upon interim and final audit issues identified by the Auditors pertaining to the audit for the year 2015.
- 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 measures to enhance accountability and oversight over subsidiaries and associates of the Bank by forming subcommittees under the Chairmanship of Directors.
- Reviewed the audits carried out on certain subsidiaries based on the policy on 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 (Credit Audit)
- Assistant General Manager (Investigation)
- Assistant General Manager (IS Audit)
- Internal Auditor

Representative of the Auditor General (the External Auditor of the Bank) and Partners and Managers of M/s 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 2015, also attended each meeting.

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

- General Manager
- Chief Financial Officer/Deputy General Manager (Finance & Planning)
- Assistant General Manager (Budget, Strategic Planning & MIS)

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 appraisal, 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 Development Banking)
- Deputy General Manager (Corporate and Offshore Banking)
- Deputy General Manager (Recovery)
- Deputy General Manager (International and Treasury)
- Deputy General Manager (Sales and Channel Management)
- Deputy General Manager (Retail Banking)
- Chief Legal Officer
- Head of Information Technology

Partners and Managers of The Boston Consulting Group were regularly invited to the Audit Committee meetings to obtain their co-operation towards improvement of systems, procedures, controls and documentation as an integral part of the Bank wide transformation initiative during the year.

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 Practice 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 2015 is provided on pages 120 to 148.

Procedure for Complaints

The Committee reviewed the reports submitted, based on the Bank's "Whistleblower Policy" which indicates the procedure for the receipt, retention and treatment of complaints received regarding accounting, internal control and audit matters. The policy was reviewed and improved during the year.



Ranel T Wijesinha
Chairman, Audit Committee

21 March 2016
Colombo

Board Subcommittee Reports

Integrated Risk Management Committee Report

Chairman's Statement

Roles of the Committee

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

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

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

Composition and Quorum

The members of the Committee during the year 2015 under review are as follows-

From 27.02.2015 to 22.11.2015-

- Mr Brian J Sinniah - Chairman
  Independent Non-Executive Director
  (Resigned from the Board w.e.f. 05.11.2015)
- Mr Ronald C Perera - Member
  Independent Non-Executive Director
- Ms Pushpa Wellappili - Member
  Non-Executive Ex officio Director

From 23.11.2015 to date with the reconstitution of the Board-

- 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 M L J Fernando - Chief Risk Officer **

** Mr M L J Fernando was serving as Chief Risk Officer till 24 December 2015 and Mr D N L Fernando was assigned as Chief Risk Officer w.e.f. 06 January 2016.

The experience of the Committee members can be seen from the Directors' biographical details appearing on pages 36 and 37 of this Annual Report.

The quorum of the Committee is two members.

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

when the Committee requires their presence.

Meetings and Activities

The Committee met five times during the year under review. The attendance of Committee members at meetings is given in the table on page 124.

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

- Reviewed and/recommended the following policies based on which the risk profile of the Bank is assessed -
  - (a) Group Risk Management Policy
  - (b) Risk Management Policy of Chennai Branch
  - (c) Fraud Risk Management Policy
  - (d) Anti Money Laundering and Combating Terrorist Financing (AML/CFT) Policy of the Bank
  - (e) Model Validation Policy
  - (f) Credit Risk Management Policy and Lending guidelines
  - (g) Market Risk Management Policy
  - (h) Operational Risk Management Policy
  - (i) Liquidity Risk Management Policy
  - (j) Information Technology Risk Management Policy
- The Independent Integrated Risk Management Division of the Bank assessed the risks of the Bank on a monthly basis and summary reports were submitted before the Committee. The Committee reviewed them and submitted its recommendation to the Board immediately through minutes of the meeting and specific recommendations.
- Recommended the adoption of the Bank's Risk Appetite and Limit Setting for year 2015.
- Monitored quantitative and qualitative risks which have gone beyond the limits and made the necessary recommendations.
- Recommended the adoption of the revised Internal Capital Adequacy Assessment Process (ICAAP) for the year 2015.
- Recommended the adoption of the compliance plan for the year 2015.
- Reviewed the Stress Testing results on quarterly basis.
- Enriched the Risk Management Dash Board on subsidiaries to assess the risk and reviewed the subsidiary risk management dash board on a quarterly basis.
- Monitored the operational risk via the Key Risk Indicators in the Branch network, critical businesses and support divisions.
- Followed up on the progress of the Risk management system which is scheduled to be implemented in 2016.
- Reviewed the adequacy and effectiveness of the Management Level Committees during the year 2014.
- Reviewed the quarterly Compliance Reports submitted by the Compliance Officer.
- Reviewed the implementation of 5S System in the Branches.
- Recommended adoption of the Revised Business Continuity Plan 2015 of the Bank.
- Recommended adoption of the Terms and Reference of the Sustainability Committee, the Operational Risk Management Committee, the Fraud Risk Management Committee, the Non Performing Assets Reviewing Committee and the ICAAP Steering Committee.
- Strengthened the Risk Management Division by providing adequate staff with related skills and also arranged comprehensive Training programme on both local and overseas for its staff.

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

Since all present members of the IRMC were appointed for the committee in November 2015 with the reconstitution of the Board with new appointments to the Board a performance evaluation of the committee will be carried out in year 2016.

The Committee is of the view that the Bank is on the right path towards meeting the challenges of risk management and compliance safeguarding the interests of Bank's stakeholders. The Committee will concentrate on the sustainability of the operations and services as a risk mitigating measure.

The Committee also wishes to place on record an appreciation for the former Chairman and other members of the Integrated Risk Management Committee for their valuable contribution towards the activities of the Committee.

On behalf of the Integrated Risk Management Committee.



Charitha N Wijewardane
Chairman
Integrated Risk Management Committee

21 March 2016
Colombo

Board Subcommittee Reports

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 Organizational Structure of the Bank.

The Bank 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.

Composition and Quorum

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

From 27.02.2015 to 22.11.2015 -

- Mr Ronald C Perera - Chairman
  Independent Non-Executive Director
- Ms Pushpa Wellappili - Member
  Non-Executive Ex officio Director
- Mr Brian J Sinniah - Member
  Independent Non-Executive Director
  (Resigned w.e.f. 05.11.2015)

From 23.11.2015 to date with the reconstitution of the Board -

- Mr H P Ajith Gunawardana - Chairman
  Independent Non-Executive Director
- Mr Ronald C Perera - Member
  Independent Non-Executive Director
- Ms Pushpa Wellappili - Member
  Non-Executive Ex officio Director
- Mr Charitha N Wijewardane - Member
  Independent Non-Executive 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 other members of the staff are invited to attend the meetings when the Committee requires their presence. The Secretary of the Bank/Secretary to the Board functions as Secretary to the Committee.

Meetings and Activities

The Committee has met twice during the year under review. The attendance of members at meetings is given on page 124. 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 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 with regard to the Directors' remuneration and benefits given to them. 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. The details of the remuneration given to Directors are disclosed in the Annual Report on a yearly basis.

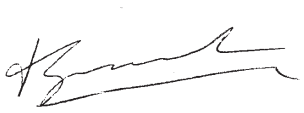
During the year under review, the activities of the Committee can be listed as follows -

- 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 Bank of Ceylon Ordinance. In this year, the Bank revised the salaries of the employees for the period 2015 to 2017. Prior to finalizing the salaries of the Senior Management (viz. General Manager, Deputy General Managers and Assistant General Managers), the Committee deliberated on the proposals and made its recommendations to the Board.
- Reviewed the training needs of the Bank and made the necessary recommendations.
- With the new instructions received from the Government, revisited/ revised the Remuneration Policy of the Chairman and Directors of Bank of Ceylon.
- As another step of the transformation journey, Wenesa, the Bank has embarked upon, it has been decided to relook at and revise the Organisation Structure of the Bank. The Committee recommended to the Board the revised Organization Structure for the higher grades of the Bank which has been discussed at special meetings of the Board convened for that purpose.
- Evaluated the performance of the Key Management Personnel against the targets given to them at the beginning of the year.
- Revised/revisited the Human Resource and Remuneration Committee Charter.
- Evaluated the performance of the Committee.

Conclusion

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

On behalf of the Human Resources and Remuneration Committee.



H P Ajith Gunawardana
Chairman
Human Resources and Remuneration Committee

21 March 2016
Colombo

Board Subcommittee Reports

Nomination and Corporate Governance Committee Report

Chairman's Statement

Roles of the Committee

The Committee is mainly responsible for the following:

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

The Composition of the Committee

The members of the Committee during the year 2015 under review are as follows-

From 27.02.2015 to 22.11.2015-

- Mr Ronald C Perera - Chairman
  Independent Non-Executive Director
- Ms Pushpa Wellappili - Member
  Non-Executive Ex officio Director
- Mr Brian J Sinniah - Member
  Independent Non-Executive Director
  (Resigned from the Board w.e.f. 05.11.2015)

From 23.11.2015 to date with the reconstitution of the Board-

- Mr Ronald C Perera - 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 of the Bank/Secretary to the Board functions as the Secretary to the Committee.

Meetings

The Committee met only once during the year under review. The attendance of Committee Members is given on page 124.

Reporting to the Board

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.

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

- Followed up on the new Performance Appraisal System developed for the grades above Junior Executive Officer, which is now in operation.
- Reviewed and recommended the Communication Policy of the Bank.
- Reviewed and recommended the Board Charter of the Bank.
- Reviewed the Succession Plan prepared for Key Management Personnel (KMP).
- Reviewed and recommended evaluation criteria for promotion to the grade of Deputy General Managers.
- Recommended improvements to areas highlighted in the Auditor General's report of factual findings on the compliance requirements of the Corporate Governance Directions issued by the Central Bank of Sri Lanka.
- Facilitated the Board in carrying out its self evaluation exercise by reviewing the evaluation process to be carried out.
- Reviewed and recommended adoption of the position descriptions of the KMP.
- Ensured that KMP are fit and proper persons to hold their offices when officers were promoted as KMP.
- The Committee reviewed its own performance in order to ensure its effectiveness and smooth functioning.

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

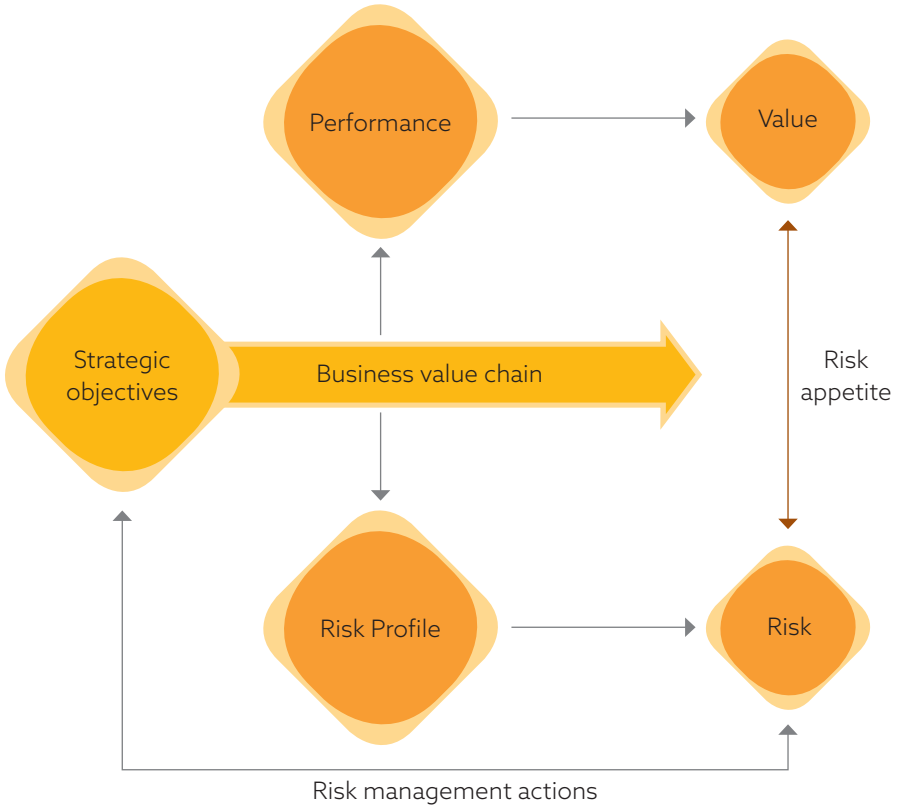
21 March 2016
Colombo

Risk Management

Managing our risk effectively

In Taking Charge of Change, BoC's risk management framework is comprehensive and well integrated into the practical operational workings of the Bank's everyday tasks. It ensures that risk management has a cohesive approach, minimizes and whenever possible, eliminates prevalent and potential risks that can impact the Bank in various degrees, ranging from low impact to extreme impacts.

There are three broad strategies that BoC conforms to in Taking Charge of Change. Most importantly it is to establish an overall risk management culture throughout the Bank which will build on the already strong risk management platform the Bank has. This will be done by strengthening and formalizing the policy framework and the automation of the risk management and risk intelligence function.



In aligning the Corporate Plan and Risk Appetite to Internal Capital Adequacy Assessment Process (ICAAP), the Bank has already begun aligning business exposure to accepted risk profiles and maintaining bank-wide risk discipline. It also remains cognizant and in preparation for unexpected economic downturns with predetermined mitigating action, scenarios that have become more commonplace in recent years. Creating awareness across the Bank is a vital conduit in this risk management process.

As Bankers to the Nation, we remain extremely cognizant of the responsibility we hold as custodians of public funds. Our risk management and control systems therefore are specifically designed to ensure that every conceivable risk that we can identify is managed effectively and efficiently and is well aligned to the Bank's risk management strategy.

Risk Management Objectives

Our entire strategy is conceptualized to not only provide direction for our risk profile but also to be a strong truss to our business strategy. The continuous evaluations conducted by various individuals, teams and those tasked with assessing and identifying risk, have the ultimate directive of determining risk by customer need and in a wider sense, all our stakeholder needs.

In the 76 years of our existence and in having the ultimate guarantee of being a state owned bank, BoC has exampled its competence in managing risk prudently and with great judiciousness. In our deliberations and identifying our risk profile, tolerances and appetite, we have used our risk preferences including expected returns, customer interests and their relationship with us, prevalent and emerging risk exposures and characteristics that can be caused

Our entire strategy is conceptualized to not only provide direction for our risk profile but also to be a strong truss to our business strategy.

due to extreme industry events and the timeline in which risk can materialize.

BoC has also strategically highlighted risk tolerances and limits to ensure that our solvency and liquidity positions are well aligned to accepted norms.

Risk Criteria

Financial Strength

Meet long term stakeholder obligations, especially customers, paving the way for BoC to compete on a platform of strength, innovation and stability

Continuity

BoC will continue to meet stakeholder obligations even in extreme circumstances

Culture

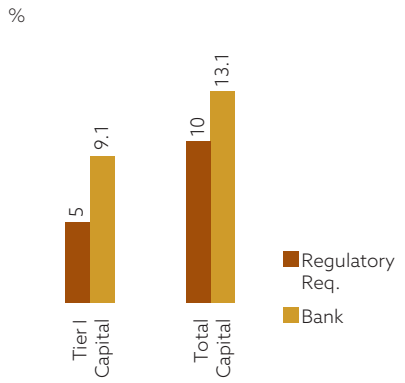
Work on a formula that inculcates strong risk awareness which prompts operational excellence due to low tolerance for operational risk, upholding strong values and principles that imbue trust in stakeholder relationships

Risk balance

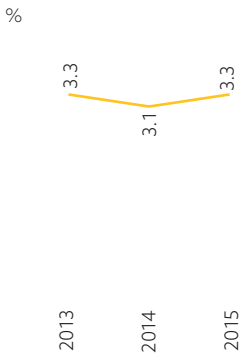
Prudently manage risk concentration which enables a pragmatic outlook for exploiting market and business potential

As a result, this year's BoC performance indicators showcase astute risk management as seen in the highlights below:

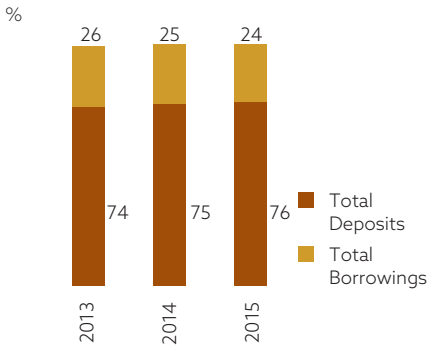
Capital Adequacy



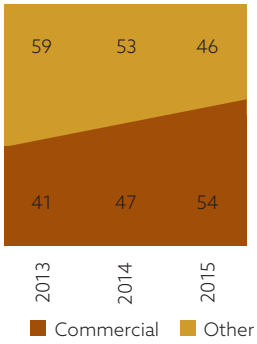
Net Interest Margin



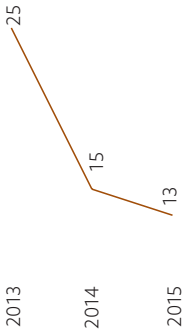
Deposits Vs Borrowings



Commercial Loans as % of Total Loans



Actual Loss as a % of Operational Risk Capital Charge



Risk Management

BoC's Enterprise Risk Management Strategy

At strategic level, BoC first identifies significant risks and then formulates a blueprint that takes into account the Bank's risk appetite which should be aligned to the short, medium and long term plans embedded in the Corporate Plan.

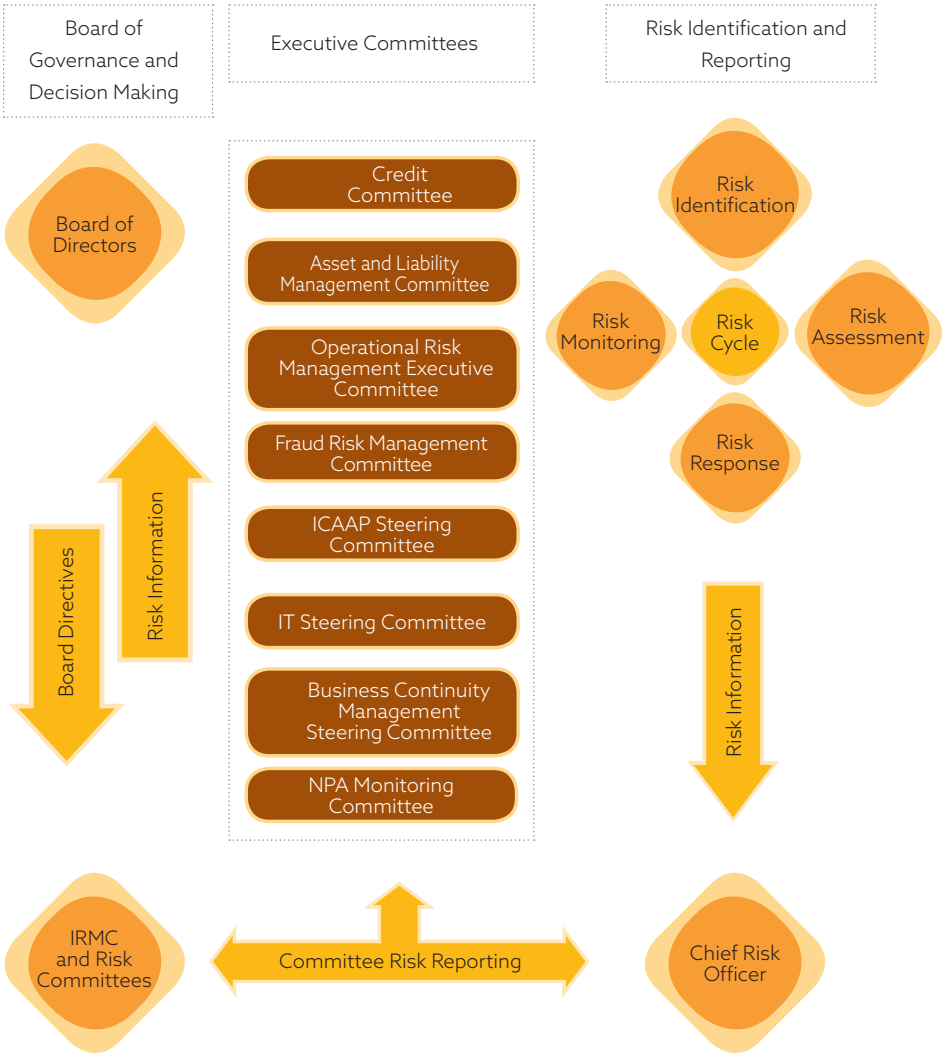
BoC has also established a strong and independent review and challenge structure helmed by the Independent Integrated Risk Management Division (IIRMD), which optimizes risk/return decisions to ensure they remain well aligned and in proximity to the business plan. There is a well established risk infrastructure framework which ensures that business growth plans are ably supported in order to manage the risk profile, while aiding specific financial deliverables despite challenging business conditions and impending risk.

IIRMD sets out the activities, tools, techniques and organizational arrangements to mitigate material risks that could impact BoC, employing a process that enables better identification and understanding of these risks and processes. This also prompts the appropriate responses that would be astute for both BoC and our stakeholders. This integrated process also helps meet BoC's goals and ability to respond to new opportunities.

The well-established strategy to deliver our risk management objectives has a core risk management process:

- Identifying significant risks
- Formulating risk appetite and ensure that business plans and profile are aligned to it
- Establishing strong and independent review
- Optimizing risk/return decisions
- Ascertaining that business growth plans are well buoyed by effective risk infrastructure
- Managing risk profile to gain specific financial deliverables despite emerging challenges
- Maintaining a culture of prudent risk management

Risk appetite and risk management process



"At strategic level, BoC first identifies significant risks and then formulates a blueprint that takes into account the Bank's risk appetite which should be aligned to the short, medium and long term plans embedded in the Corporate Plan."

Definition and Tolerances

UNDERSTAND

The risks we are exposed to

EVALUATE

By using a framework wherein the risk-return trade off with these risks can be assessed

RESPOND

By establishing risk tolerances and policies to limit exposure

MONITOR

By measuring and monitoring risk exposures continually which may prompt re-evaluation of risks and changes in responses, all of which ensures that risks are maintained within the risk appetite.

By setting certain predefined tolerances and adhering to policies that limit the overall risk to which BoC is exposed to, we are able to accept risk with the knowledge of potential returns and losses. Simplified, our risk management process determines appropriate responses and changes that may emerge in the risk profile. The entire process however is proactive and astute, imbued within an Enterprise Risk Management philosophy that is clearly communicated throughout all levels. The risk philosophy is well entrenched in the vision, mission, objectives and policies of the Bank, more so now given the Bank's emphasis on transformation to be the status of being Bankers to the Nation in a more inclusive way.

The four step process in understanding, evaluating, responding and monitoring our risk has helped us to effectively manage the delivery of our objectives, promoting an efficient and effective approach to how we work with risk. This process can be applied to every objective at every level, from a top-down and bottom-up approach and be embedded into the decision making process. It is also most effective in guiding BoC's response to changes in both the external and internal milieus, observing impacts that may ensue on existing business activities.

Being a holistic process that involves the entire team, the three lines of defence we have employed are pragmatic and timely, especially in the context of our journey from this point onwards.

Risk Management



Three Lines of Defence

The defence we refer to in our Enterprise Risk Management strategy is collated into a process that involves three lines of defence, having formalized the interdependence and challenges, while continuing to promote collaboration and the flow of information across all business, internal and external areas. This 'three lines of defence' operating model enables BoC to separate risk management activities cohesively.

First Line

Own, take risk, implement controls

Characteristics:

Ownership and direct responsibility for returns and results.

Ownership of major operations, systems and process fundamental to the Bank.

Direct linkage to setting objectives, performance assessment and rewards for revenue.

Impact on operations:

Ensure business activities are conducted in defined controlled environments.

Identify, monitor and control risks.

Execute risk appetite.

Second Line

Oversee and challenge first line, provide risk management activity and support controls

Characteristics:

Oversight, monitoring and challenge first line defence activities.

Design, own and operation of key risk control frameworks impacting first line of defence.

No direct linkage of objective setting, performance assessment and rewards for revenue.

Impact on operations:

Develop and review policies, frameworks, tools and processes.

Define standards and oversee related consequence management.

Establish risk appetite.

Oversee, monitor and challenge the business.

Provide insights.

Carry out stress testing.

Third line

Provide assurance that RM process is fit for purpose and being implemented as intended

Characteristics:

Provide independent and timely assurance on the effectiveness of governance, risk management and control.

Impact on operations:

Compliance

Internal audit

Independent assurance and oversight of risk management function robustness.

Risk Governance

Working on the three lines of defence model and the policy framework that is clearly communicated throughout the Bank through permeating communication strategies to ensure buy-in of the entire team, the risk governance structure is an inclusive comprehensive dynamic that works on a top-down, bottom-up and parallel approach. This ensures that all risk inclinations and positions are covered. It is understood that BoC faces risks throughout the business each day and in every decision it makes.

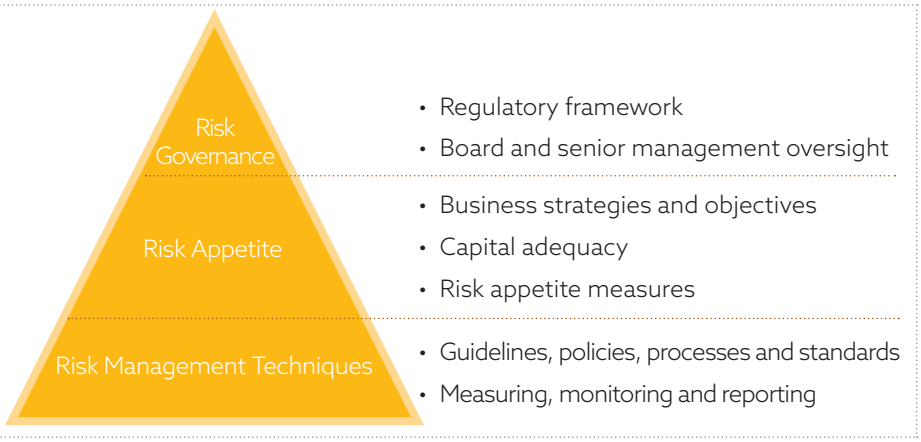
Our goals in risk governance are:

- To minimize ambiguity by clearly defining roles and responsibilities and risk reporting procedures for clear, concise and informed decision making.
- To have a cohesive system that enables senior management to be aware of all material risk exposure.
- To manage risk in line with the targeted profile.
- To avoid over-concentration of risk in particular areas.
- To identify diversification advantages from evident risk/return trade-offs to facilitate diversification from which the IIRMD will make recommendations to the Board to identify risk appetite.
- To reassure external stakeholders that BoC's risk management structure and controls are cohesive and all-encompassing.

While some risks are taken after apt consideration especially in our line of business where any form of funding does pose risk, there are instances where other risks may arise due to unintended consequences, which could result from IT failure or imprudent engagements in the course of customer interaction. There are also risks that arise from external events which could arise from any eventuality. Risk exists when the outcome of taking a particular decision or course of action is uncertain and could potentially impact whether, or how well BoC delivers on its objectives.

From the Board of Directors to Board sub-committees to management committees, the process of reviewing and monitoring risk across the Bank is truly an ownership process. All these work with the IIRMD to ensure that BoC's risks remain focused upon, evaluated, responded and monitored. It is well understood also that BoC lays the responsibility of good risk management squarely on the shoulders of every single team member, from the Chairman to those in decision making roles who must be familiar with risk management policies relevant to their activities. Each must be aware of how to escalate actual or potential risk issues and have a roe-appropriate level of awareness of the framework, risk management process and governance arrangements.

Supervised by the Integrated Risk Management Committee (IRMC), which is a Board sub-committee, a professionally qualified Chief Risk Officer (CRO) heads the IIRMD within the Bank. It is the CRO and his highly specialized team that puts together a synopsis of developments prevailing in the risk environment and prevalent and emerging performance trends, which is given to the Board for their informed decision making process. The Board has overall responsibility to ensure that the most significant risks are managed



Risk Management

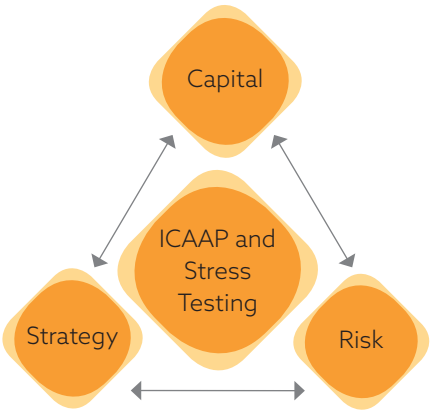
prudently, by regularly reviewing exposure and germane key controls. It is also tasked with establishing a sound capital assessment process by defining risk appetite and setting risk tolerance thresholds. It is the IRMC that assists the Board in their tasks of fulfilling oversight responsibilities for effective risk management.

The IIRMD is an independent division which integrates the standards for financial institutions directed by the Basel Committee and CBSL into the Bank's risk management strategy and framework. It is the IIRMD that reviews the initial risk assessments emerging from risks arising within the business units including supporting divisions. If required, the IIRMD escalates the findings of these reviews to Board and/ or management committees.

Risk Appetite

A fundamental responsibility tasked to the Board is the approval of risk appetite, which quantifies and qualifies BoC's level of risk and the path it chooses to take, in pursuit of its strategies and business goals. The strategic plan and risk appetite statement are guided by a set of principles detailed through a series of metrics and thresholds. These thresholds manage aggregate risks within acceptable levels. The top down approach cascaded through formal frameworks, enables the bank to analyse both quantifiable and qualitative risk limits guided by expression of principles.

Risk Appetite and Strategic Planning Process



Stress Testing

Stress testing forms an integral part of the overall culture and risk management framework, designed as a tool to supplement other forms of risk management approaches and measures. It is an internal risk management process that enables the assessment of potential vulnerability to unexpected adverse outcomes related to a variety of risks, instituting an integrated multi-variant and probabilistic model that reveals the degrees of severity that may emerge in a variety of unforeseen circumstances. It provides forward looking risk assessment, overcomes limitations of models and historic data, supports internal and external communication, informs the settling of the bank's risk tolerance, feeds into the capital and liquidity planning process and facilitates the development of risk mitigation and contingency plans.

With compliance and governance being at the highest levels at BoC, our stress testing used to simulate extreme yet plausible events in order to measure how these events would impact us, measures potential loss to a worst case 'what if' scenario. This uses a set of defined risk factors and amounts by which these factors could move in a stressed market under a specific milieu.

Stress testing helps management address key risk issues:

- The impact of a specific stress scenario
- The worst-case scenario and associated loss
- Level of concentration risk via exposure to the industry, geographic region or similar facet
- BoC's risk appetite
- Risk control and management action that must be taken to bring exposure within acceptable levels

BoC employs stress testing to support a number of value added business process across the Bank. The processes employed include:

- Assessing potential changes in the risk profile and monitoring risk appetite
- Strategic planning and budgeting
- Being useful for capital planning and management including setting capital buffers
- Communicating with internal and external stakeholders
- Assessing the impact of stresses on earnings volatility
- Impromptu assessments of change impacts in short term macro economic factors on performance

BoC stress testing is conducted regularly with all results cascaded across appropriate levels, analysed according to mild, moderate and severe. It is this analysis that is utilized

to calibrate thresholds that demarcate risk appetite.

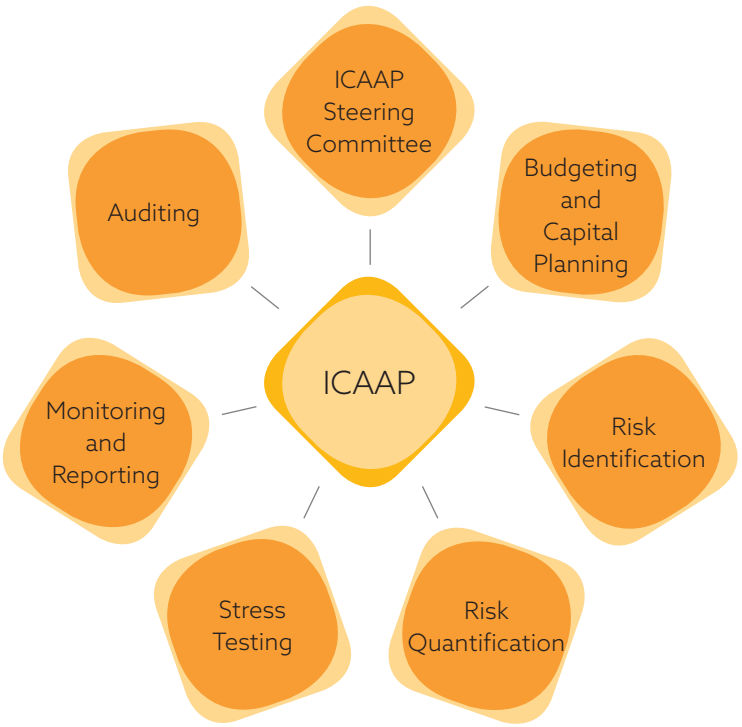
During the year, the Bank performed stress tests across all major risk types based on a number of macroeconomic scenarios on varying levels of severity. We also conduct portfolio specific stress tests more frequently within our Strategic Business Units (SBUs), enabling early and proactive management of potential impact of stress scenarios on our risk profile at a business level.

Internal Capital Adequacy Assessment Process (ICAAP)

Using the well defined structured approach of the Basel II methodology which identifies readiness, existing gaps and shortcomings and bridging gaps to reach desired end state, Basel II Pillar 2 demands that a robust ICAAP framework be in place for banks. Defining economic capital, being the methods or practices that allow banks to attribute capital to cover the economic impacts of risk-taking activities, ICAAP enables banks to measure, monitor and control different types of risks and the risks of different business units cohesively.

BoC has a value oriented review of risk and return processes that align the process with our business model, enables better decision making through a risk/return oriented review of business opportunities and instils transparency regarding implications of business decisions made along the value chain.

Focusing on capital management which ensures capital management of the Bank, BoC has in place a centralized dedicated ICAAP Steering Committee, headed by the General Manager, which is responsible for the development and implementation of the ICAAP across the Bank. The committee comprises the CRO, Chief Financial Officer and heads of SBUs.



Considerations:

1. Regulatory view of Basel II, balance sheet capital which constitutes the capital supply side; regulatory capital for credit risk, market risk and operational risk which accounts for capital demand.
2. Views of rating agencies which base their valuations primarily on Tier 1 capital.

Simultaneously consider the economic view of matching capital supply which is mainly influenced by planned capital transactions and expected profits, with capital demand which is driven by business plans and risk profile forecasts coupled with macro-economic scenarios.

BoC ICAAP Structure

Board and senior management oversight

Sets well defined risk management strategies and guidelines

Comprehensive risk assessment

Assessed by measuring economic capital by collecting all necessary data and implementing appropriate models.

Determination of risk-taking capacity

Compares economic capital with risk taking capacity, differentiating between creditor-protection and going-concern.

Capital adequacy maintenance

Monitors this on a continuous basis with capital strategy for the coming years aligned with business planning.

Controlling and reporting

Has a robust controlling and reporting framework for continuous evaluation of relevant issues giving access of reports to related levels involved in monitoring capital adequacy.

Internal control review

Ensures that all risk management methods, processes and systems

Risk Management

are adequate for size and risk profile; senior management regularly reviews capital framework testing for any methodological changes or process reinvention with verification by third party.

CREDIT RISK MANAGEMENT

Definition: The risk of suffering financial loss should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank.

Arising from: A diversified customer base spanning the country and overseas locations encompassing a customer base of individuals, micro and SMEs, large corporates and the state with facilities that could reach billions of rupees.

Risk feature: Incurred primarily from lending and investment activities which account for 80% of total risk weighted assets.

Goal: Maximise risk adjusted rate of return by maintaining credit risk exposures within acceptable parameters.

Granting of credit remains one of the Bank's primary sources of income, which also inherently brings in significant risk to which the Bank has committed considerable resources to alleviate or mitigate impact. Arising from corporate and retail loans and advances, credit risk also includes trading activities in equity and derivative markets.

Objectives:

- Maintain a framework of controls to ensure credit risk-taking is based on sound credit risk management principles.
- Identify, assess and measure credit risk clearly and accurately across the Bank's business areas, from individuals, to corporate to state.
- Control and plan credit risk-taking aligned with external stakeholder expectations, while avoiding unnecessary concentration risks.
- Monitor credit risk and adherence to agreed controls.
- Ensure that risk-reward objectives are met.

Governance and Organisational Structure

Each of the Bank's SBUs are managed to reflect the differing nature of assets; as understood, corporate business is naturally larger and managed individually, while retail business though larger in number are small in value, which hence sees these portfolios managed homogeneously. Credit risk management responsibility is structured for decisions to be taken as close as possible to the business, while also reviewing alignment to performance, risk infrastructure and strategic plans.

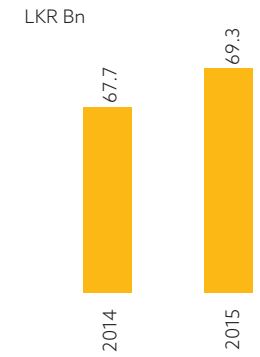
With overall responsibility of credit risk management tasked with the Board which establishes policies and procedures at both individual and portfolio levels, the Credit Committee is the implementer of the policies and procedures. While in tandem, the IIRMD measures and tracks the status of the credit portfolio, undertakes impact studies and identifies early warning signals.

The Credit Committee's Roles and Responsibilities

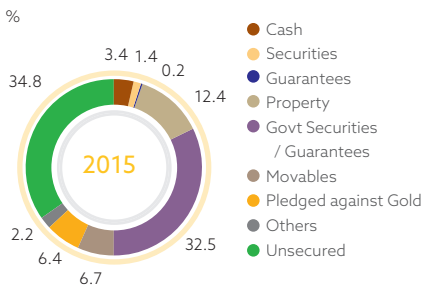
- Formulates, reviews and revises policies and procedures and ensures compliance with statutory and regulatory requirements.
- Approves authorisation of credit up to its delegated authority limit or makes appropriate recommendations to the Board.
- Reviews credit limits periodically to ensure maintenance of credit quality.
- Monitors, reviews and renews portfolio exposures and concentration risk, taking remedial action for NPAs.
- Ensures policy is consistent with prudent practices, regulatory mechanisms and alignment with the Bank's activities.
- Presents credit risk management reports to the Credit Committee and IIRMD regularly to ascertain performance and portfolio concentration.

Credit risks and impacts

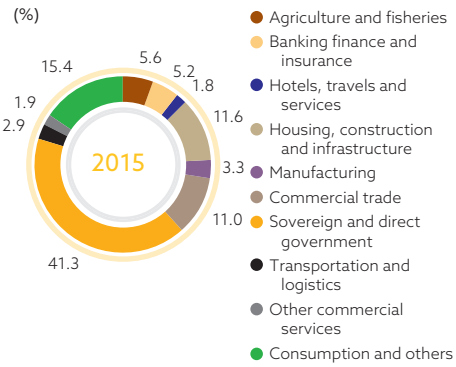
Provision Coverage



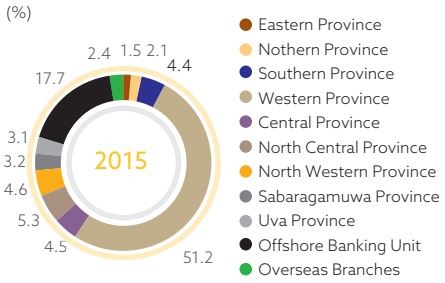
Collateral wise Exposure



Concentration by Industry Sector



Concentration by Geographic Region



Credit risk mitigators

The Bank has a range of strategies and processes to actively mitigate credit risks. Mitigating initiatives that help measure and allay risk of credit portfolios objectively, while also enabling the Bank to progress further towards Basel II advanced approaches:

- Has a well established process for new credit approval and renewal of existing credit; credit exposure is first evaluated by the risk owner (transaction originator) and those exceeding a given threshold are referred for independent evaluation by the IIRMD.
- A comprehensive internally developed corporate borrower rating model evaluates both financial and non-financial parameters in compliance with Basel II guidelines.
- Credit scoring models in place to assess retail credit.
- Implementing procedures to ensure value of collateral is reviewed and updated regularly to mitigate possible credit loss in the event of default as an anticipated secondary source of repayment.
- Managing concentration risk in the credit portfolio via stipulated limits, using analytical tools that would identify, evaluate and assess concentration in various demographics including distribution of loans and advances, industries and geographical regions, with significant concentrations reported to the Credit Committee, IRMC and the Board.

MARKET RISK MANAGEMENT

Definition: The risk of a reduction in earnings or capital due to volatility of the trading positions or an inability to hedge the banking book balance sheet.

Arising from: Covering customer positions and trading activities at the Treasury Division.

Risk feature: Changes in interest rates, foreign exchange rates, equity prices and commodity prices.

Goal: Optimize the risk-reward relationship without exposing the Bank to unacceptable losses.

While traded market risk arises primarily due to customer facilitation involving market activities, risk management solutions and execution of syndications, it is banking book activities that generate non-traded market risk. BoC manages this risk via its comprehensive risk management framework which includes limits established for risk appetite, Value at Risk (VaR), stress testing and sensitivity analysis. Threshold limits if exceeded are evaluated by IIRMD, ALCO, and the Board regularly.

Objectives

- To understand and control market risk by robust measurement, setting of limits, reporting and oversight
- To facilitate business growth within a controlled and transparent risk management framework
- To ensure that traded market risk in the businesses resides primarily in certain areas and controlled according to the allocated appetite
- To control non-traded market risk in line with approved limits
- To ensure that a well-established governance structure is in place, whereby the risks are identified, assessed, controlled and reported throughout the organisation

Governance and Organisational Structure

Managing market risk requires a comprehensive framework that gains its teeth from the Market Risk Management Policy and other germane policies pertaining to Asset and Liability Management, Foreign Exchange and Treasury Management. Working on the directives detailed in the Basel II Standardised Measurement Method prescribed by the CBSL, we gain guidance to:

Risk Management

- Establish and maintain the appropriate structure for managing market risk.
- Ensure that treasury operations are efficiently and effectively managed.
- Establish apt risk limiting thresholds for all treasury activities which includes trading and investments.
- Monitor and manage impacts arising from the operating environment on the set parameters including results of stress testing.

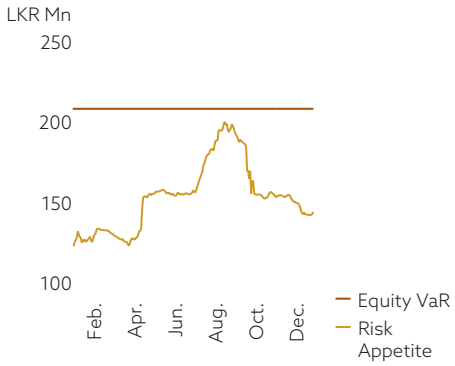
Market risk oversight and challenge is provided by our business committees, with the primary responsibility lying with the Board , supported by the Asset and Liability Management Committee (ALCO) being the key Management Committee chaired by the General Manager and encompassing key corporate management/ market risk management also brings in the Middle Office to play a key role in monitoring risk, guided by the framework of treasury operating limits approved by the Board.

The Asset and Liability Management Committee's Roles and Responsibilities

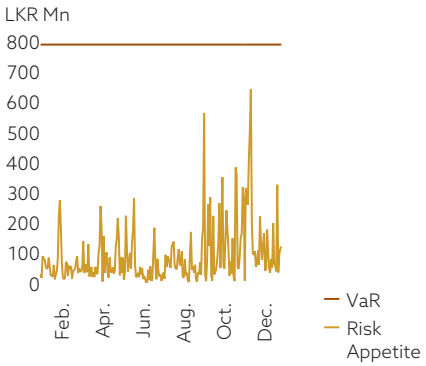
- Monitors and implements corrective action through a wide ranging set of mechanisms deeply embedded within the risk strategy, which includes advances, deposits and investment portfolio management.
- Makes decisions on product pricing.
- Determines optimum mix of assets and liabilities.
- Stipulates liquidity gap position and interest rate risk limits.
- Formulates views on interest rates and sets benchmarks for lending rates.
- Determines the asset and liability management strategy aligned to the current and envisaged operating environment.

Market risks and impacts

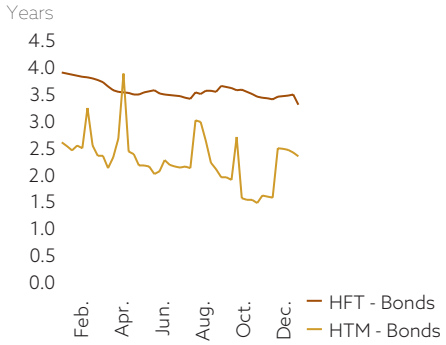
Equity VaR



Forex VaR



Duration



LIQUIDITY RISK MANAGEMENT

Definition: Inherent to all banking operations, this is risk that emerges from having insufficient financial resources to meet obligations as they fall due.

Arising from: Even though the entity is solvent or is able to secure obligatory financial resources only at excessive cost, it could ultimately result in the entity's inability to meet regulatory liquidity requirements.

Risk feature: Inability to honour withdrawal of deposits, repayment of borrowed funds and commitments to extend credit.

Goal: Ensure absolute solvency at any time.

Liquidity risk is unequivocally a key risk within funding risk, with efficient liquidity risk management being essential to retaining the confidence of financial markets and ensuring an on-going sustainable business. The Bank manages liquidity in compliance with all germane regulations and best practices and hence is very cognizant of:

- Maintaining an optimum liquidity buffer
- Ensuring a structurally sound financial position statement
- Managing a short and long term cash flow
- Managing foreign currency liquidity
- Preserving a diversified funding base
- Undertaking regular liquidity stress testing and scenario analyses
- Maintaining adequate contingency funding plans

Liquidity Risk Management Framework

The Bank's Liquidity Risk Management Framework is designed to maintain sufficient liquidity resources in both amount and quality in addition to a funding profile that is appropriate to maintain market confidence and meet liquidity risk appetite as expressly detailed by the Board. A combination of policy, review, governance, analysis, stress testing, limitations and monitoring and a high compliance threshold in meeting internal and regulatory requirements, helps us achieve this.

The framework describes liquidity policies and controls that must be implemented to manage liquidity risk and is designed to deliver the appropriate term and structure of funding, consistent with decisions made by the Board.

BoC manages and monitors its liquidity on an on-going basis through:

- Risk appetite and planning which is the level of liquidity risk the Bank chooses to pursue in its business objectives and meeting regulatory obligations.
- Management of liquidity risks on a variety of on and off balance sheet exposures which control the overall extent and composition of liquidity risk taken by managing exposure to cash outflows.
- Active management of the composition and duration of the balance sheet and contingent liquidity risk through the transfer of liquidity premium directly into the business.
- Being cognizant and monitoring a range of early warning market indicators showing signs of liquidity risk in the market or specific to BoC, immediately identifying the emergence of increased liquidity risk which maximizes the time available to execute appropriate mitigating actions.

The maintenance of a Contingency Funding Plan to provide a framework where a liquidity stress could be effectively managed.

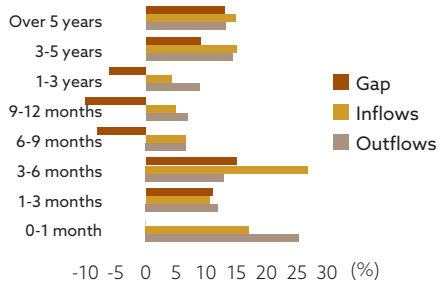
Governance and Organisational Structure

Our core business is conceptualized on developing a diversified funding base that has access to funding sources across both retail and wholesale channels. Our deposit base is diversified across retail and corporate customers, while the Bank has also ventured into raising foreign currency borrowings which has seen an expansion of our investor base and prompted flexibility and reduction of funding costs. In a scenario of insufficient deposits, there is an inherent flexibility to fund lending growth with duration matched wholesale funding. In addition, the Bank also has in place a set of liquidity contingency and recovery plans to ensure decisive action and mitigate any fallout.

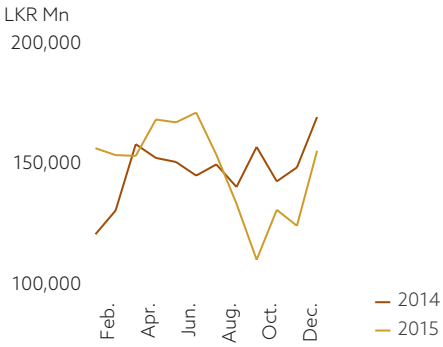
Overall approach to liquidity risk management is based on the fundamentals spelled out in the Asset and Liability Management (ALM) Policy. These embed a range of strategies for liquidity management including maintenance of sufficient liquid assets, enabling capacity to borrow from money markets and numerous managerial interventions that would improve liquidity.

Liquidity Risk Mitigators

Unencumbered Securities Available for Funding



Unencumbered Securities Available for Funding



Risk Management

OPERATIONAL RISK MANAGEMENT

Definition: This risk emerges from any instance where there is a potential or actual impact to the Bank resulting from inadequate or failed internal processes, people, systems or from an external event. Impacts could be financial, including losses or an unexpected financial gain, as well as non-financial such as customer detriment, reputational or regulatory consequences.

Risk feature: 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.

Goal: To minimize the impact of losses suffered, both in the normal course of business and extreme events, improve the effective management of the Bank and strengthen our brand and external reputation.

The prime responsibility for the management of operational risk and the compliance with control requirements rests with the business and functional units where the risk arises. The operational risk function acts in a second line of defence capacity and provides oversight and challenge of the business operational risk profile escalating issues, as appropriate.

The specific key risks pertaining to BoC could be from:

- Cyber security, a result of actions committed or facilitated through the networked IT systems which triggers loss or detriment to the Bank's business and customers.
- Inadequate selection and ongoing management of external suppliers.
- Mis-statements or omissions in reports within the existing external financial or regulatory reporting system.
- Dishonest behaviour tantamount to fraud which causes loss to others.
- Inadequate protection of Bank information and data in accordance with its value and sensitivity.
- Failure to identify and manage legal risks.
- Inadequate capacity and competencies in people coupled with deficiencies in performance/ reward structures and inappropriate behaviour.
- Lack of safe working environment and inadequate protection of physical infrastructure and assets, employees and customers, against external threats.
- Non-compliance or failure to comply with taxation laws and practice leading to financial penalties and reputational damage.
- Technology solutions falling short of expected security, stability and reliability.
- Failure in managing critical transaction processes.

Governance and Organisational Structure

With the Board at the helm approving all policies and procedures pertaining to operational risk made with recommendations given by the IRMC, the entire operational risk management structure is cohesive. IIRMD is responsible for identification, measurement, monitoring and reporting operational risk and also the review of policy frameworks and procedures related to operational risk. IIRMD also has oversight responsibility for the Business Continuity Plan (BCP) and reports to Operational Risk Management Executive Committee (ORMEC) and IRMC regularly. It is also represented in all new product initiatives, signing off when appropriate in implementing new or improved products and processes, new system acquisitions and upgrades which are also reviewed.

Supported by the ORMEC which is the key management committee and the Fraud Risk Management Committee headed by the CRO, the committees are tasked with reviewing the reports and recommending corrective action. This is done regularly and amendments to policies and procedures are effected, if necessary. The CRO is a member of the Corporate Information Security Committee chaired by the General Manager. This committee directs information security initiatives.

Operational risk at business level is monitored by the executive management through specific meetings which cover governance, risk and control. These businesses are required to report their operational risks on both a regular and an event-driven basis. The reports include a profile of the material risks that may threaten the achievement of their objectives and the effectiveness of key controls, material control issues, operational risk events and a review of scenarios and capital. The Business Continuity Management Policy encourages all critical business and support units to develop their own BCPs wherein two successful test runs

"Operational risk at business level is monitored by the executive management through specific meetings which cover governance, risk and control."

are conducted during the year, with detailed results shared with relevant authorities.

Operational Risk Mitigators

In identifying, assessing, monitoring and mitigating operational risk, BoC has established:

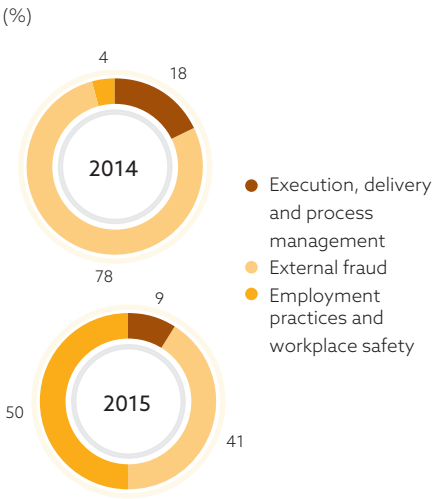
- Key Risk Indicators (KRIs) to timely alert the Bank on impending problems; branch and department level KRIs are captured and reported to the appropriate authority levels regularly
- Risk and Control Self Assessment (RCSA) is a methodology that reviews and assesses operational risks across the Bank, instituting internal controls to manage those risks; RCSAs are conducted periodically by IIRMD in critical business support units to prompt risk mitigating measures
- Internal loss data collection and analysis regularly evaluated, reviewed and aggregated to ORMEC, IRMC and the Board for action
- Root cause analysis
- Lessons learned exercises
- Segregation of duties, clear management reporting lines, robust internal controls and BCPs with targeted action including insurance, information security and outsourcing
- Using insurance instruments as a risk transfer strategy to mitigate high severity risk from non-controllable sources
- A disaster recovery centre is placed outside the Colombo city limits with alternate arrangements to facilitate continuing key operations in the event of pre-defined disasters.

Operational Risks and Impacts

Frequency of Occurrence



Severity of Risk Events



STRATEGIC RISK MANAGEMENT

Definition: Strategic risks are uncertainties and untapped opportunities embedded in the entity's strategic intent and how well they are executed.

Definition: Strategic risks are uncertainties and untapped opportunities embedded in the entity's strategic intent and how well they are executed.

Risk feature: Triggered internally or externally and impinges on the whole business rather than just an isolated unit.

Goal: By responding to uncertainties and opportunities and understanding them, to develop effective integrated strategic risk mitigation.

Strategic risks are typically external or affect the most senior management decisions. As such, they are often missed from many risk registers. It is the Board that is tasked with the responsibility of ensuring that all these types of risks are included in their key strategic discussions. Strategic risk management is about augmenting strategic management and gaining the full value from the strategy employed.

The entire financial services industry remains a highly regulated environment and is intensely competitive. BoC has always maintained market leadership but is also cognizant of high compliance thresholds and the beyond

Risk Management

"As part of our ICAAP reputational risk framework, BoC assesses reputation risk on a score based model."

compliance culture expected from it. The Bank's strategic direction is well articulated in the blueprint founded in the Strategic Corporate Plan launched in 2015 until 2017. The corporate budget too is well aligned to these plans and a robust mechanism in place to ensure that objectives and goals correspond with actualities.

The Board itself needs to understand the complexities of strategic risk.

Bringing in a good understanding of risk and its impacts across management can be a complex task given the multiple levels and locations that BoC has team members in. The comprehensive communication channels we have in place have been a boon in cascading all strategies, objectives and policies unambiguously. We have cascaded the processes required to understand risk impacts in the context of key performance metrics, to ensure they understand the key value drivers of the business and thus be able to determine the potential impact of risk events on these value drivers which should be achievable. Management also takes pride in the fact that they are now a part of a good risk management system.

As part of our ICAAP strategic risk framework, BoC assesses strategic risk on a score based model.

Strategic Risk Index 2015

Risk Indicator	Weighted Score
Industry/System	7.88
Competition	15.63
Strategic Plan	14.06
Access to Capital Markets	5.63
Management	7.50
Total	50.70%

Risk level – Low risk

REPUTATION RISK MANAGEMENT

Definition: Results from damage to the entity's image, thus impairing its ability to retain and generate business.

Risk feature: A breakdown of trust, confidence and/or business relationships.

Goal: Safeguard the BoC reputation at all cost to ensure its continued success.

The economy both local and global has inherent characteristics that spell challenges, volatility and uncertainty. In BoC's 76 year history, reputation has unequivocally remained unscarred and unsullied, prompting high regard and confidence among all stakeholders. This is one of the primary reasons for the Bank continuing to be regarding as a leader and champion in the industry. BoC has maintained top of mind recall in corporate image, conferred with unprecedented awards due to its pioneering stance and gained industry firsts in ratings for any bank in Sri Lanka which vouchsafes for its financial stability and unrelenting compliance. Our strong capital and liquidity position augments this.

All this has continued to build a solid reputation, which however, in reality we do know, can at any given time be subject to risk. Changes to the external and internal milieu can adversely impact profitability, capital adequacy, brand value and ultimate reputation. We recognise hence that identifying risk factors that could harm our reputation and being vigilant to these, maintaining and continually enhancing our risk management capabilities are critical to ensure that the Bank's financial and strategic objectives are achieved within approved levels of risk appetite.

Reputation risk must be managed at all levels of the organisation. BoC is highly committed therefore to promote a good corporate governance culture and best practices in risk management throughout the Bank.

In an industry that has had its share of volatility and bad publicity due to compromise and negative practices employed by some entities, it is commendable that BoC has never been subjected to any adverse publicity nor has it had deposit runs or had regulatory penalties.

As part of our ICAAP reputational risk framework, BoC assesses reputation risk on a score based model.

Reputation Risk Index 2015

Risk Indicator	Weighted score
Operational loss events	11.46
Business loss events	5.56
Market perception	24.44
Management	12.50
Total	53.96

Risk level – Low risk

Compliance Risk Management

To strengthen its compliance risk program, the bank implements an efficient framework for conducting compliance processes, identifying and assessing risks, implementing and monitoring controls and mitigating/eliminating the gaps across its operations.

Compliance Risk: The risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self – regulatory organization standards, and codes of conduct applicable to its banking activities together with compliance laws, rules and standards is defined as compliance risk.

Risk feature: Compliance risk is closely connected to the Bank's reputation as non-adherence to principles of integrity and unfair dealing impact the Bank's integrity.

Goal: Ensure that the Bank's integrity remains unsullied by maintaining a culture beyond compliance which includes high principles of governance, principles, transparency, accountability and sincerity of action.

The compliance function has a formal status within the bank to give it the appropriate standing, authority and independence. An intensely comprehensive compliance policy is embedded in the Bank's strategic plan, which is communicated to all team members throughout the Bank.

Automation of AML/CTF activities

The new Financial Crime Detection System of the Bank "AMLock" was launched on 06th December 2014 which faceplates Know Your Customer (KYC), Sanction Screening, Transaction Monitoring, Customer Risk Categorization and Regulatory Reporting. Parallel to the system central AML Unit was set up at the Head Office under the Compliance Division which monitors the entire branch network in AML and other related matters. Further, to strengthen the KYC and Sanction Screening process, the Global Watch List from Accuity was also purchased.

FATCA compliance

Bank has become a Participatory Foreign Financial Institution (PFFI) in FATCA process with effect from 30.06.2014. The Global Intermediary Identification Number (GIN) assigned to the bank is WH2Q9Y.00000.LE.144 and GIN for other foreign branches and subsidiary are as follows:

Branch	Country	GIN
Chennai	India	WH2Q9Y.00000.BR.356
Male	Maldives	WH2Q9Y.00000.BR.462
Seychelles	Seychelles	WH2Q9Y.00000.BR.690
Bank of Ceylon UK Ltd.	United Kingdom	WH2Q9Y.00001.ME.826

BOC complies with the following statutory compliance directives

- All 15 applicable directives declared by the CBSL, from a total of 17, issued in 2014
- All relevant laws, regulations and guidelines inclusive of the Convention on the Suppression of Terrorist Financing Act No 25 of 2005
- Prevention of Money Laundering Act No 5 of 2006
- Financial Transaction Reporting Act No 6 of 2006
- Customer Charter of Licensed Banks issued by CBSL
- Signatory to the Foreign Account Tax Compliance Act (FATCA) USA, requiring BoC to report transactions of USA clients to the Internal Revenue Service (IRS); this practice commenced
- Exchange Control Act (ECA) No.24 of 1953 and banking directions under ECA.

Governance and Organisational Structure

The Compliance Officer (CO) spearheads a completely separate dedicated division, working independently for ultimate objectivity on the Bank's compliance framework and reports directly to the Board and IRMC, articulating and managing compliance in accordance with CBSL

Risk Management

and other regulatory diktats the Bank must adhere to. The Compliance Division encompasses the Regulatory Compliance Unit and the Anti-Money Laundering Unit, being responsible for the Bank's compliance with regulatory requirements, internal guidelines and Compliance Policy.

The Board approves the Compliance Policy which includes principles governing compliance, the structure and processes for effective and timely management of compliance risk. It also approves the AML Policy which applies to all business units. These policies embed regulatory and legal requirements, strategic challenges and opportunities that regulatory developments may imbue into the Bank's business model and discharge of corporate responsibility in formulating these policies.

Information to the Board is provided by the Compliance Officer monthly and quarterly, detailing compliance on statutory/mandatory reporting requirements, significant new regulations/directions, non compliance events including regulatory and potential breaches, training programmes conducted, identification of training needs, compliance monitoring on regulatory/ AML and details of compliance testing conducted.

On every compliance risk management assignment, the accountable management is expected to allow unrestricted right of access to the Compliance Division to obtain access to any records or files necessary to enable it to carry out its responsibilities. The related Heads of Department are responsible for controls and risks and for action to correct deficiencies in systems of control.

WAY FORWARD

As embedded in our Corporate Plan, we are well into the process of establishing an overall risk management culture that will augment the comprehensive framework we already have in place. This involves aligning the Corporate Plan with ICAAP and monitoring and reviewing the risk profile of our business strategies, which will ultimately impact positively on the profitability of the Bank as a result of astute risk-return trade-offs. We have now begun consolidating the ICAAP framework, implanting a stronger risk management system especially for credit, market and operational risk and are reviewing and upgrading the existing tools.

The strategies being employed are multi-faceted and include strengthening and formalizing the policy framework, infusing automation into the risk management and risk intelligence function, pre-determined mitigating actions being envisaged preparing BoC for unexpected economic downturns and ensuring that exposures are managed prudently, well within acceptable risk profiles.

We see increasing opportunities emerging due to a heightened importance of risk management within the industry, primarily due to BoC's risk management framework being above industry par. This gives us considerable leverage to move to the next phase. By employing our stringent risk management framework, we are able to minimize losses which impact earnings and capital and the emphasis on Basel II and Basel III gives us a competitive edge.

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Financial Reports

2015 Annual Report

Annual Report of the Directors' on the State of Affairs of Bank of Ceylon

1. General

The Board of Directors of Bank of Ceylon has pleasure in presenting their report on the affairs of the Bank together with the Audited Consolidated Financial Statements for the year ended 31 December 2015 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 its 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 21 March 2016.

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 commercial banking, personal banking, development financing, mortgage financing, lease financing, investment banking, Islamic banking, bancassurance, corporate financing, primary dealing, pawning, credit card facilities, off shore banking, foreign currency operations, e-banking and other financial services.

2.2 Subsidiaries and associates

The principal activities of subsidiaries and associates are given under Accounting Policies to the Financial Statements on page 194 and 195.

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 is given in Note 29 and 30 to Financial Statements on pages from 254 to 260 of this Annual Report.

2.4 Vision, mission and corporate conduct

The Bank's Vision and Mission are given on page 3 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 22 to 27 deals with the year's performance of the Bank /Group and on the Sri Lankan economy.

The General Manager's review on pages 28 to 33 provides a detailed description of the operations of the Bank during the year under review.

Financial capital on pages 64 to 85 provides a detailed analysis of business operations of the Bank. These reports that provide a fair review of Bank's affairs form an integral part of the Annual Report.

2.6 Branch expansion during the year

The Bank extended its services through the addition of five new local branches during the period under review. The network was further expanded enhancing customer convenience. The Bank installed 11 ATMs during the year across the island bringing out the total to 549. This number does not include peer banks' ATMs through which customers of Bank of Ceylon can transact.

2.7 Corporate donations

The Bank has granted no donations for the year 2015 but the Bank has incurred LKR 82.3 million on Corporate Sustainability and Responsibility (CSR) activities.

2.8 Directors' responsibilities for financial reporting

The Directors are responsible for the preparation of the Financial Statements that will reflect a true and fair view of the state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Banking Act No. 30 of 1988 and its amendments, Bank of Ceylon Ordinance No.53 of 1938 and its amendments and the listing rules of the Colombo Stock Exchange. In the case of Subsidiaries, the Financial Statements are prepared also in accordance with the provisions of the Companies Act No.7 of 2007.

The statement of Directors' responsibility for financial reporting is given on page 186 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 2015 is given on page 187 of this Annual Report.

2.10 Accounting policies

The Group and the Bank prepared their Financial Statements in accordance with Sri Lanka Accounting Standards (LKAS) and Sri Lanka Financial Reporting Standards (SLFRS).

The accounting policies adopted in the preparation of Financial Statements are given on pages 194 to 215. There have been no material changes in the accounting policies adopted by the Bank during the year under review.

3. Future Developments

An overview of the future plans and developments of the Bank is presented in the Chairman's message on pages 22 to 27 and General Manager's review on pages 28 to 33 of this Annual Report.

4. Total income

The main income of the Group is interest income, which comprises 85.0% of the total income.

The total income of the Group for the year 2015 was LKR 139,398.0 million as against LKR 133,023.3 million in comparison to the previous year. The Bank's total income accounted for 95.3% (2014: 95.1%) of total income of the Group.

5. Dividends and Reserves

5.1 Profit and appropriations

The Bank recorded a pre tax profit of LKR 25,278.9 million in 2015 reflecting an increase of 24.6%, compared to LKR 20,291.0 million recorded for the previous year. After deducting LKR 7,921.5 million (2014 : LKR 6,716.9 million) for income tax, the profit after tax for the year 2015 amounted to LKR 17,357.4 million, which is a 27.9% increase compared to LKR 13,574.1 million profit after tax reported in 2014.

Details of profit relating to the Bank and the Group are given in below table.

The pre tax profit of the Group also increased from LKR 21,431.0 million to LKR 25,490.0 million, an increase of 18.9% in comparison to the previous year. After deducting LKR 8,102.5 million for income tax (2014 : LKR 7,058.7 million) the profit after tax for the year of the Group increased to LKR 17,387.4 million in 2015 from the profit after tax of LKR 14,372.3 million reported in 2014.

	Bank		Group	
For the year ended 31 December	2015 LKR million	2014 LKR million	2015 LKR million	2014 LKR million
Profit for the year after payment of all expenses, providing for depreciation, amortization, impairment on loans and other losses, contingencies and before taxes	30,095	24,343	30,256	25,074
Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	(4,816)	(4,052)	(4,873)	(4,105)
Share of profits / (losses) of associate companies before tax	-	-	107	462
Profit before income tax	25,279	20,291	25,490	21,431
Income tax expense	(7,922)	(6,717)	(8,103)	(7,059)
Profit for the year	17,357	13,574	17,387	14,372
Other comprehensive income, net of tax	(2,316)	5,378	(1,301)	6,239
Total comprehensive income for the year , net of tax	15,041	18,952	16,086	20,611
Appropriations				
Transfers to permanent reserve fund	(1,400)	(272)	(1,400)	(272)
Transfers from primary dealer special risk reserve	-	897	-	897
Transfers to investment fund account	-	(480)	-	(480)
Transfers from investment fund account	-	7,537	-	7,709
Transfers to statutory reserve - Other	-	-	(23)	(12)
Dividends	(6,346)	(6,846)	(6,346)	(6,846)

Annual Report of the Directors' on the State of Affairs of Bank of Ceylon

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 6,346.4 million has been attributed by the Bank as dividends for the year 2015 (2014: LKR 6,846.4 million).

5.3 Reserves

The total reserves of the Group stood at LKR 82,063.6 million as at 31 December 2015 (2014: LKR 74,393.9 million). The Group reserves consist of the following;

	LKR million	
As at 31 December	2015	2014
Permanent reserve fund	5,210	3,810
Revaluation reserve	14,469	13,808
Exchange translation reserve	1,288	710
Available for sale reserve	6,540	7,762
Other reserves	669	642
Retained earnings	53,888	47,662
Total	82,064	74,394

6. Property, Plant and Equipment

The total capital expenditure incurred by the Group on the acquisition of property, plant and equipment, lease hold properties and intangible assets during the year amounted to LKR 1,776.9 million (2014: LKR 1,986.0 millions) the details of which are given in note 32 to 34 of Financial Statements on pages 263 to 276 of this Annual Report.

7. Value of Freehold Properties

The value of freehold properties owned by the Group as at 31 December 2015 is included in Note 32 of Financial Statements at LKR 14,632.1 million (2014 : LKR 14,473.2 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 2015 was LKR 10,000 million. (2014: LKR 5,000 million).

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 2015 (2014: LKR 7,675 million). The proceeds of these debentures were utilized to expand Bank's loan book in the ordinary course of business. The details of debentures outstanding as at the date of Statement of Financial Position are given in Note 41 and Note 45 of the Financial Statements on pages 279 to 280 and 287 to 290.

10. Share Information

The basic earnings per share and net assets value per share of the Group were LKR 2,439.3 and LKR 9,206.4 respectively, for the period under review.

11. Corporate Sustainability and Responsibility

The programmes carried out under the Corporate Sustainability and Responsibility (CSR) are detailed on pages 100 to 106 under the Social and Relationship Capital Report.

12. Directors

The Board of Directors of Bank of Ceylon as at 31 December 2015 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 experiences to the Board. The qualifications and experience of the Directors are given on pages 36 to 37 of this Annual Report.

12.1 List of Directors

The Directors of the Bank as at the date of the Financial Statements, (31 December 2015) are as follows;

Name of the Director	Executive / Non Executive Status	Status of Independence
Mr Ronald C Perera PC	Non-Executive	Independent
Ms Pushpa Wellappili	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
Mr A P Kurumbalapitiya (Alternate to Ex officio Director)	Non-Executive Ex officio	Non-Independent

The Directors are classified as Independent Directors on the basis given in Banking Act Direction No.11 of 2007 on Corporate Governance for licensed commercial banks issued by the Central Bank of Sri Lanka.

12.2 Board subcommittees

The Board has formed four subcommittees complying with the aforesaid Banking Act Direction No.11 of 2007 to ensure oversight control over affairs of the Bank. The subcommittee composition is given on page 123 of this Annual Report.

12.3 Directors' meetings

Attendance of Directors at Board and subcommittee meetings are given on page 124 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 181 to 182. These interests have been declared at meetings of the Board of Directors. Except for the contracts given therein the Directors have no any direct or indirect interest in other contracts or proposed contracts with the Bank.

12.5 Directors' interests in debentures issued by the Bank / Group

There were no debentures registered in the name of any Director.

12.6 Directors' allowances / fees

The allowances / fees payable to Board of Directors are made in terms of the provisions / contents in the Public Enterprises Circular No. PED 58(2) dated 15 September 2011, letters dated 12 November 2013 and 18 June 2014 all issued by the Department of Public Enterprises of the Ministry of Finance and Planning and Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Directors' remuneration in respect of the Group and the Bank for the financial year ended 31 December 2015 are given on page 220.

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 158 to 174 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 149 to 151 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 183 and 184 of this Annual Report. The Board has confirmed that financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.

The Board has obtained an assurance report from the Auditor General on Directors' Statement on Internal Control and it is given on page 185 of this Annual Report.

14. Corporate Governance

The Board of Directors is committed towards maintaining an effective corporate governance structure and process. The financial, operational and compliance functions of the Bank are directed and controlled effectively within corporate governance practices. These procedures and practices that are in conformity with Corporate Governance Directions issued by the Central Bank of Sri Lanka under Banking Act Direction No. 11 of 2007 and the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka are described in the Corporate Governance Report appearing on pages 120 to 148 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 Employee Report on pages 86 to 93 of this report.

16. Compliance with Laws and Regulations

The Directors, to the best of their knowledge and belief confirm that the Group has not engaged in any activities contravening the laws and regulations. Details of the Bank's compliance with the laws and regulations are given on pages 173 to 174 under report on risk and compliance which forms an integral part of this report.

Annual Report of the Directors' on the State of Affairs of Bank of Ceylon

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 Natural Capital Report on pages 109 to 111.

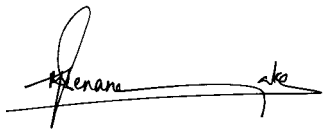
20. Post Balance Sheet Events

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

21 March 2016
Colombo.

Directors' Interests 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 301 to 309.

In addition, the transactions that have been carried out in the ordinary course of business in an arm's length basis with entities where the Chairman or a Director of the Bank is the Chairman or a Director of such entities, are detailed below:

Company	Relationship	Nature of transactions	Limit '000*	Balance / Amount outstanding as at 31.12.15 '000*	Security
Mr Ronald C Perera PC					
Bank of Ceylon (UK) Limited	Chairman	Current accounts		USD 1,076	
		(Nostro accounts)		**155,010	
				GBP 665	
				**141,951	
				EURO 1,923	
				**302,673	
		Placements		USD 20,500	
				**2,953,277	
				GBP 73,500	
				**15,697,571	
				EURO 1,000	
				**157,374	
				JPY 5,000	
				**5,980	
		Other payables		137,907	
Mireka Capital Land (Private) Limited	Director	Current accounts		7,478	
				USD 4	
				**563	
		Letters of guarantee		500	Cash
Mireka Homes (Private) Limited	Director	Current accounts		31,158	
				USD 5	
				**705	
		Time deposits		USD 285	
				**41,058	
		Loans	USD 40,000	-	
			**5,762,492		
		Overdrafts	100,000	-	
		Letters of credit	(USD 40,000)	-	Related bills of exchange and shipping documents
			(**5,762,492)		

* Currencies not specifically mentioned are in LKR

** LKR equivalent amount

Directors' Interests in Contracts

Company	Relationship	Nature of transactions	Limit '000*	Balance / Amount outstanding as at 31.12.15 '000*	Security
Ms Pushpa Wellappili					
Insurance Board of Sri Lanka	Director	Savings accounts		3,375	
		Current accounts		2,045	
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 A P Kurumbalapitiya	Director	Current accounts		3,456	
Lanka Sathosa Limited		Series of loan		7,211,900	Letter of comfort from General Treasury
		Letters of credit		243,722	Letter of comfort from General Treasury

* Currencies not specifically mentioned are in LKR

** LKR equivalent amount

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 recognizes that the business of banking requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed with a view to highlighting any deviations from the limits and indicators which comprise the risk appetite of the Bank. In this light, the system of internal controls can only provide reasonable, but not absolute assurance, against material misstatement of financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Bank and this process includes enhancing the system of internal control over financial reporting as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and 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 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 149 to 151.

- In assessing the internal control system over financial reporting, identified officers of the Bank collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Bank. These in turn were observed and checked by the Internal Audit Division for suitability of design and effectiveness on an ongoing basis.

- The Bank adopted the new Sri Lanka Accounting Standards comprising LKAS and SLFRS 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 interalia 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 recognized 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

Directors' Statement on Internal Control over Financial Reporting

Close" process. The assessment did not include subsidiary companies of the Bank.

- The comments made by the external auditors in connection with 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 2015 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 the Central Bank of Sri Lanka.

By order of the Board



Chairman - Audit Committee



Chairman



Director

21 March 2016
Colombo

Independent Assurance Report



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 2015. 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, පොළduව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka
+94-11-2887028-34 +94-11-2887223 oaggov@sltnet.lk www.auditorgeneral.gov.lk

Directors' Responsibility for Financial Reporting

This Statement by the Board of Directors is made especially to distinguish the respective responsibilities of the Directors and Auditors in relation to financial reporting. The responsibility of Directors in relation to financial reporting of the Bank of Ceylon and the Group is set out in the following statement.

Financial Statements

In terms of the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments read with the Banking Act No. 30 of 1988 and its amendments and Directions, the Directors of the Bank are responsible for ensuring that the Bank maintains proper books of accounts which disclose with reasonable accuracy at any time the financial position of the Bank and prepares proper Financial Statements for each financial year giving a true and fair view of the state of affairs of the Bank.

The Directors acknowledge that in preparing the Financial Statements for the year 2015 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 2015 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 2015.

Going concern

The Directors are of the view that the Bank and the Group have adequate resources to continue in business for the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing the Financial Statements.

Internal controls, risk management and compliance

The Directors are also responsible for the system of internal financial controls and risk management and place considerable importance on maintaining a strong control environment to protect and safeguard the Bank's assets and prevent fraud and mismanagement. Whilst inherent and residual risks cannot be completely eliminated, the Bank endeavors to minimize them by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and practiced within predetermined procedures and constraints.

A report by the Directors on the Bank's internal control mechanism confirming that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting is given on pages 183 and 184 of this Annual Report.

The Directors and Management have put in place risk management policies and guidelines. Management committees are established to monitor and manage material risks. Arrangements are made to submit reports on risk to the Integrated Risk Management Committee on a quarterly basis for discussion. Compliance with applicable laws, regulations, rules, directives and guidelines are monitored by the Independent Integrated Risk Management Division and reported to the Board.

The Audit Committee and Integrated Risk Management Committee, on an ongoing basis, have acted in strengthening the effectiveness of internal controls and risk management procedures. The reports of the Audit Committee and Integrated Risk Management Committee are included on page 149 and 152 respectively of this Annual Report.

Audit report

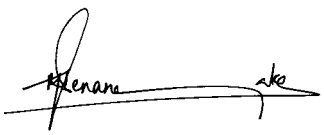
Pursuant to provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka, the Auditor General is the Auditor of the Bank and issues the final opinion on the Financial Statements of the Bank. The responsibilities of the Auditor in relation to the Financial Statements are set out in the Report of the Auditor General on page 187 of this Annual Report. The Auditor General's certification on the effectiveness of the Bank's internal control mechanism is given on page 185 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

21 March 2016
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/2015 ඔබේ අංකය உமது இல. Your No. } දිනය திகதி Date } 29 March 2016

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 2015

The audit of the financial statements of the Bank of Ceylon ("the Bank"), the consolidated financial statements of the Bank and its subsidiaries ("Group"), for the year ended 31 December 2015 comprising the statements of financial position as at 31 December 2015, 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. The financial statements of the subsidiaries were audited by firms of Chartered Accountants in public practice appointed by the members of the respective subsidiaries.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view 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 misstatement, 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 misstatement.

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 of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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, the financial statements give a true and fair view of the financial position of the Bank and the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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 Section 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 2015 LKR '000	Bank 2014 LKR '000	Bank Change %	Group 2015 LKR '000	Group 2014 LKR '000	Group Change %
Total income	7	132,915,441	126,545,943	5.0	139,397,982	133,023,345	4.8
Interest income		114,158,754	107,394,796	6.3	118,497,526	111,950,598	5.8
Less : Interest expenses		66,419,398	68,944,411	(3.7)	68,381,409	71,196,536	(4.0)
Net interest income	8	47,739,356	38,450,385	24.2	50,116,117	40,754,062	23.0
Fee and commission income		8,909,197	9,188,079	(3.0)	9,258,470	9,510,215	(2.6)
Less : Fee and commission expenses		1,070,847	1,088,207	(1.6)	1,176,580	1,186,436	(0.8)
Net fee and commission income	9	7,838,350	8,099,872	(3.2)	8,081,890	8,323,779	(2.9)
Net gains / (losses) from trading	10	3,968,014	4,859,913	(18.4)	3,985,172	5,038,541	(20.9)
Net gains / (losses) from financial investments	11	610,336	2,880,854	(78.8)	641,918	2,900,005	(77.9)
Net gains / (losses) from financial instruments designated at fair value through profit or loss		-	-	-	-	-	-
Other operating income	12	5,269,140	2,222,301	137.1	7,014,896	3,623,986	93.6
Total operating income		65,425,196	56,513,325	15.8	69,839,993	60,640,373	15.2
Less : Impairment charge / (reversal) for loans and other losses	13	7,317,435	7,910,916	(7.5)	7,779,586	7,931,525	(1.9)
Net operating income		58,107,761	48,602,409	19.6	62,060,407	52,708,848	17.7
Less : Operating expenses							
Personnel expenses	14	16,744,196	13,715,847	22.1	18,158,068	15,055,755	20.6
Other expenses	15	11,268,925	10,543,654	6.9	13,646,317	12,579,356	8.5
Total operating expenses		28,013,121	24,259,501	15.5	31,804,385	27,635,111	15.1
Operating profit before Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services		30,094,640	24,342,908	23.6	30,256,022	25,073,737	20.7
Less : Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services		4,815,725	4,051,951	18.8	4,872,944	4,105,175	18.7
Operating profit after Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services		25,278,915	20,290,957	24.6	25,383,078	20,968,562	21.1
Share of profits / (losses) of associate companies before tax	16	-	-	-	106,833	462,436	(76.9)
Profit before income tax		25,278,915	20,290,957	24.6	25,489,911	21,430,998	18.9
Less : Income tax expense	17	7,921,477	6,716,900	17.9	8,102,524	7,058,656	14.8
Profit for the year		17,357,438	13,574,057	27.9	17,387,387	14,372,342	21.0
Profit attributable to :							
Equity holder of the Bank		17,357,438	13,574,057	27.9	17,376,077	14,424,118	20.5
Non controlling interest		-	-	-	11,310	(51,776)	121.8
Profit for the year		17,357,438	13,574,057	27.9	17,387,387	14,372,342	21.0
Earnings per share:	18						
Basic earnings per share (LKR)		2,436.72	2,714.81	(10.2)	2,439.33	2,884.82	(15.4)
Diluted earnings per share (LKR)		1,735.74	2,521.39	(31.2)	1,737.61	2,679.29	(35.1)
Dividend per share (LKR)		890.94	1,369.28	(34.9)	890.94	1,369.28	(34.9)

The notes to the Financial Statements from pages 194 to 338 form an integral part of these Financial Statements.

Statement of Comprehensive Income

For the year ended 31 December	Note	Bank 2015 LKR '000	Bank 2014 LKR '000	Bank Change %	Group 2015 LKR '000	Group 2014 LKR '000	Group Change %
Profit for the year		17,357,438	13,574,057	27.9	17,387,387	14,372,342	21.0
Other comprehensive income for the year, net of tax							
Items that will not be reclassified to profit or loss							
Changes in revaluation surplus / (deficit)		8,169	3,557,500	(99.8)	933,459	4,676,153	(80.0)
Deferred tax effect on changes in revaluation surplus / (deficit)		12,318	(181,125)	106.8	(246,763)	(492,204)	(49.9)
Actuarial gains / (losses) on defined benefit plans		(1,005,125)	(1,343,892)	(25.2)	(967,908)	(1,352,033)	(28.4)
Deferred tax effect on actuarial gains / (losses)		(365,207)	376,290	(197.1)	(377,122)	376,906	(200.1)
		(1,349,845)	2,408,773	(156.0)	(658,334)	3,208,822	(120.5)
Items that are or may be reclassified to profit or loss							
Exchange gains / (losses) arising from translating the financial statements of foreign operations		459,561	(81,617)	663.1	578,104	(235,165)	345.8
Gains / (Losses) on remeasuring available for sale financial investments		(1,303,645)	3,050,950	(142.7)	(1,098,337)	3,259,512	(133.7)
Deferred tax effect on gains / (losses) on available for sale financial investments		(122,661)	-	(100.0)	(122,661)	-	(100.0)
Share of other comprehensive income of associate companies, net of tax		-	-	-	416	5,586	(92.6)
		(966,745)	2,969,333	(132.6)	(642,478)	3,029,933	(121.2)
Total other comprehensive income for the year, net of tax		(2,316,590)	5,378,106	(143.1)	(1,300,812)	6,238,755	(120.9)
Total comprehensive income for the year		15,040,848	18,952,163	(20.6)	16,086,575	20,611,097	(22.0)
Attributable to:							
Equity holder of the Bank		15,040,848	18,952,163	(20.6)	16,047,289	20,611,316	(22.1)
Non controlling interest		-	-	-	39,286	(219)	18,038.8
Total comprehensive income for the year		15,040,848	18,952,163	(20.6)	16,086,575	20,611,097	(22.0)

The notes to the Financial Statements from pages 194 to 338 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 December	Note	Bank 2015 LKR '000	Bank 2014 LKR '000	Bank Change %	Group 2015 LKR '000	Group 2014 LKR '000	Group Change %
Assets							
Cash and cash equivalents	20	79,916,559	35,583,408	124.6	83,722,721	37,872,965	121.1
Balances with Central Banks	21	38,939,790	30,422,373	28.0	38,939,790	30,422,373	28.0
Placements with banks	22	27,975,582	13,348,945	109.6	28,355,579	13,479,168	110.4
Derivative financial instruments	23	7,419,288	1,714,556	332.7	7,419,288	1,714,556	332.7
Securities purchased under resale agreements		12,299,088	58,953,093	(79.1)	13,678,789	60,236,389	(77.3)
Financial instruments - Held for trading	24	12,173,304	17,862,433	(31.8)	12,726,045	18,437,958	(31.0)
Financial investments - Loans and receivables	25	232,561,268	130,861,368	77.7	233,003,742	131,682,844	76.9
Loans and advances to customers	26	826,789,630	741,347,635	11.5	851,905,227	763,772,052	11.5
Financial investments - Available for sale	27	12,021,569	14,361,543	(16.3)	16,266,652	17,611,160	(7.6)
Financial investments - Held to maturity	28	246,288,625	214,801,400	14.7	246,349,511	215,024,094	14.6
Investment in subsidiary companies	29	6,213,048	6,213,048	-	-	-	-
Investment in associate companies	30	842,988	842,988	-	1,912,317	1,870,035	2.3
Investment properties	31	-	-	-	145,840	148,876	(2.0)
Property, plant and equipment	32	16,325,758	16,188,333	0.8	26,441,803	25,646,016	3.1
Leasehold properties	33	104,653	107,467	(2.6)	140,330	144,501	(2.9)
Intangible assets	34	373,315	384,577	(2.9)	503,958	531,667	(5.2)
Deferred tax assets	35	-	-	-	10,142	8,933	13.5
Other assets	36	48,044,235	46,027,228	4.4	48,677,586	46,800,078	4.0
Total assets		1,568,288,700	1,329,020,395	18.0	1,610,199,320	1,365,403,665	17.9
Liabilities							
Due to banks	37	2,630,408	889,876	195.6	2,632,827	949,127	177.4
Derivative financial instruments	38	156,302	734,548	(78.7)	156,302	734,548	(78.7)
Due to customers	39	1,082,337,118	933,966,169	15.9	1,097,950,702	943,934,463	16.3
Other borrowings	40	337,442,256	246,736,462	36.8	342,009,044	252,168,157	35.6
Debt securities issued	41	3,427,058	20,762,198	(83.5)	8,703,747	26,218,337	(66.8)
Current tax liabilities		2,080,849	-	100.0	2,284,079	291,193	684.4
Deferred tax liabilities	35	1,516,995	1,071,335	41.6	3,948,551	3,288,860	20.1
Insurance provision - Life	42	-	-	-	444,257	349,901	27.0
Insurance provision - Non life	42	-	-	-	517,659	607,306	(14.8)
Other liabilities	43	21,585,644	17,534,179	23.1	23,187,932	19,103,242	21.4
Subordinated term debts	45	35,627,450	32,519,715	9.6	35,290,007	32,177,810	9.7
Total liabilities		1,486,804,080	1,254,214,482	18.5	1,517,125,107	1,279,822,944	18.5
Equity							
Share capital	46	10,000,000	10,000,000	-	10,000,000	10,000,000	-
Permanent reserve fund	47	5,209,955	3,809,955	36.7	5,209,955	3,809,955	36.7
Retained earnings		51,086,010	44,861,045	13.9	53,888,295	47,661,936	13.1
Other reserves	48	15,188,655	16,134,913	(5.9)	22,965,323	22,922,049	0.2
Total equity attributable to equity holder of the Bank		81,484,620	74,805,913	8.9	92,063,573	84,393,940	9.1
Non controlling interest		-	-	-	1,010,640	1,186,781	(14.8)
Total equity		81,484,620	74,805,913	8.9	93,074,213	85,580,721	8.8
Total liabilities and equity		1,568,288,700	1,329,020,395	18.0	1,610,199,320	1,365,403,665	17.9
Contingent liabilities and commitments	50	806,969,885	721,763,406	11.8	808,050,929	722,823,188	11.8
Net assets value per share (LKR)		8,148.46	14,961.18	(45.5)	9,206.36	16,878.79	(45.5)

The notes to the Financial Statements from pages 194 to 338 form an integral part of these Financial Statements.

These Financial Statements give a true and fair view of the state of affairs of Bank of Ceylon and the Group as at 31 December 2015 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

21 March 2016
Colombo

Statement of Changes in Equity

Bank

	Note	Share capital LKR '000	Capital pending allotment LKR '000	Permanent reserve fund LKR '000	Other reserves: Available for sale reserve LKR '000	Other reserves: Investment fund account LKR '000	Other reserves: Other reserves LKR '000	Other reserves: Revaluation reserve LKR '000	Retained earnings LKR '000	Total equity LKR '000
Balance as at 1 January 2014		5,000,000	-	3,538,455	3,912,715	7,057,090	1,562,314	5,210,792	31,418,794	57,700,160
Total comprehensive income for the year										
Profit for the year		-	-	-	-	-	-	-	13,574,057	13,574,057
Other comprehensive income, net of tax		-	-	-	3,050,950	-	(81,617)	3,376,375	(967,602)	5,378,106
Total comprehensive income for the year		-	-	-	3,050,950	-	(81,617)	3,376,375	12,606,455	18,952,163
Transactions with equity holder, recognized directly in equity										
Dividends for 2014		-	-	-	-	-	-	-	(6,846,410)	(6,846,410)
Shares under pending allotment	46	-	5,000,000	-	-	-	-	-	-	5,000,000
Transfers to investment fund account	48.1	-	-	-	-	480,066	-	-	(480,066)	-
Transfers from investment fund account	48.1	-	-	-	-	(7,537,156)	-	-	7,537,156	-
Transfers to permanent reserve fund	47	-	-	271,500	-	-	-	-	(271,500)	-
Transfers from primary dealer special risk reserve	48.3	-	-	-	-	-	(896,616)	-	896,616	-
Balance as at 31 December 2014		5,000,000	5,000,000	3,809,955	6,963,665	-	584,081	8,587,167	44,861,045	74,805,913
Balance as at 1 January 2015		5,000,000	5,000,000	3,809,955	6,963,665	-	584,081	8,587,167	44,861,045	74,805,913
Super Gain Tax paid	48.8	-	-	-	-	-	-	-	(2,015,731)	(2,015,731)
Total comprehensive income for the year										
Profit for the year		-	-	-	-	-	-	-	17,357,438	17,357,438
Other comprehensive income, net of tax		-	-	-	(1,426,306)	-	459,561	20,487	(1,370,332)	(2,316,590)
Total comprehensive income for the year		-	-	-	(1,426,306)	-	459,561	20,487	15,987,106	15,040,848
Transactions with equity holder, recognized directly in equity										
Dividends for 2015		-	-	-	-	-	-	-	(6,346,410)	(6,346,410)
Transfers to share capital	46	5,000,000	(5,000,000)	-	-	-	-	-	-	-
Transfers to permanent reserve fund	47	-	-	1,400,000	-	-	-	-	(1,400,000)	-
Balance as at 31 December 2015		10,000,000	-	5,209,955	5,537,359	-	1,043,642	8,607,654	51,086,010	81,484,620

Group

	Note	Share capital LKR '000	Capital pending allotment LKR '000	Permanent reserve fund LKR '000	Other reserves: Available for sale reserve LKR '000	Other reserves: Investment fund account LKR '000	Other reserves: Other reserves LKR '000	Other reserves: Revaluation reserve LKR '000	Retained earnings LKR '000	Non controlling interest LKR '000	Total equity LKR '000
Balance as at 1 January 2014		5,000,000	-	3,538,455	4,515,661	7,228,548	2,472,055	9,600,314	33,261,300	1,295,700	66,912,033
Total comprehensive income for the year											
Profit for the year		-	-	-	-	-	-	-	14,424,118	(51,776)	14,372,342
Other comprehensive income, net of tax		-	-	-	3,237,677	-	(235,165)	4,152,855	(968,169)	51,557	6,238,755
Total comprehensive income for the year		-	-	-	3,237,677	-	(235,165)	4,152,855	13,455,949	(219)	20,611,097
Transactions with equity holders, recognized directly in equity											
Dividends for 2014		-	-	-	-	-	-	-	(6,846,410)	-	(6,846,410)
Subsidiary dividends to non controlling interest		-	-	-	-	-	-	-	-	(30,237)	(30,237)
Shares under pending allotment	46	-	5,000,000	-	-	-	-	-	-	-	5,000,000
Transfers to investment fund account	48.1	-	-	-	-	480,066	-	-	(480,066)	-	-
Transfers from investment fund account	48.1	-	-	-	-	(7,708,614)	-	-	7,708,614	-	-
Transfers to permanent reserve fund	47	-	-	271,500	-	-	-	-	(271,500)	-	-
Transfers to other reserves	48.7	-	-	-	-	-	12,144	-	(12,144)	-	-
Transfers from primary dealer special risk reserve	48.3	-	-	-	-	-	(896,616)	-	896,616	-	-
Acquisition and changes in non controlling interest		-	-	-	8,666	-	-	54,458	(50,423)	(78,463)	(65,762)
Balance as at 31 December 2014		5,000,000	5,000,000	3,809,955	7,762,004	-	1,352,418	13,807,627	47,661,936	1,186,781	85,580,721
Balance as at 1 January 2015		5,000,000	5,000,000	3,809,955	7,762,004	-	1,352,418	13,807,627	47,661,936	1,186,781	85,580,721
Super Gain Tax paid	48.8	-	-	-	-	-	-	-	(2,197,156)	(15,059)	(2,212,215)
Total comprehensive income for the year											
Profit for the year		-	-	-	-	-	-	-	17,376,077	11,310	17,387,387
Other comprehensive income, net of tax		-	-	-	(1,218,216)	-	578,104	661,381	(1,350,058)	27,977	(1,300,812)
Total comprehensive income for the year		-	-	-	(1,218,216)	-	578,104	661,381	16,026,019	39,287	16,086,575
Transactions with equity holders, recognized directly in equity											
Dividends for 2015		-	-	-	-	-	-	-	(6,346,410)	-	(6,346,410)
Subsidiary dividends to non controlling interest		-	-	-	-	-	-	-	-	(8,811)	(8,811)
Transfers to share capital	46	5,000,000	(5,000,000)	-	-	-	-	-	-	-	-
Transfers to permanent reserve fund	47	-	-	1,400,000	-	-	-	-	(1,400,000)	-	-
Transfers to other reserves	48.7	-	-	-	-	-	22,936	-	(22,936)	-	-
Merger and changes in non controlling interest		-	-	-	(4,273)	-	3,342	-	166,842	(191,558)	(25,647)
Balance as at 31 December 2015		10,000,000	-	5,209,955	6,539,515	-	1,956,800	14,469,008	53,888,295	1,010,640	93,074,213

The notes to the Financial Statements from pages 194 to 338 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31 December	Note	Bank 2015 LKR '000	Bank 2014 LKR '000	Group 2015 LKR '000	Group 2014 LKR '000
Cash flows from operating activities					
Profit before income tax		25,278,915	20,290,957	25,489,911	21,430,998
Adjustments for:					
Net interest income	8	(47,739,356)	(38,450,385)	(50,116,117)	(40,754,062)
Dividend income on trading securities	10	(111,327)	(201,667)	(123,886)	(213,504)
Dividends from subsidiaries and associates	12	(259,048)	(291,921)	-	-
Share of profits / (losses) of associate companies before tax	16	-	-	(106,833)	(462,436)
Changes in operating assets	49	(74,890,341)	(63,147,180)	(78,214,226)	(69,482,289)
Changes in operating liabilities	49	189,810,164	125,532,758	191,869,467	125,942,029
Other non cash items included in profit before tax	49	8,631,221	14,025,014	9,804,464	14,347,219
Other net gains from investing activities		(610,336)	(2,880,854)	(641,918)	(2,900,005)
		100,109,892	54,876,722	97,960,862	47,907,950
Contribution paid to defined benefit plans		(6,221,447)	(4,967,636)	(6,238,989)	(4,985,051)
Interest received		85,793,707	79,891,805	89,713,175	84,051,193
Interest paid		(46,611,096)	(54,609,106)	(47,694,488)	(55,042,918)
Dividends received		111,327	201,667	123,886	213,504
Net cash generated from operating activities before income tax		133,182,383	75,393,452	133,864,446	72,144,678
Income tax paid		(2,663,879)	(2,406,682)	(2,936,778)	(2,619,449)
Super Gain Tax paid		(2,015,731)	-	(2,212,215)	-
Net cash generated from operating activities		128,502,773	72,986,770	128,715,453	69,525,229
Cash flows from investing activities					
Net increase in financial investments - Held to maturity		(30,362,837)	(49,400,784)	(30,201,031)	(49,410,838)
Net decrease in financial investments - Available for sale		1,128,180	1,049,153	338,023	535,384
Net (increase) / decrease in financial investments - Loans and receivables		(101,699,901)	(36,717)	(101,320,902)	223,490
Increase in interest in subsidiaries		-	(84,350)	-	(84,350)
Purchase of property, plant, equipment and leasehold properties		(1,332,486)	(1,743,088)	(1,571,210)	(1,896,198)
Purchase of intangible assets		(180,593)	(63,900)	(205,725)	(89,845)
Proceeds from sale of property, plant and equipment		7,677	42,196	14,711	78,578
Dividends received		777,533	656,373	550,067	434,776
Interest received		29,674,085	22,359,076	30,093,413	22,757,168
Net cash used in investing activities		(101,988,342)	(27,222,041)	(102,302,654)	(27,451,835)

For the year ended 31 December	Note	Bank		Group	
		2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Cash flows from financing activities					
Net increase / (decrease) in other borrowings		62,621,862	(13,380,347)	65,572,367	(13,318,440)
Proceeds from non controlling interest on issue of rights in subsidiary		-	-	-	1,090
Proceeds from issue of debentures		8,000,000	8,000,000	8,000,000	9,675,000
Payments on redemption of debentures		(22,398,509)	-	(22,677,294)	(656,371)
Dividends paid to Government of Sri Lanka		(6,346,410)	(6,846,410)	(6,346,410)	(6,846,410)
Dividends paid to non controlling interest		-	-	(8,811)	(30,237)
Interest payments on borrowings and debt securities		(24,894,920)	(17,292,671)	(25,882,760)	(18,349,733)
Net cash generated from / (used in) financing activities		16,982,023	(29,519,428)	18,657,092	(29,525,101)
Net increase in cash and cash equivalents during the year		43,496,454	16,245,301	45,069,891	12,548,293
Cash and cash equivalents at the beginning of the year		35,032,877	18,787,576	37,263,183	24,714,890
Cash and cash equivalents at the end of the year		78,529,331	35,032,877	82,333,074	37,263,183
Note					
Analysis of cash and cash equivalents					
Cash and cash equivalents	20	79,916,559	35,583,408	83,722,721	37,872,965
Bank overdrafts	37	(1,387,228)	(550,531)	(1,389,647)	(609,782)
Cash and cash equivalents at the end of the year		78,529,331	35,032,877	82,333,074	37,263,183

The notes to the Financial Statements from pages 194 to 338 form an integral part of these Financial Statements.

Notes to the Financial Statements

Accounting Policies

1. Reporting Entity

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 2015 was 7,980 (2014 - 8,577).

Consolidated Financial Statements

The Consolidated Financial Statements are prepared as at and for the year ended 31 December 2015 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.

Approval of Financial Statements by the Board of Directors

The Financial Statements for the year ended 31 December 2015 were authorized for issue on 21 March 2016 by the Board of Directors.

1.1 Principal activities

Bank

The principal activities of the Bank during the year were commercial banking, personal banking, development financing, mortgage financing, lease financing, investment banking, Islamic banking, bancassurance, corporate financing, primary dealing, pawning, credit card facilities, off shore banking, foreign currency operations, e-banking and other financial services.

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, micro financing, agricultural credit facilities, real estate, pawning operations 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	Registered under the Financial Services Authority of United Kingdom and carry on certain regulated financial service activities including deposit taking, dealing in investments retail services, corporate and correspondent banking facilities and trade finance services.

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
Southern Development Financial Company Limited	Not in operation

Name of the Company	Principal Business Activities
Lanka Securities (Private) Limited	Registered stock broker, engages in equity trading, debt trading and margin trading
Mireka Capital Land (Private) Limited	Purchasing, hiring and acquiring real estate properties, real estate developments and providing infrastructure facilities to real estate development projects.
Transnational Lanka Records Solutions (Private) Limited	Renting properties and real estates

There were no significant changes in the nature of principal activities of the Bank, subsidiaries and associates during the year under review.

Based on the financial institution consolidation process of the Central Bank of Sri Lanka, MBSL Savings Bank Limited and MCSL Financial Services Limited have been amalgamated with Merchant Bank of Sri Lanka & Finance PLC on 1 January 2015, consequent to which the amalgamated company or the surviving entity is the Merchant Bank of Sri Lanka & Finance PLC. The Management of the Southern Development Financial Company Limited (SDFCL) has decided to wind up the company and operations of the company have been closed accordingly. However, SDFCL is under consideration to reinstate under the Southern Development Board which is expected to be established by the Ministry of Southern Development.

2. Directors' Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Bank and its subsidiaries and associates in compliance with the requirements of the Bank of Ceylon Ordinance No.53 of 1938 and its amendments, Banking Act No. 30 of 1988 and its amendments thereto and Sri Lanka Accounting Standards.

3. Basis of Preparation

3.1 Statement of compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Bank have been prepared in accordance with Sri Lanka Accounting Standards comprising of Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka (together referred to as SLFRS in these Financial Statements). The preparation and presentation of these Financial Statements are in compliance with the requirements of the Bank of Ceylon Ordinance and the Companies Act No.07 of 2007. The presentation of the Financial Statements is also in compliance with the requirements of the Banking Act No.30 of 1988.

The Group has prepared Financial Statements which comply with SLFRSs and LKASs applicable for the year ended 31 December 2015, together with the comparative year data as at and for the year ended 31 December 2014, 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 except for the following:

- Financial instruments held for trading are measured at fair value
- Derivative financial instruments 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 recognized 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 unless indicated otherwise.

3.4 Presentation Consolidated Statement of 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.

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to

Notes to the Financial Statements

realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Consolidated Profit or Loss unless required or permitted by any accounting standard or interpretation and as specifically disclosed in the accounting policies of the Group.

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 recognized 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 recognized in the Consolidated Financial Statements.

Commitment

All discernible risks are accounted for in determining the amount of all known and measurable liabilities.

Contingent 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 recognized in the Statement of Financial Position but are disclosed unless its occurrence is remote.

Going concern

The management has made an assessment on the Bank's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

Therefore, the Financial Statements continue to be prepared on the going concern basis.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities, recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, however if such data are not available, a degree of judgment is exercised in establishing fair values which minimize the effect of use of unobservable inputs.

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).

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 available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant or prolonged' requires judgment. In making this judgment, the Group evaluates, among

other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its carrying value.

Defined benefit obligation
The cost of the defined benefit pension plans and other post-employment benefit plans are determined using an actuarial valuation. An actuarial valuation involves making various assumptions determining the discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

Fair value of property, plant and equipment
The freehold land and buildings and the buildings on leasehold land of the Group are reflected at fair value. The Group engaged independent valuation specialists to determine fair value of such properties in terms of the SLFRS 13- Fair Value Measurement.

Taxation
The Group is subject to income tax and other taxes including Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services. The Group recognizes assets and liabilities as current, differed and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and differed tax amounts in the period in which the determination is made.

Useful life time of the property, plant and equipment
The Group reviews the residual values, useful lives and methods of depreciation of property, plant and equipment 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.

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 in the process of providing services or for administration purposes and which do not directly generates cash flows as stand-alone assets are accounted as property, plant and equipment.

Transfer pricing regulations
The Group is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations 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 is 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 off-shore banking unit and the international operations of the Bank.

4.1.1 Subsidiaries
Subsidiaries are entities controlled by the Bank. The Bank controls an entity if it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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

Notes to the Financial Statements

of control. The Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The Consolidated Financial Statements are prepared for the common financial year end of 31 December.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans and advances. All subsidiaries of the Bank have been incorporated in Sri Lanka except for Bank of Ceylon (UK) Limited, which is incorporated in the United Kingdom.

A list of the Bank's subsidiaries is given in note No.1.1 to the Financial Statements.

4.1.2 Associates

Associates are those entities in which the Bank has significant influence, but not control, over the financial and operating policies. Investments in associate entities are accounted for using the equity method (equity-accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs.

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 recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

A list of the Bank's associates is shown in note No.1.1 to the Financial Statements.

4.1.3 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 interest's 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 interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

4.1.4 Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Therefore, no goodwill is recognized as a result of such transactions.

4.1.5 Loss of control

Upon the loss of control, the Group derecognizes 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 parent's share of components previously recognized 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 recognized 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.

4.1.6 Transactions eliminated on consolidation

All intra group balances, income and expenses (except for foreign currency translation gains or losses) arising from intra group transactions are eliminated on consolidation. Unrealized 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.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

4.2 Foreign currency

4.2.1 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date and all differences arising on non trading activities are taken to 'other operating income' in the Statement of Profit or Loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date on which the fair value is determined.

Foreign currency differences arising on retranslation are recognized in the 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 transaction.

Forward exchange contracts are valued at the forward market rates ruling on the reporting date and resulting net unrealized 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 recognized in Other Comprenhesive Income (OCI).

When a foreign operation is disposed off, the relevant amount in the translation 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 Cash and cash equivalents

Cash and cash equivalents include local and foreign currency notes and coins on hand, unrestricted balances held with Central Banks, balances with other banks and highly liquid financial assets with original maturities of less than 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.

Cash and cash equivalents are carried at amortized cost in the Statement of Financial Position.

4.3.1 Cash flow statement

Consolidated Statement of Cash Flows has been prepared by using the '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, unrestricted balances held with Central Banks, amounts due from / due to other banks, other short term highly liquid investment with maturity less than seven days from date of acquisition.

4.4 Financial assets and financial liabilities

4.4.1 Date of recognition

All financial assets and liabilities are initially recognized 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.

4.4.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

Financial assets and liabilities are initially measured at their fair value plus transaction cost, except in the case of financial assets and liabilities recorded at fair value through profit or loss. 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.

For the purpose of measuring financial assets and liabilities following classification is made:

- Fair value through profit or loss
- Held to maturity investments
- Loans and receivables
- Available for sale financial investments

Notes to the Financial Statements

4.4.3 Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost are directly attributable to the acquisition are recognized in profit or loss as incurred.

Derivatives recorded at fair value through profit or loss

The Group uses derivatives such as cross currency swaps, forward foreign exchange contracts. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in 'Net trading income'.

Financial assets and liabilities held for trading

Financial assets and liabilities held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value and dividend are recognized in 'Net trading income'. Interest income or expense is recorded in 'Net interest income' according to the terms of the contract, or when the right to the payment has been established. Debt securities that have been acquired principally for the purpose of selling or repurchasing in the near term are included in this classification.

4.4.4 Held to maturity financial investments

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.

After initial measurement, HTM financial assets are subsequently measured at amortized cost using the Effective Interest Rate (EIR) less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income' in the Statement of Profit or Loss. The losses arising from impairment of such investments are recognized in the Statement of Profit or Loss under "Impairment charge/ (reversal) for loans and other losses". A 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 asset's fair value
- Sales or reclassifications after the Group has collected substantially all of the asset's original amount
- Sales or reclassifications attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated

4.4.5 Placements with banks and loans and advances to customers

'Placements with banks' and 'Loans and advances to customers' include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss
- Those that the Bank, upon initial recognition, designates available for sale
- Those for which the Bank may not recover substantially all of its initial investment, other than those due to credit deterioration

After initial measurement, 'Placements with banks' and 'Loans and advances to customers' are subsequently measured at amortized cost using the EIR, less allowance for impairment. Amortized 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 amortization is included in 'Interest income' in the Statement of Profit or Loss. The losses arising from impairment are recognized in the Statement of Profit or Loss under 'Impairment charge / (reversal) for loans and other losses'.

The Group writes off certain loans and advances and placements with banks when they are determined to be uncollectible.

4.4.6 Available for sale financial investments

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.

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.

After initial measurement, AFS financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity in the 'Available for sale reserve' through OCI. When the investment is disposed off, the cumulative gain or loss previously recognized in available for sale reserve is recognized in the Statement of Profit or Loss and reflected in 'Net gains/(losses) form financial investments'. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on weighted average cost basis. Interest earned whilst holding available for sale financial investments is reported as interest income using the EIR. Dividends earned whilst holding available for sale financial investments are recognized in the Statement of Profit or Loss reflected in 'Net gains/(losses) from financial investment when the right of the payment has been established. The losses arising from impairment of AFS financial investments' are removed from the 'Available for sale reserve' and recognized in the Statement of Profit or Loss in "Impairment (charge) / reversal for loans and other losses".

4.4.7 '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 recognizes 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 recognized in the Statement of Profit or Loss over the life of the instrument.

4.4.8 Debt securities issued and other borrowings

Financial instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under 'Debt securities issued and other borrowings', where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt securities issued and other borrowings are subsequently measured at amortized cost using EIR. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of EIR.

4.4.9 Derecognition

4.4.9.1 Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in transferred financial assets that qualify for derecognition that are created or retained by the Group is recognized 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 asset (or the carrying amount allocated to the portion of the asset 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 recognized in other comprehensive income is recognized in the profit or loss.

The Group enters into transactions whereby it transfers assets recognized 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 derecognized. 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 recognize 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 derecognized if it meets the derecognition criteria. An asset or

Notes to the Financial Statements

liability is recognized 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.

4.4.9.2 Derecognition of financial liabilities

A financial liability is derecognized 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 recognized in the Statement of Profit or Loss.

4.4.10 Securities sold under repurchase agreements and securities purchased under resale agreements

Securities sold under agreements to repurchase at a specified future date are not derecognized from the Statement of Financial Position as the Group retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognized in the Statement of Financial Position as an asset with a corresponding obligation to return it, including accrued interest as a liability within 'Other borrowings', reflecting the transaction's economic substance as a borrowing to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using EIR.

Conversely, securities purchased under agreements to resell at a specified future date are not recognized 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 prices is recorded in a 'Interest income' and is accrued over the life of the agreement using the EIR.

4.4.11 Determination of fair value

'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.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument (Level 01 valuation). A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in Statement of Profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third party market participant would take them into account in pricing a transaction.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

A fair value measurement of a non-financial asset takes into account a 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.

The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

4.4.12 Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize 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.

4.4.13 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 of financial assets carried at amortized cost

The Group assesses at each reporting date, whether there is any objective evidence that a financial asset or group of financial assets is impaired.

The Group first assesses individually whether objective evidence of impairment exist for financial assets that are individually significant and that are not individually significant assesses individually or collectively.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group.

If there is objective evidence on that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized 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'.

All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

In assessing collective impairment the Group uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modeling.

Impairment of loans and advances portfolios are based on the judgments in past experience of portfolio behavior. However, 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.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is recognized in the 'Other operating income'.

Notes to the Financial Statements

Impairment assessment of held to maturity financial assets
Impairment losses on held to maturity financial assets measured at amortized cost are calculated as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in the Statement of Profit or Loss and reflected in an "Impairment (charges) / reversal for loans and other losses."

Impairment assessment of available for sale investments
Impairment losses on AFS investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income to the profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from OCI to the profit or loss is the difference between the acquisition costs, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in the Statement of Profit or Loss. Changes in impairment provisions attributable to time value are reflected as a component of Interest income.

If, in a subsequent period, the fair value of an impaired AFS debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the Statement of Profit or Loss, the impairment loss is reversed, with the amount of the reversal recognized in the Statement of Profit or Loss. However, any subsequent recovery in the fair value of an impaired AFS equity security is recognized in OCI.

Renegotiated loans
Where possible, the Group seeks to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Collateral valuation
The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit / guarantees, real estate, receivables, inventories, other non financial assets and credit enhancements such as netting agreements.

The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka

Non financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers and Audited Financial Statements.

Collateral repossessed
The Group's policy is to dispose the repossessed 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.

4.5 Non financial assets

4.5.1 Investment property

4.5.1.1 Recognition and measurement

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.

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.

4.5.1.2 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.

4.5.1.3 Derecognition

Investment properties are derecognized when they are disposed of, or permanently withdrawn from use since no future economic benefits are expected. Transfers are made to and from investment properties 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.

4.5.2 Property, plant and equipment

4.5.2.1 Recognition and measurement

Property, Plant and Equipment (PPE) are recognized if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be reliably measured.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Items of PPE 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 takes into account in measuring the fair value.

Such properties that carried at revaluation amount being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold 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 recognized in the OCI except to the extent that surplus reverse a previous revaluation deficit on the same asset recognized in the OCI, in which case the credit to that extent is recognized in the statement of OCI. Any deficit on revaluation is recognized in the OCI Income except to the extent of that it reverses a previous revaluation surplus on the same asset, in which case the debit to that extent is recognized in OCI.

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 PPE is 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 PPE have different useful lives, they are accounted for as separate items (major components) of PPE.

4.5.2.2 Subsequent costs

The cost of replacing a part of an item of PPE is recognized 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 PPE are recognized in the Statement of Profit or Loss as incurred.

4.5.2.3 Depreciation

Depreciation is recognized in Statement of Profit or Loss on a straight line basis over the estimated useful lives of each part of an item of PPE 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 PPE 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.

4.5.2.4 Derecognition

The carrying amount of an item of PPE is derecognized on disposal, replacement or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition of an item of PPE is included in the other operating income / expenses in the Statement of Profit or Loss in the year the item is derecognized.

4.5.2.5 Useful life and residual values

Residual value is the amount that the Group could receive for the asset at the reporting date if the assets were already at the age

Notes to the Financial Statements

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.

4.5.2.6 Capital work in progress

Capital work in progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, awaiting capitalization.

4.5.3 Leased assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or 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 capitalized 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 recognized 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 recognized as an operating expense in the Statement of Profit or Loss on a straight line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Contingent rents are recognized as revenue in the period in which they are earned.

4.5.4 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 capitalized 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.

4.5.5 Intangible assets

Intangible assets represent the value of computer application software and licenses, other than software applied to the operation software system of computers.

Intangible assets acquired by the Group are stated at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure incurred on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in the Statement of Profit or Loss on a straight line basis over the estimated useful lives of the intangible assets, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of intangible assets is five years or the best estimate of its useful economic life whichever is lower. The unamortized balances of intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognized 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. Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Intangible assets are derecognized 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 recognized in Statement of Profit or Loss.

4.5.6 Gold inventory

The gold inventory is valued at lower of cost or net realizable 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 realizable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

4.5.7 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 of the Cash Generating Unit's (CGU) less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, in determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other valuable fair value indicators.

4.5.8 Fiduciary Services

The Group provides fiduciary services that result in the 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.

4.6 Employee benefits

4.6.1 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 recognized 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 recognized 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 excluding overtime while employees contribute 8%. The Bank's Provident Fund is an approved fund, which is independently administered.

Employees' Provident Fund

The subsidiaries and their employees (other than Bank of Ceylon and its employees) contribute 12% (15% by Property Development PLC) and 8% (10% by Property Development PLC's employees) respectively on salary of each employee to Employees' Provident Fund, in terms of the Employees' Provident Fund Act No. 15 of 1958 as amended.

Employees' Trust Fund

All employees of the Bank and its subsidiaries are members of the Employees' Trust Fund to which the Bank / the Group contributes 3% of the employees' monthly gross salary excluding overtime, in terms of Employees' Trust Fund Act No.46 of 1980.

4.6.2 Defined benefit plans

A Defined Benefit Plan (DBP) is a post employment benefit plan other than a DCP. The Group's net obligation in respect of DBP's pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value, and then deducting the fair value of any plan assets. The discount rate is the yield at the reporting date on long term treasury bond rate for discount rates actually used that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the Projected Unit Credit method.

The Group recognizes 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.

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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.

Pension for Employees Joined after the year 1996

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. As at the year end the scheme is unfunded. Necessary steps are being made to establish a "Trust" and create a fund which will administrate separately from the other funds of the Bank.

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.

The Fund is valued by a qualified actuary annually. Funding would be done in consultation with the actuary, trustees and beneficiaries.

Both the Pension Fund and the Widows' / Widowers' and Orphans' Pension Fund are approved by the Government and are independently administered.

Provision for gratuity

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.

4.7 Provisions

A provision is recognized 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 recognized as finance cost.

4. 8 Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the Financial Statements (within 'Other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization

recognized in the Statement of Profit or Loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the Statement of Profit or Loss under 'Impairment losses '. The premium received is recognized in the Statement of Profit or Loss under 'Fee and commission income' on a straight line basis over the life of the guarantee.

4.9 Recognition of income and expenditure

4.9.1 Interest

Interest income and expense are recognized in Statement of Profit or Loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

- Interest income and expense presented in the Statement of Profit or Loss include:
- Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis
- Interest on available for sale investment securities calculated on an effective interest basis
- Interest income and expense on all held for trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented in "Interest income" together with all other changes in the fair value of trading assets and liabilities in "Net trading income".
- Fair value changes on derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments at fair value through profit or loss.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

4.9.2 Fee and commission

The Group earns fee and commission income from a diverse range of services it provides to its customers.

Fee income can be divided into the following two categories:

- Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Credit related fees are deferred and recognized as an adjustment to the EIR on the loan.

- Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

4.9.3 Net trading income

Net trading income comprises realized gains and losses from trading financial instruments classified as held for trading and unrealized gains and losses changes in the fair value of such instruments. Further this includes related dividend income and foreign exchange income.

4.9.4 Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to non trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and includes all realized and unrealized fair value changes, interest and dividend income derived from such instruments.

Notes to the Financial Statements

4.9.5 Dividends

Dividend income is recognized when the right to receive the payment is established.

4.9.6 Rental income

Rental income is recognized on an accrual basis

4.9.7 Other income

Other income is recognized on an accrual basis.

4.9.8 Lease payments

Payments made under operating leases are recognized in the Statement of Profit or Loss on a straight line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

4.9.9 Other expenses

All other expenses have been recognized in the Financial Statements as they are incurred in the period to which they relate. All expenditure incurred in the operation of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the Group's profit for the year.

4.10 Income tax expense

4.10.1 Current tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the Profit or Loss except to the extent that it relates to items recognized directly in equity or in OCI.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

4.10.2 Deferred tax

Deferred tax is recognized 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 recognized 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 realized simultaneously.

A deferred tax asset is recognized 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 utilized. 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 realized.

4.10.3 Value Added Tax (VAT) on financial services

The base for Value Added Tax computation is arrived by aggregating the accounting profit before income tax and emoluments of employees, which is adjusted for the depreciation computed on prescribed rates.

During the year, the Group's total value addition was subjected to a 11% (2014 : 12%) 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.

4.10.4 Withholding tax on dividends

- Withholding tax on dividends distributed by the Bank.

No withholding tax is paid by the Bank since Bank distributes dividend to its single 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.

4.10.5 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.

4.10.6 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.

4.10.7 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.

4.11 Stated capital and reserves

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Accordingly they are presented as a component of equity or financial liability.

4.12 Earnings Per Share (EPS)

The Group presents Basic and Diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholder of the Bank by the weighted average number of ordinary shares outstanding as at year ended 31 December. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

4.13 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relating to transactions with any of the Group's other components, whose operating results are reviewed by the management to make decision about resource allocation to each segment and assess its performance.

The Group comprises the following major business segments: Retail banking, Corporate banking, International, Treasury and Investments, other non banking and group functions.

4.14 Events after the reporting period

Where necessary all material events after the reporting date have been considered and appropriate adjustments / disclosures have been made in the Financial Statements as per the LKAS 10 -Events after the Reporting Period.

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.

Notes to the Financial Statements

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 recognized 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 derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

5.2 Insurance receivables

Insurance receivables are recognized 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 recognized as an expense when incurred. Subsequent to initial recognition, DAC for general insurance is amortized over the period on the basis unearned premium is amortized. The reinsurances' share of deferred acquisition cost is amortized in the same manner as the underlying assets amortization 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 amortization period and are treated as a change in an accounting estimate. DAC are derecognized when the related contracts are either expired or cancelled.

5.4 Reinsurance commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortized.

5.5 Insurance contract liabilities

5.5.1 Life insurance contract liabilities

Life insurance liabilities are recognized 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 recognized in the Profit or Loss over the life of the contract, whereas losses are fully recognized in the Statement of Profit or Loss during the first year of run off. The liability is derecognized when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate, net of related Present Value Interest Factor (PVIF) and DAC, by using an existing liability adequacy test. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows, option pricing models

and stochastic modeling. To the extent that the test involves discounting of cash flows, the interest rate applied may be based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in the 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.

5.5.2 Non life insurance contract liabilities

Non life insurance contract liabilities are recognized 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 equalization or catastrophe reserves is recognized. The liabilities are derecognized when the contract expires, is discharged or is cancelled.

The liabilities are derecognized 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 recognized 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 recognized as premium income. At each reporting date the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognized in the Statement of Profit or Loss by setting up a provision for liability adequacy.

5.6 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 recognized when contracts are entered into and premiums are charged. These liabilities are initially recognized 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 recognized in the Profit or Loss. Fair value is determined through the use of prospective discounted cash flow techniques. For unitized contracts, fair value is calculated as the number of units allocated to the policyholder in each unit linked fund multiplied by the unit price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit prices at the reporting date are valued on a basis consistent with their measurement basis in the Statement of Financial Position adjusted to take account of the effect on the liabilities of the deferred tax on unrealized gains on assets in the fund.

Non utilized 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 derecognized 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.

Notes to the Financial Statements

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.

5.7 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.

5.8 Classification of financial instruments between debt and equity

A financial instrument is classified as debt if it has a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

5.9 Other financial liabilities and insurance payables

Other financial liabilities are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

5.10 Derecognition of financial liabilities and insurance payables

Financial liabilities and insurance payables are derecognized when the obligation under the liability is discharged, cancelled or expired.

5.11 Income recognition

5.11.1 Gross premiums

Gross recurring premiums on life and investment contracts with DPF are recognized as revenue when receivable from the policyholder. For single premium business, revenue is recognized 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 recognized on the date on which the policy commences.

5.11.2 Reinsurance premiums

Gross reinsurance premiums on life and investment contracts are recognized 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 recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the balance sheet date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

5.12 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.

5.13 Benefits, claims and expenses recognition

5.13.1 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 recognized in respect of direct and inward reinsurance business. The liability covers claims reported but not yet paid, Incurred But Not Reported (IBNR) claims and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

5.13.2 Reinsurance claims

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

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 and is effective for the periods commencing on or after 1 January 2016.

(i) SLFRS 9 – Financial Instruments: Classification and Measurement

SLFRS 9 states a logical principle base to classify financial assets and financial liabilities which is driven by cash flow characteristics and the business model in which an assets or liability is held. Further this standard recommends the assessment of impairment based on more timely recognition of expected credit losses and entities are required to account for expected credit losses from the initial recognition of financial instruments and it lowers the threshold for recognition of full life time expected losses. By aligning financial accounting treatment with risk management activities,

SLFRS 9 specifies enhanced models and disclosure requirements for hedge accounting too.

SLFRS 9 will become effective on 1 January 2018 and will have an effect an classification and measurement of the Group's financial assets.

(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 will become effective on 1 January 2018. The impact on implementation of the above standard has not been quantified yet.

In addition to the above, SLFRS 14 - Regulatory Deferral Accounts will also be effective for the annual periods commencing on or after 1 January 2016.

The following amendments and improvements are not expected to have a significant impact on the Bank's / Group's Consolidated Financial Statements.

- Accounting for acquisitions of interests in joint operations (Amendments to SLFRS 11)
- Classification of acceptable methods of depreciation and amortization (Amendments to LKAS 16 and LKAS 38)
- Equity method in separate financial statements (Amendments to LKAS 27)
- Sale or contribution of assets between an investor and its associate or joint venture (Amendments to SLFRS 10 and LKAS 28)
- Annual Improvements to SLFRS 2012-2014 cycle (various standards)
- Investment entities : Applying the Consolidation exception (Amendments to SLFRS 10, SLFRS 12 and LKAS 28)
- Disclosure initiative (Amendments to LKAS 1)

Notes to the Financial Statements

7 Total income

For the year ended 31 December	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Interest income [Note 8.1]	114,158,754	107,394,796	118,497,526	111,950,598
Fee and commission income [Note 9]	8,909,197	9,188,079	9,258,470	9,510,215
Net gains / (losses) from trading [Note 10]	3,968,014	4,859,913	3,985,172	5,038,541
Net gains / (losses) from financial investments [Note 11]	610,336	2,880,854	641,918	2,900,005
Other operating income [Note 12]	5,269,140	2,222,301	7,014,896	3,623,986
Total income	132,915,441	126,545,943	139,397,982	133,023,345

8 Net interest income

8.1 Interest income

Cash and cash equivalents	1,577,768	435,309	1,648,187	474,969
Securities purchased under resale agreements	472,712	2,667,364	487,889	2,739,360
Placements with banks	676,498	340,339	689,181	378,281
Financial instruments - Held for trading	1,447,782	823,894	1,447,981	867,843
Financial investments - Loans and receivables	8,736,533	6,677,089	8,855,100	6,748,759
Loans and advances to customers	76,954,207	73,539,022	80,859,786	77,657,869
Financial investments - Available for sale	216,600	412,305	424,620	495,953
Financial investments - Held to maturity	24,076,654	22,499,474	24,084,782	22,587,564
Total interest income	114,158,754	107,394,796	118,497,526	111,950,598

Interest income on loans and advances to customers includes interest on impaired loans LKR 597.9 million for the year 2015 (2014 : LKR 328.7 million).

For the year ended 31 December	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
8.2 Interest expenses				
Due to banks	943	93	45,393	46,642
Due to customers	44,410,969	49,481,400	45,490,124	50,542,334
Other borrowings	16,971,056	13,808,587	17,171,788	14,373,159
Debt securities issued	1,496,632	2,201,824	2,134,306	2,781,894
Subordinated term debts	3,539,798	3,452,507	3,539,798	3,452,507
Total interest expenses	66,419,398	68,944,411	68,381,409	71,196,536
Net interest income	47,739,356	38,450,385	50,116,117	40,754,062

		Bank		Group	
	For the year ended 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
8.3	**Net interest income from Sri Lanka Government securities**				
	Interest income	26,205,881	24,265,949	26,414,550	24,419,518
	Less : Interest expenses	5,197,600	3,573,225	5,197,600	3,573,277
	Net interest income from Sri Lanka Government securities	21,008,281	20,692,724	21,216,950	20,846,241

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 translations 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 2,146.7 million (2014 : LKR 2,311.8 million) for the Bank and LKR 2,181.1 million (2014 : LKR 2,340.3 million) for the Group.

9 Net fee and commission income

		Bank		Group	
	For the year ended 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
	Fee and commission income	8,909,197	9,188,079	9,258,470	9,510,215
	Less : Fee and commission expenses	1,070,847	1,088,207	1,176,580	1,186,436
	Net fee and commission income [Note 9.1]	7,838,350	8,099,872	8,081,890	8,323,779
9.1	**Net fee and commission income**				
	Trade and other related activities	2,396,616	3,002,954	2,438,235	3,128,641
	Loans	515,431	465,614	527,175	474,467
	Credit cards	853,803	715,488	853,803	715,488
	Travel and remittances	645,525	585,186	645,525	585,186
	Custodial services	88,722	43,215	88,722	43,215
	Deposits	1,978,501	1,755,522	1,978,501	1,755,621
	Guarantees	1,104,444	1,326,689	1,105,399	1,326,832
	Other financial services	255,308	205,204	444,530	294,329
	Net fee and commission income	7,838,350	8,099,872	8,081,890	8,323,779

Notes to the Financial Statements

10 Net gains / (losses) from trading

For the year ended 31 December	Bank 2015 LKR '000	Bank 2014 LKR '000	Group 2015 LKR '000	Group 2014 LKR '000
Foreign exchange				
From banks	1,435	24,022	1,848	24,156
From other customers	3,820,141	3,199,277	3,849,265	3,222,739
Interest rates				
Gains / (Losses) on marked to market valuation on securities	(75,645)	(47,519)	(75,645)	(47,519)
Gains / (Losses) on sale of securities	291,317	963,865	291,317	963,865
Equities				
Gains / (Losses) on marked to market valuation on securities	(199,135)	461,422	(254,471)	579,419
Gains / (Losses) on sale of securities	18,574	57,179	48,972	82,377
Dividend income	111,327	201,667	123,886	213,504
Net gains / (Losses) from trading	3,968,014	4,859,913	3,985,172	5,038,541

11 Net gains / (losses) from financial investments

Financial investments - Available for sale				
Government securities	91,851	246,483	91,851	246,542
Dividend income	518,485	364,452	550,067	383,544
Gains on disposal of financial instruments	-	2,269,919	-	2,269,919
Net gains / (Losses) from financial investments	610,336	2,880,854	641,918	2,900,005

12 Other operating income

Dividend income from subsidiaries and associates	259,048	291,921	-	-
Gains / (Losses) on revaluation of foreign exchange	2,311,271	(27,418)	2,311,271	(27,418)
Gains / (Losses) on sale of property, plant and equipment	527	34,042	(9,173)	47,032
Gains / (Losses) on sale of foreclosed properties	202,900	30,938	202,900	30,938
Recovery of loan written off	41,072	70,737	57,472	90,046
Rental income	194,733	185,622	266,321	258,127
Service income	1,944,284	1,351,606	2,466,311	1,794,101
Profits from sale of gold bullion	13,779	40,348	13,779	40,348
Miscellaneous income	202,291	132,990	282,422	179,945
Gross insurance premium	-	-	1,324,358	1,099,352
Net income from Islamic banking [Note 12.1]	99,235	111,515	99,235	111,515
Total other operating income	5,269,140	2,222,301	7,014,896	3,623,986

12.1 Net income from Islamic banking

Income from Islamic banking operations	161,119	168,705	161,119	168,705
Less : Profit paid to investors	61,884	57,190	61,884	57,190
Net income from Islamic banking	99,235	111,515	99,235	111,515

13 Impairment charge / (reversal) for loans and other losses

For the year ended 31 December	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
13.1 Net impairment charge / (reversal) for loans and advances				
Individual impairment [Note 13.1.1]	2,046,684	2,007,235	2,394,291	2,395,423
Collective impairment	5,270,751	5,203,681	5,385,295	5,536,102
Net impairment charge / (reversal) for loans and advances	7,317,435	7,210,916	7,779,586	7,931,525
13.1.1 Individual impairment				
Charge during the year	3,672,310	2,721,983	4,019,917	3,110,171
Less : Amount reversal / recovered during the year	1,625,626	714,748	1,625,626	714,748
Net individual impairment charge / (reversal) during the year	2,046,684	2,007,235	2,394,291	2,395,423
13.2 Impairment charge for investment in subsidiaries				
Impairment charge during the year*	-	700,000	-	-
Total impairment charge for investment in subsidiaries	-	700,000	-	-
Total impairment charge / (reversal) for loans and other losses	7,317,435	7,910,916	7,779,586	7,931,525

* The Bank performs its annual impairment test and impairment provision is made on investment in subsidiaries based on the recoverable amount of the subsidiaries which is determined at higher of its fair value less cost of disposal and its value in use. During the year Bank has not provided any impairment charge for the investment in subsidiaries.

14 Personnel expenses

For the year ended 31 December	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Staff emoluments	12,282,251	11,189,934	13,379,110	12,198,601
Contributions to defined benefit plans [Note 14.1]	524,907	579,007	591,330	636,642
Contributions to defined contribution plans [Note 14.2]	1,064,444	826,861	1,174,290	927,264
Other personnel expenses	2,872,594	1,120,045	3,013,338	1,293,248
Total personnel expenses	16,744,196	13,715,847	18,158,068	15,055,755
14.1 Contributions to defined benefit plans				
Employers' contribution to:				
Bank of Ceylon Pension Trust Fund [Note 44.1]	772,703	981,637	772,703	981,637
Bank of Ceylon Widows' / Widowers' and Orphans' Pension Fund [Note 44.2]	(274,158)	(43,334)	(274,158)	(43,334)
Terminal gratuity [Note 44.3]	26,362	(359,296)	86,340	(308,341)
Pension fund - Bank of Ceylon (UK) Limited	-	-	6,445	6,680
Total contributions to defined benefit plans	524,907	579,007	591,330	636,642

Notes to the Financial Statements

		Bank		Group	
	For the year ended 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
14.2	**Contributions to defined contribution plans**				
	Employers' contribution to:				
	Employees' Provident Fund	851,848	662,203	940,311	743,265
	Employees' Trust Fund	212,596	164,658	233,979	183,999
	Total contributions to defined contribution plans	1,064,444	826,861	1,174,290	927,264
15	**Other expenses**				
	Directors' emoluments	5,165	6,826	19,648	21,113
	Auditors' remuneration				
	Audit fees	21,132	20,694	33,141	32,564
	Non audit fees	-	-	270	1,125
	Deposit insurance premium	1,083,717	860,955	1,101,786	872,987
	Professional and legal expenses	603,030	286,193	648,714	367,859
	Donation to approved charities	-	-	231	70
	Depreciation of investment properties	-	-	3,036	3,038
	Depreciation of property, plant and equipment	1,196,066	1,019,315	1,637,836	1,411,368
	Revaluation loss on buildings	-	64,010	-	64,010
	Intangible assets written off	-	9,970	-	9,970
	Amortization of leasehold properties	2,814	1,562	4,171	2,919
	Amortization of intangible assets	191,855	170,417	240,019	213,528
	Fixed assets maintenance expenses	3,308,842	3,313,337	2,965,837	2,910,794
	Expenses on gold in hand	1,438,956	562,404	1,438,956	562,404
	Reinsurance premium, claims and other benefits	-	-	1,190,759	914,423
	Office administration and establishment expenses	3,417,348	4,227,971	4,361,913	5,191,184
	Total other expenses	11,268,925	10,543,654	13,646,317	12,579,356

		Group	
		2015 LKR '000	2014 LKR '000
16	**Share of profits / (losses) of associate companies before tax**		
	Ceybank Asset Management Limited	39,819	44,580
	Lanka Securities (Private) Limited	10,156	24,282
	Mireka Capital Land (Private) Limited	42,994	379,649
	Transnational Lanka Records Solutions (Private) Limited	13,864	14,004
	Southern Development Financial Company Limited	-	(79)
	Total share of profits / (losses) of associate companies before tax	106,833	462,436

17 Income tax expense

For the year ended 31 December	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
17.1 The components of income tax expense				
Income tax expense on profits for the year	7,016,389	5,633,864	7,248,637	5,926,722
Under / (Over) provision of taxes in respect of prior years	934,978	(31,841)	941,951	(46,297)
Charge / (Reversal) of deferred tax [Note 35]	(29,890)	1,114,877	(88,064)	1,178,231
Income tax expense for the year	7,921,477	6,716,900	8,102,524	7,058,656
17.2 Reconciliation of accounting profit and income tax expense				
Accounting profit before income tax	25,278,915	20,290,957	25,489,911	21,430,998
Less : Share of profits of associate companies	-	-	106,833	462,436
	25,278,915	20,290,957	25,383,078	20,968,562
Add : Dividend income from subsidiaries and associates	-	-	259,048	291,921
	25,278,915	20,290,957	25,642,126	21,260,483
Add : Disallowable expenses	35,842,327	24,587,347	38,311,252	26,165,804
	61,121,242	44,878,304	63,953,378	47,426,287
Less: Allowable expenses	25,071,145	18,135,087	26,950,234	19,309,592
Less: Tax exempt income	13,296,391	8,074,710	13,564,315	8,366,631
Taxable income	22,753,706	18,668,507	23,438,829	19,750,064
Current tax at rate of 28% (2014 - 28%)	6,371,038	5,227,182	6,562,872	5,530,018
Effect of different tax rates in the Group	-	-	54	(48,053)
Effect of different tax rates in other countries	645,351	406,682	645,351	406,682
10% withholding tax on inter company dividends	-	-	27,117	27,311
Share of tax on profits of associate companies	-	-	13,243	10,764
Under / (Over) provision of taxes in respect of prior years	934,978	(31,841)	941,951	(46,297)
Charge / (Reversal) of deferred tax [Note 35]	(29,890)	1,114,877	(88,064)	1,178,231
Income tax expense for the year	7,921,477	6,716,900	8,102,524	7,058,656
Effective income tax rate	31.3%	33.1%	31.8%	32.9%

Notes to the Financial Statements

17 Income tax expense (contd.)

For the year ended 31 December	2015	2014
17.3 The tax liabilities of resident companies are computed at the standard rate of 28%, except following companies which enjoy full or partial exemptions and concessions.		
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%	20.5%

* In accordance with the agreement with 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 and provided that the company make 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 "Earnings Per Share", basic 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 (the denominator) during the year.

	Bank		Group	
For the year ended 31 December	2015	2014	2015	2014
Profit attributable to ordinary shareholder of the Bank (LKR '000)	17,357,438	13,574,057	17,376,077	14,424,118
Weighted average number of ordinary shares in issue [Note 18.1.1]	7,123,288	5,000,000	7,123,288	5,000,000
Basic earnings per share (LKR)	2,436.72	2,714.81	2,439.33	2,884.82

	Bank		Group	
	2015	2014	2015	2014
18.1.1 Weighted average number of ordinary shares in issue				
Number of ordinary shares in issue as at 1 January	5,000,000	5,000,000	5,000,000	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	7,123,288	5,000,000	7,123,288	5,000,000

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	2015	2014	2015	2014
Profit attributable to ordinary shareholder of the Bank (LKR '000)	17,357,438	13,574,057	17,376,077	14,424,118
Weighted average number of ordinary shares in issue	7,123,288	5,000,000	7,123,288	5,000,000
Weighted average number of potential ordinary shares under pending allotment during the year	2,876,712	383,562	2,876,712	383,562
Weighted average number of ordinary shares after adjusting for dilution	10,000,000	5,383,562	10,000,000	5,383,562
Diluted earnings per share (LKR)	1,735.74	2,521.39	1,737.61	2,679.29

18.3 Dividend per share

Dividend per share is calculated by dividing the total dividend allocated to ordinary shareholder 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	2015	2014	2015	2014
Total dividend allocated to shareholder during the year (LKR '000)	6,346,410	6,846,410	6,346,410	6,846,410
Weighted average number of ordinary shares in issue	7,123,288	5,000,000	7,123,288	5,000,000
Dividend per share (LKR)	890.94	1,369.28	890.94	1,369.28

Notes to the Financial Statements

19 Analysis of financial instruments by measurement

As at 31 December	2015				
	Held for trading LKR '000	Held to maturity LKR '000	Amortized cost LKR '000	Available for sale LKR '000	Total LKR '000
19.1 Bank					
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
Derivative financial instruments	7,419,288	-	-	-	7,419,288
Securities purchased under resale agreements	-	-	12,299,088	-	12,299,088
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	Amortized cost LKR '000	Total LKR '000
Financial liabilities			
Due to banks	-	2,630,408	2,630,408
Derivative financial instruments	156,302	-	156,302
Due to customers	-	1,082,337,118	1,082,337,118
Other borrowings	-	337,442,256	337,442,256
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

As at 31 December	2014				
	Held for trading LKR '000	Held to maturity LKR '000	Amortized cost LKR '000	Available for sale LKR '000	Total LKR '000
19.1 Bank					
Financial assets					
Cash and cash equivalents	-	-	35,583,408	-	35,583,408
Balances with Central Banks	-	-	30,422,373	-	30,422,373
Placements with banks	-	-	13,348,945	-	13,348,945
Derivative financial instruments	1,714,556	-	-	-	1,714,556
Securities purchased under resale agreements	-	-	58,953,093	-	58,953,093
Financial instruments - Held for trading	17,862,433	-	-	-	17,862,433
Financial investments - Loans and receivables	-	-	130,861,368	-	130,861,368
Loans and advances to customers	-	-	741,347,635	-	741,347,635
Financial investments - Available for sale	-	-	-	14,361,543	14,361,543
Financial investments - Held to maturity	-	214,801,400	-	-	214,801,400
Total financial assets	19,576,989	214,801,400	1,010,516,822	14,361,543	1,259,256,754

As at 31 December	2014		
	Held for trading LKR '000	Amortized cost LKR '000	Total LKR '000
Financial liabilities			
Due to banks	-	889,876	889,876
Derivative financial instruments	734,548	-	734,548
Due to customers	-	933,966,169	933,966,169
Other borrowings	-	246,736,462	246,736,462
Debt securities issued	-	20,762,198	20,762,198
Subordinated term debts	-	32,519,715	32,519,715
Total financial liabilities	734,548	1,234,874,420	1,235,608,968

Notes to the Financial Statements

19 Analysis of financial instruments by measurement (contd.)

As at 31 December	2015				
	Held for trading LKR '000	Held to maturity LKR '000	Amortized cost LKR '000	Available for sale LKR '000	Total LKR '000
19.2 Group					
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
Derivative financial instruments	7,419,288	-	-	-	7,419,288
Securities purchased under resale agreements	-	-	13,678,789	-	13,678,789
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	Amortized cost LKR '000	Total LKR '000
Financial liabilities			
Due to banks	-	2,632,827	2,632,827
Derivative financial instruments	156,302	-	156,302
Due to customers	-	1,097,950,702	1,097,950,702
Other borrowings	-	342,009,044	342,009,044
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

As at 31 December	2014				
	Held for trading LKR '000	Held to maturity LKR '000	Amortized cost LKR '000	Available for sale LKR '000	Total LKR '000
19.2 Group					
Financial assets					
Cash and cash equivalents	-	-	37,872,965	-	37,872,965
Balances with Central Banks	-	-	30,422,373	-	30,422,373
Placements with banks	-	-	13,479,168	-	13,479,168
Derivative financial instruments	1,714,556	-	-	-	1,714,556
Securities purchased under resale agreements	-	-	60,236,389	-	60,236,389
Financial instruments - Held for trading	18,437,958	-	-	-	18,437,958
Financial investments - Loans and receivables	-	-	131,682,844	-	131,682,844
Loans and advances to customers	-	-	763,772,052	-	763,772,052
Financial investments - Available for sale	-	-	-	17,611,160	17,611,160
Financial investments - Held to maturity	-	215,024,094	-	-	215,024,094
Total financial assets	20,152,514	215,024,094	1,037,465,791	17,611,160	1,290,253,559

As at 31 December	2014		
	Held for trading LKR '000	Amortized cost LKR '000	Total LKR '000
Financial liabilities			
Due to banks	-	949,127	949,127
Derivative financial instruments	734,548	-	734,548
Due to customers	-	943,934,463	943,934,463
Other borrowings	-	252,168,157	252,168,157
Debt securities issued	-	26,218,337	26,218,337
Subordinated term debts	-	32,177,810	32,177,810
Total financial liabilities	734,548	1,255,447,894	1,256,182,442

Notes to the Financial Statements

20 Cash and cash equivalents

As at 31 December	Bank 2015 LKR '000	Bank 2014 LKR '000	Group 2015 LKR '000	Group 2014 LKR '000
Local currency in hand	27,381,147	23,744,062	27,514,817	23,777,765
Foreign currency in hand	1,055,267	702,854	1,066,107	721,896
Balances with banks	12,923,761	4,718,548	12,873,759	5,458,898
Money at call and at short notice	38,556,384	6,417,944	42,268,038	7,914,406
Total cash and cash equivalents	79,916,559	35,583,408	83,722,721	37,872,965

21 Balances with Central Banks

Central Bank of Sri Lanka [Note 21.1]	30,508,546	26,875,888	30,508,546	26,875,888
Reserve Bank of India [Note 21.2]	120,452	123,346	120,452	123,346
Maldives Monetary Authority [Note 21.3]	8,209,788	3,298,742	8,209,788	3,298,742
Central Bank of Seychelles [Note 21.4]	101,004	124,397	101,004	124,397
Total balances with Central Banks	38,939,790	30,422,373	38,939,790	30,422,373

21.1 In terms of the provisions of Section 93 of the Monetary Law Act No. 58 of 1949, the Bank is required to maintain a cash reserve with the Central Bank of Sri Lanka. The minimum cash reserve requirement as of 31 December 2015 was 6% (2014 : 6%) on 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 Offshore Banking Division in Sri Lanka (2014 : Nil).

21.2 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 requirement as of 31 December 2015 was 4% (2014 : 4%) on its demand and term deposit liabilities.

21.3 In accordance with the prevailing regulations of the Maldives Monetary Authority (MMA), the branch 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. (2014 : 20%)

21.4 In accordance with the regulations of the Central Bank of Seychelles, the branch is required to maintain a reserve deposit based on 13% of the branch's commercial deposits liabilities to the public in Seychelles. (2014 : 13%)

22 Placements with banks

As at 31 December	Bank 2015 LKR '000	Bank 2014 LKR '000	Group 2015 LKR '000	Group 2014 LKR '000
Placements - within Sri Lanka	-	2,630,173	-	2,633,699
Placements - outside Sri Lanka	27,975,582	10,718,772	28,355,579	10,845,469
Total placements with banks	27,975,582	13,348,945	28,355,579	13,479,168

23 Derivative financial instruments

As at 31 December	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Forward exchange contracts	33,318	225,154	33,318	225,154
Currency SWAPs	7,385,970	1,489,402	7,385,970	1,489,402
Total derivative financial instruments	7,419,288	1,714,556	7,419,288	1,714,556

24 Financial instruments - Held for trading

Treasury bills	7,298,725	10,207,422	7,298,725	10,207,422
Treasury bonds	947,132	4,565,393	947,132	4,565,393
Sri Lanka Sovereign Bonds	141,502	141,022	141,502	141,022
Quoted equities [Note 24.1]	3,785,945	2,948,596	4,336,272	3,518,833
Quoted units in unit trusts [Note 24.2]	-	-	-	2,784
Quoted debt securities [Note 24.3]	-	-	2,414	2,504
Total financial instruments - Held for trading	12,173,304	17,862,433	12,726,045	18,437,958

The Bank has not pledged any treasury bills or treasury bonds - held for trading as collateral as at 31 December 2015 (2014 : Nil).

Notes to the Financial Statements

24 Financial instrument - Held for trading (contd.)

As at 31 December	Bank							
	2015				2014			
	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
24.1 Quoted equities								
Banks, Finance and Insurance								
Hatton National Bank PLC	84,425	19,345	210.60	17,780	84,425	19,345	194.90	16,454
		19,345		17,780		19,345		16,454
Beverage, Food and Tobacco								
Bairaha Farms PLC	69,245	23,832	199.70	13,828	34,900	15,807	125.00	4,363
Cargills (Ceylon) PLC	1,303,613	268,297	189.00	246,383	1,095,930	238,325	153.00	167,677
Ceylon Tobacco Company PLC	230,609	221,846	992.50	228,879	64,247	73,151	1,060.10	68,108
Distilleries Company of Sri Lanka PLC	80	17	246.00	20	273,153	55,584	210.00	57,362
HVA Foods PLC	20,000	905	7.50	150	20,000	905	10.20	204
Lanka Milk Foods (CWE) PLC	-	-	-	-	236,842	31,378	120.40	28,516
Lucky Lanka Milk Processing PLC - Voting	1,000,000	6,000	3.40	3,400	1,000,000	6,000	4.90	4,900
Lucky Lanka Milk Processing PLC - Non voting	91,900	276	1.60	147	91,900	276	2.80	257
		521,173		492,807		421,426		331,387
Chemicals and Pharmaceuticals								
Chemanex PLC	100,000	16,685	70.00	7,000	100,000	16,685	80.00	8,000
CIC Holdings PLC - Voting	743,089	121,806	100.30	74,532	650,100	111,195	85.00	55,259
CIC Holdings PLC - Non voting	416,189	40,011	81.20	33,795	141,400	15,732	66.40	9,389
Haycarb PLC	251,067	48,262	164.90	41,401	251,067	48,262	173.00	43,435
Lankem Ceylon PLC	72,400	32,703	90.00	6,516	72,400	32,703	110.10	7,971
		259,467		163,244		224,577		124,054
Construction and Engineering								
Access Engineering PLC	1,359,532	32,404	23.10	31,405	1,259,532	30,208	32.10	40,431
Colombo Dockyard PLC	897,622	201,955	150.10	134,733	851,183	194,360	193.00	164,278
		234,359		166,138		224,568		204,709

As at 31 December	Bank							
	2015				2014			
	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
Diversified Holdings								
Aitken Spence PLC	2,596,230	360,512	96.70	251,055	1,633,360	263,949	103.50	169,053
Browns Capital PLC	200,000	991	1.30	260	200,000	991	2.00	400
Browns Investments PLC	3,073,412	13,317	1.40	4,303	3,073,412	13,317	1.90	5,839
Carson Cumberbatch PLC	313,352	141,328	346.10	108,451	167,623	82,400	430.40	72,145
C T Holdings PLC	244,944	36,788	140.00	34,292	141,348	22,417	143.00	20,213
Expolanka Holdings PLC	1,716,193	15,964	8.10	13,901	1,657,820	15,481	8.60	14,257
Hayleys PLC	68,097	21,556	307.40	20,933	73,984	22,578	339.90	25,147
Hemas Holdings PLC	-	-	-	-	131,574	5,512	74.30	9,776
John Keells Holdings PLC	2,900,062	577,179	178.10	516,501	725,649	182,208	250.00	181,412
John Keells Holdings PLC - Warrant 23	36,189	1,947	32.30	1,169	25,000	1,947	72.50	1,813
Richard Pieris and Company PLC	6,889,225	90,662	8.50	58,558	6,673,126	88,850	8.50	56,722
Softlogic Holdings PLC	1,696,191	33,415	15.50	26,291	595,300	15,704	16.50	9,822
The Colombo Fort Land & Building PLC	149,500	10,307	22.90	3,424	149,500	10,307	28.30	4,231
Vallibel One PLC	2,427,704	70,962	21.50	52,196	1,567,604	48,546	23.90	37,466
		1,374,928		1,091,334		774,207		608,296
Footware and Textiles								
Hayleys Fabric PLC	202,620	3,763	22.40	4,539	-	-	-	-
ODEL PLC	222,295	9,325	21.90	4,868	197,400	8,796	22.00	4,343
		13,088		9,407		8,796		4,343
Health Care								
Nawaloka Hospitals PLC	90,700	392	3.30	299	90,700	392	3.30	299
Singhe Hospitals PLC	4,000,000	10,000	2.10	8,400	-	-	-	-
The Lanka Hospital Corporation PLC	53,690	2,889	60.30	3,238	2,500	111	48.00	120
		13,281		11,937		503		419

Notes to the Financial Statements

24 Financial instruments - Held for trading (contd.)

As at 31 December	Bank							
	2015				2014			
	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
24.1 Quoted equities (contd.)								
Hotels and Travels								
Aitken Spence Hotel Holdings PLC	2,547,422	232,670	68.00	173,225	2,357,252	217,402	78.50	185,044
Amaya Leisure PLC	554,016	51,911	66.70	36,953	527,635	49,801	85.00	44,849
Asian Hotels & Properties PLC	2,367,741	225,781	59.10	139,934	2,367,741	225,781	67.80	160,533
Citrus Leisure PLC	100,000	10,112	10.10	1,010	100,000	10,112	16.80	1,680
Eden Hotel Lanka PLC	775,550	41,864	17.50	13,572	609,600	38,087	25.70	15,667
Galadari Hotels (Lanka) PLC	61,030	927	10.50	641	61,030	927	14.50	885
John Keells Hotels PLC	893,487	14,553	15.40	13,760	833,487	13,531	17.00	14,169
Marawila Resorts PLC	100,000	782	2.80	280	50,000	632	6.00	300
Tal Lanka Hotels PLC	447,400	30,043	25.30	11,319	447,400	30,043	34.40	15,391
Tangerine Beach Hotels PLC	50,000	5,056	78.30	3,915	50,000	5,056	83.80	4,190
The Fortress Resorts PLC	1,461,100	50,506	15.00	21,917	1,461,100	50,506	16.90	24,693
The Kingsbury PLC	116,895	1,965	17.50	2,046	208,008	3,308	18.00	3,744
The Lighthouse Hotel PLC	-	-	-	-	100,000	6,124	55.00	5,500
Trans Asia Hotels PLC	477,200	48,407	94.40	45,048	477,200	48,407	92.10	43,950
		714,577		463,620		699,717		520,595
Investment Trust								
Ceylon Guardian Investment Trust PLC	107,847	32,747	174.10	18,776	91,700	29,682	194.90	17,872
Ceylon Investment PLC	446,206	73,124	79.60	35,518	442,000	72,718	97.50	43,095
Lanka Century Investments PLC	385,000	23,271	12.10	4,659	385,000	23,271	15.60	6,006
Renuka Holdings PLC	1,211,821	39,639	26.90	32,598	524,645	18,444	31.50	16,526
		168,781		91,551		144,115		83,499
Land and Property								
East West Properties PLC	-	-	-	-	103,282	1,560	12.80	1,322
Overseas Realty (Ceylon) PLC	945,081	24,534	23.20	21,926	62,987	1,776	26.30	1,657
		24,534		21,926		3,336		2,979

	Bank							
As at 31 December	2015				2014			
	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	17,880	4,931	135.40	2,421	17,880	4,931	118.50	2,119
ACL Cables PLC	384,199	31,619	120.90	46,450	456,324	32,995	76.40	34,863
ACME Printing & Packaging PLC	1,078,700	35,020	8.20	8,845	1,078,700	35,020	11.00	11,866
Alumex PLC	-	-	-	-	196,882	2,756	15.90	3,130
Central Industries PLC	43,525	3,345	116.30	5,062	48,525	3,729	86.00	4,173
Ceylon Grain Elevators PLC	73,965	16,298	91.60	6,775	71,800	16,089	41.00	2,944
Chevron Lubricants Lanka PLC	418,983	154,550	344.00	144,130	31,557	10,850	399.60	12,610
Hayleys Fibre PLC	-	-	-	-	145,300	7,867	42.60	6,190
Kelani Tyres PLC	803,780	60,267	77.50	62,293	715,996	50,997	78.80	56,420
Lanka Cement PLC	9,014,438	78,876	7.90	71,214	9,583,809	83,858	6.60	63,253
Lanka Tiles PLC	973,200	130,512	110.90	107,928	973,200	130,512	110.00	107,052
Lanka Walltiles PLC	212,014	19,546	109.80	23,279	409,515	37,754	97.30	39,846
Orient Garments PLC	280,877	8,780	7.30	2,050	348,900	10,906	15.00	5,234
Piramal Glass Ceylon PLC	3,288,600	32,322	6.10	20,060	3,288,600	32,322	4.90	16,114
Royal Ceramics Lanka PLC	1,301,830	153,603	111.20	144,764	1,754,958	206,116	116.90	205,155
Sierra Cables PLC	20,000	94	4.00	80	2,400	14	3.90	9
Textured Jersey Lanka PLC	558,984	10,341	35.50	19,844	510,308	8,683	20.60	10,512
Tokyo Cement Company (Lanka) PLC - Non voting	1,191,932	49,945	39.50	47,081	513,007	20,948	46.90	24,060
		790,049		712,276		696,347		605,550
Motors								
C M Holdings PLC	50,857	17,422	110.20	5,604	50,857	17,422	129.10	6,566
Diesel & Motor Engineering PLC	77,935	84,514	615.50	47,969	36,356	55,836	636.00	23,122
Sathosa Motors PLC	16,000	6,198	312.00	4,992	16,000	6,198	245.00	3,920
United Motors Lanka PLC	373,182	38,127	91.90	34,295	264,916	27,230	103.60	27,445
		146,261		92,860		106,686		61,053
Oil Palms								
Bukit Darah PLC	119,257	83,965	511.20	60,964	47,957	37,098	715.00	34,289
		83,965		60,964		37,098		34,289

Notes to the Financial Statements

24 Financial instruments - Held for trading (contd.)

As at 31 December	Bank							
	2015				2014			
	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
24.1 Quoted equities (contd.)								
Plantations								
Agalawatte Plantations PLC	45,600	4,608	20.50	935	45,600	4,608	27.10	1,236
Balangoda Plantations PLC	30,000	2,184	17.60	528	30,000	2,184	26.50	795
Horana Plantations PLC	513,000	43,752	21.40	10,978	513,000	43,752	24.10	12,363
Kahawatte Plantations PLC	838,629	33,921	37.20	31,197	838,629	33,921	35.50	29,771
Kegalle Plantations PLC	50,600	13,703	66.50	3,365	50,600	13,703	94.00	4,756
Kotagala Plantations PLC	486,665	34,711	17.80	8,663	486,665	34,711	31.60	15,379
Namunukula Plantations PLC	80,000	12,458	60.50	4,840	80,000	12,458	89.40	7,152
Watawala Plantations PLC	350,100	10,998	24.30	8,507	350,100	10,998	18.80	6,582
		156,335		69,013		156,335		78,034
Power and Energy								
Browns Hydro Power PLC	173,194	1,427	7.00	1,212	173,194	1,427	5.70	987
Lanka IOC PLC	150,000	5,975	37.10	5,565	-	-	-	-
Laugfs Gas PLC - Voting	168,727	4,688	41.50	7,002	168,727	4,688	40.50	6,833
Laugfs Gas PLC - Non voting	3,420,538	142,754	38.10	130,322	3,420,538	142,754	37.20	127,244
Panasian Power PLC	1,029,200	6,407	3.50	3,602	1,029,200	6,407	3.20	3,293
Resus Energy PLC	1,117,700	45,609	25.00	27,943	1,117,700	45,609	18.10	20,230
Vallibel Power Erathna PLC	667,050	5,670	8.90	5,937	1,650,000	14,025	7.20	11,880
		212,530		181,583		214,910		170,467
Services								
John Keells PLC	250,200	22,759	82.10	20,541	250,200	22,759	90.30	22,593
		22,759		20,541		22,759		22,593
Stores and Supplies								
Hunters & Company PLC	27,100	21,923	420.00	11,382	27,100	21,923	386.20	10,466
		21,923		11,382		21,923		10,466
Telecommunications								
Dialog Axiata PLC	172,108	1,828	10.70	1,842	562,308	5,950	13.30	7,479
Sri Lanka Telecom PLC	214,000	7,496	47.00	10,058	214,000	7,496	49.90	10,679
		9,324		11,900		13,446		18,158

	Bank							
As at 31 December	2015				2014			
	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	101.10	81,852	396,073	82,233	107.00	42,380
Ceylon & Foreign Trades PLC	830,100	8,533	6.30	5,230	830,100	8,533	7.50	6,226
C. W. Mackie PLC	78,505	4,457	57.90	4,545	-	-	-	-
Singer Sri Lanka PLC	29,408	3,327	137.90	4,055	22,437	2,308	117.90	2,645
		149,343		95,682		93,074		51,251
Total quoted equities		4,936,022		3,785,945		3,883,168		2,948,596

Note : 33.2% of the Bank's trading equity portfolio comprised of S&P Sri Lanka 20 index constituents as of end 2015 (26.0% - 2014).

Notes to the Financial Statements

24 Financial instruments - Held for trading (contd.)

As at 31 December	Group							
	2015				2014			
	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
24.1 Quoted equities (contd.)								
Banks, Finance and Insurance								
A I A Insurance Lanka PLC	-	-	-	-	2,078	667	302.00	628
Asia Asset Finance PLC	2,520,000	4,388	1.70	4,284	1,020,000	1,889	1.90	1,938
Central Finance Company PLC	39,894	10,531	253.00	10,093	-	-	-	-
Ceylinco Insurance PLC	2,810	4,426	1,485.60	4,175	-	-	-	-
Chilaw Finance PLC	38,857	855	22.90	890	4,753	110	27.10	129
Citizens Development Business Finance PLC - Non voting	44,733	3,992	80.00	3,579	9,639	732	74.00	713
Commercial Bank of Ceylon PLC - Voting	10,000	1,745	140.20	1,402	-	-	-	-
Commercial Bank of Ceylon PLC - Non voting	68,018	8,367	123.00	8,366	33,018	3,681	125.10	4,131
DFCC Bank PLC	120,000	24,993	168.10	20,172	120,000	24,993	219.00	26,280
First Capital Holdings PLC	-	-	-	-	17,714	935	47.00	833
Hatton National Bank PLC - Voting	84,425	19,345	210.60	17,780	84,425	19,345	194.90	16,454
Hatton National Bank PLC - Non voting	15,000	2,625	177.90	2,669	-	-	-	-
HDFC Bank of Sri Lanka	27,000	1,866	67.10	1,812	-	-	-	-
HNB Assurance PLC	7,500	621	74.60	560	28,600	2,584	83.50	2,388
Janashakthi Insurance Company PLC	674,893	13,072	17.50	11,811	-	-	-	-
Lanka Orix Leasing Company PLC	126,600	14,642	94.00	11,900	75,000	9,626	88.00	6,600
National Development Bank PLC	67,704	15,688	194.10	13,141	-	-	-	-
Nations Trust Bank PLC	210,032	20,657	86.30	18,126	50,000	4,804	97.00	4,850
Sampath Bank PLC	25,000	6,283	248.00	6,200	5,000	1,416	236.30	1,182
Sanasa Development Bank PLC	-	-	-	-	152,350	12,059	90.90	13,849
Seylan Bank PLC - Voting	135,000	13,846	95.00	12,825	199,968	18,115	95.00	18,997
Seylan Bank PLC - Non voting	375,000	20,227	73.00	27,375	445,138	22,587	57.50	25,595
Softlogic Capital PLC	-	-	-	-	70,999	504	7.20	511
Softlogic Finance PLC	60,515	3,340	51.90	3,141	-	-	-	-
Swarnamahal Financial Services PLC	25,831	143	1.70	44	25,831	143	2.10	54
The Finance Company PLC - Non voting	200,000	1,000	4.50	900	-	-	-	-
Union Bank of Colombo PLC	-	-	-	-	662,300	14,969	25.30	16,756
Vallibel Finance PLC	-	-	-	-	319,054	14,399	46.00	14,676
		192,652		181,245		153,558		156,564

As at 31 December	Group							
	2015				2014			
	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	69,245	23,832	199.70	13,828	34,900	15,807	125.00	4,363
Cargills (Ceylon) PLC	1,303,613	268,297	189.00	246,383	1,095,930	238,325	153.00	167,677
Ceylon Tobacco Company PLC	235,609	226,296	992.50	233,842	64,247	73,151	1,060.10	68,108
Distilleries Company of Sri Lanka PLC	185,080	35,749	246.00	45,530	459,770	91,629	210.00	96,552
HVA Foods PLC	20,000	905	7.50	150	20,000	905	10.20	204
Keells Food Products PLC	10,729	1,899	207.60	2,227	-		-	-
Lanka Milk Foods (CWE) PLC	-	-	-	-	236,842	31,378	120.40	28,516
Lucky Lanka Milk Processing PLC - Voting	4,057,722	24,265	3.40	13,796	4,053,822	24,251	4.90	19,864
Lucky Lanka Milk Processing PLC - Non voting	91,900	276	1.60	147	226,600	680	2.80	634
Renuka Agri Foods PLC	752,274	3,177	4.10	3,084	80,521	372	4.80	387
Renuka Foods PLC	-	-	-	-	1,318	28	23.90	32
Three Acre Farms PLC	-	-	-	-	201,581	10,853	51.00	10,281
		584,696		558,987		487,379		396,618
Chemicals and Pharmaceuticals								
Chemanex PLC	100,000	16,685	70.00	7,000	109,519	17,521	80.00	8,762
CIC Holdings PLC - Voting	743,089	121,806	100.30	74,532	667,200	112,622	85.00	56,712
CIC Holdings PLC - Non voting	416,189	40,011	81.20	33,795	186,249	18,717	66.40	12,367
Haycarb PLC	251,067	48,263	164.90	41,401	265,827	50,844	173.00	45,988
Lankem Ceylon PLC	72,400	32,703	90.00	6,516	72,400	32,703	110.10	7,971
PC Pharma PLC	1,400,000	4,045	0.50	700	1,400,000	4,045	1.40	1,960
Muller & Phipps (Ceylon) PLC	-	-	-	-	375,000	700	1.50	563
		263,513		163,944		237,152		134,323
Construction and Engineering								
Access Engineering PLC	1,979,974	52,258	23.10	45,737	1,754,974	46,850	32.10	56,335
Colombo Dockyard PLC	915,540	205,492	150.10	137,423	858,710	196,184	193.00	165,731
MTD Walkers PLC	130,000	7,745	51.20	6,656	-	-	-	-
		265,495		189,816		243,034		222,066

Notes to the Financial Statements

24 Financial instruments - Held for trading (contd.)

As at 31 December	Group 2015 No of ordinary shares	2015 Cost of investment LKR '000	2015 Market price per share LKR	2015 Market value LKR '000	2014 No of ordinary shares	2014 Cost of investment LKR '000	2014 Market price per share LKR	2014 Market value LKR '000
24.1 Quoted equities (contd.)								
Diversified Holdings								
Adam Capital PLC	1,200,000	3,250	2.10	2,520	1,000,000	2,730	2.40	2,400
Aitken Spence PLC	2,711,230	372,128	96.70	262,176	1,794,357	280,225	103.50	185,716
Browns Capital PLC	200,000	990	1.30	260	302,300	1,558	2.00	605
Browns Investments PLC	5,026,446	18,539	1.40	7,037	8,718,326	28,391	1.90	16,565
Carson Cumberbatch PLC	313,352	141,328	346.10	108,451	167,623	82,400	430.40	72,145
C T Holdings PLC	264,944	40,994	140.00	37,092	161,348	26,623	143.00	23,073
Expolanka Holdings PLC	1,716,193	15,964	8.10	13,901	1,814,861	16,989	8.60	15,608
Hayleys PLC	68,097	21,556	307.40	20,933	73,984	22,578	339.90	25,147
Hemas Holdings PLC	117,803	10,013	92.90	10,944	131,574	5,512	74.30	9,776
John Keells Holdings PLC	3,150,855	623,686	178.10	561,167	815,478	203,574	250.00	203,870
John Keells Holdings PLC - Warrant 22	-	-	-	-	48,297	3,837	68.00	3,284
John Keells Holdings PLC - Warrant 23	481,718	26,107	32.30	15,559	305,323	22,088	72.50	22,136
Richard Pieris and Company PLC	6,889,225	90,662	8.50	58,558	6,673,126	88,850	8.50	56,722
Softlogic Holdings PLC	1,916,191	36,791	15.50	29,701	702,953	17,541	16.50	11,599
Taprobane Holdings PLC	-	-	-	-	2,000,000	10,063	4.60	9,200
The Colombo Fort Land & Building PLC	194,500	11,537	22.90	4,454	149,500	10,307	28.30	4,231
Vallibel One PLC	2,574,934	74,041	21.50	55,361	2,548,339	69,093	23.90	60,905
		1,487,586		1,188,114		892,359		722,982
Footware and Textiles								
Ceylon Leather Products PLC	5,770	481	77.00	444	-	-	-	-
Hayleys Fabric PLC	202,620	3,763	22.40	4,539	166,239	2,927	17.40	2,893
ODEL PLC	222,295	9,325	21.90	4,868	197,400	8,796	22.00	4,343
		13,569		9,851		11,723		7,236
Health Care								
Asiri Hospital Holdings PLC	-	-	-	-	50,000	1,150	21.60	1,080
Nawaloka Hospitals PLC	3,890,700	15,019	3.30	12,839	4,575,085	17,642	3.30	15,098
Singhe Hospitals PLC	4,000,000	10,000	2.10	8,400	-	-	-	-
The Lanka Hospital Corporation PLC	53,690	2,889	60.30	3,238	2,500	111	48.00	120
		27,908		24,477		18,903		16,298

As at 31 December	Group							
	2015				2014			
	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	2,610,641	238,463	68.00	177,524	2,420,471	223,197	78.50	190,007
Amaya Leisure PLC	554,016	51,911	66.70	36,953	536,405	50,515	85.00	45,594
Asian Hotels & Properties PLC	2,573,955	241,212	59.10	152,121	2,573,955	241,212	67.80	174,514
Bansei Royal Resorts Hikkaduwa PLC	28,600	306	9.00	257	-	-	-	-
Ceylon Hotels Corporation PLC	7,326	187	25.30	185	-	-	-	-
Beruwala Resorts PLC	-	-	-	-	108,992	205	1.90	207
Citrus Leisure PLC	100,000	10,112	10.10	1,010	100,000	10,112	16.80	1,680
Dolphin Hotels PLC	-	-	-	-	15,000	533	55.20	828
Eden Hotel Lanka PLC	903,293	45,541	17.50	15,808	737,343	41,764	25.70	18,950
Galadari Hotels (Lanka) PLC	671,417	9,842	10.50	7,050	479,146	7,158	14.50	6,948
John Keells Hotels PLC	968,487	15,728	15.40	14,915	864,428	14,050	17.00	14,695
Marawila Resorts PLC	1,059,168	5,438	2.80	2,966	529,584	3,849	6.00	3,178
Palm Garden Hotels PLC	147,472	10,928	38.10	5,619	36,868	4,845	80.00	2,949
Serendib Hotels PLC - Non voting	-	-	-	-	39,037	958	23.30	910
Tal Lanka Hotels PLC	447,400	30,043	25.30	11,319	447,400	30,043	34.40	15,391
Tangerine Beach Hotels PLC	50,000	5,056	78.30	3,915	50,000	5,056	83.80	4,190
The Fortress Resorts PLC	1,461,100	50,506	15.00	21,917	1,461,100	50,506	16.90	24,693
The Kingsbury PLC	2,054,622	43,811	17.50	35,956	2,122,089	44,759	18.00	38,198
The Lighthouse Hotel PLC	-	-	-	-	100,000	6,124	55.00	5,500
Trans Asia Hotels PLC	477,200	48,407	94.40	45,048	477,200	48,407	92.10	43,950
		807,491		532,563		783,293		592,382
Investment Trust								
Ceylon Guardian Investment Trust PLC	107,847	32,747	174.10	18,776	96,700	30,682	194.90	18,847
Ceylon Investment PLC	537,370	82,017	79.60	42,775	478,020	76,512	97.50	46,607
Guardian Capital Partners PLC	18,472	1,006	40.30	744	18,472	1,006	43.50	804
Lanka Century Investments PLC	778,822	28,968	12.10	9,424	437,500	24,109	15.60	6,825
Renuka Holdings PLC	1,288,262	43,110	26.90	34,655	651,632	24,363	31.50	20,526
		187,848		106,374		156,672		93,609

Notes to the Financial Statements

24 Financial instruments - Held for trading (contd.)

As at 31 December	Group 2015 No of ordinary shares	2015 Cost of investment LKR '000	2015 Market price per share LKR	2015 Market value LKR '000	2014 No of ordinary shares	2014 Cost of investment LKR '000	2014 Market price per share LKR	2014 Market value LKR '000
24.1 Quoted equities (contd.)								
Land and Property								
Colombo Land & Development Company PLC	231,283	9,274	25.60	5,921	231,283	9,274	36.80	8,511
Commercial Development Company PLC	4,649	451	92.60	430	-	-	-	-
East West Properties PLC	-	-	-	-	195,393	2,837	12.80	2,501
Equity One PLC	26,664	977	48.70	1,299	26,664	977	44.50	1,187
Seylan Developments PLC	-	-	-	-	30,066	436	14.10	424
Overseas Realty (Ceylon) PLC	1,426,123	35,961	23.20	33,086	122,987	3,092	26.30	3,235
Serendib Land PLC	75	172	2,118.80	159	-	-	-	-
		46,835		40,895		16,616		15,858
Manufacturing								
Abans Electricals PLC	17,880	4,931	135.40	2,421	149,953	21,416	118.50	17,769
ACL Cables PLC	424,199	35,942	120.90	51,286	488,824	35,505	76.40	37,346
ACL Plastics PLC	-	-	-	-	12,200	1,639	125.00	1,525
ACME Printing & Packaging PLC	1,209,723	36,221	8.20	9,920	1,078,700	35,020	11.00	11,866
AgStar PLC	418,173	2,834	6.40	2,676	-	-	-	-
Alumex PLC	-	-	-	-	196,882	2,756	15.90	3,130
Bogala Graphite Lanka PLC	-	-	-	-	34,830	878	31.30	1,090
Central Industries PLC	43,525	3,345	116.30	5,062	203,128	15,638	86.00	17,469
Ceylon Grain Elevators PLC	73,965	16,298	91.60	6,775	155,410	20,281	41.00	6,372
Chevron Lubricants Lanka PLC	418,983	154,550	344.00	144,130	31,557	10,850	399.60	12,610
Dankotuwa Porcelain PLC	630,902	6,301	8.50	5,363	188,753	2,747	14.50	2,737
Hayleys Fibre PLC	-	-	-	-	145,300	7,867	42.60	6,190
Kelani Tyres PLC	918,780	69,290	77.50	71,205	743,796	53,019	78.80	58,611
Lanka Cement PLC	9,014,438	78,876	7.90	71,214	9,583,809	83,858	6.60	63,253
Lanka Tiles PLC	1,019,453	136,081	110.90	113,058	973,200	130,512	110.00	107,052
Lanka Walltiles PLC	212,014	19,546	109.80	23,279	409,515	37,754	97.30	39,846
Orient Garments PLC	280,877	8,780	7.30	2,050	348,900	10,906	15.00	5,234
Pelwatte Sugar Industries PLC	68,400	2,925	23.50	1,607	68,400	2,925	23.50	1,607
Piramal Glass Ceylon PLC	4,088,600	37,427	6.10	24,940	3,288,600	32,322	4.90	16,114
Royal Ceramics Lanka PLC	1,301,830	153,603	111.20	144,762	1,799,958	211,263	116.90	210,415
Sierra Cables PLC	1,443,758	6,401	4.00	5,775	2,400	14	3.90	9
Textured Jersey Lanka PLC	633,984	12,041	35.50	22,506	1,007,754	18,387	20.60	20,760
Tokyo Cement Company (Lanka) PLC - Voting	1,191,932	49,945	39.50	47,081	-	-	-	-
Tokyo Cement Company (Lanka) PLC - Non voting	25,000	1,043	39.50	988	513,007	20,948	46.90	24,060
		836,380		756,098		756,505		665,065

As at 31 December	Group							
	2015				2014			
	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
Motors								
C M Holdings PLC	50,857	17,422	110.20	5,604	66,857	19,533	129.10	8,631
Diesel & Motor Engineering PLC	77,935	84,514	615.50	47,969	36,356	55,836	636.00	23,122
Sathosa Motors PLC	16,000	6,198	312.00	4,992	20,648	7,944	245.00	5,059
United Motors Lanka PLC	373,182	38,127	91.90	34,295	264,916	27,230	103.60	27,445
		146,261		92,860		110,543		64,257
Oil Palms								
Bukit Darah PLC	119,257	83,965	511.20	60,964	47,957	37,098	715.00	34,289
		83,965		60,964		37,098		34,289
Plantations								
Agalawatte Plantations PLC	52,830	4,825	20.50	1,083	52,830	4,825	27.10	1,432
Balangoda Plantations PLC	527,486	17,180	17.60	9,284	517,609	16,972	26.50	13,717
Elpitiya Plantations PLC	223,646	5,623	21.30	4,764	225,379	5,667	22.70	5,116
Horana Plantations PLC	513,000	43,752	21.40	10,978	513,000	43,752	24.10	12,363
Kahawatte Plantations PLC	838,629	33,921	37.20	31,198	838,629	33,921	35.50	29,771
Kegalle Plantations PLC	50,600	13,702	66.50	3,365	63,600	15,004	94.00	5,978
Kotagala Plantations PLC	554,109	37,353	17.80	9,863	623,762	40,085	31.60	19,711
Namunukula Plantations PLC	80,000	12,458	60.50	4,840	80,000	12,458	89.40	7,152
Talawakelle Tea Estate PLC	-	-	-	-	85,025	2,970	33.00	2,806
Watawala Plantations PLC	350,100	10,998	24.30	8,507	350,100	10,998	18.80	6,582
		179,812		83,882		186,652		104,628
Power and Energy								
Browns Hydro Power PLC	173,194	1,427	7.00	1,212	173,194	1,427	5.70	987
Lanka IOC PLC	250,000	11,399	37.10	9,275	100,000	6,000	60.00	6,000
Laugfs Gas PLC - Voting	168,727	4,689	41.50	7,002	176,227	4,955	40.50	7,137
Laugfs Gas PLC - Non voting	3,445,538	143,739	38.10	131,275	3,421,628	142,778	37.20	127,285
Panasian Power PLC	1,029,200	6,407	3.50	3,602	1,029,200	6,407	3.20	3,293
Resus Energy PLC	1,270,112	49,020	25.00	31,753	1,290,582	49,020	18.10	23,360
Vallibel Power Erathna PLC	1,167,050	10,278	8.90	10,387	1,650,000	14,025	7.20	11,880
		226,959		194,506		224,612		179,942

Notes to the Financial Statements

24 Financial instrument - Held for trading (contd.)

As at 31 December	Group 2015 No of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000	2014 No of ordinary shares	Cost of investment LKR '000	Market price per share LKR	Market value LKR '000
24.1 Quoted equities (contd.)								
Services								
Ceylon Tea Brokers PLC	192,655	937	3.70	713	-	-	-	-
John Keells PLC	250,200	22,759	82.10	20,541	250,200	22,759	90.30	22,593
Kalamazoo Systems PLC	135	172	2,600.10	351	135	172	1,133.20	153
Paragon Ceylon PLC	20	19	975.10	20	-	-	-	-
		23,887		21,625		22,931		22,746
Stores and Supplies								
Colombo City Holdings PLC	-	-	-	-	1,215	792	627.50	762
Hunters & Company PLC	27,100	21,923	420.00	11,382	27,100	21,923	386.20	10,466
		21,923		11,382		22,715		11,228
Telecommunications								
Dialog Axiata PLC	985,773	11,174	10.70	10,548	812,308	9,200	13.30	10,804
Sri Lanka Telecom PLC	214,000	7,496	47.00	10,058	214,000	7,496	49.90	10,679
		18,670		20,606		16,696		21,483
Trading								
Brown & Company PLC	814,794	133,566	101.10	82,376	418,073	85,293	107.00	44,734
Ceylon & Foreign Trades PLC	833,695	8,560	6.30	5,252	930,100	9,575	7.50	6,976
C. W. Mackie PLC	78,505	4,457	57.90	4,545	42,483	3,060	59.00	2,506
Eastern Merchants PLC	132,667	1,244	8.80	1,167	-	-	-	-
Tess Agro PLC - Voting	430,298	770	1.60	688	-	-	-	-
Tess Agro PLC - Non voting	-	-	-	-	165,570	215	1.30	215
Singer Sri Lanka PLC	29,408	3,327	137.90	4,055	23,985	2,492	117.90	2,828
		151,924		98,083		100,635		57,259
Total quoted equities		5,567,374		4,336,272		4,479,076		3,518,833

Note : 33.8% of the Group's trading equity portfolio comprised of S&P Sri Lanka 20 index constituents as of end 2015 (26.0% - 2014).

As at 31 December	Group 2015 No of units	2015 Cost of investment LKR '000	2015 Market price per unit LKR	2015 Market value LKR '000	2014 No of units	2014 Cost of investment LKR '000	2014 Market price per unit LKR	2014 Market value LKR '000
24.2 Quoted units in units trusts								
Namal Acuity Value Fund		-	-	-	30,900	2,863	90.10	2,784
Total quoted units in unit trusts		-	-	-		2,863		2,784

As at 31 December	Group 2015 No of debentures	2015 Cost of investment LKR '000	2015 Market price per debenture LKR	2015 Market value LKR '000	2014 No of debentures	2014 Cost of investment LKR '000	2014 Market price per debenture LKR	2014 Market value LKR '000
24.3 Quoted debt securities								
Listed debentures								
Commercial Credit and Finance PLC	20,000	2,141	120.70	2,414	20,000	2,141	125.2	2,504
Total quoted debt securities		2,141		2,414		2,141		2,504

25 Financial investments - Loans and receivables

As at 31 December	Bank 2015 LKR '000	Bank 2014 LKR '000	Group 2015 LKR '000	Group 2014 LKR '000
Sri Lanka Development Bonds [Note 25.1]	211,000,942	113,120,697	211,000,942	113,120,697
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	1,716,038	1,715,949	1,716,038
Debentures [Note 25.3]	3,300,563	2,086,851	3,173,390	1,974,776
Trust certificates [Note 25.4]	-	85,667	-	85,667
Commercial papers [Note 25.5]	-	101,465	-	139,358
Government securities - Other countries	7,575,340	4,782,176	7,575,340	4,782,176
Other investments	-	-	569,647	895,658
Total financial investments - Loans and receivables	232,561,268	130,861,368	233,003,742	131,682,844

Notes to the Financial Statements

25 Financial investments - Loans and receivables (contd.)

As at 31 December		Bank / Group			
		2015		2014	
	Date of maturity	Cost of investment LKR '000	Amortized cost LKR '000	Cost of investment LKR '000	Amortized cost LKR '000
25.1 Sri Lanka Development Bonds (US Dollar Bonds)					
6 months LIBOR plus 265 basis points	16.03.2015	-	-	9,862,875	9,949,993
6 months LIBOR plus 385 basis points	26.03.2015	-	-	657,525	664,897
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	2,630,100	2,671,699
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 360 basis points	17.03.2017	720,312	729,054	-	-
6 months LIBOR plus 365 basis points	17.03.2017	1,440,623	1,458,318	-	-
6 months LIBOR plus 345 basis points	30.04.2017	3,601,558	3,626,500	-	-
6 months LIBOR plus 350 basis points	30.04.2017	3,601,558	3,626,811	-	-
6 months LIBOR plus 325 basis points	30.06.2017	2,160,935	2,161,419	1,972,575	1,972,967
6 months LIBOR plus 375 basis points	30.06.2017	3,601,558	3,602,463	3,287,625	3,288,368
6 months LIBOR plus 375 basis points	16.03.2018	4,321,869	4,376,755	-	-
6 months LIBOR plus 415 basis points	01.07.2018	101,285,881	103,663,523	92,457,220	94,572,773
Total Sri Lanka Development Bonds		207,459,801	211,000,942	110,867,920	113,120,697

As at 31 December				Bank / Group			
				2015		2014	
	Rate	Date of issue	Date of maturity	Cost of investment LKR '000	Carrying Value LKR '000	Cost of investment LKR '000	Carrying Value LKR '000
25.2 Government of Sri Lanka Restructuring Bonds							
For recapitalization purposes	12%	24.09.1993	24.03.2023	4,780,000	5,015,714	4,780,000	5,015,714
For settlement of loans	12%	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

As at 31 December			Bank					
			2015			2014		
	Date of maturity	Coupon rate %	No of debentures	Cost of investment LKR '000	Amortized cost LKR '000	No of debentures	Cost of investment LKR '000	Amortized cost LKR '000
25.3 Debentures								
Abans PLC	20.12.2016	14.00	720,700	72,070	77,188	720,700	72,070	77,153
Access Engineering PLC	18.11.2020	10.25	2,000,000	200,000	202,369	-	-	-
Alliance Finance Company PLC	03.09.2015	18.50	-	-	-	1,000,000	100,000	104,667
Central Finance Company PLC	17.06.2016	14.25	8,800	8,800	9,113	8,800	8,800	9,113
Commercial Credit and Finance PLC	01.06.2020	10.50	530,519	53,052	54,443	-	-	-
Commercial Credit and Finance PLC	10.12.2020	10.40	3,665,600	366,560	368,704	-	-	-
Commercial Leasing & Finance PLC	21.07.2020	9.75	750,000	75,000	78,196	-	-	-
DFCC Bank PLC	10.06.2020	9.40	332,100	33,210	34,919	-	-	-
First Capital Treasuries PLC	05.02.2020	9.50	500,000	50,000	53,304	-	-	-
HDFC Bank of Sri Lanka	23.10.2017	15.00	779,400	77,940	80,889	779,400	77,940	80,883
HDFC Bank of Sri Lanka	20.11.2020	10.50	2,000,000	200,000	202,312	-	-	-
Hayleys PLC	09.07.2016	14.25	57,700	57,700	59,754	57,700	57,700	59,759
Hemas Holdings PLC	29.04.2019	11.00	173,500	17,350	17,823	173,500	17,350	17,818
Kotagala Plantations PLC	26.05.2018	14.25	165,975	16,598	17,802	165,975	16,598	18,019
Kotagala Plantations PLC	26.05.2019	14.50	165,975	16,598	17,812	165,975	16,598	17,806
Kotagala Plantations PLC	26.05.2020	14.75	165,975	16,598	17,828	165,975	16,598	17,826
Kotagala Plantations PLC	26.05.2021	15.00	165,975	16,598	17,848	165,975	16,598	17,847
Lanka Orix Leasing Company PLC	02.09.2015	11.70	-	-	-	1,000,000	100,000	105,907
Lanka Orix Leasing Company PLC	24.11.2019	9.00	1,000,000	100,000	102,235	1,000,000	100,000	100,907
LB Finance PLC	05.12.2016	12.30	1,000,000	100,000	100,858	1,000,000	100,000	100,864
LB Finance PLC	28.11.2018	15.00	445,200	44,520	50,852	445,200	44,520	51,337
Merchant Bank of Sri Lanka & Finance PLC	27.03.2018	16.70	938,600	93,860	97,839	938,600	93,860	97,845
Merchant Bank of Sri Lanka & Finance PLC	12.11.2019	9.00	1,135,200	113,520	123,714	1,135,200	113,520	114,816
MTD Walkers PLC	30.09.2018	9.75	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	57,823
National Development Bank PLC	24.06.2020	9.40	534,500	53,450	56,021	-	-	-
Nawaloka Hospitals PLC	30.09.2019	14.15	1,000,000	100,000	115,071	-	-	-
Orient Finance PLC	26.12.2019	9.05	500,000	50,000	50,004	-	-	-
Pan Asia Banking Corporation PLC	29.09.2019	10.00	486,112	48,611	49,835	-	-	-
People's Leasing & Finance PLC	23.09.2018	9.63	73,500	7,350	8,055	73,500	7,350	7,535
People's Leasing & Finance PLC	12.11.2019	9.60	945,000	94,500	95,672	-	-	-
Regional Development Bank	29.01.2020	9.00	4,250,000	425,000	459,980	-	-	-
Richard Pieris and Company PLC	16.05.2017	10.75	156,500	15,650	16,066	156,500	15,650	16,062

Notes to the Financial Statements

25 Financial investments - Loans and receivables (contd.)

As at 31 December			Bank					
			2015			2014		
	Date of maturity	Coupon rate %	No of debentures	Cost of investment LKR '000	Amortized cost LKR '000	No of debentures	Cost of investment LKR '000	Amortized cost LKR '000
25.3 Debentures (contd.)								
Sampath Bank PLC	14.12.2019	8.25	1,000,000	100,000	108,246	1,000,000	100,000	100,348
Sampath Bank PLC	18.11.2020	9.90	898,400	89,840	90,869	-	-	-
Sampath Leasing & Factoring Limited	27.07.2015	16.65	-	-	-	500,000	50,000	54,211
Senkadagala Finance PLC	27.05.2016	17.00	181,097	18,110	18,880	181,097	18,110	18,877
Senkadagala Finance PLC	10.12.2018	15.00	817,653	81,765	82,444	817,653	81,765	82,462
Seylan Bank PLC	22.12.2019	8.60	1,500,000	150,000	150,271	1,500,000	150,000	150,271
Singer Sri Lanka PLC	16.10.2015	17.00	-	-	-	377,713	37,771	37,761
Singer Sri Lanka PLC	07.06.2018	8.60	500,000	50,000	52,167	-	-	-
Singer Sri Lanka PLC	17.06.2020	9.95	309,300	30,930	32,562	-	-	-
Softlogic Finance PLC	29.08.2019	10.00	190,900	19,090	19,568	190,900	19,090	19,565
Urban Development Authority	05.10.2015	11.00	-	-	-	5,352,400	538,266	549,369
Total debentures				3,168,540	3,300,563		2,024,424	2,086,851

As at 31 December			Group					
			2015			2014		
	Date of maturity	Coupon rate %	No of debentures	Cost of investment LKR '000	Amortized cost LKR '000	No of debentures	Cost of investment LKR '000	Amortized cost LKR '000
Abans PLC	20.12.2016	14.00	720,700	72,070	77,188	720,700	72,070	77,153
Access Engineering PLC	18.11.2020	10.25	2,000,000	200,000	202,369	-	-	-
Alliance Finance Company PLC	03.09.2015	18.50	-	-	-	1,000,000	100,000	104,667
Central Finance Company PLC	17.06.2016	14.25	8,800	8,800	9,113	8,800	8,800	9,113
Commercial Credit and Finance PLC	01.06.2020	10.50	530,519	53,052	54,443	-	-	-
Commercial Credit and Finance PLC	21.07.2020	9.75	750,000	75,000	78,196	-	-	-
Commercial Leasing & Finance PLC	10.12.2020	10.40	3,665,600	366,560	368,704	-	-	-
DFCC Bank PLC	10.06.2020	9.40	332,100	33,210	34,919	-	-	-
First Capital Treasuries PLC	05.02.2020	9.50	500,000	50,000	53,304	-	-	-
HDFC Bank of Sri Lanka	23.10.2017	15.00	779,400	77,940	80,889	779,400	77,940	80,883
HDFC Bank of Sri Lanka	20.11.2020	10.50	2,000,000	200,000	202,312	-	-	-
Hayleys PLC	09.07.2016	14.25	57,700	57,700	59,754	57,700	57,700	59,759
Hemas Holdings PLC	29.04.2019	11.00	173,500	17,350	17,823	173,500	17,350	17,818

As at 31 December			Group					
			2015			2014		
	Date of maturity	Coupon rate %	No of debentures	Cost of investment LKR '000	Amortized cost LKR '000	No of debentures	Cost of investment LKR '000	Amortized cost LKR '000
Kotagala Plantations PLC	26.05.2018	14.25	165,975	16,598	17,802	165,975	16,598	18,019
Kotagala Plantations PLC	26.05.2019	14.50	165,975	16,598	17,812	165,975	16,598	17,806
Kotagala Plantations PLC	26.05.2020	14.75	165,975	16,598	17,828	165,975	16,598	17,826
Kotagala Plantations PLC	26.05.2021	15.00	165,975	16,598	17,848	165,975	16,598	17,847
Lanka Orix Leasing Company PLC	02.09.2015	11.70	-	-	-	1,050,000	105,000	111,151
Lanka Orix Leasing Company PLC	24.11.2019	9.00	1,000,000	100,000	102,235	1,000,000	100,000	100,907
LB Finance PLC	05.12.2016	12.30	1,000,000	100,000	100,858	1,000,000	100,000	100,864
LB Finance PLC	28.11.2018	15.00	445,200	44,520	50,852	445,200	44,520	51,337
MTD Walkers PLC	30.09.2018	9.75	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	57,823
National Development Bank PLC	24.06.2020	9.40	534,500	53,450	56,021	-	-	-
Nawaloka Hospitals PLC	30.09.2019	14.15	1,000,000	100,000	115,071	-	-	-
Orient Finance PLC	26.12.2019	9.05	500,000	50,000	50,004	-	-	-
Pan Asia Banking Corporation PLC	29.09.2019	10.00	486,112	48,611	49,835	-	-	-
People's Leasing & Finance PLC	26.03.2018	17.00	500,000	50,000	58,481	500,000	50,000	58,445
People's Leasing & Finance PLC	23.09.2018	9.63	73,500	7,350	8,055	73,500	7,350	7,535
People's Leasing & Finance PLC	12.11.2019	9.60	945,000	94,500	95,672	-	-	-
Regional Development Bank	29.01.2020	9.00	4,250,000	425,000	459,980	-	-	-
Richard Pieris and Company PLC	16.05.2017	10.75	156,500	15,650	16,066	156,500	15,650	16,062
Sampath Bank PLC	14.12.2019	8.25	1,000,000	100,000	108,246	1,000,000	100,000	100,348
Sampath Bank PLC	18.11.2020	9.90	898,400	89,840	90,869	-	-	-
Sampath Leasing & Factoring Limited	27.07.2015	16.65	-	-	-	500,000	50,000	54,211
Senkadagala Finance PLC	27.05.2016	17.00	362,194	36,220	37,763	362,194	36,220	37,758
Senkadagala Finance PLC	10.12.2018	15.00	817,653	81,765	82,444	817,653	81,765	82,462
Seylan Bank PLC	21.02.2018	15.50	150,000	15,000	17,016	150,000	15,000	17,018
Seylan Bank PLC	22.12.2019	8.60	1,500,000	150,000	150,271	1,500,000	150,000	150,271
Singer Sri Lanka PLC	24.07.2015	15.50	-	-	-	10,000	1,000	998
Singer Sri Lanka PLC	16.10.2015	17.00	-	-	-	377,713	37,771	37,761
Singer Sri Lanka PLC	07.06.2018	8.60	500,000	50,000	52,167	-	-	-
Singer Sri Lanka PLC	17.06.2020	9.95	309,300	30,930	32,562	-	-	-
Softlogic Finance PLC	29.08.2019	10.00	190,900	19,090	19,568	190,900	19,090	19,565
Urban Development Authority	05.10.2015	11.00	-	-	-	5,352,400	538,266	549,369
Total debentures				3,044,270	3,173,390		1,906,154	1,974,776

Notes to the Financial Statements

25 Financial investments - Loans and receivables (contd.)

As at 31 December	Bank				Group			
	2015		2014		2015		2014	
	Cost of investment LKR '000	Amortized cost LKR '000	Cost of investment LKR '000	Amortized cost LKR '000	Cost of investment LKR '000	Amortized cost LKR '000	Cost of investment LKR '000	Amortized cost LKR '000
25.4 Trust certificates								
Commercial Credit and Finance PLC	-	-	75,660	85,667	-	-	75,660	85,667
Total trust certificates	-	-	75,660	85,667	-	-	75,660	85,667
25.5 Commercial papers								
First Capital Holdings PLC	-	-	-	-	-	-	33,980	37,893
Softlogic Finance PLC	-	-	99,590	101,465	-	-	99,590	101,465
Total commercial papers	-	-	99,590	101,465	-	-	133,570	139,358

26 Loans and advances to customers

As at 31 December	2015				2014			
	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
26.1 Net Loans and advances to customers								
26.1.1 Bank								
Gross loans and advances	457,582,488	399,102,547	14,044,875	870,729,910	434,156,401	330,540,200	12,808,314	777,504,915
Less : Individual impairment	12,546,423	-	83,139	12,629,562	10,057,121	-	80,881	10,138,002
Collective impairment	2,343,915	28,966,803	-	31,310,718	472,421	25,546,857	-	26,019,278
Net loans and advances	442,692,150	370,135,744	13,961,736	826,789,630	423,626,859	304,993,343	12,727,433	741,347,635
26.1.2 Group								
Gross loans and advances	482,171,140	400,898,900	14,283,006	897,353,046	443,107,569	345,645,854	12,831,052	801,584,475
Less : Individual impairment	13,313,639	-	83,139	13,396,778	10,844,181	-	80,881	10,925,062
Collective impairment	2,343,915	29,707,126	-	32,051,041	482,644	26,404,717	-	26,887,361
Net loans and advances	466,513,586	371,191,774	14,199,867	851,905,227	431,780,744	319,241,137	12,750,171	763,772,052

As at 31 December	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
26.2 Movement in individual and collective impairment for loans and advances to customers				
26.2.1 Movement in individual impairment				
As at 1 January	10,138,002	8,130,767	10,925,062	8,760,168
Charge during the year	3,672,310	2,721,983	4,019,917	3,110,171
Amount recovered / reversal during the year	(1,625,626)	(714,748)	(1,625,626)	(714,748)
Exchange rate variance on foreign currency impairment	444,876	2,611	444,876	2,611
Amount written off	(86,794)	-	(86,794)	(345)
Other movements	86,794	(2,611)	(280,657)	(232,795)
As at 31 December	12,629,562	10,138,002	13,396,778	10,925,062
26.2.2 Movement in collective impairment				
As at 1 January	26,019,278	21,922,413	26,887,361	22,595,377
Charge during the year	5,270,751	5,203,681	5,385,295	5,536,102
Exchange rate variance on foreign currency impairment	18,236	354	18,236	354
Amount written off	(22,603)	(54,691)	(22,603)	(224,057)
Other movements	25,056	3,315	(217,248)	35,379
Impairment adjustment for gold stock *	-	(1,055,794)	-	(1,055,794)
As at 31 December	31,310,718	26,019,278	32,051,041	26,887,361
Total individual and collective impairment for loans and advances	43,940,280	36,157,280	45,447,819	37,812,423

* This represents the impairment charge relating to the auction rejected pawned articles devolved by the Bank during the year 2014.

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26 Loans and advances to customers (contd.)

As at 31 December	2015			2014		
	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
26.3 Analysis of gross loans and advances - By product						
26.3.1 Bank						
Term loans	183,589,269	167,977,440	351,566,709	124,099,056	186,862,571	310,961,627
Loans under schemes	49,975,989	726,483	50,702,472	35,334,191	825,587	36,159,778
Housing loans	42,804,370	-	42,804,370	38,169,603	-	38,169,603
Trade finance	25,429,477	19,927,355	45,356,832	16,892,456	43,908,470	60,800,926
Personal loans	107,539,804	-	107,539,804	57,902,737	-	57,902,737
Overdrafts	130,276,382	11,697,581	141,973,963	127,539,066	12,965,821	140,504,887
Credit cards	3,053,597	-	3,053,597	2,829,387	-	2,829,387
Lease rentals receivable [Note 26.5]	46,688,101	454,146	47,142,247	30,239,149	598,066	30,837,215
Pawning	56,900,717	-	56,900,717	76,434,744	-	76,434,744
Foreclosed properties	590,991	497,450	1,088,441	657,434	480,139	1,137,573
Staff loans	14,044,875	11,813	14,056,688	12,808,314	12,937	12,821,251
Other loans	7,516,305	1,027,765	8,544,070	7,303,635	1,641,552	8,945,187
Total gross loans and advances	668,409,877	202,320,033	870,729,910	530,209,772	247,295,143	777,504,915
26.3.2 Group						
Term loans	188,572,506	168,644,758	357,217,264	130,526,349	188,313,799	318,840,148
Loans under schemes	50,870,448	726,483	51,596,931	35,761,416	825,587	36,587,003
Housing loans	42,863,284	964,386	43,827,670	38,195,506	301,370	38,496,876
Trade finance	26,157,989	19,927,355	46,085,344	17,878,989	43,908,470	61,787,459
Personal loans	110,137,186	-	110,137,186	58,991,509	-	58,991,509
Overdrafts	130,276,382	11,954,817	142,231,199	127,490,619	12,965,821	140,456,440
Credit cards	3,053,597	-	3,053,597	2,829,387	-	2,829,387
Lease rentals receivable [Note 26.5]	61,589,220	454,146	62,043,366	43,173,127	598,066	43,771,193
Pawning	57,097,560	-	57,097,560	76,608,119	-	76,608,119
Foreclosed properties	590,991	497,450	1,088,441	657,434	480,139	1,137,573
Staff loans	14,277,198	30,528	14,307,726	13,057,327	31,261	13,088,588
Other loans	7,629,454	1,037,307	8,666,762	7,348,628	1,641,552	8,990,180
Total gross loans and advances	693,115,815	204,237,230	897,353,046	552,518,410	249,066,065	801,584,475

		Bank		Group	
	As at 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
26.4	**Analysis of gross loans and advances - By currency**				
	Sri Lankan Rupee	668,409,877	530,209,772	693,115,815	552,518,410
	United States Dollar	185,556,657	234,853,588	185,556,657	234,853,588
	Great Britain Pound	406,361	399,683	2,323,559	2,170,605
	Euro	189,882	447,480	189,882	447,480
	Maldivian Rufiyaa	10,892,304	7,668,892	10,892,304	7,668,892
	Indian Rupee	5,239,015	3,886,909	5,239,015	3,886,909
	Other currencies	35,814	38,591	35,814	38,591
	Total gross loans and advances	870,729,910	777,504,915	897,353,046	801,584,475
26.5	**Lease rentals receivable**				
	Gross lease rentals receivable				
	Less than one year	18,759,029	13,703,533	23,689,259	17,946,217
	One to five years	38,113,777	24,190,374	51,661,268	35,854,360
	More than five years	217,705	43,169	217,705	43,169
		57,090,511	37,937,076	75,568,232	53,843,746
	Less : Unearned finance income	9,948,264	7,099,861	13,524,866	10,072,553
	Gross lease rentals receivable	47,142,247	30,837,215	62,043,366	43,771,193
	Less : Provision for impairment losses	1,144,862	1,406,191	1,829,420	2,161,554
	Net lease rentals receivable	45,997,385	29,431,024	60,213,946	41,609,639
27	**Financial investments - Available for sale**				
	Government securities				
	Treasury bills	467,734	1,932,324	1,826,836	2,599,681
	Treasury bonds	1,001,373	478,575	1,722,468	1,477,887
	Other countries	1,143,583	1,383,460	1,972,336	1,593,537
	Quoted equities and units in unit trusts [Note 27.1]	8,743,088	10,144,583	10,037,911	11,496,886
	Unquoted equities [Note 27.2]	665,791	422,601	707,101	443,169
	Total financial investments - Available for sale	12,021,569	14,361,543	16,266,652	17,611,160

Notes to the Financial Statements

27 Financial investments - Available for sale (contd.)

As at 31 December	Bank 2015 No of ordinary shares / units	Cost of investment LKR '000	Market value LKR '000	2014 No of ordinary shares/units	Cost of investment LKR '000	Market value LKR '000
27.1 Quoted equities and units in unit trusts						
27.1.1 Quoted equity shares						
National Development Bank PLC	16,371,076	691,862	3,177,626	16,371,076	691,862	4,092,769
People's Leasing & Finance PLC	11,453,600	206,165	251,979	11,453,600	206,165	280,613
Seylan Bank PLC	13,198,305	466,700	1,253,839	13,198,305	466,700	1,253,839
		1,364,727	4,683,444		1,364,727	5,627,221
27.1.2 Units in unit trusts						
Ceybank Unit Trust	120,986,551	1,889,364	3,357,377	116,860,134	1,772,504	3,774,582
Ceybank Century Growth Fund	8,284,896	146,101	579,611	8,284,896	146,101	628,741
Ceybank Surekum Gilt Edged Fund	11,389,982	114,148	122,656	11,007,965	110,246	114,039
		2,149,613	4,059,644		2,028,851	4,517,362
Total quoted equities and units in unit trusts		3,514,340	8,743,088		3,393,578	10,144,583

As at 31 December	Group 2015 No of ordinary shares / units	Cost of investment LKR '000	Market value LKR '000	2014 No of ordinary shares/units	Cost of investment LKR '000	Market value LKR '000
27.1.3 Quoted equity shares						
National Development Bank PLC	16,371,076	691,862	3,177,626	16,371,076	691,862	4,092,769
People's Leasing & Finance PLC	11,453,600	206,165	251,979	11,453,600	206,165	280,613
Seylan Bank PLC	13,198,305	466,700	1,253,839	13,198,305	466,700	1,253,839
The Lanka Hospital Corporation PLC	21,329,000	213,290	1,286,139	21,329,000	213,290	1,023,792
		1,578,017	5,969,583		1,578,017	6,651,013
27.1.4 Units in unit trusts						
Ceybank Unit Trust	120,986,551	1,889,364	3,357,377	116,860,134	1,772,504	3,774,582
Ceybank Century Growth Fund	8,284,896	146,101	579,611	8,284,896	146,101	628,741
Ceybank Surekum Gilt Edged Fund	11,389,982	114,148	122,656	11,007,965	110,246	114,039
Comtrust Money Market Fund	163,821	1,500	2,062	163,821	1,500	1,919
Eagle Money Plus Fund	-	-	-	24,187,135	318,154	321,120
First Capital Asset Management Limited	4,725	5,000	6,622	4,725	5,000	5,472
		2,156,113	4,068,328		2,353,505	4,845,873
Total quoted equities and units in unit trusts		3,734,130	10,037,911		3,931,522	11,496,886

	Bank					
As at 31 December	2015			2014		
	No of ordinary shares / units	Cost of investment LKR '000	Fair value LKR '000	No of ordinary shares / units	Cost of investment LKR '000	Fair value LKR '000
27.2 Unquoted equities						
27.2.1 Unquoted equity shares						
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	-	241,246	17,200	-	194,884
Regional Development Bank	16,448,448	162,300	162,300	16,448,448	162,300	162,300
Visa Inc.	17,438	-	196,828	-	-	-
		232,072	665,791		232,072	422,601
Fair value adjustment		438,074			194,884	
Provision for impairment [Note 27.3]		(4,355)			(4,355)	
Total unquoted investments		665,791	665,791		422,601	422,601

	Group					
As at 31 December	2015			2014		
	No of ordinary shares / units	Cost of investment LKR '000	Fair value LKR '000	No of ordinary shares / units	Cost of investment LKR '000	Fair value LKR '000
27.2.1 Unquoted equity shares						
Ceylinco Investment Company Limited	500,000	5,000	-	500,000	5,000	-
Credit Information Bureau of Sri Lanka	47,140	41,596	41,596	47,040	41,585	41,585
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	-	-	-
Magpek Exports Limited	300,000	4,355	-	300,000	4,355	-
MasterCard Incorporated	17,200	-	241,246	17,200	-	194,884
Mega Containers Limited	1,000,000	10,000	20,491	1,000,000	10,000	19,760
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	-	-	-	-
UB Finance Company Limited	2,506,562	17,546	765	2,506,562	17,546	765
Visa Inc.	17,438	-	196,828	-	-	-
		288,772	707,101		268,261	443,169
Fair value adjustment		448,565			201,044	
Provision for impairment [Note 27.3]		(30,236)			(26,136)	
Total unquoted investments		707,101	707,101		443,169	443,169

Notes to the Financial Statements

27 Financial investments - Available for sale (contd.)

As at 31 December	Bank 2015 LKR '000	Bank 2014 LKR '000	Group 2015 LKR '000	Group 2014 LKR '000
27.3 Movement in provision for impairment on unquoted investments				
Balance as at 1 January	4,355	1,792,355	26,136	1,814,136
Provision made / (reversal) during the year	-	(1,788,000)	-	(1,788,000)
Adjustment	-	-	4,100	-
Balance as at 31 December	4,355	4,355	30,236	26,136

28 Financial investments - Held to maturity

Government securities				
Treasury bills	25,596,314	19,059,875	25,600,693	19,157,253
Treasury bonds	220,692,311	195,741,525	220,692,311	195,796,751
Debt securities	-	-	56,507	70,090
Total financial investments - Held to maturity	246,288,625	214,801,400	246,349,511	215,024,094

The Bank has pledged treasury bonds held to maturity of LKR 99,618.0 million as collateral as at 31 December 2015 (2014 : LKR 57,873.5 million).

As at 31 December	Bank 2015 LKR '000	Bank 2014 LKR '000
29 Investment in subsidiary companies		
Investment in quoted subsidiaries [Note 29.3]	3,114,952	2,982,905
Investment in unquoted subsidiaries [Note 29.4]	3,798,096	3,930,143
Total investment in subsidiary companies	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 subsidiaries		
Balance as at 1 January	6,913,048	6,828,699
Investments during the year	-	84,349
Balance as at 31 December	6,913,048	6,913,048
29.2 Provision for impairment of investment in subsidiaries		
Balance as at 1 January	700,000	-
Impairment charge during the year	-	700,000
Balance as at 31 December	700,000	700,000

As at 31 December	Bank			
	2015		2014	
	Cost LKR '000	Market Value / Directors' valuation LKR '000	Cost LKR '000	Market Value / Directors' valuation LKR '000
29.3 Investment in quoted subsidiaries				
Property Development PLC (63,064,957 Ordinary shares)	860,270	5,741,641	860,270	6,085,835
Merchant Bank of Sri Lanka & Finance PLC (123,562,267 Ordinary shares)	2,254,682	1,853,434	2,122,635	1,704,362
Total investment in quoted subsidiaries	3,114,952	7,595,075	2,982,905	7,790,197
29.4 Investment in unquoted subsidiaries				
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
MCSL Financial Services Limited (61,499,807 Ordinary shares)	-	-	132,047	132,047
Total investment in unquoted subsidiaries	3,798,096	3,098,096	3,930,143	3,230,143

Notes to the Financial Statements

29 Investment in subsidiary companies (contd.)

As at 31 December	Place of business	Ownership interest % held by the Bank 2015	2014
29.5 Information relating to subsidiaries of the Bank			
29.5.1 Investment in quoted subsidiaries			
Property Development PLC (PDL)	Colombo, Sri Lanka	95.55	95.55
Merchant Bank of Sri Lanka & Finance PLC (MBSL)**	Colombo, Sri Lanka	74.49	72.14
29.5.2 Investment in unquoted subsidiaries			
BOC Management & Support Services (Private) Limited (MSS)	Colombo, Sri Lanka	100.00	100.00
BOC Property Development & Management (Private) Limited (PDML)	Colombo, Sri Lanka	100.00	100.00
BOC Travels (Private) Limited (TRAVELS)	Colombo, Sri Lanka	100.00	100.00
Hotels Colombo (1963) Limited (HCL)	Colombo, Sri Lanka	99.99	99.99
MCSL Financial Services Limited (MCSL) **	Colombo, Sri Lanka	-	80.09
Ceybank Holiday Homes (Private) Limited (HH) *	Colombo, Sri Lanka	100.00	100.00
MBSL Insurance Company Limited (MBSL INS)*	Colombo, Sri Lanka	62.66	60.68
MBSL Savings Bank Limited (MBSL SAV) **	Colombo, Sri Lanka	-	54.25
Koladeniya Hydropower (Private) Limited (KHP)*	Colombo, Sri Lanka	95.55	95.55
Bank of Ceylon (UK) Limited (UK)	London, United Kingdom	100.00	100.00

* Ceybank Holiday Homes (Private) Limited, MBSL Insurance Company Limited and Koladeniya Hydropower (Private) Limited are indirect subsidiaries of Bank of Ceylon.

** MCSL Financial Services Limited and MBSL Savings Bank Limited have been amalgamated with Merchant Bank of Sri Lanka & Finance PLC with effect from 1 January 2015

29.6 Non controlling interest (NCI) of subsidiaries

	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	-	-	-

	2014					
	PDL	MBSL	MCSL	MBSL INS	MBSL SAV	KHP
Equity interest % held by the NCI	4.45	27.86	19.91	39.32	45.75	4.45
Profit / (Loss) allocated during the year (LKR '000)	16,427	67,665	(45,505)	(37,425)	(20,585)	1,688
Accumulated balance of NCI as at 31 December (LKR '000)	153,018	836,539	118,139	175,616	(8,024)	14,258
Dividends paid to NCI (LKR '000)	11,431	18,806	-	-	-	-

As at 31 December	2015			
	PDL	MBSL	MBSL INS	KHP
	LKR '000	LKR '000	LKR '000	LKR '000
29.7 Summarized financial information of subsidiaries with material non controlling interest				
Statement of Profit or Loss				
Total income	711,485	4,199,058	1,804,058	103,772
Profit/ (Loss) before tax	471,025	152,541	(82,414)	66,568
Profit / (Loss) after tax	348,743	114,683	(90,717)	66,505
Other comprehensive income	263,531	(26,304)	(6,320)	90
Total comprehensive income	612,274	88,379	(97,037)	66,595
Statement of Financial Position				
Total assets	4,205,069	28,462,513	1,939,562	414,767
Total liabilities	468,420	25,261,466	1,586,811	27,726
Net assets	3,736,649	3,201,047	352,751	387,041
Dividends paid	198,000	-	-	-
Statement of Cash Flows				
Operating cash flows	123,184	1,930,369	(5,590)	74,894
Investing cash flows	771,303	1,572,406	(10,655)	(67,265)
Financing cash flows	(180,426)	(3,531,907)	-	-
Net increase / (decrease) in cash and cash equivalents	714,061	(29,132)	(16,245)	7,629

As at 31 December	2014					
	PDL	MBSL	MCSL	MBSL INS	MBSL SAV	KHP
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Statement of Profit or Loss						
Total income	742,461	2,539,186	1,774,636	1,431,028	420,822	92,885
Profit / (Loss) before tax	512,077	326,833	(228,551)	(85,720)	(44,994)	55,080
Profit / (Loss) after tax	369,148	242,876	(228,551)	(85,720)	(44,994)	37,923
Other comprehensive income	158,843	46,401	578	(6,344)	2,534	(59)
Total comprehensive income	527,991	289,277	(227,973)	(92,064)	(42,460)	37,864
Statement of Financial Position						
Total assets	3,919,232	15,527,333	9,743,811	1,749,305	2,728,250	349,318
Total liabilities	480,618	12,524,680	9,150,444	1,302,672	2,497,038	28,904
Net assets	3,438,614	3,002,653	593,367	446,633	231,212	320,414
Dividends paid	198,000	67,500	-	-	-	-
Statement of Cash Flows						
Operating cash flows	215,264	(1,627,251)	306,476	(132,529)	22,047	60,302
Investing cash flows	10,551	(187,854)	(7,448)	(11,350)	(27,515)	951
Financing cash flows	(180,782)	1,459,348	-	199,298	-	-
Net increase / (decrease) in cash and cash equivalents	45,033	(355,757)	299,028	55,419	(5,468)	61,253

Notes to the Financial Statements

30 Investment in associate companies

As at 31 December	Bank				Group			
	2015		2014		2015		2014	
	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
30.1 Investment in associate companies								
Ceybank Asset Management Limited (1,240,002 ordinary shares)	31,048	31,048	31,048	31,048	199,108	199,108	173,919	173,919
Lanka Securities (Private) Limited (3,495,000 ordinary shares)	41,940	41,940	41,940	41,940	138,406	138,406	133,279	133,279
Mireka Capital Land (Private) Limited (75,000,000 ordinary shares)	750,000	750,000	750,000	750,000	1,511,877	1,511,877	1,507,515	1,507,515
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	62,926	62,926	55,322	55,322
Total investment in associate companies	867,988	842,988	867,988	842,988	1,912,317	1,912,317	1,870,035	1,870,035
Provision for impairment of investments in associates	(25,000)	-	(25,000)	-	-	-	-	-
Net investment in associate companies	842,988	842,988	842,988	842,988	1,912,317	1,912,317	1,870,035	1,870,035

	Bank		Group	
	Cost		Equity value	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
30.2 Movement in investment in associate companies				
Balance as at 1 January	867,988	867,988	1,870,035	1,471,267
Share of profits / (losses) before tax	-	-	106,833	462,436
Share of tax expenses	-	-	(13,243)	(10,764)
Share of other comprehensive income	-	-	416	5,586
Dividends	-	-	(53,938)	(51,232)
Other adjustments	-	-	2,214	(7,258)
Balance as at 31 December	867,988	867,988	1,912,317	1,870,035

	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
30.3 Movement in provision for impairment of investment in associate companies				
Balance as at 1 January	25,000	25,000	-	-
Amount provided during the year	-	-	-	-
Balance as at 31 December	25,000	25,000	-	-
Carrying value of investment in associate companies	842,988	842,988	1,912,317	1,870,035

30.4 Share holding structure of associate companies of the Bank

Name of the Company	Place of business	Equity interest % 2015	Equity interest % 2014	Shareholding structure Name	Shareholding structure Holding %
Ceybank Asset Management Limited (CAML)	Colombo, Sri Lanka	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)	Colombo, Sri Lanka	41.60	40.92	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% as at 2015 (2014: 20.9%)]	20.00
Mireka Capital Land (Private) Limited (MCL)	Colombo, Sri Lanka	40.00	40.00	Overseas Realty Ceylon PLC	60.00
				Bank of Ceylon	40.00
Transnational Lanka Records Solutions (Private) Limited (TLRS)	Colombo, Sri Lanka	24.69	24.69	Transnational (Pte) Ltd - Singapore	62.96
				Bank of Ceylon	24.69
				Seylan Bank PLC	12.35
Southern Development Financial Company Limited (SDFC) *	Matara, Sri Lanka	41.67	41.67	Bank of Ceylon	41.67
				People's Bank	41.67
				Southern Development Authority of Sri Lanka	16.66

* Not in operation and it is under consideration to reinstate SDFC under the Southern Development Board which is expected to be established by the Ministry of Southern Development.

Notes to the Financial Statements

30 Investment in associate companies (contd.)

As at 31 December	2015			
	CAML LKR'000	LSL LKR'000	MCL LKR'000	TLRS LKR'000
30.5 Summarized financial information of associates				
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
Non current assets	181,949	35,631	3,601,921	379,281
Current liabilities	28,848	118,216	761,440	30,472
Non current liabilities	21,174	28,949	9,307	143,325
Net assets	459,199	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

As at 31 December	2014			
	CAML LKR'000	LSL LKR'000	MCL LKR'000	TLRS LKR'000
Statement of Profit or Loss				
Total income	190,367	184,405	4,367,019	92,176
Profit / (Loss) before tax	102,814	59,339	949,122	56,721
Profit / (Loss) after tax	87,482	52,237	947,227	54,890
Other comprehensive income	15,827	(3,200)	81	-
Total comprehensive income	103,309	49,037	947,308	54,890
Statement of Financial Position				
Current assets	405,251	483,946	4,029,305	16,033
Non current assets	93,156	17,504	1,219,828	380,636
Current liabilities	76,660	148,367	1,476,012	26,262
Non current liabilities	20,642	27,379	4,335	146,333
Net assets	401,105	325,704	3,768,786	224,074
Dividends paid	17,160	21,844	46,875	31,914
Dividends received to the Bank (net)	6,737	15,445	16,875	7,745

31 Investment properties

	Group	
	2015 LKR '000	2014 LKR '000
Cost		
Balance as at 1 January	165,876	165,876
Additions during the year	-	-
Balance as at 31 December	165,876	165,876
Less : Accumulated depreciation		
Balance as at 1 January	17,000	13,962
Charge for the year	3,036	3,038
Balance as at 31 December	20,036	17,000
Net investment properties	145,840	148,876

Investment properties were not held by the Bank for the current year and for the previous year.
No rental income earned from investment properties of the group in 2015 (2014 : LKR 14.4 million).

Notes to the Financial Statements

As at 31 December	2015						2014	
			Cost			Fair value	Cost	Fair value
	Building	Extent of Land	Land	Building	Total	Total	Total	Total
	(sq.ft)	(Perches)	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
31.1 Investment properties held by the Group								
No. 64 and 66, Nonagama Road, Pallegama, Embilipitiya.	-	16.61	1,750	-	1,750	13,000	1,750	13,000
No. 300/8, Thalawathugoda Road, Madiwela, Kotte.	2,000	16.15	2,465	2,635	5,100	14,727	5,100	14,727
No. 385/1, Kotte Road, Pittakotte.	2,896	19.01	2,958	1,730	4,688	5,298	4,688	5,298
No. 116/4,116/7,116/25,116/26,116/27,116/29 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	-	9,950	75,000	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	600	162	600
Fingara Town & Country Club No. 50/21, Old Kesbawa Road, Raththanapitiya, Boralesgamuwa.	-	364.35	65,604	44,396	110,000	298,015	110,000	297,000
No. 64, Gabadawa Estate, Pitipana, Homagama	-	20.80	1,427	-	1,427	2,900	1,427	2,900
No. 2, Plan No. 1206, Silverberst Estate, Pitipana Homagama	-	100.70	991	-	991	2,014	991	2,014
Total investment properties			105,126	60,750	165,876	650,556	165,876	649,541

Note :

31.1.a The fair value of the investment properties as at 31 December 2015 was based on market valuations carried out in the year 2010 ,2011,2013 and 2014 by Mr D N Dhammika Baranage [RICS (UK), DIV AIS (SL)], 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 Management and Valuation, F.I.V (Sri Lanka)], who are independent valuers not connected with the companies. The directors have reviewed values of the investment properties as at 31 December 2015, and concluded that there was no impairment.

31.1.b Merchant Bank of Sri Lanka & Finance PLC (MBSL) has entered in to an agreement with 71 tenants to sell the lease hold rights of the property at No. 102 and 104, Dam Street, Colombo 12 subject to the approval of Urban Development Authority (UDA).

32 Property, plant and equipment

	Freehold land	Freehold building	Buildings on leasehold land	Equipment [Note 32.12.1]	Motor vehicles	Leasehold motor vehicles	Capital work in progress	2015 Total	2014 Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
32.1 Bank									
Cost / Valuation									
As at 1 January	8,663,953	3,086,250	1,311,466	9,964,482	991,861	50,377	278,301	24,346,690	19,558,671
Additions during the year									
Acquisitions	185,796	17,769	7,195	810,718	70,067	-	240,941	1,332,486	1,715,854
Capitalizations	-	21,589	54,284	-	-	-	(75,873)	-	-
Changes in revaluation surplus / (deficit)	52,159	(43,990)	-	-	-	-	-	8,169	3,557,500
Impairment to profit / loss	-	-	-	-	-	-	-	-	(64,010)
Transfer of accumulated depreciation on asset revaluation	-	-	-	-	-	-	-	-	(275,937)
Disposals during the year	-	-	-	(99,133)	(17,177)	-	(2,224)	(118,534)	(142,080)
Exchange rate adjustments	-	-	-	10,727	803	-	-	11,530	(1,731)
Transfers / Adjustments	-	-	-	-	-	-	-	-	(1,577)
As at 31 December	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
Accumulated depreciation									
As at 1 January	-	-	498,111	6,921,314	688,555	50,377	-	8,158,357	7,552,491
Charge for the year	-	157,847	74,751	836,180	127,288	-	-	1,196,066	1,019,315
Transfer of accumulated depreciation on assets revaluation	-	-	-	-	-	-	-	-	(275,937)
Disposals during the year	-	-	-	(98,384)	(13,000)	-	-	(111,384)	(133,926)
Exchange rate adjustments	-	-	-	11,184	360	-	-	11,544	(3,586)
As at 31 December	-	157,847	572,862	7,670,294	803,203	50,377	-	9,254,583	8,158,357
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	
Net book value as at 31 December 2014	8,663,953	3,086,250	813,355	3,043,168	303,306	-	278,301		16,188,333

Notes to the Financial Statements

32 Property, plant and equipment (contd.)

	Freehold land	Freehold building	Buildings on leasehold land	Equipment [Note 32.12.2]	Motor vehicles	Leasehold motor vehicles	Capital work in progress	2015 Total	2014 Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
32.2 Group									
Cost or / Valuation									
As at 1 January	8,970,806	5,502,439	8,031,152	11,132,552	1,091,344	66,941	278,302	35,073,536	29,798,040
Additions during the year									
Acquisitions	185,796	34,235	37,396	940,397	105,005	-	268,381	1,571,210	1,868,964
Capitalizations	-	21,589	54,284	-	-	-	(75,873)	-	-
Changes in revaluation surplus / (deficit)	52,159	44,843	836,457	-	-	-	-	933,459	4,676,154
Impairment to profit/loss	-	-	-	-	-	-	-	-	(64,010)
Transfer of accumulated depreciation on asset revaluation	-	(70,939)	(872,496)	-	-	-	-	(943,435)	(962,643)
Disposals during the year	-	(83,154)	(3,754)	(129,304)	(19,515)	(3,350)	(42,676)	(281,753)	(205,302)
Exchange rate adjustments	12,788	13,229	-	12,009	803	-	-	38,829	(36,090)
Transfers / Adjustments	-	(51,674)	(17,708)	-	637	(637)	69,382	-	(1,577)
As at 31 December	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
Accumulated depreciation									
As at 1 January	-	363,712	751,147	7,511,145	740,800	60,716	-	9,427,520	9,175,879
Charge for the year	-	209,062	344,328	938,773	142,464	3,209	-	1,637,836	1,411,368
Transfer of accumulated depreciation on assets revaluation	-	(70,939)	(872,496)	-	-	-	-	(943,435)	(962,643)
Disposals during the year	-	(50,872)	(3,685)	(126,040)	(14,258)	(3,350)	-	(198,205)	(192,403)
Exchange rate adjustments	-	566	-	11,956	360	-	-	12,882	(4,681)
Transfers / Adjustments		-	3,500	9,945	2,678	(2,678)	-	13,445	-
As at 31 December	-	451,529	222,794	8,345,779	872,044	57,897	-	9,950,043	9,427,520
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	
Net book value as at 31 December 2014	8,970,806	5,138,727	7,280,005	3,621,407	350,544	6,225	278,302		25,646,016

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 :

	Bank		Group	
As at 31 December	2015	2014	2015	2014
	LKR '000	LKR '000	LKR '000	LKR '000
Motor vehicles	613,958	547,205	645,501	547,687
Computer equipments	3,199,381	2,847,124	3,292,094	2,866,185
Equipment, furniture, and fittings	958,685	840,822	1,082,753	918,881
Buildings on leasehold lands	140,708	139,578	140,708	139,578
Plant and machinery	890,304	789,087	890,304	789,087
	5,803,036	5,163,816	6,051,360	5,261,418

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 recognized in the Financial Statements, if they were carried at cost less accumulated depreciation is as follows:

As at 31 December	2015			2014		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
32.9.1 Bank						
Land	455,450	-	455,450	269,654	-	269,654
Building	1,021,992	(480,338)	541,654	1,004,223	(454,788)	549,435
	1,477,442	(480,338)	997,104	1,273,877	(454,788)	819,089
32.9.2 Group						
Land	465,411	-	465,411	279,615	-	279,615
Building	2,069,048	(873,025)	1,196,023	2,034,813	(847,063)	1,187,750
	2,534,459	(873,025)	1,661,434	2,314,428	(847,063)	1,467,365

Notes to the Financial Statements

32 Property, plant and equipment (contd.)

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

	2015				
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 2015)	M/s P B Kalugalagedara & Associates	Market value method	5,766,920	6,557,000	790,080
BOC Property Development & Management (Private) Limited Bank of Ceylon - Ceybank house No. 86, Sri Dalada Veediya, Kandy (Revalued as at 31 December 2015)	M/s P B Kalugalagedara & Associates	Market value method	447,123	493,500	46,377

Freehold properties

	2015				
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, Kollupitiya (Revalued as at 31 December 2015)	M/s P B Kalugalagedara & Associates	Market value method	1,704,167	1,793,000	88,833

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 categorized under Level 3 of the fair value hierarchy.

32.11.1 Bank

			2015		
Type of asset	Fair value as at 31.12.2015 LKR'000	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Freehold land	8,901,908	Market comparable method	Estimated cost per perch	LKR 17,500 - LKR 10,000,000	Positively correlated sensitivity
Freehold buildings	2,923,771	Market comparable method	Estimated cost per square feet	LKR 1,000 - LKR 10,000	Positively correlated sensitivity
		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

			2015		
Type of asset	Fair value as at 31.12.2015 LKR'000	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Freehold land	9,221,549	Market comparable method	Estimated cost per perch	LKR 17,500 - LKR 10,000,000	Positively correlated sensitivity
Freehold buildings	4,959,039	Market comparable method	Estimated cost per square feet	LKR 1,000 - LKR 10,750	Positively correlated sensitivity
		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 maintenance 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

Notes to the Financial Statements

32 Property, plant and equipment (contd.)

	Computer equipment LKR '000	Furniture and fittings LKR '000	Office equipment LKR '000	Power plant LKR '000	2015 Total LKR '000	2014 Total LKR '000
32.12 Equipment						
32.12.1 Bank						
Cost						
Balance as at 1 January	5,109,198	2,713,589	2,141,695	-	9,964,482	8,815,160
Additions during the year						
Acquisitions	353,184	212,136	245,398	-	810,718	1,241,355
Capitalizations	-	-	-	-	-	17,523
Disposals during the year	(61,446)	(21,728)	(15,959)	-	(99,133)	(107,596)
Exchange rate adjustments	9,389	540	798	-	10,727	(1,654)
Transfers / Adjustments	-	-	-	-	-	(306)
Balance as at 31 December	5,410,325	2,904,537	2,371,932	-	10,686,794	9,964,482
Accumulated depreciation						
Balance as at 1 January	3,872,885	1,655,934	1,392,495	-	6,921,314	6,305,530
Charge for the year	420,994	239,589	175,597	-	836,180	724,501
Disposals during the year	(61,073)	(21,652)	(15,659)	-	(98,384)	(105,178)
Exchange rate adjustments	10,256	504	424	-	11,184	(3,539)
Balance as at 31 December	4,243,062	1,874,375	1,552,857	-	7,670,294	6,921,314
Net book value as at 31 December 2015	1,167,263	1,030,162	819,075	-	3,016,500	
Net book value as at 31 December 2014	1,236,313	1,057,655	749,200	-		3,043,168
32.12.2 Group						
Cost						
Balance as at 1 January	5,403,644	3,186,358	2,243,503	299,047	11,132,552	9,966,227
Additions during the year						
Acquisitions	384,129	307,804	248,464	-	940,397	1,299,137
Capitalizations	-	-	-	-	-	17,523
Disposals during the year	(90,903)	(22,033)	(16,368)	-	(129,304)	(161,389)
Exchange rate adjustments	9,740	1,471	798	-	12,009	(3,241)
Transfers / Adjustments	-	3,924	(3,875)	(49)	-	14,295
Balance as at 31 December	5,706,610	3,477,524	2,472,522	298,998	11,955,654	11,132,552
Accumulated depreciation						
Balance as at 1 January	4,107,242	1,910,707	1,453,699	39,497	7,511,145	6,854,717
Charge for the year	450,090	293,388	180,344	14,951	938,773	814,239
Disposals during the year	(88,089)	(21,933)	(16,018)	-	(126,040)	(158,393)
Exchange rate adjustments	10,648	884	424	-	11,956	(4,593)
Transfers / Adjustments	-	46,770	(36,825)	-	9,945	5,175
Balance as at 31 December	4,479,891	2,229,816	1,581,624	54,448	8,345,779	7,511,145
Net book value as at 31 December 2015	1,226,719	1,247,708	890,898	244,550	3,609,875	
Net book value as at 31 December 2014	1,296,402	1,275,651	789,804	259,550		3,621,407

32.13 The details of freehold land and buildings held by the Bank as at 31 December 2015 are as follows:

Name of premises	Extent (Perches)	Building (Square feet)	Date of valuation	Cost / Revalued amount of land LKR '000	Cost / 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	441	32,220
Gampola Branch 79, Kadugannawa Road, Gampola	175.00	9,832	30.11.2014	180,675	15,806	196,481	395	196,086
Hatton Branch 46, Circular Road, Hatton	85.65	8,784	30.11.2012	120,000	20,000	140,000	500	139,500
Hatton Staff Quarters 110, Hatton House Road, Hatton	40.00	5,560	30.11.2012	48,000	12,000	60,000	300	59,700
Kandy 2nd City Branch 22, Dalada Veediya, Kandy	42.81	27,081	30.11.2012	214,000	16,000	230,000	696	229,304
Maskeliya Branch 66, Upcot Road, Maskeliya	42.05	6,402	30.11.2012	31,000	13,000	44,000	433	43,567
Nawalapitiya Branch 6, Gampola Road, Nawalapitiya	21.92	6,150	30.11.2012	14,000	14,000	28,000	350	27,650
Nuwara Eliya Branch 43, Lawson Street, Nuwara Eliya	133.50	17,737	30.11.2012	460,000	40,000	500,000	1,143	498,857
Nuwara Eliya Staff Quarters 14,19, Hill Street, Nuwara Eliya	96.39	4,646	31.12.2014	56,000	3,000	59,000	1,025	57,975
Talawakelle Branch 23,25,29, Hatton Road, Talawakelle	25.30	7,236	30.11.2014	29,920	14,305	44,225	358	43,867
Talawakelle Staff Quarters Talawakelle Estate Plantation	160.00	4,898	30.11.2014	9,600	12,240	21,840	306	21,534
				1,178,195	178,012	1,356,207	5,947	1,350,260
Eastern Province								
Batticaloa Branch Covington Road, Batticaloa	65.00	6,997	30.11.2014	26,000	16,000	42,000	640	41,360
Mutur Branch 36/1, Ward No. 07, Mutur	71.00	11,847	30.11.2014	8,000	1,112	9,112	1,112	8,000
Pottuvil Branch Main Street, Pottuvil	10.70	4,977	30.11.2014	10,750	15,750	26,500	394	26,106
Trincomalee Branch 24, Inner Harbour Road, Trincomalee	90.00	10,710	30.11.2014	49,500	22,180	71,680	2,218	69,462
Trincomalee City Branch 09, Main Street, Trincomalee	21.90	2,670	30.11.2014	24,000	4,800	28,800	480	28,320
Valachchenai Branch Main Street, Valachchenai	47.34	6,391	30.11.2014	28,400	19,000	47,400	543	46,857
			30.11.2014	146,650	78,842	225,492	5,387	220,105

Notes to the Financial Statements

32. Property, plant and equipment (contd.)

32.13 The details of freehold land and buildings held by the Bank as at 31 December 2015 are as follows:

Name of premises	Extent (Perches)	Building (Square feet)	Date of valuation	Cost / Revalued amount of land LKR '000	Cost / Revalued amount of building LKR '000	Total value LKR '000	Accumulated depreciation LKR '000	Written down value LKR '000
Northern Province								
Jaffna Area Office and Branch 476, 476A, Hospital Road, Jaffna	166.25	21,393	30.11.2014	249,500	36,444	285,944	1,822	284,122
Mannar Branch 52, Pallimunai Road, Grand Bazaar, Mannar	63.22	5,720	30.11.2014	9,500	7,850	17,350	392	16,958
Nelliadi Branch 23, Kodikamam Road, Nelliady	162.04	7,661	30.11.2014	17,750	28,750	46,500	719	45,781
Karainagar Branch Post Office View, Karainagar	22.11	2,718	30.11.2014	3,300	5,700	9,000	285	8,715
				280,050	78,744	358,794	3,218	355,576
North Western Province								
Alawwa Branch 64, Giriulla Road, Alawwa	31.80	7,300	30.11.2014	32,440	21,900	54,340	548	53,792
Chilaw Branch Radaguru Edmund Peiris Mawatha, Chilaw	37.75	8,304	11.12.2014	47,000	19,000	66,000	760	65,240
Dummalasuriya Branch 227, Kuliyapitiya - Madampe Road, Dummalasuriya	41.68	5,611	30.11.2014	22,672	12,328	35,000	308	34,692
North Western Province Office AGM's Quarters and CM Quarters 18, Mihindu mawatha, Kurunegala	225.00	17,210	30.11.2012	157,500	29,975	187,475	749	186,726
Kurunegala Super Grade Branch Commercial Complex, Kurunegala	-	12,242	30.11.2014	-	69,778	69,778	1,744	68,034
Kurunegala 2nd City Branch 34, Colombo Road, Kurunegala	49.75	16,677	30.11.2014	174,125	18,616	192,741	931	191,810
Madampe Branch 10, Station Road, Madampe	114.50	7,032	30.11.2014	34,900	13,100	48,000	328	47,672
Narammala Branch 139, Negombo Road, Narammala	117.50	9,296	30.11.2014	63,000	39,448	102,448	1,436	101,012
Madurankuliya Branch 66 , Colombo Road, Madurankuliya	46.00	5,746	30.11.2014	11,000	25,000	36,000	625	35,375
Melsiripura Branch 254, Dambulla Road, Melsiripura	46.20	-		46,799	-	46,799	-	46,799
				589,436	249,145	838,581	7,429	831,152

Name of premises	Extent (Perches)	Building (Square feet)	Date of valuation	Cost / Revalued amount of land LKR '000	Cost / 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	1,770	23,520	148	23,372
Dehiowita Branch 62, Main Street, Dehiowita	38.69	3,819	30.11.2014	8,288	7,018	15,306	231	15,075
Kegalle Branch 110, Colombo Road, Kegalle	118.24	15,447	30.11.2014	104,190	22,047	126,237	787	125,450
Ratnapura Branch 4, Dharmapala Mawatha, Ratnapura	99.70	9,808	30.11.2014	69,500	12,310	81,810	478	81,332
Ratnapura Branch (BMC.1/L) 195, Main Street, Ratnapura	31.69	-	30.11.2014	58,000	-	58,000	-	58,000
				261,728	43,145	304,873	1,644	303,229
Southern Province								
Ambalangoda Branch 345, Galle Road, Ambalangoda	58.00	5,600	14.12.2012	49,300	14,700	64,000	490	63,510
Ambalantota Branch 11, Wanduruppa Road, Ambalantota	38.00	5,981	30.11.2012	14,000	12,000	26,000	300	25,700
Beliatta Branch 67, Walasmulla Road, Beliatta	53.02	6,200	30.11.2014	37,800	35,265	73,065	808	72,257
Galle Province Office 2, Light House Street, Fort, Galle	32.62	13,160	01.01.2015	130,000	20,000	150,000	667	149,333
Galle Branch 2, Gamini Road, Galle	31.50	12,600	01.01.2015	155,000	20,000	175,000	667	174,333
Hakmana Branch Beliatta Road, Hakmana	36.70	3,490	30.11.2014	28,700	8,300	37,000	277	36,723
Imaduwa Branch Ahangama Road, Imaduwa	83.50	3,395	30.11.2014	20,000	8,072	28,072	201	27,871
Matara Branch 11, Kumaratunga Mawatha, Matara	104.40	15,905	30.11.2014	186,600	18,150	204,750	1,815	202,935
Matara City Branch 58, New Tangalle Road, Kotuwegoda , Matara	49.25	7,105	30.11.2014	114,350	34,600	148,950	865	148,085
Nagoda Branch, Nagoda	40.00	3,050	30.11.2014	9,400	17,743	27,143	37	27,106
Tangalle Branch Sea Street, Tangalle	21.05	5,373	30.11.2014	19,000	23,000	42,000	575	41,425
Weeraketiya Branch Belliatta Road, Weeraketiya	36.89	4,055	30.11.2014	20,250	13,500	33,750	338	33,412
Weligama Branch 239, Main Street, Weligama	97.75	8,100	30.11.2014	44,000	24,000	68,000	800	67,200
				828,400	249,330	1,077,730	7,840	1,069,890

Notes to the Financial Statements

32. Property, plant and equipment (contd.)

32.13 The details of freehold land and buildings held by the Bank as at 31 December 2015 are as follows:

Name of premises	Extent (Perches)	Building (Square feet)	Date of valuation	Cost / Revalued amount of land LKR '000	Cost / 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	9,844	21,594	246	21,348
Bandarawela Branch 198 B, Badulla Road, Bandarawela	9.52	7,731	30.11.2012	25,000	20,000	45,000	500	44,500
Ettampitiya Branch 23, Nuwara Eliya Road, Ettampitiya	20.35	2,560	30.11.2014	5,792	9,721	15,513	243	15,270
Haputale Branch 20, Station Road, Haputale	130.63	5,200	30.11.2014	18,313	7,760	26,073	194	25,879
Monaragala Branch Managers' Quarters and Staff Quarters 401, Wellawaya Road, Moneragala	160.00	15,000	30.11.2014	50,000	31,650	81,650	791	80,859
				110,855	78,975	189,830	1,974	187,856
Western Province North								
Borella Branch 71, Danister de Silva Mawatha, Borella	42.29	19,280	30.11.2012	163,000	62,000	225,000	1,550	223,450
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	2,375	372,625
York Street Branch York Sreet, Colombo 1	170.00	261,610	31.12.2014	1,020,000	730,784	1,750,784	73,007	1,677,777
Grand Pass Branch 703, Sirimavo Bandaranayake Mawatha, Grandpass	20.12	6,210	30.11.2014	70,420	21,480	91,900	614	91,286
Gampaha Branch 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	1,322	99,794
Kadawatha Branch 469, Ragama Road, Kadawatha	28.86	6,181	30.11.2012	24,500	14,830	39,330	371	38,959
Negombo Branch 118, Rajapakse Broadway, Negombo	97.25	16,760	30.11.2014	171,160	39,950	211,110	1,598	209,512
Pettah Branch 212/63, Gas Work Street, Colombo 11	28.29	24,530	22.12.2014	212,000	36,000	248,000	2,400	245,600
Dematagoda Branch 45, 47, Kolonnawa Road, Colombo 9	38.14	-	30.11.2014	112,359	-	112,359	-	112,359
				2,268,098	1,019,880	3,287,978	83,237	3,204,741

Name of premises	Extent (Perches)	Building (Square feet)	Date of valuation	Cost / Revalued amount of land LKR '000	Cost / Revalued amount of building LKR '000	Total value LKR '000	Accumulated depreciation LKR '000	Written down value LKR '000
Western Province South								
Aluthgama Branch 14, Daglous Gunawardana Mawatha, Aluthgama	36.60	7,151	30.11.2012	25,620	37,800	63,420	945	62,475
Bambalapitiya Branch 20, Unity Plaza Building, Galle Road, Colombo 4	-	7,776	30.11.2014	-	171,600	171,600	4,290	167,310
Beruwala Branch 165A, Galle Road, Beruwala	21.50	4,712	30.11.2014	42,800	4,200	47,000	210	46,790
Dehiwala Branch 207, Galle Road, Dehiwela	22.00	12,422	24.12.2014	77,500	33,500	111,000	838	110,162
Horana Branch 87, Anguruwathota Road, Horana	70.00	8,568	30.11.2012	60,000	9,445	69,445	1,819	67,626
Idama (Moratuwa) Branch 707, Galle Road, Moratuwa	60.00	8,272	22.12.2014	135,000	12,858	147,858	1,139	146,719
Kalutara Area Office 108, Old Road, Kalutara	52.65	3,300	30.11.2014	34,000	3,500	37,500	175	37,325
Kalutara Branch 218, Galle Road, Kalutara South, Kalutara	45.86	11,436	30.11.2014	77,630	24,833	102,463	590	101,873
Maharagama Branch and Central Training Institute, 88, Highlevel Road, Maharagama	185.10	82,121	30.11.2014	443,458	171,542	615,000	7,209	607,791
Matugama Branch 72, Agalawatte Road, Matugama	9.00	4,400	30.11.2014	27,000	14,298	41,298	357	40,941
Nugegoda Branch 138 A, S de S Jayasinghe Mawatha, Nugegoda	67.50	53,419	24.12.2014	235,000	265,000	500,000	8,833	491,167
Panadura Branch 21, Susantha Mawatha, Panadura	80.00	10,529	30.11.2014	120,000	22,948	142,948	574	142,374
Wadduwa Branch 557 A, Galle Road Wadduwa	27.70	-	30.11.2014	34,625	-	34,625	-	34,625
Wellawatte Branch 149/2, Galle Road, Colombo 6	51.25	15,832	30.11.2014	230,625	36,962	267,587	924	266,663
Bulathsinhala Branch 40, Horana Road, Athura, Bulathsinhala	53.85	6,304	30.11.2014	29,750	11,250	41,000	563	40,437
Panadura City Branch 21, Jayathilaka Mawatha, Panadura	36.00	-		26,638	-	26,638	-	26,638
				1,599,646	819,736	2,419,382	28,466	2,390,916

Notes to the Financial Statements

32. Property, plant and equipment (contd.)

32.13 The details of freehold land and buildings held by the Bank as at 31 December 2015 are as follows:

Name of premises	Extent (Perches)	Building (Square feet)	Date of valuation	Cost / Revalued amount of land LKR '000	Cost / Revalued amount of building LKR '000	Total value LKR '000	Accumulated depreciation LKR '000	Written down value LKR '000
Holiday Homes and Rests								
Badulla Fernham Bungalow and Property 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	172	13,862
Dickoya Upper Glencarn Bungalow Dickoya	189.65	8,665	30.11.2012	4,500	20,500	25,000	2,563	22,437
Dickoya Lower Glencarn Bungalow Dickoya	100.00	5,925	30.11.2012	2,500	14,800	17,300	1,480	15,820
Haputale Woodland Bungalow Haputale	120.00	3,010	30.11.2012	10,800	5,900	16,700	393	16,307
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	453	9,347
Nuwara Eliya Holiday Home 16, Hill Street, Nuwara Eliya	35.27	3,388	31.12.2014	35,000	10,000	45,000	400	44,600
Nuwara Eliya Holiday Home (Phase I) 12, Hill Street, Nuwara Eliya	67.54	3,820	31.12.2014	55,000	25,000	80,000	625	79,375
				225,050	89,034	314,084	6,086	307,998
Others								
General Manager's Bangalow 75, Ananda Kumaraswamy Mawatha, Colombo 7	79.80	6,380	30.11.2014	359,100	7,975	367,075	399	366,676
Darly Road Stores Browns Building 481, T B Jayah Mawatha, Colombo 10	151.00	29,946	22.12.2014	880,000	20,000	900,000	2,000	898,000
Walker's & Sons Limited 28, St. Michael's Road, Cololmbo 3	57.00	-	30.11.2014	174,700	-	174,700	-	174,700
World Trade Centre 8, 8 2/1, Bank of Ceylon Mawatha, Colombo 1	-	6,345	30.11.2014	-	168,800	168,800	4,220	164,580
				1,413,800	196,775	1,610,575	6,619	1,603,956
Grand Total				8,901,908	3,081,618	11,983,526	157,847	11,825,679

33 Leasehold properties

	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Cost				
Balance as at 1 January	126,715	100,712	192,948	166,945
Additions during the year	-	27,234	-	27,234
Transfers during the year	-	(1,231)	-	(1,231)
Balance as at 31 December	126,715	126,715	192,948	192,948
Accumulated amortization				
Balance as at 1 January	19,248	17,686	48,447	45,528
Amortization during the year	2,814	1,562	4,171	2,919
Balance as at 31 December	22,062	19,248	52,618	48,447
Net book value	104,653	107,467	140,330	144,501

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 amortization.

34 Intangible assets

	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Cost				
Balance as at 1 January	2,049,778	2,193,067	2,320,051	2,444,545
Additions during the year	180,593	63,900	205,725	89,845
Derecognized during the year	-	(207,189)	(6,327)	(207,189)
Exchange rate adjustment	-	-	5,652	(7,150)
Transfers / Adjustments	-	-	29,276	-
Balance as at 31 December	2,230,371	2,049,778	2,554,377	2,320,051
Accumulated amortization				
Balance as at 1 January	1,665,201	1,692,003	1,788,384	1,774,888
Amortization during the year	191,855	170,417	240,019	213,528
Derecognized during the year	-	(197,219)	-	(197,219)
Exchange rate adjustment	-	-	2,918	(2,813)
Transfers / Adjustments	-	-	19,098	-
Balance as at 31 December	1,857,056	1,665,201	2,050,419	1,788,384
Net book value	373,315	384,577	503,958	531,667

Intangible assets represent the value of computer applications, software and subsequent modifications including costs directly attributable in customizing for its intended use, and are carried at cost less accumulated amortization and any impairment losses.

Notes to the Financial Statements

34 Intangible assets (contd.)

34.1 Fully amortized intangible assets

The initial cost of fully amortized intangible assets which are still in use are as follows:

	Bank		Group	
As at 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Computer software	1,314,766	1,204,306	1,401,632	1,204,306
	1,314,766	1,204,306	1,401,632	1,204,306

35 Deferred tax (assets) / liabilities

The following table shows deferred tax recorded in the Statement of Financial Position and charge / (reversal) recorded in the income tax expense.

As at 31 December	2015				2014			
	Deferred tax assets LKR '000	Deferred tax liabilities LKR '000	Statement of Profit or Loss LKR '000	OCI / Equity LKR '000	Deferred tax assets LKR '000	Deferred tax liabilities LKR '000	Statement of Profit or Loss LKR '000	OCI / Equity LKR '000
35.1 Bank								
Retirement benefits	-	(17,556)	176,012	365,207	-	(558,775)	36,542	(376,290)
Impairment allowance for loans and advances	-	(890,683)	-	-	-	(890,683)	-	-
Revaluation of property, plant and equipment	-	474,388	-	(12,318)	-	486,706	-	181,125
Other temporary differences	-	1,950,846	(205,902)	122,661	-	2,034,087	1,078,335	-
	-	1,516,995	(29,890)	475,550	-	1,071,335	1,114,877	(195,165)
35.2 Group								
Retirement benefits	(4,688)	(18,612)	172,836	377,122	(6,627)	(566,631)	71,743	(376,906)
Impairment allowance for loans and advances	-	(890,683)	-	-	-	(890,683)	-	-
Revaluation of property, plant and equipment	-	2,768,816	64,320	246,763	3,703	2,454,030	-	492,204
Share of undistributed profit of associates	-	4,319	(90,748)	-	-	95,067	39,612	-
Other temporary differences	(5,454)	2,084,711	(234,472)	122,661	(6,009)	2,197,077	1,066,876	-
	(10,142)	3,948,551	(88,064)	746,546	(8,933)	3,288,860	1,178,231	115,298

36 Other assets

As at 31 December	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Consumable stock in hand	548,345	508,916	661,418	667,016
Pre paid staff cost	7,996,413	6,758,431	8,008,522	6,761,021
Cheques in transit - Foreign	25,914	37,400	25,914	37,400
Cheques in transit - Local	1,178,599	1,178,953	1,178,599	1,178,953
Tax recoverable	-	594,397	24,951	648,637
Gold bullion and coins in hand	29,855	28,580	29,855	28,580
Gold stock in hand	16,985,087	18,372,267	16,985,087	18,372,267
Others	21,280,022	18,548,284	21,763,240	19,106,204
Total other assets	48,044,235	46,027,228	48,677,586	46,800,078

37 Due to banks

Deposits from other banks	1,243,180	339,345	1,243,180	339,345
Bank overdrafts	1,387,228	550,531	1,389,647	609,782
Total due to banks	2,630,408	889,876	2,632,827	949,127

38 Derivative financial instruments

Forward exchange contracts	11,406	734,548	11,406	734,548
Currency SWAPs	144,896	-	144,896	-
Total derivative financial instruments	156,302	734,548	156,302	734,548

Notes to the Financial Statements

39 Due to customers

As at 31 December	Bank 2015 LKR '000	Bank 2014 LKR '000	Group 2015 LKR '000	Group 2014 LKR '000
39.1 By product				
Local currency deposits				
Demand deposits	107,673,237	87,398,313	107,423,026	87,145,245
Demand deposits with Islamic banking	420,090	340,231	420,090	340,231
Savings deposits	296,965,704	234,761,158	297,638,139	235,271,986
Savings deposits with Islamic banking	2,016,756	1,591,176	2,016,756	1,591,176
Time deposits	391,998,852	379,759,684	406,049,403	388,469,837
Certificates of deposit	4,315	4,315	8,918	15,691
Other deposits	3,408,403	3,387,893	3,408,403	3,387,940
Total local currency deposits	802,487,357	707,242,770	816,964,735	716,222,106
Foreign currency deposits				
Demand deposits	18,988,483	14,748,715	19,564,488	15,111,128
Savings deposits	76,936,128	64,510,392	77,409,618	64,960,644
Savings deposits with Islamic banking	148,990	96,618	148,990	96,618
Time deposits	183,214,749	146,962,493	183,301,459	147,138,786
Other deposits	561,411	405,181	561,412	405,181
Total foreign currency deposits	279,849,761	226,723,399	280,985,967	227,712,357
Total due to customers	1,082,337,118	933,966,169	1,097,950,702	943,934,463
39.2 By currency				
Sri Lankan Rupee	802,487,357	707,242,770	816,964,735	716,222,106
United States Dollar	204,676,037	164,263,105	204,706,151	164,340,707
Great Britain Pound	31,308,159	27,872,525	32,395,028	28,771,801
Maldivian Rufiyaa	23,303,374	12,957,947	23,303,374	12,957,947
Seychellois Rupee	877,410	792,587	877,410	792,587
Euro	8,398,118	8,872,273	8,417,340	8,884,353
Australian Dollar	7,317,051	7,867,235	7,317,051	7,867,235
Indian Rupee	2,762,619	2,781,700	2,762,619	2,781,700
Other currencies	1,206,993	1,316,027	1,206,994	1,316,027
Total due to customers	1,082,337,118	933,966,169	1,097,950,702	943,934,463

Note : The maturity analysis of deposits is given in Note 54.

40 Other borrowings

As at 31 December	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Senior notes	145,332,658	132,513,748	145,332,658	132,513,748
Term borrowings from banks outside Sri Lanka	89,472,659	46,249,909	92,799,663	46,626,407
Term borrowings from banks and other financial institutions in Sri Lanka	12,295,090	12,945,087	14,674,063	18,363,274
Refinance borrowings	2,988,695	3,744,881	2,988,695	3,744,881
Securities sold under repurchase agreements	87,353,154	51,282,837	86,213,965	50,919,847
Total other borrowings	337,442,256	246,736,462	342,009,044	252,168,157

Note : The maturity analysis of other borrowings is given in Note 54.

41 Debt securities issued

As at 31 December	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
41.1 Senior debentures				
Listed debentures				
Secured , redeemable debentures of LKR 100 each	-	-	-	284,069
Unsecured, redeemable debentures of LKR 100 each	-	-	5,276,689	5,172,070
Unlisted debentures				
Unsecured, redeemable debentures of LKR 100 each (private placement)	3,427,058	20,762,198	3,427,058	20,762,198
Total debt securities issued	3,427,058	20,762,198	8,703,747	26,218,337
41.2 Movement in senior debentures				
Balance as at 1 January	20,762,198	20,968,357	26,218,337	24,986,818
Issued during the year	-	-	-	2,000,000
Redemptions	(17,335,140)	-	(17,619,209)	(656,371)
Amortization adjustments	-	(206,159)	104,619	(112,110)
Balance as at 31 December	3,427,058	20,762,198	8,703,747	26,218,337

Note : The maturity analysis of senior debentures is given in Note 54.

Notes to the Financial Statements

41 Debt securities issued (contd.)

	Type of debenture	Note	Interest payable frequency	Issued date	Maturity date	Coupon rate 2015 %	Coupon rate 2014 %	Amount as at 31 December Bank 2015 LKR '000	Bank 2014 LKR '000	Group 2015 LKR '000	Group 2014 LKR '000
41.3	**Senior debentures**										
	Fixed interest rate										
	Unsecured, redeemable debentures		Annually	01.07.2010	30.06.2015	-	13.20	-	1,063,602	-	1,063,602
	Unsecured, redeemable debentures		Annually	14.07.2010	13.07.2015	-	13.20	-	2,118,737	-	2,118,737
	Unsecured, redeemable debentures		Annually	17.09.2010	16.09.2015	-	11.00	-	1,472,780	-	1,472,780
	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	-	-	734,412	733,859
	Unsecured, redeemable debentures	(a)	Annually	28.03.2013	27.03.2017	17.25	17.25	-	-	569,250	568,677
	Unsecured, redeemable debentures	(a)	Quarterly	28.03.2013	27.03.2018	16.70	16.70	-	-	655,818	655,822
	Unsecured, redeemable debentures	(a)	Monthly	28.03.2013	27.03.2018	16.50	16.50	-	-	168,718	168,793
	Unsecured, redeemable debentures	(a)	Annually	17.12.2013	16.12.2017	14.25	14.25	-	-	770,901	770,790
	Unsecured, redeemable debentures	(a)	Annually	17.12.2013	16.12.2017	13.50	13.50	-	-	336,238	336,174
	Unsecured, redeemable debentures	(a)	Quarterly	17.12.2013	16.12.2017	13.50	13.50	-	-	18,137	18,136
	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	-	-	876,589	805,567
	Unsecured, redeemable debentures	(a)	Annually	13.11.2014	12.11.2019	8.75	8.75	-	-	1,135,027	1,102,653
	Secured, redeemable debentures	(a)	Semi annually	16.11.2011	15.11.2015	11.80	11.80	-	-	-	284,069
								3,427,058	8,082,177	8,703,747	13,538,316
	Floating interest rate										
	Unsecured, redeemable debentures (12 months TB rate (gross) plus 150 basis points)	(b)	Annually	03.08.2010	02.08.2015	-	8.81	-	5,382,540	-	5,382,540
	Unsecured, redeemable debentures (12 months TB rate (gross) plus 150 basis points)	(b)	Annually	03.08.2010	02.08.2015	-	8.81	-	1,811,431	-	1,811,431
	Unsecured, redeemable debentures (12 months TB rate (gross) plus 150 basis points)	(b)	Annually	03.08.2010	02.08.2015	-	8.81	-	5,486,050	-	5,486,050
								-	12,680,021	-	12,680,021
	Total debt securities issued							3,427,058	20,762,198	8,703,747	26,218,337

Note :

(a) Debentures that are listed on the Colombo Stock Exchange.

(b) Weighted average 12 months treasury bill interest rate before deducting 10% withholding tax at the primary quotations as announced by the Central Bank of Sri Lanka, at the preceding week of the interest resetting date.

42 Insurance provision

	Group	
	2015 LKR '000	2014 LKR '000
42.1 Insurance provision - Life		
Balance as at 1 January	349,901	220,748
Increase in life fund	75,330	114,508
Fair value reserve	(1,152)	1,091
Unclaimed benefits	20,178	13,554
Balance as at 31 December	444,257	349,901
42.2 Insurance provision - Non life		
Provision for reported claims by policy holders	115,520	111,263
Provision for claims on Incurred But Not Reported (IBNR)	43,354	47,733
Provision for outstanding claims	158,874	158,996
Provision for unearned premiums	353,459	448,310
Deferred acquisition	5,326	-
Balance as at 31 December	517,659	607,306

43 Other liabilities

	Bank		Group	
As at 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Cheques sent on clearing	446,325	731,212	446,325	731,212
Lease creditors				
Within 12 months	-	2,467	3,841	6,842
Later than 12 months	-	-	14,898	17,214
Dividend payable	1,000,000	-	1,013,004	-
Employee benefit liabilities	2,490,036	1,995,622	2,799,415	2,300,104
Others	17,649,283	14,804,878	18,910,449	16,047,870
Total other liabilities	21,585,644	17,534,179	23,187,932	19,103,242

44 Employee retirement benefit plans

The Bank has a pension scheme established under an Industrial Award which is solely funded by the Bank. There is also a Widows' / Widowers' and Orphans' Pension Scheme established by the members who joined the Bank before 1 January 1996.

The assets of these two plans are held independently of the Bank's assets and administered by Boards of Trustees / Managers, representing the management and the employees, as provided in the Trust Deed / Rules of the respective funds.

Both funds are subject to annual audits independent to the audit of the Bank, by a firm/s of Chartered Accountants appointed by the members and actuarial valuations are carried out at least once in three years, as per the rules governing these funds.

Notes to the Financial Statements

44 Employee retirement benefit plans (contd.)

44.1 Bank of Ceylon Pension Trust Fund

An actuarial valuation of the Pension Trust Fund as at 31 December 2015 was carried out by M/s K A Pandit Consultants & Actuaries.

The valuation has been done using the "Projected Unit Credit Method", which is recommended in the Sri Lanka Accounting Standard -LKAS 19 "Employee Benefits". The 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 summarized as follows:

	Bank / Group	
As at 31 December	2015 LKR '000	2014 LKR '000
44.1.1 Net benefit expense		
Current service cost	584,869	638,870
Net interest expenses	187,834	342,767
Net benefit expense	772,703	981,637
44.1.2 Retirement benefit liability		
Fair value of plan assets	54,595,690	53,839,059
Defined benefit obligation	(57,023,026)	(55,816,255)
Total retirement benefit liability	(2,427,336)	(1,977,196)
44.1.3 Changes in fair value of plan assets		
Opening fair value of plan assets	53,839,059	51,725,608
Expected return	5,114,711	5,057,448
Contribution by employer	1,307,076	1,268,167
Benefits paid	(5,611,376)	(4,402,156)
Actuarial gains / (losses)	(53,780)	189,992
Closing fair value of plan assets	54,595,690	53,839,059
44.1.4 Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	55,816,255	52,685,023
Interest cost	5,302,544	5,400,215
Current service cost	584,869	638,870
Benefits paid	(5,611,376)	(4,402,156)
(Gain) / Loss due to change in assumptions	(7,707,001)	783,172
Actuarial losses on obligation	8,637,735	711,131
Closing defined benefit obligation	57,023,026	55,816,255

As at 31 December	Bank / Group 2015 LKR '000	2014 LKR '000
44.1.5 Plan assets consist of the following		
Fixed deposits	14,345,000	13,102,360
Treasury bonds	7,076,364	4,144,337
Debentures	17,570,971	23,253,230
Investment in shares	5,062,755	5,261,613
Government bonds	3,000,000	3,000,000
Others	7,540,600	5,077,519
Total plan assets	54,595,690	53,839,059

As at 31 December	Bank / Group 2015	2014
44.1.6 Actuarial assumptions		
Future salary increment rate	6.50% p.a	6.50% p.a
Increase in future Cost of Living Allowance (COLA)	5.50% p.a	5.50% p.a
Increase in pension in payment (basic)	Nil	Nil
Discount rate	10.0% p.a	9.50% p.a
Rate of return on plan assets	10.0% p.a	9.00% p.a
Attrition rate	Nil	Nil
Mortality table	Sri Lankan assured lives mortality (2006-08)	A67-70

Increase / Decrease in the following assumptions will have an impact on the present value of defined benefit obligation as illustrated below;

	0.5% increase LKR'000	0.5% decrease LKR'000
Discount rate	56,211,816	61,188,354
Salary increment	57,094,989	56,952,792
Inflation	58,604,414	55,550,311

The following payments are expected from the Pension Trust Fund in future years.

As at 31 December	Bank / Group 2015 LKR '000	2014 LKR '000
Within the next 12 months	1,453,932	1,063,418
Between 2 and 5 years	3,901,708	2,469,592
Between 5 and 10 years	1,937,510	886,665
Beyond 10 years	862,863	281,751
Total expected payments	8,156,013	4,701,426

Notes to the Financial Statements

44 Employee retirement benefit plans (contd.)

44.2 Bank of Ceylon Widows' / Widowers' and Orphans' Pension Fund

An actuarial valuation of the Widows'/Widowers' and Orphans' Pension Fund as at 31 December 2015 was carried out by M/s K A Pandit Consultants & Actuaries.

The valuation has been done using the "Projected Unit Credit Method", which is recommended in the Sri Lanka Accounting Standard -LKAS 19 "Employee Benefits".

The results of the actuarial valuation of the Widows'/Widowers' and Orphans' Pension Fund is summarized as follows:

As at 31 December	Bank / Group 2015 LKR '000	2014 LKR '000
44.2.1 Net benefit expense		
Current service cost	-	66,884
Net interest income	(274,158)	(110,218)
Net benefit expense	(274,158)	(43,334)
44.2.2 Retirement benefit assets		
Fair value of plan assets	17,823,591	16,362,449
Defined benefit obligation	(13,767,980)	(13,476,610)
Retirement benefit assets *	4,055,611	2,885,839

* The above retirement benefit asset has not been recognized in the Financial Statements.

As at 31 December	Bank / Group 2015 LKR '000	2014 LKR '000
44.2.3 Changes in fair value of plan assets		
Opening fair value of plan assets	16,362,449	14,730,725
Expected return	1,554,436	1,478,765
Contribution paid in to plan	149,500	149,488
Actual employer contribution	456,000	456,000
Benefits paid	(607,371)	(560,791)
Actuarial gains / (losses) on plan asset	(91,423)	108,262
Closing fair value of plan assets	17,823,591	16,362,449
44.2.4 Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	13,476,610	13,351,682
Interest cost	1,280,278	1,368,547
Current service cost	-	66,884
Benefits paid	(607,371)	(560,791)
Gain due to change in assumptions	(2,543,415)	(155,812)
Actuarial (gains) / losses on obligation	2,161,878	(593,900)
Closing defined benefit obligation	13,767,980	13,476,610

As at 31 December	Bank / Group 2015 LKR '000	2014 LKR '000
44.2.5 Plan assets consist of the followings		
Fixed deposits	10,135,000	8,640,000
Treasury bonds	876,622	501,175
Debentures	5,455,510	5,504,950
Smart saver	-	827,188
Others	1,356,459	889,136
Total plan assets	17,823,591	16,362,449

As at 31 December	Bank / Group 2015	2014
44.2.6 Actuarial assumptions		
Future salary increment rate	6.50% p.a	6.50% p.a
Increase in future Cost of Living Allowance (COLA)	5.50% p.a	5.50% p.a
Increase in widows' /widowers' and orphans' pension in payment (basic)	Nil	Nil
Discounting rate	10.0% p.a	9.50% p.a
Rate of return on plan assets	10.0% p.a	9.00% p.a
Attrition rate	Nil	Nil
Mortality table	Sri Lankan assured lives mortality (2006-08)	RP 2000

Increase / Decrease in the following assumptions will have an impact on the present value of defined benefit obligation as illustrated below;

	0.5% increase LKR '000	0.5% decrease LKR '000
Discount rate	13,572,116	14,773,681
Salary increment	13,785,355	13,751,022
Inflation	14,149,799	13,412,398

	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
44.3 Terminal gratuity				
Balance as at 1 January	18,426	378,897	322,908	643,087
Provision charge / (reversal) during the year	26,362	(359,296)	86,340	(308,341)
Actuarial (gains) / losses	20,612	3,514	(16,928)	17,999
Payment made during the year	(2,700)	(4,689)	(20,241)	(22,104)
Transfers / Adjustment	-	-	-	(7,733)
Balance as at 31 December	62,700	18,426	372,079	322,908
Total employee benefit liabilities	2,490,036	1,995,622	2,799,415	2,300,104

Notes to the Financial Statements

44 Employee retirement benefit plans (contd.)

44.3.1 Gratuity Fund

Provision had been made to meet the Bank's obligation to pay gratuity in terms of the Payment of Gratuity Act No. 12 of 1983, to all those employees who have joined after 1 January 1996. Provision also included those who have joined the Bank prior to 1 January 1996 and leave the Bank without being entitled to a pension.

Consequent to the entitlement of pension rights for employees who joined subsequent to 1 January 1996, the Bank's obligation to pay gratuity has ceased since beneficiaries of the new pension scheme will not be entitled for rights and privileges under the Gratuity Fund.

Therefore, major part of provisions made by the Bank o/a of gratuity has been transferred to the pension scheme established for employees who joined after 1 January 1996. However, employees whose services are terminated other than by retirement are eligible to receive a terminal gratuity under the Payment of Gratuity Act No. 12 of 1983, at the rate of one half of the basic or consolidated wage or salary, cost of living and all other allowances applicable to the last month of the financial year, for each year of continuous service.

An actuarial valuation of the Gratuity Fund as at 31 December 2015 was carried out by M/s K A Pandit Consultants & Actuaries a firm of professional actuaries.

The valuation has been done using the "Projected Unit Credit Method", which is recommended in the Sri Lanka Accounting Standard -LKAS 19 "Employee Benefits".

The principal actuarial assumptions used in the valuation were as follows :

	Bank / Group	
	2015	2014
Future salary increment rate	6.50% p.a	6.50% p.a
Increase in future Cost of Living Allowance (COLA)	5.50% p.a	5.50% p.a
Discount rate	10.0% p.a	9.50% p.a
Mortality table	Sri Lankan assured lives mortality (2006-08)	RP2000

Increase / Decrease in the following assumptions will change the present value of defined benefit obligation as illustrated below:

	0.5% increase LKR '000	0.5% decrease LKR '000
Discount rate	58,684	67,107
Salary increment	66,299	56,294

44.4 Post 1996 pension reserve

Under the directions of Ministry of Finance and Planning, Board of Directors of Bank of Ceylon on 16 December 2014 approved a pension scheme for employees who joined the Bank subsequent to 1 January 1996.

Subsequent to the establishment of pension rights for all Bank employees, the provision for retirement gratuity payable does not exist.

An actuarial valuation of the post 1996 pension reserve as at 31 December 2015 was carried out by M/s K A Pandit Consultants & Actuaries a firm of professional actuaries.

The results of the actuarial valuation of the pension reserve indicates an obligation of LKR 4,304.4 million as at 31 December 2015 (2014: LKR 2,487.0 million). The provisions made by the Bank on prudential grounds and the gratuity liability balance is adequate to meet the post 1996 pension obligations in full.

45 Subordinated term debts

	Bank		Group	
As at 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Unsecured, subordinated, redeemable debentures of LKR 100 each	35,627,450	32,519,715	35,290,007	32,177,810
Total subordinated term debts	35,627,450	32,519,715	35,290,007	32,177,810

All subordinated debentures are listed on the Colombo Stock Exchange.

	Bank		Group	
As at 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
45.1 Movement in subordinated term debts				
Balance as at 1 January	32,519,715	24,357,595	32,177,810	24,347,248
Issued during the year	8,000,000	8,000,000	8,000,000	7,675,000
Redemptions	(5,063,369)	-	(5,058,085)	-
Amortization adjustments	171,104	162,120	170,282	155,562
Balance as at 31 December	35,627,450	32,519,715	35,290,007	32,177,810

Note : The Maturity analysis on subordinated term debts is given in Note 54.

Notes to the Financial Statements

45 Subordinated term debts (contd.)

	Type of debentures	Note	Interest payable frequency	Issued date	Maturity date
45.2	Subordinated debentures				
	Fixed interest rate				
	Unsecured, subordinated, redeemable debentures		Annually	28.06.2010	27.06.2015
	Unsecured, subordinated, redeemable debentures		Annually	08.12.2011	07.12.2016
	Unsecured, subordinated, redeemable debentures		Semi annually	08.12.2011	07.12.2016
	Unsecured, subordinated, redeemable debentures		Annually	30.11.2012	29.11.2017
	Unsecured, subordinated, redeemable debentures		Semi annually	30.11.2012	29.11.2017
	Unsecured, subordinated, redeemable debentures		Annually	25.10.2013	24.10.2018
	Unsecured, subordinated, redeemable debentures		Semi annually	25.10.2013	24.10.2018
	Unsecured, subordinated, redeemable debentures		Annually	25.10.2013	24.10.2021
	Unsecured, subordinated, redeemable debentures		Annually	25.10.2013	24.10.2022
	Unsecured, subordinated, redeemable debentures		Annually	25.10.2013	24.10.2023
	Unsecured, subordinated, redeemable debentures		Annually	22.09.2014	21.09.2019
	Unsecured, subordinated, redeemable debentures		Quarterly	22.09.2014	21.09.2019
	Unsecured, subordinated, redeemable debentures		Annually	22.09.2014	21.09.2022
	Unsecured, subordinated, redeemable debentures		Annually	06.10.2015	05.10.2020
	Unsecured, subordinated, redeemable debentures		Quarterly	06.10.2015	05.10.2020
	Unsecured, subordinated, redeemable debentures		Annually	06.10.2015	05.10.2023
	Floating interest rate				
	Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 75 basis points)	(a)	Semi annually	28.06.2010	27.06.2015
	Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 75 basis points)	(a)	Semi annually	08.12.2011	07.12.2016
	Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 125 basis points)	(a)	Semi annually	30.11.2012	29.11.2017
	Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 100 basis points)	(a)	Semi annually	25.10.2013	24.10.2018
	Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 100 basis points)	(a)	Semi annually	25.10.2013	24.10.2021
	Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 50 basis points)	(a)	Semi annually	22.09.2014	21.09.2019
	Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 50 basis points)	(a)	Semi annually	22.09.2014	21.09.2022
	Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 125 basis points)	(a)	Semi annually	06.10.2015	05.10.2020
	Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 125 basis points)	(a)	Semi annually	06.10.2015	05.10.2023
	Total subordinated debentures				

Coupon rate		Amount as at 31 December			
		Bank		Group	
2015	2014	2015	2014	2015	2014
%	%	LKR '000	LKR '000	LKR '000	LKR '000
-	11.50	-	1,135,783	-	1,130,499
11.00	11.00	3,926,514	3,926,514	3,926,514	3,926,514
10.50	10.50	2,315	2,315	2,315	2,315
16.00	16.00	6,034,052	6,034,052	6,028,990	6,028,990
15.25	15.25	40,189	40,189	40,189	40,189
13.00	13.00	3,869,827	3,869,827	3,869,827	3,869,827
12.60	12.60	220,369	220,369	220,369	220,369
13.25	13.25	1,226,594	1,226,594	1,226,594	1,226,594
13.25	13.25	1,227,617	1,227,617	1,227,617	1,227,617
13.75	13.75	1,638,142	1,638,142	1,638,142	1,638,142
8.00	8.00	5,234,969	5,234,969	5,234,969	5,234,969
7.75	7.75	216,182	216,182	216,182	216,182
8.25	8.25	1,873,793	1,873,793	1,873,793	1,873,793
8.25	-	293,991	-	293,991	-
8.00	-	12,449	-	12,449	-
9.50	-	1,205,580	-	1,205,580	-
		27,022,583	26,646,346	27,017,521	26,636,000
-	7.24	-	3,927,586	-	3,927,586
7.75	7.24	1,103,186	1,102,401	1,103,186	1,102,401
8.36	7.74	423	423	423	423
8.81	7.92	203	203	203	203
8.81	7.92	1,016	1,014	1,016	1,014
8.36	7.42	843,802	841,711	511,421	510,152
8.36	7.42	31	31	31	31
9.11	-	4,572,690	-	4,572,690	-
9.11	-	2,083,516	-	2,083,516	-
		8,604,867	5,873,369	8,272,486	5,541,810
		35,627,450	32,519,715	35,290,007	32,177,810

Notes to the Financial Statements

45 Subordinated term debts (contd.)

45.2 Subordinated debentures (contd.)

Notes :

All subordinated debentures are listed on the Colombo Stock Exchange. Some of these have been traded in the Colombo Stock Exchange during the year ended 31 December 2015

2012/2017 - (Highest price - LKR 100.00, Lowest price - LKR 100.00, Last transaction price - LKR 100.00)

2013/2023 - (Highest price - LKR 117.32, Lowest price - LKR 117.32, Last transaction price - LKR 117.32)

2014/2022 - (Highest price - LKR 99.90, Lowest price - LKR 95.50, Last transaction price - LKR 95.50)

a) Weighted average 6 months treasury bill interest rate before deducting 10% withholding tax at the primary quotations as announced by the Central Bank of Sri Lanka, at the preceding week of the interest resetting date.

46 Share capital

	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Authorized				
50,000,000 ordinary shares	50,000,000	50,000,000	50,000,000	50,000,000
Balance as at 1 January (issued and fully paid)	5,000,000	5,000,000	5,000,000	5,000,000
Share issued during the year (5,000,000 ordinary shares)	5,000,000	-	5,000,000	-
Assigned capital * (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

The Government of Sri Lanka has allotted LKR 5,000.0 million capital to the Bank as the first phase of the total allotment of LKR 10,000.0 million as stipulated in the National Budget 2015. This allocation is reported under capital pending allotment as of 31 December 2014. The Bank issued five million ordinary shares at LKR 1,000 each to the Government of Sri Lanka and transfered assign capital to the share capital during the year.

47 Permanent reserve fund

	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Balance as at 1 January	3,809,955	3,538,455	3,809,955	3,538,455
Transfers during the year	1,400,000	271,500	1,400,000	271,500
Balance as at 31 December	5,209,955	3,809,955	5,209,955	3,809,955

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 1,400.0 million was transferred to the reserve during the year 2015. (2014 : LKR 271.5 million).

The balance in the permanent reserve fund will be used only for the purposes specified in the Section 20 (2) of the Banking Act No. 30 of 1988.

48 Other reserves

As at 31 December	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Investment fund account [Note 48.1]	-	-	-	-
Revaluation reserve [Note 48.2]	8,607,654	8,587,167	14,469,008	13,807,627
Primary dealer special risk reserve [Note 48.3]	-	-	-	-
Free reserve [Note 48.4]	169,067	169,067	366,644	366,644
Exchange translation reserve [Note 48.5]	874,575	415,014	1,288,487	710,383
Available for sale reserve [Note 48.6]	5,537,359	6,963,665	6,539,515	7,762,004
Statutory reserve - Other [Note 48.7]	-	-	301,669	275,391
	15,188,655	16,134,913	22,965,323	22,922,049

48.1 Investment Fund Account (IFA)

As per the guidelines issued by the Central Bank of Sri Lanka, based on Government budget proposals - 2011, banks were required to establish and operate a fund, titled as 'Investment Fund Account (IFA)' with effect from 1 January 2011. As and when taxes are paid, after 1 January 2011, the Bank should transfer 8% of profits calculated for VAT on financial services and 5% of the adjusted profit calculated for income tax purposes (before tax).

The Circular No.02/17/800/0014/02 dated 31 July 2014 issued by the Central Bank of Sri Lanka stated that the operations of the investment fund account will cease with effect from 1 October 2014.

Therefore we have transferred the remaining balance in IFA to retained earnings through the Statement of Changes in Equity during the year 2014.

	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
48.1.1 Movement in investment fund account				
Balance as at 1 January	-	7,057,090	-	7,228,548
Transfers from retained earnings	-	480,066	-	480,066
Transfers to retained earnings	-	(7,537,156)	-	(7,708,614)
Balance as at 31 December	-	-	-	-
48.2 Revaluation reserve				
Balance as at 1 January	8,587,167	5,210,792	13,807,627	9,600,314
Changes in revaluation surplus / (deficit)	8,169	3,557,500	898,300	4,632,965
Deferred tax effect on changes in revaluation surplus / (deficit)	12,318	(181,125)	(236,919)	(480,110)
Acquisition and changes in non controlling interest	-	-	-	54,458
Balance as at 31 December	8,607,654	8,587,167	14,469,008	13,807,627

The revaluation reserve represents the surplus arising on the revaluation of freehold properties which are still in use.

According to the regulatory directives, issued by the 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.

Notes to the Financial Statements

48 Other reserves (contd.)

	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
48.3 Primary dealer special risk reserve				
Balance as at 1 January	-	896,616	-	896,616
Transfers to retained earnings	-	(896,616)	-	(896,616)
Balance as at 31 December	-	-	-	-

The Bank had been maintaining the primary dealer special risk reserve since 2005 as per the direction issued by the Public Debt Department of the Central Bank of Sri Lanka. However according to the confirmation received from the Public Debt Department of the Central Bank of Sri Lanka on the cessation of maintaining a special risk reserve in 2014, the Bank transferred the balance to the retained earnings during the year 2014.

	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
48.4 Free reserve				
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.

	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
48.5 Exchange translation reserve				
Balance as at 1 January	415,014	496,631	710,383	945,548
Exchange gains / (losses) arising from translating the financial statements of foreign operations	459,561	(81,617)	578,104	(235,165)
Balance as at 31 December	874,575	415,014	1,288,487	710,383

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 at the average exchange rate for the period.

	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
48.6 Available for sale reserve				
Balance as at 1 January	6,963,665	3,912,715	7,762,004	4,515,661
Gains / (Losses) on re-measuring available for sale financial investments	(1,303,645)	3,050,950	(1,099,828)	3,246,343
Deferred tax effect on gains / (losses) on available for sale financial investments	(122,661)	-	(122,661)	-
Balance as at 31 December	5,537,359	6,963,665	6,539,515	7,762,004

	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
48.7 Statutory reserve - Other				
Balance as at 1 January	-	-	275,391	263,247
Transfers during the year	-	-	22,936	12,144
Adjustments due to merger	-	-	3,342	-
Balance as at 31 December	-	-	301,669	275,391

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.

48.8 Super Gain Tax

As per the provisions of Part III of the Finance Act. 10 of 2015 which was passed on 30 October 2015, the Bank and the Group was liable for Super Gain Tax of LKR 2,015.7 million and LKR 2,212.2 millions respectively. According to the Act, the Super Gain Tax was calculated at the rate of 25% on taxable profit for the year of assessment 2013/2014, if the profit before income tax for such year of assessment exceeds LKR 2,000.0 millions and shall be deemed to be an expenditure in the Financial Statements relating to the year of assessment which commenced on 1 April 2013. The act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

49 Notes to the Statement of Cash Flows

For the year ended 31 December	Bank		Group	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
49.1 Changes in operating assets				
Changes in deposits with regulatory authorities	(8,517,417)	(1,723,241)	(8,517,417)	(1,723,241)
Net increase in loans and advances to customers	(97,578,628)	(26,621,248)	(100,793,843)	(28,197,251)
Net (increase) / decrease in financial instruments - Held for trading	5,186,820	2,977,934	5,184,659	(2,860,863)
Net (increase) / decrease in securities purchased under resale agreements	32,027,368	(30,666,801)	31,681,189	(29,706,493)
Net (increase) / decrease in derivative financial instruments	(5,704,732)	1,546,517	(5,704,732)	1,546,517
Changes in other operating assets	(303,752)	(8,660,341)	(64,082)	(8,540,958)
	(74,890,341)	(63,147,180)	(78,214,226)	(69,482,289)
49.2 Changes in operating liabilities				
Increase / (Decrease) in deposits from banks	903,835	(478,394)	903,835	(529,769)
Net increase in deposits from customers	148,197,880	95,068,191	153,843,168	95,665,201
Net increase in securities lent and repurchase agreements	36,070,317	19,292,910	35,294,118	19,391,123
Net increase / (decrease) in short term borrowings	(2,617,464)	5,495,066	(5,656,678)	5,334,802
Net increase / (decrease) in derivative financial instruments	(578,246)	459,600	(578,246)	459,600
Changes in other operating liabilities	7,833,842	5,695,385	8,063,270	5,621,072
	189,810,164	125,532,758	191,869,467	125,942,029

Notes to the Financial Statements

49 Notes to the Statement of Cash Flows (contd.)

		Bank		Group	
	For the year ended 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
49.3	**Other non cash items included in profit before tax**				
	(Gains) / Losses on revaluation of foreign exchange	(2,311,271)	27,418	(2,311,271)	27,418
	Contribution paid to defined benefit plans	524,908	579,007	591,330	636,642
	Loan impairment charges	7,317,435	7,210,916	7,779,586	7,931,525
	Depreciation of investment properties	-	-	3,036	3,038
	Depreciation of property, plant and equipment	1,196,066	1,019,315	1,637,836	1,411,368
	Amortization of intangible assets and leasehold properties	194,669	171,979	244,190	216,447
	Accrual for expenses and other non cash items	1,709,414	5,016,379	1,859,757	4,120,781
		8,631,221	14,025,014	9,804,464	14,347,219

50 Contingent liabilities and commitments

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 financial instruments generate interest or fees and carries elements of credit risk in excess of those amounts recognized as assets and liabilities in the Statement of Financial Position. However no material losses are anticipated as a result of these transactions.

These contingencies and commitments are quantified below :

		Bank		Group	
	As at 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
	Contingent liabilities [Note 50.1]	470,113,073	416,395,424	471,090,267	417,177,840
	Undrawn and undisbursed facilities [Note 50.2]	329,432,048	297,007,904	329,432,065	297,016,468
	Capital commitments [Note 50.3]	6,094,210	6,611,334	6,179,304	6,858,547
	Lease commitments [Note 50.4]	1,330,554	1,748,744	1,349,293	1,770,333
	Total contingent liabilities and commitments	806,969,885	721,763,406	808,050,929	722,823,188
50.1	**Contingent liabilities**				
	Acceptances and documentary credit	145,462,242	129,707,248	145,800,676	129,963,884
	Bills for collection	9,483,364	4,626,332	9,483,364	4,626,332
	Forward exchange contracts	110,472,272	91,796,631	110,472,272	91,796,631
	Guarantees	91,386,393	99,102,841	91,547,460	99,300,121
	Other commitments [Note 50.1.1]	113,308,802	91,162,372	113,786,495	91,490,872
	Total contingent liabilities	470,113,073	416,395,424	471,090,267	417,177,840
50.1.1	**Other commitments**				
	Sale commitment of securities for secondary market	-	700,000	-	700,000
	Purchase commitment of securities for secondary market	300,000	1,000,000	300,000	1,000,000
	Purchase commitment of securities for primary market	2,820,000	3,500,000	2,820,000	3,500,000
	Forward exchange contracts	36,982,835	9,173,106	36,982,835	9,173,106
	Forward exchange sales with financial institutions	75,967	4,928,766	75,967	4,928,766
	Currency swaps	73,130,000	71,860,500	73,130,000	71,860,500
	Other commitments	-	-	477,693	328,500
	Total other commitments	113,308,802	91,162,372	113,786,495	91,490,872

50.2 Undisbursed and undrawn 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:

	Bank		Group	
As at 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Undisbursed amount of loans	38,824,119	38,917,230	38,824,119	38,925,783
Undrawn limits of overdrafts	81,925,485	69,574,333	81,925,495	69,574,344
Undrawn limits of credit cards	6,196,195	5,398,764	6,196,195	5,398,764
Undrawn limits of letters of credit	125,420,567	104,954,776	125,420,574	104,954,776
Undrawn limits of letters of guarantee	77,065,682	78,162,801	77,065,682	78,162,801
Total undrawn and undisbursed facilities	329,432,048	297,007,904	329,432,065	297,016,468

50.3 Capital commitments

Capital expenditure approved by the Board of Directors for which no provision has been made in the Financial Statements, amounts to:

	Bank		Group	
As at 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
50.3.1 Capital commitments in relation to property, plant and equipment				
Approved and contracted for	1,630,747	1,688,548	1,715,841	1,741,657
Approved but not contracted for	3,412,402	3,989,026	3,412,402	4,061,544
	5,043,149	5,677,574	5,128,243	5,803,201
50.3.2 Capital commitments in relation to intangible assets				
Approved and contracted for	895,061	382,760	895,061	382,760
Approved and not contracted for	156,000	551,000	156,000	672,586
	1,051,061	933,760	1,051,061	1,055,346
Total capital commitments	6,094,210	6,611,334	6,179,304	6,858,547

Notes to the Financial Statements

50 Contingent liabilities and commitments (contd.)

50.4 Lease commitments

50.4.1 Operating lease commitments

Future minimum lease payments under non cancellable operating leases where the Bank is the lessee are as follows:

	Bank		Group	
As at 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Not later than 1 year	934,280	978,805	934,280	978,805
Later than 1 year and not later than 5 years	383,386	756,694	383,386	756,694
Later than 5 years	12,888	10,778	12,888	10,778
	1,330,554	1,746,277	1,330,554	1,746,277

50.4.2 Finance lease commitments

Future minimum lease payments under non cancellable finance leases where the Bank is the lessee are as follows;

	Bank		Group	
As at 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Not later than 1 year	-	2,467	3,841	6,842
Later than 1 year and not later than 5 years	-	-	13,235	12,368
Later than 5 years	-	-	1,663	4,846
	-	2,467	18,739	24,056
Total lease commitments	1,330,554	1,748,744	1,349,293	1,770,333

51 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 at 31 December 2015 claims for the legal actions against the Bank approximately amount to LKR. 1,300.0 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:

	Bank		Group	
As at 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Securities sold under repurchase agreements	87,353,154	51,282,837	87,353,154	51,282,837
Refinance purposes	-	-	131,750	1,156,609
	87,353,154	51,282,837	87,484,904	52,439,446
Secured by ;				
Treasury bonds	99,618,044	57,837,480	99,618,044	57,837,480
Lease / hire purchase rentals receivables	-	-	130,000	1,151,859
Time deposits	-	-	1,750	4,750
	99,618,044	57,837,480	99,749,794	58,994,089

53 Events after the reporting date

Events after the reporting period are those events, favourable and unfavorable, that occur between the reporting date and the date the Financial Statements are authorized for issue. There are no events occurring after the reporting date which require adjustments or disclosure in the Financial Statements.

Notes to the Financial Statements

54 Maturity analysis of assets and liabilities

54.1 The analysis of total assets, liabilities and equity of the Bank and the Group based on the remaining contractual period to maturity as at 31 December 2015 is given below :

	Bank			Group		
As at 31 December 2015	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	37,639,534	1,300,256	38,939,790	37,639,534	1,300,256	38,939,790
Placements with banks	27,975,582	-	27,975,582	28,355,579	-	28,355,579
Derivative financial instruments	7,419,288	-	7,419,288	7,419,288	-	7,419,288
Securities purchased under resale agreements	12,299,088	-	12,299,088	13,678,789	-	13,678,789
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	901,309,068	666,979,632	1,568,288,700	919,128,607	691,070,713	1,610,199,320
Percentage	57.5%	42.5%	100.0%	57.1%	42.9%	100.0%

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
Liabilities						
Due to banks	2,630,408	-	2,630,408	2,632,827	-	2,632,827
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	184,894,022	152,548,234	337,442,256	185,285,074	156,723,970	342,009,044
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	(360,082,459)	360,082,459	-	(358,068,033)	358,068,033	-

Notes to the Financial Statements

54 Maturity analysis of assets and liabilities (contd.)

54.1 The analysis of total assets, liabilities and equity of the Bank and the Group based on the remaining contractual period to maturity as at 31 December 2014 is given below :

	Bank			Group		
As at 31 December 2014	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	35,583,408	-	35,583,408	37,872,965	-	37,872,965
Balances with Central Banks	29,016,252	1,406,121	30,422,373	29,016,252	1,406,121	30,422,373
Placements with banks	13,348,945	-	13,348,945	13,479,168	-	13,479,168
Derivative financial instruments	1,714,556	-	1,714,556	1,714,556	-	1,714,556
Securities purchased under resale agreements	58,953,093	-	58,953,093	60,236,389	-	60,236,389
Financial instruments - Held for trading	17,862,433	-	17,862,433	18,437,958	-	18,437,958
Financial investments - Loans and receivables	18,573,626	112,287,742	130,861,368	19,729,373	111,953,471	131,682,844
Loans and advances to customers	512,970,459	228,377,176	741,347,635	521,477,898	242,294,154	763,772,052
Financial investments - Available for sale	2,562,402	11,799,141	14,361,543	3,908,582	13,702,578	17,611,160
Financial investments - Held to maturity	40,336,400	174,465,000	214,801,400	40,503,868	174,520,226	215,024,094
Investment in subsidiary companies	-	6,213,048	6,213,048	-	-	-
Investment in associate companies	-	842,988	842,988	-	1,870,035	1,870,035
Investment properties	-	-	-	96,865	52,011	148,876
Property, plant and equipment	-	16,188,333	16,188,333	-	25,646,016	25,646,016
Leasehold properties	-	107,467	107,467	-	144,501	144,501
Intangible assets	-	384,577	384,577	-	531,667	531,667
Deferred tax assets	-	-	-	-	8,933	8,933
Other assets	45,567,511	459,717	46,027,228	46,212,846	587,232	46,800,078
Total assets	776,489,085	552,531,310	1,329,020,395	792,686,720	572,716,945	1,365,403,665
Percentage	58.4%	41.6%	100.0%	58.1%	41.9%	100.0%

As at 31 December 2014	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
Liabilities						
Due to banks	889,876	-	889,876	949,127	-	949,127
Derivative financial instruments	734,548	-	734,548	734,548	-	734,548
Due to customers	890,798,299	43,167,870	933,966,169	898,753,216	45,181,247	943,934,463
Other borrowings	90,448,767	156,287,695	246,736,462	94,511,016	157,657,141	252,168,157
Debt securities issued	17,362,198	3,400,000	20,762,198	17,646,268	8,572,069	26,218,337
Current tax liabilities	-	-	-	291,193	-	291,193
Deferred tax liabilities	-	1,071,335	1,071,335	-	3,288,860	3,288,860
Insurance provision - Life	-	-	-	-	349,901	349,901
Insurance provision - Non life	-	-	-	-	607,306	607,306
Other liabilities	17,526,012	8,167	17,534,179	18,540,135	563,107	19,103,242
Subordinated term debts	5,519,715	27,000,000	32,519,715	5,514,431	26,663,379	32,177,810
Equity	-	74,805,913	74,805,913	-	85,580,721	85,580,721
Total liabilities and equity	1,023,279,415	305,740,980	1,329,020,395	1,036,939,934	328,463,731	1,365,403,665
Percentage	77.0%	23.0%	100.0%	75.9%	24.1%	100.0%
Net gap	(246,790,330)	246,790,330	-	(244,253,214)	244,253,214	-

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.

Notes to the Financial Statements

55 Related party disclosures (contd.)

55.1 Parent and the ultimate controlling party

Bank of Ceylon is a Government owned bank.

55.2 Key Management Personnel (KMPs), their Close Family Members (CFMs) and other related entities

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 dependents 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

	Bank		Group	
For the year ended 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Short term employment benefits	15,379	15,352	15,859	18,214
Post employment benefits	3,756	2,587	3,756	2,587
Total	19,135	17,939	19,615	20,801

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), their Close Family Members (CFMs) and other related entities

Other entities are those entities in which the KMPs and /or their CFMs have an interest over 50% of total shareholding.

(a) Items in Statement of Profit or Loss

	KMPs and CFMs		Other entities	
For the year ended 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Interest income	550	627	-	-
Interest expenses	1,272	880	-	-
Other expenses *	-	-	-	9,353

* excluding the payments made as shown in Note 55.2.1

		KMPs and CFMs	
	As at 31 December	2015 LKR '000	2014 LKR '000
(b)	**Items in Statement of Financial Position**		
	Assets		
	Loans	9,559	6,092
	Overdrafts	-	1,026
	Credit cards	389	674
		9,948	7,792
	Liabilities		
	Due to customers	25,920	21,759
		25,920	21,759
(c)	**Off balance sheet items**		
	Undrawn facilities	1,361	5,005
		1,361	5,005
(d)	**Average accommodations / due to customer balances**		
	Loans	7,651	6,132
	Overdrafts	149	923
	Due to customers	20,412	14,781

Notes to the Financial Statements

55 Related party disclosures (contd.)

55.3 Transactions with Group related parties

The Group related parties include the subsidiaries and associates of the Bank.

55.3.1 Transactions with subsidiaries and associates 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 summarized below:

(a) Items in Statement of Profit or Loss

	Subsidiary companies of the Bank		Associate companies of the Bank	
For the year ended 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Interest income	55,021	54,262	15,291	14,663
Interest expenses	155,194	244,673	10,625	17,230
Other income	306,824	356,921	51,862	42,940
Other expenses	633,546	646,720	25,198	20,672

(b) Items in Statement of Financial Position

	Subsidiary companies of the Bank		Associate companies of the Bank	
As at 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Assets				
Loans	24,620	66,660	118,345	144,529
Overdrafts	-	48,447	2	-
Investments in debts	221,551	212,661	-	-
Placements	3,601,077	5,784,156	-	-
Other receivable	520,494	276,827	-	-
	4,367,742	6,388,751	118,347	144,529
Liabilities				
Due to customers	1,408,587	2,106,587	179,018	270,968
Securities sold under repurchase agreements	1,555,661	805,160	40,005	57,606
Debentures	344,385	341,906	-	-
Other liabilities	140,702	94,849	17	2,058
	3,449,335	3,348,502	219,040	330,632

(c) Off balance sheet items

	Subsidiary companies of the Bank		Associate companies of the Bank	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Letters of credit	38,714	-	-	-
Guarantees	65,325	59,243	500	32,140
Undrawn facilities	842,597	2,175,741	55,000	55,000
	946,636	2,234,984	55,500	87,140

(d) Average accommodations / due to customer balances

Loans	42,335	228,925	131,500	131,766
Overdrafts	28,826	42,892	220	133
Due to customers	1,226,628	2,319,143	223,470	231,518

55.3.2 Transactions with subsidiaries and associates 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

	Subsidiary companies		Associate companies	
For the year ended 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Interest income	55,025	87,086	17,046	14,663
Interest expenses	156,949	277,497	10,629	17,230
Other income	542,291	606,123	54,370	42,940
Other expenses	868,731	892,549	27,988	24,045

Notes to the Financial Statements

55 Related party disclosures (contd.)

55.3 Transactions with Group related parties (contd.)

55.3.2 Transactions with subsidiaries and associates of the Group (contd.)

(b) Items in Statement of Financial Position

As at 31 December	Subsidiary companies		Associate companies	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Assets				
Loans	24,620	66,660	118,345	144,529
Overdrafts	-	48,447	2	-
Investments in debts	221,551	212,661	-	-
Placements	3,601,077	5,784,156	-	-
Other receivable	521,727	286,938	-	-
	4,368,975	6,398,862	118,347	144,529
Liabilities				
Due to customers	1,408,587	2,113,304	179,018	270,968
Securities sold under repurchase agreements	1,555,661	805,160	40,005	57,606
Debentures	344,385	341,906	-	-
Other liabilities	142,204	101,175	17	2,058
	3,450,837	3,361,545	219,040	330,632

(c) Off balance sheet items

Letters of credit	38,714	-	-	-
Guarantees	65,325	59,243	500	32,140
Undrawn facilities	842,597	2,175,741	55,000	55,000
	946,636	2,234,984	55,500	87,140

(d) Average accommodations / Due to customer balances

Loans	42,335	231,625	131,500	131,766
Overdrafts	29,095	46,677	220	133
Due to customers	1,226,628	2,325,860	223,470	231,518

55.4 Transactions with the significant investors having significant influence over the Bank and the post employment benefit plans for Bank's employees.

Significant investor of the Bank is the Government as it is a state owned entity. Government refers to the Government of Sri Lanka, Government Corporations, Provincial Councils, Local Government bodies, 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 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 Statements of Profit or Loss

	Significant investor		Post employment benefit plans	
For the year ended 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Interest income	59,257,432	53,523,188	-	-
Other income	1,233,270	2,176,547	-	-
Interest expenses	11,523,327	12,261,228	5,312,011	6,264,541
Dividends paid	6,346,410	6,846,410	-	-
Contribution made	-	-	1,801,097	2,010,925

Notes to the Financial Statements

55 Related party disclosures (contd.)

55.4 Transactions with the significant investors having significant influence over the Bank and the post employment benefit plans for Bank's employees. (contd.)

55.4.1 Transactions which are collectively significant (contd.)

(b) Items in Statement of Financial Position

	Significant investor		Post employment benefit plans	
As at 31 December	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Assets				
Loans and advances	320,702,006	328,914,682	-	-
Investment in securities and bonds	477,993,779	414,040,863	-	-
Investment in equity instruments	1,155,370	1,126,648	-	-
	799,851,155	744,082,193	-	-
Liabilities				
Due to customers	115,044,541	164,152,416	34,346,832	34,598,638
Securities sold under repurchase agreements	58,538,571	41,484,975	7,798,041	1,570,389
Debentures	10,252,818	8,179,136	19,021,236	33,662,577
	183,835,930	213,816,527	61,166,109	69,831,604
(c) **Off balance sheet items**				
Letters of credit	68,730,612	56,640,701	-	-
Bills and acceptances	26,704,317	55,202,462	-	-
Guarantees	19,646,065	17,499,071	-	-
Forward exchange contracts	79,234,265	72,327,750	-	-
	194,315,259	201,669,984	-	-
(d) **Other transactions**				
Gross foreign exchange transactions				
Sales	212,794,526	127,238,018	-	-
Purchases	208,847,126	81,993,003	-	-
(e) **Average accommodations / due to customers**				
Loans and advances	338,552,931	277,953,375	-	-
Due to customers	94,537,896	115,432,228	30,227,015	32,907,367
Off balance sheet facilities	197,992,622	209,063,905	-	-

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 and during the year bills amounting to LKR 21,500.5 million pertaining to Government owned entities have been settled.

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.

	Significant investor	
As at 31 December	2015 LKR '000	2014 LKR '000
Investment in securities and bonds	2,781,412	1,818,605
Nostro balance with CBSL	196,018	137,486
Income from investment in securities and bonds	208,669	143,114

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 2015 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

Operating segments provide products and services whose risk and returns are different from other segments which represents retail banking, corporate banking, international, treasury and investment, Group function and unallocated segments. Subsidiary performances are presented under Group function.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource 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.

Notes to the Financial Statements

56 Financial reporting by segment (contd.)

56.1 Primary segment information - Operating segments - Group (contd.)

For the year ended 31 December	Retail banking		Corporate banking	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
Revenue from external customers:				
Net interest income	22,980,194	20,114,226	10,335,452	8,073,919
Net fee and commission income	3,351,876	3,031,727	3,108,889	3,995,194
Other income	2,266,332	1,297,070	2,067,980	274,697
Total operating income	28,598,402	24,443,023	15,512,321	12,343,810
Less : Impairment charge / (reversal) for loans and other losses	4,013,510	5,145,535	3,220,786	2,120,903
Other operating expenses	19,195,165	16,091,497	4,173,311	3,977,846
Total expenses	23,208,675	21,237,032	7,394,097	6,098,749
Operating profit before VAT and NBT on financial services	5,389,727	3,205,991	8,118,224	6,245,061
VAT and NBT on financial services	-	-	-	-
Operating profit after VAT and NBT on financial services				
Share of profits/(losses) of associate companies before tax	-	-	-	-
Profit before income tax	5,389,727	3,205,991	8,118,224	6,245,061
Less: Income tax expense	-	-	-	-
Profit for the year				
Total assets	478,085,347	389,085,482	429,748,985	411,205,706
Total liabilities	453,245,149	367,185,220	407,420,231	388,060,374
Cash flows from operating activities	59,021,054	34,314,277	26,545,001	13,773,869
Cash flows used in investing activities	(523,228)	(543,551)	(470,328)	(574,453)
Cash flows from / (used) in financing activities	5,573,856	(8,470,844)	5,010,316	(8,952,427)
Capital expenditure to non current assets	-	-	-	-
Depreciation and amortization expenses	423,959	348,765	381,095	368,593

Being the major customer of the Bank, "Government and State Owned Enterprises (SOEs)" represents 19% of revenue of the Bank, (2014 : 18%) and included under Retail and Corporate segments. More details are given in the Note 55 - 'Related Party Disclosures'.

International, Treasury and Investment		Group function		Unallocated		Total	
2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
13,561,676	9,449,501	2,376,914	2,304,007	861,881	812,409	50,116,117	40,754,062
816,961	609,055	243,540	215,719	560,624	472,084	8,081,890	8,323,779
5,032,548	6,098,856	3,028,978	2,833,378	(753,852)	1,058,531	11,641,986	11,562,532
19,411,185	16,157,412	5,649,432	5,353,104	668,653	2,343,024	69,839,993	60,640,373
-	-	462,151	720,610	83,139	(55,523)	7,779,586	7,931,525
5,010,554	4,254,298	4,468,631	3,286,891	(1,043,276)	24,579	31,804,385	27,635,111
5,010,554	4,254,298	4,930,782	4,007,501	(960,137)	(30,944)	39,583,971	35,566,636
14,400,631	11,903,114	718,650	1,345,603	1,628,790	2,373,968	30,256,022	25,073,737
-	-	-	-	-	-	(4,872,944)	(4,105,175)
						25,383,078	20,968,562
-	-	106,833	462,436		-	106,833	462,436
14,400,631	11,903,114	825,483	1,808,039	1,628,790	2,373,968	25,489,911	21,430,998
-	-	-	-	-	-	8,102,524	7,058,656
						17,387,387	14,372,342
599,586,745	469,534,357	63,961,962	46,651,202	38,816,281	48,926,918	1,610,199,320	1,365,403,665
568,433,618	443,105,909	51,559,499	33,935,230	36,466,610	47,536,211	1,517,125,107	1,279,822,944
34,831,056	16,120,570	6,104,734	3,930,568	2,213,608	1,385,945	128,715,453	69,525,229
(101,196,615)	(26,115,958)	(70,002)	(149,522)	(42,481)	(68,351)	(102,302,654)	(27,451,835)
6,990,405	(10,223,310)	634,061	(782,875)	448,454	(1,095,645)	18,657,092	(29,525,101)
-	-	-	-	-	-	1,776,935	1,986,043
531,705	420,877	237,601	223,915	310,702	268,703	1,885,062	1,630,853

Notes to the Financial Statements

56. Financial reporting by segment (contd.)

56.2 Secondary segment information - Geographical segments

Geographical segments provide products or services within a particular economic environment where risk and returns are different from those of other economic environments. These segments comprise of domestic operations, Off shore Banking Division and Overseas Banking Unit.

	Bank				Group			
	2015 LKR '000	%	2014 LKR '000	%	2015 LKR '000	%	2014 LKR '000	%
Assets								
Domestic Banking Unit	1,236,088,152	78.8	1,069,304,673	80.5	1,251,143,670	77.7	1,095,133,083	80.2
Off shore Banking Division	304,044,704	19.4	241,154,979	18.1	304,044,704	18.9	241,154,979	17.7
Overseas Banking Unit	28,155,844	1.8	18,560,743	1.4	55,010,946	3.4	29,115,603	2.1
	1,568,288,700	100.0	1,329,020,395	100.0	1,610,199,320	100.0	1,365,403,665	100.0
Total income								
Domestic Banking Unit	114,755,166	86.3	111,700,828	88.3	120,863,259	86.7	117,854,788	88.6
Off shore Banking Division	14,708,134	11.1	12,174,722	9.6	14,708,134	10.6	12,174,722	9.2
Overseas Banking Unit	3,452,141	2.6	2,670,393	2.1	3,826,589	2.7	2,993,835	2.2
	132,915,441	100.0	126,545,943	100.0	139,397,982	100.0	133,023,345	100.0
Profit before tax								
Domestic Banking Unit	20,866,197	82.5	18,101,977	89.2	21,142,123	83.0	19,370,527	90.4
Off shore Banking Division	2,478,919	9.8	786,463	3.9	2,478,919	9.7	786,463	3.7
Overseas Banking Unit	1,933,799	7.7	1,402,517	6.9	1,868,869	7.3	1,274,008	5.9
	25,278,915	100.0	20,290,957	100.0	25,489,911	100.0	21,430,998	100.0
Profits after tax								
Domestic Banking Unit	14,284,168	82.3	12,011,966	88.5	14,379,047	82.7	12,938,760	90.1
Off shore Banking Division	1,784,822	10.3	566,254	4.2	1,784,822	10.3	566,254	3.9
Overseas Banking Unit	1,288,448	7.4	995,837	7.3	1,223,518	7.0	867,328	6.0
	17,357,438	100.0	13,574,057	100.0	17,387,387	100.0	14,372,342	100.0

57 Fair values of assets and liabilities

57.1 Valuation models

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Bank uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair values are determined according to the following hierarchy:

Level 1 : Quoted market price (unadjusted) : financial instruments with quoted price in active markets.

Level 2 : Valuation technique using non observable inputs : financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments are valued using models where all significant inputs are observable.

Level 3 : Valuation technique with significant unobservable inputs : financial instruments are valued using valuation techniques where one or few significant inputs are non observable.

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

Notes to the Financial Statements

57 Fair values of assets and liabilities (contd.)

57.2 Assets measured at fair value - Fair value hierarchy

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 debt securities	-	-	-	-	2,414	-	-	2,414
Quoted equities	3,785,945	-	-	3,785,945	4,336,272	-	-	4,336,272
	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
Units in units trusts	-	4,059,644	-	4,059,644	-	4,068,328	-	4,068,328
Unquoted investments								
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	-	-	11,825,679	11,825,679	-	-	14,180,588	14,180,588
	-	-	11,825,679	11,825,679	-	-	14,180,588	14,180,588
Total	19,093,333	4,907,141	19,439,366	43,439,840	23,841,163	4,915,825	21,835,585	50,592,573
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

	Bank				Group			
As at 31 December 2014	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								
Currency SWAPs	-	-	1,489,402	1,489,402			1,489,402	1,489,402
Forward exchange contracts	-	225,154	-	225,154	-	225,154	-	225,154
	-	225,154	1,489,402	1,714,556	-	225,154	1,489,402	1,714,556
Financial instruments								
- Held for trading								
Treasury bills	10,207,422	-	-	10,207,422	10,207,422	-	-	10,207,422
Treasury bonds	4,088,760	476,633	-	4,565,393	4,088,760	476,633	-	4,565,393
Sri Lanka sovereign bonds	141,022	-	-	141,022	141,022	-	-	141,022
Quoted debt securities	-	-	-	-	2,504	-	-	2,504
Quoted equities	2,948,596	-	-	2,948,596	3,518,833	-	-	3,518,833
Units in unit trusts	-	-	-	-	2,784	-	-	2,784
	17,385,800	476,633	-	17,862,433	17,961,325	476,633	-	18,437,958
Financial investments - Available for sale								
Quoted investments								
Government securities								
Treasury bills	1,932,324	-	-	1,932,324	2,599,681	-	-	2,599,681
Treasury bonds	413,604	64,971	-	478,575	1,412,916	64,971	-	1,477,887
Other countries	1,383,460	-	-	1,383,460	1,593,537	-	-	1,593,537
Equities	5,627,221	-	-	5,627,221	6,651,013	-	-	6,651,013
Units in units trusts	-	4,517,362	-	4,517,362		4,845,873	-	4,845,873
Unquoted investments								-
Equities	-	194,884	227,717	422,601	-	194,884	248,285	443,169
	9,356,609	4,777,217	227,717	14,361,543	12,257,147	5,105,728	248,285	17,611,160
Total financial assets	26,742,409	5,479,004	1,717,119	33,938,532	30,218,472	5,807,515	1,737,687	37,763,674
Non financial assets								
Property, plant and equipment	-	-	11,750,203	11,750,203	-	-	14,109,533	14,109,533
	-	-	11,750,203	11,750,203	-	-	14,109,533	14,109,533
Total	26,742,409	5,479,004	13,467,322	45,688,735	30,218,472	5,807,515	15,847,220	51,873,207
Financial Liabilities								
Derivative financial instruments								
Forward exchange contracts	-	734,548	-	734,548	-	734,548	-	734,548
Total	-	734,548	-	734,548	-	734,548	-	734,548

Notes to the Financial Statements

57 Fair values of assets and liabilities (contd.)

57.3 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 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	11,750,203	-	8,169	67,307	11,825,679	14,109,533	-	933,454	(862,399)	14,180,588
Total Level 3 assets	13,467,322	-	8,169	5,963,875	19,439,366	15,847,220	-	933,696	5,054,669	21,835,585
Financial Liabilities	-	-	-		-	-	-	-		-
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

	Bank					Group				
	As at 1 January 2014 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 2014 LKR '000	As at 1 January 2014 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 2014 LKR '000
Financial assets										
Derivative financial instruments										
Currency SWAPs	2,889,583	-	-	(1,400,181)	1,489,402	2,889,583	-	-	(1,400,181)	1,489,402
Financial investments - Available for sale										
Unquoted investments										
Equities	1,640,302	-	(40,168)	(1,372,417)	227,717	1,664,511	-	(43,809)	(1,372,417)	248,285
Total Level 3 financial assets	4,529,885	-	(40,168)	(2,772,598)	1,717,119	4,554,094	-	(43,809)	(2,772,598)	1,737,687
Non financial assets										
Property, plant and equipment	8,051,670	(64,010)	3,557,500	205,043	11,750,203	10,314,051	(64,010)	4,676,153	(816,661)	14,109,533
Total Level 3 assets	12,581,555	(64,010)	3,517,332	(2,567,555)	13,467,322	14,868,145	(64,010)	4,632,344	(3,589,259)	15,847,220
Financial Liabilities	-	-	-	-	-	-	-	-	-	-
Total Level 3 financial liabilities	-	-	-	-	-	-	-	-	-	-
Net level 3 financial assets	4,529,885	-	(40,168)	(2,772,598)	1,717,119	4,554,094	-	(43,809)	(2,772,598)	1,737,687

Notes to the Financial Statements

57 Fair values of assets and liabilities (contd.)

Level 3 fair value measurement

57.4 Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used as at 31 December 2015 in measuring financial instruments categorized as level 3 in the fair value hierarchy

Type of financial instrument	Fair value As at 31 December 2015 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	7,385,970	Forward pricing model	Foreign exchange forward rate.	Negative 0.01 to positive 0.01 basis point.	Unfavorable or favorable impact on derivative assets value of LKR 5.5 million respectively.
			Discount for counterparty credit risk.		
AFS financial assets in 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.	Imapct to the fair value will be within negative and positive LKR 8 million no significant impact to the investment.
Credit Information Bureau of Sri Lanka	41,542	Value at cost*	-		* Fair value can not 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*	-		

57.5 Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets 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 pre mature upliftment. Amounts paid to customers in the event of pre mature 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	2015 Carrying amount LKR '000	2015 Fair value LKR '000	2014 Carrying amount LKR '000	2014 Fair value LKR '000
57.5.1 Bank				
Financial assets				
Cash and cash equivalents	79,916,559	79,916,559	35,583,408	35,583,408
Balances with Central Banks	38,939,790	38,939,790	30,422,373	30,422,373
Placements with banks	27,975,582	27,975,582	13,348,945	13,348,945
Securities purchased under resale agreements	12,299,088	12,299,088	58,953,093	58,953,093
Financial investments - Loans and receivables	232,561,268	232,564,862	130,861,368	130,864,791
Loans and advances to customers	826,789,630	826,789,630	741,347,635	741,347,635
Financial investments - Held to maturity	246,288,625	253,772,055	214,801,400	238,269,721
Total	1,464,770,542	1,472,257,566	1,225,318,222	1,248,789,966
Financial liabilities				
Due to banks	2,630,408	2,630,408	889,876	889,876
Due to customers	1,082,337,118	1,082,337,118	933,966,169	933,966,169
Other borrowings	337,442,256	337,513,479	246,736,462	255,925,290
Debt securities issued	3,427,058	3,429,748	20,762,198	20,790,180
Subordinated term debts	35,627,450	35,331,364	32,519,715	33,144,080
Total	1,461,464,290	1,461,242,117	1,234,874,420	1,244,715,595

Notes to the Financial Statements

57 Fair values of assets and liabilities (contd.)

57.5 Fair value of financial assets and liabilities not carried at fair value (contd.)

As at 31 December	2015 Carrying amount LKR '000	2015 Fair value LKR '000	2014 Carrying amount LKR '000	2014 Fair value LKR '000
57.5.2 Group				
Financial assets				
Cash and cash equivalents	83,722,721	83,722,721	37,872,965	37,872,965
Balances with Central Banks	38,939,790	38,939,790	30,422,373	30,422,373
Placements with banks	28,355,579	28,355,579	13,479,168	13,479,168
Securities purchased under resale agreements	13,678,789	13,678,789	60,236,389	60,236,389
Financial investments - Loans and receivables	233,003,742	233,007,335	131,682,844	131,686,267
Loans and advances to customers	851,905,227	851,905,227	763,772,052	763,772,052
Financial investments - Held to maturity	246,349,511	253,832,941	215,024,094	240,208,453
Total	1,495,955,359	1,503,442,382	1,252,489,885	1,277,677,667
Financial liabilities				
Due to banks	2,632,827	2,632,827	949,127	949,127
Due to customers	1,097,950,702	1,097,950,702	943,934,463	943,934,463
Other borrowings	342,009,044	342,080,267	252,168,157	261,356,985
Debt securities issued	8,703,747	8,706,437	26,218,337	26,246,320
Subordinated term debts	35,290,007	34,993,920	32,177,810	32,802,175
Total	1,486,586,327	1,486,364,153	1,255,447,894	1,265,289,070

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 05 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.

However, 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, so that the Bank closely involves in risk and audit affairs of subsidiaries. On special circumstances Chief 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 dash boards. 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 and Non Performing Advances Monitoring Committee, which assist in managing various risks that the Bank is exposed to.

Notes to the Financial Statements

58 Risk management (contd.)

58.1 Introduction (contd.)

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 IRMC based on 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 risk.

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 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, maintaining, 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 / movable 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.

Notes to the Financial Statements

58 Risk management (contd.)

58.2 Credit risk (contd.)

58.2.1 Maximum exposure to credit risk (contd.)

58.2.1.2 Types of collateral and other credit enhancements

As at 31 December 2015	Maximum exposure to credit risk LKR '000	Fair value of collateral and Cash LKR '000	Gold LKR '000	GOSL Securities / Guarantees 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	-	-	-
Derivative financial instruments	7,419,288	-	-	-
Securities purchased under resale agreements	12,299,088	-	-	12,299,088
Financial instruments - Held for trading	12,173,304	-	-	8,387,359
Financial investments - Loans and receivables	232,561,268	-	-	227,544,756
Loans and advances to customers	870,729,910	38,194,086	59,141,393	282,660,460
Less : Impairment on loans and advances	43,940,280		-	-
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	59,141,393	680,174,978

As at 31 December 2014	Maximum exposure to credit risk LKR '000	Fair value of collateral and Cash LKR '000	Gold LKR '000	GOSL Securities / Guarantees LKR '000
Financial assets				
Cash and cash equivalents	35,583,408	24,446,916	-	-
Balances with Central Banks	30,422,373	30,422,373	-	-
Placements with banks	13,348,945	-	-	-
Derivative financial instruments	1,714,556	-	-	-
Securities purchased under resale agreements	58,953,093	-	-	58,953,093
Financial instruments - Held for trading	17,862,433	-	-	14,913,836
Financial investments - Loans and receivables	130,861,368	-	-	126,871,348
Loans and advances to customers	777,504,915	32,178,836	102,506,473	269,326,338
Less : Impairment on loans and advances	36,157,280	-	-	-
Financial investments - Available for sale	14,361,543	-	-	3,794,359
Financial investments - Held to maturity	214,801,400	-	-	158,643,938
Total financial assets	1,259,256,754	87,048,125	102,506,473	632,502,912

other credit enhancements held					
Movables LKR '000	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
-	-	-	-	-	7,419,288
-	-	-	-	12,299,088	-
-	-	-	-	8,387,359	3,785,945
-	-	-	-	227,544,756	5,016,512
106,561,530	144,571,329	35,617,772	(81,320,764)	585,425,806	285,304,104
-	-	-	-	-	43,940,280
-	-	-	-	2,612,690	9,408,879
-	-	-	-	146,670,625	99,618,000
106,561,530	144,571,329	35,617,772	(81,320,764)	1,050,316,528	446,068,175

other credit enhancements held					
Movables LKR '000	Property LKR '000	Others LKR '000	Surplus collateral LKR '000	Net collateral LKR '000	Net exposure LKR '000
-	-	-	-	24,446,916	11,136,492
-	-	-	-	30,422,373	-
-	-	-	-	-	13,348,945
-	-	-	-	-	1,714,556
-	-	-	-	58,953,093	-
-	-	-	-	14,913,836	2,948,597
-	-	-	-	126,871,348	3,990,020
74,463,145	131,950,477	31,105,556	(87,680,794)	553,850,031	223,654,884
-	-	-	-	-	36,157,280
-	-	-	-	3,794,359	10,567,184
-	-	-	-	158,643,938	56,157,462
74,463,145	131,950,477	31,105,556	(87,680,794)	971,895,894	287,360,860

Notes to the Financial Statements

58 Risk management (contd.)

58.2 Credit risk (contd.)

58.2.2 Credit quality by class of financial assets

IIRMD internally developed a corporate borrower rating system and credit scoring models. The borrower rating system categorizes all performing corporate credits into nine grades on the basis of underlying credit quality. For consumer lending, the Bank has developed credit-scoring models for processing loan applications and monitoring credit quality.

The Bank's non-performing advances are categorized 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 amortized 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 recognized 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. High grade includes 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 CCC, CC or C.

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
Derivative financial instruments	7,419,288	-	-	-	-	-	7,419,288
Securities purchased under resale agreements	12,299,088	-	-	-	-	-	12,299,088
Financial instruments - Held for trading	8,387,359	-	-	3,785,945	-	-	12,173,304
Financial investments - Loans and receivables	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	125,549,750	36,946,075	870,729,910
Less : Impairment on loans and advances	-	-	-	-	-	-	43,940,280
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	125,549,750	36,946,075	1,496,384,703

	Past due but not individually impaired					
Age analysis of past due but not individually impaired loans	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	37,297,032	5,786,244	2,875,788	24,906,216	125,549,750

Note : Age analysis of past due but not individually impaired loans include facilities in arrears of one day and above.

Notes to the Financial Statements

58 Risk management (contd.)

58.2 Credit risk (contd.)

58.2.2 Credit quality by class of financial assets (contd.)

As at 31 December 2014	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	29,165,465	-	-	6,417,943	-	-	35,583,408
Balances with Central Banks	30,422,373	-	-	-	-	-	30,422,373
Placements with banks	10,718,772	-	-	2,630,173	-	-	13,348,945
Derivative financial instruments	1,714,556	-	-	-	-	-	1,714,556
Securities purchased under resale agreements	58,953,093	-	-	-	-	-	58,953,093
Financial instruments - Held for trading	14,913,836	-	-	2,948,597	-	-	17,862,433
Financial investments - Loans and receivables	126,871,348	-	-	3,990,020	-	-	130,861,368
Loans and advances to customers	196,133,149	40,964,259	131,266,488	241,123,639	148,178,332	19,839,048	777,504,915
Less : Impairment on loans and advances	-	-	-	-	-	-	36,157,280
Financial investments - Available for sale	3,794,359	-	-	10,567,184	-	-	14,361,543
Financial investments - Held to maturity	214,801,400	-	-	-	-	-	214,801,400
Total financial assets	687,488,351	40,964,259	131,266,488	267,677,556	148,178,332	19,839,048	1,259,256,754

	Past due but not individually impaired					
Age analysis of past due but not individually impaired loans	Less than 30 days LKR ' 000	31 to 60 days LKR ' 000	61 to 90 days LKR ' 000	91to 180 days LKR ' 000	181 days and over LKR ' 000	Total LKR ' 000
Loans and advances to customers	72,325,934	21,884,127	2,037,933	5,743,706	46,186,632	148,178,332

Note : Age analysis of past due but not individually impaired loans include facilities in arrears of one day and above.

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 decentralized 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.

Borrowings in other countries include two senior notes, worth USD 500 million each, which are listed in Singapore Stock Exchange.

Notes to the Financial Statements

58 Risk management (contd.)

58.2 Credit risk (contd.)

58.2.3 Analysis of risk concentration (contd.)

Country wise exposure

As at 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
Derivative financial instruments	7,419,288	-	-	-	-	-	-	7,419,288
Securities purchased under resale agreements	12,299,088	-	-	-	-	-	-	12,299,088
Financial instruments - Held for trading	12,173,304	-	-	-	-	-	-	12,173,304
Financial investments - Loans and receivables	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
Derivative financial instruments	156,302	-	-	-	-	-	-	156,302
Due to customers	1,055,393,716	-	23,303,374	2,762,619	-	877,409	-	1,082,337,118
Other borrowings	90,715,406	21,609,000	-	18,295,620	7,178,952	-	199,643,278	337,442,256
Debt securities issued	3,427,058	-	-	-	-	-	-	3,427,058
Subordinated term debts	35,627,450	-	-	-	-	-	-	35,627,450
Total financial liabilities	1,186,330,093	21,609,000	23,303,374	22,678,486	7,178,952	877,409	199,643,278	1,461,620,592

Country wise exposure

As at 31 December 2014	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	30,825,980	444,469	92,171	59,811	2,744,287	33,358	1,383,332	35,583,408
Balances with Central Banks	26,612,011	-	3,298,742	387,223	-	124,397	-	30,422,373
Placements with banks	2,743,039	9,555,918	-	1,049,988	-	-	-	13,348,945
Derivative financial instruments	1,714,556	-	-	-	-	-	-	1,714,556
Securities purchased under resale agreements	58,953,093	-	-	-	-	-	-	58,953,093
Financial instruments - Held for trading	17,862,433	-	-	-	-	-	-	17,862,433
Financial investments - Loans and receivables	113,636,283	-	16,130,311	1,094,774	-	-	-	130,861,368
Loans and advances to customers	727,910,751	-	9,149,503	4,082,744	-	204,637	-	741,347,635
Financial investments - Available for sale	14,166,659	-	-	-	194,884	-	-	14,361,543
Financial investments - Held to maturity	214,801,400	-	-	-	-	-	-	214,801,400
Total financial assets	1,209,226,205	10,000,387	28,670,727	6,674,540	2,939,171	362,392	1,383,332	1,259,256,754
Financial liabilities								
Due to banks	889,876	-	-	-	-	-	-	889,876
Derivative financial instruments	734,548	-	-	-	-	-	-	734,548
Due to customers	917,433,933	-	12,957,948	2,781,701	-	792,587	-	933,966,169
Other borrowings	67,934,622	-	-	193,539	550,531	-	178,057,770	246,736,462
Debt securities issued	20,762,198	-	-	-	-	-	-	20,762,198
Subordinated term debts	32,519,715	-	-	-	-	-	-	32,519,715
Total financial liabilities	1,040,274,892	-	12,957,948	2,975,240	550,531	792,587	178,057,770	1,235,608,968

Notes to the Financial Statements

58 Risk management (contd.)

58.2 Credit risk (contd.)

58.2.3 Analysis of risk concentration (contd.)

Sector wise exposure

As at 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	Manu-facturing LKR ' 000	Commercial trade LKR ' 000
Cash and cash equivalents	-	12,923,761	-	-	-	-
Balances with Central Banks	-	-	-	-	-	-
Placements with banks	-	27,975,582	-	-	-	-
Derivative financial instruments	-	7,419,288	-	-	-	-
Securities purchased under resale agreements	-	-	-	-	-	-
Financial instruments - Held for trading	129,977	109,331	484,159	369,648	1,481,977	107,582
Financial investments - Loans and receivables	-	4,321,008	-	-	-	695,504
Loans and advances to customers	86,660,336	17,621,880	27,853,322	178,161,683	49,931,287	168,629,483
Less : Impairment on loans and advances	-	-	-	-	-	-
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	169,432,569

As at 31 December 2014	Agriculture and fisheries LKR ' 000	Banking, finance and insurance business LKR ' 000	Hotels, travels and services LKR ' 000	Housing, construction and infrastructure LKR ' 000	Manu-facturing LKR ' 000	Commercial trade LKR ' 000
Cash and cash equivalents	-	4,718,548	-	-	-	-
Balances with Central Banks	-	-	-	-	-	-
Placements with banks	-	13,348,945	-	-	-	-
Derivative financial instruments	-	1,714,556	-	-	-	-
Securities purchased under resale agreements	-	-	-	-	-	-
Financial instruments - Held for trading	443,713	99,954	520,594	396,314	733,946	61,717
Financial investments - Loans and receivables	-	1,293,096	-	549,369	-	431,518
Loans and advances to customers	85,648,351	9,248,650	22,649,081	137,240,838	48,374,369	215,272,526
Less : Impairment on loans and advances	-	-	-	-	-	-
Financial investments - Available for sale	-	10,567,184	-	-	-	-
Financial investments - Held to maturity	-	-	-	-	-	-
Total financial assets	86,092,064	40,990,933	23,169,675	138,186,521	49,108,315	215,765,761

* 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
-	-	-	66,992,798	79,916,559
38,939,790	-	-	-	38,939,790
-	-	-	-	27,975,582
-	-	-	-	7,419,288
12,299,088	-	-	-	12,299,088
8,387,359	-	1,103,271	-	12,173,304
219,969,416	-	-	7,575,340	232,561,268
108,448,614 *	44,549,524	28,241,499	160,632,282	870,729,910
-	-	-	-	43,940,280
1,469,107	-	-	1,143,583	12,021,569
246,288,625	-	-	-	246,288,625
635,801,999	44,549,524	29,344,770	236,344,003	1,496,384,703

Sovereign and direct Government LKR ' 000	Transportation and logistics LKR ' 000	Other commercial services LKR ' 000	Consumption and others LKR ' 000	Total LKR ' 000
-	-	-	30,864,860	35,583,408
30,422,373	-	-	-	30,422,373
-	-	-	-	13,348,945
-	-	-	-	1,714,556
58,953,093	-	-	-	58,953,093
14,913,834	61,053	23,012	608,296	17,862,433
123,805,209	-	-	4,782,176	130,861,368
87,281,104*	35,639,404	8,533,336	127,617,256	777,504,915
-	-	-	-	36,157,280
2,410,899	-	-	1,383,460	14,361,543
214,801,400	-	-	-	214,801,400
532,587,912	35,700,457	8,556,348	165,256,048	1,259,256,754

Notes to the Financial Statements

58 Risk management (contd.)

58.2 Credit risk (contd.)

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 recognized 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.

	Bank	
As at 31 December	2015 LKR '000	2014 LKR '000
Acceptances and documentary credit	145,462,242	179,707,248
Forward exchange contracts	110,472,271	128,030,237
Guarantees	91,386,393	99,102,841
	347,320,906	406,840,326

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 in to pre- defined time bands according to their residual term to maturity. Assets and liability mis-matches 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 2015.

As at 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
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

As at 31 December 2014	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	-	889,876	-	-	-	889,876
Derivative financial instruments	-	734,548	-	-	-	734,548
Due to customers	403,450,918	236,850,325	257,768,988	59,201,398	96,749	957,368,378
Other borrowings	-	70,021,433	28,714,737	177,251,262	857,915	276,845,347
Debt securities issued	-	-	19,554,494	4,469,324	-	24,023,818
Subordinated debentures	-	-	8,695,771	32,221,920	5,807,569	46,725,260
Total financial liabilities	403,450,918	308,496,182	314,733,990	273,143,904	6,762,233	1,306,587,227

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 2015 LKR 1,317,688 (2014: LKR 69,531) and our risk appetite limit is LKR 8,000,000 (2014: LKR 15,000,000)

Foreign Exchange Position as at 31 December	2015		2014	
	Net overall long LKR '000	Net overall short LKR '000	Net overall long LKR '000	Net overall short LKR '000
Currency				
United States Dollar	-	(231,518)	-	(14,527)
Great Britain Pound	671	-	661	-
Euro	-	(113)	329	-
Japan Yen	1,512	-	82	-
Australian Dollar	65	-	47	-
Canadian Dollar	-	(415)	277	-
Swiss Franc	1,617	-	1,213	-
Singapore Dollar	-	(967)	1,254	-
Hong Kong Dollar	-	(789)	-	(1,043)
Sub Total	3,865	(233,802)	3,863	(15,570)
Other Currencies	4,783	(647)	1,684	(3,254)
Grand Total	8,648	(234,449)	5,547	(18,824)
Higher of long or short		(234,449)		(18,824)

Notes to the Financial Statements

58 Risk management (contd.)

58.4.1 Currency risk (contd.)

		2015		2014	
Impact on Statement of Profit or Loss due to exchange rate shocks		Net open position (after rate shocks) LKR '000	Impact on Statement of Profit or Loss as at 31 December 2015 LKR '000	Net open position (after rate shocks) LKR '000	Impact on Statement of Profit or Loss as at 31 December 2014 LKR '000
Exchange rate shocks	5%	(222,726)	11,722	(17,883)	941
	10%	(211,003)	23,444	(16,941)	1,882
	-5%	(246,172)	(11,722)	(19,765)	(941)
	-10%	(257,893)	(23,444)	(20,706)	(1,882)

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.

	2015	2014
Held for trading bond portfolio		
PVBP	LKR 0.5 million	LKR 1.4 million
Duration	2.4 Years	3.2 Years
Held for trading bill portfolio		
PVBP	LKR 0.1 million	LKR 0.1 million
Duration	0.2 Years	0.7 Years
Available for sale bond portfolio		
PVBP	LKR 0.1 million	LKR 0.2 million
Duration	4.4 Years	4.3 Years
Available for sale bill portfolio		
PVBP	LKR 0.02 million	-
Duration	0.4 Years	-

Interest rate risk in the banking book is monitored by placing the interest sensitive assets and liabilities in pre-determined maturity buckets considering its residual time to maturity and setting and monitoring gap limits and the repricing profile.

	Upto 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
As at December 2015									
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%
As at December 2014									
Rate sensitive assets	11.5%	14.9%	6.5%	10.1%	13.8%	13.8%	7.5%	7.5%	14.4%
Rate sensitive liabilities	14.6%	11.9%	9.2%	14.2%	7.2%	7.2%	7.6%	7.6%	20.6%
Gap	-3.1%	3.0%	-2.7%	-4.1%	6.6%	6.6%	-0.1%	-0.1%	-6.2%

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 during the year ended 31 December	2015 LKR' 000	2014 LKR' 000
Highest	201,966	133,852
Lowest	124,690	105,152
Average	155,150	117,044
As at 31 December	145,900	123,183

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 recognizes the significance of operational risk, which is inherent in all areas of business.

The Bank seeks to minimize exposure to operational risk, through implementing improved management and 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.

Notes to the Financial Statements

58 Risk management (contd.)

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 on banking book.

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Supplementary Information

2015 Annual Report

Capital Adequacy 2015

Measuring the Bank's ability to meet its obligations relative to risk exposure, capital adequacy ensures the ability for the Bank to handle losses and fulfill its obligations to stakeholders, without ceasing its operations in any way.

$$CAR = \frac{\text{Tier One Capital + Tier Two Capital}}{\text{Risk Weighted Assets}}$$

Developments of the Basel Committee from Basel I to Basel III

The origins of the Basel Committee stems from the turmoil in financial markets prompted by the collapse of Bretton Woods which had a breakdown of its system of managed exchange rates in 1973. This heralded large foreign currency losses among banks at the time.

As a response to this and other disruptions in international financial markets, Governors of central banks in the G10 countries established the Committee on Banking Regulations and Supervisory Practices at the end of 1974.

This committee was later renamed as the Basel Committee on Banking Supervision and operated as a forum for regular cooperation between G10 member countries on banking supervisory matters and issues. Its priority is to enhance financial stability through the improvement of supervisory knowledge and ensuring continuous advancement of the quality of banking supervision worldwide.

Basel I: The Basel Capital Accord

With this foundation now constructed, 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, working towards greater convergence in measuring capital adequacy. This ensuing result was a broad consensus on a weighted approach to the measurement of risk, both on and off the banks' balance sheets.

Basel II: The New Capital Framework

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.

Basel II Capital Accord

Pillar 1

Minimum Capital Requirements

Capital requirements for:

i) Credit risk
- Standardized approach
- Foundation IRB approach
- Advanced IRB approach

ii) Market risk
- Standardized approach
- Internal VaR models approach
- Advanced measurement approach

iii) Operational risk
- Basic indicator approach
- Standardized approach
- Advanced measurement approach

Pillar 2

Supervisory Review Process

Regulatory framework for banks
- Internal Capital Adequacy Assessment Process (ICAPP)
- Risk management

Supervisory framework
- Assessment of risk profile
- Review of compliance with all regulations
- Supervisory measures

Pillar 3

Market Discipline

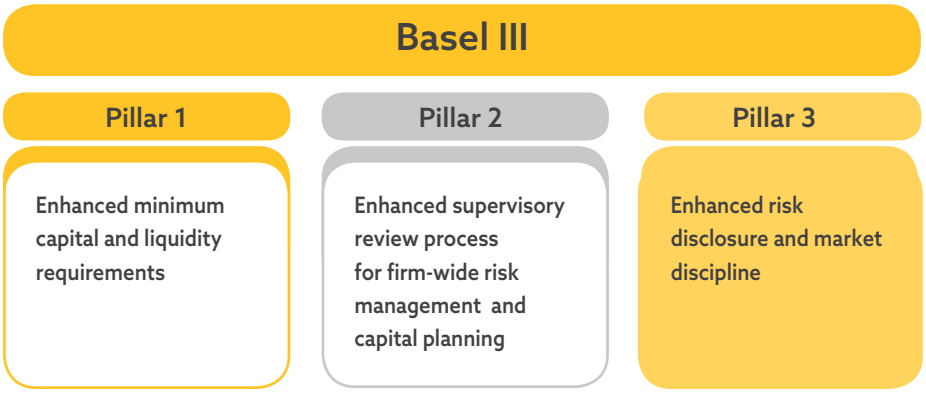
Disclosure requirements of bank
- Transparency for market participants concerning the bank's risk position (scope of application, risk management, detailed information on own funds, etc)
- Enhanced comparability of banks

Towards Basel III

The global financial crisis in 2008 has been widely regarded as the genesis for the tighter regulatory framework, even though the need for a fundamental strengthening of the Basel II framework was apparent much prior to that. There was too much leverage and inadequate liquidity buffers in the banking sector which together with poor governance and deficient risk management, prompted the global meltdown.

Responding to these risk factors, the Basel Committee issued principles for sound liquidity risk management and supervision. 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;
- 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 (CBSL), 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.



The Central Bank of Sri Lanka, emphasizing the need to augment the quantity and quality of capital prevalent within the banking system, issued a consultation paper to all licensed commercial banks and licensed specialized banks on 30 June 2015, articulating the proposed framework for the implementation of Basel III minimum capital requirements across the banking sector.

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 well above regulatory requirements as of 31 December 2015. Having always emphasized sound capital planning and a pragmatic management system, BoC is well positioned to meet the Basel III requirements when regulations become completely effective in 2019.

Basel III Transitional phase-in-arrangement of capital requirements

Components of capital	2016	2017	2018	2019
Common equity tier I	4.50%	4.50%	4.50%	4.50%
Capital conservation buffer	0.625%	1.25%	1.875%	2.50%
Minimum CET1+ capital conservation buffer	5.125%	5.75%	6.375%	7.00%
Surcharge on D-SIBs	-	0.50%	1.00%	1.50%
Additional tier I capital	1.50%	1.50%	1.50%	1.50%
Minimum tier I capital	6.00%	6.00%	6.00%	6.00%
Minimum total capital ratio + capital conservation buffer	10.625%	11.25%	11.875%	12.50%
Minimum total capital ratio + capital conservation buffer + capital surcharge on D-SIBs	10.625%	11.75%	12.875%	14.00%
Countercyclical buffer		As and when necessary		

Source : CBSL consultation paper dated 30 June 2015.

Capital Adequacy

Capital Structure

The table below sets out the Bank's capital structure, identifying separately Tier I and Tier II capital which adds up to the numerator of the capital adequacy ratio. The Bank raised LKR 8 billion in debentures during the year.

	Bank		Group	
	2015 LKR million	2014 LKR million	2015 LKR million	2014 LKR million
Tier I: Core capital				
Paid up ordinary shares	10,000	10,000	10,000	10,000
Permanent reserve fund	5,210	3,810	5,210	3,810
Published retained profit	51,086	44,861	53,888	47,662
General and other reserves	1,043	584	1,957	1,352
Non controlling interest (consistent with the above capital constituents)	-	-	1,010	1,187
Deductions				
50% of investments in unconsolidated banking and financial subsidiaries	(2,179)	(2,529)	-	-
Other deductions	(953)	(999)	(953)	(999)
Total eligible core capital (Tier I capital)	64,207	55,727	71,112	63,012
Tier II: Supplementary capital				
Revaluation reserve (as approved by Central Bank of Sri Lanka)	2,373	2,373	2,373	2,373
General provision	3,857	3,163	3,857	3,163
Approved subordinated term debt	24,567	21,800	24,567	21,800
Deductions	(2,759)	(3,134)	(580)	(604)
Total eligible supplementary capital (Tier II capital)	28,038	24,202	30,217	26,732
Total capital base	92,245	79,929	101,329	89,744

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			
		2015		2014		2015		2014	
	Risk weight factor	On balance sheet assets and credit equivalent of off balance sheet assets LKR million	Risk weighted assets LKR million	On balance sheet assets and credit equivalent of off balance sheet assets LKR million	Risk weighted assets LKR million	On balance sheet assets and credit equivalent of off balance sheet assets LKR million	Risk weighted assets LKR million	On balance sheet assets and 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	670,543	-	575,180	-	676,228	-	579,936	-
Claims on foreign sovereigns and their Central Banks	0-150	20,542	19,923	13,939	13,198	20,542	19,923	13,939	13,198
Claims on Public Sector Entities (PSEs)	20-150	60,154	60,154	56,576	56,576	60,154	60,154	56,576	56,576
Claims on banks	20-150	71,114	37,754	27,198	13,209	71,494	38,134	28,825	14,836
Claims on financial institutions	20-150	8,996	5,443	3,180	1,897	8,996	5,443	3,180	1,897
Claims on corporates	20-150	147,338	145,371	136,589	134,942	178,877	176,910	160,283	158,637
Retail claims	75-100	261,303	217,016	181,805	151,471	261,303	217,016	181,805	151,470
Claims secured by residential property	50-100	57,358	38,135	49,258	32,906	57,358	38,135	49,258	32,906
Non Performing Assets (NPAs)	50-150	15,549	22,434	12,811	18,572	15,549	22,434	12,812	18,572
Cash items	0-20	49,119	734	48,613	1,153	52,925	734	49,406	1,153
Exposures collateralized by cash,									
gold and government securities	0	253,269	-	269,080	-	253,269	-	269,080	-
property, plant and equipment	100	16,430	16,430	12,802	12,802	26,728	26,728	22,446	22,446
Other assets	100	34,769	34,769	52,825	52,825	35,543	35,543	59,240	59,240
Total exposure		1,666,484	598,163	1,439,856	489,551	1,718,966	641,154	1,486,786	530,931

Capital Adequacy

Off balance sheet exposures

		Bank				Group			
		2015		2014		2015		2014	
	Credit conversion factor %	Assets LKR million	Credit equivalent LKR million	Assets LKR million	Credit equivalent LKR million	Assets LKR million	Credit equivalent LKR million	Assets LKR million	Credit equivalent LKR million
Direct credit substitutes	100	34,636	34,636	43,042	43,042	34,636	34,636	43,042	43,042
Transaction related contingencies	50	41,819	20,909	36,170	18,085	41,819	20,909	36,170	18,085
Short term self liquidating trade related contingencies	20	159,923	31,985	190,964	38,193	159,923	31,985	190,964	38,193
Other commitments with an original maturity of up to one year or which can be unconditionally cancelled at any time	0	83,858	-	72,946	-	83,858	-	72,946	-
Commitments with an original maturity up to one year and maturity of over one year	20-50	35,305	17,091	36,988	17,942	35,305	17,091	36,988	17,942
Foreign exchange contracts	2-5	110,472	2,209	128,030	2,561	110,472	2,209	128,030	2,561
Total off balance sheet exposure		466,013	106,830	508,140	119,823	466,013	106,830	508,140	119,823

Market Risk- The Standardized Measurement Approach

	Bank		Group	
	2015 LKR million	2014 LKR million	2015 LKR million	2014 LKR million
Capital charge for				
Interest rate risk	122	315	122	315
Equity	682	533	682	533
Foreign exchange and gold	1,725	1,841	1,725	1,841
Total capital charge for market risk	2,529	2,689	2,529	2,689
Total risk weighted assets for market risk	25,294	26,894	25,294	26,894

Operational Risk-The Basic Indicator Approach

	Bank		Group	
	2015 LKR million	2014 LKR million	2015 LKR million	2014 LKR million
Capital charge for operational risk				
Total gross income of three consecutive years	164,837	146,714	186,910	169,932
Average gross income	54,946	48,905	62,303	56,644
Total capital charge for operational risk-(15%)	8,242	7,336	9,345	8,497
Total risk weighted assets for operational risk	82,419	73,357	93,455	84,966

In the Basic Indicator Approach (BIA), 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.

Central Bank of Sri Lanka has given the guidelines to the Sri Lankan banks to move to The Standardized Approach (TSA) or Alternative Standardized Approach (ASA) subject to the prior approval.

A bank adopting TSA shall classify their business activities into eight business lines, namely, corporate finance, trading and sales, payment and settlement, agency services, asset management, retail brokerage, retail banking and commercial banking. (A fixed beta factor is applicable for each of the eight business lines, which varies from 12% - 18%)

Under ASA, the operational risk capital requirement/methodology is the same as under TSA, except for two business lines, retail banking and commercial banking business lines. For these business lines, bank shall use outstanding amount of loans and advances after multiplying by a fixed factor 'm' (0.035) as the exposure indicator which replaces gross income.

Capital Adequacy

Market risk- The Standardized Measurement Approach

	Bank		Group	
	2015 LKR million	2014 LKR million	2015 LKR million	2014 LKR million
Computation of ratios				
Total risk weighted assets				
Total risk weighted assets for credit risk	598,163	489,551	641,154	530,931
Total risk weighted assets for market risk	25,294	26,894	25,294	26,894
Total risk weighted assets for operational risk	82,419	73,357	93,455	84,966
Sub total	705,876	589,802	759,903	642,791
Minimum capital charge				
Credit risk	59,816	48,955	64,115	53,093
Market risk	2,529	2,689	2,529	2,689
Operational risk	8,242	7,336	9,345	8,497
Total eligible core capital (Tier I capital)	64,207	55,727	71,112	63,012
Total eligible supplementary capital (Tier II capital)	28,038	24,202	30,217	26,732
Total capital base	92,245	79,929	101,329	89,744
Core capital ratio	9.1%	9.5%	9.4%	9.8%
Capital adequacy ratio	13.1%	13.6%	13.3%	14.0%

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 2015 are summarized 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 2015 Quarter 2 ended 30 June 2015 Quarter 3 ended 30 September 2015 Quarter 4 ended 31 December 2015	15 May 2015 14 August 2015 13 November 2015 29 February 2016

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 2015 was submitted on 30 March 2016. Annual Report for the year 2015 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 Directors on the State of Affairs of Bank of Ceylon	178
7.6 (ii)	Principal activities of the entity and its subsidiaries during the year and any changes therein	Annual Report of the Directors on the State of Affairs of Bank of Ceylon Significant Accounting Policies	176 194
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	359
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 Report	158 - 174
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	Note 31 and 32 to the Financial Statements	261 - 274

Compliance Requirements Enforced by Colombo Stock Exchange

Rule No.	Disclosure Requirement	Reference/Comments	Page No.
7.6 (ix)	Number of shares representing the entity's stated capital	Note 46 to the Financial Statements	290
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and percentage of their total holdings	Investor Information	359
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	Note 18 to the Financial Statements, Investor Information	222-223 358
	2. Market information on listed debentures	Note 45 to the Financial Statements, Investor Information	287-290 359-360
	3. Any changes in credit rating	Awards	7
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	263-274
7.6 (xiii)	During the year the entity has raised funds either through a public issue, rights issue and private placement	Note 41 and 45 to the Financial Statements	279-280 287-290
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	363

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 2015 are summarized below:

Circular No.	Requirement	Period	Date Published in Sinhala, Tamil and English News Papers
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 2015 Quarter 2 ended 30 June 2015 Quarter 3 ended 30 September 2015	28 May 2015 28 August 2015 26 November 2015
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 2015 (Audited)	31 March 2016

Compliance to other disclosure requirements on Annual Financial Statements, which were applicable to Licensed Commercial Banks are summarized 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	None
	(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

Compliance Requirements Enforced by the Central Bank of Sri Lanka

1.	**Information about the significance of financial instruments for financial position and performance**	
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	Note 4 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:	Note 23, 24, 27, 38 and 57 to the Financial Statements
	(i) Comparable carrying amounts	Note 4.4.11 and 57 to the Financial Statements
	(ii) Description of how fair value was determined	Note 4.4.11 and 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	None

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 Report and Note 58 to the Financial Statements
2.1.2	Management's objectives, policies, and processes for managing those risks.	Risk 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

2.	**Information about the nature and extent of risks arising from financial instruments**		
		(d) For other disclosures, refer Banking Act Direction No. 7 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 Report and Note 58.3 to the Financial Statements
		(c) For other disclosures, refer Banking Act Direction No. 7 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. 7 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. 7 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	Note 4.4.3 and 4.4.6 to the Financial Statements
		• Discussion of important policies covering the valuation and accounting of equity holdings in the banking book	Note 4.4.3 and 4.4.6 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	Note 24.1, 24.2 ,27.1 and 27.2 to the Financial Statements
		• The types and nature of investments	Note 24.1, 24.2 ,27.1 and 27.2 to the Financial Statements
		• The cumulative realized gains /(losses) arising from sales and liquidations in the reporting period	Note 10 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

Compliance Requirements Enforced by the Central Bank of Sri Lanka

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 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

Statement of Profit or Loss
in USD

For the year ended 31 December	Bank		Group	
	2015 USD'000	2014 USD'000	2015 USD'000	2014 USD'000
Total income	922,624	962,290	967,623	1,011,546
Interest income	792,426	816,659	822,544	851,303
Less : Interest expenses	461,046	524,272	474,666	541,398
Net interest income	331,380	292,387	347,878	309,905
Fee and commission income	61,843	69,869	64,267	72,318
Less : Fee and commission expenses	7,433	8,275	8,167	9,022
Net fee and commission income	54,410	61,594	56,100	63,296
Net gains /(losses) from trading	27,544	36,956	27,663	38,314
Net gains / (losses) from financial investments	4,236	21,907	4,456	22,052
Net gains / (losses) from financial instruments designated at fair value through profit or loss	-	-	-	-
Other operating income	36,575	16,899	48,693	27,559
Total operating income	454,145	429,743	484,790	461,126
Less : Impairment charge / (reversal) for loans and other losses	50,793	60,157	54,002	60,313
Net operating income	403,352	369,586	430,788	400,813
Less : Operating expenses				
Personnel expenses	116,229	104,299	126,043	114,488
Other expenses	78,223	80,177	94,725	95,657
Total operating expenses	194,452	184,476	220,768	210,145
Operating profit before Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	208,900	185,110	210,020	190,668
Less : Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	33,428	30,812	33,825	31,217
Operating profit after Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	175,472	154,298	176,195	159,451
Share of profits / (losses) of associate companies before tax	-	-	742	3,516
Profit before income tax	175,472	154,298	176,937	162,967
Less : Income tax expense	54,986	51,077	56,243	53,676
Profit for the year	120,486	103,221	120,694	109,291
Profit attributable to :				
Equity holder of the Bank	120,486	103,221	120,615	109,685
Non controlling interest	-	-	79	(394)
Profit for the year	120,486	103,221	120,694	109,291
Earnings per share :				
Basic earnings per share (USD)	16.91	20.64	16.93	21.94
Diluted earnings per share (USD)	12.05	19.17	12.06	20.37
Dividend per share (USD)	6.18	10.41	6.18	10.41

Exchange rate of 1 USD was LKR 144.0623 as at 31 December 2015. (LKR 131.5050 as at 31 December 2014)
The Statement of Profit or Loss given on this page does not form part of the Audited Financial Statements and it is solely for the convenience of the shareholders, investors, bankers and other interested parties of the Financial Statements of the Bank.

Statement of Comprehensive Income in USD

For the year ended 31 December	Bank		Group	
	2015 USD'000	2014 USD'000	2015 USD'000	2014 USD'000
Profit for the year	120,486	103,221	120,694	109,291
Other comprehensive income, net of tax				
Items that will not be reclassified to profit or loss				
Changes in revaluation surplus / (deficit)	57	27,052	6,480	35,559
Deferred tax effect on revaluation surplus / (deficit)	85	(1,377)	(1,713)	(3,743)
Actuarial gains / (losses) on defined benefit plans	(6,977)	(10,219)	(6,719)	(10,281)
Deferred tax effect on actuarial gains / (losses)	(2,535)	2,861	(2,618)	2,866
	(9,370)	18,317	(4,570)	24,401
Items that are or may be reclassified to profit or loss				
Exchange gains / (losses) arising from translating the financial statements of foreign operations	3,190	(620)	4,013	(1,788)
Gains / (Losses) on re-measuring available for sale financial investments	(9,049)	23,200	(7,624)	24,786
Deferred tax effect on available for sale financial investments	(852)	-	(852)	-
Share of other comprehensive income of associate companies, net of tax	-	-	3	42
	(6,711)	22,580	(4,460)	23,040
Other comprehensive income for the year, net of tax	(16,081)	40,897	(9,030)	47,441
Total comprehensive income for the year	104,405	144,118	111,664	156,732
Attributable to:				
Equity holder of the Bank	104,405	144,118	111,391	156,734
Non controlling interest	-	-	273	(2)
Total comprehensive income for the year	104,405	144,118	111,664	156,732

Exchange rate of 1 USD was LKR 144.0623 as at 31 December 2015. (LKR 131.5050 as at 31 December 2014)

The Statement of Comprehensive Income given on this page does not form part of the Audited Financial Statements and it is solely for the convenience of the shareholders, investors, bankers and other interested parties of the Financial Statements of the Bank.

Statement of Financial Position in USD

As at 31 December	Bank 2015 USD '000	Bank 2014 USD '000	Group 2015 USD '000	Group 2014 USD '000
Assets				
Cash and cash equivalents	554,736	270,586	581,156	287,997
Balances with Central Banks	270,298	231,340	270,298	231,340
Placements with banks	194,191	101,509	196,829	102,499
Derivative financial instruments	51,501	13,038	51,501	13,038
Securities purchased under resale agreements	85,373	448,296	94,951	458,054
Financial instruments - Held for trading	84,500	135,831	88,337	140,207
Financial investments - Loans and receivables	1,614,311	995,105	1,617,382	1,001,352
Loans and advances to customers	5,739,112	5,637,410	5,913,450	5,807,932
Financial investments - Available for sale	83,447	109,209	112,914	133,920
Financial investments - Held to maturity	1,709,598	1,633,409	1,710,021	1,635,102
Investment in subsidiary companies	43,128	47,246	-	-
Investment in associate companies	5,852	6,410	13,274	14,220
Investment properties	-	-	1,012	1,132
Property, plant and equipment	113,324	123,101	183,544	195,019
Leasehold properties	726	817	974	1,099
Intangible assets	2,591	2,924	3,498	4,043
Deferred tax assets	-	-	70	68
Other assets	333,496	350,004	337,893	355,881
Total assets	10,886,184	10,106,235	11,177,104	10,382,903
Liabilities				
Due to banks	18,259	6,767	18,276	7,217
Derivative financial instruments	1,085	5,586	1,085	5,586
Due to customers	7,512,979	7,102,134	7,621,360	7,177,936
Other borrowings	2,342,336	1,876,252	2,374,036	1,917,556
Debt securities issued	23,789	157,881	60,416	199,371
Current tax liabilities	14,444	-	15,855	2,214
Deferred tax liabilities	10,530	8,147	27,409	25,009
Insurance provision - Life	-	-	3,084	2,661
Insurance provision - Non life	-	-	3,593	4,618
Other liabilities	149,835	133,334	160,958	145,266
Subordinated term debts	247,306	247,289	244,963	244,689
Total liabilities	10,320,563	9,537,390	10,531,035	9,732,123
Equity				
Share capital	69,414	76,043	69,414	76,043
Permanent reserve fund	36,165	28,972	36,165	28,972
Retained earnings	354,611	341,136	374,062	362,434
Other reserves	105,431	122,694	159,413	174,306
Total equity attributable to equity holder of the Bank	565,621	568,845	639,054	641,755
Non controlling interest	-	-	7,015	9,025
Total equity	565,621	568,845	646,069	650,780
Total liabilities and equity	10,886,184	10,106,235	11,177,104	10,382,903
Contingent liabilities and commitments	5,601,534	5,488,486	5,609,038	5,496,545
Net assets value per share (USD)	56.56	113.77	63.91	128.35

Exchange rate of 1 USD was LKR 144.0623 as at 31 December 2015. (LKR 131.5050 as at 31 December 2014)
The Statement of Financial Position given on this page does not form part of the Audited Financial Statements and it is solely for the convenience of the shareholders, investors, bankers and other interested parties of the Financial Statements of the Bank.

Quarterly Performance

Summary of the Statement of Profit or Loss — LKR million

For the quarter ended	2015 31-Mar	30-Jun	30-Sep	31-Dec	2014 31-Mar	30-Jun	30-Sep	31-Dec
Bank								
Net interest income	11,046	12,292	12,173	12,229	8,241	7,088	9,696	13,425
Non interest income	3,928	4,109	5,386	5,333	5,442	4,472	4,654	4,582
Non interest expense	(5,903)	(7,277)	(7,551)	(8,354)	(5,744)	(7,139)	(6,556)	(5,656)
Impairment (charge)/reversal for loans and other losses	(3,921)	(3,363)	(1,441)	1,408	(3,346)	1,209	(440)	(5,334)
Operating profit before VAT and NBT	5,150	5,761	8,567	10,616	4,593	5,630	7,354	7,017
VAT and NBT on financial services	(794)	(1,034)	(1,098)	(1,889)	(797)	(849)	(967)	(1,690)
Profit before income tax	4,356	4,727	7,469	8,727	3,796	4,781	6,387	5,327
Income tax expense	(1,382)	(1,034)	(1,846)	(3,660)	(1,203)	(1,183)	(1,385)	(2,946)
Profit after income tax	2,974	3,693	5,623	5,067	2,593	3,598	5,002	2,381
Other comprehensive income	(379)	308	(259)	(1,986)	588	601	1,689	2,500
Total comprehensive income	2,595	4,001	5,364	3,081	3,181	4,199	6,691	4,881
Group								
Net interest income	11,596	12,866	12,767	12,887	8,832	7,661	10,315	13,946
Non interest income	4,200	4,100	6,577	6,022	5,701	4,493	5,772	5,106
Non interest expense	(6,633)	(7,766)	(9,161)	(9,421)	(6,430)	(7,669)	(7,975)	(6,496)
Impairment (charge)/reversal for loans and other losses	(4,160)	(3,435)	(1,545)	1,362	(3,522)	990	(577)	(4,822)
Operating profit before VAT and NBT	5,003	5,765	8,638	10,850	4,581	5,475	7,535	7,734
VAT and NBT on financial services	(797)	(1,054)	(1,115)	(1,907)	(805)	(858)	(988)	(1,705)
Operating profit after VAT and NBT	4,206	4,711	7,523	8,943	3,776	4,617	6,547	6,029
Share of profits/(losses) of associate companies before tax	57	22	16	12	91	76	160	135
Profit before income tax	4,263	4,733	7,539	8,955	3,867	4,693	6,707	6,164
Income tax expense	(1,417)	(1,073)	(1,879)	(3,734)	(1,254)	(1,261)	(1,470)	(3,074)
Profit after income tax	2,846	3,660	5,660	5,221	2,613	3,432	5,237	3,090
Other comprehensive income	(693)	602	(113)	(1,097)	642	719	1,848	3,031
Total comprehensive income	2,153	4,262	5,547	4,124	3,255	4,151	7,085	6,121

Summary of the Statement of Financial Position LKR million

As at	2015 31-Mar	30-Jun	30-Sep	31-Dec	2014 31-Mar	30-Jun	30-Sep	31-Dec
Bank								
Assets								
Investments	434,900	451,103	460,460	522,400	382,315	410,807	413,939	443,896
Loans and advances to customers	805,370	794,001	834,919	826,790	733,431	698,209	708,865	741,348
Property, plant and equipment	16,661	16,761	16,740	16,804	12,579	12,592	12,842	16,680
Other assets	132,902	144,614	171,710	202,295	100,355	132,396	134,840	127,096
Total assets	1,389,833	1,406,479	1,483,829	1,568,289	1,228,680	1,254,004	1,270,486	1,329,020
Liabilities and equity								
Due to customers	912,402	947,347	997,623	1,082,337	854,864	876,270	893,929	933,966
Debt securities and borrowed funds	379,930	354,899	383,496	376,497	300,913	297,855	291,088	300,018
Other liabilities	20,274	24,504	19,591	27,970	12,196	17,473	17,045	20,230
Equity	77,227	79,729	83,119	81,485	60,707	62,406	68,424	74,806
Total liabilities and equity	1,389,833	1,406,479	1,483,829	1,568,289	1,228,680	1,254,004	1,270,486	1,329,020
Group								
Assets								
Investments	436,503	452,684	461,449	523,937	381,899	411,143	414,539	444,862
Loans and advances to customers	827,705	816,898	858,610	851,905	755,345	719,622	730,879	763,772
Property , plant and equipment	26,342	26,440	26,248	27,232	21,475	21,412	21,555	26,471
Other assets	137,571	151,816	176,764	207,125	108,451	136,995	137,628	130,299
Total assets	1,428,121	1,447,838	1,523,071	1,610,199	1,267,170	1,289,172	1,304,601	1,365,404
Liabilities and equity								
Due to customers	923,824	960,823	1,012,698	1,097,951	864,237	886,184	903,868	943,934
Debt securities and borrowed funds	390,599	366,648	391,595	386,003	315,825	309,153	300,726	310,564
Other liabilities	26,135	30,052	24,888	33,171	17,115	22,320	22,081	25,325
Equity	86,523	89,247	92,823	92,064	68,726	70,384	76,761	84,394
Non controlling interest	1,040	1,068	1,067	1,010	1,267	1,131	1,165	1,187
Total liabilities and equity	1,428,121	1,447,838	1,523,071	1,610,199	1,267,170	1,289,172	1,304,601	1,365,404

Quarterly Performance

Summary of the Financial Measures

	2015				2014			
As at	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec
Bank								
Profitability								
Interest margin (%)	3.3	3.4	3.4	3.3	2.7	2.5	2.7	3.1
Return on assets (before tax) (%)	1.3	1.3	1.6	1.7	1.3	1.4	1.6	1.6
Return on equity (after tax) (%)	15.7	17.3	20.8	22.2	17.5	20.6	23.7	20.5
Investor information								
Interest cover (times)	1.9	1.9	2.1	2.2	1.8	1.9	2.0	2.0
Net assets value per share (LKR)	15,446	15,946	8,312	8,148	12,141	12,481	13,685	14,961
Capital adequacy ratio								
Core capital adequacy ratio % (Tier I)	8.6	8.4	8.4	9.1	8.5	8.5	8.3	9.5
Total capital adequacy ratio % (Tier I + II)	12.4	11.9	11.8	13.1	12.3	12.1	12.9	13.6
Assets quality								
Gross non performing advances ratio (%)	4.4	5.4	5.1	4.3	5.4	4.3	4.3	3.8
(Net of interest in suspense)								
Net non performing advances ratio (%)	2.2	2.9	2.6	1.8	3.7	2.6	2.5	1.6
(Net of interest in suspense and provisions)								
Regulatory liquidity								
Statutory liquid assets ratio								
- Domestic banking unit (%)	26.6	30.8	26.0	28.2	28.8	30.5	29.4	30.8
- Off shore banking unit (%)	31.7	28.9	31.3	37.6	28.8	26.6	26.0	25.9
Group								
Profitability								
Interest margin (%)	3.3	3.5	3.4	3.4	2.8	2.6	2.8	3.2
Return on assets (before tax) (%)	1.2	1.3	1.5	1.7	1.2	1.4	1.6	1.7
Return on equity (after tax) (%)	13.2	14.8	18.1	19.5	15.3	17.5	20.8	18.9
Investor information								
Net assets value per share (LKR)	17,305	17,849	9,282	9,206	13,745	14,077	15,352	16,879
Capital adequacy ratio								
Core capital adequacy ratio % (Tier I)	9.0	8.7	8.7	9.4	8.9	9.1	8.8	9.8
Total capital adequacy ratio % (Tier I +II)	12.9	12.3	12.1	13.3	12.8	12.8	13.8	14.0

Share and Debenture Information

Share Information

As at 31 December	2015		2014	
Shareholder	No. of ordinary shares	Holding %	No. of ordinary shares	Holding %
Government of Sri Lanka	10,000,000	100	10,000,000*	100

* This includes 5,000,000 nos. of shares under pending allotment as of 31 December 2014.

Debenture Information

The Bank has issued the following debentures which are listed on Colombo Stock Exchange (CSE)

Unsecured, subordinated, redeemable debentures (par value LKR 100)	Type	Interest payable frequency	Interest rate (per annum)
December 2011/2016 series	A	Annually	11.00%
	B	Semi annually	6 months TB rate (gross) plus 75 basis points
	C	Semi annually	10.50%
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	13.20%
	E	Semi annually	6 months TB rate (gross) plus 100 basis points
	F	Annually	13.20%
	H	Annually	13.70%
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)

Share and Debenture Information

Trading Information of Listed Debentures

The debentures that have been traded during the year ended 2014 and 2015 are as follows.

31 December	2015					2014				
	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 2010/2015 ,										
Unsecured, subordinated, redeemable, 5 years, fixed rate (11.5%)	N/T	N/T	N/T	N/T	N/T	95.00	95.00	95.00	16.04	12.11
Unsecured, subordinated, redeemable, 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points)	N/T	N/T	N/T	N/T	N/T	100.00	100.00	100.00	10.62	10.67
BoC debentures 2011/2016 ,										
Unsecured, subordinated, redeemable, 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points)	N/T	N/T	N/T	N/T	N/T	100.00	100.00	100.00	10.20	10.26
BoC debentures 2012/2017 ,										
Unsecured, subordinated, redeemable, 5 years, fixed rate (16.0%)	100.00	100.00	100.00	15.87	16.00	104.00	104.00	104.00	14.46	15.38
BoC debentures 2013/2023 ,										
Unsecured, subordinated, redeemable, 5 years, fixed rate (12.60%)	N/T	N/T	N/T	N/T	N/T	111.85	111.85	111.85	8.86	11.27
Unsecured, subordinated, redeemable, 8 years, fixed rate (13.25%)	N/T	N/T	N/T	N/T	N/T	125.55	111.13	125.55	8.26	10.55
Unsecured, subordinated, redeemable, 10 years, fixed rate (13.75%)	117.32	117.32	117.32	10.39	11.72	131.43	112.50	131.43	8.59	10.46
BoC debentures 2014/2022 ,										
Unsecured, subordinated, redeemable, 5 years, fixed rate (8.0%)	99.90	95.50	95.50	9.47	8.38	99.94	99.94	99.94	8.01	8.00

* as at date of last trade done.

N/T - Not Traded

Ten Year Statistical
Summary - Bank

LKR million

For the year ended 31 December	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating results										
Income	35,192	50,159	60,182	63,461	63,363	70,457	110,138	127,464	126,546	132,915
Interest income	26,823	42,286	49,684	53,077	50,843	61,222	95,022	114,863	107,395	114,159
Interest expenses	(15,744)	(29,453)	(35,989)	(38,267)	(31,200)	(36,216)	(59,701)	(77,720)	(68,945)	(66,420)
Net interest income	11,079	12,833	13,695	14,810	19,643	25,006	35,321	37,143	38,450	47,739
Other operating income	8,368	7,873	10,498	10,385	12,515	9,235	15,116	12,601	19,151	18,756
Other operating expenses	(13,543)	(14,315)	(16,889)	(17,992)	(18,104)	(15,241)	(27,428)	(31,324)	(33,258)	(36,400)
Operating profit before VAT and NBT	5,904	6,391	7,304	7,203	14,054	19,000	23,009	18,420	24,343	30,095
VAT and NBT on financial services	(1,767)	(1,873)	(2,073)	(2,995)	(4,001)	(2,516)	(3,214)	(2,711)	(4,052)	(4,816)
Profit before income tax	4,137	4,518	5,231	4,208	10,053	16,484	19,795	15,709	20,291	25,279
Income tax expense	(1,510)	(1,675)	(1,670)	(1,124)	(3,688)	(4,567)	(5,378)	(3,622)	(6,717)	(7,920)
Profit for the year	2,627	2,843	3,561	3,084	6,365	11,917	14,417	12,087	13,574	17,357

As at 31 December	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assets										
Cash and cash equivalents	7,790	9,244	10,168	13,509	14,104	18,671	31,545	24,901	35,583	79,917
Balances with Central Banks	17,106	17,253	15,629	16,263	25,642	30,223	29,963	28,699	30,422	38,940
Placements with banks	23,735	19,722	16,403	45,867	42,709	14,581	19,394	19,315	13,349	27,976
Loans and advances to customers	224,962	284,496	271,105	265,065	368,302	543,149	691,899	725,332	741,348	826,790
Other financial assets	82,178	80,635	144,913	168,481	241,205	195,444	239,089	335,455	438,554	522,762
Investment in subsidiaries and associates	3,711	3,650	3,603	4,037	6,124	7,084	7,636	7,672	7,056	7,056
Investment properties	1,088	559	-	-	-	-	-			
Property, plant and equipment	5,145	4,982	5,018	5,724	5,621	10,595	11,516	12,089	16,296	16,431
Intangible assets	420	399	233	111	164	343	376	501	385	373
Other assets	12,164	16,961	17,304	19,184	16,377	18,183	16,803	39,617	46,027	48,044
Total assets	378,299	437,901	484,376	538,241	720,248	838,273	1,048,221	1,193,581	1,329,020	1,568,289

Ten Year Statistical Summary - Bank

LKR million

As at 31 December	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Liabilities										
Due to banks *					2,215	6,508	10,128	1,166	890	2,630
Due to customers	262,990	308,856	316,070	408,607	530,092	595,774	693,441	842,070	933,966	1,082,337
Debt securities issued and subordinated term debts	3,850	9,150	17,988	18,045	40,115	42,591	47,114	45,326	53,282	39,055
Other borrowings	81,106	84,658	111,100	67,302	105,169	138,389	233,795	235,370	246,736	337,442
Current tax liabilities	727	885	1,079	190	2,200	1,139	2,208	-	-	2,081
Other liabilities	11,714	13,302	15,037	19,198	10,551	12,518	10,582	11,949	19,340	23,259
Total liabilities	360,387	416,851	461,274	513,342	690,342	796,919	997,268	1,135,881	1,254,214	1,486,804
Equity										
Share capital	4,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	10,000	10,000
Permanent reserve fund	2,455	2,515	2,585	2,650	2,777	3,008	3,286	3,538	3,810	5,210
Retained earnings	10,298	12,161	14,335	15,820	14,564	21,733	27,639	31,419	44,861	51,086
Other reserves	1,159	1,374	1,182	1,429	7,565	11,613	15,028	17,743	16,135	15,189
Total equity	17,912	21,050	23,102	24,899	29,906	41,354	50,953	57,700	74,806	81,485
Total liabilities and equity	378,299	437,901	484,376	538,241	720,248	838,273	1,048,221	1,193,581	1,329,020	1,568,289
Contingent liabilities and commitments	105,502	134,713	164,813	246,245	313,040	409,747	455,181	655,441	721,763	806,970
Ratios										
Return on average assets (%)	1.2	1.1	1.1	0.8	1.6	2.1	2.1	1.4	1.6	1.7
Return on average equity (%)	15.3	14.6	16.1	12.9	24.0	33.5	31.2	22.2	20.5	22.2
Income growth (%)	28.8	42.5	20.0	5.5	(0.2)	11.2	56.3	15.7	(0.7)	5.0
Capital adequacy ratio (%)										
- Tier I	11.9	11.4	11.3	11.2	10.3	7.8	8.3	8.4	9.5	9.1
- Tier I + Tier II	12.3	11.4	15.9	14.2	13.7	10.9	11.5	12.1	13.6	13.1
Capital funds to liabilities including contingent liabilities (%)	3.8	3.8	3.7	3.3	3.1	3.4	3.5	3.2	3.8	3.6
Liquidity ratio - domestic (%)	22.2	21.2	24.2	21.1	28.7	23.4	21.8	27.7	30.8	28.2
Cost to income ratio (%)	68.9	67.5	64.2	68.3	53.7	51.1	42.7	49.1	44.00	43.7

Note : Highlighted information is based on LKASs/SLFRSs

* From 2006 to 2009 due to banks amount is included in due to customers and other borrowings

As at 31 December	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Other information										
No of employees	8,363	8,253	7,912	7,538	8,204	8,115	7,790	8,883	8,577	7,980
No of branches	305	307	309	310	309	318	324	567	573	578
No of ATMs	190	203	251	329	352	404	451	523	540	549
No of advances ('000)	1,541	1,867	1,839	2,011	2,261	2,837	3,363	3,193	2,384	2,146
No of deposits ('000)	6,248	6,993	7,494	8,440	9,321	10,179	10,955	11,606	12,311	12,322

LKR million

As at 31 December	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Cash flows from operating activities	(24,200)	(13,713)	30,262	100,115	10,271	(42,348)	(19,271)	47,051	72,987	128,503
Cash flows from investing activities	(8,998)	3,034	(67,091)	(20,775)	(59,418)	6,924	(52,965)	(51,351)	(27,222)	(101,988)
Cash flows from financing activities	21,746	8,120	34,433	(45,144)	46,554	12,476	89,640	(4,377)	(29,519)	16,982
Capital expenditure on purchase of property plant and equipments	(912)	(544)	(647)	(1,446)	(1,168)	(1,905)	(1,483)	(1,682)	(1,743)	(1,332)

Disclosure in terms of section 7.6 (xvi) of the Listing Rules of 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, with the related parties given in Note 55 to the Financial Statements, except for the transactions engaged with Government of Sri Lanka and Government related entities.

Government of Sri Lanka, who holds 100% shareholding in Bank of Ceylon and Government related entities carry out transactions with the Bank, in the ordinary course of business and the aggregate monetary value of these transactions exceeded the threshold given in Section 7.6 (xvi) of the Listing Rules of Colombo Stock Exchange. These transactions include;

1. Overdraft facility granted to the Deputy Secretary to the Treasury
2. Foreign currency loans granted to the Government of Sri Lanka and State Owned Enterprises
3. Investment in Sri Lanka Development Bonds and Restructuring Bonds issued by 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 31 December 2015 and the transactions during the year 2015 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 N K S Jayasekara (Chairman) Mr H N Abeysinghe Mr M C Mendis Mr P Ranawakaarachchi Mr S M S C Jayasuriya Mr K K U Wijeyesekara Secretaries M/s S S P 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 4171716 / 011 2565666 e-mail : mbslbank@mbslbank.com Website : www.mbslbank.com	Mr R P K Gallage (Chairman) Mr D M Gunasekara Mr B J Sinniah Mr S S Gamage Mr A H Samarasundera Mr S L Rahaman Mr L C De silva Mr W P Russel Fonseka (Alternate Director to Mr D M Gunasekara) 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 2446790	Mr D M Gunasekara (Chairman) Mr D P K Gunasekera Mr W A C Tissera Secretary Ms Janaki Senanayake Siriwardane

Subsidiary Companies	Directors*
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 : pdmlacct@sltnet.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 D M Gunasekara Mr F A R Aziz Mr R Wijewardene Mr C Amarasinghe (Alternate director to Mr D M Gunasekara) Secretaries M/s S S P Corporate Services (Private) Limited
Bank of Ceylon (UK) Limited No:1, 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 (Chairman) Mr D M Gunasekara Mr Anthony John Pulle Mr M P Ruwan Kumara Mr W D R Swanney Mr R England Secretary Mr Colin Finlayson

* as at 31 December 2015

Subsidiary Companies	Directors*
Hotels Colombo (1963) Limited No.02, York Street, Colombo 01 Tel : 011 2320320 011 5221100 Fax : 011 2447640 e-mail : info@grandoriental.com Website : www.grandoriental.com	Mr U K Devasurendra (Chairman) Mr J C Ratwatte Mr Ranel T Wijesinha Mr D M Gunasekara Mr I N Maligaspe Ms S D Chandrasena Mr P Dissanayake Mr A Zarook Dr I Dissanayake Mr R M D V 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) Ms D N Wickramasinghe Mr Senarath Bandara (Alternate Director to Mr D M Gunasekara) Secretary Ms Janaki Senanayake Siriwardane

Subsidiary Companies	Directors*
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	Mr T M S Nanayakkara (Chairman) Mr B M K C Perera Mr N Athukorala Mr A S De silva Mr M N M Rizan Mr C Kalugampitiya Mr S S Gamage Mr H P L Yaddehige Mr A S Ranagala Mr N Nanayakkara 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 N K S Jayasekara (Chairman) Mr H N Abeysinghe Mr M C Mendis Mr P Ranawakaarachchi Mr K K U Wijeyesekara Secretaries M/s Em En Es (Assignments) (Private) Limited

Subsidiaries and Associates

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 Dodampe Gamage Mr R P K Gallage Mr R H F Senarathna Mr S Ali Taseer (Alternate director to Mr M Eshan ul-Haq) Mr S Taseer (Alternate director to Mr Farooq Bin Habib) Mr Imran Hafeez (Alternate director to Ms Aamna Taseer) Secretaries M/s S S P Corporate Services (Private) Limited
Mireka Capital Land (Private) Limited No. 324, Havelock Road, Colombo 06 Tel : 011 2346333 Fax : 011 2449303 e-mail : info@mireka.com Website : www.havelockcity.com	Mr S P Tao (Chairman) Mr H Z Cassim Mr A M de S Jayaratne Mr M T Ong Dr Ranee Jayamaha Mr L R de Lanerolle Ms N P H D A K Sikurajapathy Mr Ronald C Perera Mr D M Gunasekara Mr E P Ong (Alternate Director to Mr S P Tao) Ms R L Nanayakkara (Alternate Director to Mr M T Ong) Mr W P Russel Fonseka (Alternate Director to Mr D M Gunasekara) Secretary Ms Minoka Fernando

Associate Companies	Directors*
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 M Selvanathan Mr C Sathkumara Mr M S P R Perera Shri B Babu Rao Mr D M Gunasekara Mr P P J Perera Mr S M S C Jayasuriya Mr G A Jayashantha (Alternate Director to Mr D M Gunasekara) Mr A P Weeratunge (Alternate Director to Mr M Selvanathan) Mr U D Liyanagamage (Alternate Director to Mr P P J Perera) Secretaries M/s Carsons Management 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 D K W Liew Mr S M S C Jayasuriya Mr D M H Liew Mr C R Norwood Mr P C Dodanwala Secretaries M/s P W Corporate Secretarial (Private) Limited

* as at 31 December 2015

Note : Southern Development Financial Company Limited is not in Operation

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. Uni Credit Bank Austria AG (Bank Austria Creditanstalt AG)
14. BAWAG PSK Bank
15. BKS Bank AG
16. Erste Bank der Oesterreichischen Sparkassen AG
17. Erste Group Bank AG
18. Oberbank AG
19. Volksbank Wien-Baden AG
20. Raiffeisen Bank International AG
21. Raiffeisenlandesbank Oberosterreich Aktiengesellschaft
22. Salzburger Landes - Hypothekenbank 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. Janata Bank
39. Prime Bank Ltd
40. Pubali Bank Ltd
41. Sonali Bank
42. The Premier Bank Ltd
43. Uttara Bank Ltd

BELARUS
44. Belarus Bank
45. Belvnesheconombank

BELGIUM
46. Antwerpse Diamant Bank NV
47. Banca Monte Paschi, Belgio
48. Byblos Bank Europe SA
49. Deutsche Bank SA/NV
50. Fortis Bank NV/SA
51. ING Belgium SA/NV
52. KBC Bank NV

BERMUDA
53. Bank of Bermuda Ltd

BOTSWANA
54. Barclays Bank of Botswana Ltd

BRAZIL
55. Banco ABC Brazil S.A
56. Banco do Brazil
57. Banco Fibra SA
58. Banco Industrial e Commercial S.A (BICBANCO)
59. Banco Indusval S.A

BULGARIA
60. Raiffeisenbank (Bulgaria) EAD
61. Teximbank
62. UniCredit BulBank AD (Formerly Bulbank AD)
63. United Bulgarian Bank AD
64. Central Cooperative Bank
65. Investbank PLC
66. Municipal Bank PLC

CAMBODIA
67. ACLEDA Bank PLC

CANADA
68. Bank of Montreal
69. Bank of Nova Scotia
70. Canadian Imperial Bank of Commerce
71. HSBC Bank Canada
72. Royal Bank of Canada
73. Toronto Dominion Bank

CHILE
74. Corpbanca

CHINA
75. Bank of Changsha
76. Bank of China
77. Bank of Communications
78. Bank of Hangzhou Co. Ltd
79. Bank of Jiangsu Co. Ltd
80. Bank of Jiujiang Co. Ltd
81. Bank of Nanjing
82. Bank of Shaoxing Co. Ltd
83. Bank of Xi'an Co. Ltd
84. Changshu Rural Commercial Bank
85. China Construction Bank Corporation

Correspondent Banks By Country

86. China Development Bank Corporation
87. China Everbright Bank Co. Ltd
88. Evergrowing Bank Co. Ltd
89. Export Import Bank of China
90. OCBC Bank (CHINA) Ltd
91. Zhejiang Nanxun Rural Cooperative Bank
92. Zhejiang Xiaoshan Rural Cooperative Bank

COLOMBIA

93. Banco Popular

COOK ISLANDS

94. WSBC Bank Co. Ltd

CROATIA

95. Zagrebacka Banka dd

CYPRUS

96. Alpha Bank Cyprus Ltd
97. Bank of Cyprus Public Company Ltd
98. Hellenic Bank Public Company Ltd
99. National Bank of Greece (Cyprus) Ltd

CZECH REPUBLIC

100. Ceska Sporitelna A.S
101. Ceskoslovenska Obchodni Banka A.S
102. GE Money Bank A.S
103. Komercni Banka A.S
104. LBBW Bank CZ A.S
105. Raiffeisen Bank A.S
106. UniCredit Bank CZECH Republic A.S

DENMARK

107. ALS Skiern Bank
108. Danmarks National Bank
109. Danske Bank A/S
110. Jyske Bank A/S
111. Nordea Bank Danmark A/S
112. Nordjyske Bank A/S
113. Rinkjobing Landbo- bank
114. Skjern Bank
115. Spar Nord Bank A/S
116. Sparebank Vest
117. Sydbank A/S
118. Vestjysk Bank

ECUADOR

119. Banca International Produbanco

EGYPT

120. ABC Egypt (Arab Banking Corp.)
121. Arab International Bank
122. Bank of Alexandria (ALEXBANK)
123. Banque Du Caire SAE
124. Banque Misr
125. Central Bank of Egypt
126. Commercial International Bank (Egypt) SAE
127. Calyon Bank (Egypt) SAE
128. Egyptian Saudi Finance Bank
129. Faisal Islamic Bank of Egypt SAE
130. Mohandes Bank
131. National Bank of Egypt
132. Suez Canal Bank SAE

ESTONIA

133. SEB Bank

ETHIOPIA

134. Commercial Bank of Ethiopia

FIJI

135. National Bank of Fiji Limited

FINLAND

136. Aktia Bank PLC
137. Nordea Bank Finland PLC
138. OKO Osuuspankkien Keskuspankki OYJ
139. Pohjola Bank PLC
140. Sampo Bank PLC

FRANCE

141. AL Khaliji France SA
142. Bank of India (Paris Branch)
143. Banque BIA
144. Banque De Neuflize, Schlumberger,Mallet, Demachy
145. Banque D'Escompte
146. Banque Federative DU Credit Mutuel
147. Banque Palatine
148. Banque SBA
149. BNP Paribas
150. Calyon
151. CIC Lyonnaise De Banque
152. Credit Agricole
153. Credit Cooperatif
154. Credit DU Nord
155. Credit Industrial DEL'Quest
156. Credit Industrial ET Commercial (CIC)
157. Credit Lyonnais
158. HSBC Private Bank France SA
159. NATIXIS (Formerly Natexis Banque Popularies)
160. Societe Generale
161. Union De Banques A Paris(UBAF)-(Union De Banques Arabes ET Francaises)
162. VTB Bank (France) SA (Formerly Banque Commerciale Pour L'Europe Du Nordeurobank)

GEORGIA

163. Bank of Georgia

GERMANY

164. Baden Wuttenbergische Bank AG
165. Bankhaus Carlf Plump & Co.
166. Bankhaus Neelmeyer AG
167. Bayerische Landesbank
168. Berenberg Bank
169. Berliner Volksbank EG
170. BHF Bank Aktiengeselschaft
171. Bremer Landesbank
172. CommerzBank AG (Dusseldorf)
173. CommerzBank AG (Frankfurt)
174. Degussa Bank
175. Deutsche Bank AG
176. Deutsche Bundesbank
177. Deutsche PostBank AG
178. DVB Bank AG

179. DZ Bank AG
180. Frankfurter Volksbank EG
181. Hamburger Sparkasse AG
182. HSBC Trinkaus & Burkhardt KGA
183. ING BHF – Bank AG
184. Kreissparkasse Esslingen-Nurtingen
185. Kreissparkasse Goppingen
186. Kreissparkasse Heilbronn
187. Landesbank Baden- Wurttemberg
188. Landesbank Berlin AG (Merger of Bankgesel- Ischaft Berlin AG & Landesbank Berlin AG)
189. Landesbank Hessen Thuringen Girozentrale
190. LRP Landesbank Rheinland PFALZ
191. Mainzer Volksbank eG
192. Nassauische Sparkasse
193. Nordeutsche Landes- bank Girozentrale
194. NRW Bank
195. Oldenburgische Landesbank AG
196. Sparkasse Bielefeld
197. Sparkasse Dortmund
198. Sparkasse Duren
199. Sparkasse Essen (Stadtsparkasse Essen)
200. Sparkasse Hannover
201. Sparkasse Herford
202. Sparkasse Pforzheim Calw
203. Stadtsparkasse Dusseldorf
204. Stadtsparkasse Monchengladbach
205. Stadtsparkasse Wuppertal
206. Standard Chartered Bank (Frankfurt)
207. UniCredit Bank AG (Bayerische Hypo-und Vereinsbank AG)
208. Westlab AG

GHANA

209. Ghana Commercial Bank Ltd

GREECE

210. Alpha Bank
211. Aspis Bank
212. EFG Eurobank Ergasias SA
213. Marfin Egnatia Bank SA
214. National Bank of Greece
215. Piraeus Bank

HONG KONG

216. Bank of East Asia Ltd
217. Cathay Bank
218. Chiyu Banking Corporation Limited
219. Chong Hing Bank Limited
220. DAH Sing Bank Limited
221. DBS Bank (Hong Kong) Ltd
222. Hang Seng Bank Ltd
223. Hong Kong & Shanghai Banking Corporation
224. Industrial & Commercial Bank of China (Asia) Ltd
225. Nan Yang Commercial Bank Ltd
226. Oversea-Chinese Banking Corporation
227. Shanghi Commercial Bank Ltd
228. UBAF (Hong Kong Ltd (Union De Banques Arabes ET Francaises –UBAF)
229. OCBC Wing Hang Bank Ltd

HUNGARY

230. Bank of Hungarian Savings Cooperatives Co. Ltd
231. Budapest Bank RT
232. Central-European Int'l Bank Ltd (CIC Bank)
233. Erst Bank Hungary NYRT
234. Kereskedelmi ES HitelBank (K and H Bank NYRT)
235. Magyar Nemzeti Bank (National Bank of Hungary)
236. Raiffeisen Bank ZRT
237. UniCredit Bank Hungary ZRT

ICELAND

238. Glitnir Banki HF (Formerly Islandbanki FAB Ltd)

INDIA

239. Allahabad Bank
240. Andhra Bank
241. Axis Bank
242. Bank of Baroda
243. Bank of India (Mumbai)
244. Bank of Maharashtra
245. Canara Bank
246. Central Bank of India
247. Corporation Bank
248. Development Credit Bank Ltd
249. HDFC Bank
250. ICICI Bank Ltd
251. IDBI Bank Ltd
252. Indian Bank
253. Indian Overseas Bank
254. Indusind Bank Ltd
255. Jammu & Kashmir Bank Ltd
256. Karur Vysya Bank
257. Punjab & Sind Bank Ltd
258. Punjab National Bank
259. Saraswat- Cooperative Bank Ltd
260. State Bank of India
261. State Bank of Hyderabad
262. State Bank of Travancore
263. Syndicate Bank
264. Tamilnad Mercantile Bank Ltd
265. The Bank of Rajastan Ltd
266. UCO Bank
267. Union Bank of India
268. United Bank of India
269. YES Bank

INDONESIA

270. Bank Artha Graha
271. Bank International Indonesia
272. Bank Mega
273. PT Bank Bukopin
274. PT Bank Central Asia TBK
275. PT Bank Ekspor Indonesia
276. PT Bank Mandiri (PERSERO)
277. PT Bank Negara Indonesia TBK
278. PT Bank Pan Indonesia TBK (Panin Bank)
279. PT Bank Permata TBK
280. PT Bank Rabobank International
281. PT Bank Rakyat Indonesia

IRAQ

282. Central Bank of Iraq
283. Rafidain Bank
284. Rasheed Bank

IRELAND

285. Allied Irish Bank PLC

ISRAEL

286. Bank Hapoalim Bank
287. Bank Leumi Le Israel BM
288. Bank of Palestine
289. First International Bank of Israel Ltd

Correspondent Banks By Country

290. Israel Discount Bank
291. Mercantile Discount Bank Ltd
292. Mizrahi Tefahot Bank Ltd
293. Union Bank of Israel Ltd

ITALY

294. Banca Agricola Mantovana SPA
295. Banca Antonveneta SpA
296. Banca Carige SpA
297. Banca Delle Marche SpA
298. Banca Popolare DI Cividale SCPA
299. Banca DI Credito Cooperativo DI ALBA
300. Banca DI Imola SpA
301. Banca DI Roma
302. Banca Etruria Soc.Coop
303. Banca Monte DEI Paschi DI Siena
304. Banca Nazional Del Lavoro SpA
305. Banca Popolare Soc.Coop (Banca Popolare DI Verona E Novara SCRL) – Verona
306. Banca Popolare – Volksbank (Banca Popolare Dell Alto ADIGE)
307. Banca Popolare Dell' Emilia Romagna
308. Banca Popolare DI Milano
309. Banca Popolare DI Ravenna SpA
310. Banca Popolare DI Sondrio
311. Banca Popolare DI Vicenza SCPARL
312. Banca Regionale Europea SpA
313. Banca Toscana SpA
314. Banca UBAE SpA
315. Banca Valsabbina SCPA
316. Banco Carim– Cassa DI Risparmio DI Rimini SpA
317. Banca DI Desio E Della Brianza SpA
318. Banco DI Sardegna SpA
319. Banco DI Sicilia
320. Bipop – Carires
321. Cassa DI Risparmio DI Parma e Piacenza SpA, (CARIPARMA SPA)
322. Cassa DI Risparmio DI Ascoli Piceno SpA
323. Cassa DI Risparmio DI Bolzano SpA
324. Cassa DI Risparmio DI Carrara SpA
325. Cassa DI Risparmio DI Prato SpA (CARIPRATO)
326. Cassa DI Risparmio DI San Miniato SpA
327. Credito Valtellinese
328. Deutsche Bank SpA
329. Hypo Alpe-Adria-Bank SpA
330. Intesa San Paolo SpA (Formerly Banca Intesa SpA)
331. IW Bank SPA
332. UGF Banca
333. UniCredit Bank AG (UniCredito Italiano SpA)
334. Unipol Banca SpA

JAMAICA

335. National Commercial Bank of Jamaica Ltd

JAPAN

336. 77 Bank Ltd
337. Aozora Bank Ltd
338. Australia & New Zealand Banking Group Ltd
339. AWA Bank Ltd
340. Bank of Kochi Ltd
341. Bank of Kyoto
342. Bank of Tokyo- Mitsubishi UFJ Ltd
343. Bank of Yokohama Ltd
344. Chiba Kogyo Bank Ltd
345. Chukyo Bank Ltd
346. Chuo Mitsui Trust and Banking Co. Ltd
347. Gunma Bank Limited
348. Higashi-Nippon Bank
349. Hokuriku Bank Ltd
350. Kinki Osaka Bank Ltd
351. Kiyo Bank Ltd
352. Kyoto Shinkin Bank
353. Minato Bank Ltd (Formerly Midori Bank Ltd)
354. Mitsubish Trust & Banking Co
355. Mizuho Bank Ltd
356. Nishi Nippon City Bank Ltd
357. Okazaki Shinkin Bank
358. Osaka City Shinkin Bank
359. Resona Bank Limited
360. Saitama Resona Bank Ltd
361. SETO Shinkin Bank
362. Shiga Bank Ltd
363. Shinkin Central Bank
364. Shinsei Bank Ltd (Formerly Long Term Credit Bank of Japan)
365. Standard Chartered Bank
366. Sugamo Shinkin Bank
367. Sumitomo Mitsui Banking Corporation
368. The Asahi Shinkin Bank
369. The Ashikaga Bank Ltd
370. The Hokkaido Bank Limited
371. The Shikoku Bank Ltd
372. The Shizuoka Bank Ltd
373. The Yokohama Shinkin Bank
374. Tokushima Bank Ltd
375. Tokyo Tomin Bank Ltd
376. Tomato Bank Ltd
377. Towa Bank Ltd
378. Yamagata Bank Ltd
379. Yamaguchi Bank Ltd
380. Yamanashi Chuo Bank Ltd

JORDAN

381. Arab Bank PLC
382. Arab Jordan Investment Bank
383. Bank AL Etihad
384. Bank Audi SAL Audi Saradar Group
385. Bank of Jordan PLC
386. Cairo Amman Bank
387. Housing Bank for Trade & Finance
388. InvestBank (JIF Bank) (Formerly Jordan Investbank & Finance Bank)
389. Islamic International Arab Bank Ltd
390. Jordan Ahli Bank PLC
391. Jordan Commercial Bank
392. Jordan Dubai Islamic Bank
393. Jordan Kuwait Bank

KAZAKSTAN

394. JSC Bank CenterCredit

KENYA

395. Barclays Bank of Kenya Ltd
396. Kenya Commercial Bank Ltd

KOREA

397. CitiBank Korea Inc
398. KEB Hana Bank
399. Kookmin Bank
400. Korea Development Bank
401. Kyongnam Bank
402. Pusan Bank
403. The Kwangju Bank Ltd
404. Woori Bank

KUWAIT

405. AL Ahli Bank of Kuwait
406. Bank of Kuwait & The Middle East
407. Burgan Bank SAK
408. Commercial Bank of Kuwait SAK
409. Gulf Bank
410. Kuwait International Bank
411. National Bank of Kuwait

KYRGYSTAN

412. Asia Universal Bank

LATVIA

413. Parex Bank
414. Rietumu Bank
415. SEB Banka

LEBANON

416. Al Ahli International Bank SAL
417. Arab African International Bank
418. Arab Bank PLC
(Lebanon Branches Centre) Beirut
419. Audi Private Bank SAL
420. Bank Audi SAL
421. Bank Bemo SAL
422. Bankmed SAL
423. Bank of Beirut SAL
424. Banque Libano Francaise
425. BBAC SAL
426. BLC Bank SAL
427. BLOM Bank SAL
428. Byblos Bank SAL
429. Credit Libanais SAL
430. First National Bank SAL
431. Fransbank SAL
432. IBL Bank
433. Jamal Trust Bank SAL
434. MEAB Bank (Middle East & African Bank SAL)
435. Near East Commercial Bank SAL
436. Societe Generale Banque AU Liban SAL
437. Societe Nouvelle DE LA Banque De Syrie ET DU Liban SAL

LIBYA

438. Gumhoria Bank
439. National Commercial Bank SAL
440. Umma Bank SAL
441. Wadha Bank

LITHUANIA

442. AB Bankas Hansa Bankas
443. AB Bankas Snoras
444. SEB Bank
445. UKIO Bank AS

MACAU

446. Banco Weng Hang SA

MADAGASCAR

447. Bank of Africa – Madagascar
448. Banque Centrale De Madagascar

MALAWI

449. National Bank of Malawi

MALAYSIA

450. Alliance Bank Malaysia, Berhad
451. Ambank Berhad
452. Bank Islam Malaysia Berhad
453. CIMB Bank Berhad
454. EON Bank Berhad
455. Malayan Banking Berhad (MAYBANK)
456. OCBC (Malaysia) Berhad
457. Oversea-Chinese Banking Corporation Ltd (Kuala Lumpur)
458. Public Bank Berhad
459. RHB Bank Berhad
460. Royal Bank of Scotland
461. United Overseas Bank (Malaysia) Berhad

MALDIVES

462. Bank of Maldives PLC
463. Habib Bank Ltd

MALTA

464. Bank of Valleta
465. FIM Bank PLC Ltd
466. HSBC Bank Malta PLC

MAURITIUS

467. State Bank of Mauritius Ltd
468. The Mauritius Commercial Bank Ltd

MEXICO

469. Banco Nacional De Mexico SA
470. Banco Santander Mexicano SPA
471. BBVA Bancomer SA
472. HSBC Mexico SA

MONGOLIA

473. Trade & Development Bank of Mongolia

MOROCCO

474. Credit DU Marco SA

MOZAMBIQUE

475. Banco Internacional de Mocombique SARL

NAMIBIA

476. Bank Windhoek Ltd

NEPAL

477. Himalanyan Bank Ltd
478. Nepal Bank Ltd
479. Nepal Credit Commercial Bank
480. Standard Chartered Bank Nepal Ltd

NETHERLANDS

481. ABN Ambro Bank – Royal Bank of Scotland
482. F Van Lanschot Bankiers NV
483. Hollandsche Bank – UNIE NV
484. ING Bank NV
485. Rabobank Nederland
486. SNS Bank NV
487. The Economy Bank NV
488. Yapi Ve Kredi Bankasi AS

NEW ZEALAND

489. ANZ Bank National Bank Ltd
490. ASB International Bank
491. Bank of New Zealand
492. Westpac Banking Corporation

Correspondent Banks By Country

NIGERIA

493. First Bank of Nigeria PLC
494. Union Bank of Nigeria PLC

NORWAY

495. DNB NOR Bank ASA
496. Nordea Bank Norge AS
497. Sparebanken Hedmark
498. Sparebanken More
499. Sparebanken Nord Norge

OMAN

500. Bank Dhofar SAOG
501. Bank Sohar SAOG
502. Bankmuscat SAOG
503. National Bank of Oman SAOG
504. Oman Arab Bank SAOG
505. Oman International Bank

PAKISTAN

506. Allied Bank of Pakistan
507. Askaribank Limited
508. Atlas Bank
509. Bank Al Habib Limited
510. BankIslami Pakistan Ltd
511. Bank of Khyber
512. Bank of Punjab
513. Dawood Islamic Bank Ltd
514. Faysal Bank Ltd
515. Habib Bank Ltd
516. Habib Metropolitan Bank Ltd
517. MCB Bank Ltd
518. Meezan Bank Ltd
519. Mybank Ltd
520. National Bank of Pakistan
521. Soneri Bank Ltd
522. Standard Chartered Bank (Pakistan) Ltd
523. United Bank Limited

PALESTINIAN AUTONOMOUS AREA

524. Arab Islamic Bank

PAPUA NEW GUINEA

525. Westpac Bank PNG Ltd

PARAGUAY

526. Banco Amambay SA

PERU

527. Banco DE Creditio DEL Peru

PHILIPPINES

528. Metropolitan Bank & Trust Co
529. Philippine National Bank

POLAND

530. Bank BGZ
531. Bank Gospodarstwa Krajowego
532. Bank Handlowy Warszawa SA
533. Bank Millennium SA
534. Bank Pekao SA
535. PKO Bank Polski SA (Powszechna Kasa Oszczednosci Bank Polski SA)
536. Kredyt Bank SA
537. Raiffeisen Bank Polska SA

PORTUGAL

538. Banco BPI SA
539. Banco Espirito Santo SA
540. BNP-Banco Portugues DE Negocios SA
541. Finibanco SA
542. Millennium BCP

QATAR

543. Barwa Bank
544. Doha Bank
545. Qatar International Islamic Bank
546. Qatar Islamic Bank SAQ

ROMANIA

547. Banca Commerciala Carpatica
548. Banca Commericla Romana SA
549. Banca Transilvania
550. BRD-Groupe Societe Generale SA
551. UniCredit Bank SA

RUSSIA

552. Bank of Moscow
553. Bank for Development & Foreign Economic Affairs
554. Bank Jugra
555. BIN Bank
556. International Moscow Bank
557. Bank Otkritie Financial Corporation (JSC) (Formerly Nomos Bank)
558. M D M Bank
559. ROS Bank
560. Sberbank
561. Trans Credit Bank
562. Vnesheconombank
563. VTB-24 (PJSC) (Formerly JSC VTB Bank)

SAUDI ARABIA

564. Al Rajhi Bank
565. Bank Al Bilad
566. Bank Al Jazira
567. Banque Saudi Fransi
568. National Commercial Bank Limited
569. Riyad Bank
570. SAMBA Financial Group
571. Saudi British Bank
572. Saudi Hollandi Bank
573. Arab National Bank

SCOTLAND

574. Royal Bank of Scotland

SERBIA

575. Banca Intesa AD Beograd
576. National Bank of Serbia

SEYCHELLES

577. Seychelles International Mercantile Banking (NOUVOBNQ)

SINGAPORE

578. Bank of India
579. DBS Bank Ltd
580. Dexia Banque Internationale A Luxembourge

581. Far Eastern Bank Limited
582. Indian Bank
583. Oversea-Chinese Banking Corporation Ltd
584. Skandinaviska Enskilda Banken AB
585. Standard Chartered Bank
586. State Bank of India
587. The Bank of East Asia Ltd
588. UCO Bank
589. Union DE Banques Arabes ET Francaises (UBAF)
590. United Overseas Bank Ltd
591. VTB Bank Europe PLC
592. ABN AMRO

SLOVAKIA

593. Ceskoslovenska Obchodni Banka AS
594. Postova Bank AS
595. Slovenska Sporitenlna AS
596. TARTA Bank AS
597. UniCredit Bank Slovakia AS
598. Vseobecna Uverova Bank AS

SLOVENIA

599. Abanka Vipa DD
600. Gorenjska Banka
601. Nova Kreditna Banka Maribor DD
602. Nova Ljubljanska Banka DD Ljubljana

SOLOMON ISLANDS

603. National Bank of Solomon Islands

SOMALIA

604. Commercial & Savings Bank of Somalia

SOUTH AFRICA

605. ABSA Bank Ltd
606. FirstRand Bank Ltd
607. Nedcord Bank Ltd (NED Bank)
608. Standard Bank of South Africa Ltd
609. The Standard Chartered Bank of South Africa, Johannesburg.

SPAIN

610. Banco Bilbao Vizcaya Argentaria SA
611. Banco DE Europa SA
612. Banco De Sabadell SA
613. Banco De Valencia
614. Banco Guipuzcoano SA
615. Banco Intercontinental Espanol (BANKINTER)
616. Banco Pastor SA
617. Banco Santander Central Hispano
618. Caixa'd Estalvis DE Catalunya
619. Caja DE Ahorrosy Pensiones DE Barcelona LA Caixa
620. Caja Madrid

SWEDEN

621. Nordbanken AB (PUBL)
622. SEB Merchant Banking
623. Skandinaviska Enskilda Banken AB (PUBL)
624. Svenska Handelsbanken AB (PUBL)
625. SWED Bank

SWITZERLAND

626. Banque Cantonale DE Genève
627. Banque Cantonale Vandoise
628. Banque DE Commerce ET DE Placements
629. BNP Paribas (Sussie) SA
630. BSI SA
631. Credit Agricole (Sussie) SA
632. Credit Sussie
633. Faisal Private Bank (Switzerland) SA
634. Habib Bank AG, Zurich
635. Luzerner Kantonal Bank
636. UBS Switzerland AG
637. Zurcher Kantonalbank

TAIWAN

638. Bank of Taiwan
639. CTBC Bank Co. Ltd
640. Chinfon Commercial Bank
641. E-Sun Commercial Bank Ltd
642. First Commercial Bank
643. HUA NAN Commercial Bank
644. Mega International Commercial Bank
645. Shanghi Commercial & Savings Bank Ltd
646. Shin Kong Bank
647. Taipei Fubon Commercial Bank
648. Taiwan Cooperative Bank
649. Union Bank of Taiwan

TANZANIA

650. NBC Limited (National Bank of Commerce)

THAILAND

651. Bangkok Bank Public Company Ltd
652. Bank of Ayudhya Public Company Ltd
653. Export Import Bank of Thailand
654. Kasikornabank Public Company Ltd
655. Krung Thai Bank Public Company Ltd
656. Siam City Bank Public Company Ltd
657. Siam Commercial Bank PCL
658. Standard Chartered Bank (THAI) Public Company Ltd
659. United Overseas Bank (Thai) Public Co. Ltd

TUNISIA

660. Banque Nationale Agricole
661. Attijari Bank
662. Societe Tunisienne DE Banque

TURKEY

663. AK Bank TAS
664. Anadolu Bank
665. Arab Turkish Bank
666. ASYA Katilim Bankasi AS
667. EURO Tekfen AS
668. ING Bank AS
669. Kuvoyt Turk Katilim Bankasi AS
670. Tekstil Bankasi AS
671. Turk Economi Bankasi
672. Turkiye Finance Katilinyu Bankasi AS
673. Turkiye Halk Bankasi AS
674. Turkiye Garanti Bankasi AS
675. Turkiye IS Bankasi AS
676. Turkiye Vakiflar Bankasi TAO
677. Turkland Bank – T Bank
678. Yapi VE Kredi Bankasi AS

UNITED ARAB EMIRATES (UAE)

679. Abu Dhabi Commercial Bank
680. Abu Dhabi Islamic Bank
681. Arab Bank for Investment & Foreign Trade
682. Commercial Bank International PLC
683. Commercial Bank of Dubai PSC
684. Dubai Islamic Bank PLC
685. Emirates Bank NBD PJSC
686. First Gulf Bank
687. Mashreqbank PSC
688. Middle East Bank PJSC

Correspondent Banks By Country

689. National Bank of Abu Dhabi
690. National Bank of Fujirah
691. Noor Islamic Bank
692. Union National Bank
693. United Arab Bank

UGANDA

694. Barclays Bank of Uganda Ltd

UNITED KINGDOM (UK)

695. AIB Group
696. Barclays Bank PLC
697. Clydesdale Bank PLC
698. Gulf International Bank (UK) Limited
699. Habib Bank AG Zurich
700. Habibsons Bank Ltd
701. HSBC Bank PLC
702. Investec Bank (UK) Ltd
703. Lloyds TSB Bank PLC
704. National Westminister Bank PLC
705. Royal Bank of Scotland PLC
706. ICBC Standard Bank PLC
707. Standard Chartered Bank

UKRAINE

708. UKREXIMBANK (State Export-Import Bank of Ukraine)
709. Calyon Bank
710. First Ukrainian International Bank PJSC
711. OTP Bank – Public Joint Stock Company
712. PJSC –ALFA Bank
713. Prominvest Bank

URUGUAY

714. The Banco DE LA Republic Oriental Del Uruguay

UNITED STATES OF AMERICA (USA)

715. American Express Bank Ltd
716. Banco Del Pichincha CA
717. Bank of America NA
718. The Bank of New York Mellon
719. Bank of TAMPA
720. Branch Banking & Trust Co
721. Brown Brothers Harriman & Co
722. CITIBANK NA
723. COBank ACB
724. Commerce Bank NA
725. Deutsche Bank Trust Company Americas
726. First Hawian Bank
727. French American Banking Corp
728. Habib American Bank
729. Hibernia National Bank
730. HSBC Bank USA
731. Huntington National Bank
732. Israel Discount Bank of New York
733. JP Morgan Chase Bank
734. LA Salle Bank Midwest
735. M & T Bank (Formerly Allfirst Bank)
736. National City Bank of Indiana
737. National Penn Bank
738. Northern Trust Company
739. PNC Bank NA
740. SAN Diego National Bank
741. Silicon Valley Bank
742. Sovereign Bank
743. Standard Chartered Bank
744. State Street Bank & Trust Co
745. Sun Trust Bank Ltd
746. UMB Bank NA
747. Union Bank of California NA
748. US Bank NA
749. Wells Fargo Bank NA

VIETNAM

750. Bank For Foreign Trade of Vietnam
751. Bank For Investment & Development of Vietnam

YEMEN

752. National Bank of Yemen
753. Yemen Bank for Reconstruction & Development
754. Yemen Commercial Bank
755. Yemen Kuwait Bank
756. International Bank of Yemen YSC

ZAMBIA

757. Barclays Bank of Zambia Ltd

ZIMBABWE

758. Barclays Bank of Zimbabwe Limited

Exchange Companies
By Country

AUSTRALIA
1. Auscey Financial Services Pty Ltd
2. Aussie Forex & Finance Pty Ltd
3. Cash Plus Forex Pty Ltd
4. Ceylon Exchange Pty Ltd
5. Ezy Processing Ltd (US Virgin Islands)
6. Kapruka Pty Ltd
7. Serendib Financial Pty Ltd
8. SL Money Transfer Pty Ltd

BAHRAIN
9. Bahrain Financing Co
10. Ezremit Ltd
11. National Finance & Exchange Co WLL
12. Zenj Exchange Co
13. Zenj Exchange Co WLL (Turbo Cash)

CYPRUS
14. Masari Payment Services Ltd

FRANCE
15. Tempo France

GREECE
16. International Express Remittance Services SA (IERS)

HONG KONG
17. Orient Exchange Co (HK) Ltd

ISRAEL
18. Tifco Logistics & Trade Ltd

ITALY
19. Valutrans SpA

JAPAN
20. Japan Remit Finance Co Ltd
21. Unidos Co Ltd

JORDAN
22. Alwaneh Exchange Co
23. Shift Financial Services Ltd

KUWAIT
24. Al Mulla International Exchange Co Wll
25. Al Muzaini Exchange Co KSC (Closed)
26. Aman Exchange Co WLL
27. Bahrain Exchange Co WLL
28. City International Exchange Co WLL
29. Dollarco Exchange Co Ltd
30. Etemadco Exchange Co WLL
31. International Financial Line Co
32. Joyalukkas Exchange Co WLL
33. Kuwait Asian International Exchange Co WLL
34. Kuwait Bahrain International Exchange Co
35. Kuwait India International Exchange Co
36. National Exchange Co WLL
37. National Money Exchange Co WLL
38. Oman Exchange Co Ltd
39. Security Exchange Co WLL
40. UAE Exchange Centre WLL

LEBANON
41. Services Exchange Co

MALAYSIA
42. IME (M) SDN BHD
43. Merchantrade Asia SDN BHD

OMAN
44. Asia Express Exchange
45. Gulf Overseas Exchange Co LLC
46. Hamdan Exchange
47. Majan Exchange LLC
48. Modern Exchange Co LLC
49. Musandam Exchange
50. Mustafa Sultan Exchange Co LLC
51. Oman & UAE Exchange Centre Co LLC
52. Oman International Exchange LLC
53. Oman United Exchange Co LLC
54. Purshottam Kanji Exchange Co LLC

QATAR
55. Al Dar for Exchange Works
56. Al Fardan Exchange Co WLL
57. Al Mana Exchange WLL
58. AL Sadd Exchange
59. Al Zaman Exchange WLL
60. Al Mirqab Exchange Co
61. Arabian Exchange Company WLL
62. City Exchange Co WLL
63. Eastern Exchange EST
64. Gulf Exchange Company
65. Habib Qatar International Exchange Ltd
66. Islamic Exchange
67. National Exchange Co WLL

SINGAPORE
68. HBZ International Exchange Co (Singapore) Pvt Ltd
69. Mustafa Foreign Exchange

SWITZERLAND
70. Motherhouse GMBH

UNITED ARAB EMIRATES (UAE)
71. Al Ahalia Money Exchange Bureau
72. Al Ansari Exchange EST
73. Al Fardan Exchange
74. Al Mona Exchange Co LLC
75. Al Rostamani International Exchange
76. Delma Exchange
77. Dubai Exchange Centre LLC
78. Emirates India International Exchange Co
79. Habib Exchange Co LLC
80. Hadi Express Exchange
81. Joyalukkas Exchange
82. Lari Exchange Establishment
83. Lulu International Exchange LLC
84 National Exchange Co
85. Orient Exchange Co LLC
86. Redha Al Ansari Exchange Est
87. UAE Exchange Centre
88. Wall Street Exchange Centre

Exchange Companies By Country

89. Xpress Money Services Ltd
90 . Zareen Exchange

UNITED KINGDOM (UK)

91. 3R Telecom Ltd
92. An Express Ltd
93. Currency Exchange Corporation
94. Global Exchange Ltd
95. INTL FC Stone Ltd (IFL)
96. Sigue Global Services Ltd

UNITED STATES OF AMERICA (USA)

97. Moneygram
98. Prabhu Group INC
99. RIA Financial Services (Continental Exchange Solutions INC)
100. Trans-fast Remittance LLC

Glossary of Financial/ Banking Terms

A

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

To recognize 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.

Amortization

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 'amortization' is generally used instead of 'depreciation'. Both terms have the same meaning.

Amortized 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 amortization 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, organized crimes, fraud and terrorism.

Associate Company

A company other than a subsidiary in which a holding company has a participating interest and exercises a significant influence over its operating and financial policies.

Attrition Rate

A measure of how many employees leave over a certain period of time.

B

Basis Points

A unit that is equal to 1/100 th of 1%. Often used in quotations of spreads between interest rates or to change in yield in securities.

Bills of Exchange

A signed, written unconditional order addressed by one person (the drawer) directing another person (the drawee) to pay a specified sum of money to the order of a third person (the payee). The terms bills of exchange and drafts are often used interchangeably.

Borrowing Costs

Interest and other costs incurred by an entity in connection with the borrowing of funds.

C

Capital Adequacy Ratio (CAR)

The 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.

Consolidated Financial Statements

The Financial Statements of the Group presented as those of a single economic entity.

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.

Glossary of Financial/Banking Terms

Cost/Income Ratio

Operating expenses compared to net income.

Country Risk

The credit risk associated with lending to borrowers within a particular country, sometimes taken to include sovereign risk.

Credit Risk

The risk of loss due to nonpayment of a loan or other line of credit (either the principal or interest or both), by the borrower or a counter party.

Credit Ratings

An evaluation of a Corporate's ability to repay its obligations or the likelihood of not defaulting carried out by an independent rating agency.

D

Dealing Securities

Securities acquired and held with the intention of reselling them in the short term.

Debt Equity Ratio

Long term borrowings divided by shareholder's equity.

Deferred Taxation

Sum set aside for tax in the Financial Statements that will become payable/ receivable in a financial year other than the current financial year.

Defined Benefit Plans

Retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earning history tenure of service and age.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derivatives

A financial instrument, the price of which has a strong relationship with an underlying commodity, currency variable or financial instrument.

Dividend Per Share (DPS)

Dividend per share is calculated by dividing the total profit distributed (dividends paid) to shareholders by the weighted average number of ordinary shares in issue.

Documentary Letter of Credit (LC)

Written undertakings by a bank on behalf of its customers (typically an importer), authorizing 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

Earnings Per Share (EPS)

Net profits earned during a period attributable to ordinary shareholders of a company divided by weighted average number of shares in issue.

Equity Method

A method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the investor's share of net assets of the invested. The income statement reflects the investor's share of the results of operations of the invested.

Events After the Balance Sheet Date

Events after the balance sheet date are those events, both favorable and unfavorable, that occur between the balance sheet 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 measurment date.

Finance Lease

Leases which transfer substantially all risks and rewards incident to ownership. Title may or may not eventually be transferred.

Financing Activities

Activities that result in changes in the size or composition of the equity capital or borrowings of the 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 following three categories, loans and receivables, held to maturity or financial instruments 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 balance sheet date at prevailing rates which differ from those rates in force at inception or on the previous balance sheet date. Foreign exchange income also arises from trading in foreign currencies.

Forward Exchange Contracts

Agreements between two parties to exchange one currency for another at a future date at a rate agreed upon today.

G

Gross Domestic Product (GDP)

The value of all goods and services produced domestically in an economy during a specified period, usually a year. Nominal GDP, adjusted for inflation, gives GDP in real terms.

Group

A parent and all its subsidiaries.

Guarantees

Primarily represent irrevocable assurances that a bank will make payments in the event that its customer is unable to perform its financial obligations to third parties. Certain other guarantees represent non financial undertakings such as bid and performance bonds.

H

Historical Cost Convention

Recording transactions at the actual value received or paid.

I

Impairment

This occurs when recoverable amount of an assets 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 assets.

Interest Spread

Represents the difference between the average interest rate earned on interest earning assets and the average interest rate incurred on interest bearing liabilities.

Investment Properties

Property that is held to earn rentals or for capital appreciation or both and not for sale or use in the ordinary course of business.

Investment Securities

Securities acquired and held for yield or capital growth purposes and usually held to maturity.

K

Key Management Personnel

Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Key Performance Indicators (KPI)

KPIs are a set of quantifiable measures that a company users to gauge it's 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.

Market Risk

The risk that the value of an investment will change due to changes in market factors.

Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

Minority Interest

That portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

Mortality Rate

A measure of the number of deaths in particular population, scaled to the size of that population, per unit of 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.

Glossary of Financial/Banking Terms

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.

Operational Risk

The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

P

Parent Company

A parent company is an entity that has one or more subsidiaries.

Plan Assets of an Employee Benefit Plan

Assets held by a long term employee benefit fund.

Price Value Per Basis Point (PVBP)

Estimated change in the value of portfolio due to one basis 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.

Repos

Repurchase agreements relating to securities sold to creditors (who lend money for funding purposes), with the intention of buying them back at a set price.

Return On Average Assets (ROAA)

Profit before tax expressed as a percentage of average total assets. Used along with ROAE, as a measure of profitability and as a basis of intra industry performance comparison.

Return On Average Equity (ROAE)

Profit after tax less 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 financial commitments as they fall due.

Subordinated Debenture

The claims of the debenture holders shall in the event of winding up, rank after all the claims of the secured and unsecured creditors and any preferential claims under any statutes, but in priority to and over claims and rights of the shareholders.

Subsidiary Company

A company is a subsidiary of another company if the parent company has the all of the followings,

a) Power over the investee.
b) Exposure or rights to variable returns from its involvement with the investee.
c) The ability to use its power over the investee to effect the amount of the investor's returns.

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

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

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

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

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

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

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

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

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, smebu@boc.lk, debitcard@boc.lk, ebank@boc.lk, mobilebanking@boc.lk, imbpe@boc.lk
Branch code : 777

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, 2203616-19
Fax : +94 11 2448207
Email : pdu@boc.lk
Branch code : 099

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

Male Branch

"Aage"12, Boduthakurufaanu Magu,
Henveiru, Male. 20094,
Republic of Maldives.

Tel : +960 3323045, 3314764
Email : bcmale@dhivehinet.net.mv
SWIFT code : BCEYMVMV
Branch code : 632

Chennai Branch

No. 20/21, Casa Major Road,
No.2 (Old No. 11),
Zerat Garden,
2nd Lane, Egmore, Chennai - 600 008.

Tel : +91 44 2819 0972, 3951 9913
Email : ceybank@vsnl.com
SWIFT code : BCEYIN5M
Branch code : 758

Seychelles Branch

No. 2-05, Capital City Building,
Independence Avenue,
Victoria, Mahe,
Republic of Seychelles.

Tel : +248 461 1880, 461 1889
Email : boc807@boc.lk
SWIFT code : BCEYSCSC
Branch code : 807

Notes

Corporate Information

NAME OF THE INSTITUTION
Bank of Ceylon

LEGAL FORM
* A banking corporation domiciled in Sri Lanka, duly incorporated on 01 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. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka
Tel : +94 11 2203333 (Hotline)
+94 11 2446790-811 (22 lines)
+94 11 2338741-47 (7 lines)
+94 11 2445815-20 (6 lines)
+94 11 2544340-44 (5 lines)
+94 11 2544333-37 (5 lines)
Facsimile : +94 11 2321160
Bank Code : 7010
SWIFT Code : BCEYLKLX
E-mail : boc@boc.lk,
customercare@boc.lk
Website : www.boc.lk

CALL CENTRE
Tel : +94 11 2204444
Facsimile : +94 11 2320864

24 HOUR SERVICE CENTRE
Travel Counter, Ground Floor
Bank of Ceylon Head Office
"BOC Square",
No.1, Bank of Ceylon Mawatha,
Colombo 1, 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 December 2011/December 2016 series, November 2012/November 2017 series, October 2013/October 2023 series, September 2014/September 2022 series and October 2015/October 2023 series with fixed & floating interest rates are listed on the Colombo Stock Exchange.

The USD senior notes of May 2012/May 2017 and April 2013/April 2018 with fixed rate 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+' by Fitch Ratings and 'B 1' by Moody's Investors Service

LAWYERS
Ms S H Ranawaka
Chief Legal Officer of Bank of Ceylon
and her assistants
Tel : +94 11 2445813
Facsimile : +94 11 2321167
E-mail : clo@boc.lk

COMPLIANCE OFFICER
Mr A de S Pinnaduwage
(Assistant General Manager - Compliance)
Tel : + 94 11 2448532
Facsimile : + 94 11 2544306
E-mail : agmcmpl@boc.lk

AUDITOR
The Auditor General
The Auditor General's Department
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
11th Floor, Bank of Ceylon Head Office
"BOC Square", No. 1 Bank of Ceylon Mawatha
Colombo 1, 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)
Ms Pushpa Wellappili (Ex officio Director)
Mr Ranel T Wijesinha
Mr Charitha N Wijewardane
Mr Sanjaya Padmaperuma
Mr H P Ajith Gunawardana
Mr A P Kurumbalapitiya
(Alternate director to Ms Pushpa Wellappili)

SECRETARY TO THE BOARD/SECRETARY BANK OF CEYLON
Ms Janaki Senanayake Siriwardane

CLARIFICATIONS ON THE REPORT, PLEASE CONTACT
Chief Financial Officer/Deputy General Manager (Finance & Planning)
10th Floor, Bank of Ceylon Head Office,
"BOC Square",
No. 1, Bank of Ceylon Mawatha,
Colombo 1, 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)
Ms Pushpa Wellappili
Mr Charitha N Wijewardane
Mr Sanjaya Padmaperuma

HUMAN RESOURCES AND REMUNERATION COMMITTEE
Mr H P Ajith Gunawardana (Chairman)
Mr Ronald C Perera PC
Ms Pushpa Wellappili
Mr Charitha N Wijewardane

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE
Mr Ronald C Perera PC (Chairman)
Mr Sanjaya Padmaperuma
Ms Pushpa Wellappili
Mr Ajith Gunawardana

INTEGRATED RISK MANAGEMENT COMMITTEE
Mr Charitha N Wijewardane (Chairman)
Mr Sanjaya Padmaperuma
Mr Ajith Gunawardana

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Digital Plates & Printing by
Aitken Spence Printing & Packaging (Pvt) Ltd
Photography by Dhanush de Costa



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