

**Bank of Ceylon**  
Annual Report 2017

# Bank of Ceylon

Bankers to the Nation

## Our Vision

To be the Nation's preferred bank with a strong global presence providing customer centric innovative financial solutions.

## Our Mission

To provide highly efficient, customer focused, technologically sophisticated, resilient and innovative financial services to the Nation with global access, empowering employees and enhancing value to the stakeholders.

## Corporate Values

In achieving our vision to be the Nation's preferred bank, with a strong global presence, providing customer centric innovative financial solutions, we are committed to upholding our core five values as follows:

- Being customer centric
- Respecting all forms of diversity
- Committing towards high level of ethics, governance and professionalism
- Focusing towards agility and innovation
- Being accountable for all our actions



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## **ABC of BoC**

Our ABCs...our fundamentals...the plans by which we live and operate...they are all beginning to reflect the changing banking environment, as we prepare to welcome and serve the “new generation” customer. New ways of doing business across an ever evolving digital platform are being factored in to our ABCs. Whilst not leaving our legacy customers behind, it will increasingly be the “millennials” and beyond who will be the Bank’s customers going forward.

BoC...leading the change

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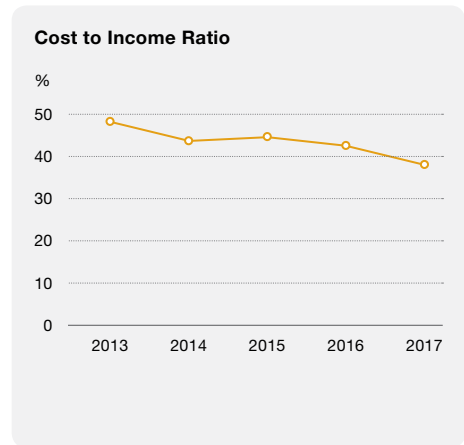
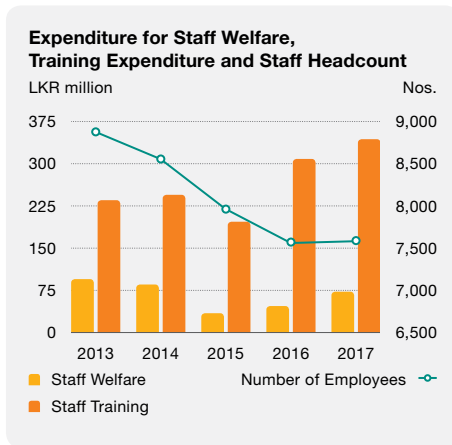
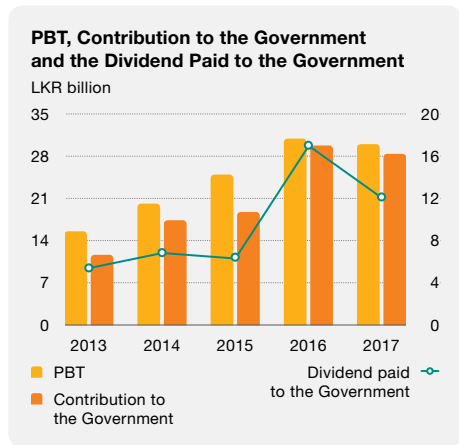
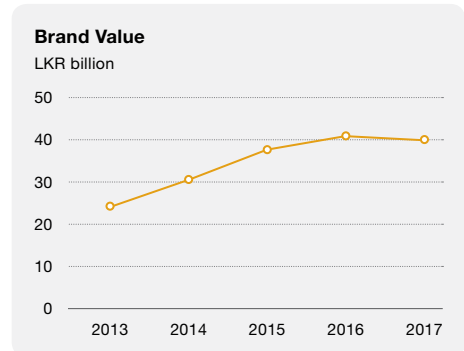
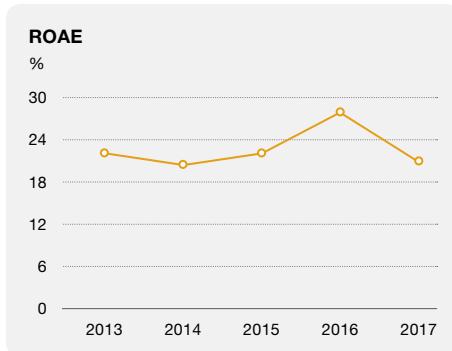
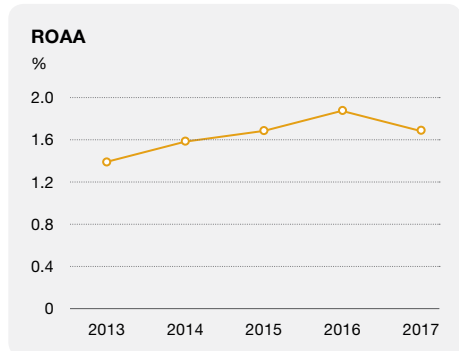
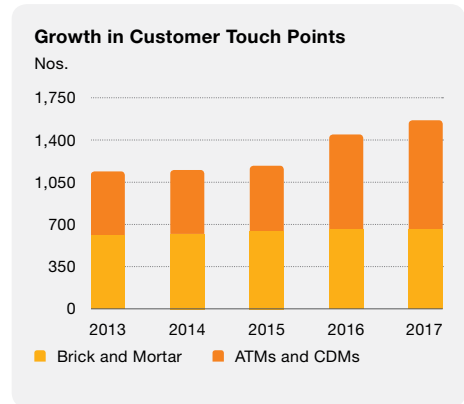
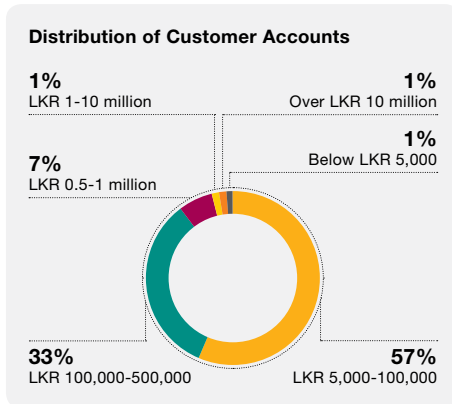
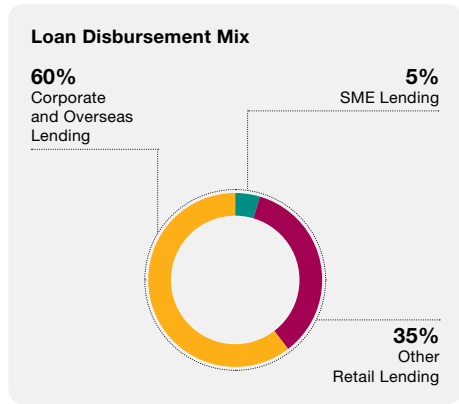
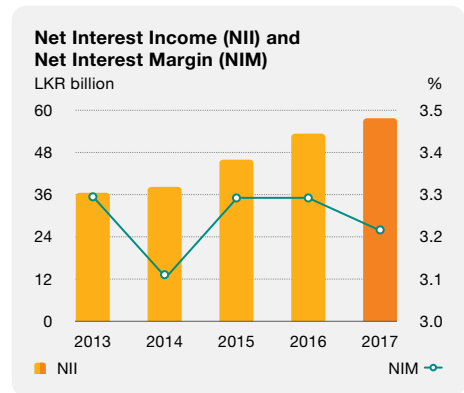
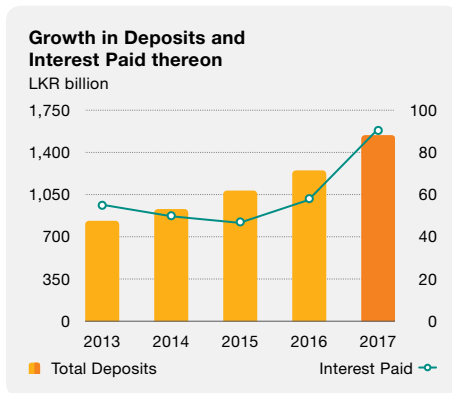
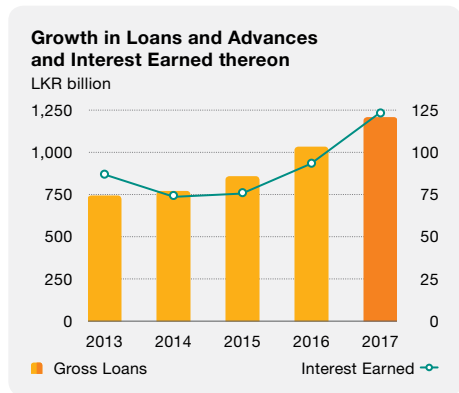
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# Highlights

## Performance Highlights



## Financial Highlights

As at 31 December	Bank			Group		
	2017	2016	Change %	2017	2016	Change %
<b>Results of Operations (LKR million)</b>						
Total income	189,211	154,121	22.8	197,013	159,701	23.4
Net interest income	58,356	53,957	8.2	61,490	56,606	8.6
Profit before financial VAT, NBT and tax	37,592	37,454	0.4	38,195	36,431	4.8
Profit before tax	30,343	31,189	(2.7)	30,816	30,117	2.3
Profit after tax	21,312	24,791	(14.0)	21,487	23,386	(8.1)
Value to the Government	28,524	30,064	(5.1)	28,923	30,554	(5.3)
<b>Financial Position (LKR million)</b>						
Total assets	1,951,804	1,669,291	16.9	1,999,410	1,716,557	16.5
Gross loans and advances	1,219,914	1,047,190	16.5	1,252,363	1,075,952	16.4
Loans and advances net of provisioning for impairment	1,163,161	1,000,083	16.3	1,194,294	1,027,768	16.2
Deposits due to customers	1,546,832	1,256,589	23.1	1,566,376	1,273,631	23.0
Total liabilities	1,840,649	1,576,442	16.8	1,877,084	1,613,202	16.4
Total equity	111,155	92,850	19.7	122,326	103,355	18.4
<b>Per Share Data (LKR)</b>						
Basic earnings per share	1,856	2,479	(25.1)	1,870	2,350	(20.4)
Net assets value per share	7,410	9,285	(20.2)	8,093	10,248	(21.0)
<b>Performance Ratios (%)</b>						
Return on average assets	1.7	1.9	(0.2)	1.7	1.8	(0.1)
Return on average equity	20.9	28.4	(7.5)	19.0	23.8	(4.8)
Interest margin	3.2	3.3	(0.1)	3.3	3.4	(0.1)
Cost to income	38.4	43.0	(4.6)	40.5	46.7	(6.2)
Loans to deposits	78.9	83.3	(4.4)	80.0	84.5	(4.5)
Debt to equity	41.5	124.5	(83.0)	-	-	-
Impairment provision as a percentage of gross loans and advances	4.7	4.5	0.2	4.6	4.5	0.1
<b>Statutory Ratios (%)</b>						
Liquid assets ratio (Domestic) (Minimum requirement 20%)	27.2	21.6	5.6	-	-	-
Liquidity coverage ratio (LKR) (Minimum requirement 80%)	141.5	174.1	(32.6)	-	-	-
Liquidity coverage ratio (All currency) (Minimum requirement 80%)	105.0	102.0	3.0	-	-	-
<b>Capital Adequacy Ratio (%)</b>						
Common Equity Tier 1 Capital (Minimum requirement – Basel III – 6.25%)	10.8*	N/A	-	10.9*	N/A	-
Tier 1 capital (Minimum requirement – Basel II – 5%, Basel III – 7.75%)	10.8*	8.7	2.1	10.9*	8.8	2.1
Total capital (Minimum requirement – Basel II – 10%, Basel III – 11.75%)	14.6*	12.3	2.3	14.5*	12.5	2.0

\*Capital adequacy ratios for 2017 have been calculated in accordance to the Basel III requirements.

## Non-Financial Highlights



### Manufactured Capital



LKR **3.6** billion  
Investment in development of physical and digital infrastructure



**578**  
Branches



**48**  
Limited service branches



**02**  
"Branch on Wheels"



**15**  
SME centres



**14**  
Regional loan centres



**764**  
ATMs



**168**  
CDMs



### Social and Relationship Capital



More than **13** million rewarding customers



**05** New products launched



LKR **287.3** million  
Disbursement to microfinance sector



**1,800**  
Indirect jobs created via Corporate project funding



LKR **60.0** billion  
Disbursement to development in SME sector



LKR **12.3** billion  
as dividends to the Government of Sri Lanka



**556**  
Procurements during the year



LKR **127.5** million  
CSR funds disbursed for sustainability initiatives



### Human Capital



**7,587**  
Total number of permanent employees



**43%** males  
**57%** females



LKR **322.0** million  
Investment in training



**11,884**  
Total hours of training



**534**  
New recruitments



**1,831**  
Promotions





## Intellectual Capital



Cumulative service experience  
**81,841** years



Most valuable brand in the country  
LKR **40.6** billion brand value



Strong governance



**7** consecutive years among Top 1000 banks



## Natural Capital



Green infrastructure development



**20** Solar powered branches



Introducing the Green building concept – Kekirawa branch awarded GBCSL “Gold Award”



**178,297** A4 sheets of paper savings from DMS loan orientation



**81,595** A4 sheets of paper saving from BoardPAC



Digitisation to go green



**135,540** (67% growth) Registrations for e-Statements



**41,567** Registrations for smart passbook



**196,343** (93% growth) SmartGen accounts



Green lending



LKR **640.6** million Retail sector funding for renewable energy

# The Integrated Reporting Framework

In the course of its operations a commercial organisation receives various inputs and converts them into value for itself and its stakeholders. This value creation can be over different time frames; short, medium and long. An integrated report describes this value creation process concisely including the business model, strategies, governance, processes, risks and opportunities.

Public sector organisations are recipients of state funds. They are also usually among the largest organisations in any country. In recent times, worldwide there has been increasing concern with the utilisation of funds by such organisations and increasing demands for good governance, transparency and

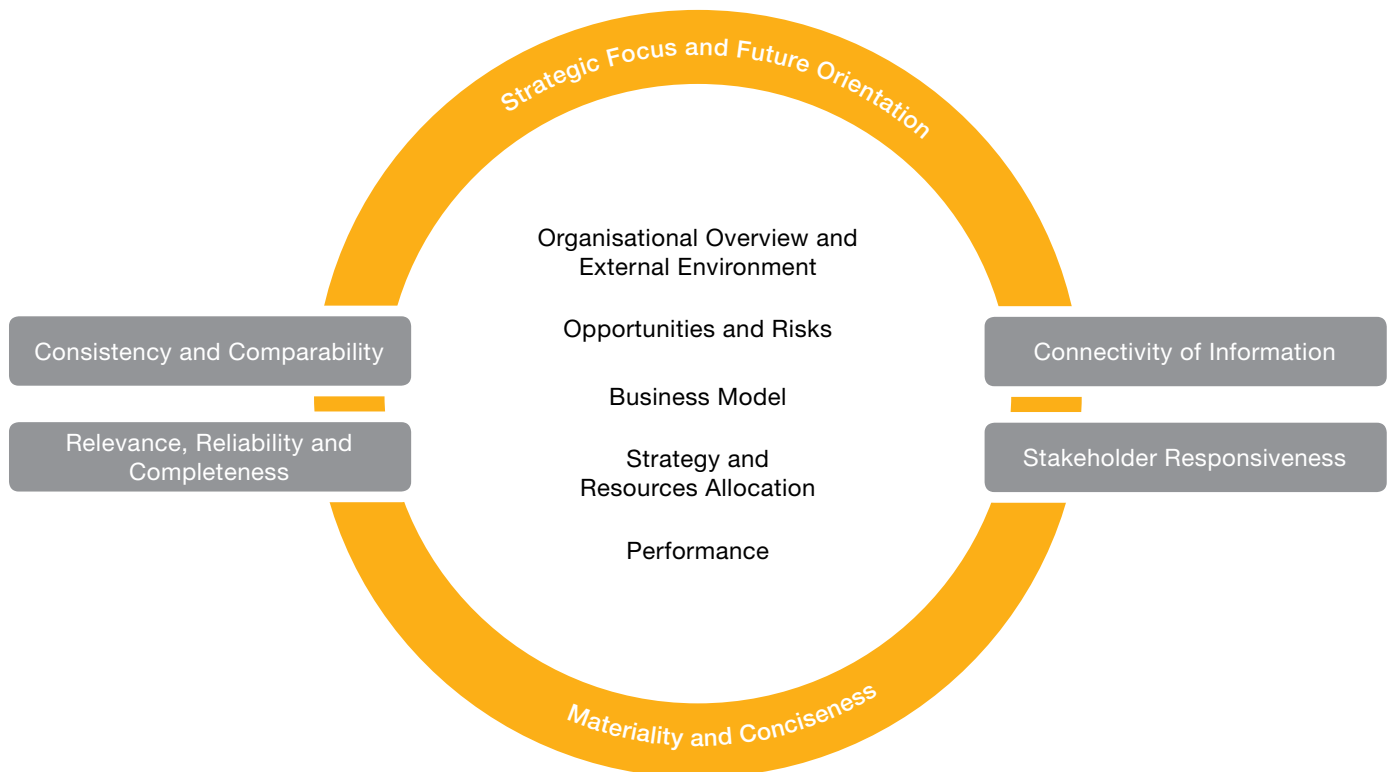
accountability. Furthermore today, even in commercial sector organisations, the focus is not wholly on financial performance; stakeholders are concerned about their broader impact on the economy, the society and the environment. This makes integrated reporting all the more important since it brings out the organisational role in promoting sustainable development.

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

especially the general public, all the more important. The private sector is also greatly concerned regarding performance as they are providers of financial services and utilities.

Since the Bank of Ceylon is the largest financial institution, as well as the single entity making the largest profit, in the country it plays a vital role in the economy of the country. It also makes its presence felt at the grassroots level with its sprawling network of branches and its wide customer base. Therefore, it has an impact far beyond the bottom line. Being the Bank with largest customer base it is imperative, therefore, that the Bank reassures its stakeholders that it is safeguarding the public interest.

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



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



In preparing this report, we have drawn on the following where applicable: Global Reporting Initiative Sustainability Reporting Guidelines, an early adoption of GRI Standards (July 2018) [[www.globalreporting.org](http://www.globalreporting.org)], the International Integrated Reporting Framework (2013) [[www.theiirc.org](http://www.theiirc.org)] and A Preparer's Guide to Integrated Corporate Reporting of The Institute of Chartered Accountants of Sri Lanka.

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

Our reporting focuses on aspects that are material or important, based on the extent to which they may substantively affect the ability of the Bank to create value over the short, medium or long term. The materiality determination process is discussed under pages 350 and 351.

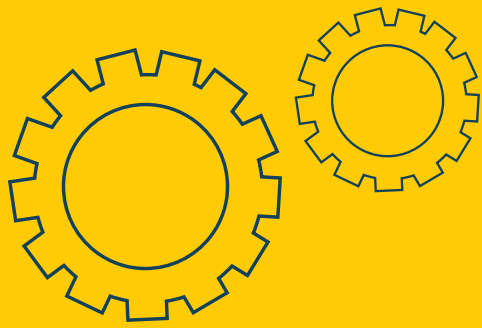
The Bank's Annual Report 2017 covers the 12-month period from 1 January 2017 to 31 December 2017 and is consistent with our usual annual reporting cycle for financial and integrated reporting. The most recent previous report was dated 31 December 2016.

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

The Bank applies a precautionary principle across the Group with regard to social and environmental sustainability. Before embarking on new ventures and initiatives an assessment of any potential impacts is carried out through adequate risk management processes, which are discussed on pages 80 to 92.

There have been no restatements of information provided in the previous reports. There have also been no significant changes from previous reporting periods in the scope and aspect boundaries.





# Sustainability

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## Reinventing Ourselves

### Chairman's Message



Today we are moving into a smart world, where the face of banking is transforming and our customer base is evolving. While we cater to the new millennial generation we do not forget our legacy customers. As we are stepping into a new era we are rebranding ourselves appropriately for the new landscape.

## Strategy and the Focus for 2018 and Beyond

With the dawn of the year 2018, the Bank has taken another step in its 78-year journey. We have rebranded ourselves with a new Vision, Mission, Value Statement and a Tagline. These changes have been done in the context of the evolving global, national and technological landscape. They reflect the need to be on the forefront of technological change; to be innovative in an extremely competitive industry; to be increasingly customer-focused and to have empowered employees. A new corporate plan has also been formulated and launched for the period 2018-2020, with the theme "Refine and define the Bank for future". Nine key focus areas have been identified around which the plan will be implemented.

## Serving Our Diverse Customer Base in a Changing Milieu

We are moving today into a Smartworld and the banking industry has been in the forefront of this change. The nature of our industry is such that the new technology is not confined to the back office; it directly touches and benefits the customer. This makes it incumbent for us to keep abreast of developments and for our employees to be comfortable with the new environment. In this highly competitive and fast moving business milieu, we have to leverage the technology to retain our position as the No. 1 Bank. This is all the more important in view of our customer base of 13 million, our sprawling branch network and the fact that the millennial generation is extremely tech savvy. In meeting this demand we have one edge, in that over half of our workforce is below the age of 35 and so are "digital natives" having grown up in the digital age. However, there is also the other side of the coin. We cannot lose sight of the fact that given our long history, we still have many customers who are wedded to the ways

of traditional banking. This clientele still desires the face-to-face contact at a bank and the security of possessing a physical passbook. We therefore have to tread a fine line to balance the interests of the two groups.

## Our Responsibility to Serve the Nation

The Bank of Ceylon is not only a commercial enterprise it is also a social enterprise. In developing our products and services too, we have to be conscious of the diversity of our clientele and tailor our offerings accordingly; agility and innovativeness is one of our core corporate values. Thus we have an extremely diverse loan portfolio in terms of amounts, loan types and targeted customers. We have a number of concessionary interest products such as "Athwela" aimed at small entrepreneurs and the SME sector. Through these lending products we support the objectives of the Government and contribute to the Key Sustainable Development Goal of ending poverty.

## Governance

As the custodian of the funds of over 13 million of our citizens we have a responsibility to be prudent, ethical and transparent in our operations. We have a rigorous structure of governance to ensure that we fulfil our responsibilities not only to our customers but to all our stakeholders. Our governance procedures are driven by best of class practices. They underpin all our operations including our interactions with all our stakeholders, and ensure that we comply with all laws and regulations. With the Basel III requirements coming into effect Bank of Ceylon is given the status of a Domestic Systemically Important Bank (D-SIB).

Our governance structure is underpinned by a system of committees including Board subcommittees which report to the Board and Management subcommittees

which report to the General Manager or one of the functional heads. The subjects of the committees include, operational risk management, credit, human resources policy, assets and liabilities management, Information Technology, and business continuity management. The committees have clearly laid down terms of reference. While decisions are taken collectively with the committees, authority and responsibility still rests with the individual. That we are managing our funds prudently is demonstrated by the fact that we settled a USD 500 million debentures on schedule in 2017 without any impact to our Balance Sheet strength; we are on track to settle a second USD 500 million in 2018.

## Training

We are always conscious of the fact that our people are our primary asset and of the need to impart in them the knowledge, skills and aptitudes they need to excel in their roles. We do not stint when it comes to providing our staff with the required training. Our human resource development programmes are closely aligned with our corporate strategy. We have a training plan, which is based on our corporate plan and a training prospectus which is revised annually. When additional needs are identified we ensure that a suitable programme is formulated and conducted. While we have our own in-house training centre, training is also provided at outside institutions in Sri Lanka and overseas.

## Sustainable Footprints in Our Business

The Bank is committed to sustainability and we seek to achieve sustainable growth not only for ourselves but also for the Nation. We promote the well-being of the community not only economically, but in a holistic manner. The Bank has adopted the 17 Sustainable Development Goals (SDGs) which were promulgated by the United Nations General Assembly in 2015, these SDGs are embedded in the Bank's corporate strategies.

The Bank practices Green Banking as one of its strategies. Through our role as a financial intermediary we can promote environmentally sustainable investments. With the transformation from paper-based processes to digitisation we were able to minimise waste including carbon emission. Sustainability is embedded into the Bank's strategies in a proactive manner as we develop and adapt our products with an eye on future social, economic and environmental trends.

### New Regulatory Changes and the Challenging Capital Requirements

The impact of the financial crisis of a decade ago has had its repercussions which have reverberated throughout the banking industry, particularly in the form of regulatory changes. The new Basel III and SLFRS 9 requirements take effect from 2018. Over the past several years, we had to lay the groundwork to prepare for these changes. The increased capital requirements create an extremely challenging situation for us, to address the situation the Bank is looking into all possible options and has developed its flexibilities to face these challenges.

### Appreciations

I must place on record my appreciation of the cooperation extended to me by my fellow Board members and the professionalism they displayed in giving strategic direction to the Bank. I must thank the General Manager, Mr D M Gunasekara, who retired on February 2018 for his commitment and support. He has served with dedication throughout his long period of service to the Bank and I wish him the best in his future endeavours. I welcome the new General Manager Mr Senarath Bandara who has attained this position after an illustrious career of 28 years in the Bank. I wish him well in the performance of his duties. The members of the management team have also shown unstinted

commitment in performing their duties, for which I wish to express my gratitude. The Bank has also had the benefit of the support of our main shareholder, the Government of Sri Lanka. My thanks also goes out to the Hon. Minister of Finance and the Hon. Minister of Public Enterprise Development and the staff of the respective Ministries for their direction and guidance.

I have also to acknowledge the role played by the Governor and Staff of the Central Bank of Sri Lanka for their direction on the stewardship of the Bank and by the Auditor General and his staff for the opinions expressed on the financial statements included in this report.

Our customers are the lifeblood of our Organisation and we would not have gone this far in our journey if not for their unstinted loyalty. I also greatly appreciate the cooperation extended to us by the trade unions with whose support we have been able to operate the Bank seamlessly. I do not forget that it is the dedication and commitment of our staff and the service they provide that has enabled the Bank to prosper and grow.

The Bank has gone far in its journey over 78 years. It has faced many adverse circumstances and proved its resilience. I am confident that with the strengths and resources we possess, we can overcome any challenges we face and go forward to play an even greater role in the economy of the country and the lives of our people in the future.

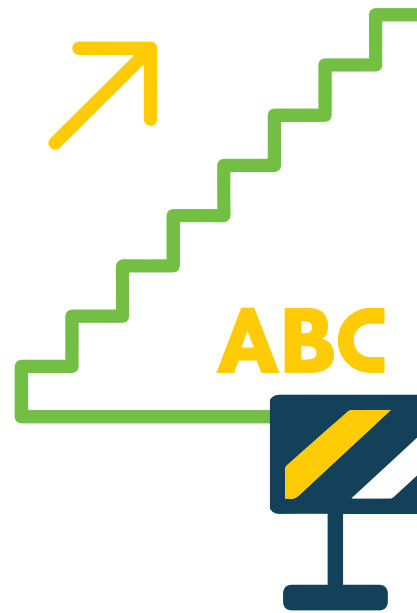
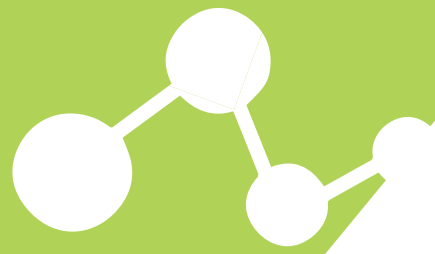


**Ronald C Perera PC**  
Chairman

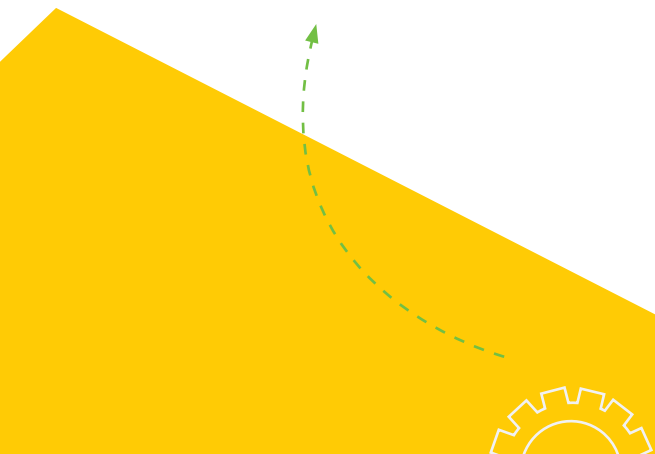
27 March 2018  
Colombo







ABC



## Outgoing General Manager's Review



**It is with great pride that I note we were once again recognised as the No. 1 Brand by Brand Finance Sri Lanka. We received this accolade for the 9th consecutive year which is an achievement that is hard to match. Our Brand was valued at over LKR 40 billion.**

## Our Business Profile

The Bank of Ceylon is the highest profit earning single entity in Sri Lanka, whether state or private with our pre-tax profit surpassing LKR 30.3 billion in 2017. During the year, the Bank has recorded an impressive 8% growth in Profit Before Tax, when adjusted for the one off gain recorded in 2016. The deposit base of the Bank recorded a 23% "YoY" growth reaching up to LKR 1.5 trillion. Bank of Ceylon has been, for several years, the holder of the largest asset base held by any single entity in the country. This position has been further strengthened as the loans and advances have grown by 16% during the year and has reached LKR 1.2 trillion. During the year assets have grown by 17%. In 2016, we achieved a milestone – we notched the triple trillion in assets, deposits and loans. We have another milestone that is within reach, which is to grow our asset base to LKR 2 trillion. This we hope to achieve by 2018.

The Bank's overseas network constitutes three foreign branches and our subsidiary in the United Kingdom. In addition, we are linked to over 700 correspondent banks worldwide. A 46% share of all inward remittances coming to Sri Lanka, is channelled through the Bank of Ceylon. We take great pride in the service we provide to our expatriate workers who sustain the balance of payments of the country. We have representatives stationed in several overseas locations to canvass remittances. Plans are in the pipeline to increase the number of representatives to 100 in 2018.

## Brand and Achievements

As the brand ambassador for the Bank, the brand image and brand value is something I have been concerned with throughout my tenure. It is with great pride that I note that we were once again recognised as the No. 1 Brand by Brand Finance Sri Lanka. We received this accolade for the 9th consecutive

year which is an achievement that is hard to match. Our Brand was valued at over LKR 40 billion. It is a tribute to our resilience that we were able to retain this position despite numerous upheavals and changes in the environment. In addition, Bank of Ceylon also received the No. 1 Sri Lankan Brand award at the first "Interbrand Best Sri Lanka Brands" convention. The award reflects not only the financial performance of the brand, but also the recognition given to the brand by the customer and the brand's contribution to the Bank's financial position. These accolades only confirm what is common knowledge; that Bank of Ceylon is a household name and that we have given a helping hand to Sri Lankans from all walks of life to realise their aspirations.

What stands out is that we have notched all these achievements without single-mindedly focusing on the bottom line and without compromising on our social responsibilities. We serve many customer segments such as micro-entrepreneurs, women entrepreneurs, farmers, fishermen, youth and house builders regardless of the inadequacy of a commercial return. However, we fund such clientele due to our commitment to the country's development and the triple bottom line. Our net interest margin is lower than that of any other bank, which reflects our practice of paying high interest to the depositors and charging low interest for loans and advances. In our strategies we have incorporated green banking, sustainability concepts, 5S and climate change concerns. The numerous awards we have won are a tribute to our social conscience.

## Operating Environment and Regulation

With the additional demands of Basel III and SLFRS 9 we will face new challenges in carrying out both our commercial and social roles and remaining competitive. However, with the strengths we possess

we are confident we can overcome the challenges if we look at the environment around us and leverage the opportunities we have.

In its operating environment, both local and international, the Bank is faced with rapidly evolving developments on many fronts. These include economic, social, technological, regulatory, and environmental changes. While steering the Bank in the midst of these headwinds, we have to also fulfil our social responsibilities as a state bank and the leading Bank of the country.

The Bank scrupulously complies with all laws and regulations of the Central Bank and other regulatory authorities. New demands are constantly being placed on us, mainly due to international developments, on areas such as anti-money laundering, assets and liability management and foreign exchange transactions. Since we are also an internationally linked bank there is additional pressure on us to conform to the requirements of the domiciles of our international partners.

This year saw major regulatory changes being introduced or in the offing. Basel III came into effect from 1 July 2017, which will be phased in with full implementation scheduled for January 2019. IFRS 9 is coming on stream in 2018. These new developments are aimed at enhancing stability of the banking systems worldwide by enlarging the capital and liquidity requirements and improving the asset quality through stringent provisioning. During the past year, we had to tune our operations and procedures with their implications in mind. There were major implications especially regarding management of assets.

## Management of Assets

To address the new requirements mentioned above, building our capital and utilising it at an optimum level is a

prime concern. To achieve this, we need proper management of our assets and there are three major aspects of this. The first is our physical infrastructure. While we have given a physical facelift to many of our branches what is becoming more vital today is upgrading our technological hardware to keep us on the cutting edge of the digital mode. In doing this, we have to think not just of the needs of the next year, or the year after, but 10-15 years ahead. The model of banking is changing from brick and mortar to digital banking.

Digitisation is progressing with dizzying rapidity globally, even in relatively backward regions such as sub-Saharan Africa. In Sri Lanka, even some of the older generation are moving to the digital platform and carrying out transactions through internet and mobile banking. Our 2018-2020 Corporate Plan has been drawn up with the changes in mind. In 2017, the Bank made major investments in the new technology. We have widened our customer services through more ATMs, CDMs and increased facilities for internet and mobile banking. This necessitated upgrading of our hardware, software and networks.

Our business process re-engineering has automated many processes during 2017. This has eliminated the need for customers to physically be present at the Bank to request for services such as new cheque books, loan applications and standing orders. This has also improved the effectiveness and the efficiency of our operations. In 2017 we launched our new mobile application the "B app". Another landmark event during the year was the launching of the "Smart Passbook". This is another app, freely downloadable, which provides access to transactions, balance history and monthly statements in real time. It permits registration of up to three mobile

devices. During the year, the Bank also re-launched its Disaster Recovery Centre (DRC) with upgraded facilities at a new premises. The DRC is now better placed to handle disruptive events that may cause serious interruptions to customer service. It provides for re-establishing IT services at an alternative site following a disaster situation.

The second is the interest earning assets such as loans, advances and investments. Asset quality is assuming more importance in the context of regulatory developments and new accounting treatments. These have had a major impact on our business model. This has changed how we look at our credit evaluation and our investment portfolio. What was formerly based merely on the realisability of assets, has to now be a cash flow-based evaluation and we have to align impairment provisions with the underlying riskiness of the assets we underwrite. Mark-to-market accounting has to be practiced for investments. For the asset quality to be maintained we have to have proper guidance and proper mechanisms for asset acquisition and asset rearrangement. Our various functional units such as credit management, credit evaluation and risk management had to be prepared for the new demands placed on them. From 2018 onwards, the Profit and Loss account and the balance sheet will reflect the impact of these new requirements.

Finally, our human resources remain our most prized asset and we have made major changes to our Human Resources Plan considering our strategic needs. As a consequence of the pattern of recruitment in past periods we have a high proportion of senior staff who retired recently or are now nearing retiring age. New recruitment is taking place in large numbers and the average age of the staff

is around 35 years. Around 300 energetic and young professionals were recruited in 2017 as Management Trainees. Further recruitment in large numbers is on the cards for 2018. While we are losing many experienced staff, the upside is that the younger generation whom we are recruiting are technically competent to handle the new modes of transactions and processing. We are thus equipped with the human capital base suited for the current requirements.

### Catering to the Evolving Changes in the Economy

In midst of the challenges posted by the regulatory and operating changes in the global space, the economic and social face of Sri Lanka is dynamic and this both opens up opportunities and poses challenges for us. Agriculture is playing an increasingly important role globally due to climatic changes and consequent food scarcities. All indications are that in a decade or so agriculture will be a lucrative area in Sri Lanka. Major opportunities are opening up in areas such as food processing, cut flowers and ornamental fish. Since such areas can be driven by the SME sector, this will increase the significance of the SME sector towards the economic growth of the country. In today's globalised business environment one does not have to be a giant to go global; we can also facilitate the linking of the SME sector to global value chains.

Also with the development of infrastructure in the country the economic landscape is moving away from the former Western Province centric model. Rapid development is taking place in the North and the East as well as other provinces. We have changed our organisational structure in line with these new developments. Further, more focus has been given to cater the SME sector.

We are Investing more resources in the Retail segment to cater the emerging market opportunities in this segment. In view of this, the retail banking has been divided into two ranges injecting more resources to this segment allowing it to expand its business activities. To expedite the credit granting process we have established 14 Regional Loan Centres (RLC) and 15 SME centres; we intend to increase this to having one RLC in each district.

We have well shaped all our internal processes, systems and the capitals to face the future challenges and BoC is well positioned to grab the opportunities offered by the changes happening in the local as well as the global arena. Bank of Ceylon will always be the "Bankers to the Nation".

## Appreciations

I wish to express my appreciation for the direction and guidance provided by the Chairman and the Board of Directors; Corporate and the Executive Management and our staff for their dedication and untiring efforts; trade unions for their cooperation; former employees and our customers for their continued loyalty. I also wish to thank the Minister of Public Enterprise and the Minister of Finance as well as the staff of the two ministries for their guidance and cooperation. I also greatly appreciate the regulatory oversight provided by the Central Bank and the officials concerned. My gratitude also goes out to the Auditor General and his staff for the execution of the audit of the Financial Statements enabling the timely publication of this report.

I have full confidence that with our strengths and resources the Bank will go forward in 2018 and beyond to face whatever challenges that arise and take advantage of all opportunities to grow and prosper not only for itself but for all Sri Lankans.



**D M Gunasekara**  
General Manager

21 February 2018  
Colombo



## General Manager's Review



**In 2018, the Bank is stepping into a new phase in its journey with the Corporate Plan for the period 2018-2020. Concurrent with the launching of this plan, we have reviewed and revised our Vision, Mission and Value Statement. Symbiotic with the Corporate Plan is our new theme; “Refine and Define the Bank for Future”.**

## “Bankers to the Nation”

It is with pride and humility that I take over the role of the General Manager of the Bank of Ceylon. The Bank has indeed travelled far in its journey from its relatively modest beginnings in 1939, as a bank to serve the then fledgling local business community. Today, BoC is the largest and most profitable single entity in the country and we are the “Bankers to the Nation”. The Bank of Ceylon is also the largest Bank in assets, loans and deposits all of which exceeded LKR 1 trillion in 2016. We also have the most extensive network of branches, ATMs and CDMs. I must pay a tribute to my predecessor, Mr D M Gunasekara for nurturing and handing over to me an Organisation with such a strong brand image. During my tenure, I intend to ensure that the Bank retains its No. 1 position, and steer it towards even greater heights.

From 2018 we have rebranded ourselves with a new Vision of building on our national reputation to strengthen our global presence, while being innovative and customer centric in our financial solutions. Our strategy to achieve the Vision will be to increase our efficiency, analyse financial markets and customer needs in-depth, develop appropriate solutions, leverage cutting-edge technology and empower our employees.

## Our Corporate Plan

In 2018, the Bank is stepping into a new phase in its journey with the Corporate Plan for the period 2018-2020. Concurrent with the launching of this plan, we have reviewed and revised our Vision, Mission and Value Statement. Symbiotic with the Corporate Plan is our new theme: “Refine and Define the Bank for Future”. The plan was formulated through a professional and rigorous process. We re-examined the business model and operations, and considered how they should be refined in the context of the challenges and new opportunities we face in the current economic, social and business environment.

The preparation of the plan was robust, not a simple top-down exercise. Inputs were solicited from the department, branch and provincial levels. A workshop was convened with the entire corporate and executive

management represented where the draft plan was discussed and amended. After much filtering and refining the new plan was adapted. When the plan was launched all our operational staff were made aware of the plan with one voice. It was our firm conviction that successful implementation needed the awareness, commitment, and support from employees across the Bank. Our actual performance against the corporate plan is reviewed regularly and rigorously. The reviews are performed weekly, monthly and quarterly at different management levels.

## Closeness to the Customer

A cornerstone of our thinking was the need to improve our customer service and the need to become more customer centric. The banking environment today is extremely competitive with over thirty banks in the industry. Customer relations become extremely important not only to secure new business but also to retain our existing customers.

It is therefore vital for the Bank employees to provide prompt and courteous service to customers. Customer centricity is therefore vital among all our staff members, processes and systems. We have recognised this by making “being customer centric” one of our core values. Our customer base encompasses a very wide range; it spans diverse groups including the largest corporates, SMEs, micro-entrepreneurs, the white-collar middle class, expatriate workers, farmers and fishermen. Each customer group has its own needs, its own tastes and preferences. They will also vary greatly in their degree of financial literacy. The Bank needs to be sensitive in this regard and treat each customer appropriately and cater to his or her needs. We will do more to instil the ethos of customer centricity in our staff by way of training, promoting awareness and staff development. We are currently in the process of recruiting a batch of staff assistants who will receive training both on the technical aspects of banking as well as customer service.

Our customer base is around 13 million and we serve a highly diverse customer base. The challenge is how to achieve customer centricity appealing to each

and every segment of customers that we cater to. We see the way forward as being encouraging our customers to make more use of the digital channels, whether ATM, CDM, Internet or mobile banking. The Bank has a solid and a first rated IT infrastructure and we should leverage this to promote awareness among the customers. In this connection it is heartening, to note that our mobile app, the “B app” which was introduced in 2017 is becoming increasingly popular. Through this app we have further expanded our virtual access to 24X365 banking services to our clientele.

We should also strive to make our digital services as user friendly as possible. We should also assure our clientele on the safety and security of our digital services to give them the confidence to wean them from going to the counters. The more the customers are using digital channels, the better the service we can give them at the branches.

## Our Lending and Financial Inclusion

Our approach to lending involves two perspectives; one is the commercial approach, and the other is the development approach; Being a State-Owned bank and the largest Bank in the country we give preference to the development approach. It is our responsibility to support the needy people, living in the bottom of the pyramid to enhance their income level, social status and their living standards. The fact that we have more than 50 credit schemes catering to this segment of the market, demonstrates our commitment. If no defined schemes with dedicated external funding are available for a particular need we then create schemes utilising our own funds, still at concessionary terms. The Bank seeks to support those at low income levels, who nevertheless have the entrepreneurial drive, to uplift their living standards; we promote financial inclusion as they will otherwise be trapped with the informal sector money lenders.

Another sector to which we give a great deal of importance is the SMEs. This sector is the real engine of growth in the economy. In our programmes for this sector, which are conducted across the country, we also coordinate with various chambers of commerce. An important innovation in this

regard is our “*Vyaparika Hamuwa*” sessions. These sessions, in which our senior officers take part, are conducted at regional level and by industry. Networking is also a vehicle through which we can build sustainable value. At these events the Bank officers and the entrepreneurs get an opportunity to interact, understand each others’ needs, perspectives, and problems.

Another innovative step we have taken in the year under review, which will particularly benefit the rural population, is the rolling out of the “Branch-on-wheels”. Through this we take the Bank to the customer’s doorstep rather than the customer having to visit a branch. This mobile branch affords a large number of services such as account opening, cash deposits and withdrawals, bill payments and loan applications. Since the “Branch-on-wheels” is equipped with online connectivity any transaction is updated in real-time. This will inculcate the banking habit among the section of the population that is presently un-banked. We will ensure that we maintain a presence at events where large number of people congregate and also in disaster situations.

## Commercial Lending

In our commercial lending we have always offered competitive rates leveraging on our advantage of being the industry giant with the largest deposit base. We strive to understand the projects and evaluate the projects based on the cash flows. Also we are of course prudent to obtain collateral to cover any risks. In our training programmes we emphasize on building the skills of our credit officers. We have streamlined our credit operations through our regional loan centres.

Reaching Out to the younger generation a landmark programme we commenced in 2017 was to take the message of financial responsibility to secondary school students. These students hold minors’ savings accounts in which their parents would have dutifully saved for their future. They would be entitled to withdraw the money on reaching the age of 18. One hour sessions were conducted by Bank Managers themselves, to guide students on financial discipline and soft skills important for their career development. Over 100 Managers were trained as effective trainers to deliver strong message to teenagers

on this regard. Over 200 such training sessions were conducted in 2017 and the programme will be continued in 2018. Our experience was that the students were much more receptive to the message when it came from an external expertise. The benefits of the programme were multifaceted. It had a CSR aspect in that we groom and direct youngsters for a prosperous future. It furthered the sustainability of the Bank by drawing a new group of potential lifetime savers. It also contributed to the personal development of our managers by giving them an exposure as effective communicators.

## Way Forward

Looking to the future we have to keep a broad focus and evolve our business model to cater to diverse and changing needs. We have to serve to the new millennial generation while not forgetting our legacy customers who have long been loyal to us. We have to be in the forefront of digital and virtual banking, while continuing to give importance to the brick and mortar network. There is tremendous potential in the SME sector; business opportunities as well as to make a social contribution. We should exploit these opportunities while continuing to serve the corporate sector with better efficiency.

The Bank needs to be customer focused, both in its product development and in its customer service. The end outcome of both that we should aim at is customer delight. To support this, as well as many other needs, we need to ensure all our internal processes are effective and efficient.

We have an excellent team who has been our greatest strength. However, we have to further hone their skills to help them serve changing needs and emerging challenges. They have to be further motivated and trained to be the most important component of our engine of growth. Our training programmes need to be appropriately crafted and be on a par with the best in the world. In our new way forward, we have geared the HR practices of the Bank to cater the Banks strategic needs.

As a State bank, we do not focus merely on the bottom line but on the triple bottom line. We firmly support the Government’s commitment to the Sustainable Development Goals. The Bank will make its contribution

through our green banking and CSR initiatives and also through our normal operations.

Along with the unchallenged brand strength I was gifted with by all my predecessors, the new rebranding, the 2018-2020 way forward and with my most experienced and valued team BoC, without any doubt I pledge all our stakeholders that your Bank, the “Bankers to the Nation”, will always remain the Number One and will be serving you better and with much more pride in the days and years to come.

## Appreciations

I must thank my predecessor, Mr D M Gunasekara for his support and guidance to me in my previous position and for a smooth handover. I am also grateful for the encouragement and guidance given to me by the Chairman and the Board of Directors. I do not forget the Hon. Minister of Finance and the Hon. Minister of Public Enterprise Development and the staff of the respective ministries who have also provided their guidance. The Central Bank of Sri Lanka, the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka have also made their contribution by providing the necessary regulatory oversight. I wish to also thank the Auditor General, who by his observations on the Financial Statements in this Report has made timely publication of the report possible.

It is our customers, many of whom have been loyal to us over a long period, who have enabled us to grow and prosper. The Bank has also been fortunate to have the support and cooperation of the trade unions through which we have been able to operate seamlessly. I also wish to express my gratitude to the management team and the staff who have shown the utmost dedication and have given me their unstinted cooperation over the years.



**Senarath Bandara**  
General Manager

27 March 2018  
Colombo



## Our Environment and Our Process

### Economic Outlook

#### Global Economy

In 2017, the global economy recovered somewhat from its subdued performance in 2016. Growth is now estimated to have reached 3.0%, which is slightly higher than previous projections. It is heartening that countries accounting for more than three quarters of global GDP have seen an increased growth in 2017 compared with the previous year. There are positive signs of productivity recovering from the post-2008 crisis. The growth was mainly driven by Germany, Japan, South Korea, and the United States. Brazil, China, and South Africa also performed better than previously expected. In the last few months of the year, there was also a resurgence in global trade. Contributing factors were increasing investment in advanced economies and pick-up in manufacturing output in some Asian countries. Spare capacity is diminishing and is already practically zero in the US and several advanced economies. The unemployment rate too has returned to near pre-crisis levels in most advanced economies. Nevertheless core inflation remains low, which is a hangover of previous low commodity prices.

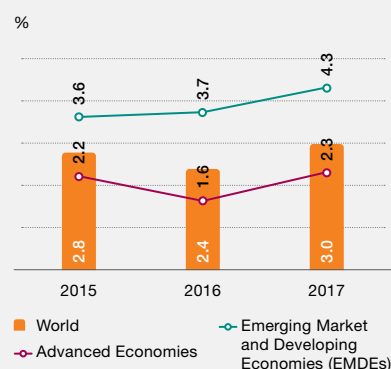
The US economy is expected to have recorded a moderate growth of around 2.3% in 2017. Though there are some uncertainties, reduction in corporate and personal taxes are expected to give a boost to the economy. Growth for the Euro region is estimated to be 2.4%. Germany, Italy and the Netherlands are expected to perform well, buoyed by stronger domestic as well as external demand. The UK economy, hampered by the uncertainty surrounding Brexit, is expected to grow only by 1.7% in 2017 and this is expected to reduce further to 1.5% in 2018. The Chinese economy however is expected to do reasonably well, growing at around 6.8%. Growth has been boosted by increase domestic demand and pick-up in global trade. India is also expected to achieve a growth of

around 6.7% despite slackening due to the currency change initiative and the introduction of Goods and Services Tax (GST). The introduction of GST however augurs well for the long term.

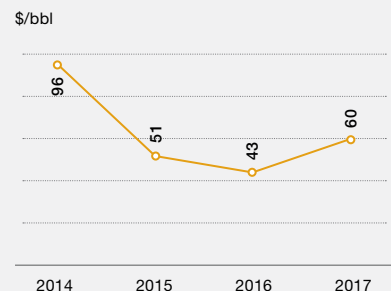
Oil producing nations, which were severely affected by low oil prices in the last two years, received some relief by way of a recovery in prices towards the end of 2017; nevertheless they continued to suffer significant revenue shortfalls. While oil prices exceeded USD 60 a barrel in December 2017, the peak for the last two years, they remained significantly below the highest price within the last 10 years which was USD 141 per barrel in 2008. Going forward, economic diversification remains a priority for countries severely dependent on oil exports. Growth in the Middle East and North Africa is expected to reach 1.8%. On the other hand, relatively low oil prices continued to be a boon for the current accounts of oil importing nations. Performance of other commodities was uneven, with food and precious metal prices remaining more or less static while metals and minerals prices increased in the range 10%-50%. Low income countries face many challenges including diversifying their economies, progressing towards the sustainable development goals and the subdued outlook for some commodity prices. Many countries in the Middle East and Africa were also affected by political instability, civil war and terrorism. South Asian countries suffered from natural disasters, fiscal slippages and weak tax revenues. Some countries such as Afghanistan are faced with uncertain security situations.

Overall there has been an increased global growth momentum and growth of 3.1% is expected for 2018 and 2019. Risks to growth appear to be moderate in the short term but are tilted to the downside in the medium term.

Real GDP Growth Rates



Crude Oil Price (\$/bbl) – Nominal Price



#### Sri Lankan Economy

The Sri Lankan economy was faced with serious headwinds this year particularly by way of adverse weather conditions, including droughts and floods, which have resulted in downward revisions of original forecasts for the year. Growth in GDP is estimated at 3.1% for the year. While the agricultural sector was affected by weather conditions; industry and services however did relatively well. In particular, the performance of financial services, telecommunications and trade stood out.

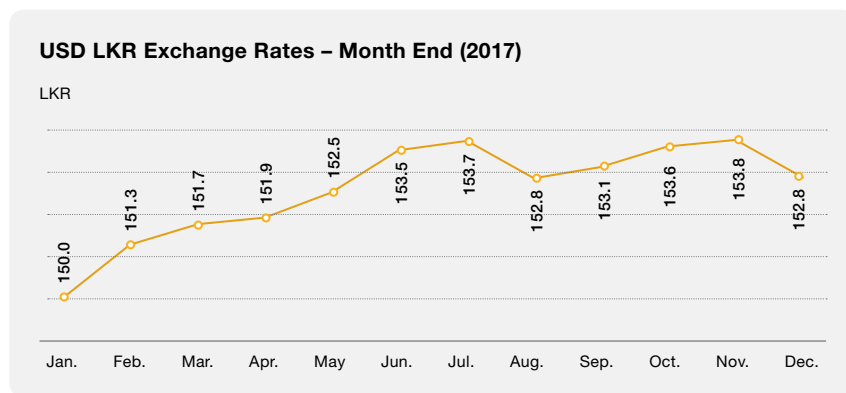
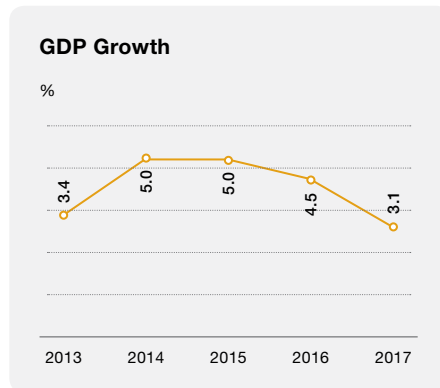
During the year, new strategies were implemented to attract investments by leveraging the country's competitive advantages and also using existing investors to bring in additional investment both directly and by taking advantage of their external networks. Foreign exchange regulations too have been liberalised through the new Exchange Act to improve the investment climate.

The Sri Lankan Rupee depreciated by 2% in 2017 YoY against the US Dollar. Outflows increased initially due to rising imports, debt service payments and foreigners divesting their investments in Government Securities. However, later the pressure on the currency was reduced due to net inflows to the Colombo Stock Exchange and revived investments in the Government Securities market. The currency depreciation was further eased by the receipt of the fourth tranche of the International Monetary Fund (IMF) Extended Fund Facility in December 2017, and the issuance of the International Sovereign Bond. The country's credit ratings were favourably revised during the year. Fitch Ratings revised its rating from B+ negative to stable in February 2017 while the S&P rating was also upgraded from B+ negative to stable in November 2017.

Our export revenue notched USD 11.4 billion in 2017, an increase of 10% over the figure for 2016. Restoration of GSP+ by the European Union and the depreciation of the Rupee were contributing factors. Increases in exports were however offset by additional imports (which increased by 9%) caused by unfavourable weather as well as by a drop in remittances from expatriate workers; the impact of both resulted in a more adverse balance of payments situation. Worker remittances were unfavourably affected by economic conditions and geo-political tensions in the Middle East.

Despite tight monetary policy and slowing credit, inflation reached 7.3% YoY in 2017. Contributory factors were adverse weather conditions which drove-up food prices, rising international commodity prices, depreciation of the Rupee and upward revisions of indirect taxes. However, the transition to a Flexible Inflation Targeting (FIT) framework will facilitate better control of inflation in the future. Under the FIT framework, the Central Bank will be targeting an inflation rate of 4-6%. The gross official reserves of the country increased from USD 6.0 billion at end 2016 to USD 7.9 billion at end 2017.

Although economic growth in general was lacklustre in 2017, the financial sector showed a robust performance accounting for 9% of the estimated GDP in 2017. The profits before tax of the banking sector reached LKR 194.7 billion in 2017 recording an impressive increase of 18% YoY over 2016.



## The Banking Sector

Although economic growth in general was lacklustre in 2017, the financial sector showed a robust performance accounting for 9% of the estimated GDP in 2017. The profits before tax of the banking sector reached LKR 194.7 billion in 2017 recording an impressive increase of 18% YoY over 2016. Net interest income increased by 12% over 2016, and notched LKR 341.6 billion. Total net assets, which were LKR 10.3 trillion as at end 2017 increased by 14% over a year before. In other respects too, the sector showed resilience with improvements in asset quality, capital and liquidity levels which were maintained well above statutory minimum levels. The prime source of funding was deposits which grew by 18% to LKR 7.4 trillion in 2017. Loans and advances grew by 16% during the year and reached LKR 6.4 trillion. The increase was across all economic sectors despite higher interest rates.

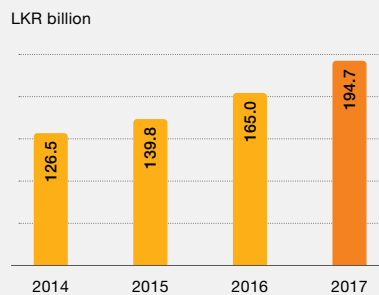
Several measures taken by the Central Bank of Sri Lanka (CBSL) during the year helped to drive the growth of the financial sector. They include the new Foreign Exchange Act which liberalised foreign exchange transactions and the strengthening of the framework to regulate non-Banking financial institutions. During the year, the industry had to take proactive measures for the enforcement of the new Basel III regulations which will tighten capital and liquidity requirements. The industry preparing for the implementation of Accounting Standard SLFRS 9 will bring major implications for impairment provisions.

The CBSL kept a tight rein on monetary policy by keeping interest rates high. The Standard Deposit Facility Rate (SDFR) and the Standard Lending Facility Rate (SLFR) were increased by 25 bps to 7.25% and 8.75% respectively from March 2017.

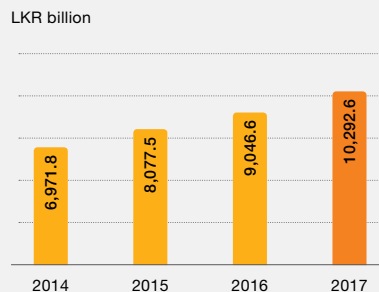
Under a Financial Sector Modernisation project, financed by the International

Development Organisation further reforms will be implemented in the financial sector. Under this project, which will be spread over a period of 5 years, regulatory frameworks and financial infrastructure will be modernised. This will lead to increased accessibility to affordable finance for the SME sector and small entrepreneurs.

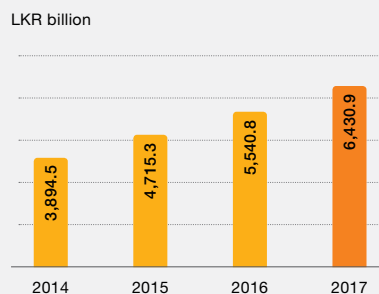
### Banking Sector Profitability



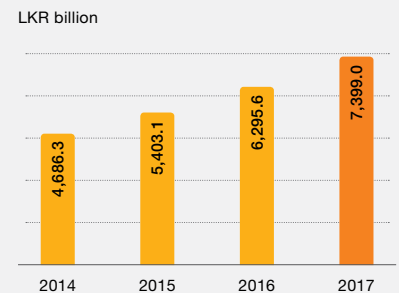
### Banking Sector Assets



### Banking Sector Loans and Advances



### Banking Sector Deposits

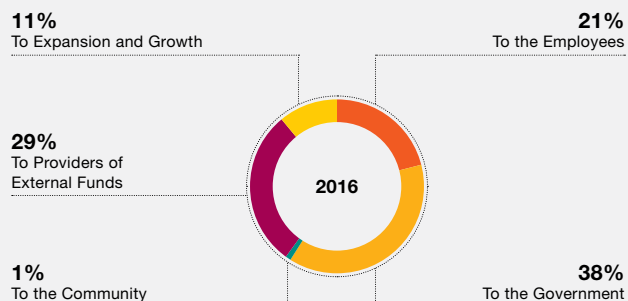
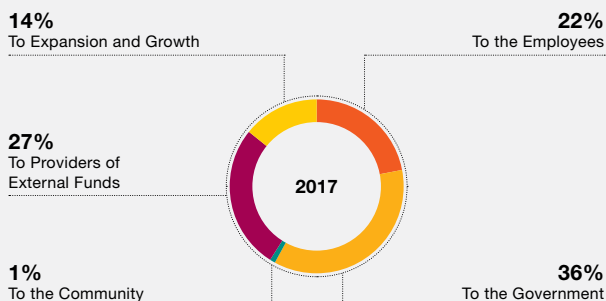


## Value Added Statement

An analysis of the Bank's value creation and allocation of value among key stakeholder groups is depicted below:

	2017 LKR million	2016 LKR million	Change %
<b>Value Added</b>			
Income earned by providing banking services	185,427	147,554	26
Cost of services	(102,502)	(71,030)	44
<b>Value added by banking services</b>	<b>82,925</b>	<b>76,524</b>	<b>8</b>
Non-banking income	3,784	6,568	(42)
Impairment charges for loans and other losses	(9,341)	(4,397)	112
<b>Value addition</b>	<b>77,368</b>	<b>78,695</b>	<b>(2)</b>
<b>Value Allocation</b>			
<b>To Employees</b>			
Salaries, wages and other benefits	16,996	16,844	1
<b>To Government</b>			
Dividends paid to Government of Sri Lanka	12,346	17,346	(29)
Income tax	8,929	6,452	38
VAT and NBT on financial services	7,249	6,265	16
	28,524	30,063	(5)
<b>To Community</b>			
Social responsibility projects	128	135	(5)
<b>To Providers of External Funds</b>			
Interest on other borrowings	15,714	18,239	(14)
Interest on debt issued	5,014	4,571	10
	20,728	22,810	(9)
<b>To Expansion and Growth</b>			
Retained profit	8,966	7,445	20
Depreciation and amortisation	1,925	1,453	32
Deferred taxation	101	(55)	(286)
	10,992	8,843	24
	<b>77,368</b>	<b>78,695</b>	<b>(2)</b>

### Distribution of Value Added



Economic Value Added (EVA) indicates the true economic profit of an organisation. EVA is an estimate of the amount by which earnings exceed or fall short of required minimum return for shareholders at comparable risks.

	2017 LKR million	2016 LKR million	Change %
<b>Invested Capital</b>			
Average Shareholders' funds	102,002	87,167	17
Add: Cumulative provision for loan losses and provision for impairment and other losses	57,179	47,832	20
	<b>159,181</b>	<b>134,999</b>	<b>18</b>
<b>Return on Invested Capital</b>			
Profit after taxation	21,312	24,791	(14)
Add: Provision for loan losses and other losses	9,341	4,397	112
Less: Loans written off	(1,181)	(31)	3,709
Total return on invested capital	29,472	29,157	1
Opportunity cost of invested capital*	(16,003)	(13,396)	19
<b>Economic Value Added</b>	<b>13,469</b>	<b>15,761</b>	<b>(15)</b>

\* Calculated based on weighted average 12 months Treasury Bill rate 2017 – 10.05% (2016 – 9.92%).

## Business Model



### Financial Capital

### Manufactured Capital

### Intellectual Capital

#### Inputs

The inputs to the Bank's business processes are capitals, or stores of value, in various forms. Of these capitals, financial, manufactured and intellectual capital are internal capitals owned by the Bank. The others, human, social and relationship and natural are external to the Bank.

- Share capital  
**LKR 20.0 billion**
- Total equity  
**LKR 111.2 billion**
- Total Deposits  
**LKR 1.5 trillion**
- Total borrowings  
**LKR 265.2 billion**

- Investment in brick-and-mortar Channels **LKR 1.9 billion**
- Major renovations  
**two branches**
- Branches transformed during the year **97**
- Investment in IT infrastructure  
**LKR 1.7 billion**

- Investment in brand  
**LKR 1.2 billion**
- Strong governance culture
- Over **81,000 years** of Institutionalised knowledge

### Corporate Governance and

#### Processes

The Bank acts as an intermediary between various parties who are in need of financial services – depositors and borrowers, importers and exporters, investors and lenders, expatriates who remit money and their beneficiaries, to name a few. At the same time, the Bank transforms the maturities by converting short term deposits into medium and long term loans. Net Interest Income (NII) which is the difference between interest earned from borrowers and investing activities and interest paid to depositors plus lenders constituted 78% of the operating income for the year (75% in 2016). The balance 22% (25% in 2016) came from fee based services and trading activities.

#### Outputs

The output is the value, in its various forms which are generated as a result of the business processes.

- Profit after tax  
**LKR 21.3 billion**
- Dividend paid  
**LKR 12.3 billion**
- ROAE and ROAA  
**20.9% and 1.7%**

- Network of branches **578**
- Limited service branches **48**
- ATMs **764**
- CDMs **168**
- Regional loan centres **14**
- SME Centres **15**
- Branch-on-wheels **02**

- Process improvements
- No. 1 Brand in Sri Lanka with a brand value of **LKR 40.6 billion**

#### Outcomes

The outcomes are the results that the outputs have brought measured through key performance indicators relating to the various capitals.

- **Number 1 Bank** in Sri Lanka in terms of profitability, deposits, advances, and assets
- **LKR 28.5 billion** paid to the Government by way of dividends and taxes
- **LKR 92.2 billion** paid to Depositors as interest
- **LKR 5.0 billion** paid to debenture holders as interest
- **LKR 516.5 billion** invested in Government Securities helping the Government to fund national infrastructure projects

- Largest financial institution in the country
- A multi channel network of 1,589 outlets providing omni channel presence to customers
- Well balanced brick and mortar and digital delivery channels to match the requirements of all walks of life

- Best in class governance practices
- A culture of compliance and transparency
- Strongest brand in the country



**Human Capital**

**Social and Relationship Capital**

**Natural Capital**

However, the Bank uses these capitals in its value creation process. In the course of the business processes the capitals are used and transformed and new capitals are generated as a result.

- Number of employees with over 20 years experience **1,336**
- New recruits **534**
- Number of promotions **1,831**
- Number of training hours **11,884**
- Expenditure on training **LKR 322.0 million**

- Introduction of “B app”
- Re-launching the online banking platform
- **LKR 237.2 million** spent on “*mithuru*” Microfinance programme

- Established a sustainability unit
- Number of branches solar panels were installed during the year **14**
- Formulated Environment and Social Management System (**ESMS**) policy for the Bank
- Introduced green building concept to branch network

Inputs

**Risk Management Framework**

However, being a state bank, it is not merely a commercial enterprise, it is also a social enterprise. Accordingly, conscious of its responsibilities to generate desired outcomes for the society and the environment at large beyond the conventional outputs, the Bank maintains the NII at an optimum level, rather than at a maximum.

Processes

- Benefits to staff **LKR 17.0 billion**
- Profit per employee **LKR 4.0 million**
- A motivated team of **7,587** employees

- Number of new deposits accounts opened **548,630**
- Total loans of **LKR 1.2 trillion** of which **LKR 60.0 billion** was to SME
- **859** correspondent relationships
- Customer base of **13 million**

- Green Building Gold award for Kekirawa branch by GBC SL
- Quantified paper saved via digitization processes **259,892** A4 sheets
- Retail loans for renewable energy **LKR 640.6 million**
- Solar energy generation **515 kWh**
- Number of loans screened for environment clearance **362** (Retail segment only)

Outputs

- Excellent career development opportunities
- Attrition rate **0.3%**

- The Bank with the largest customer base
- Commitment to Sustainable Development Goals
- Contribution to financial sector stability and economic growth
- An integrated supplier chain
- Supplier success and growth
- A satisfied and growing customer base
- Sri Lankan Bank with the largest correspondent relationships

- **20** branches converted to solar power
- Reduction in gray energy by **2%**
- Reduction of paper use

Outcomes

The banking system plays a key role in the economy of any nation. It is banks which keep the wheels of business and commerce turning and steer the economic direction of the country. The core business process of the Bank of Ceylon, in common with other banks, is that of a financial intermediary. The Bank draws the savings of individuals or entities, who may be relatively risk averse, with the promise of safety and a satisfactory return. The savings are then lent to individuals or entities at rates which they would find affordable, but also give a reasonable return to the Bank.

This primary process brings several other important considerations. The time frames at which lenders lend to the Bank and borrowers borrow from the Bank usually vary. Typically, borrowing tends to be short term while lending tends to be long term. Banks need to prudently match their cash flows to ensure that funds are available for payments when they become due. The banking business carries inherent risks; risks that borrowers may default or that interest rates may fluctuate. Beyond these, there are risks that can have a much wider impact such as macroeconomic events having a negative impact on an entire industry or an entire economy. Careful balancing of risks and returns thus becomes of crucial importance. Procedures governing inherent risk of the business are inbuilt into the Bank's governance structure. The Bank has a well-defined risk appetite, the level of risk the Bank is willing to take. Lending and investment strategies have to be tailored to the risk appetite.

The Bank provides certain other services, known as fee-based operations, such as foreign exchange trading, which do not involve lending of funds. The Bank handles over 45% of inward foreign exchange remittances of the country whereby we also perform a service to our expatriate population. Our trading portfolio also includes a large percentage of Treasury Bills and Bonds. Since these

are gilt-edged securities, and therefore risk-free investments, they impact the capital requirement at minimal level.

The Bank of Ceylon, as a State-Owned organisation, has certain social responsibilities. It therefore cannot operate with a narrow focus on accounting profit. It has to instead adopt a strategy of seeking an optimum return, balancing both the commercial aspects and the social return. One indication of this balancing act that we have to perform is that our net interest margin is less than that of most other banks. Sustainability is at the heart of the Bank's strategy. The Sustainability Development Goals (SDGs), which cover economic, social, and environmental values are incorporated as considerations in all our products, services, activities and processes. Sustainability is promoted not only in our direct operations but across our value chain. We address each of the SDGs individually with focused initiatives. The Bank pays special attention to hitherto underserved sections of society such as women, youth, and small entrepreneurs.

Today technology is evolving with dizzying rapidity, and this is reflected in changes in banking operations. With over 30 banks in the industry we have to constantly feel the pulse of our customers and innovate new products and services to retain our market position. Customers are increasingly moving to new banking channels such as ATMs, CDMs, internet and mobile banking. While this is especially true among the millennial generation it is by no means confined to them. The trend cuts across age groups, social classes and location. We have found that customers from all walks of life are equally receptive to cash deposit machines. Through our new Document Management System we have automated many transactions such as loan applications and account opening. However, we always ensure that our business model and our offerings balance the expectations of both the millennials

and our legacy customers who still prefer the traditional banking channels.

From our beginnings in 1939 as a Bank created to serve the needs of the national business community, who were then not catered by the foreign banks, we have grown to serve a diverse clientele. While our growth was previously mainly driven by serving the state sector, today the corporate and SME sectors have also become key target market segments. The economic model of the country is shifting from being a Government and corporate driven one to a model more based on SME driven growth. Hence, considering the long-term sustainability of our business model we have stretched our exposure to SME sector. We drive financial inclusion, which is embedded in our business model, via the SME sector. Within the sector we have a wide portfolio of offerings to cater to diverse customer groups. To cite one example, within the agricultural sector we have separate credit schemes for paddy, dairy farming, each of the three main plantation crops and many other crop species such as maize and chillie. Spreading our portfolio across Government, corporate and SME sectors also helps us to diversify and balance risks.

Bank of Ceylon is not only the largest bank in the country, we are also the highest profit making single entity. In 2017 our profit before tax amounted to LKR 30.3 billion. The Bank also made a contribution to Government revenue of LKR 28.5 billion by way of dividends and tax. We have a brick and mortar network of 578 branches and 48 limited service branches. We have also expanded our network overseas to the London, Maldives, Seychelles, and Chennai. and we are continuously evaluating the opportunities we have for further expansion.

Our business model is robust as it is built on an ethos of sustainability. The Bank borrows from the public and lends it back to the public in a socially and environmentally responsible manner.



Furthermore, our profits are also routed back to the community through taxes, and since we are a state bank also through the dividends we pay to our only shareholder, the Government. Through all our activities we drive the economic growth of the country, help uplift the less fortunate in society, play a part in narrowing socio-economic disparities and contribute to preserving the environment. With our achievements and strengths, we can look to the future with confidence that the Bank will continue to grow and generate value, both in the short and long term for itself and all its stakeholders.

### Our Corporate Plan 2018-2020

We are a strategy driven Bank. Strategy has given significant momentum to our growth trajectory in the past. Our 2010 strategic plan “One 10 twelve” is a case in point where we announced targeting one trillion in assets and Rupees 10 billion in profits to be achieved by 2012 which was duly achieved by the target date. In 2016, we achieved another milestone of the triple trillion – one trillion in each of assets, deposits and loans.

In 2017, we drew our corporate plan for the next three years against the canvas of the rapid evolution currently taking place in the banking landscape; effectuated by unprecedented developments in information and communication technology, changing demographics leading to changes in customer expectations, unorthodox competition and so on. We are cognisant that there are the necessary transformations in our value proposition in terms of product and service offering, reach, service standards and internal processes. This plan contains meticulous strategies to do that.

Since the customer is at the core of our business, we have given special focus to taking the service quality and service standards to the next level. We will integrate service standards across all the channels and outlets in the network to provide a uniform customer experience.

We will endeavour to meet expectations of each customer. Another aspect in customer interfacing is improving our credit quality and culture. We will thereby give value to our customers across the entire spectrum retail, corporate, SME and microfinancing while improving our asset quality, keeping in mind the stringent requirements of SLFRS 9.

Under the Corporate plan, we also intend to expand our geographical boundaries by being open to potential new business models, innovative processes and delivery channels, enabling provision of 24x7 global service.

Today, technology is a major component of the competitive edge of any bank. With millennials being an increasing percentage of our customer base, we have to cater to their expectations and it requires leveraging cutting edge technology. The other side of the coin however, is that technology brings risks with it. We will go the extra mile, to ensure our assets and those of our customers are secure and sensitive information is protected.

To ensure efficient and effective operation of the Bank we need systems and processes that operate seamlessly. This is another focus area where we will concentrate on identifying pain points and gaps, and make the necessary modifications.

However, we are very conscious that technology can only take us so far, only with the human touch. Accordingly, we will also give great emphasis on developing our human resources. The skills, knowledge and attributes of our staff will be honed further to enable them thrive in this rapidly evolving business milieu; there is a need for developing soft skills as well as technical skills.

To safeguard the financial stability and the reputation of the Bank, good governance and ethical conduct are imperative. While we already have high standards in these areas, we have set our benchmarks as the best in class practices in the world. We will renew and re-energise our focus on sustainability by ensuring that we continue to maintain a judicious balance between economic, social and environmental objectives.

The end result of all the above will be the enhancement of our brand. The brand is a mirror of our image in the eyes of our customers, both legacy and millennials, and the general public. Through the strategies spelt out in our corporate plan we will forge ahead, building our brand, increasing our assets and profitability, while delivering increasing value to all our stakeholders.



Refining and defining the Bank for future.

# Committing Our “Numbers” to Sustainability

## BoC Sustainability Policy

The Bank of Ceylon has adopted the Sustainable Development Goals (SDGs) which were promulgated by the United Nations General Assembly in 2016. The SDGs include 17 individual goals which cover a wide range of social and economic issues; poverty, food security, education, health, environment, climate change, and governance. The SDGs do not see their role as being limited to Government, but also envisage that business too makes its contribution. The Bank has integrated the SDGs into all its activities. Details of how the individual SDGs are addressed are given under the respective capitals.

Organisationally, the task of implementing the SDGs is spearheaded by a Board appointed Sustainability Committee headed by the General Manager. The Committee is responsible for ensuring that sustainability considerations are embedded into all the Bank’s key business decisions and processes. This implies that all activities should be

carried out not with a narrow bottom line focus, but also giving consideration to their broader economic, social and environmental impact. Such considerations should include both the short-term and the long-term perspectives. The SDGs provide a framework for an organisation to look at the value it is creating with a triple bottom line focus.

The Bank’s position as the largest bank in the country and as a financial intermediary gives it the potential to make a tremendous contribution. The Bank can play a part not only through its own activities; it can also do so throughout its value chain especially through its lending practices.

However, the most important aspect of sustainable value creation is the impact that the Bank’s operations, products, services and customer relationships is having on the financial sector. To achieve

a positive impact in the long term, it is essential that the Bank acts ethically and transparently with customers, business partners, regulators and Government. It is therefore necessary that the Bank practices sound practices supported by well structured systems, rules and procedures.

The Bank therefore, has to conduct its activities, considering not only its own profitability but with a view to furthering the well being of society from a broader economic, social, and environmental perspective. It has to serve the underprivileged by promoting financial inclusiveness. It has to try to promote activities that safeguard the environment and combat climate change. When the Bank develops new products, services and lending practices it has to do so within a broad paradigm which takes the SDGs into account. It is then that the Bank can ensure its sustainability and continuance of value creation in the long term.





# Bankers to the Nation

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## Steering the Ship

### Board of Directors



**Seated (Left to Right)** – Mr Ronald C Perera PC – Chairman, Mr Ranel T Wijesinha, Mr Sajith R Attygalle

**Standing (Left to Right)** – Mr H P Ajith Gunawardana, Mr Mohan Wijesinghe, Mr Samantha Rajapaksa,  
Ms Janaki Senanayake Siriwardane – Secretary, Bank of Ceylon/Secretary to the Board

**Mr Ronald C Perera PC**  
Chairman,  
Independent Non-Executive Director

#### Skills and Experience

Mr Perera is a President's Counsel with a wide practice in the Original Courts as well as in the Court of Appeal and the Supreme Court of Sri Lanka, especially in the areas of civil and criminal litigation, negotiation and drafting of commercial and transport contracts and agreements. He specialises in the areas of Commercial Law, Banking Law, Industrial Law, Injunctions, Defamation, Election Petitions, Civil Appeals, Revision Applications, Writ Applications and Fundamental Rights Cases. Additionally, he has appeared in several Commercial Arbitrations.

Mr Perera is a Bachelor of Laws (LLB) Graduate from the University of Colombo and also holds a Master of Laws (LLM) in International Trade Law from Northumbria University, United Kingdom.

#### Appointed to the Board

On 28 January 2015 as the Chairman.

#### Membership of Board Subcommittees

Chairman of the Nomination and Corporate Governance Committee and Member of the Human Resources and Remuneration Committee.

#### Current Appointments

Chairman of BoC (UK) Limited and Acting Chairman of Hotels Colombo (1963) Limited.

#### Previous Key Appointments

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

**Mr Sajith R Attygalle**  
Non-Independent Non-Executive  
Ex-Officio Director

#### Skills and Experience

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

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

#### Appointed to the Board

On 27 April 2016.

#### Membership of Board Subcommittees

Member of the Audit Committee, Integrated Risk Management Committee and the Human Resources and Remuneration Committee.

#### Current Appointments

Mr Attygalle is representing the Treasury at the Securities and Exchange Commission of Sri Lanka as a Commission Member.

#### Previous Key Appointments

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

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



**Mr Ranel T Wijesinha**  
Independent Non-Executive Director

**Skills and Experience**

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

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

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

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

He is a Fellow of The Institute of Chartered Accountants of Sri Lanka, and a holder of a Master's Degree in Business Administration from the University of Pittsburgh in Pennsylvania, United State of America.

He has also studied Multinational Corporations and Political Risk Analysis at the University's Graduate School of Public and International Affairs.

**Appointed to the Board**

On 9 February 2015.

**Membership of Board Subcommittees**

Chairman of the Audit Committee.

**Current Appointments**

Director of Koladeniya Hydropower (Private) Limited.

**Previous Key Appointments**

Chairman, Monitoring and Advisory Committee of the Ministry of Power & Energy; Member of the first Consumer Affairs Council under the first Consumer Affairs Authority Act; Member, Accounting and Auditing Standards Monitoring Board; Commissioner, the Securities and Exchange Commission of Sri Lanka (on two occasions, the last being from 2015 to 2018) Member, Governing Council, National Institute of Business Management; Member, Board of Management, Postgraduate Institute of Management; Member, Main Committee, Ceylon Chamber of Commerce; Advisor, Federation of Chambers of Commerce and Industry of Sri Lanka and Advisor, SAARC Chamber of Commerce and Industry. He is a Past President of The Institute of Chartered Accountants of Sri Lanka and a Past President of the 23 Nation Confederation of Asian and Pacific Accountants. He was a long serving Non-Executive Director and Chairman of the Board Audit Committee, from 2005 to July 2016, of John Keells Hotels PLC which owned and operated a hotel chain comprising 11 properties in Sri Lanka and the Maldives.

**Mr H P Ajith Gunawardana**  
Independent Non-Executive Director

**Skills and Experience**

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

**Appointed to the Board**

On 6 November 2015.

**Membership of Board Subcommittees**

Chairman of the Human Resources and Remuneration Committee and Member of the Integrated Risk Management Committee and Nomination and Corporate Governance Committee.

**Current Appointments**

Director of Lanka Securities (Private) Limited.

**Previous Key Appointments**

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

**Mr Samantha Rajapaksa**  
 Independent Non-Executive Director

**Skills and Experience**

Mr Samantha Rajapaksa is a business professional with 30 years of experience and has held several key management positions both locally and overseas.

Mr Rajapaksa is a Fellow of The Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of the United Kingdom (UK). He is also a Fellow of the Chartered Institute of Marketing of the UK and a holder of a Master's Degree in Business Administration from the Postgraduate Institute of Management of the University of Sri Jayewardenepura.

Mr Rajapaksa is the recipient of the Platinum Honors Award for Professional Excellence in the Field of Management from the Postgraduate Institute of Management of the University of Sri Jayewardenepura.

**Appointed to the Board**

On 25 July 2017.

**Membership of Board Subcommittees**

Chairman of the Integrated Risk Management Committee and a Member of the Audit Committee.

**Current Appointments**

He is the Chairman/Director of Kitra Holdings (Private) Limited and also holds Directorships in the Asiri Group of Hospitals, Rakuen Group of Hotels and the Colombo Archery School (Private) Limited. He is also an Executive Committee Member of the Ceylon Chamber of Commerce, President of the Sri Lanka – USA Business Council and a Director of the National Apprentice and Industrial Training Authority.

**Previous Key Appointments**

Group Managing Director of Associated Motorways (Private) Limited and Director of AMW Capital Leasing and Finance PLC, Associated Property Development Limited, Associated Autoways (Private) Limited, Associated Motor (Lanka) Company Limited, Associated Global Trading (Private) Limited, Associated Rubber Industries Limited, Associated Universal (Private) Limited, Al Futtaim Logistics (Private) Limited; Director/General Manager of Informatics International (Private) Limited; Director/Chief Executive Officer of CF Venture Fund Limited; Director of Central Finance Company PLC; Senior Project Manager of AT&T Inc., USA; Group Director of Kshatriya Holdings PLC; Director/Chief Executive Officer of Softlogic Communications (Private) Limited and Group Director of Softlogic Holdings PLC.

**Mr Mohan Wijesinghe**  
 Independent Non-Executive Director

**Skills and Experience**

Mr Mohan Wijesinghe is an Attorney-at-law who counts over 25 years of experience in having worked for both the private and the public sectors.

He is a holder of a Master's Degree in International Legal Cooperation from the University of Vrije in Brussels. He is also a Solicitor of the Supreme Court of England and Wales, a Solicitor and Barrister of the Supreme Court of the Australian Capital Territory and a Barrister of the High Court of Australia.

**Appointed to the Board**

On 24 November 2017.

**Current Appointments**

He is the General Manager – Legal at Colombo International Container Terminals Limited and Senior Overseas Advisor at China Merchants Ports Holdings Company Limited. He holds Directorships in Lanka Hospitals PLC, Maga Neguma Road Construction Equipment Company (Private) Limited, Maga Neguma Consultancy and Project Management Services Company (Private) Limited and Interocean Services Limited and serves as a Member of the National Agenda Committee of the National Chamber of Commerce of Sri Lanka.

**Previous Key Appointments**

Director of People's Bank; Group Personnel Manager of Maharajah Group of Companies; Assistant Director of the Superannuation Commission of Australia; Director General of the Sri Lanka Institute of Advance Technical Education and Executive Director of the National Lotteries Board.

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

Profile given on page 45.

# **Customer Centricity**

**An integral stakeholder in our drive to leverage change and get “future ready” is the customer. That’s why we place the customer left, right and center of every strategy and endeavour. We’ve always done it... we do it now...and more than ever, we’ll do it in the future!**







## Corporate Management



**Seated (Left to Right)** – Ms Janaki Senanayake Siriwardane, Mr Senarath Bandara, Mr D M Gunasekara, Mr W P Russel Fonseka, Ms Gaya Jayasinghe

**Standing (Left to Right)** – Mr D N L Fernando, Mr R M D Vipula Jayabahu, Mr D P K Gunasekara, Mr K E D Sumanasiri, Dr Indunil Liyanage, Mr M M Luxaman Perera, Mr P C Wickramapathirana, Mr M J P Salgado, Mr C Amarasinghe, Mr P M Liyanage, Mr W A C Tissera, Mr S Hewavitharana, Mr M T M Jalaldeen, Mr D M L B Dassanayake





**Mr D M Gunasekara**  
(Retired on 21 February 2018)  
General Manager

**Appointment to the Corporate Management:**  
October 2010

**Chairmanships Held in Group of Companies:**  
MSS, HH

**Directorships in Group of Companies:**  
BoC UK, Travels, PDML, Ceybank Asset, HCL, KHP, MBSL, MBSL Insurance

**Skills and Experience:**  
Mr Gunasekara carries more than 34 years of diversified banking experience covering corporate and offshore banking, sales and channel management, international banking operations, credit management and administration.

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

**Positions held in Corporate Management:**  
**Deputy General Manager**  
(Retail Banking)  
**Deputy General Manager**  
(Sales and Channel Management)

**General Manager/CEO –**  
Since January 2013

**Other Positions Held During the Year:**  
He is a Director of the LankaClear (Private) Limited, Lanka Financial Services Bureau Limited and the Credit Information Bureau of Sri Lanka. He also chaired the Boards of Sri Lanka Banks' Association (Guarantee) Limited and the Financial Ombudsman Sri Lanka (Guarantee) Limited for the year 2016/2017.

He has also been a member on the Governing Board of the Institute of Bankers of Sri Lanka (IBSL), a member of the Association of Professional Bankers of Sri Lanka and the Vice-Chairman of Asia-Pacific Rural and Agricultural Credit Association (APRACA) for 2016/2017.

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

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

**Mr Senarath Bandara**  
(Appointed as the General Manager on 22 February 2018)  
Deputy General Manager  
(Sales and Channel Management)

**Appointment to the Corporate Management:**  
March 2012

**Directorships in Group of Companies:**  
MBSL, HH, Alternate Director in KHP

**Skills and Experience:**  
Mr Bandara is a career banker counting over 28 years of experience in diversified fields, both in local and international banking arena.

He has obtained his first Degree from the University of Kelaniya, Sri Lanka in Physical Science with a Second Class (Upper Division) and Master's Degree in Business Administration with a Merit Pass from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, Sri Lanka. He is also a Fellow Member of the Institute of Bankers

of Sri Lanka and has obtained an Executive Postgraduate Diploma in Bank Management from the same institute, winning the Gold Medal for the best student in 1998. He has successfully completed Advanced Management Programme conducted by the Harvard Business School, USA.

**Positions Held in Corporate Management:**  
**Deputy General Manager**  
(Product and Development Banking) –  
January 2013 to July 2016  
**Deputy General Manager**  
(Sales and Channel Management) –  
July 2016 to 21 February 2018.

**Other Positions Held During the Year:**  
Mr Bandara, served as a Nominee Director of BoC to Regional Development Bank. He serves as a member to the Governing Board of the Institute of Bankers of

Sri Lanka and he is the immediate Past President of Association of Professional Bankers of Sri Lanka, the premier body of professional bankers in Sri Lanka. He has also served as a Director of the MBSL Insurance.

**Career Milestones:**

Mr Bandara joined the Bank as a Management Trainee in 1990 and gained exposure both locally and internationally mainly in the fields of information systems, investments, treasury management, international banking operations and corporate banking. He successfully spearheaded the process of converting Bank of Ceylon operations in London from branch to a subsidiary, when he was the Assistant General Manager (Overseas Branches). Later he served as the Assistant

General Manager (International) and Assistant General Manager (Corporate Relations) prior to being appointed as the Chief Executive Officer of Bank of Ceylon (UK) Limited in 2011.

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

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

**Mr W P Russel Fonseka**  
 Chief Financial Officer/  
 Deputy General Manager  
 (International, Treasury and Investment)

**Appointment to the Corporate Management:**

March 2012

**Directorships in Group of Companies:**

MBSL and PDL (Audit Committee Chairman)

**Skills and Experience:**

Mr Fonseka possesses over 28 years of hand on experience in banking operations with specialised knowledge in financial management and strategic planning.

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

**Positions Held in Corporate Management:**

**Deputy General Manager**  
 (Finance and Planning) – March 2012 to May 2013/April 2015 to December 2016

**Deputy General Manager**  
 (Retail Banking) – May 2013 to April 2015

**Acting Chief Financial Officer**  
 July 2014 to March 2016

**Chief Financial Officer**  
 Since March 2016 to Present

**Deputy General Manager**  
 (International, Treasury and Investment) – Since February 2017

**Other Positions Held During the Year:**

Mr Fonseka has been appointed as a Director of Lanka Securities (Private) Limited from April 2016. He also serves as an Alternate Director on the Board of LankaClear (Private) Limited and acts as the Chairman of the Audit Committee of the same since November 2012. He has also served as a Chairman to TLRS upto December 2017, and a Director to MBSL Insurance.

**Career Milestones:**

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

**Mr D P K Gunasekara**  
Deputy General Manager  
(Corporate and Offshore Banking)

**Appointment to the Corporate Management:**  
May 2013

**Directorships in Group of Companies:**  
MSS

**Skills and Experience:**  
Mr Gunasekara carries more than 38 years of banking experience in different business operations in the Bank.

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

**Positions Held in Corporate Management:**  
**Deputy General Manager**  
(Retail Banking) – from February to May 2013  
**Deputy General Manager**  
(Corporate and Offshore Banking) – Since May 2013

**Career Milestones:**  
Mr Gunasekara joined the Bank in 1980 and commenced his career with retail banking, gathering vast experience in the branch network and later served in Central Cash and Accounts Departments. He has gathered an extensive knowledge in treasury and money market operations locally joining as a Dealer in Treasury Division of the Head Office as well as overseas at Bank of Ceylon Chennai Branch. He has covered almost all the positions in the Bank of Ceylon dealing room. He has also served as the Deputy Manager, Chennai Branch from 2008-2010 and as the Manager/Senior Dealer in the BoC Treasury Unit too.

He was the first Chief Dealer in the Ceybank Securities Limited and also one of the pioneer members in setting up of middle office in the Bank of Ceylon Treasury Division. Mr Gunasekara also held the positions of Assistant General Manager (Overseas Branches) and Assistant General Manager (Corporate Relations) prior to being appointed to the Corporate Management.

**Mr K E D Sumanasiri**  
Deputy General Manager  
(Human Resource)

**Appointment to the Corporate Management:**  
May 2013

**Directorships in Group of Companies:**  
HH

**Skills and Experience:**  
Mr Sumanasiri possesses 28 years of rich and diversified experience in retail banking, microfinance, corporate finance and human resource development.

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

**Positions Held in Corporate Management:**  
**Deputy General Manager**  
(Recovery) – May 2013 to April 2014/  
February 2015 to December 2016  
**Deputy General Manager**  
(Human Resource) – April 2014 to February 2015/December 2016 to Present

**Other Positions Held During the Year:**  
Mr Sumanasiri serves as an Alternate Director of the Governing Board of Institute of Bankers of Sri Lanka (IBSL).

**Career Milestones:**  
Commencing his banking career in 1990, Mr Sumanasiri held several key positions while serving in the branch network. He had been a Faculty Member at the Bank's Training Institute, holding the position of Manager (Training). He was fervent in enhancing the knowledge of the staff and was very instrumental in their career development. Before being appointed to the Corporate Management, he held the position of Assistant General Manager (Northern Province) playing a lead role in uplifting of livelihood of the resettled people and contributing immensely to the boom of the economy of the Northern Province.

**Mr S Hewavitharana**  
 Deputy General Manager  
 (Support Services)

**Appointment to the Corporate Management:**  
 November 2015

**Directorships in Group of Companies:**  
 HH

**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 and also holds an Associate Membership of the Institute of Bankers of Sri Lanka. He also holds a Postgraduate Diploma in Business Administration from the University of Ruhuna, Sri Lanka.

**Career Milestones:**

Having joined the Bank in 1983, Mr Hewavitharana held several key positions while serving in the branch

network. He has contributed immensely in developing soft skills development programmes for bank staff obtaining assistance from external resource personnel during his tenure at the Bank's Central Training Institute at Maharagama in the capacities of Faculty Member and Senior Manager (Training). He had taken initiative in establishing the Premier Branch of the Bank and had played a significant role as the first Chief Manager to the same.

He has also served in BoC Chennai branch as the Deputy Manager and obtained a good exposure in international banking and corporate banking. He initiated conversion of core banking system of BoC Chennai into parent Bank's core banking system, after a number of successful discussions with Reserve Bank of India Officials.

He held the positions of Assistant General Manager (Uva Province) and (Central Province) prior to being appointed to the Corporate Management.

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

**Appointment to the Corporate Management:**  
 October 2010

**Skills and Experience:**

Ms Siriwardane counts over 22 years of experience in the Bank specialising in company secretarial work and Corporate Governance practices.

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

**Other Positions Held During the Year:**

Serves as the Company Secretary of Ceybank Holiday Homes (Private) Limited and BOC Management and Support Services (Private) Limited.

**Career Milestones:**

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

She also serves as the Secretary to all the Subcommittees of the Board and also facilitates Bank's compliance with the Corporate Governance rules and practices too.

Prior to joining the Bank of Ceylon, she practiced as an Attorney-at-Law in the private Bar and thereafter worked in a group of companies, handling company secretarial work including IPOs, mergers etc. along with 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

**Appointment to the Corporate Management:**  
December 2015

**Skills and Experience:**

Mr Fernando is a career Banker with around 32 years of experience spanning to almost all areas in the Bank.

He graduated from the University of Colombo, Sri Lanka with a Bachelor of Science Degree in Mathematics and holds an Associate Membership of the Institute of Bankers of Sri Lanka.

**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 that time. He had one year training at the London branch in 1995 and later, three years in Karachi branch of Bank of Ceylon in Pakistan where he gained a splendid overseas exposure.

He held the positions of Assistant General Manager in-charge of Western Province South, the largest Province of the Bank, for four years and the Chief Executive Officer of Bank of Ceylon (UK) Limited for three years prior to taking up the assignment as the Chief Risk Officer of the Bank.

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

**Mr M M Luxaman Perera**  
Head of Information Technology

**Appointment to the Corporate Management:**  
August 2013

**Skills and Experience:**

Mr Perera counts over 32 years of experience in the Bank and has gained a wide range of experience in ICT in different capacities.

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

**Other Positions Held During the Year:**

Mr Perera served as the Chairman of Banks' CIO Forum and a member of the FINCSIRT Steering Committee.

**Career Milestones:**

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

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

**Ms Gaya Jayasinghe**  
 Chief Legal Officer

**Appointment to the Corporate Management:**

June 2016

**Directorships in Group of Companies:**

Travels

**Skills and Experience:**

Ms Jayasinghe counts more than 34 years of experience in the legal field and possesses over 31 years of experience at Bank of Ceylon. She is an Attorney-at-Law and Notary Public with a Post-Attorney Diploma in International Trade Law. She is also a member of the Bar Association of Sri Lanka and Association of Corporate Lawyers of Sri Lanka.

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

**Career Milestones:**

She joined the Bank in July 1986 as an Assistant Legal Officer and commenced her career in the Legal Department. She got the opportunity to serve in several Provincial Legal Units and acquired wide experience in credit and recovery fields, all aspects of Banking Law and other laws relating to commercial transactions.

She contributed tremendously to the Corporate Division as the Senior Legal Officer from 2005 to 2012 where she gained immense knowledge in legal work relating to syndicate facilities, ship mortgages and trade finance activities of the Bank. She served as the Deputy Chief Legal Officer (Credit), from 2012 to 2016 prior to being appointed as the Chief Legal Officer.

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

**Mr C Amarasinghe**  
 Deputy General Manager  
 (Retail Banking – Range II)

**Appointment to the Corporate Management:**

July 2016

**Directorships in Group of Companies:**

Alternate Director in Travels and PDML

**Skills and Experience:**

Mr Amarasinghe counts over 28 years of experience in the Bank with diversified knowledge in branch banking and in corporate and offshore banking.

He graduated from the University of Sri Jayewardenepura, Sri Lanka with a Bachelor of Science (Special) Degree in Public Administration and holds a Master of Science Degree in Management from the same university. He is also an Associate Member of the Institute of Bankers of Sri Lanka.

**Other Positions Held During the Year:**

He serves as an Alternate Director of CRIB.

He has also been serving as the Vice President of the Association of the Professional Bankers of Sri Lanka.

**Career Milestones:**

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

Prior to being appointed to the Corporate Management, he held the positions of Assistant General Manager (Offshore Banking) and Assistant General Manager (Corporate Relations).

**Mr M J P Salgado**

Deputy General Manager  
(Product and Banking Development)

**Appointment to the Corporate Management:**

July 2016

**Skills and Experience:**

Mr Salgado counts over 28 years of experience in the Bank specialising retail banking, province sales management and product and banking development.

He graduated from the University of Sri Jayewardenepura, Sri Lanka with a Bachelor of Commerce (Special) Degree and holds an Associate Membership of the Institute of Bankers of Sri Lanka. He is a Member of the Association of Accounting Technicians of Sri Lanka and a Licentiate Certificate Holder of The Institute of Chartered Accountants of Sri Lanka as well.

**Other Positions Held During the Year:**

Mr Salgado serves as a Director on the Board of Regional Development Bank.

**Career Milestones:**

Mr Salgado joined the Bank in January 1990 as a Management Trainee and started his career in retail banking. Serving in many important positions in various capacities, Mr Salgado has obtained a vast knowledge in domestic banking and credit card operations of the Bank.

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

**Mr R M D Vipula Jayabahu**

Deputy General Manager  
(Finance and Planning)

**Appointment to the Corporate Management:**

November 2016

**Chairmanships Held in Group of Companies:**

TLRS

**Directorships in Group of Companies:**

Alternate Director in MBSL and HCL

**Skills and Experience:**

Mr Jayabahu carries more than 28 years of banking experience in different business operations in the Bank.

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

**Career Milestones:**

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

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

He held the position of Assistant General Manager (Budget, Strategic Planning and MIS) from August 2012 to November 2016 prior to being appointed to the Corporate Management.

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

**Mr M T M Jalaldeen**  
 Deputy General Manager  
 (Organisation Transformation)

**Appointment to the Corporate Management:**

November 2016

**Skills and Experience:**

Mr Jalaldeen carries more than 28 years of experience in the Bank and now has become versatile in acquiring hands-on experience in different areas in the banking operations.

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

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

**Career Milestones:**

Having joined the Bank of Ceylon in 1990 as a Management Trainee, Mr Jalaldeen has risen up in the career ladder gradually and served as the second in command, being the Deputy Manager at the Chennai Branch for two years since October 2010.

He was appointed as the Compliance Officer of the Bank and also held the position of Assistant General Manager (Human Resource Operations) since March 2013 for one and a half years and handled in parallel the version upgrade of the Core Banking System of the Bank. He was also serving for more than two years since July 2014 as the Project Manager for the game changing initiatives that were kicked off as a project under Organisation Transformation. He continues his leadership for the organisational transformation with his promotion to the Grade of Deputy General Manager.

**Mr D M L B Dassanayake**  
 Deputy General Manager  
 (Retail Banking – Range 1)

**Appointment to the Corporate Management:**

December 2016

**Directorships in Group of Companies:**

Alternate Director in MBSL

**Skills and Experience:**

Mr Dassanayake counts over 35 years of extensive experience in the Bank, gaining both local and overseas exposure, especially in the areas of retail banking, corporate financing and international operations.

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

**Positions Held in Corporate Management:**

**Country Manager (Malé Branch) –**  
 December 2016 to February 2017

**Deputy General Manager**  
 (Retail Banking – Range I) –  
 Since February 2017

**Career Milestones:**

Commencing his banking career in 1982, Mr Dassanayake has gained overall experience in banking business specialising in corporate banking and International operations with nine years in key positions in overseas branches. He has served as a Relationship Officer, Relationship Manager and subsequently as the Assistant General Manager (Corporate Credit) at the Corporate Banking Division. From 2000-2003, he served as the In-Charge of Trade Finance Operations at the Bank of Ceylon (UK) Limited, a subsidiary of Bank of Ceylon in London.

He also rendered his duties as the Country Manager of Malé Branch before being appointed to the Corporate Management in 2016.

**Mr W A C Tissera**  
Deputy General Manager  
(Recovery)

**Appointment to the Corporate Management:**  
December 2016

**Directorships in Group of Companies:**  
MSS

**Skills and Experience:**  
Counting over 39 years of extensive service in the Bank, Mr Tissera has gained vast experience in Development Banking and Microfinance and has been promoting his specialised knowledge in lending, in the fields of Agriculture, Fisheries and Livestock.

Being an Associate Member of the Institute of Bankers of Sri Lanka, Mr Tissera has also obtained the Postgraduate Executive Diploma in Bank Management from the same Institute.

**Other Positions Held During the Year:**  
He has served as a Director on the Boards of Agricultural and Agrarian Insurance Board and National Fisheries Federation as well.

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

Mr Tissera has also been instrumental in conducting Microfinance Training Programmes, such as “Capacity Building/ Skills Development” and “Entrepreneurship Development”, divulging his specialised knowledge and hands-on experience throughout the branch network and at the Central Training Institute of the Bank. Prior to being appointed to the Corporate Management, he served as the Assistant General Manager (Development Banking) of the Bank for five years.

He has taken initiatives in developing a “Responsive Recovery Culture” throughout the branch network with a view of enhancing the NPA recovery process, by which the Bank has successfully been able to maintain a healthy NPA recovery level.

**Dr Indunil Liyanage**  
Chief Marketing Officer

**Appointment to the Corporate Management:**  
September 2012

**Skills and Experience:**  
Having served for many organisations in the field of marketing since 1989, Dr Liyanage counts over 28 years of experience in financial services industry, Fast Moving Consumer Goods (FMCG), electronics and agriculture sectors in Sri Lanka.

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

Dr Liyanage is a Chartered Marketer since 1997, attached to the first batch of Chartered Marketers in Sri Lanka and a Fellow Member of the Chartered Institute of Marketing (FCIM) and a Fellow Member of the Sri Lanka Institute of Marketing (FSLIM). He is a Member of the Chartered Institute of Marketing (UK) since 1995 and a member of the Certified Management Accountants (CMA) Australia since 2017. 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.

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

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

**Mr P M Liyanage**  
 Chief Internal Auditor

**Appointment to the Corporate Management:**  
 December 2014

**Skills and Experience:**

Mr Liyanage is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka with 18 years of post-qualified experience and also holds a Bachelor of Science (Special) Degree in Accountancy and Financial Management from the University of Sri Jayewardenepura, Sri Lanka. He is also a member of the Certified Information Systems Auditors (CISA) of ISACA – USA.

**Career Milestones:**

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

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

**Mr P C Wickramapathirana**  
 Head of Technology Transformation

**Appointment to the Corporate Management:**  
 July 2016

**Skills and Experience:**

Mr Wickramapathirana is an IT Professional with over 31 years of experience in IT Leadership, Management and Technology/ Digital Transformation. He has held several IT Directorial and Corporate Managerial level positions for over 27 years in many diverse business sector organisations including Banking and Finance.

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

**Other Positions Held During the Year:**

Mr Wickramapathirana was an Executive Council Member representing Sri Lanka in Asia Pacific ICT Awards International (APICTA), a Board Director of Federation

of Information Technology Industry Sri Lanka (FITISL) and an Executive Council Member of INFOTEL Lanka Society.

**Career Milestones:**

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

Mr Wickramapathirana was a founder member of the Banks' CIO Forum and served as its Secretary in the years 2013/2014 and 2014/2015. He was the President of Sri Lanka Association for the Software Industry (SLASI) in 2005/2006.







# **Innovation**

**Banking is changing in ways almost unimaginable. Riding this wave and “cresting” it requires the Bank to think and act “out of the box”. That’s why the word “innovation” is figuring more frequently in our vocabulary!**



## Executive Management



**W I Hettihewa**  
Assistant General Manager –  
Southern Province



**S M W Samarakoon**  
Assistant General Manager –  
International



**G A Jayashantha**  
Assistant General Manager –  
Western Province South



**J A A Jayasinghe**  
Assistant General Manager –  
Human Resource Operations



**W N P Surawimala**  
Assistant General Manager –  
Offshore Banking



**E M Jayaratne**  
Assistant General Manager –  
Province Sales Management



**T A D Kularatne**  
Assistant General Manager –  
Corporate Relations



**D R L Perera**  
Assistant General Manager –  
Branch Credit – Range II



**R P D K Ratnasinghe**  
Assistant General Manager –  
Corporate Credit



**A De S Pinnaduwege**  
Assistant General Manager –  
Compliance



**K T A E De Silva**  
Assistant General Manager –  
Electronic Banking Centre



**D S Muthukudaarachchi**  
Country Manager –  
Chennai



**B Nanthakumar**  
Assistant General Manager –  
Support Services



**Y A Jayathilaka**  
Assistant General Manager –  
Product Development and Business  
Process Re-Engineering Project



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





**V S Wickramarachchie**  
Assistant General Manager –  
Treasury



**G R De Silva**  
Assistant General Manager –  
Treasury Back Office



**J C A Kurudukumbura**  
Assistant Director – IT  
(Operations/Technical Support)



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



**D M K S Dissanayake**  
Assistant General Manager –  
Eastern Province



**M H S Mala**  
Assistant General Manager –  
Development Banking



**A M R D Subasinghe**  
Assistant General Manager –  
Pettah Branch



**P P M Wijsekara**  
Assistant General Manager –  
Administrative Services



**H M M B Herath**  
Assistant General Manager –  
Sabaragamuwa Province



**W B P Rathnayake**  
Assistant General Manager –  
Western Province North



**R P S Rajapaksha**  
Assistant General Manager –  
Central Province



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



**M J Prabakaran**  
Assistant General Manager –  
Northern Province



**H P K Silva**  
Assistant General Manager –  
Marketing



**B K Gurusinghe**  
Country Manager –  
Malé



**A D S Indrani**  
Assistant General Manager –  
Trade Services



**M P Ruwan Kumara**  
Assistant General Manager –  
Investment Banking





**W Ranjith**  
Assistant General Manager –  
North Central Province



**A G Sirinimal**  
Assistant General Manager –  
Uva Province



**L J Dissanayake**  
Country Manager –  
Seychells



**J Gnanasambanthan**  
Assistant General Manager –  
Budget, Strategic Planning and MIS



**P N Gomes**  
Assistant General Manager –  
Recovery Corporate



**L A R Seneviratne**  
Assistant General Manager –  
Credit, Province and Branch Audit



**D M Seneviratne Banda**  
Assistant General Manager –  
Superannuation Schemes



**S T K Hewage**  
Deputy Chief Legal Officer –  
Recovery



**M D C Nilantha**  
Assistant General Manager –  
Risk Management



**K G C Deepal**  
Assistant General Manager –  
(Information Systems Audit)



**I M L Karunatilaka**  
Assistant General Manager –  
North Western Province



**T Perera**  
Assistant General Manager –  
Branch Credit – Range I



**R M M Weerasekera**  
Assistant General Manager –  
Metropolitan Branch



**R M K S M Ratnayake**  
Deputy Chief Legal Officer –  
Credit



**N P G Chandrika**  
Deputy Chief Legal Officer –  
International and Investment





## **Stability**

**A key element in BoC's great stability is the firm roots we have in the local economy. Our stable financial system derives and builds vital efficiencies from these "roots" and makes us proud to truly be...a strength to the Nation!**





# Corporate Governance

## Introduction

Corporate governance is an internal system comprising of governance structures, policies, processes, systems and people which serves the interests of its shareholders and other stakeholders by directing them and directing management activities with good business proficiency, integrity and neutrality. It is the institution that should seek to inculcate a system of good corporate governance. The responsibility lies with the Board of Directors of an institution to have in place effective systems and controls to implement same in order to avoid any governance issues. The effectiveness with which the Boards discharge their responsibilities within a framework of effective accountability thus, determines the institution's competitiveness. The distinct nature of banks makes their corporate governance more complex given that this is one of the most highly regulated industries and due to the potential social implications that banking can have on the broader economy.

## Corporate Governance Framework within the Bank

Being a state entity, Bank of Ceylon is committed towards upholding high standards of good corporate governance, business integrity and professionalism in all of its activities to protect the interests of all its stakeholders and ensuring long-term sustainability in order to retain the position that Bank of Ceylon currently occupies within the banking industry. There is a robust corporate governance framework underpinning ethical management practices inbuilt in its culture and values comprising of sound governance practices which

facilitates greater transparency, promotes accountability and is continually evolving and improving each year to ensure that the governance framework within the Bank is abreast with recent developments in governance policies and practices, the maturity of the Bank and the evolving needs of all its stakeholders.

The corporate management of the Bank has undertaken the responsibility to uphold and foster this culture whilst the overall responsibility for governance, the formulation and execution of strategies and policies to comply with the applicable laws and regulations and the principal authority over the corporate affairs lies with the Board of Directors.

The Board being the chief decision making body of the Bank plays a guiding role in the culture, internal controls, audit, risk management, compliance, prevention of financial fraud, customer protection and initiation and strengthening of transformational changes reinforcing recent developments within the industry and international best practices in corporate governance. A formal code of conduct has been established to assist the Board in its conduct. Effective management information systems have also been developed to provide the necessary inputs for effective decision-making in a timely manner.

Board Subcommittees have been established in compliance with governance codes on best practice and international standards. Their limits of authority and lines of reporting have been clearly laid down. The Board also strives to ensure that, in laying down the processes and lines of reporting, the needs of compliance and external reporting are key considerations.

The Bank's current Board comprising of individuals who are experienced professionals in their chosen fields of expertise, a majority of whom are Independent Non-Executive Directors, bring in "independent judgement" and a wider outlook from their respective fields of proficiency which are crucial for Board deliberations and for strengthening the decision-making and management functions of the Bank. The Bank will be looking into expanding the size of the Bank's Board in the coming year to meet the growing needs of the Bank and governance requirements.

## Achieving the Double Trillion Milestone

In 2016, Bank of Ceylon achieved a major milestone with assets, advances and deposits each exceeding one trillion. This was a great achievement which involved much effort. The next milestone the Bank looks forward to is exceeding two trillion in assets which it expects to achieve in 2018.

To pursue this target, the Bank needs to ensure that the Bank is stable and that its stakeholders continue to repose confidence in it. The continued ethical behaviour of its staff is necessary to ensure compliance. While the Bank is keeping its sight on this target it has to ensure that it is in compliance with the new regulatory developments and accounting standards introduced by Basel III and SLFRS 9. Judicious balancing of the Bank's many objectives, which may involve trade-offs, is a key consideration in governance.

## Regulatory Framework

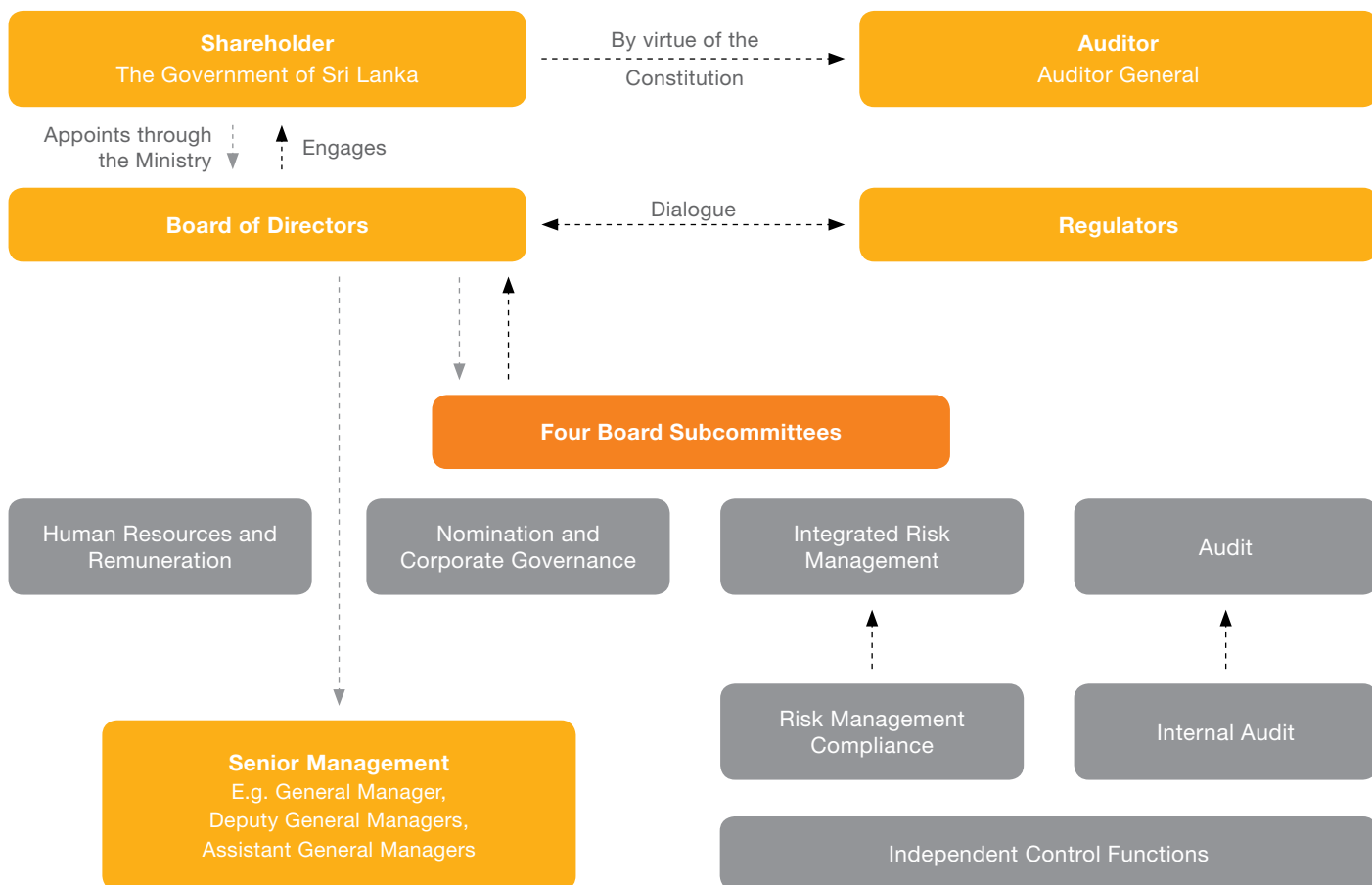
The Bank's commitment towards instilling a sound corporate governance regime and practices is not solely based on the need to comply with the regulatory requirements. It is also based on its commitment towards continually reviewing its procedures and systems to ensure accountability and transparency whilst updating the governance processes in line with the latest developments both nationally and globally and its recognition of sound corporate governance as an effective management tool.

The Bank of Ceylon being a licensed commercial bank has complied with the requirements imposed by the regulatory authorities of which the primary/lead

regulator is the Central Bank of Sri Lanka. The regulatory framework applicable to the Bank consists mainly of the Banking Act No. 30 of 1988 and subsequent amendments thereto and other directives particularly the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka. The Bank of Ceylon Ordinance No. 53 of 1938, and its amendments also constitute a part of the regulatory framework. The soundness of the Bank and its commitment to good corporate governance is underlined by the fact that it has voluntarily complied with the Code of Corporate Governance 2013 issued jointly by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka, for the year ended

31 December 2017. Since it is complying with the above, the Bank is exempted from disclosure of compliances as stipulated in Section 7.10 of the Continuing Listing Requirements on Corporate Governance of the Colombo Stock Exchange.

The Bank being a State-Owned bank, comes under the purview of the Auditor General of Sri Lanka who has provided assurance on the Financial Statements of the Bank and its subsidiaries and on the Directors' Statement on Internal Control and certification that the Bank is in compliance with the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka.





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

Specific disclosures in terms of the above regulations are provided on pages 304 to 323 of this Report and form an integral part of this Report on Corporate Governance.



## Compliance with the Code of Best Practice on Corporate Governance 2013 issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka



**The Board**

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

The Board is headed by a Chairman and the composition of the Board is laid down in the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The roles and responsibilities of the Board, including a schedule of powers reserved for the Board, are laid down in the Board Charter which was reviewed in the year under review. The main responsibilities of the Board include setting strategic direction, financial reporting, ensuring regulatory compliance, corporate governance, safeguarding the Bank and overseeing the business and affairs of the Bank.

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



**Chairman and Chief Executive Officer (General Manager)**

**The roles of the Chairman and the Chief Executive Officer (referred to as the General Manager), have been separated to maintain a balance of power and authority.**

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



**Chairman's Role**

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

He is also responsible for facilitating the effective participation of all members of the Board. He maintains open lines of communication with Key Management Personnel and makes his contribution on strategic and operational matters. He ensures that adequate information is made available to all Directors on issues that are to be discussed at Board meetings, by directing all management personnel to provide the relevant information, to an appropriate level of detail well in advance.



**Financial Acumen**

The Board possesses the requisite financial acumen, knowledge, and experience to offer guidance on matters of finance, some of the Directors, being professionally qualified in the field of finance/ accounting and/or having held/holding senior management positions and/or directorships.



**Board Balance**

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

A representative of the Ministry of Finance is the Ex-officio Director. The independence of the Directors is recognised based on the criteria specified in the Banking Act Direction No. 11 of 2007 on Corporate Governance. The Directors possess diverse skills and experience to enable them to fulfil their responsibilities.



### Supply of Information

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

The Chairman directs all management personnel to provide the relevant information, comprehensively and well in advance. The Board memoranda are circulated seven days prior to the Board Meeting through a secured electronic link. This includes both qualitative and quantitative information. Board minutes are prepared and circulated in order to record any concerns of the Board or individual Directors regarding any matter and also to ensure that all Board members are aware of the decisions taken and the proceedings. Directors are normally expected to attend all the Board meetings. However, in the event they are unable to attend due to a legitimate reason, they are kept aware of the proceedings by circulating the minutes and by other means.



### Appointments to the Board

**The Bank of Ceylon, being a State-Owned bank, all Directors are appointed by the Minister in charge of the state banks.**

Changes to the Board that took place in 2017 are indicated in the Directors' Report on page 139.

All details of the members of the Board are given on pages 35 to 37. The maximum period that Directors can serve is restricted to nine years as per the provisions of the Banking Act Direction No. 11 of 2007 on Corporate Governance.



### Appraisal of Board Performance

**The Board annually conducts a self-appraisal of its own performance to ensure that they are discharging their responsibilities satisfactorily.**

The process is for each Director to fill a Performance Evaluation Form. The responses are collated and submitted to the Board. Evaluation for the year 2017 was carried out. The Board Subcommittees also completed Performance Evaluation Forms and submitted to the Board.



### Disclosure of Information in Respect of Directors

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

Name, qualifications, expertise, material business interests and brief profiles on pages 35 to 37 and 144 and 145.

Related party transactions on pages 274 and 275.

Membership on Board Subcommittees on pages 35 to 37.

Attendance at Board and Board Subcommittee meetings on page 69.



### Appraisal of Chief Executive Officer/ General Manager

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

This includes short, medium and long-term objectives which are determined at the beginning of the year, and necessitates the CEO having a clear understanding of the expectations required from him. The new General Manager of BoC has been apprised of the expected results for the Bank for 2018, at the time of reporting.

Evaluation is carried out annually.



### Remuneration Procedure

Directors' remuneration is decided on in accordance with circulars and letters issued by the Government of Sri Lanka through the relevant Ministry and Bank of Ceylon Ordinance and its amendments and incorporated into the Directors' Remuneration Policy. The Bank has reviewed the Remuneration Policy during the year under review.

No Director is involved in determining his/her remuneration. The Board Human Resources and Remuneration Committee makes recommendations to the Board regarding the remuneration of the General Manager and Key Management Personnel, which are reviewed every three years. The Board approved Remuneration Policy for Key Management Personnel is in place. Based on these recommendations, the Board makes recommendations to the subject Minister who grants final approval in accordance with the provisions of the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments.



### Communication with Shareholders

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



### Major and Material Transactions

While the Corporate Plan is a cornerstone of the operations of the Bank, future strategies are mapped out taking into account opportunities, risks, trends and gaps within the framework of the plan.

The short, medium and long-term goals are laid down in the Corporate Plan. Major transactions that have impacted and may impact the Bank in the future are disclosed in:

Chairman's Message on pages 13 and 14.

General Manager's Review on pages 21 and 22.

Outgoing General Manager's Message on page 17 to 19.

How We Create Value on pages 94 to 136.



### Financial Reporting

All information in this Annual Report has been collated, analysed, presented and evaluated as far as possible, to ensure transparency, clarity, accuracy, completeness and accountability.

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



### Audit Committee and Internal Control

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

The scope of the Board Audit Committee includes responsibility for financial reporting, internal controls, internal audit and external audit. The Terms of Reference for the Board Audit Committee have been drawn up to be aligned with the Code of Best Practice on Corporate Governance. The Committee assures the effectiveness of financial controls, integrity of the Bank's assets, and the accuracy of Bank's Financial Reports. Reviews of the internal control systems are conducted periodically by the Internal Audit Department and reported regularly to the Board Audit Committee.



### Code of Business Conduct and Ethics

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

The Nomination and Corporate Governance Committee of the Board is responsible for reviewing the Codes. A strong culture of integrity, eschewing bribery and corruption prevails in the Bank. A number of mechanisms are in place to swiftly identify and deal with any possible infringements. All officers are required to submit an assets and liability declaration annually to the Human Resource Department while all Directors are required to submit the same to the relevant Ministry. Transparent procurement procedures are also in place to safeguard against any malpractices. A policy of Whistleblowing is in place covering procedure for the receipt, retention and treatment of complaints.



### Corporate Governance Disclosures

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

This is described in the Corporate Governance Section of this Report from pages 62 to 69.

Compliance with the "Code of Best Practice on Corporate Governance 2013" issued by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka is given on pages 65 to 68.

Compliance with the Banking Act Direction No. 11 of 2007 on Corporate Governance is given on pages 304 to 323.



### Sustainability Reporting

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

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

## Board Subcommittees

Four Board Subcommittees have been established to assist the Board in its duties. This has been done in compliance with the governance codes and best practice. The duties and responsibilities of the subcommittees are clearly laid down, in written terms of reference, in such a manner as to ensure that adequate attention has been given to certain key areas. The terms of reference are subject to annual review to ensure that any changes in the environment that impact them are taken care of. Thereby

continued effective control and monitoring of the Bank's operations is ensured, contributing to its long-term sustainability.

Report of the Audit Committee is given on pages 70 to 73.

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

Report of the Integrated Risk Management Committee (IRMC) is given on pages 74 and 75.

Report of the Human Resources and Remuneration Committee (HRRC) is given on page 76.

## Regular Meetings

The Board of Directors meets every fortnight as a routine, in addition to which special meetings are held when the need arises. During the year, 28 Board meetings, inclusive of special meetings, were held. Details of meetings of the Board and Board Subcommittees, specifying attendance by each Board Director are given below:

## Attendance of Directors at Board and Subcommittee Meetings for the year 2017

### Board and Subcommittee Meetings for the year 2017

Name of the Director	Board	Audit Committee	HRRC	IRMC	NCGC
Mr Ronald C Perera PC – Chairman	28	N/A	3	N/A	3
Mr Sajith R Attygalle – Ex-Officio Director	24	6	1	–	–
Mr Ranel T Wijesinha – Director	27	10	N/A	N/A	N/A
Mr Charitha N Wijewardane – Director (Resigned on 21 July 2017)	15	6	1	4	N/A
Mr Sanjaya Padmaperuma – Director (Resigned on 30 June 2017)	10	2	N/A	3	1
Mr H P Ajith Gunawardana – Director	27	N/A	3	5	3
Mr Mano Sekaram – Director (Appointed w.e.f. 6 July 2017) (Resigned on 8 September 2017)	3	N/A	N/A	N/A	N/A
Mr Samantha Rajapaksa – Director (Appointed w.e.f. 25 July 2017)	13	3	N/A	1	N/A
Mr Mohan Wijesinghe – Director (Appointed w.e.f. 24 November 2017)	1	N/A	N/A	N/A	N/A
<b>Total number of meetings conducted</b>	<b>28</b>	<b>11</b>	<b>3</b>	<b>5</b>	<b>3</b>



## Board Subcommittee Reports

### Audit Committee Report

#### Chairman's Statement

##### Audit Committee Charter

The Terms of Reference of the Audit Committee are governed by the Audit Committee Charter, approved and adopted by the Board. Bank of Ceylon specific and banking sector related developments are taken into consideration in the regular reviews of the Audit Committee Charter which was last reviewed in year 2017. The Committee also ensures that the scope and coverage of its functions addresses the requirements of the Banking Act Direction No. 11 of 2007 on "Corporate Governance for Licensed Commercial Banks in Sri Lanka" and its subsequent amendments issued by the Central Bank of Sri Lanka.

##### Principal Focus

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

##### Medium of Reporting

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

##### Composition

During the year under review the Audit Committee comprised the following Non-Executive Directors:

###### Mr Ranel T Wijesinha

Chairman,  
Independent Non-Executive Director

###### Mr Sajith R Attygalle

Member,  
Non-Executive Ex-officio Director

###### Mr Samantha Rajapaksa

Member, Independent Non-Executive Director (w.e.f. 11 August 2017)

###### Mr Sanjaya Padmaperuma

Member, Independent Non-Executive Director (From 5 November 2015 to 30 June 2017)

###### Mr Charitha N Wijewardane

Member, Independent Non-Executive Director (From 5 November 2015 to 21 July 2017)

The members of the Committee possess the requisite financial acumen, experience, competencies, backgrounds and the appropriate levels of independence to be members of this Committee. The detailed profiles of members of the Committee appear on pages 35 to 37.

##### Secretary to the Audit Committee

The Secretary, Bank of Ceylon/Secretary to the Board who is an Attorney-at-Law and a Deputy General Manager, functions as the Secretary to the Committee.

##### Committee Meetings and Interaction with External Auditors

The Committee met on eleven occasions during the year under review. The frequency and the duration of the meetings enabled the Committee to fulfil its responsibilities effectively. The attendance of the Committee members is provided in the table on page 69.

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 the Management's cooperation with the External Audit conducted by Messrs KPMG, Chartered Accountants, and to enhance the independence of the External Audit, the Chairman of the Audit Committee, communicated with the Senior Partners in charge of the Audit, as and when the need arose, in addition to the regular meetings of the Committee. This facilitated better understanding of key issues and areas of concern and paved the way for effective deliberations

and proper guidance during the meetings. The Committee met the External Auditors prior to finalisation of the year-end audit without the presence of the General Manager and other members of the management, in order to determine whether there were any restrictions to the scope of the audit and received confirmation that there were none.

##### Participation at Meetings

The following management personnel attended each Audit Committee meeting:

- Chief Internal Auditor
- Chief Risk Officer
- Compliance Officer
- Assistant General Manager (Province/Branch and Credit Audit)
- Assistant General Manager (Investigations)
- Assistant General Manager (Information Systems Audit)
- Assistant General Manager (Risk Management)
- Internal Auditor
- IT Risk Officer
- Representatives of the Auditor General (the External Auditor of the Bank) and Partners and Managers of Messrs KPMG, Chartered Accountants.
- Partners and Managers of Messrs Ernst & Young, Chartered Accountants, who were the External Auditors appointed by the Auditor General for the year ended 31 December 2016 also attended a few meetings of the Audit Committee during the year under review as a follow-up to the audit.

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

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

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

- Deputy General Manager (Product and Banking Development)
- Deputy General Manager (Corporate and Offshore Banking)
- Deputy General Manager (Sales and Channel Management)
- Deputy General Manager (Recovery)
- Deputy General Manager (International, Treasury and Investment)
- Deputy General Manager (Retail Banking)
- Deputy General Manager (Support Services)
- Deputy General Manager (Human Resources)
- Chief Legal Officer
- Head of Information Technology
- Head of Technology Transformation
- Further, the Chairman held separate one-on-one and group meetings with the General Manager, Chief Financial Officer, Chief Internal Auditor, Chief Risk Officer, Chief Legal Officer and other senior managers.

## Activities Performed in Year 2017

### Financial Reporting

- Reviewed the monthly, quarterly and annual unaudited/audited Financial Statements to ensure that they are prepared and published in accordance with the requirements prescribed by the supervisory and regulatory authorities and applicable Accounting Standards.
- Prior to the release of quarterly financial statements, an analytical review is conducted of the overall performance of the Bank and performance of the business units in relation to budgets, annual strategic plans, the banking industry and competitive environment.
- The above strengthened the robustness of reviews, leading to enhanced reliability of financial statements, as well as providing inputs for ongoing and future strategic plans.
- Reviewed significant judgements, estimates and conclusions on the loan loss provisions, relating to individually significant loans and the adequacy of collective impairment allowances on other loans.

### Regulatory Compliance

- Continuously monitored and responded to the changing regulatory environment locally and internationally particularly in the countries in which the Bank operates.
- Reviewed compliance with mandatory banking and other statutory requirements.
- Reviewed the progress of action taken in relation to the findings of the statutory examinations carried out by regulators.
- Reviewed the Internal Capital Adequacy and Capital Augmentation Plan and implementation thereof.

- Reviewed and continued to support the initiatives and action plans designed to progress towards the implementation of Basel III and SLFRS 9.
- Reviewed compliance with Anti-money laundering, countering terrorist financing, and customer due diligence processes.
- Reviewed measures of stress testing against key variables.
- Reviewed the exposure to Government/private sector, to economic sectors, sub-sectors and borrowers and followed up on the implementation of appropriate risk minimisation and mitigation measures.

### Internal Controls

- On a regular monthly basis and when specific events or cases warranted, continued to conduct root cause analysis and to make improvements to the systems, procedures and internal controls.
- On an ongoing basis reviewed and strengthened the credit/project evaluation processes adopted by the Bank.
- Assigned special tasks to the Chief Internal Auditor and the Chief Risk Officer on account of key areas of exposure or vulnerability and in respect of risk minimisation and mitigation measures therefor.
- Continuously strengthened the oversight over, and monitoring of debt service by customers of concern and designed measures to prevent/pre-empt potential loan losses.
- Formed a cell consisting of relevant management personnel to ensure compliance with caveats and conditions by borrowers in furtherance of the above oversight function.
- Reviewed the role of the Chief Risk Officer with a view to strengthening his independent role with specific reference to credit evaluation.

- Continued to guide and assist the Human Resource Department to design and implement skill enhancement and capacity building measures for staff engaged in credit evaluation and monitoring and obtained feedback on the programmes.
- Continued to review and strengthen procedures and strategies of the Recovery Department.
- Reviewed pending litigations on a monthly basis.
- Reviewed the existing procurement procedure to ensure required compliance.

The Statement by the Directors, on Internal Control and the Auditor General's Report thereon, is provided on pages 146 to 147. 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

### Internal Audit

- Reviewed the independence, objectivity, and performance of the internal audit function as well as the adequacy of the Department's resources, with particular reference to the three main units -
  - Province/Branch and Credit Audit
  - Information Systems Audit
  - Investigations
- Reviewed the Internal Audit Policy of Overseas Branches and the audits carried out based on the policy.
- Reviewed the effectiveness of the implementation of the Internal Audit Plan 2017.
- Reviewed significant internal audit findings and management's responses thereto, with a view to taking timely corrective action.

- Carried out an awareness programme on the Forensic Audit Unit to be established to enhance capabilities in prevention, detection and investigation of frauds and irregularities.
- 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 with special emphasis on investigation staff.
- Recommended the adoption of the Internal Audit Plan for the year 2018.

### External Audit

The external audit is carried out by the Auditor General in terms of the Constitution of the country. The Auditor General appointed Messrs KPMG, Chartered Accountants, to assist in the audit for the year 2017.

The Committee;

- Reviewed and followed up on audit issues identified by the previous Auditors appointed by the Auditor General, Messrs Ernst & Young, Chartered Accountants pertaining to the audit for the year 2016.
- 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 2016, the Management Letter, and the management's responses thereto and followed up on corrective measures taken by the Bank.
- Reviewed and discussed the key reports from the Auditor General's Department and action was initiated where deemed necessary.
- Reviewed the effectiveness of the external audit process carried out by Messrs KPMG Chartered Accountants, during the year and addressed the

following at Committee meetings and at special meetings convened by the Chairman of the Committee;

- Audit Plan of 2017 submitted by Messrs KPMG, Chartered Accountants for the audit of the Consolidated Financial Statements of Bank of Ceylon and its Subsidiaries for the year ended 31 December 2017.
- The technical skills and industry experience of the audit team.
- The effectiveness of the interaction and relationship between the Bank's management and the external audit team.
- Timely submission of required information.
- Feedback from the management on the effectiveness of the audit processes relevant to their operational areas.
- Interim and final audit issues identified by the Auditors pertaining to the Audit for the year 2017.

### Supervision and Audit of Subsidiaries and Associates of Bank of Ceylon

- Reviewed the "Subsidiaries Management Charter" which oversees the monitoring and oversight over subsidiaries and strengthened procedures connected therewith.
- Strengthened accountability and oversight over subsidiaries and associates of the Bank.
- Reviewed the audits carried out on subsidiaries in terms of the policy on the internal audit of subsidiaries.

### Cyber Security

- Engaged in regular dialogue with Management personnel in charge of Information Technology and the manner in which the Bank manages cyber security risks.

## Special Initiatives

- In order to develop solutions for potential challenges arising from the implementation of Basel III, initiated discussion sessions with the participation of Messrs Ernst & Young, Chartered Accountants where officials of the regulators, the Central Bank of Sri Lanka and the Securities and Exchange Commission of Sri Lanka were invited.
- Guided the office of the Chief Internal Auditor to train operational staff of the Bank on the importance of the Internal Controls to prevent and pre-empt frauds. Over 3,000 officers were trained islandwide under this programme.

## Governance

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

- Banking Act Direction No. 11 of 2007 on “Corporate Governance for Licensed Commercial Banks in Sri Lanka” and subsequent amendments thereto.
- The Listing Rules of the Colombo Stock Exchange.
- The Code of Best Practices on Corporate Governance 2013 issued jointly by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka (Code of Best Practice).
- Reviewed the Policy of Conflict of Interest of Directors to ensure that the policy is up to date.

Initiated a review of the Bank of Ceylon Ordinance in order to develop recommendations to the Government of Sri Lanka for amendments to the Ordinance in order to respond more effectively to the entity specific and banking sector specific governance requirements, strategic direction and related challenges.

The Annual Corporate Governance Report for 2017 is provided on pages 62 to 69.

## Procedure for Complaints – Whistle-Blowing Policy

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

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

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

## Committee Evaluation

An annual evaluation of the effectiveness of the Committee is conducted and results are communicated to the Board. In addition, the Audit Committee is evaluated at Board level through the Board evaluation process.



**Ranel T Wijesinha**  
Chairman

Audit Committee  
27 March 2018

# Integrated Risk Management Committee Report

## Chairman's Statement

### Role of the Committee

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

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

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

### Composition and Quorum

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

- **Mr Charitha N Wijewardane**  
Chairman, Independent Non-Executive Director – served on the Committee until 21 July 2017.
- **Mr Sanjaya Padmaperuma**  
Member, Independent Non-Executive Director – served on the Committee until 30 June 2017.
- **Mr H P Ajith Gunawardana**  
Member, Independent Non-Executive Director
- **Mr Samantha Rajapaksa**  
Chairman, Independent Non-Executive Director – serves on the Committee from 28 September 2017.
- **Mr Sajith R Attygalle**  
Member, Non-Independent Non-Executive Ex-Officio Director – serves on the Committee from 28 September 2017.

Permanent management representatives on the Committee –

- General Manager
- Chief Risk Officer

Brief profiles of the Directors who are members of this Committee are given on pages 35 to 37 of this Annual Report.

The quorum of the Committee is two members.

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

### Meetings and Activities

The Committee met five times during the year under review. The attendance of Committee members at each of these meetings is given in the table on page 69 of this Annual Report.

Activities carried out by the Committee during the year under review in discharging its responsibilities are summarised below:

- Reviewed and/or recommended the following policies based on which the risk profile of the Bank is assessed:
  - a. Credit Risk Management Policy
  - b. Market Risk Management Policy
  - c. Operational Risk Management Policy
  - d. Stress Testing Policy
  - e. Anti-Money Laundering/ Compliance Policy
  - f. Liquidity Risk Management Policy
  - g. Foreign Exchange Risk Management Policy
  - h. Loan Review Mechanism Policy
  - i. Credit Portfolio Management Policy
  - j. Risk Based Approach (RBA) for the prevention of Money Laundering and Combating Financing of Terrorism (CFT)
  - k. Policy on Prevention of Trade Based Money Laundering and Terrorist Financing (TBML/TF)
  - l. Policy on Prevention of Money Laundering (ML) and Combating Financing of Terrorism (CFT) for Seychelles Branch
  - m. Operational Risk Policy for Chennai Branch
  - n. Prevention of Money Laundering and Combating Terrorist Financing Policy for Chennai Branch
  - o. Fraud Risk Management Policy 2017
  - p. Compliance Policy for Seychelles Branch
  - q. Business Continuity Management Policy (BCMP) (to be in a par with the international guidelines on BCMP, Central Bank of Sri Lanka guidelines, IS Policy and International Standard No. ISO 22301)
- Reviewed and improved the Terms of Reference of the Integrated Risk Management Committee Charter.



- The Independent Integrated Risk Management Division of the Bank assessed the risks of the Bank on a monthly basis and summary reports were submitted before the Committee. The Committee reviewed them and submitted its recommendation to the Board immediately through minutes of the meeting and specific recommendations.
- Risk Appetite and Limit Setting for 2017 was established.
- Monitored quantitative and qualitative risks which have gone beyond the limits and made the necessary recommendations.
- Followed-up on the implementation of the Integrated Risk Management software (risk management system for managing credit, operational, and market risks), Asset and Liability Management System, Enterprise Wide Fraud Management Software and Anti Money Laundering Software Solution.
- Recommended the adoption of the revised Internal Capital Adequacy Assessment Process (ICAAP) for the year 2017.
- Recommended the adoption of the revised Internal Capital Adequacy Assessment Process (ICAAP) for Chennai Branch.
- Reviewed the comprehensive Compliance Reports submitted by the Compliance Officer.
- Improved the Risk Management Dash Board to support the subsidiaries to manage the risk functions better. Also a team from the Risk Management Division has been created to assist subsidiaries in their risk matters.
- Evaluated and monitored subsidiary Risk Management Dash Boards and made the necessary recommendations to overcome various risks faced by the subsidiaries.
- Monitored Key Risk Indicators in the Branch network, critical businesses and support divisions.
- Recommended the adoption of the revised Business Continuity Plan 2017/18.
- Reviewed the stress testing results on a quarterly basis.
- Special emphasis was placed on IT Risk and associated Cyber Security and initiated and followed-up on various measures to safeguard the Bank from Cyberattacks. (such as the IT Security Network Infrastructure of the Bank, the Enterprise Immune System etc.)
- Recommended the appointment of a new Assistant IT Risk Officer which was implemented and presently following up on the appointment of a Chief Information Security Officer to manage IT risk related issues.
- Monitoring the finalisation process of the new Data Centre.
- Presently following up on the proposed fully-fledged Disaster Recovery (DR) site.
- Monitored the progress of the Vulnerability Assessment Report findings and the issues identified during the penetration test carried out.
- Reviewed the Compliance/Anti-Money Laundering (AML) and Combatting Terrorist Financing (CTF) status of the subsidiaries of Bank of Ceylon.
- Finalising the Dividend Policy of the Bank.
- Presently monitoring to ensure that all modules in the core-banking system have been utilised.
- Following up on the Revised Policy on Prevention of Money Laundering and Combating Financing of Terrorism of Malé Branch which is being revamped to address the recommendations of the Maldives Monetary Authority.
- Monitored the maintenance of the minimum Capital Adequacy Ratio as per Basel III guidelines for Licensed Commercial Banks in order to ensure compliance with Direction No. 1 of 2016 issued by the Central Bank of Sri Lanka.
- Followed up on the replacing of outdated applications with new hardware and software applications in the Bank.
- Adoption of the risk management frameworks for Chennai, Seychelles and Malé Branches.

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

## Conclusion

The members of the Integrated Risk Management Committee having evaluated its performance for the year 2017 have concluded that its performance is satisfactory and the risk exposures of the Bank are being effectively managed.

The Committee continually reviews the various risks encountered by the Bank and strives to promote a robust risk governance framework, a well-developed and explicit risk management policy covering determination of risk appetite, application of up-to-date methodologies for measuring financial risks, developing in-house expertise and ensuring that risk reporting accurately communicates risk exposures and results of stress tests or scenario analyses, data analytics and peer bank analysis.

The Committee also continues to be vigilant and recognises that its degree of attentiveness has to be further improved to fine tune its risk combat strategy with the advancement of technology, increased vulnerability with macroeconomic shocks and volatility and as banking frauds and cyber crimes begin to pose a greater challenge.

The Committee wishes to thank Mr Charitha N Wijewardena and Mr Sanjaya Padmaperuma who were Chairman and Member respectively of the Committee for their valuable contributions made to the Committee.

On behalf of the Integrated Risk Management Committee,



**Samantha Rajapaksa**  
Chairman

Integrated Risk Management Committee

27 March 2018  
Colombo



# Human Resources and Remuneration Committee Report

## Chairman's Statement

### Role of the Committee

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

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

### Composition and Quorum

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

- **Mr H P Ajith Gunawardana**  
Chairman, Independent  
Non-Executive Director
- **Mr Ronald C Perera PC**  
Member, Independent  
Non-Executive Director
- **Mr Sajith R Attygalle**  
Member, Non-Executive  
Ex Officio Director
- **Mr Charitha N Wijewardane**  
Member, Independent  
Non-Executive Director  
(from 5 November 2015 to 21 July 2017)

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

### Meetings and Activities

The Committee has met thrice during the year under review. The attendance of members at meetings is given on page 69. All minutes of the Committee meetings are tabled and ratified at meetings of the Board and approval of the Board thus is obtained for implementation of the recommendations made by the Committee. Follow-up action is taken on outstanding matters.

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

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

The remuneration of employees is revised once in three years, with the approval of the Ministry, whose purview the Bank comes under as per the provisions of the Bank of Ceylon Ordinance. The next salary revision is due in year 2018 covering the three-year period 2018 to 2020.

Major activities of the Committee for the year 2017 were as follows:

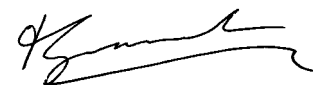
- Reviewed and recommended the Remuneration Policy of the Chairman and Directors of Bank of Ceylon.

- Recommended the Promotion Policy and Schemes for the promotion of Multi Duty Assistants to the grade of Chief Manager.
- Reviewed the training needs of the Bank and made the necessary recommendations.
- The Committee evaluated the performance of the DGMs. Performance of the Assistant General Managers are evaluated through the evaluation carried out on them by their superiors, viz DGMs.
- Revised/revisited the Human Resource and Remuneration Committee Charter.
- Revisited the Exit Interview Policy of the Bank.
- Revised the Human Resource Policy of the Bank.
- Revised the dealing allowance for dealers attached to the Treasury Division.
- Followed up on the decisions pending implementation.
- The Committee evaluated its performance for the year 2017 as per the Committee's Charter and is satisfied that it has fulfilled its obligations as required.

### Conclusion

The Committee shall continue to assist the Board of Directors in matters coming under its purview. It shall focus especially in exercising due care and diligence and application of skills in the formulation of policies and their amendments and in general decision-making with regard to human capital and remuneration matters.

On behalf of the Human Resource and Remuneration Committee,



**H P Ajith Gunawardana**  
Chairman

Human Resources and  
Remuneration Committee

27 March 2018  
Colombo

# Nomination and Corporate Governance Committee Report

## Chairman's Statement

### Role of the Committee

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

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

### The Composition of the Committee

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

- **Mr Ronald C Perera PC**  
Chairman, Independent Non-Executive Director
- **Mr Sanjaya Padmaperuma**  
Member, Independent Non-Executive Director – served on the Committee until 30 June 2017.

- **Mr H P Ajith Gunawardana**  
Member, Independent Non-Executive Director
- **Mr Sajith R Attygalle**  
Member, Non-Independent Non-Executive Ex-Officio Director – serves on the Committee from 28 September 2017.

Brief profiles of the Directors who are members of this Committee are given on pages 35 to 37 of this Annual Report.

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

### Meetings

The Committee met three times during the year under review. The attendance of the committee members at each of these meetings is given in the table on page 69 of this Annual Report.

### Reporting to the Board

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

### 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 is 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 during the Year Under Review

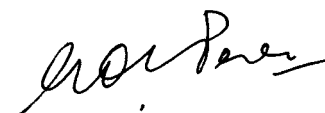
- Reviewed and recommended the following:
  - The Board Charter
  - The Code of Ethics for Directors
  - The Code of Ethics of the employees
  - The Communication Policy of the Bank
  - The Succession Plan for Corporate Management and Executive Management (KMP)
- Reviewed and recommended the adoption of the position descriptions of KMPs.
- Ensured that KMPs are fit and proper persons to hold their offices when officers were promoted or appointed as KMPs.
- Reviewed the process of self-evaluation carried out by the Directors.
- Evaluated the performance of the Committee.

### Conclusion

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

The Committee wishes to thank Mr Sanjaya Padmaperuma for the valuable contributions made by him as a Member of this Committee.

On behalf of the Nomination and Corporate Governance Committee,



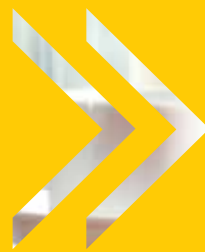
**Ronald C Perera PC**  
Chairman  
Nomination and Corporate Governance Committee

27 March 2018  
Colombo



# **Digitisation**

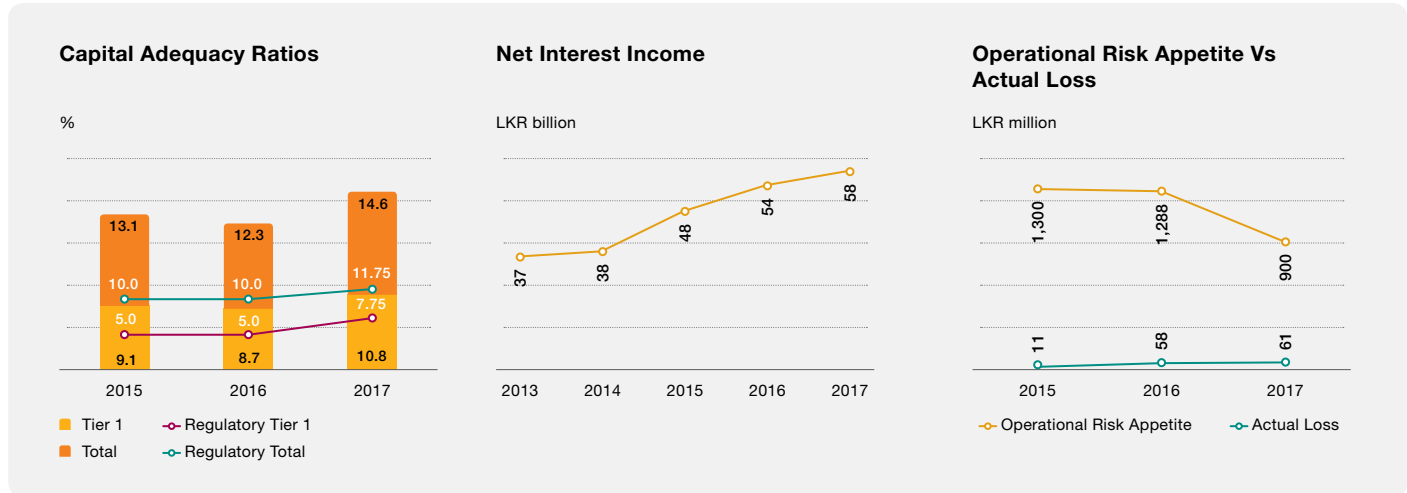
**It's the new technological platform that is revolutionising the way we do almost everything... including banking. It is a technology and indeed a way of life that the Bank has readily embraced and will leverage more...it is key to the highway of the future!**





# Risk Management

## Key Risk Indicators



Risk is inherent in a bank given the nature of banking operations. Prudent management of risk is therefore, imperative to manage the security and stability. To be effective, this needs to be done within a defined framework with clearly defined systems and procedures. The risk management framework of BoC is proactively focused to identify and manage such risk backed by prudent allocation of capital. A rigorous risk governance structure and risk appetites

are laid down by the Management and approved by the Board of Directors; it is implemented through a system involving management committees and Board subcommittees.

The vision, mission, strategies and goals of the Bank are the bedrock which decides the risk philosophy of the Bank. The risk appetite, which is the degree of risk the Bank is willing to take has been defined. A rigid quantitative framework

with monitoring and control policies is in place to proactively identify and manage risks. Our risk management policies and procedures are clearly communicated throughout the Bank, which is necessary to ensure that they are successfully implemented. All internal stakeholders have been made aware of the need to balance risk and return. This risk return trade-off has to be managed within defined risk limits.

### Governance Structure



Organisational arrangements have been made to strengthen the risk management function of the Bank. The Chief Risk Officer heads the Independent Integrated Risk Management Division (IIRMD) under the supervision of the Integrated Risk Management Committee (IRMC) which is a Board Subcommittee. Thus, the IIRMD is independent of the revenue generating Strategic Business Units (SBUs) which guarantees that it is organisationally well-placed to perform its functions.

### Bank's Risk Profile

Since lending is the major component of the balance sheet, the highest capital charge has been allocated to credit risk. In terms of capital allocation, market risk is comparatively low compared with credit risk and operational risk. BoC's risk profile for the past three years is given below:

	2017 LKR million	2016 LKR million	2015 LKR million
Available capital	125,460	104,858	92,245
Credit risk	89,818	73,482	59,816
Market risk	922	1,987	2,529
Operational risk	10,270	9,504	8,242
Total capital usage	101,010	90,437	70,588
Additional regulatory buffer*	9,671	9,559	-
Free capital available for expansion	14,778	5,015	21,657
Credit risk/Total RWA	89%	86%	85%
Market risk/Total RWA	1%	2%	4%
Operational risk/Total RWA	10%	11%	12%
RWA/Total assets	44%	51%	45%

\*Regulatory buffer required by Basel III guidelines as at 1 July 2017 (In 2016, difference between 10.625% and 11.75% and in 2017, difference between 11.75% and 12.875%).

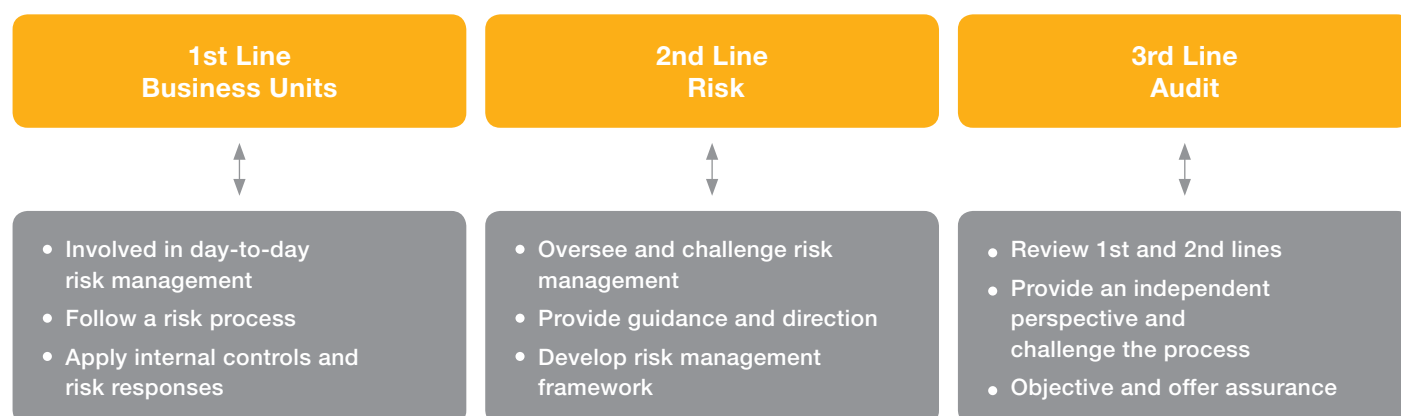
### Risk Culture

Having a comprehensive risk culture throughout the Bank has become a necessity in the banking landscape today. The Board and the senior management's guidance are paramount in inculcating the risk culture among our staff. This includes awareness of the risk return trade-off as well as the management of all aspects of risk and capital. Risks are assumed within a defined risk appetite and approved within a defined risk management framework, which takes return into account. Risks have to be continually monitored and managed as their complexion could change rapidly for example due to changes in market or industry conditions.

In order to inculcate a deeply rooted risk culture in the Bank IIRMD has taken steps to educate the new recruits and also continuously update the knowledge of the existing staff in the area of evolving risk management. We strive to solicit the participation of all employees in the management of risk, and they are encouraged to escalate risk concerns when appropriate.

### Three Lines of Defence

The Bank has a well-structured risk management model which is based on three lines of defence which are independent of each other. Each line of defence is executed by different organisational units. The first line of defence consists of the business divisions and support units from whose activities the risks arise. IIRMD being the second line of defence develops frameworks, policies, procedures and establishes risk appetite. Periodical stress testing and continuous monitoring are also an integral part of the second line of defence. The third is the Audit and Compliance functions which offer an independent oversight.





### Risk Management Process

The probability of occurrence of negative events and the potential cost of such negative events demands a well-established risk management process in place. Our risk management process consists of identifying, measuring, monitoring, mitigating and reporting of risks. A set of internal controls have been developed to manage the material risks of the business.

Risk strategy is defined based on the strategic business plan and the Board-approved risk appetite and capital plan align risk, capital and performance targets of the Bank annually. It will need to strike a balance between risk, profitability and availability of capital. The risk management process has to address diverse types of risk such as credit risk, market risk, operational risk, reputational risk and strategic risk individually and holistically. Quantifying risks and the resulting capital requirements are carried out through quantitative models and tools developed by the IIRMD. The Bank conducts periodic stress tests to evaluate the Bank's resilience under unfavourable scenarios which are bank and macro specific. The stress tests focus on all material risks such as credit, market, operational and liquidity. The results of such tests are escalated to the management and the Board for their vigilance of possible threats.

The degrees of risk that the Bank is willing to take are spelt out in detail in the risk appetite statement, which is approved by the Board. This in turn is governed by the risk appetite framework, which is a broad articulation of the Bank's risk culture, also approved by the Board and the senior management which is aligned with the goals and strategies of the Bank. Thresholds and limits, which maybe qualitative or quantitative, for various types of risks act as a control mechanism. Policies, procedures and controls operationalise the risk management process. The thresholds and limits are further divided into strategic (organisation-wide) level and business (by division or product) level. Higher level risk limits are cascaded down to a more granular level and are operationalised through organisational structure frameworks.

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

To ensure that the thresholds emanating from risk appetite are fully risk sensitive to individual risk drivers as well as portfolio effects, we have adopted capital as our primary metric.

### Internal Capital Adequacy Assessment Process (ICAAP)

The purpose of the ICAAP is to identify and assess the risks the Bank is exposed to ascertain how the Bank is mitigating these risks and how much capital is necessary for the smooth implementation of its strategic business plans. The ICAAP is an integral part of the management and decision-making culture of the Bank. The risks identified must be quantified by translating these into capital requirements. The Bank has identified: credit, market, operational, liquidity, interest rate risk on banking book, reputational, compliance, credit concentration and strategic risk on both the Bank and the Group basis for the purpose of ICAAP.



ICAAP is a strategically forward looking process which includes the following:

- Assess and forecast capital needs based on business plans and statutory requirements. In this year the implications of Basel III made a major impact especially by way of increased capital and liquidity requirements.
- A strategic planning process which aligns risk strategy and appetite with business objectives. A balanced capital and stress testing framework which includes specific stress tests to underpin business strategies.
- Headroom assessment in terms of available capital and contingency plans.

## Stress Testing

Stress testing is a process of simulating financial consequences under unfavourable macroeconomic circumstances or other exceptional, but plausible events. Through this we can gauge the ability of the Bank to withstand such situations. Stress testing promotes awareness of risk among all who are involved in its management and control. In addition, it promotes capital and liquidity planning and facilitates business decision-making.

## Stress Testing Process

The Board is primarily responsible for effective stress testing within the Bank. The results of stress tests are also conveyed to senior management, IRMC and the Board. It facilitates setting of risk limits, allocation of capital for different risks, managing of risk exposures and formulation of contingency plans for adverse situations. The Bank's Stress Test is conducted according to the Board approved Stress Testing policy. Testing has been made more stringent in view of the increasing volatility of the macroeconomic environment and group-wide stress testing too has been included. Highly vulnerable portfolios are being stressed on a daily basis and results are escalated to the senior management.

Implementation of Stress Testing Programme:

Activity	Description
Risk assessment	The ICAAP Steering Committee is responsible for the identification of material risks for the Bank.
Stress testing plan	Stress tests are conducted on regular as well as ad hoc basis. The regular stress testing is carried out according to the Board-approved stress testing policy and ad hoc stress testing is done as and when the situation demands.
Design sensitivity tests, scenario framework and macroeconomic factors	ICAAP Steering Committee in consultation with the research, finance and business departments develop sensitivity tests for the individual risks, integrated scenarios and macroeconomic scenarios for conducting stress testing.
Identification of risk drivers	Based on the identified material risks, drivers are identified which would lead to the eventual impact.
Measuring results	The impact of risk drivers are identified on: <ul style="list-style-type: none"> <li>• Capital</li> <li>• Liquidity</li> <li>• Profitability</li> </ul>
Implementation of stress testing programme	On completion of the above activities, the scenarios/sensitivity tests are deployed by ICAAP Steering Committee to get the relevant outputs for the various material risks identified.
Aggregation of results	The results of the stress testing programme would be aggregated across risk categories.
Review and reporting of results	The results of stress testing are presented to the IRMC for review and approval, based on which the management action plans would be finalised.
Application in management decision-making	The stress testing results would be used for the following management level decision points: <ul style="list-style-type: none"> <li>• Risk Appetite Planning</li> <li>• Capital Planning</li> <li>• Liquidity Management</li> </ul>

## Credit Risk Management

Credit risk is the possibility that the counterparty to a credit transaction will fail to meet his obligations in accordance with the agreed terms. This may take the form of delay in payment or complete default. The credit risk arising from the Bank's lending and investment activities accounts for approximately 80% of total risk weighted assets of the Bank. Credit risk is managed at transaction level and portfolio level covering the default risk and the concentration risk of the counterparties, business sectors or geographical region.

The Bank has an extremely large and diverse customer base encompassing individuals, microenterprises, SMEs,

large corporates and the state covering Sri Lanka as well as overseas locations. The Bank has to manage the credit risk within acceptable limits within each customer group. Initiatives are ongoing to bring risk sensitivity to lending decisions by deciding the return based on the perceived risk.

## Credit Risk Governance

The credit risk governance establishes the responsibility and approach through which the Board of Directors and senior management govern its business and the related credit risk management issues. An effective governance framework ensures the independence of the credit risk management function from the

personnel managing the credit origination and administration. Through an effective Board-approved risk governance framework the Bank seeks to ensure adequate risk oversight, monitoring and reporting of credit risk.

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

The responsibilities of the Committee are as follows:

- Formulating, reviewing and implementing credit risk appetite and ensuring actual risks taken are within the risk appetite; also monitors risk concentrations.
- Ensuring regulatory compliance in the Bank's risk policies and guidelines.
- Approves credit up to the authorised limit for the Committee and makes appropriate recommendations to the Board when Board approval is needed.
- Periodic monitoring of credit limits.

Credit risk management policies provides the guidelines for management of credit both at the level of the individual borrower and at the portfolio level. This

is essential to ensure adherence to the regulatory requirement and prudent practices given the complexity of the Bank's operations and the diversity of its portfolio and clientele.

Policies relating to the management i.e., Risk Rating Policy, Portfolio Management Policy were reviewed in the context of changing environment.

Credit risk management function is structured to ensure its independence from the business units.

Credit appraisal standards, processes and principles are consistently applied in corporate segment and retail segment.

### Identification, Assessment and Monitoring

Loan origination process comprises initial screening and credit appraisal which focuses on the borrower's ability to meet its obligations in a timely manner.

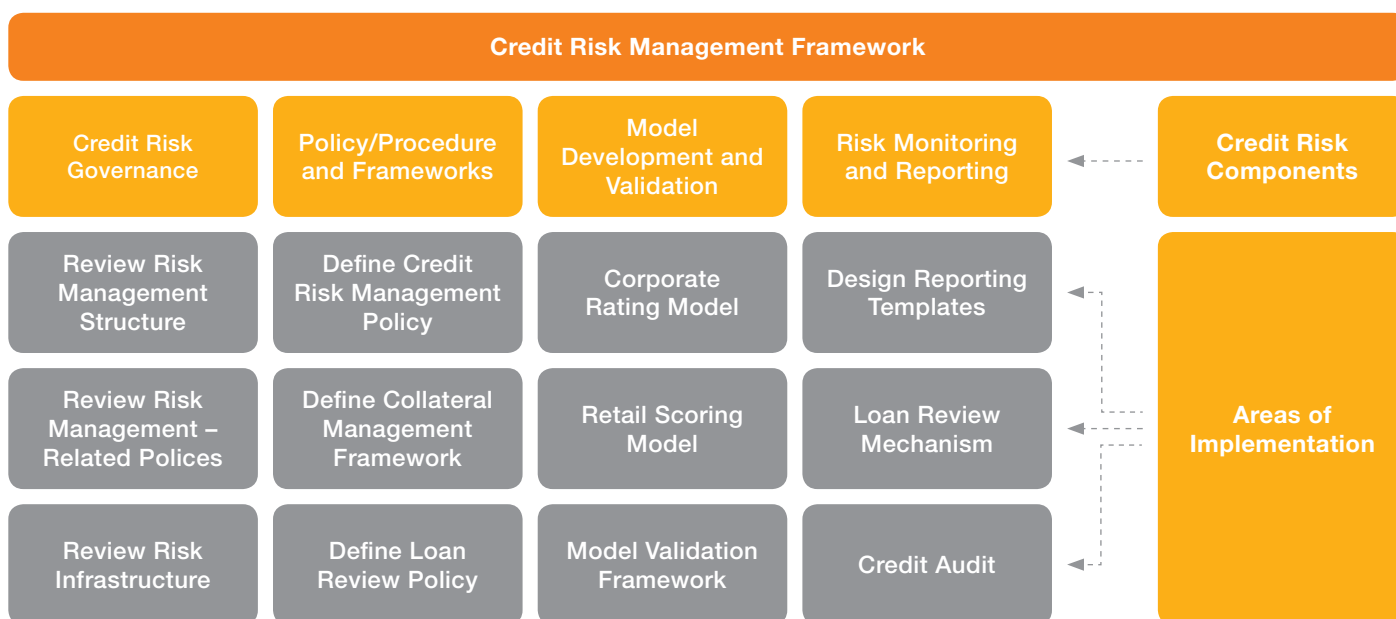
The Bank has established clear guidelines for loan approvals which requires every new credit, extension and any material change to the existing credit facilities to be subject to the approval of the appropriate delegated authority level.

Procedures are in place to review the credit facilities beyond a minimum threshold independently by the CRO.

An effective credit rating can measure risk accurately and can be used in decision-making process. Rating models are a key input how the credit risk in portfolios is managed, measured and monitored.

The Bank uses a range of credit risk rating models across the corporate and mid corporate portfolio covering the different industries the customers are in. Retail exposures are managed through retail score cards.

Mechanisms are also in place to reduce credit losses and increase recoveries. Post-sanctioning review of large exposures is carried out at intervals by the Credit Quality Assurance Unit at IIRMD. IIMRD tracks the health of the credit portfolio on an ongoing basis and issues early warning signals in case of possibility of a borrower defaulting. Credit Risk Management Reports are produced and presented to the Credit Committee and the IRMC periodically, to ascertain performance and safeguard against portfolio concentration.



## Collateral Management

Collateral is a security provided on behalf of a borrower as a safeguard against a possible default. It may take the form of an asset or a third party obligation such as a guarantee. While collateral can mitigate risks it does not eliminate the need to maintain high quality lending standards.

Bank seeks to have in place legally effective and enforceable documentation

for realisable and measurable collateral assets which are evaluated regularly.

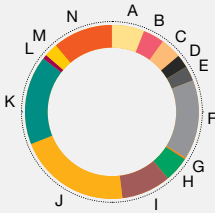
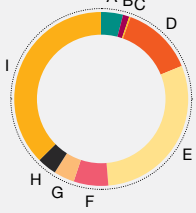
## Concentration Risk

Concentration of borrowers by any criterion always poses increased risks whether it is by industry, product, geography, sector, and collateral nature. The Bank measures credit risk on a portfolio basis to reduce the concentration risk and limits are laid

down at different levels – individual, borrower group and industry. The Bank’s extremely wide-spread of customers helps it to minimise concentration while ensuring that the Bank generates adequate income from its loan portfolio. Bank uses analytical tools to quantify the concentration risk and significant concentrations are reported to the Credit Committee, IRMC and the Board for review.

## Credit Risk Indicators

Risk Factor	Risk Indicator	Remarks																						
<p><b>Default Risk</b> Risk that a borrower or counterparty is unable to meet its commitments</p>	<p><b>NPA Ratio</b></p> <table border="1"> <caption>NPA Ratio (%)</caption> <thead> <tr> <th>Year</th> <th>NPA Ratio (%)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>4.30</td> </tr> <tr> <td>2016</td> <td>2.88</td> </tr> <tr> <td>2017</td> <td>2.85</td> </tr> </tbody> </table>	Year	NPA Ratio (%)	2015	4.30	2016	2.88	2017	2.85	<p>Bank was able to keep the NPA ratio same as previous year despite the challenges encountered.</p>														
Year	NPA Ratio (%)																							
2015	4.30																							
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<p><b>Concentration Risk</b> Concentration risk in credit portfolios arises due to an uneven distribution of loans to individuals, industry sector or geographical regions.</p>	<p><b>Concentration by Industry Sector – 2017</b></p> <table border="1"> <thead> <tr> <th>Industry Sector</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>A – Agriculture and Fisheries</td> <td>4.7%</td> </tr> <tr> <td>B – Banks, Financial, Insurance, and Business Services</td> <td>3.5%</td> </tr> <tr> <td>C – Hotels, Travels, and Services</td> <td>2.8%</td> </tr> <tr> <td>D – Housing, Construction, and Infrastructure</td> <td>13.6%</td> </tr> <tr> <td>E – Manufacturing</td> <td>3.7%</td> </tr> <tr> <td>F – Commercial Trade</td> <td>10.9%</td> </tr> <tr> <td>G – Sovereign and Direct Government</td> <td>37.4%</td> </tr> <tr> <td>H – Transportation and Logistics Services</td> <td>4.6%</td> </tr> <tr> <td>I – Other Commercial Services</td> <td>1.6%</td> </tr> <tr> <td>J – Consumption and other</td> <td>17.2%</td> </tr> </tbody> </table>	Industry Sector	Percentage	A – Agriculture and Fisheries	4.7%	B – Banks, Financial, Insurance, and Business Services	3.5%	C – Hotels, Travels, and Services	2.8%	D – Housing, Construction, and Infrastructure	13.6%	E – Manufacturing	3.7%	F – Commercial Trade	10.9%	G – Sovereign and Direct Government	37.4%	H – Transportation and Logistics Services	4.6%	I – Other Commercial Services	1.6%	J – Consumption and other	17.2%	<p>Sector exposures are within the risk appetite limits.</p>
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	<p><b>Product Wise Concentration – 2017</b></p>  <table border="1"> <tr><td>A – Trade Finance</td><td>6.0%</td><td>I – Foreign Currency Loans</td><td>9.1%</td></tr> <tr><td>B – Ran Surakum</td><td>4.0%</td><td>J – Term Loans</td><td>21.0%</td></tr> <tr><td>C – Leasing</td><td>4.0%</td><td>K – BoC Personal Loans</td><td>16.5%</td></tr> <tr><td>D – Staff Loans</td><td>2.3%</td><td>L – Pledge Loans</td><td>0.9%</td></tr> <tr><td>E – Loans under Schemes</td><td>2.8%</td><td>M – Money Market Loans</td><td>2.5%</td></tr> <tr><td>F – Overdrafts</td><td>14.8%</td><td>N – Loans Others</td><td>11.1%</td></tr> <tr><td>G – Credit Cards</td><td>0.3%</td><td></td><td></td></tr> <tr><td>H – Housing Loans</td><td>4.7%</td><td></td><td></td></tr> </table>	A – Trade Finance	6.0%	I – Foreign Currency Loans	9.1%	B – Ran Surakum	4.0%	J – Term Loans	21.0%	C – Leasing	4.0%	K – BoC Personal Loans	16.5%	D – Staff Loans	2.3%	L – Pledge Loans	0.9%	E – Loans under Schemes	2.8%	M – Money Market Loans	2.5%	F – Overdrafts	14.8%	N – Loans Others	11.1%	G – Credit Cards	0.3%			H – Housing Loans	4.7%			Bank's loan portfolio is well diversified among the products.
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## Market Risk

Market risk is defined as changes in the market value of our trading positions or obligations. The causes can be fluctuations in interest rates, exchange rates, commodity prices or equity prices. The main objective of market risk management is to optimise the risk reward relationship without exposing the Bank to unacceptable losses.

## Market Risk Governance

The core of the market risk governance is laid down in the updated Market Risk Management Policy which is in line with Basel accords and CBSL regulations and also; should be read along with regularly updated other policies covering

asset and liability management, foreign exchange risk, liquidity risk, limit management framework and middle office operations manual.

These policies provide guidance on:

- Establishing and maintaining a robust structure for managing market risk.
- Efficiently and effectively monitoring treasury operations.
- Establishing appropriate risk limiting thresholds for treasury operations.
- Foreseeing and managing potential impacts from changes in the operating environment.

There are a variety of market risks that can arise, both of a trading and non-trading nature.

- Trading risks can arise due to price fluctuations in items such as foreign currencies and securities.
- Trading default risks arise from counterparties defaulting on their commitments.
- Non-trading market risks arise from items such as market movement in the banking books and off-balance sheet items.

The Asset and Liability Management Committee (ALCO) plays a key role in managing market risk and is chaired by the General Manager and comprises key corporate management members. The Committee manages market risks by monitoring advances, deposits and investment portfolios and recommending corrective actions. The important

functions of the Committee are managing interest rates, liquidity position and balancing assets and liability mismatches.

The middle office function plays a key role in monitoring market risk and is guided by a comprehensive framework of limits stated in the limit management framework and middle office operation manual approved by the Board.

### Identification, Assessment and Monitoring

Several metrics have been developed for measuring market risks in adherence with both internal and regulatory requirements. Value at Risk (VaR), Price Value for Basis Point (PVBP), Duration, Stress Testing, Gap Analysis and Sensitivity Analysis are the mostly used instruments for managing market risk at the level of the overall portfolio. VaR is a quantitative measure of possibility of market fluctuations calculated within

a 99% confidence level. Currently the Bank uses a historical method for VaR calculation, with the calculation being done separately for each portfolio. PVBP measures the fluctuation of the price of a security for one basis point change in yield. Stress testing for market risk is carried out on a daily basis.

Market risk unit monitors Board-approved limits on daily basis and limit exceptions are escalated to ALCO, IRMC and the Board periodically.

## Market Risk Indicators

Factor	Description	Remarks
<b>Foreign Exchange Risk</b>	<p><b>Forex Open Position</b></p> <p>USD million</p> <p>Jan. Feb. Mar. Apr. May Jun. Jul. Aug. Sep. Oct. Nov. Dec.</p> <p>Amount Risk Appetite</p>	Forex open position of the Bank was well within the Risk Appetite limit throughout the year.
<b>Interest Rate Risk</b>	<p><b>Duration</b></p> <p>Years</p> <p>Jan. Feb. Mar. Apr. May Jun. Jul. Aug. Sep. Oct. Nov. Dec.</p> <p>HFT Bonds HTM Bonds</p>	The duration of the portfolios is monitored regularly to assess sensitivity of prices to interest rate changes.



Factor	Description	Remarks
Equity Price Risk	<p><b>Equity VaR</b></p> <p>LKR million</p> <p>350 280 210 140 70 0</p> <p>Jan. Feb. Mar. Apr. May Jun. Jul. Aug. Sep. Oct. Nov. Dec.</p> <p>— VaR (LKR) — Risk Appetite</p>	Equity VaR position of the Bank was well within the Risk Appetite throughout the year.

### Liquidity Risk Management

Liquidity risk is the risk arising from potential inability to meet payment obligations when they are due or only being able to do so at excessive costs. Liquidity risk often arises from the fact that receivables and payables have different time frames. The Bank has a Liquidity Risk Management Framework in place to ensure that the Bank can meet its payment obligations in a timely manner and do so within the defined risk appetite. ALCO, is tasked with managing liquidity position of the Bank. The Board approves the liquidity strategy of the Bank and the risk appetite based on the recommendations made by the IIRMD, ALCO and IRMC.

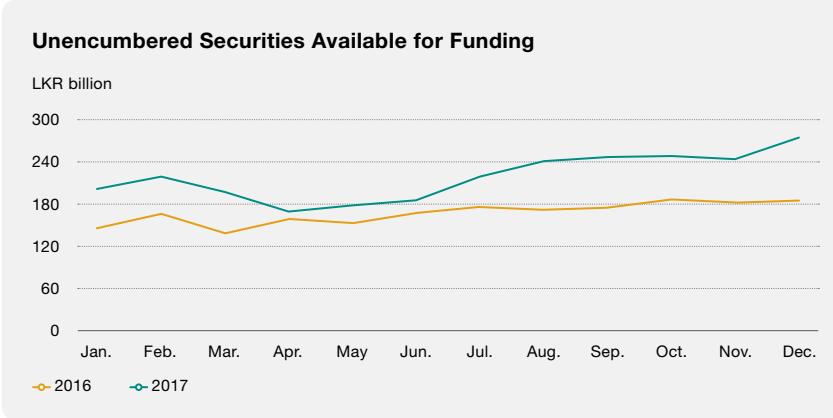
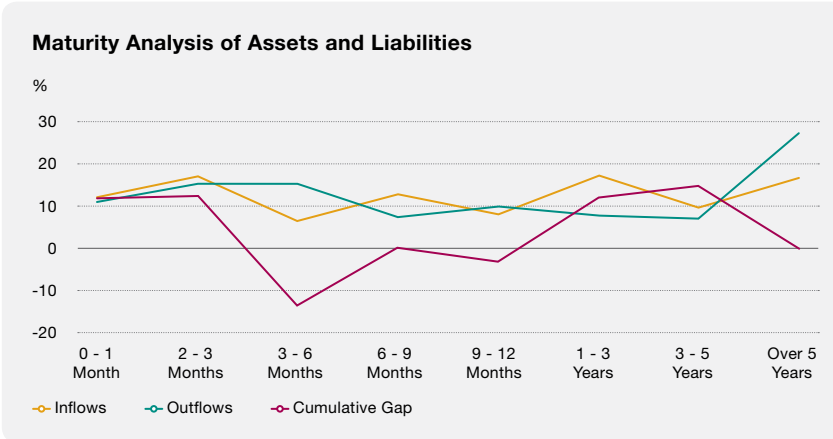
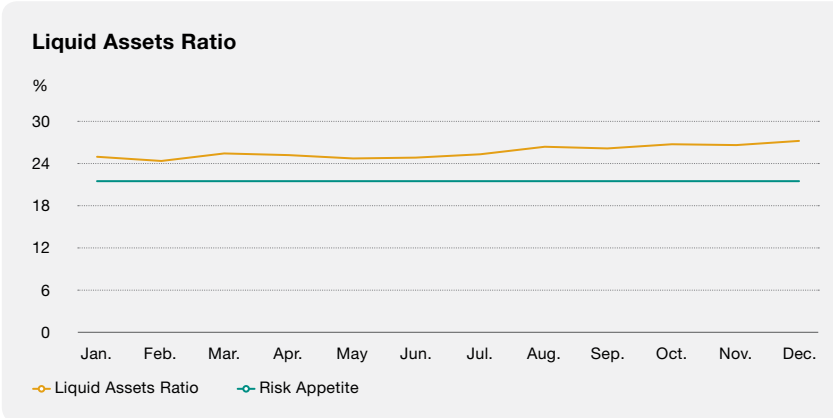
The Bank’s liquidity management strategies are articulated in its Liquidity Management policy and Asset and Liability Management Policy. These policies describe a range of possible strategies to manage liquidity. These include maintaining a substantial percentage of assets in a liquid form, the capacity to borrow from money markets as well as certain other strategies to improve liquidity.

### Identification, Assessment and Monitoring

The primary tool to identify liquidity risk is the Maturity Gap of Assets and Liabilities Statement. This analyses the temporal gap between receivables and payables under both normal and adverse scenarios.

The Bank strives to minimise liquidity risk by building a diversified funding base across different market segments and both local and overseas. Similarly the deposit base is diversified across individuals, SMEs, corporates, and Governments. The Bank should be able to cope with crisis situations such as excessive credit growth, unexpected rollovers, defaults of large credit exposures and unexpected withdrawals of deposits. Contingency plans are in place to handle such situations. Stress testing is used to gauge the severity of impact of such events and develop mitigating strategies.

## Liquidity Risk Indicators

Risk Factor	Risk Indicators	Remarks
<p><b>Liquidity Risk</b></p>	<p><b>Unencumbered Securities Available for Funding</b></p>  <p><b>Maturity Analysis of Assets and Liabilities</b></p>  <p><b>Liquid Assets Ratio</b></p> 	<p>Unencumbered securities available for funding have improved in 2017 indicating a comfortable liquidity position.</p> <p>Cumulative positive gap is maintained up to three months by the Bank.</p> <p>Liquid Assets Ratio of the Bank was well within the risk appetite throughout the year.</p>

Risk Factor	Risk Indicators	Remarks																																							
	<p><b>Liquidity Coverage Ratio</b></p> <p>The chart displays the Liquidity Coverage Ratio (LCR) as a percentage over a 12-month period. The Y-axis ranges from 0 to 125% in increments of 25%. The X-axis lists the months from Jan. to Dec. A horizontal teal line represents the Risk Appetite at approximately 85%. The LCR, shown as an orange line with diamond markers, starts at 100% in Jan., dips to about 90% in Feb., reaches a low of approximately 85% in Apr., then rises to about 110% in Jun., stays around 105% in Jul., peaks at about 115% in Aug., and ends at 100% in Dec. The LCR remains consistently above the Risk Appetite line throughout the year.</p> <table border="1"> <caption>Liquidity Coverage Ratio Data</caption> <thead> <tr> <th>Month</th> <th>Liquidity Coverage Ratio (%)</th> <th>Risk Appetite (%)</th> </tr> </thead> <tbody> <tr><td>Jan.</td><td>100</td><td>85</td></tr> <tr><td>Feb.</td><td>95</td><td>85</td></tr> <tr><td>Mar.</td><td>90</td><td>85</td></tr> <tr><td>Apr.</td><td>85</td><td>85</td></tr> <tr><td>May</td><td>95</td><td>85</td></tr> <tr><td>Jun.</td><td>110</td><td>85</td></tr> <tr><td>Jul.</td><td>105</td><td>85</td></tr> <tr><td>Aug.</td><td>115</td><td>85</td></tr> <tr><td>Sep.</td><td>105</td><td>85</td></tr> <tr><td>Oct.</td><td>100</td><td>85</td></tr> <tr><td>Nov.</td><td>105</td><td>85</td></tr> <tr><td>Dec.</td><td>100</td><td>85</td></tr> </tbody> </table>	Month	Liquidity Coverage Ratio (%)	Risk Appetite (%)	Jan.	100	85	Feb.	95	85	Mar.	90	85	Apr.	85	85	May	95	85	Jun.	110	85	Jul.	105	85	Aug.	115	85	Sep.	105	85	Oct.	100	85	Nov.	105	85	Dec.	100	85	<p>Liquidity Coverage Ratio of the Bank was well within the risk appetite throughout the year.</p>
Month	Liquidity Coverage Ratio (%)	Risk Appetite (%)																																							
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## Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk. Operational risk that originates from both business and support units of the Bank are managed within the set risk appetite through a well-defined internal control system. The Bank has aligned its operational risk management with the three lines of defence model. At the second line, IIRMD is responsible for laying down the Operational Risk Management Framework and overall risk appetite and is also responsible for crafting a macro level control structure. All the business and support units are expected to adhere to such control structure as risk is encountered and primarily managed by the first liners. Audit and compliance as the third line of defence play their role by validating effectiveness of structures and controls in place.

Fraud Risk Management Policy and IT Risk Management Policy define the entire operational risk management governance of the Bank. Operational Risk Management Executive Committee (ORMEC) and Fraud Risk Management Committee supported by IIRMD which are headed by the Chief Risk Officer, are responsible for identifying operational risk, formulating operational risk management policies, evaluating results and recommending changes when appropriate. IIRMD oversees the implementation of the Business Continuity Plan where Chief Risk Officer is the Co-chairman of the Business Continuity Coordinating Committee. Responsibility of the Bank's overall information security lies with the Corporate Information Security Committee in which Chief Risk Officer is a member. All new product initiatives are also evaluated from a risk perspective. This is done through IIRMD being represented in all new product initiative committees.

Self-Assessments (RCSA), internal loss data collection and analysis, root cause analysis and lessons learnt exercises. The possible impacts of major external events are carefully analysed to ascertain what risks they may pose to the Bank and what mitigating action may be needed. KRIs are proactive tools that identify risks in advance for key decision-makers to take corrective action. RCSA is the process of identifying, recording and assessing potential risks and related controls. IIRMD conducts RCSA in critical business and support units periodically to assess risks.

Loss data collection and analysis collects data regarding actual losses on an ongoing basis with inputs from all business and support units. The reports produced by this process are then reviewed and evaluated; any lacunae identified are reported by IIRMD to ORMEC, the IRMC and the Board which then take decisions on any actions needed.

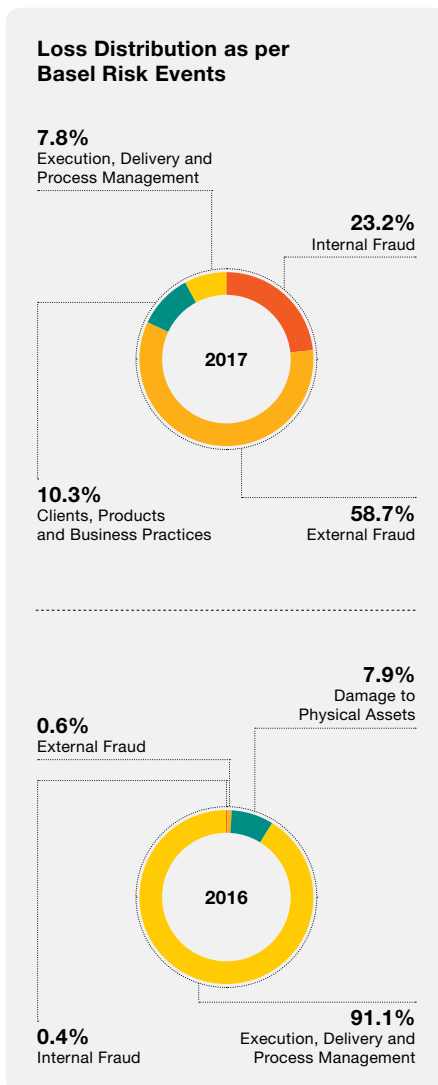
## Operational Risk Governance

The overall responsibility for the governance of operational risk lies with the Board of Directors and the Senior Management. The Board-approved Operational Risk Management Policy,

## Identification, Assessment and Monitoring

Well-tested techniques are used to identify, assess and monitor operational risks. These include Key Risk Indicators (KRIs), Risk and Control

Through an active lessons learnt process, IIRMD has taken the initiative to promptly alert the relevant business and support units including the branch network of any near misses, threats from external environment in order to strengthen internal controls.



## Control and Mitigation

A robust internal control framework which spells out segregation of duties, streamlined reporting channels, clearly defined business continuity management are some salient features of operational risk management framework. Insurance instruments are used as a risk transfer strategy to mitigate high severity non controllable risks. The Bank annually reviews and updates its insurance to cover such identified risks adequately.

The Business Continuity Management Policy stipulates that all critical business and supporting units have developed

their own business continuity plans. During the year two test runs were successfully completed and results were reported to the appropriate authorities. To make the Bank resilient to any possible disasters a fully-equipped Disaster Recovery Centre has been established outside Colombo city limit to facilitate continuity of operations.

Today's banking landscape encounters significant legal risks due to increased customer demands and complex business model. To address this risk component IIRMD assesses legal risk in consultation with the Legal Division, which is integrated to the Bank's annual ICAAP.

## Strategic Risk

Strategic risk may arise from flaws in the Bank's strategy formulation and decision-making process. In a rapidly changing environment speedy decisions need to be made regarding products, services, resource allocation and communication channels among a host of other subjects. Inability to swiftly respond to such needs has the potential to pose threats to profitability and liquidity. The Bank's strategic direction is laid down in the corporate plan and there is a process in place to verify alignment of actual performance with the plan. Bank uses a scorecard based approach in its ICAAP to assess strategic risk.

## Reputation Risk

In BoC's 78-year history, reputation has remained unscarred, prompting high regard and confidence among all stakeholders. BoC has maintained top of mind recall in the minds of all stakeholders due to its pioneering stance, financial stability and insistent compliance. Unprecedented awards the Bank receives year on year vouch for the continued and solid reputation it has built over years. However, in both local and global ever challenging and volatile scenario it is understood that reputation can at any given time be subject to risk.

Hence we recognise that identifying risk factors that could damage 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. Managing reputation risk is an organisation wide effort. BoC therefore, is highly committed to promote a good corporate governance culture and best practices in risk management throughout the Bank.

## Compliance Risk

Compliance risk is the consequences that may follow from non-compliance with laws, regulations, guidelines, or rules of conduct of regulatory authorities. This could also extend to self-regulated standards of practice of the banking industry.

Compliance laws and regulations cover matters such as market conduct, conflicts of interest, equitable treatment of customers and customer relations. They also include safeguards against malpractices such as money laundering and terrorist financing.

The Bank has a governance structure, systems and procedures in place to address compliance requirements. This compliance framework identifies, assesses and mitigates against risk, identifies and implements controls and takes timely corrective action to prevent instances of non-compliance when there are any signs of deviation. Comprehensive policies are in place for compliance and anti-money laundering/terrorist financing. Compliance requirements are addressed in formulating strategic plans. The fact that we have not been found lacking in adhering to compliance requirements enhances our reputation and builds stakeholder confidence.

The Compliance Function in the Bank has been endowed with sufficient

authority, independence and resources to fulfil its functions effectively. Changing global regulations such as Basel III have increased the demands on the compliance function but it has shown itself capable of handling the additional responsibilities.

One role of the compliance function is to advise the Board and the senior management on the laws, rules and regulations relating to the Bank, the impact of any changes, how such changes should be implemented through internal systems and procedures and the monitoring required to ensure compliance. The Compliance Unit also plays the role of educating the staff on compliance requirements and handling any queries regarding the subject.

The functions of the compliance function includes assessing any proposed new products and services, new business practices, new business or customer relationships from the standpoint of compliance.

An automated Anti-Financial Crime Detection system – AMLOCK facilitates Knowing Your Customer (KYC) and identifying suspicious transactions. Furthermore, an inbuilt system from SWIFT has been installed to screen the outward remittances in real time.

A need was also felt to align the AML/CTF activities of the Bank with the Risk-Based Approach (RBA) of the Financial Intelligence Unit of the Central Bank. To address this need a new comprehensive real-time ALF/CTF system was procured and implemented in the year under review.

The Bank is also a Participating Foreign Financial Institution (PFFI) under the Foreign Account Tax Compliance Act (FATCA) under the Global Intermediary Identification Number (GIIN).

### Compliance – Organisation Structure

The Compliance Function is handled by the Compliance Division which consists of two separate divisions – Regulatory Compliance Unit and Anti-Money Laundering/Combating Terrorism Financing Unit. The Division is headed by a Senior Management Executive, who is designated as the Head of Compliance. The Head of Compliance reports directly to the Board IRMC on changes in the compliance requirements, performance indicators, any possible breaches or warning signals of same, deficiencies in systems and procedures and any necessary corrective action.

### Basel III

The Basel III requirements for capital adequacy came into effect on 1 July 2017. New directions for capital requirements were issued by the Central Bank, and the Bank was proactively preparing for the new requirements from 2016. The Bank has refined the ICAAP to be aligned with the new requirements. The regulatory requirements are phased over three years and the Bank has developed a capital augmentation plan to support capital requirements and adequately cover all risks while promoting buffers. Qualitative impact studies and stress tests are carried out by IIRMD, to strengthen the process of monitoring capital adequacy.

The change also demonstrated the flexibility and resilience of the original Internal Risk Management System to adapt to a major change.





# How We Create Value

## 94 — The Decisive Numbers

Financial Capital

## 100 — Brick and Mortar and Beyond

Manufactured Capital

## 104 — Intangibles that Matter

Intellectual Capital

## 108 — Fostering Mutually Rewarding Relationships

Social and Relationship Capital

## 126 — Leveraging Our Greatest Assets

Human Capital

## 134 — Helping to Preserve the Planet

Natural Capital





# The Decisive Numbers



Cost to Income ratio of

**38%**

PBT of LKR

**30.3 billion**

the highest in the industry

Non-performing Assets

**2.8%**



Loans and advances

**LKR 1.2 trillion**

**16%** ↑

Deposits

**LKR 1.5 trillion**

**23%** ↑

Assets

**LKR 1.9 trillion**

**17%** ↑

ROAE

**20.9%**

ROAA

**1.7%**

Total CAR

**14.6%**

Dividends to the sole shareholder – the Government of Sri Lanka

LKR **12.3 billion**

Dividend payout ratio

**58%**

Contribution to the Government

LKR **28.6 billion**

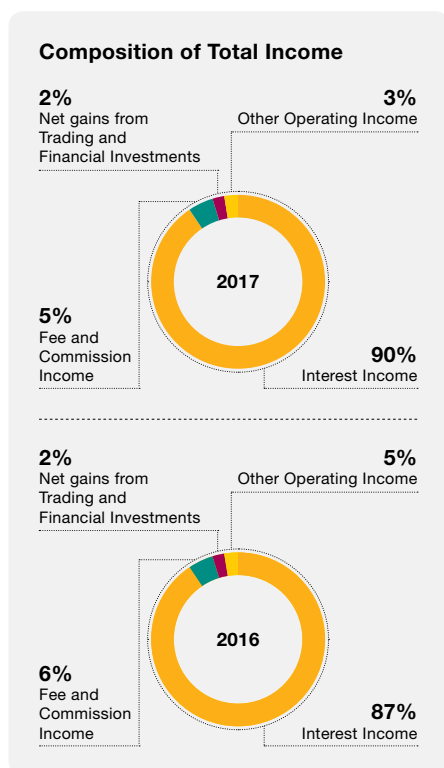
## Financial Capital

Bank of Ceylon, having had a successful record for many years, has now once again closed 2017 on another high note reporting the highest Profit Before Tax (PBT) in the industry. PBT stood at LKR 30.3 billion while Profit After Tax (PAT) stood at LKR 21.3 billion. The Bank has been able to continuously excel in the industry by maintaining its No. 1 position in profit, assets, deposits and loans and advances.

### Return on Financial Capital

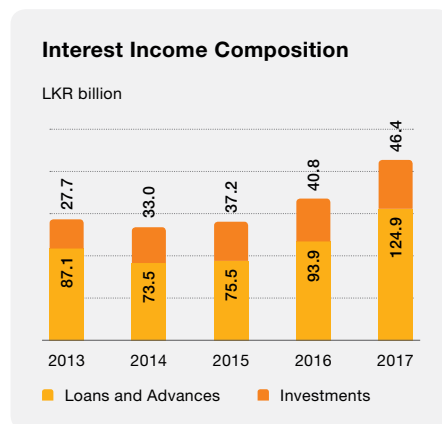
#### Total Income

The Bank's reported total income for the year 2017 stood at LKR 189.2 billion with a 23% growth YoY. Of the total income, 90% was comprised of interest income and 73% of the interest income has been derived through the loans and advances. Fee and commission income and net gains from trading and financial investments contributed 5% and 2% of the total income of the Bank respectively. Other operating income represents 3% of the total revenue.



#### Net Interest Income

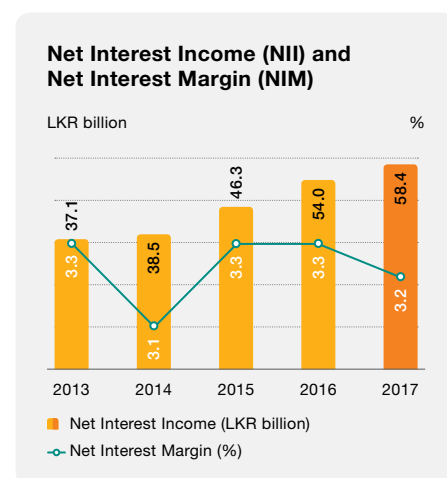
Interest income which is the main source of income of the Bank increased by 27% to LKR 171.3 billion during 2017. High interest rate scenario prevailed during the year consequent to an increase in the policy rates, i.e., Standing Lending Facility Rate (SLFR) and Standing Deposit Facility Rate (SDFR) were increased to 8.75% and 7.25% respectively. Whilst, the increasing trend in market interest rates resulted in an increase in both interest income and interest expenses, the Bank achieved a 8% growth in its net interest income over the previous year. Interest income from loans and advances increased by 33% during the year backed by 16% growth in the loan portfolio. Interest income from investments, which accounted for 27% of the total interest income grew by 14%, mainly backed by interest income from Government Securities.



Due to the higher gap that prevailed between interest rates on time deposits and savings deposits, customers were attracted to time deposits than to low cost savings deposits. Hence, there was a shift in deposits from CASA (Current and Saving deposits in total deposits) to term deposits, the CASA ratio declined further to 37% from 43% in 2016 and 46% in 2015. This increased the interest expense of the Bank to LKR 113.0 billion, resulting in a 40% growth YoY. The composition of the

Bank's interest expense changed slightly during the year due to the repayment of the USD 500 million international bond; mainly as a consequence of this, the borrowing cost of the Bank reduced by 9%.

Despite the considerable increase in interest expense on deposits due to the high interest rate scenario, the Bank was able to manage the Net Interest Margin (NIM) only with a marginal drop from the previous level of 2016 through its continuous monitoring and development plans on its fund management activities.



#### Non-Interest Income

Non-interest income of the Bank is comprised of the fee and commission income, gains derived through trading activities and other operating income which accounted for 10% of total income. During the year, net fee and commission income showed a growth of 1% with the improvement in income from Debit and Credit cards. Net gains from trading increased by 36% compared to previous year, for which growth in foreign exchange income made a significant contribution. Net gains from financial investments grew by 231% in 2017 as a result of increased gains on sale of Government Securities and dividend income for the year.

Other operating income reported a decline of 40% in 2017. However, the decline is only 5% when excluded, LKR 3.1 billion one off gain recorded in the previous year through the disposal of the Associate Company, Mireka Capital Land (Private) Limited.

### Impairment Charges

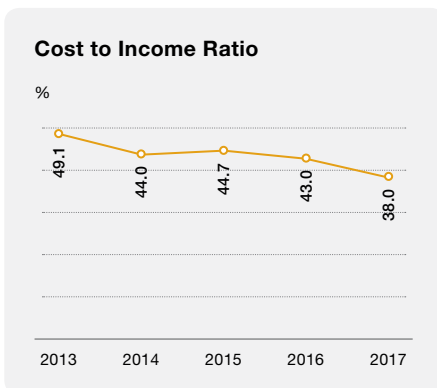
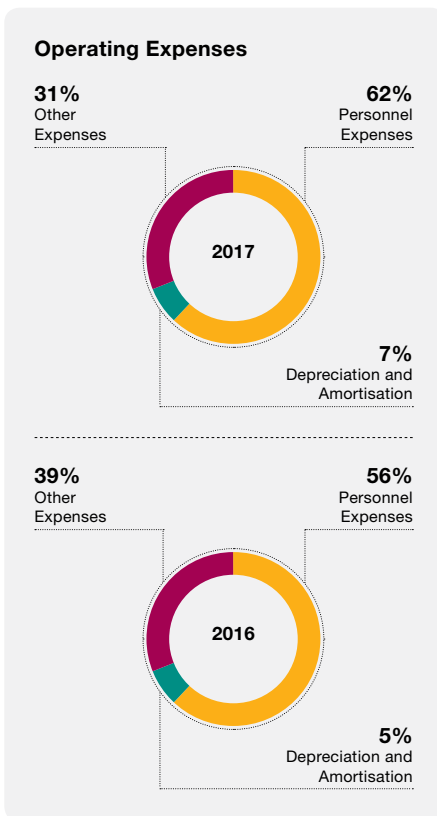
Increase of 112% in total impairment charges is mainly a result of the increase in individual impairment for loans and advances. The Bank now has recognised some individually significant loan customers, who were formerly assessed collectively, under individually assessed category. The increase in individual impairment is largely a result of this and other prudential steps taken in preparation for the new Accounting Standard on Financial Instruments, SLFRS 09 which comes into effect from 2018.

Gross NPA ratio which is calculated as per the regulatory norms stood at 2.8% at the end of 2017 maintaining the NPA ratio at the industry level.

### Operating Expenses

Operating expenses, mainly consisting of personnel expenses and administrative expenses decreased by 9% from the previous year. Expenses on one of the Bank's most valuable capitals i.e., employees amounted to LKR 17.0 billion for the year. Other operating expenses decreased by 21% through the fair value adjustment on gold in hand which amounted to LKR 3.3 billion.

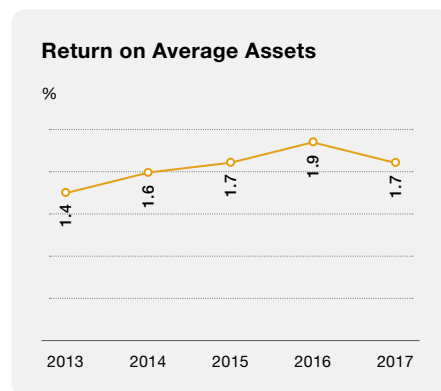
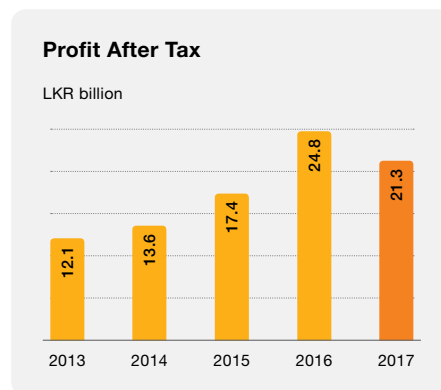
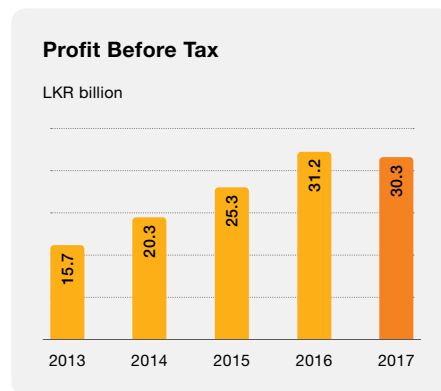
Cost to income ratio reduced during the year from 43% to 38% reflecting the Bank's ability to manage the operating expenses in an effective manner.

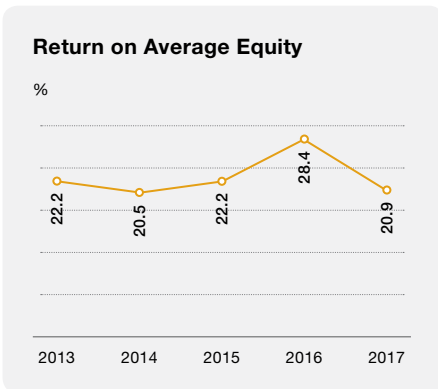


### Profitability

The Bank's strategic priorities were implemented during the year aligning the Bank with new trends in the local and global markets while embedding the latest technology into the Bank's operational activities. In 2017, BoC

continued to maintain its profit impetus at the highest level in the industry by reporting PBT of LKR 30.3 billion. Given this record, the Bank was able to achieve its target for the year, despite the decrease reported in Return on Average Assets (RoAA) and Return on Average Equity (RoAE) consequent to the capital infusion close to year end.





## Assets

The total assets increased to LKR 1.9 trillion from LKR 1.7 trillion with a remarkable growth of 17% in 2017. The Bank has achieved a strong assets base enriched with a healthy loan portfolio and highly secured financial investments that represent more than 90% of total assets.

Loans and advances that represents 60% of the asset base increased by 16% during the period, demonstrating the robustness of the Bank's primary business, the lending.

Bank maintains a diversified investment portfolio to earn capital gains and interest income and it widened with LKR 308.3 billion of held to maturity financial investments and LKR 213.2 billion of loans and receivables financial investments as at end 2017. During the year, financial investments grew by 20% with increased investments in securities purchased under resale agreements (Reverse Repos), Government Treasury Bills and Sri Lanka Development Bonds to sustain the Bank's risk appetite at a lower rate.

## Loans and Advances

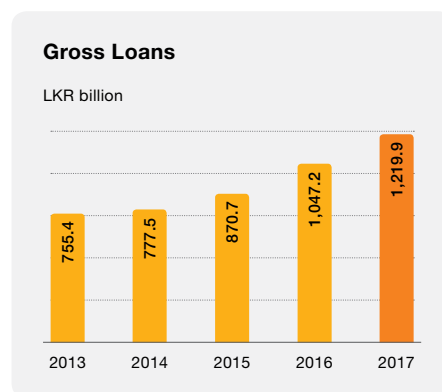
Gross loans and advances reached LKR 1.2 trillion at the end of the year, ensuring growth momentum in the loan book of the Bank. The growth of 16% compared to the previous year is mainly backed by increase in personal loans,

term loans and overdrafts. Enhanced access to credit facilities via different platforms, speedy service via automation of systems and novel changes to the sales culture of the Bank have notably contributed to this achievement.

A cluster of products on loans and advances has been made available by the Bank to cater to the different customer segments in the market. The portfolio presented a healthy balance between private and Government sectors during the year 2017.

During the year, overseas branches also reported a 10% growth in loans and advances to support the growth prospects of the overseas operations of the Bank.

Non-Performing Advances (NPA) ratio has marginally decreased demonstrating enhanced asset quality and sound administration and recovery procedures.

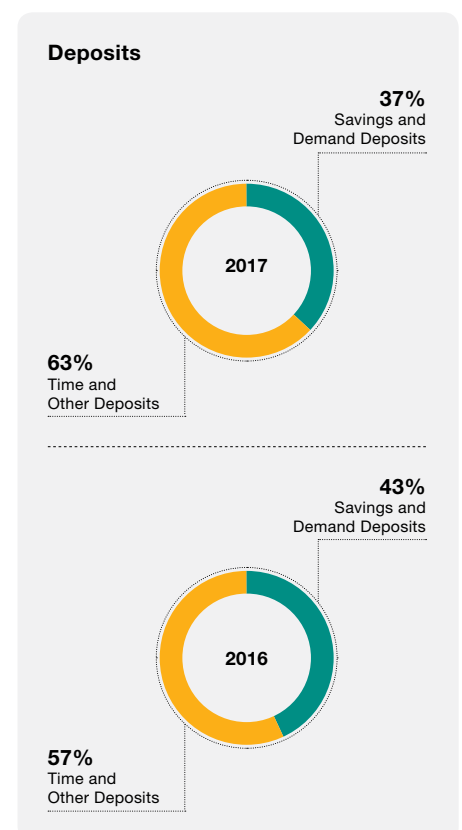


## Deposits

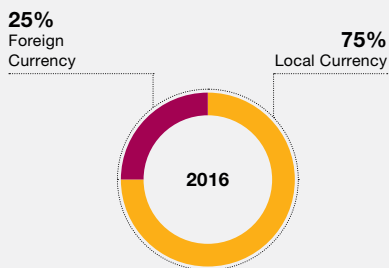
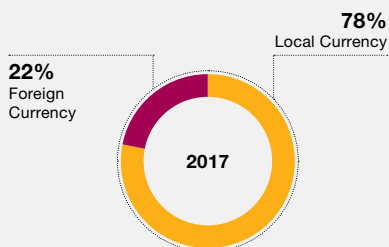
The Bank has retained its market leadership in customer deposits with 20% of market share for the year 2017. Deposit base of the Bank expanded from LKR 1.3 trillion to LKR 1.5 trillion recording an impressive 23% increase YoY. This reflects the success of the endeavours of our sales force, complemented by a customer driven culture with innovative and attractive products, processes and procedures introduced throughout the year.

The total assets increased to LKR 1.9 trillion from LKR 1.7 trillion with a remarkable growth of 17% in 2017. The Bank has achieved a strong assets base enriched with a healthy loan portfolio and highly secured financial investments that represent more than 90% of total assets.

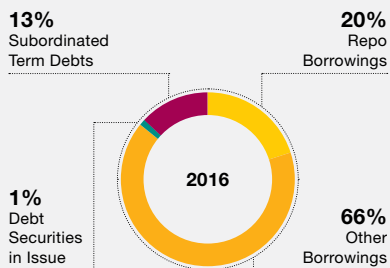
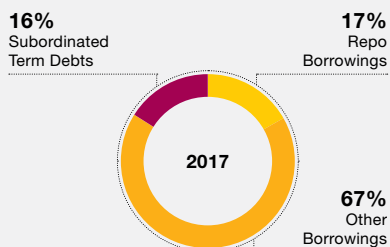
Local currency deposits, which constitute 78% of total deposits, grew by 28% during the year. Both local and foreign currency time deposits grew by LKR 258 billion reporting 36% growth in the wake of the market trend of shifting for high yield time deposits from CASA deposits. As a result, a decrease in CASA ratio can be observed which is in par with industry norms.



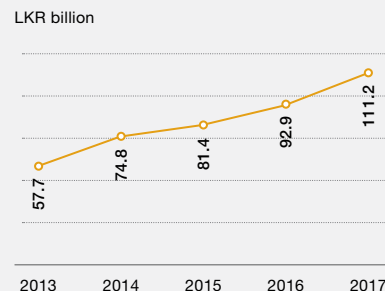
### Deposits (Local Currency vs Foreign Currency)



### Borrowings



### Shareholder's Funds



### Borrowings

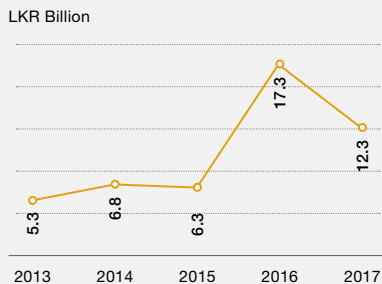
Borrowings comprising subordinated term debts, debt securities issued, REPO borrowings and other borrowings reduced by LKR 31.7 billion during the year. This resulted in a decline of 11% compared to the previous year that came from the drop in REPO borrowings and term borrowings from senior notes.

During the year, the Bank issued LKR 10.0 billion worth of unsecured subordinated redeemable debentures under private placement.

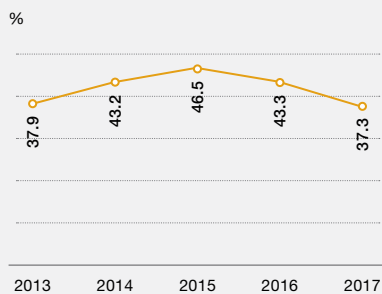
### Dividends

During the year 2017, the Bank paid a dividend of LKR 12.3 billion to its sole shareholder, the Government of Sri Lanka reporting a dividend payout ratio of 58% for the year 2017.

### Dividends Paid



### CASA Ratio



### Shareholders' Funds

An impressive increase of 20% was reported in shareholders' funds which stood at LKR 111.2 billion at the end of the year which was backed by the increase in retained profits and the capital infusion of LKR 5.0 billion to the Bank by the Government of Sri Lanka.

### Capital and Liquidity

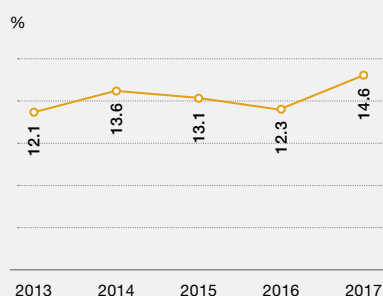
Surpassing regulatory requirements of the Central Bank of Sri Lanka under Basel III, the Bank has been able to meet the capital adequacy and the liquidity norms.

Tier 1 capital adequacy ratio was at 10.8% and Total capital adequacy ratio stood at 14.6% the year end, against the regulatory requirement of 7.75% and 11.75% respectively. Further, the statutory liquid assets ratio remained at 27.2% at the year end whereas the minimum regulatory requirement is 20%.

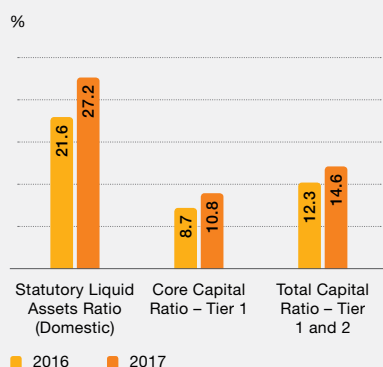
Also during the year, a Liquidity Coverage Ratio (LCR) was newly introduced as a result of Basel III regulations. The Bank has been able to meet this new regulation by reporting LCR for all currency at 105% and LCR (LKR) at 141.5%, which are well above the required number of norm of 80%.

This remarkable achievement in capital adequacy and liquidity reflects the Bank's capability of coping with any stress situation and manage the capital and maintain the resilience of the Bank's balance sheet.

### Total Capital Adequacy Ratio



### Regulatory Requirements



\* 2013 to 2016 figures are based on Basel II guidelines and the 2017 figures are based on Basel III guidelines.

### BoC Group Structure

BoC has ten subsidiary companies and four associate companies that together form the BoC Group. These companies constitute 2% of total Group's assets and have been established over the history of BoC for strategic purposes. Of the ten subsidiary companies, five are fully-owned by BoC.

### Principal Activities

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

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



# Brick and Mortar and Beyond



## Physical Infrastructure

## Digital Infrastructure

**626**

Branches and limited service branches



**15**

SME centres



**02**

Branches on Wheels



**14**

Regional loan centres



**764**  
ATMs



BoC Online Banking



**168**  
CDMs



**B**  
app

Investment for developing physical infrastructure

LKR **1.9 billion**

Investment for developing digital infrastructure

LKR **1.7 billion**

**209**

branches were transformed to modern branches as at end 2017



Introduced Green Building concept to branch network



**20**

branches powered by solar energy as at end 2017

## Manufactured Capital

### Building Resilient Infrastructure, Promoting Inclusive and Sustainable Industrialisation, and fostering Innovation



Our customer interface has been revamped and its reach extended by new ATMs, CDMs and our branch-on-wheels.

- Launched B app for 24 x 365 anytime, anywhere banking
- “Branch-on-wheels” providing financial services to underserved communities

### Our Infrastructure

Manufactured capital consists of our physical branch network and other tangible and intangible items that support our operations such as equipment, IT systems and network. With our long history we possess many assets that are legacy items as well as many that were added relatively recently. With our brick and mortar branches and the digital delivery channels, we boast the widest financial network of the country. As at 31 December 2017, we had 578 branches, 48 limited service branches, two mobile branches, 15 SME centres, 14 RLCs, 764 ATMs and 168 CDMs. Whatever technological developments and innovations take place, “with most of the customers still valuing the human touch”, the brick and mortar facilities and operations continue to be important. With our record and ethos of serving the grass roots and people from all walks of life, our branches are spread all over the island, located from highly developed cities to marginalised rural

hinterlands. The Bank of Ceylon also has the largest ATM and CDM network in the country and during the year, we added 86 ATMs and 45 CDMs. Our widespread network has been and continues to be an invaluable asset especially in the level of convenience it provides to the customers.

The banking model is changing from brick and mortar model to digital era. Hence to cater to the growing segment of millennials among our customers, who are demanding more of the new era banking, during the year we made a huge investment in upgrading our digital infrastructure.

mobile branches to cater to communities who are difficult to reach by traditional modes of banking. These mobile branches were also used in post-disaster situations during the year when physical branches in disaster hit areas were unable to function.

We have also conducted a major renovation of our branches to give them a physical facelift and be more appealing to our customers. During the year we completed transformation in 97 branches. As at 31 December 2017, 209 branches in total have been transformed



“Branch-on-Wheels”

### Upgrading Brick and Mortar

However, we have not forgotten our legacy customers and have been always balancing between digital delivery channels and the brick and mortar branch expansion. During the year we carried out a rationalisation and upgrading of our branch network for better customer service. Accordingly, two branches and one limited service branch were closed and one opened; in addition 19 branches were relocated and 41 branches were upgraded during the year.

Our branches in rural hinterlands cater to hitherto underserved populations and we thereby promote wider financial inclusion. We have also deployed two

and 48 branch transformations were in progress. Also major renovations were done during the year for two branches. The total cost incurred during the year for developing our brick and mortar network was LKR 1.9 billion. This capital is a key driver of our value creation process, as it is indispensable to our customer service, whether the service channels are traditional or those employing cutting edge technologies.

### Digital Transformation

With the move from traditional to digital banking, there have been consequent demands for upgrading our technological infrastructure. This has included upgraded network infrastructure,

ATMs and CDMs with enhanced security and service features. This has greatly increased customer convenience and trust and has helped us retain our No.1 position in the market space. One indication of the pace of change in customer preferences is how swiftly CDMs have become popular in every corner of the country. Our IT hardware and software need to be upgraded regularly to keep up with the ever-increasing needs of internet and mobile banking. Digital channels need to be secure, accessible, user-friendly, reliable and speedy. They also need to scale as transaction volumes increase. Regulatory requirements change and IT systems and procedures need to be modified to cater to the resulting information requirements. This is especially the case with changes to risk management, regulatory reporting requirements and anti-money laundering regulations. The investment in new computer equipment, software and network infrastructure in 2017 was LKR 1.7 billion.

In line with the current trends in the industry we made considerable progress in our digitisation initiatives during the year. Our online banking platform was re-launched with upgrades. The Smart Passbook notched a total of 41,567 registrations. An important development was the launching of our new mobile application “B app”. This app provides customers with a channel to carry out their digital banking operations that is rapid, secure and usable anywhere at any time. The security features of digital channels were also enhanced during the year.

Our ATMs recorded a total of 62.9 million transactions during the year while CDMs recorded 10.9 million hits. The EMV chip card issuing facility was introduced while EMV chip card acceptance facility was implemented for more than 500 ATMs.

In addition cardless utility bill payments and mobile top up facility were enabled in 500 ATMs and 13 CDMs. Further, cash re-cycling facility was also enabled in 13 CDMs.

In developing manufactured capital it is always essential that any new investments in that area be carefully evaluated considering the return they will bring and the time frames involved.

### Impact of Social Media

Global trends such as social media will increasingly shape the banking industry in the future, especially when it comes to communicating with the millennial generation. Social media will increasingly be the preferred channel for communicating with customers. This will bring increasing challenges such as customers’ feedback being instantaneously communicated to a huge group of peers. Intelligent systems will need to be developed to analyse the resulting massive inflow of information.

**The banking model is changing from brick and mortar to digital era. Hence, to cater to the growing segment of millennials among our customers, who are demanding more of the new era banking, during the year we made a huge investment in upgrading our digital infrastructure.**



Customer communication via social media platforms

## Safeguarding Our Physical Assets

We do not neglect the security and safety aspect of our branches. During the year LKR 258 million has been spent for security enhancements of our branch network. The Bank is scrupulously careful in making timely renewal of cash insurance limits and fire insurance policies in each branch and also the Head Office. Every measure has been taken to ensure our network has the highest level of security expected. During the year 2017 we completed CCTV coverage of all branches.

## Greening Our Branch Network

During the year, 14 branches were converted to Solar Energy and total capacity installed in 2017 was 515 kw.

We have been continuing the process of fixing energy efficient lights, changing the architecture of the branches to avoid light losses, using rain water for landscaping in some branches and also installing automation systems for lighting controls. Our Kekirawa branch was the recipient of the Gold award from the Green Building Council for its green concept and we are spreading the concept to other selected branches as well.



First "Green Building" Branch of the BoC – "Kekirawa" Branch

# Intangibles that Matter



## Strong Brand

**No. 1**  
Brand in Sri Lanka

Among  
top **1,000**  
World Banks  
by The Banker Magazine UK

Brand Value

LKR **40.6 billion**  
by Brand Finance Lanka

Investment on Brand

LKR **1.2 billion**

## Intrinsic Knowledge



Cumulative service  
experience of the staff

**81,841** years

Employees with  
over 20 years of experience

**1,336**

### Credit ratings

#### Local Ratings

**AA+(Ika)** Outlook Stable  
by Fitch Ratings Lanka (SL)

**AAA** Stable by ICRA  
Lanka Limited

#### Global Ratings

**B+** stable by Fitch Ratings

**B 1** negative by Moody's  
Investors Service



## Intellectual Capital

### Promote Peaceful and Inclusive Societies for Sustainable Development and Promote Justice for All



The Bank has a strong governance framework covering all areas of operations at each level of the Bank. The Bank also has established various policies to delimitate any form of corruption, bribery or fraud and policies to recognise customers' human rights.

- Whistle-blowing policy of the Bank
- Strong governance framework

Intellectual capital is composed of intangibles associated with the Bank – culture, ethics, values, organisational knowledge, systems, procedures and brand value. These intangibles, while not reflected in the balance sheet, are indeed assets of the Bank. They permeate the Bank's operations at all levels – whether it is high level decision-making or day-to-day functions. They also influence the perception our customers have of the Bank.

### Recognition of Our Brand

With its 78 years history, the Bank of Ceylon is leading the banking sector in the country. Bank of Ceylon, is the “Bankers to the Nation”. The trust the nation has on us today has been built-up over this long period. We have been the partners of the Government, the business community and the general public in the nation's economic growth. Being the largest bank in the country the power we have in transforming the life of our people for better is immense. We can be

justly proud of the part we have played in improving the quality of life of so many. We respect all forms of diversity and do not discriminate on the basis of race, religion, sex or social background.

The unique cylindrical shape Head Office Building of the Bank situated in the heart of Colombo has an iconic value. Also the logo of the Bank and the Bank song has registered in minds of millions, symbolising the strength of our brand. The Bank of Ceylon received several accolades related to its brand value during the year under review. For the ninth consecutive year we were recognised as the No.1 Sri Lankan Brand by Brand Finance Sri Lanka, which is the Sri Lankan partner of Brand Finance, UK. The award estimated the brand value at LKR 40.6 billion. The Bank was again honoured as the best Sri Lankan brand at the “Interbrand Best Sri Lankan Brands” convention conducted by Interbrand, one of the world's most influential brand consulting agency. This award was based on multiple criteria including the financial performance of the brand and its role in influencing the customer's choice. In 2017, we have invested a sum of LKR 1.2 billion on marketing activities, which is essentially an investment in our brand. The Bank of Ceylon has been consistently rated among the top 1000 Banks in the world since 2012.

### Imparting Our Values

High ethical standards and values are inbuilt into the Bank's culture. The core values of the Bank are inculcated into employees at all levels. Since customer service is a key business process, this is also a prime consideration in staff training. Our staff need to be courteous and responsive to the needs of the customer. In our training programmes we give a great deal of importance to training on customer service. Our customer base is extremely diverse ranging from the largest corporates to small scale rural entrepreneurs and also from high net-worth clients to marginalised

communities in rural hideouts. In this context, providing a seamless customer service makes it necessary that our staff be customer-centric. They need to be able to empathise with the customer and amidst such diversity, deal with each customer appropriately.

The Bank maintains a continuous focus on agility and innovation. We invest in digital delivery channels, process modification and workflow simplification through automation and digitisation. Business processes are being reviewed and re-engineered on an ongoing basis and new developments introduced. The technological transformation has been complemented with an organisational transformation by creating dedicated divisions with specialised knowledge. To add value to our products and services and streamline our workflow, a document management system has been implemented. The Research Division along with Product and Banking Development Division also actively contribute in new products and service development. Employees are always encouraged to contribute their ideas for product, service and process improvement.

### Governance

The Bank's values and ethics are reflected in its governance structure and its systems, procedures and decision-making. We are committed to a high level of ethics, governance and professionalism and consider ourselves to be accountable for all our actions. The Bank is always cognisant of its responsibility to safeguard the nation from activities such as money laundering and terrorist financing. Organisational procedures, backed by committees dealing with various relevant aspects, reinforce this commitment. With our role as a custodian of our depositors' funds, we need to exercise due care in all our activities. Risk is inherent in banking operations. However, we always endeavour to minimise any risk to our



**The cumulative service experience of our staff amounts to 81,841 years. In addition 1,336 employees have been in the service of the Bank for over 20 years. This demonstrates the wealth of experience in our human capital. Staff is given rewards commensurate with the knowledge and qualifications they have acquired. Our staff, through the learning experiences they gain while performing their duties, will also build-up a body of tacit knowledge.**

depositors with highly professional risk management procedures. Mechanisms are also in place to ensure that policies and procedures drawn up are rigorously implemented. Another safeguard we have is our whistle-blowing policy, where employees and non-employees can come forward to report any instance of corruption, money laundering, fraud and any other unethical or illegal transactions. This policy ensures the privacy and also safeguards all the parties who raises the issue.

The Bank always promotes collective decision-making although the responsibility lies individually, almost all the decisions of the Bank are taken on a collective basis. The decision-making authority given to a single person is limited. Hence, this ensures greater transparency and reduces the possibility of fraud or corruption.

(Refer page 68 for further details).

### Our Organisational Learning

In the present day business environment, a knowledge base forms an important intangible asset of any organisation. Knowledge resides both in the collective knowledge of the Organisation and the knowledge of the individual staff. The Bank is a learning Organisation and it is continuously defining its organisational structures, systems and procedures through learning experiences.

At the level of employees, building the knowledge and skills of our staff is one of our key strategies. We ensure that all our employees receive the training they need to fulfil their responsibilities.

The cumulative service experience of our staff amounts to 81,841 years. In addition 1,336 employees have been in the service of the Bank for over 20 years. This demonstrates the wealth of

experience in our human capital. Staff are given rewards commensurate with the knowledge and qualifications they have acquired. Our staff, through the learning experiences they gain while performing their duties, will also build-up a body of tacit knowledge. Over time, through the contributions they make towards developing the policies, systems and procedures of the organisation this tacit knowledge will be transformed into institutionalised knowledge. Thus the learning process becomes a vehicle of value creation, both in the short and long term.

### Disseminating the Knowledge

The experience of our Corporate Management members range from 20 to 38 years in diverse fields of the banking industry. Hence, the blend of knowledge and the experience they collectively bring is immense. Through well planned talent management processes and delegation of responsibilities, executed in a timely manner, these Key Management Personnel, develop the second line of leaders. Through this process they disseminate their knowledge and experience down the line.

The Bank is in the process of imparting the knowledge to its new employees via spot tests conducted to all staff and also through various knowledge-sharing lecture notes and newsletters circulated via an e-Learning platform.

Effective and novel learning methods have also been introduced in the new corporate plan to institutionalise the experience and knowledge that lies within individuals. Our values, culture, ethics and organisational knowledge when blended with our brand recognition places us well ahead in the industry in terms of institutional capital.

### No. 1 Brand in Sri Lanka



No. 1 Brand in Sri Lanka – Interbrands 2017



Global Master Brands – CMO Asia



No. 1 Brand in Sri Lanka – Brands Annual 2017

### Excellence in Performance



Top 1000 Banks in the World  
The Banker Magazine (UK)



Leading Partner Bank in  
Sri Lanka (TFP Awards)  
Asian Development Bank



People's Service Brand  
of the year SLIM –  
Nielsen People's Awards 2017/2018



Best Bank in Public Sector  
BFSI Awards

### Annual Report Awards



CA Sri Lanka  
Annual Report  
Awards –  
State Bank  
Category Gold



Vision Awards  
(LACP)  
Best In-House  
Report  
Gold



Vision Awards  
(LACP)  
Best Annual Report  
(Sector) Platinum



ARC Awards  
Financial Data:  
Banks:  
International  
Gold



ARC Awards  
Traditional  
Annual Report:  
Banks:  
International Silver



CMA Excellence  
in Integrated  
Reporting –  
State-Owned  
Enterprises Merit



SAFA Awards 2016:  
Public sector banking  
institutions  
1st runner-up

### Human Resources Awards



Asia's Best  
Employer Brand  
Employer Branding Awards  
India



Sri Lanka Best  
Employer Brand  
Employer Branding Awards  
India



SLITAD People  
Development  
Awards  
Silver

### Awards for Technological Initiative



Technnovation Awards – Interbank Transactions  
Overall/Customer Convenience/Financial Inclusivity Winner

### Sustainability/CSR Awards



Green Banking Gold Award  
Kekirawa Branch Green Building  
Council of Sri Lanka



Winner of the Triple Bottom Line  
Economic Sustainability (Profit)  
Best Corporate Citizen  
Sustainability Awards  
Ceylon Chamber of Commerce



Category Winner Economic  
Contribution Best Corporate  
Citizen Sustainability Awards  
Ceylon Chamber of Commerce



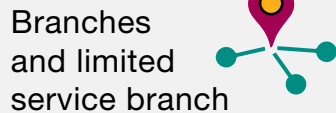
Surya Bala Sangramaya Promoting  
Renewable Energy Ministry of  
Power and Renewable Energy

# Fostering Mutually Rewarding Relationships



Customers

**13 million**



Branches and limited service branch

**626**

ATM and CDM network



**932**

SME centres



**15**



Regional loan centres

**14**



Number of correspondent relationships

**859**



CSR Fund distributed

LKR **127.5 million**



Growth in SmartGen account

**93%**



Growth in Internet Banking

**38%**



Retail sector deposits exceeds

LKR **1.0 trillion**

Financial inclusion via "Mithuru" microfinance programme

Number of Mithuru groups

**18,250**

Number of Mithuru societies

**444**

## Social and Relationship Capital

The Sri Lankan banking industry is more competitive than it has ever been, and factors such as customer service and convenience are distinguishing features that customers look for. With a strong network of 575 branches and 48 limited service branches across the island, BoC maintains a strength in geographic reach that few can match.

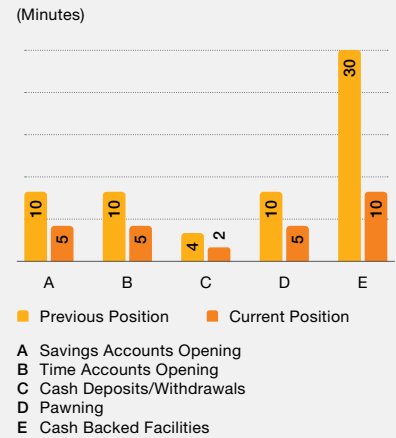
### Stakeholders

The stakeholders of the Bank include the Government, employees, customers, investors, regulators, suppliers and also the society in which it operates as a whole. Customers of the Bank comprised two main categories; depositors and borrowers.

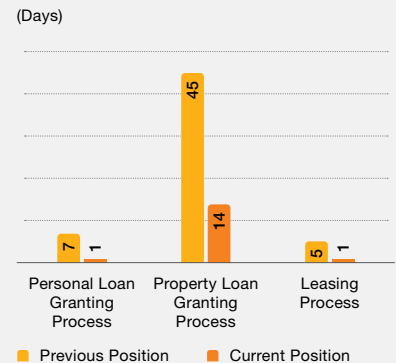
The Sri Lankan banking industry is more competitive than it has ever been, and factors such as customer service and convenience are distinguishing features that customers look for. With a strong network of 575 branches 48 limited service branches across the island, BoC maintains a strength in geographic reach that few can match. In addition, two mobile branches were introduced during the year, 41 branches were upgraded to serve customers more efficiently, and 86 ATMs and 45 CDMs were installed. As the Bankers to the Nation, we have always been in the forefront of giving the best to our people irrespective of their social standing. We have always taken lead steps in taking the technology from the towns to the periphery. An example has been the introduction of ATMs and especially CDMs; our efforts to not limit the technology to a few but take it to the many have been quite successful. This demonstrates the changing profiles of customers even at the grass roots and their demand for improved and next level financial services.

The Bank converted all its branches to a 5S environment by the end of 2017. The pillars of the 5S environment – Sort, Set, Shine, Standardise, Sustain – represent a means of better organising and managing workspaces while cutting down on wastage. The successful implementation will help to ensure that customers benefit from significant process improvements and short lead times on general banking services such as account openings and processing loan applications.

### Time Taken for Over the Counter Services



### Other Banking Operations



## Engagement with Customers

BoC engages with customers, both existing and potential clients, through various avenues:



### Branch Network

Through the extensive branch network, BoC directly deals with its customers. From simple savings accounts to technology-driven products, the Bank's comprehensive product range caters to all of its customers' diverse requirements.



### BoC Website

The website provides much useful information for customers. Customers can easily view the branch network to find out the branch most convenient to them. Retail customers can find information on the different types of products available to them, especially savings accounts. For small entrepreneurs and the SME sector, the various types of loan schemes for different sectors are described in detail. It also has information such as exchange rates, details of credit/debit card promotions and useful tools such as loan calculators. Customers can also apply for personal loans and home loans online via the "apply online" facility. The website is thus a useful vehicle for promoting customer engagement.



### Social Media

The Bank has a presence on various social media platforms, including Facebook, Twitter, LinkedIn, and YouTube. These platforms enable the Bank to reach out to its customers and help them to find out about the latest offers they can avail and reach out to receive further information. Customers can also convey their views to the Bank using these social media platforms.



### Call Centre

The call centre is used as a channel for both inbound and outbound communication. It serves customers by answering requests for information on products and services. The call centre is in operation for 24 hours.



### SMS Banking

This is used to convey marketing information to customers, particularly those targeted at specific customer groups. It is also used to provide instant updates to customers on transactions to their accounts and to remind about their loan instalments.



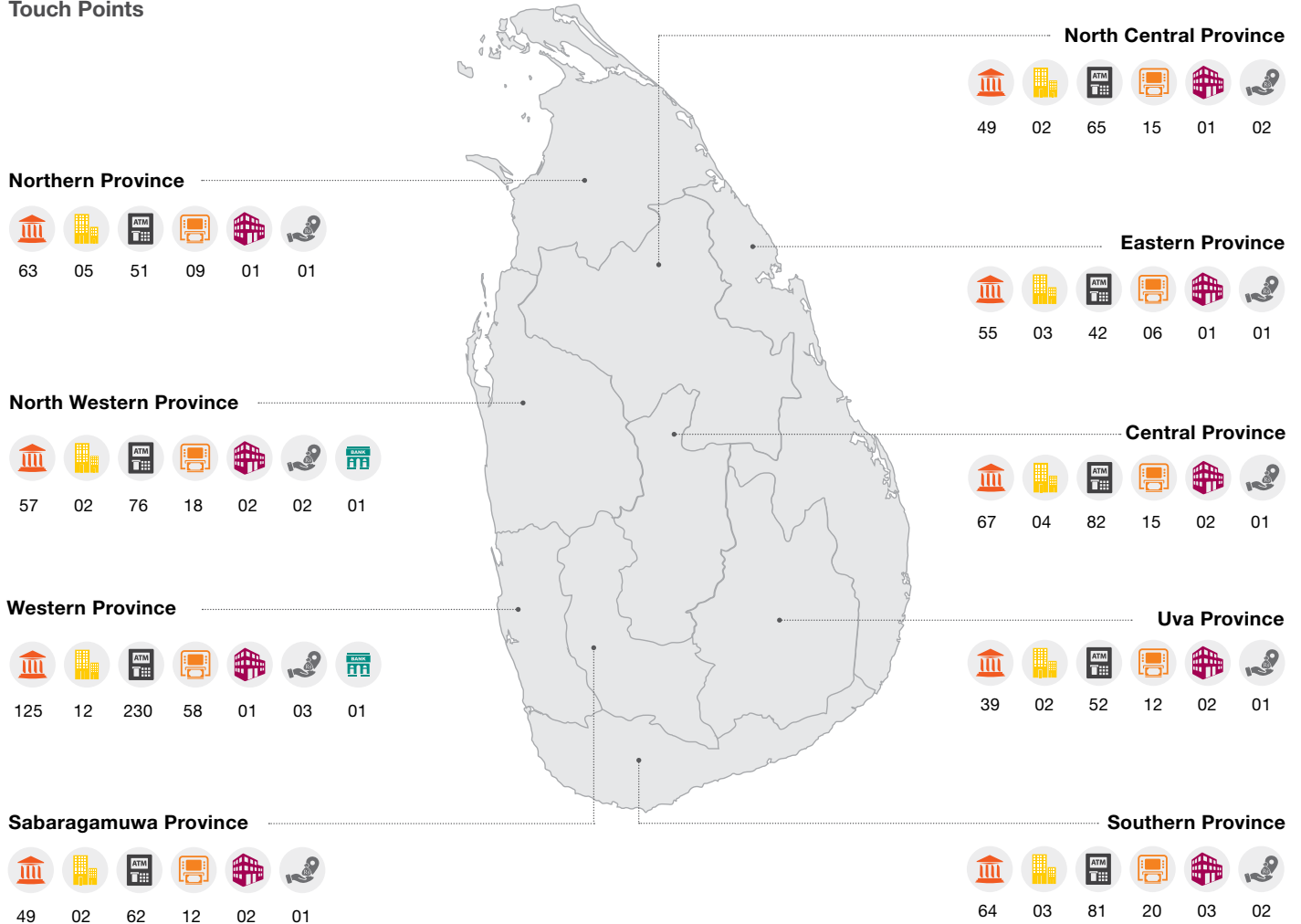
### Advertisements

Advertisements by a variety of channels are used for promoting the Bank's products and services, informing customers, enhancing brand visibility, brand awareness and image.

The ultimate goal for the Bank is to build and maintain mutually rewarding, long-term, sustainable relationships with its customers, based on trust and confidence.

## Our Footprint

### Retail Customer Touch Points



### Corporate and Overseas Customer Touch Points

	Branches	Limited Service Branches	ATMs	CDMs
Corporate Branches	5	13	17	3
Premier Banking	1	-	1	-
Overseas Branches	3	-	4	-
FCBU	1	-	-	-
Mobile Unit	-	-	1	-

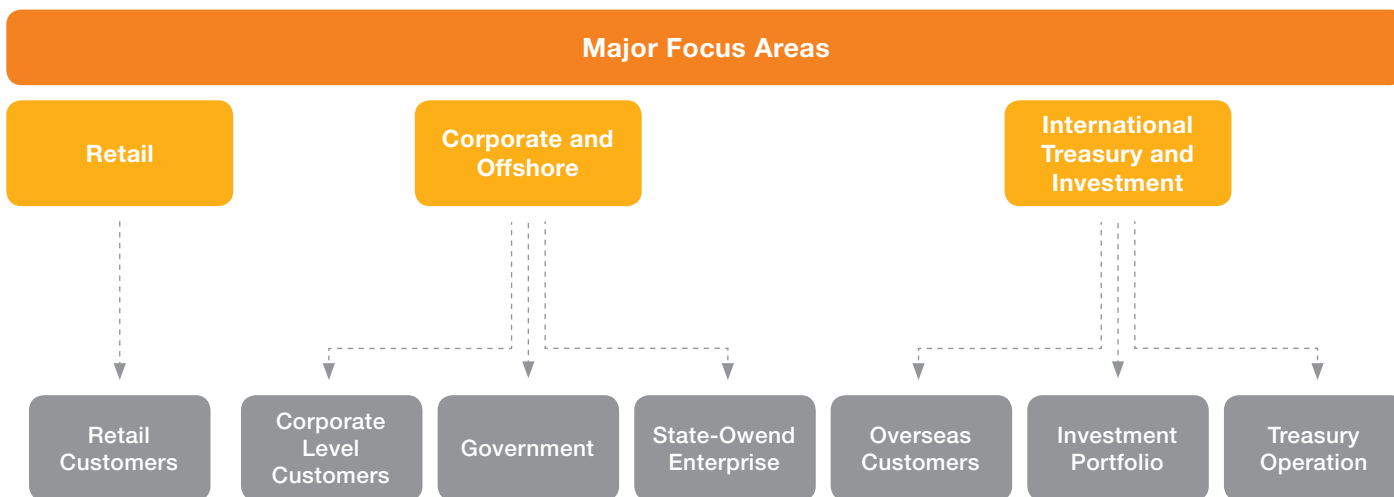
### Total Customer Touch Points

Branches	Limited Service Branches	Mobile Branches	ATMs	CDMs	SME Centres	Regional Loan Centres
578	48	2	764	168	15	14



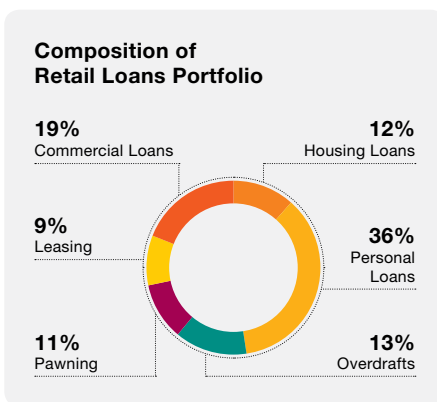
## Areas of Operations

The Bank has three main core areas of operation: retail banking, corporate and offshore banking, and international, treasury and investment.



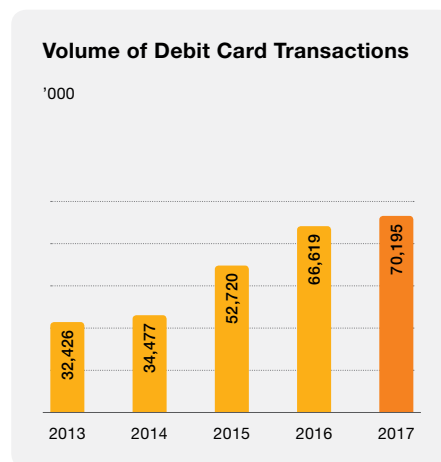
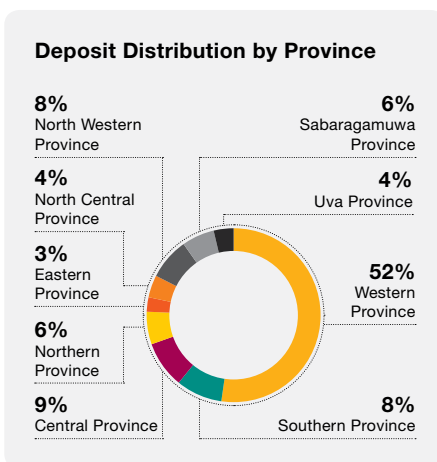
## Retail Banking

The Bank is traditionally recognised for retail banking and covers a broad spectrum of customer base, ranging from small start ups to corporates and the people resident in rural towns to high networth customers. Products offered under this segment include savings products, time deposits, current accounts, personal loans, housing loans, commercial loans, development loans, micro credit, pawning, leasing, and credit cards. Retail segment offers products matched to folks from all walks of life. We have dedicated savings products for youth, women, children and senior citizens. We also offer special interest rates for these savings products, considering the vulnerabilities of these groups for avenues for satisfactory income. With 40% of the loan portfolio comprising retail banking, this core area is of strategic importance to BoC. Contribution of the retail segment to the profit before tax of the Bank is 55%.

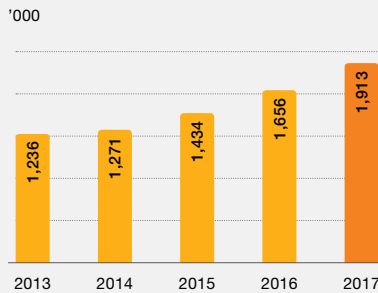


## Credit Cards/ATM Cards

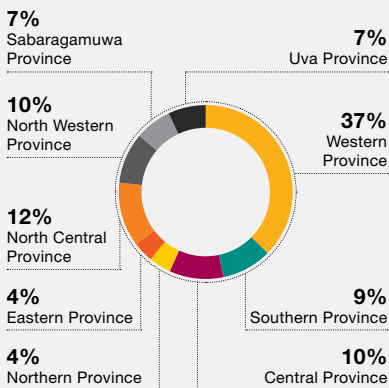
The Bank of Ceylon credit card is accepted at more than 6,000 outlets in Sri Lanka and 20 million merchants worldwide. The same applies to our debit card which has a dual functionality as an ATM card, and ensures prudent spending. A total of 15,684 credit cards and 883,939 debit cards were issued in 2017. During the year, the increase in total number of credit cards and debit cards were 12% and 18% respectively.



### Volume of Credit Card Transactions



### Advances by Provinces



### Strategic Priorities During the Year

BoC focused on improving customer service and empowering them with convenience aimed at making their banking experience hassle-free. With this in mind, digital banking received significant focus. At the end of 2017, there were 290,221 customers registered for SMS alerts facility for deposits and withdrawals; the service sends out 5,000 alerts on average per day only in ATM transactions. The 168 CDMs across the island received an average of 27,047 hits per day, with LKR 265 billion worth of transactions processed during the year. Out of the 135,540 customers subscribed to e-Statements 40% had subscribed in 2017. Further, during the year, customer complaint handling policy was further strengthened and a customer experienced management unit was also formed to handle all the customer complaints centrally.

### Digital Drive



The number of merchants added during the year was 1,435, which brought the total number of merchants to 4,216.



Number of customers registered for smart passbook 41,567



Total number of customers registered for Internet banking was 247,635 and during the year 68,887 (38% growth)



Number of customers registered for e-Statements: total 135,540 and during the year 54,302 (67% growth)



Growth in SmartGen accounts:

Number of total customers registered for SmartGen accounts as at end of the year 2017 were 196,343 and additions during the year were 94,640 (93% growth)

Going forward, the Bank's corporate plan will place more emphasis on service care, customer tangibility, technology and cyber security with an eye towards millennial customers.

### New Offerings in 2017 for Customer Convenience

#### B app



B app comes with range of benefits to manage day-to-day transactions of the customer. A customer can operate all accounts around the clock from anywhere through this app

#### Multi Currency Prepaid Travel Card



Multi-currency pre-paid travel card free the customer from the hazel of carrying currency notes in travel abroad

#### Smart FD



Scriptless fixed deposits

#### Introduced BoC Smart Passbook



This is a mobile app which displays real time account transactions, account balance, last 15 transactions, current and last month's statements on smart mobile devices

#### Implemented Bill Payment Kiosks



These bill payment Kiosks allows customers to pay their bills around the clock without stepping into the counter and staying in queues

Following business processes were automated and implemented in all branches:

- Personal loan orientation, home loan orientation, business loan orientation, CASA opening, standing order processing and complaint handling and customer correspondence.
- With the focus on digital banking, 2017 saw a significant number of customers sign up for e-Banking services. This was one of the initiatives the Bank pursued as part of its focus on “green banking”.

### Fostering Financial Inclusion

SMEs are considered to make-up the backbone of an economy. BoC’s SME portfolio reported an outstanding value of LKR 60 billion across the island at the end of 2017. We have a diverse SME products portfolio catering to a variety of economic sectors and needs. Our loan schemes cater to agriculture, dairy farming, fisheries, and plantation crops. There are also loan schemes for renewable energy. The microfinance schemes give a helping hand to small scale entrepreneurs in the grass roots to start enterprises. In addition, we provide loan facilities for the micro and SME sector for working capital and purchase of equipment. Special schemes for the Northern and the Eastern Provinces have been crafted for resumption of economic activities in these areas.

The Bank fosters financial inclusion through its savings account schemes and SME/Microenterprise schemes. It is a part of our social responsibility to promote financial inclusion and literacy.

Summary of “Mithuru” Societies registered during the year:

Province	Branch	No. of Mithuru Societies Registered
Eastern Province	Mollipothana	1
	Kaluwanchikudy	1
	Chenkalady	1
<b>Subtotal</b>		<b>3</b>
North Central Province	Nochchiyagama	1
	Bakamoonna	1
<b>Subtotal</b>		<b>2</b>
Northern Province	Kankasanthurai	1
<b>Subtotal</b>		<b>1</b>
Uva Province	Lunuwaththa	3
	Uva Paranagama	1
<b>Subtotal</b>		<b>4</b>
<b>Grand Total</b>		<b>10</b>

Mithuru microfinance programme is conducted via bank funds. During the year the Bank has disbursed LKR 237.2 million funds for this programme and 277 Mithuru groups and 10 Mithuru societies were formed. The Bank also helped the entrepreneurs developed via Mithuru societies to sell their products through Mithuru pola arranged by the Bank. As at end of 31 December 2017 there were 18,250 registered Mithuru groups and 444 registered Mithuru societies.

The following are also dedicated microfinance schemes operated by the Bank during the year. Total funds disbursed during the year under these categories amounts to LKR 287.3 million.

1. National Agribusiness Development Programme (NADep) – 151 new facilities during the year
2. Tharuna Diriya – 390 new facilities during the year
3. Out Grower Farmers under 4P’s Module – 2,311 new facilities during the year

Special staff trainings were held in Central, North Central, North Western, Northern and Western Province North region during the year to enhance and expedite the appraisal of SME project lending.

### Ending Poverty



It has been recognised that banks can contribute to this goal by providing access to credit and other financial services to those at the bottom of the social pyramid. The Bank’s “Mithuru” microfinance programme provides financing to entrepreneurs at the grass roots while also facilitating channels for them to sell their production.

- Total fund disbursed under Mithura programme – LKR 237.2 million
- 277 new Mithuru groups formed

## Reducing Inequality in the Society



The Bank has identified the vulnerable communities of the society and has introduced dedicated financial products to narrow the disparities of income in the society including those linked to age, sex, gender and social class.

- “*Tharuna Diriya*” special development loan scheme dedicated to youth – LKR 99.0 million dispersed
- Special interest rates to “KRG” and 18+ accounts dedicated to women and youth

## Ending Hunger



Our main contribution to this goal was the loans granted to the agricultural sector so that farmers can maintain food supply at a price even the needy can afford. Our disbursements to agriculture and animal husbandry during the year by the development banking segment only amounted to LKR 2.8 billion.

- Lending portfolio to agriculture and fisheries as at end of the year amounts to LKR 91.2 billion
- Bank’s market share of “*Ran Aswanu*” and “*Govi Navoda*” development loan schemes exceed 40% and 61% respectively

## Retail Advances

### Housing Loans

Living in a home owned by oneself is the dream of many families whatever their social level and regardless of where they live. The Bank offers many housing loan schemes to cater to this aspiration at moderate interest rates and favourable repayment periods. The housing loans were promoted through Business Development Executives and a special outbound sales force, in addition to branch staff. Home loans can now be applied via online. It is possible for customers to have a loan application approved within 14 working days and two visits to the Bank. The Bank has special concessionary schemes for government employees and migrant workers overseas who maintain personal foreign currency accounts. BoC housing loan portfolio consists of many loan schemes such as *Ran Niwasa*, *Siri Madura*, Government Housing Loans, Special Housing Scheme for University Staff and Rehabilitation of Persons, Properties and Industries Authority (REPPA). Also the Bank has made large contribution to *Sonduru Piyasa*, a loan scheme introduced under the guidance of Ministry of Finance to complete partly constructed houses below 1000 sq ft. BoC’s market share in this loan scheme is around 80%.

The home loan segment witnessed a significant growth of 17% during the year.

### Personal Loans

Personal loans now account for 36% of the retail lending portfolio. Those can also now be applied via online. The personal loan facility is available for current or savings account holders who maintain a good banking relationship with the Bank. Personal loan process is simplified in terms of required documentation. Also we offer competitive pricing and BoC personal loans are available for various needs such as home improvement, college fees, wedding expenditure, a dream holiday, unexpected expenses and also to needs such as purchase of consumer durables.

## Maintaining Asset Quality

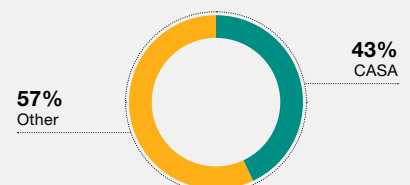
With 52% of our retail assets comprising loans and receivables, its quality is very important for the Bank’s profitability and economic sustainability. With prudent credit appraisals and post-disbursement follow up, the Bank managed to improve its non-performing loans ratio to 3.1% as at 31 December 2017 as against 3.4% at end 2016 in the retail segment. During the year the economy performed below the expected level and the Bank had also to absorb the impacts of prolonged drought which prevailed in the northern part of the island have on the agricultural sector. However, the successful credit management policies adopted has made the Bank to improve its non-performing ratio in the retail segment.

## Deposits

Total deposits of the retail segment of the Bank at the end of 2017 crossed LKR 1.0 trillion mark compared to LKR 878.4 billion at the end of 2016. Our wide network of branches and our focus on bringing financial inclusion to those at the bottom of the social pyramid has enabled us to expand our deposit base. In addition our innovative concept of Branch-on-Wheels has enabled us to reach out to the most remote rural areas and to customers who do not have a conventional branch within convenient reach.

At the end of the year we had a somewhat low CASA ratio of 37%, across the Bank which was true industry-wide, due to the prevailing high interest rates. To counteract this, the Bank conducted special promotional campaigns to attract low cost funds, and the retail CASA ratio stood at 43%.

### Retail Deposits Mix

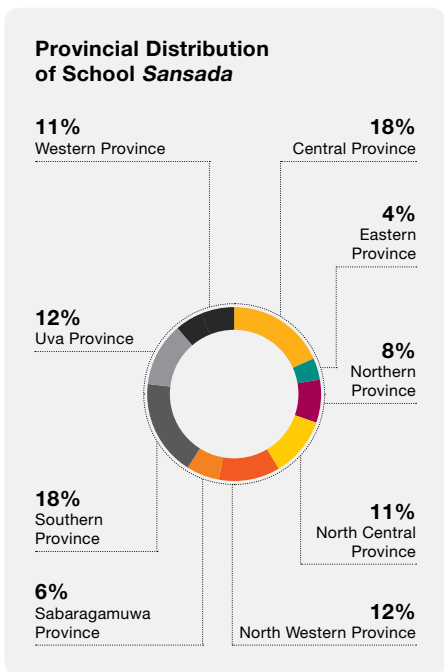


### Special Account Mobilisation Campaigns

Several campaigns were conducted during the year, especially to mobilise accounts of senior citizens and minors. Some of them are described below:

- Promotional campaign for the *Ran Kekulu* minor account scheme for Grade 1 new entrance students drew an additional 46,939 accounts during the period of January to March 2017 with total deposits of LKR 243.7 million.
- Gifts were awarded for deposits made to a *Ran Kekulu* account on the banking day following the Sinhala and Tamil New Year. This helped to inculcate the savings habit among children as well as being in line with the “*GanuDenu*” tradition. The number of accounts opened was 80,946 with a value of LKR 289.5 million
- An “August Baby” campaign was conducted with incentives to coincide with the Bank’s 78th anniversary to encourage parents to open an account for every child born in the month of August 2017 by doubling the amount deposited to the account up to a maximum of LKR 1,000.0
- A similar campaign “*Upadina Semata Ginumak*” was also launched for all children born from 1 August to 31 December 2017. This campaign resulted in 263,757 new accounts with deposits of LKR 458.9 million.

Also the 1,223 *School Sansada* and the 152 Mobile School units the Bank maintains at the schools all over the country not only expand our reach but in addition groom our next generation customers by inculcating the saving habit among them.



### Promote Sustained, Inclusive and Sustainable Economic Growth

The Bank has continued in creating indirect entrepreneurs and jobs via its funding to SME sector and large corporates.

- Approximately 1,800 indirect jobs created via corporate lending
- A total of LKR 9.6 million spent on CSR activities to develop entrepreneurship

### Make Cities and Human Settlements Inclusive, Safe, Resilient and Sustainable

The Bank’s corporate funding for the infrastructure development of the urban cities has helped to develop those cities into more inclusive, safe, disaster resilient and sustainable.

- Funding to two large scale waste-to-energy projects via syndicate facilities

### Corporate and Offshore Banking

The Bank’s corporate financing facilities cater to both the long-term financing and the working capital needs of the corporate sector. Long-term financing includes tailor-made packages which include both fixed investment costs as well as working capital needs. Competitive interest rates as well as flexible payment terms are offered. This includes both reducing balance and equated instalment interest plans.

Corporate and offshore banking contributed 47% to the Bank’s loan portfolio in 2017 and 28% to the profit before tax. The Division assists the country’s overall economy through financing large corporate sector entities, projects and also to the direct Government and SOEs.





Support to Industrial Sector via corporate lending

The Bank also participates in syndicated projects in partnership with other banks which are too large for a single bank to finance. Syndicate projects for which the total financing was LKR 45.5 billion and the Bank of Ceylon share was LKR 7.3 billion were initiated during the year. Approximately 1,800 new jobs were created through new projects financed during the year.

### Contribution of the Segment

The total exposure of the corporate segment at end of 2017 was LKR 572.0 billion. Of this, 44% was to the private sector while 56% was to the Government and State-Owned Enterprises. The corresponding percentages for 2016 were 51% and 49% respectively. However, the private sector exposure increased to LKR 245.8 billion from LKR 209.0 in 2016. This was achieved mainly through aggressive canvassing by Corporate Segment which drew 92 new customers. Going forward, the focus will be on utilising underutilised limits of existing customers to further increase private sector exposure.

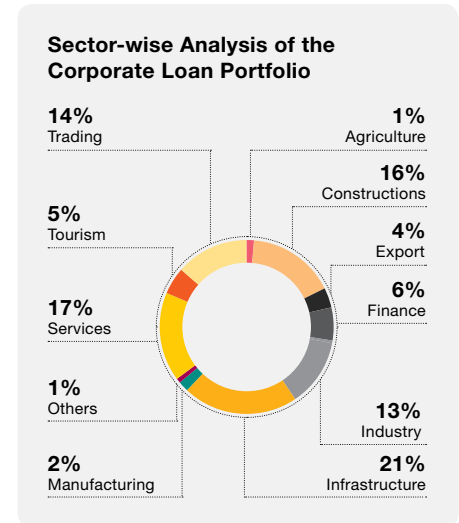
### Major Projects

One of the large scale projects financed was “Pearl Grand Tower Hotel” a five-star luxury city hotel with 420 rooms at a prominent city location in Colombo. The Bank also lent its support to two waste to energy projects via syndicate facilities, both public-private partnerships which demonstrated its commitment to green banking initiatives. One was the waste processing site at Karadiyana which is a joint-venture between Fairway Waste Management (Pvt) Limited and the Waste Management Authority (WMA) of the Government of Sri Lanka. The other is a similar project at Muthurajawela where Aitken Spence has joined hands with WMA.

However, the Bank continued its support to Government and State-Owned Enterprises by way of long-term finance for large infrastructure projects as well as financing short-term funding requirements. During the year, funds totalling LKR 17.0 billion has been disbursed towards financing water supply projects while a further sum of LKR 1.7 billion has been disbursed to finance road rehabilitation projects.

In addition, the Bank has agreed to finance a sum of approximately LKR 10.0 billion towards infrastructure development projects to be initiated by the Ministry of Health.

### Sector-wise Analysis



### New Developments and Events

During the year, an automated system was introduced at Corporate Branch to recover documentation/processing charges pertaining to the credit facilities approved to corporate clients enhancing efficiency in collection process of the Bank.

Six customer felicitation events were carried out by the Corporate segment for the year 2017. Out of those, two events were carried out for top management of the corporate entities of Corporate Branch, Offshore Banking Division and Metropolitan Branch. Another three events were conducted by Corporate Branch, Metropolitan Branch and Offshore Banking Division respectively to recognise the support extended by the staff attached to direct dealing business units of corporate entities. In addition, an event was also conducted by Premiere Banking Centre to felicitate high net worth customers attached to their branch.



### Future Plans

Plans are in pipeline to establish a special business unit to canvass high net worth customers/blue chip companies employing new and existing staff experienced in credit, trade finance and Forex transactions.

A new Project Financing Unit will also be established to handle large development projects including syndicated loans with a view to developing a specialised team of those who are competent in handling such projects in order to grab the potential business opportunities at early stages. In addition, the Unit will be equipped with competent staff to deal with financial reorganisation.

Further, initiatives are underway to provide an on-site technology platform to corporate clients which includes fully-fledged Internet and online banking solutions to cater their requirements.

In addition, arrangements are being made to introduce an automated workflow for inter-branch approvals for payments of corporate clients; another step to enhance the customer service.

### Trade Finance Division

A wide portfolio of trade financing products is available to facilitate both imports and exports. The division also provides consultancy services to wide range of stakeholders including the Government, corporate clients, industry associations and the business community. The Trade Finance Division of the Bank continuously coordinates with the Export Development Board, Sri Lanka Export Credit Insurance Corporation (SLECIC) and the Ministry of Commerce to identify new exports/exporters and advise them on selection of export markets, banking procedure and documentation etc. During the year the division canvassed the Cinnamon

and Pepper exporters and expanded the export clientele. Trade Services Division has also shared their knowledge with the Government agencies in trade policy formulation and planning, using their expertise in trade sector. We have a long history in this line of trade financing activities and have consistently maintained leadership in the segment. The Bank maintains high ethical standards and scrupulously comply with all rules and regulations. Our knowledge base that has been built up in this area gives us the highest negotiation capabilities and enables us to obtain the best possible terms for our clients. We are also able to leverage our long-standing relationships with our wide network of correspondent banks. The Bank also strengthen its relationships with clients through meetings and providing advisory services. The terms it provide to high net worth customers are extremely competitive.

This division has the distinction of holding and possessing the ISO 9001: 2008 certification which it received in 2011. The staff of the division receive comprehensive training, both local and overseas. BoC Trade Finance is also represented in the Trade Finance Association of Sri Lanka, Importers Association of Sri Lanka, Exporters Association of Sri Lanka, International Chamber of Commerce and National Chamber of Commerce which gives our staff exposure to the current international practices and also to address the issues of importers and exporters. During the year, two customer facilitation ceremonies were conducted.

Also during the last year, the division worked closely with the branch network to enhance technical competencies of the branch staff in trade finance through trade finance workshops. The focus was to canvass exporters of the SME category through branch network.

**A wide portfolio of trade financing products is available to facilitate both imports and exports. The division also provides consultancy services to wide range of stakeholders including the Government, corporate clients, industry associations and the business community.**

### Performance in 2017

Province	2017 LKR billion	2016 LKR billion	Growth %
Import volume	343.6	271.5	27
Export Volume	37.1	33.0	12
Trade Finance income	5.2	4.1	26

The Bank was awarded the “Leading Partner Bank of Sri Lanka for ADB” under its Trade Finance Programme in 2017 and in the history of Sri Lanka it is the first time that a Sri Lankan bank has been given this title.

Foreign Currency Banking Unit (FCBU) also forms an important part of the corporate segment and during the year process improvements were introduced to cater to customers more effectively. Corporate and the Offshore Banking Division helps the Government and its key SOEs to manage their funding requirements. Government treasury and the Ceylon Petroleum Corporation (CPC) are the main customers of the Division. It also plays a significant role in impairment management.

## International, Treasury and Investment

These divisions handle the rupee and foreign currency funds, and thus play a critical role for the Bank. With a total deposit base of over LKR 1.5 trillion in the Bank, the largest for a financial institution, not only are the operations of these divisions crucial to the stability of the Bank, they are also important to the country's economy. These divisions handle several key functions for the Bank, including investing the Bank's funds, foreign exchange management, and asset and liability management. During the year under review, deposits increased by 23% while borrowings decreased by 11% compared with 2016.

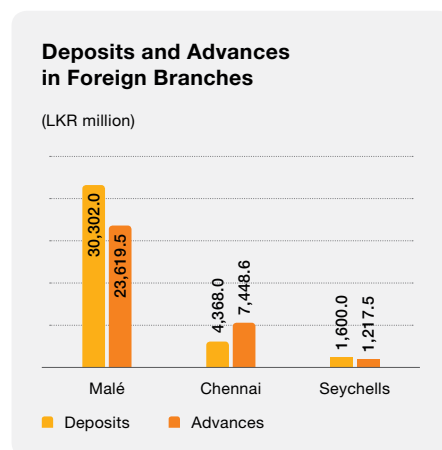
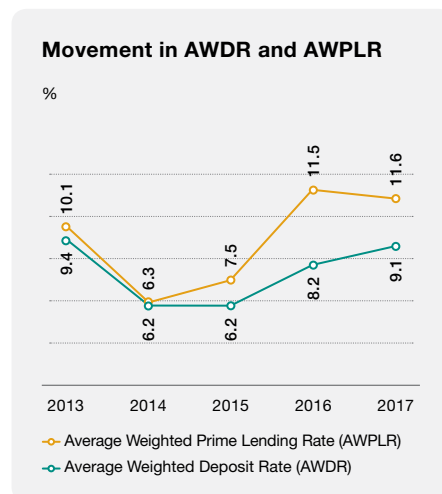
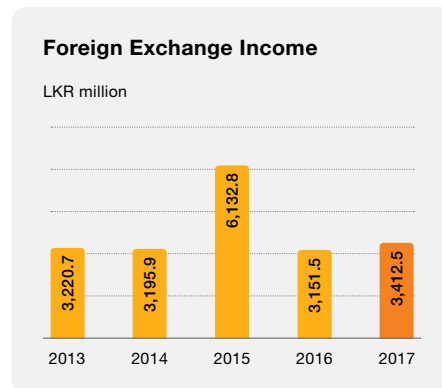
### Treasury Division

One of the largest operations of its kind, BoC Treasury has been a leader in the banking industry throughout its history, contributing significantly to the Bank's overall profitability.

The Treasury comprises three main departments namely the Dealing Room, Primary Dealer Unit (PDU) and Asset and Liability Management Unit (ALM). The general functions of the Treasury Division encompass foreign exchange transactions, money market dealing, fund management, investments in Government securities, corporate sales, pricing of banking products, maintenance of mandatory reserve and liquidity ratios and management of assets and liabilities. Thereby Treasury Division contributes a significant portion to profitability.

It manages the Bank's foreign exchange (FX) operations, ensuring that it has sufficient liquidity to meet obligations via managing the inflows and outflows of funds. The Treasury Division also plays a role in managing market risks by ensuring the optimal pricing of products, timely repricing and managing maturity mismatches in accordance with compliance requirements.

During the year, the Bank made significant investments in Treasury Bills, Sri Lanka Development Bonds, Debentures and Equities.



The year 2017 was an extremely successful year for the BoC Treasury. Achieving almost all of its goals, Treasury optimised on the opportunities emerging from the changes in exchange rate. As a result an impressive foreign exchange profit of LKR 3.4 billion was posted by December 2017. Some initiatives which were designed and implemented to expand the Treasury functions 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 achieving the better results.

### New Technologies Adopted by Treasury Division during the Year and Resulting Benefits

Treasury is in the process of implementing a new system for asset and liability management of the Bank which facilitates the generation of required reports and will invariably enhance the decision-making function of the Bank. This system will go live in 2018 adding further impetus for accurate management of assets and liabilities.

Further, the Treasury Division has revised the treasury policy and ALM policy manuals to suit the latest changes in the market.

### Movements in Policy Rates, AWFDR, AWPLR and AWDR, Exchange Rate and its Implications

The Statutory Reserve Ratio (SRR) applicable to all rupee deposit liabilities of commercial banks was increased by 150 bsp to 7.5%, to be effective from the reserve week commencing 16 January 2016. On 24 March 2017, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were increased by 25 bsp to 7.25% and 8.75% respectively. 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 2017 increased to 11.48% from 10.46% last year, while the Average Weighted Prime Lending Rate (AWPLR) increased to 11.55% from 11.52% last year. The Monthly Average Weighted Deposit Rate (AWDR) increased to 9.07% from 8.17% last year.

The “YoY” growth of broad money continues to expand at 17.45% in December 2017, 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 15.48% during the year. The growth in broad money supply has slowed down substantially in November 2017, caused mainly by the deceleration in the growth of private sector credit extended by commercial banks, responding to the tight monetary policy stance, as expected. Meanwhile, the yields on Government Securities have adjusted downward from the peak levels, correcting some disparity that existed between the policy rates and the yields on Government Securities. Other market interest rates are also expected to adjust further downwards in line with the yield rates.

Sri Lanka rupee depreciated against the United States Dollar by 2% over the year from LKR 149.85 in January to close at LKR 152.85 on 31 December 2017. It reached an all-time high during the month of July to stand at LKR 153.70.

In December 2017 Central Bank of Sri Lanka issued three guidelines which has an impact on Bank and Treasury operations:

1. CIMM Reporting
2. Foreign Currency Borrowings
3. Derivative Guidelines

The Central Bank of Sri Lanka also pointed out that excess liquidity in the

domestic money market continues to remain high. 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, the Bank intends expanding the REPO base, optimise fund management in Nostro accounts, increase relationship with customers who deal with trade finance and foreign exchange business, arrange foreign currency syndications and bilateral loans and issue more long-term debentures in order to maintain a healthy liquidity position.

### **Movement and Management of Government Securities**

Being astute in our massive investment portfolio of over LKR 500 billion, the Banks investments were cautious yet incisive, having continuously analysed paradigms that are prevalent and emerging. In addition to investing in Government Securities, the Bank also divided its investments into Sri Lanka Development Bonds, Debentures and in Equities. Bank has invested USD 1.1 billion in Sri Lanka Development Bonds (SLDBs) as at end of 2017. A significant amount of funds invested in SLDB's were own funds which the BoC received as inward remittances and export proceeds.

The Treasury Bill portfolio increased by 296% from LKR 28.8 billion last year to LKR 114.0 billion; the Treasury Bond portfolio decreased slightly to LKR 207.9 billion from LKR 220.1 billion in 2016.

With aggressive trading embarked upon in 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 456.7 million by the year end.

### **Contribution of Treasury Division to the Fund Management of the Bank**

Treasury Division has steadily maintained the Liquidity Framework of the Bank by facilitating sufficient liquidity to face diverse stress events that are to be apprehended. Constant assessment of Liquidity Risk Management Framework and liquidity position is an important supervisory action that will ensure the proper functioning of the Bank.

The Treasury Division has had an eventful year contending with sustained low interest rates, balance sheet volatility, and a consistent flow of regulatory requirements. But amidst all these constraints Treasury Division has strengthened their liquidity buffers, implemented mandated ratios, and established the role of Treasury as a neutral steering function.

By adopting a new treasury operating model that gives a clearer mandate, centralised governance, and enhanced system and data capabilities, Treasury Division has improved Bank's collateral, liquidity, and interest rate maturity transformation. With these changes and managing the proper balance between liquidity and profitability, Treasury Division assisted to boost net interest income (NII) of the Bank.

### **International Division Remittances**

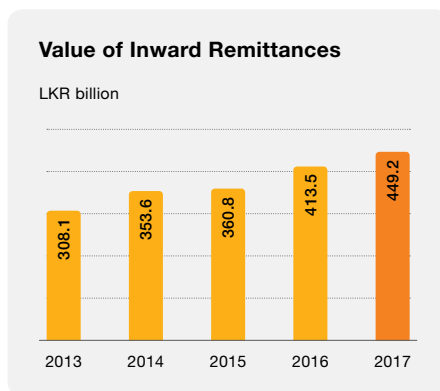
The Bank of Ceylon is the first Bank to venture into inward remittances to Sri Lanka and today we have a market share of 46%. Inward Remittance Department is linked with all branches to provide a smooth service to all our customers. Our network of over 800 correspondents worldwide facilitate the process, and we have over 600 locations where funds can be received. We have a variety of remittance systems and other facilities such as email/SMS notification to both sender and receiver. Customer inquiry desk were also strengthened with more staff. Through the international

operations the Bank performs a socially beneficial function to the expatriate workers as well as making a major contribution to the economy of the country.

During the year “BoC *Pita Pita Rata Thagi*” campaign was launched and it offered 300 fabulous prizes to winners who receive inward remittances channelled through BoC. Three customer facilitation programmes were conducted in Tangalle, Bandaragama and Anuradapura. Also 112 awareness programmes were conducted in collaboration with Sri Lanka Bureau of Foreign Employment (SLBFE) targeting migrant workers.

The Bank also arranged awareness programmes and get-togethers for overseas exchange house/Bank staff and expatriate communities in South Korea, Qatar, UAE and Oman. Our highest performing markets in this segment are Qatar, South Korea and Italy.

The Bank also provides services for outward remittances and travel which are much availed by students and other travellers. Our Pay Office at the Bandaranaike International Airport functions on a 24-hour basis in both Arrival and Departure areas providing currency transaction and other services.



### Correspondent Banking

BoC has correspondence relationships with 864 financial institutions around the world and one new exchange house was added during the year. Correspondent banks, which are financial institutions based overseas, facilitate wire transfers, conduct business transactions, accept deposits, and facilitate trade transactions on behalf of the customers of BoC.

### Overseas Operations

BoC’s current overseas operations are based in Malé, Chennai, Seychelles, and the subsidiary in the UK. The Bank has opportunities for further expansion overseas, especially in view of the fact that the nation has a large number of expatriate citizens across the globe. Expanding overseas operations is an attractive strategy for risk diversification.

### Facing the Future

In its Corporate Plan for 2018-2020 greater focus has been given on “Service Care and Customer Tangibility”. The ultimate objective is to improve and standardise the customer experience across the entire network of customer touch points to a level where every customer is highly satisfied.

With the trends in customer preferences, digital banking will continue to be in the forefront of our strategy in 2018. “IT and Cyber Security” has also been identified as a focus area in the strategic plan. The technological infrastructure of the Bank needs to be updated to keep up with the demands of the millennial customers. While technology brings opportunities, it also brings threats. We have to ensure that our data, systems and networks are secured to the highest possible degree. Strategies have been developed to acquire the latest technological advancements to the Bank with the view of providing realistic total virtual banking experience to the customers.

**In its Corporate Plan for 2018-2020 greater focus has been given on “Service Care and Customer Tangibility”. The ultimate objective is to improve and standardise the customer experience across the entire network of customer touch points to a level where every customer is highly satisfied.**

Going forward, the Bank will expand its Branch-on-Wheels mobile branch initiative to all provinces, and will open digital branches. Furthermore, we will continue automating business processes, and introduce new products over the course of the next year.

Under “Process Streamlining and Innovation” the Bank aims to look into the pain points and gaps within the existing products, processes and systems to revise and modify those where necessary to obtain maximum efficiency and effectiveness to enhance customer as well as employee satisfaction.

The Bank will also be focusing on expanding its border across the boundaries by establishing new business models, through looking at opportunities in innovative approaches. This will enhance its delivery channels to customers anywhere around the world and around the clock.

Parallel to this, the Bank will also give priority to “Credit Quality and Culture”, across all the customer segments: corporate, retail, SME and microfinancing. This will serve the dual purpose of providing customers with better service while improving the asset quality keeping in mind the more stringent requirements introduced by SLFRS 9.



## Business Partners

The Bank regularly engages with third parties for the supply of goods and services, outsourced service providers, and correspondent banks. They are considered to be partners of the Bank, and the services they provide are essential to the Bank carrying out its business. During the year the Bank has carried out 556 numbers of procurements. Over 98% of these procurements are from local suppliers or agents and we always strive to maintain win-win situation in maintaining relationships with our business partners. Through building and maintaining long-term relationships based on trust with these business partners, the Bank ensures the steady supply of goods/ services that meets a required standard, thereby enabling the Bank to conduct its business smoothly and without interruption. BoC being a State bank, procurements have to be conducted in a transparent manner, in accordance with laid down procedures. Calling for tenders for the procurement of goods and services is mandatory. The Bank's procurements are based on Government procurement policy and hence it maintains transparency and also adheres to the minimum environmental and social standards set by the policy.

The Bank works with correspondent banks to facilitate transactions in foreign currencies and BoC owns the largest correspondent bank network in the country and we use this strength to provide our customers speedy and reliable trade finance and money transfer related services across the world.

## Contribution to the Society/ Corporate Social Responsibility

Sustainability is a cornerstone of the Bank's strategy. We have identified pivotal areas of economic growth and the strategic CSR activities of the Bank are conducted under these areas; education, entrepreneurship development, preserving national heritage, ethics

and values, livelihood development, social development and environmental conservation.

During the year a total of LKR 127.5 million has been distributed through its CSR budget as the contribution to the society under the above areas of strategic CSR. Distribution of the CSR fund under the strategic focus areas are:

- Preserving national heritage, ethics and values – LKR 28.3 million
- Entrepreneurship development – LKR 9.6 million
- Education – LKR 22.5 million
- Social development and environmental conservation – LKR 57.8 million
- Livelihood development – LKR 9.3 million

The Bank does not address these areas only through its CSR budget but also in their core business processes. The Bank uplifts the lives of many through its lending to microfinance and SME sectors, creating entrepreneurs.

Also the Bank distributes scholarships annually for Grade 5 and GCE A/L high fliers who are having *Ran Kekulu* accounts. Also *Hapana* programmes are conducted for Grade 5 students. These events also help in developing education of the students.

### Preserving National Heritage, Ethics and Values

Annual donations to *Sri Dalada Maligawa Perahara*, *Katharagama Esala Perahera*, *Gangarama temple*, *Nawam Mawatha Perahera*, and the Annual Feast Celebration of the St. Jude's Shrine, Indigolla and the sponsorship for the BoC Hindu Association by the Bank to celebrate Annual *Navarathri Vizha*.

### Entrepreneurship Development

- *Mithru* microfinancing project
- A special microfinancing scheme carried out via bank funds to develop small entrepreneurs.

## Ensuring Inclusive and Equitable Quality Education



The Bank conducted "*Hapana*" seminar series for the Grade 5 Scholarship Examination which benefited 24,024 students. "*Guide to Future*" programme was also conducted to inculcate financial discipline and financial literacy among secondary school students.

- Beneficiaries of Grade 5 scholarships – 2000
- Beneficiaries of 18+ scholarships for GCE Advanced Level high achievers – 198

## Education

The following were some of the socially beneficial educational activities which were conducted during the year under review.

- A total of 59 *Hapana* seminars were conducted for Grade 5 students and their parents during the year in both Sinhala and Tamil depending on the medium of instruction of students to coach them to face the Grade 5 scholarship programme. The number of students who were beneficiaries was 24,024, and the number of parents was 18,000.
- *Ran Kakulu* scholarships were awarded to high flying performers at the Grade 5 scholarship examinations. A total of 2000 scholarships of LKR 15,000 each were disbursed totalling LKR 30.0 million.
- Scholarships were awarded to account holders of 18 Plus accounts who have obtained high Z-scores at district level in each of the streams, at Advance Level Exams. The total amount disbursed under this programme was over LKR 6.0 million. The total number of students benefited was 198.



“Hapana” Scholarship distribution

- The Bank also sponsored an art competition titled “Punchi Picasso” jointly with the Ministry of Education with generous awards for prize winners. This competition drew an overwhelming response from all parts of the country. National and provincial level winners and also schools of the winners were benefited through cash prizes and certificates.

### Social Development and Environment Conservation

- Youth camp for environmental protection and prevention of drugs – Polonnaruwa.
- Sponsoring to athletic meets and sports events of various schools across the island.
- Sponsorships for stage dramas, musical events etc.
- Sponsoring to National Water Supply and Drainage Board to celebrate World Water Day.



Awarding prizes for the “Punchi Picasso” Winners

## Promoting Health and Well-being

3 GOOD HEALTH AND WELL-BEING



The Bank made contributions towards alleviating national healthcare problems including Chronic Kidney Disease and inadequate hospital infrastructure. The Bank also provides gymnasium and other sport facilities to its employees to increase their health and well-being.

- LKR 8.9 million CSR donations to uplifting the health and well-being of the society
- Total number of employees registered for gymnasium – 1,020

## Water and Sanitation for All

6 CLEAN WATER AND SANITATION



Our major contribution has been through loans granted to the National Water Supply and Drainage Board for state water projects. We have also supported the Mahaveli Authority to provide water purification to rural communities.

- LKR 17.0 billion funding to water supply projects by the Corporate Division
- CSR event in collaboration with Mahaveli Authority to supply water purification machines to needed communities



**Livelihood Development**

- An art exhibition was also conducted for children at the “Apeksha” hospital children’s ward together with an entertainment event celebrating World Children’s day. This event brought some light into the lives of a group of children who do not have a normal childhood. Their art work is displayed in a dedicated area in the hospital.



Art exhibition held at “Apeksha” hospital children’s ward

- Guide to future seminar programme-develop financial discipline among students, soft skills development of the students, developing sense of responsibility among them, facilitate financial inclusion with the ultimate goal of developing a good citizen for the society. The seminars also covered how to use ATM, CDM, Internet banking facilities, mobile Banking, how to work with people, choices for career progression and employment and self-grooming via using Internet in proper manner – 171 seminars conducted islandwide, beneficiaries over 40,000 students.
- Sponsorships for Little Heart Programme.

**Engagement**

The following were the principal channels of engagement with stakeholders:

- Press advertisements, notices
- Notices on the website
- Official social media sites of the Bank
- Meetings with suppliers and service providers

- Bank’s outsourcing policy and other internal procedure documents
- Written communications with correspondent banks

**Regulators**

BoC is regulated by the Central Bank of Sri Lanka (CBSL) as a licensed commercial bank, and is subject to its directions, guidelines, and prudential regulations. Adhering to these guidelines and regulations ensures the safety and soundness of the Bank and the financial system. Penalties (financial and otherwise) can be imposed on the Bank in the event that it violates these regulations, and this can put the reputation of the Bank at risk.

Furthermore, the Bank is subject to directives and guidelines issued by other institutions, including the Inland Revenue Department, Colombo Stock Exchange, and the Credit Information Bureau.

The Bank primarily engages with these institutions through written correspondence and meetings and discussions. By working with these institutions, the Bank facilitates the smooth functioning of day-to-day operations and avoids exposure to reputational risk.



Guide for future seminar at Southern Province

### Membership in Industry-Related Associations

The Bank has the membership in the following institutions and 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

### Partnerships for Sustainable Development



The Bank has a range of networking relationships including those with the state, Government organisations and international organisations. The Bank is a partner in several international collaborations including the Sustainable Banking Initiative.

- All e-Waste is disposed by handing over to an agent approved by the CEA
- Quantified paper saving via digital initiatives – 259,892 of A4 sheets

# Leveraging Our Greatest Asset



Total employees

**7,587**

Females



**57%**

Males



**43%**



Number of training hours during the year

**11,884** hours



Promotions during the year

**1,831**



Recruitments during the year

**534**

**2**

new holiday homes constructed at Kayts and Trincomalee

Attrition rate

**0.3%**

## Human Capital

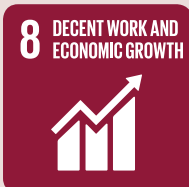
### Gender Equality



The Bank does not discriminate on the basis of gender in any of its activities including employment. This can be seen from the fact that 57% of our employees are women and 57% of all promotions were granted to women.

- Total employees male:female – 1:1.3
- Senior Management (Chief Manager and above) male:female – 2.1:1

### Promote Sustained, Inclusive and Sustainable Economic Growth



Our employees, numbering 7,587 receive well remunerated, secure and satisfying employment with generous retirement benefits.

- Benefits for employees – LKR 17 billion
- Number of new recruitments – 534

Whatever the assets the Bank possesses in the form of intellectual and manufactured capital, our human resources remain the key asset to our success and growth. The contribution made by our employees is demonstrated by the fact that from 2012 to 2017, while our assets increased from LKR 1.0 trillion to 1.9 trillion, our staff strength decreased from 7,790 to 7,587. Although the increasing use of modern technology was a contributing factor, this would not have been possible without the talents, skills, knowledge and dedication of our staff which enabled us to leverage the technology to obtain the maximum benefit. There is no doubt that the staff who has worked over the years contributed greatly to the brand image we have built up, and the accolades we have won. They should also take much of the credit for building up the financial capital.

Our team consists of 43% males and 57% females which demonstrates absence of gender bias. This is reaffirmed by the fact that the average basic salary and total remuneration for males and females are on par within all categories of staff. All but two of the provinces have a majority of female staff. Considering some of the more senior categories of staff, the percentages of female staff for Branch Managers and Assistant Managers, Senior Managers and

Chief Managers are 57%, 47% and 38% respectively.

### Recruitment Processes

The Bank of Ceylon has a highly professional and structured recruitment process to ensure that we obtain the cream of the available talent. In our recruitment process, we give importance not only to knowledge in subject matter and technical skills but also to the soft skills. The majority of our new recruits are for management trainee and staff assistant positions. It's the entry level recruits who get promoted to the higher levels with time. All recruits are Sri Lankans and therefore 100% of our recruits are from the local community. Our recruitment process is transparent and is free of all forms of bias. All who aspire to join the Bank compete on a level playing field, regardless of ethnicity, age, gender or the social class. We take great care to evaluate the skills of our new recruits carefully and place them in roles they are most suited for. On recruitment, all new recruits pass through an induction training where the culture and work ethics of the Bank is inculcated into them. In our recruitment, we also give emphasis to geographical distribution as far as possible so that employees can be posted to locations close to their hometowns.

### Recruitment

Job Category	Male	Female	Total
System Analyst/Programmer	15	10	25
Trainee Assistant Legal Officer	2	17	19
Head of Security	1	0	1
Assistant Secretary to the Board	0	1	1
Trainee Multi Duty Assistant	16	3	19
Security Assistant	145	2	147
Management Trainees	98	224	322
<b>Total</b>	277	257	534



## Training and Development

We believe in providing our staff the opportunity to develop their talents and capabilities to the maximum so that they can fulfil their career aspirations. We also give great importance to installing in them the knowledge and attributes to provide the best possible customer service. The Bank therefore has a systematic process of ascertaining training needs and planning training. Training requirements may be identified by the employees' supervisor or by self. The Bank has a training plan whereby pre-planned programmes are conducted but ad-hoc training is also conducted when needs are identified. Training needs are identified during the performance review process by supervisors with the agreement of employees. Also if new regulatory changes or any new development takes place in the industry during the year, applicable staff are always nominated to relevant training by their supervisors to upgrade their knowledge.

In addition to the performance review applicable to all levels of employees, a special talent management process is conducted for those in senior manager grades and above who have completed two years of service in such grades. Since, this process is part of succession planning to groom next level leaders, the grades for which the process is to be conducted is based on the request of the Management. During 2017, talent management was conducted for senior managers. Major criteria on which the evaluation is done are; change orientation, result orientation, strategic planning, decision-making, leadership and professional conduct. This is a 360 degree evaluation where views of supervisors, subordinates and peers are evaluated by an Executive Management member (who is not in the direct reporting line of the reviewee). The review decision is then evaluated by a pool of reviewers of the talent management

panel as well. The major objective of this process is to identify the training needs and suggesting the career progression path for the next level leaders.

The Bank has a well-equipped Central Training Institute (CTI) staffed with qualified trainers. It has full-time staff of five as well as 120 associate faculty members. CTI has an auditorium with a seating capacity of 100 and five lecture rooms with a total seating capacity of 260. Accommodation facilities are also provided for staff who participate to training from the distant provinces. In addition, the head office has an auditorium with a seating capacity of 225 and two training rooms with seating capacity of 80.

A total number of 442 in-house training programmes were conducted during the year accounting for 4,087 hours. In addition, training programmes are also conducted through other institutions both local and overseas, when a need for such training is identified. A total of 309 programmes were conducted through other local institutions accounting for 2,997 hours. In addition, 120 programmes were conducted through overseas training programmes and official visits on which the training hours spent were 4,800. The total cost of all three

types of training was LKR 322.0 million. Some of the topics on which the greater proportion of the in-house training time was spent were banking operations, credit and recovery, compliance, information technology, internal control and skills development and management. At least three training programmes should be attended by an employee during the year.

Our training programmes are drawn up with career development of employees and succession planning in mind. Staff who stand out are identified and groomed for next-level positions. Through this process, not only the career progression of staff is furthered but the Bank also proactively provides for filling vacancies due to staff retiring. Apart from entry level positions appointments are made by promotion, of the existing staff. Exceptions are made only when there is a need for specialised skills; in such cases outside expertise is drawn with external consultants being appointed. Promotions are made based on examinations and subsequent interviews conducted to assess the knowledge and skills of the employees. Nine of such examinations were conducted during 2017. During the year, a total of 1,831 staff were promoted.



Outbound training for our staff

In addition to the formal training sessions, we provide the staff with other opportunities to develop themselves. The CTI has a well-equipped library which all staff are encouraged to make use of. Also, we have installed an e-Library which gives our employees access to a great collection of useful material.

We have an extremely diverse mix of staff in terms of age levels and experience. It is noteworthy that 65% of our staff are below 34 years of age. This means that at junior levels we have a relatively young team. This brings with it the advantage that the younger generation is technology savvy and better able to deal with the transition to the digital and mobile mode. The other side of the coin is that we yet do have a substantial number of more matured staff to fill the senior ranks. This blend of youth and maturity gives us both dynamism and resilience. Our development programmes also address the need to prepare the younger generation to take over the more senior positions.

During the year 14 outbound training programmes were conducted and a total of 1,239 staff were benefited by these.

### Human Rights

Bank of Ceylon respects the human rights of all its employees and has implemented systems to ensure all its employees are treated equally, with appropriate dignity and respect without any discrimination. We do not use child labour in any form. All our human resources practices are in line with local and international standards. Collective and bargaining decision-making is implemented and 98% of our employees represent either of the trade unions of the Bank, and cordial relationships are also maintained with the trade unions. The employees benefits including salaries, allowances and medical benefits are reviewed and revised once in 3 years under the collective agreement.

Also, we have established grievance handling mechanisms to address the grievances raised by our employees.

### Grievances

	Number
Brought forward from 2016	04
Total number of grievances reported in 2017	19
Total number of grievances resolved in 2017	14
Total number of grievances outstanding at the end of the year 2017	09



Induction programme to newly recruited Management trainees

### Motivating Our Staff

Our strategy is to align what is best for the employees with what is best for the Bank. Our reward and recognition process has been developed to motivate employees to pursue goals that will enable the Bank to achieve its goals. Our development and training activities also contribute to the same objective in the longer term. Thus, we have built a performance-based culture that will support both short term and long-term value creation.

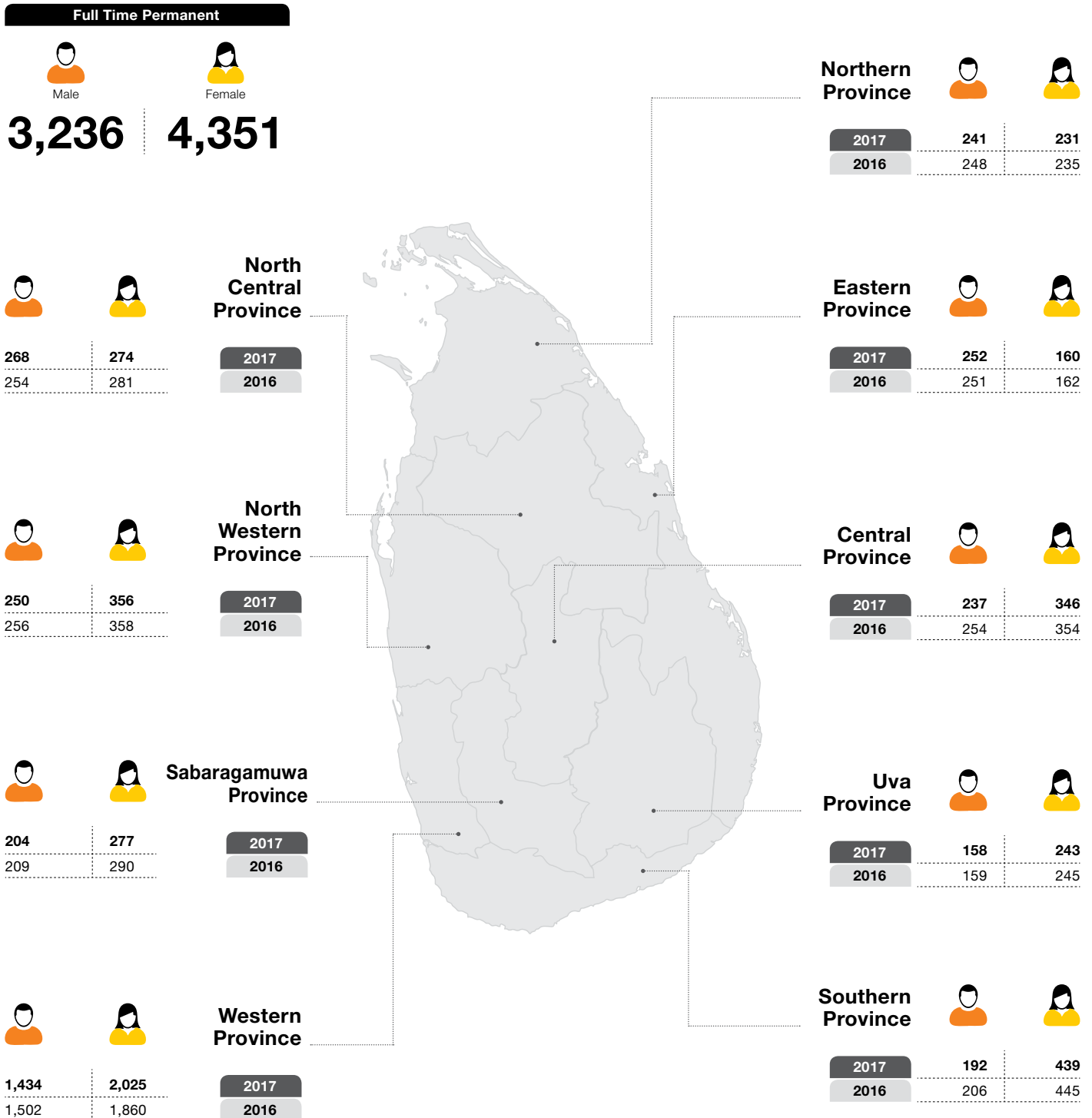
### Welfare and Work-Life Balance

The Bank also conducts and sponsors activities that improve staff morale, promote employee engagement and give the staff an opportunity to unwind. These include events to recognise outstanding performance of staff, sports events, religious and cultural activities pertaining to all communities and religions and health awareness programmes.

Some of such activities that took place during the year are: best branch competition, long service award, annual sport meets in every province and also the all island sports meet of the Bank which was held at Anuradhapura during the year. At the best branch competition, 21 branches and 165 staff members were felicitated. A total of 234 staff members were also felicitated at the long-service award. The Buddhist society of the Bank conducted a "One Day Sil Observing Programme for Wesak" this year as well, where staff and their family members took part in religious activities throughout the day at Head Office complex. Also Christmas Carols were conducted by the Christian Society in celebration of Christmas. A special Pooja was organised by the Hindu Association to celebrate Maha Shiva Rathri Festival.

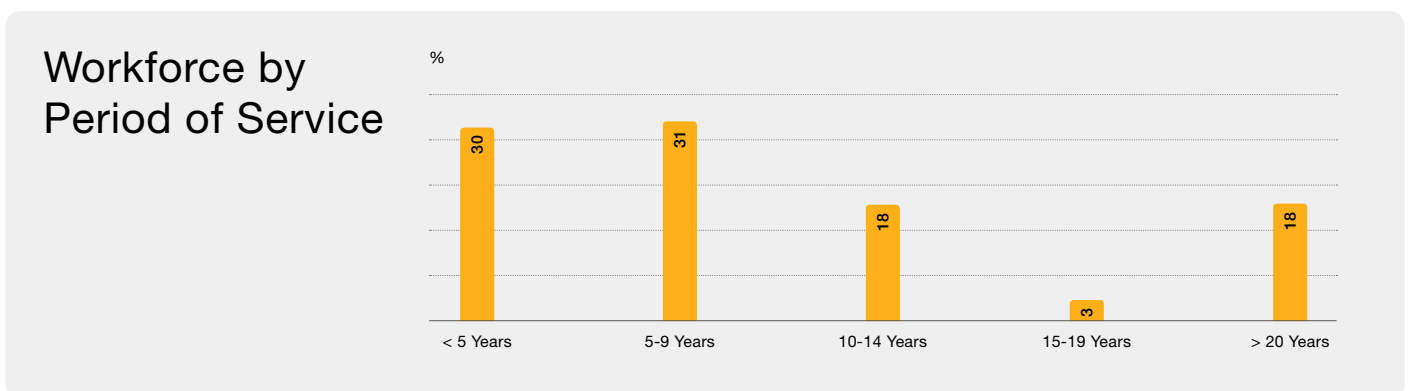
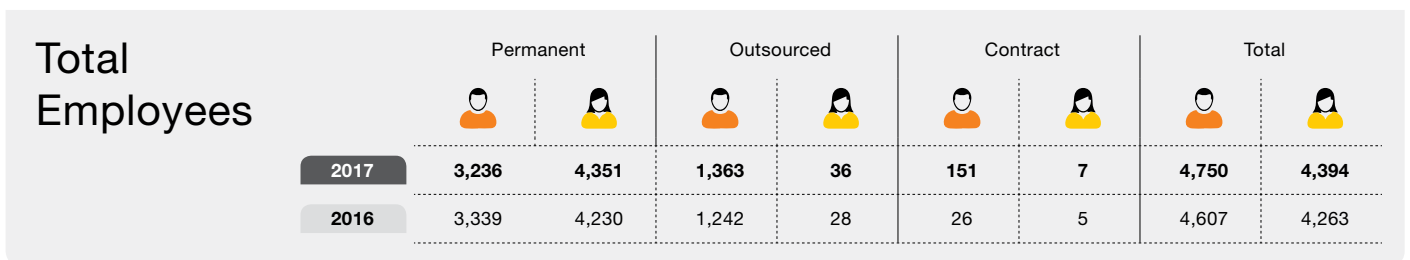
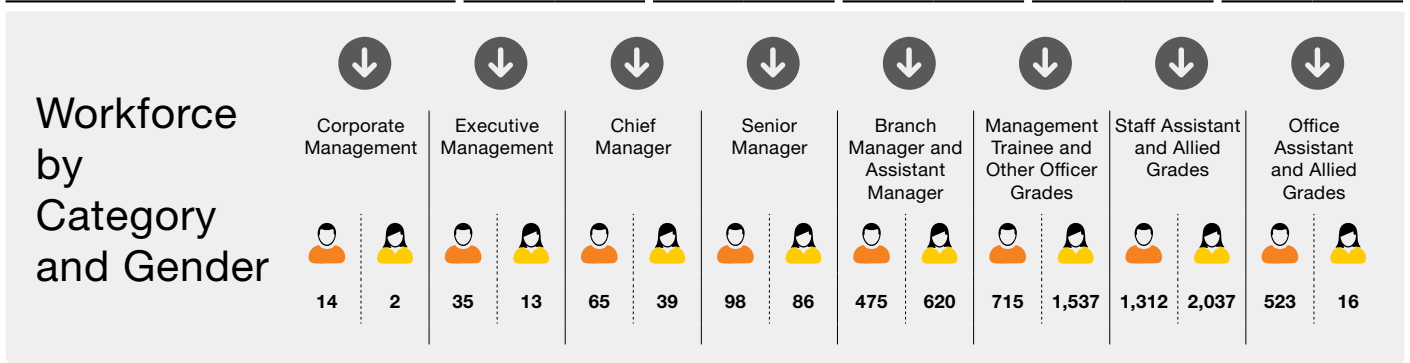


## Workforce by Geographical Distribution



## Workforce by Category

Category/Years	18 to 24		25 to 34		35 to 44		45 to 54		55 to 60	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Corporate Management	-	-	-	-	-	-	4	4	12	13
Executive Management	-	-	-	-	1	1	15	12	32	37
Chief Manager	-	-	-	-	25	8	34	27	45	55
Senior Manager	-	-	-	-	77	68	51	57	56	80
Branch Manager and Assistant Manager	-	-	290	160	424	321	154	127	227	304
Management Trainee and Other Officer Grades	3	2	1,526	1,438	319	353	186	204	218	253
Staff Assistant and Allied Grades	76	280	2,935	2,789	133	120	100	128	105	162
Office Assistant and Allied Grades	5	9	144	141	196	183	143	151	51	82
<b>Total</b>	<b>84</b>	<b>291</b>	<b>4,895</b>	<b>4,528</b>	<b>1,175</b>	<b>1,054</b>	<b>687</b>	<b>710</b>	<b>746</b>	<b>986</b>





Staff and their families observing "Sil" for Wesak 2017



Best branch competition 2017



Hindu pooja in celebration of 78th Anniversary of the Bank



Christmas Carols 2017

In times of need such as bereavement, natural disasters, and personal accidents we lend a helping hand to our staff.

Our staff also actively engage in CSR initiatives of the Bank. By promoting such events we improve the work-life balance of the staff. Following are some of the CSR activities which were conducted in which our staff also participated:

1. During May 2017 disaster situation, employees contributed their one day's salary and also their labour in providing essential dry rations to displaced communities across all affected districts.
2. During the year "Guide to Future" seminar series were conducted in selected schools across all provinces where specially-trained branch managers participated as the resource personal on a volunteer basis.
3. Kahatagasdigiliya branch staff conducted a CSR project at the Diyamailagaswewa Vidyalaya and opened 60 RKG accounts for students as a generous donation by the branch staff.

District basis recruitments that we follow, also serves to improve the work-life balance of employees by minimising their travelling time. The Bank maintains 11 holiday resorts spread throughout

the country, which are available to our employees and their families. A total of 14,872 staff bookings were recorded during 2017. Kayts and Trincomalee holiday resorts were newly opened during the year. The regulatory requirement that all permanent staff utilise seven days annual leave at a stretch that BoC has also rigidly enforced, in a way contributes to work-life balance as well.

### Health and Safety

A healthy and contented workforce is likely to be a productive workforce. Therefore the Bank gives much importance to the health and safety of its staff. All confirmed employees and their families are covered by a comprehensive medical scheme for OPD treatments to surgeries. The services of an in-house doctor is available at the head office in the event of medical problems arising while at work. Comprehensive safety procedures have also been implemented. The Head Office provides Gymnasium, Yoga and Aerobics facilities to staff and during the year a total of 1,269 staff have utilised these facilities.

Each branch and each division at head office has a fire officer and regular fire drills are conducted to familiarise staff with the safety procedures in case of an emergency. All branches and all areas

of the head office are equipped with CCTV cameras. The Bank's Security Service Department is staffed by experienced and knowledgeable personnel who are capable of handling any security-related issue.

### Retirement Benefits

Each staff member of the Bank is a member of the Bank of Ceylon Provident Fund, to which employees contribute 8% of monthly gross salary while the Bank contributes 12% of same. All staff are also members of the Employees' Trust Fund to which the Bank contributes 3% of gross salary. All Bank employees are entitled to a non-contributory pension on retirement, provided that they have completed 10 years of continuous service.

The quality of our HR management is reaffirmed not only by the accolades we won for the best HR practices during the year but also by our attrition rate which is well below the industry average.

### Automated Human Capital Management System

We have a Human Capital Management (HCM) System in place which automates many of our HR functions. The system has been developed to upgrade the efficiency and effectiveness of utilisation of our human resources. As at end of the year, employee performance management, learning management, staff competencies and job description, payroll administration, employee self-services and benefit administration modules in HCM are in the live phase. Employee dynamics, HR planning and charts, career portal and HR business intelligence reports modules are in the development and testing phases and are to be implemented to the live environment soon.

It is envisaged that the HCM system will lead to the creation of a career portal which will enable both employees and management to identify, pursue and facilitate career opportunities. All HR related matters such as training

and development will be brought into the system to facilitate the process. All HR records will be made available to authorised persons through the HCM system to minimise use of paper.

Leave application and approval process is fully-automated through the HCM system during the year.

### Way Forward

In our Corporate Plan 2018-2020, we aim to develop our human capital with the view of strengthening skills, attitudes and abilities of our workforce to enable the Bank to be sustainable and thrive in today's fast changing business environment. Focus has been given on developing professional, job-related specialised knowledge as well as soft skills of the staff; we also emphasise on improving physical infrastructure which is important for training and development. Each employee is to receive training with the following weightages in the future; Current job role – 40%, Personal development – 30% and Service offerings and delivery – 30%. Also while we will focus on maintaining a pool of employees for specialised areas, at the same time we will also give importance to developing multidisciplinary exposure among our staff.

### Turnover – Age Groups and Gender

	2017			2016		
	Male	Female	Total	Male	Female	Total
Age Distribution	-	-	-	-	-	-
25-34	14	22	36	6	26	32
35-44	01	02	03	1	-	1
45-54	01	02	03	-	1	1
55-60	205	98	303	273	173	446
Total	221	124	345	280	200	480
%	64	36	100	58	42	-

### Reasons for Turnover

Reasons	2017	2016
Joining other competitive organisations	-	-
Joining other organisations	9	5
Migration	8	17
Higher studies	2	3
Personal reasons	3	9
Retirement	303	446
Other	20	-
Total	345	480

# Helping to Preserve the Planet



Total number of branches with solar power

**20**

Amount of renewable energy generated

**515** kW

Quantified paper saving by workflow automation

**259,892**

A4 printing papers (BoardPAC and DMS)

Introduced e-Audits



All e-Waste disposal via Central Environmental Authority (CEA) approved agents

Retail segment has

screened **362** credit proposals for E&S requirements

Kekirawa Branch received Gold Awards by the “Green Building Council Sri Lanka”

Introduce Green Building Concept to the Bank

Formulated ESMS Policy

LKR **640.6 million** retail lending for renewable energy and environmentally friendly project

Growth in e-Statements during the year

**67%**



## Natural Capital

### Access to Reliable and Modern Energy for All



The Bank is strongly committed to financing renewable energy projects. Our initiatives in this direction have included hydropower, solar and wind power projects.

- LKR 640.6 million funding to renewable energy projects by retail segment only
- Funding by corporate division to two large scale waste-to-energy projects

### Sustainable Consumption and Production Patterns



The Bank has contributed to this goal by minimising use of paper, water and responsible waste management.

- All e-Waste is disposed by handing over to an agent approved by the CEA
- Quantified paper saving via digital initiatives – 259,892 of A4 sheets

### Climate Change



We are constantly striving to minimise our dependence on non-renewable energy sources. One of our initiatives in this regard is converting our branches to solar energy. We are also reducing our carbon footprint by reducing dumping of waste and minimising use of paper.

- Shifting to solar energy has reduced the use of grey energy by 2%
- Amount of renewable energy generated – 515 kW

It is the responsibility of all of us to preserve a habitable and healthy natural environment for future generations. Today the world is faced with the threat of global warming among other environmental issues. In 2015, the UN promulgated the 17 Sustainable Development Goals (SDGs) to alleviate poverty and hunger, protect the environment and promote sustainable development among other laudable socio-economic objectives.

Given our status as the largest bank, as well as the single entity making the highest profit in Sri Lanka, we have the potential and a duty to make a major contribution in this regard. Hence, we have adopted the SDGs to our sustainability ethos and thereby have embedded those into our business model.

### Organisational Structure

The Green Banking concept is supported at a Senior Management level, being led by the Sustainability Committee of the Bank. Implementation is carried out through the operating divisions under the guidance of the Corporate Management.

During the year the Bank formed a Sustainability Unit to further strengthen the implementation and operationalisation of the decisions taken by the Sustainability Committee. Sustainability Unit also acts as the focal point for reporting on sustainability and it coordinates with all respective divisions, province offices and the branches for this purpose. Progress is constantly monitored with each division by the Sustainability Unit which reports back to the Sustainability Committee on a quarterly basis.

### Our Green Initiatives

The Bank has a substantial direct resource consumption and environmental impact by way of electricity, air conditioning, water and paper. We seek to reduce our carbon footprint by minimising the impact through direct emission reductions by increasing fuel efficiencies in our vehicle fleet, careful maintenance of air conditioners etc., and indirect emission reductions by reducing use of non-renewable energy. This is implemented through our Green Banking Policy which was launched in 2016. As at end of the year 2017, total of 20 branches have converted to solar energy. The initiative has generated total 515 kW of renewable energy which is 2% of our total energy consumption. Some of the other initiatives have been paper recycling, e-Waste management, use of non-toxic materials in construction, installing eco-friendly equipment and energy efficient lighting systems and maintaining green gardens with rain water harvesting systems. During the year a total of 16,930 kgs of waste paper were recycled.

## Promote Sustainable Use of Terrestrial Ecosystems



The Bank considers adherence to environmental regulations in granting the loans to eliminate any destruction to environment via its funding.

- Formulated a ESMS policy for the Bank
- Number of credit proposals rejected due to non-compliance of environment regulations in retail segment – 25

We instill environmental consciousness and awareness of green banking in our staff by way of emails and postings on the intranet. Reuse of paper, use of double sides for making copies and printing were some of the practices we have sought to implement. The Bank also has conducted training via its e-Learning portal during the year, reducing use of paper and also fuel consumption in logistics used in training.

our “SmartGen” product eliminated passbooks from savings accounts. During 2017 a total of 94,395 “SmartGen” accounts were opened bringing the total number to 196,343. Other digital initiatives such as launching the Smart Passbook and continuous promotion of e-Statements also further move us away from paper intensive banking towards a resource efficient banking culture.

(Refer: page 113 Social and Relationship Capital)

Workflow automation also contributes to reduction in paper work. Introduction of the online Document Management System (DMS) and e-Learning have also contributed to reducing usage of paper. During the year 2017, personal loan and home loan orientation by the DMS has contributed to saving of 178,297 sheets of photocopy paper. Practice of BoardPAC has contributed to saving of 81,595 A4 sheets during the year.




During the year e-Audits were introduced and the initiative saves large amount of paper used in manual audit procedures. It is estimated that this process when completed would save 348,480 sheets of paper. The Bank ceased the manual posting of leave approvals during the year and the automation of this process also generates large savings in paper.

in all our activities. The Bank offers dedicated loan products to cater eco-friendly initiatives such as installation of solar panels. We have also undertaken initiatives to fund environmental friendly projects such as waste-to-energy projects, wind power projects and construction of green buildings. We also encourage customers, including those in the SME and corporate segment, to use renewable energy, practice waste management, practice recycling and economise on energy usage. Furthermore, we also perform environmental screening for our credit products. Retail segment has screened 362 credit proposals for compliance with environmental regulations and 25 credit proposals have been rejected due to non-compliance. Retail segment alone has funded LKR 640.6 million during the year for renewable energy and environmental friendly projects.

## The Way Forward and the Future

The Bank also took an important initiative during the year to formulate its Environment and Social Management System (ESMS). ESMS policy is now completed and to be implemented from the early 2018. The ESMS will further strengthen the environmental and social screening we conduct in evaluating our credit proposals. It will help the Bank to manage its social and the environmental risk in a prudential manner.

Due to issues such as global warming coming to the forefront, preserving the environment will become of increasing importance in the years to come. We will have to face increasing challenges in aligning environmental concerns with our activities throughout our value and yet remaining profitable. Yet, it is a must that we face these challenges to ensure our long-term sustainability.

	 <b>Electricity (MWh)</b>		 <b>Water (m3)</b>		 <b>Fuel (litres)</b>	
	2017	2016	2017	2016	2017	2016
<b>Consumption</b>	<b>22,325</b>	21,493	<b>489,560</b>	386,779	<b>440,180</b>	929,853
<b>Per Head Consumption</b>	<b>2.94</b>	2.84	<b>64.53</b>	51.10	<b>58.02</b>	122.86

## Going Green in Our Products and Procedures

Our digitisation initiatives contributed greatly by replacing paper usage with a digital interface. As an example

## Green Lending

However, the Bank’s concern for the environment is not limited to its own operations. We show our commitment by incorporating environmental concerns



# Financial Reports

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# Annual Report of the Directors on the State of Affairs of Bank of Ceylon

## 1. General

The Board of Directors of Bank of Ceylon take pleasure in presenting their report on the affairs of the Bank together with the Audited Consolidated Financial Statements for the year ended 31 December 2017 of the Bank and the Group and the Auditor General's Report on those Financial Statements, conforming to the requirements of the Bank of Ceylon Ordinance No. 53 of 1938 and Banking Act No. 30 of 1988 and amendments thereto. The Report also includes certain disclosures laid down by the Colombo Stock Exchange Listing Rules and certain disclosures required to be made under the Banking Act Direction No. 11 of 2007 on Corporate Governance for licensed commercial banks issued by the Central Bank of Sri Lanka and subsequent amendments thereto. The Directors reviewed and approved the Financial Statements on 27 March 2018.

Bank of Ceylon is a licensed commercial bank under the Banking Act No. 30 of 1988 and amendments thereto and was duly incorporated on 1 August 1939 under Bank of Ceylon Ordinance No. 53 of 1938 and amendments thereto. The Bank is wholly owned by the Government of Sri Lanka. The unsecured subordinated redeemable debentures issued by the Bank are listed on the Colombo Stock Exchange.

## 2. Review of the Business

### 2.1 Principal Activities of the Bank

The principal activities of the Bank during the year were personal banking, corporate banking, development banking, offshore banking, trade financing, lease financing, primary dealing, investment banking and treasury operations, correspondence banking and money remittances, Islamic banking, bancassurance, pawning, credit card facilities, foreign currency operations, and other financial services.

### 2.2 Subsidiaries and Associates

The principal activities of Subsidiaries and Associates are given under Notes to the Financial Statements on page 160 and 161. There were no significant changes in the nature of the principal activities of the Bank and the Group during the year under review, other than changes mentioned under accounting policies.

### 2.3 Changes to the Group Structure

The changes to the Group structure during the year are given in Notes 30 and 31 to the Financial Statements on pages 215 to 222 of this Annual Report.

### 2.4 Vision, Mission and Corporate Conduct

The Bank's Vision, Mission and Value Statements are given on Inner Front Cover of this Annual Report. The Bank maintains high ethical standards in its activities whilst pursuing the objectives stated under "Vision" and "Mission".

### 2.5 Review of the Year's Performance

The Chairman's Message on pages 12 to 14 deals with the year's performance of the Bank/Group and on the Sri Lankan economy. The General Manager's Review on pages 16 to 22 provides a detailed description of the operations of the Bank during the year under review. The section titled "The Decisive Numbers" on pages 94 to 100 provides a detailed analysis of business operations of the Bank. These reports that provide a fair review of the Bank's affairs form an integral part of the Annual Report.

### 2.6 Branch Expansion

The Bank extended its services through the addition of two new mobile branches during the period under review. The network was further expanded enhancing customer convenience. The Bank installed 86 ATMs, 45 CDMs and 182

School *Sansada* and 152 Mobile School Saving Units during the year across the island bringing out the totals to 764, 168, 1,223 and 152 respectively. This number does not include peer banks' ATMs through which customers of Bank of Ceylon can transact.

### 2.7 Corporate Donations

The Bank has not granted donations for the year 2017 but the Bank has contributed LKR 127.5 million to facilitate Corporate Social Responsibility (CSR) activities during the period under review.

### 2.8 Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements that will reflect a true and fair view of the state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Banking Act No. 30 of 1988 and its amendments, Bank of Ceylon Ordinance No. 53 of 1938 and its amendments and the Listing Rules of the Colombo Stock Exchange. In the case of Subsidiaries, the Financial Statements are prepared also in accordance with the provisions of the Companies Act No. 07 of 2007. The Statement of Directors' Responsibility for financial reporting is given on page 149 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 2017 is given on page 150 of this Annual Report.



## 2.10 Accounting Policies

The Group and the Bank prepared their Financial Statements in accordance with Sri Lanka Accounting Standards (LKASs) and Sri Lanka Financial Reporting Standards (SLFRSs).

The accounting policies adopted in the preparation of Financial Statements are given on pages 160 to 302. There have been no material changes in the accounting policies adopted by the Bank during the year under review.

## 3. Planned Developments

An overview of the developments planned by the Bank for the future is presented in the Chairman's Message on pages 12 to 14 and General Manager's Review on pages 16 to 22 of this Annual Report.

## 4. Total Income

The total income of the Group for the year 2017 was LKR 197,013.0 million as against LKR 159,701.2 million in the previous year. The Bank's total income accounted for 96.0% (2016 – 96.5%) of the total income of the Group. The main income of the Group is interest income, which comprises 90.2% of the total income.

## 5. Dividends and Reserves

### 5.1 Profit and Appropriations

The Bank recorded a profit before tax of LKR 30,343.0 million in 2017 reflecting a decrease of 2.7%, compared to LKR 31,188.7 million recorded for the previous year. After deducting LKR 9,030.7 million (2016 – LKR 6,397.7 million) for income tax, the profit after tax for the year 2017 amounted to LKR 21,312.3 million, which is a 14.0% decrease compared to LKR 24,791.0 million profit after tax

reported in 2016. Details of the profit relating to the Bank and the Group are given in the table below:

For the year ended 31 December	Bank		Group	
	2017 LKR million	2016 LKR million	2017 LKR million	2016 LKR million
Profit for the year after payment of all expenses, providing for depreciation, amortisation, impairment on loans and other losses, contingencies and before taxes	37,592	37,454	38,195	36,431
Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	(7,249)	(6,265)	(7,431)	(6,377)
Share of profits/(losses) of associate companies net of tax	–	–	52	63
Profit before income tax	30,343	31,189	30,816	30,117
Income tax expense	(9,031)	(6,398)	(9,329)	(6,731)
Profit for the year	21,312	24,791	21,487	23,386
Other comprehensive income for the year, net of tax	4,340	(1,080)	4,833	(706)
<b>Total comprehensive income for the year</b>	<b>25,652</b>	<b>23,711</b>	<b>26,320</b>	<b>22,680</b>
<b>Appropriations</b>				
Transfers to permanent reserve fund	(2,431)	(2,786)	(2,431)	(2,786)
Transfers to statutory reserve	–	–	(22)	(35)
Dividends	(12,346)	(17,346)	(12,346)	(17,346)

The profit before tax of the Group increased from LKR 30,117.0 million to LKR 30,815.6 million, an increase of 2.3% in comparison to the previous year. After deducting LKR 9,328.9 million for income tax (2016 – LKR 6,731.1 million) the profit after tax for the year of the Group decreased to LKR 21,486.6 million in 2017 from the profit after tax of LKR 23,385.9 million reported in 2016.

### 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 12,346.4 million has been paid out by the Bank as dividends for the year 2017 (2016 – LKR 17,346.4 million).

### 5.3 Reserves

The total reserves of the Group stood at LKR 101,399.1 million as at 31 December 2017 (2016 – LKR 87,475.3 million). The Group reserves consist of the following:

As at 31 December	2017 LKR million	2016 LKR million
Permanent reserve fund	10,427	7,996
Revaluation reserve	18,681	16,494
Free reserve	367	367
Exchange translation reserve	1,703	1,060
Available for sale reserve	4,761	5,562
Statutory reserve	359	337
Retained earnings	65,101	55,659
<b>Total</b>	<b>101,399</b>	<b>87,475</b>

## 6. Property, Plant and Equipment

The total capital expenditure incurred by the Group on the acquisition of Property, Plant and Equipment, leasehold properties and intangible assets during the year amounted to LKR 3,963.8 million (2016 – LKR 2,597.8 million) the details of which are given in Notes 33 to 35 of Financial Statements on pages 224 to 246 of this Annual Report.

## 7. Value of Freehold Properties

The value of freehold properties owned by the Group as at 31 December 2017 is included in Note 33 of the Financial Statements at LKR 21,470.2 million (2016 – LKR 15,519.8 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 2017 was LKR 15,000 million (2016 – LKR 10,000 million).

During the year 2017, the Bank received LKR 5,000 million from the Government of Sri Lanka, the first phase of the total amount of LKR 10,000 million allocated to the Bank under National Budget 2018. This allocation is reported under capital pending allotment as at 31 December 2017. The Bank is making arrangements to issue five million ordinary shares at LKR 1,000 each to the Government of Sri Lanka and thereby will transfer the capital pending allotment to the share capital during the year 2018.

### 8.2 Shareholding

The Government of Sri Lanka is the sole shareholder of the Bank.

## 9. Issue of Subordinated Debentures

The Group issued unlisted unsecured subordinated redeemable debentures with non-viability write-down features, amounting to LKR 10,000 million during the year ended 31 December 2017 (2016 – LKR 8,000 million, subordinated listed debentures). The proceeds of these debentures were utilised to expand the Bank's loan book in the ordinary course of business. This would enable the Bank to achieve the following, on allotment:

- Increase the Tier 2 capital of the Bank in order to enhance the Capital Adequacy Ratio and Single Borrower Limit to facilitate expansion of the loan book.
- Minimise and manage the gap exposure in the Bank's assets and liability portfolios.
- Strengthen the Bank's liquidity position and to increase the asset base.

The details of debentures outstanding as at the date of Statement of Financial Position are given in Note 47 of the Financial Statements on pages 263 and 264.

## 10. Share Information

The basic earnings per share and net assets value per share of the Group 2017 were LKR 1,870.3 (2016 – LKR 2,349.7) and LKR 8,093.3 (2016 – LKR 10,247.5) respectively, for the period under review.

## 11. Corporate Sustainability and Responsibility

The programmes carried out under Corporate Sustainability and Responsibility (CSR) are detailed on pages 122 to 124 under the section titled Social and Relationship Capital.

## 12. Directors

The Board of Directors of Bank of Ceylon as at 31 December 2017 consisted of six members. The Directors of the Bank do not hold any executive positions in the Bank. They bring a wide range of skills and experience to the Board. The qualifications and experience of the Directors are given on pages 35 to 37 of this Annual Report.

### 12.1 List of Directors

During the year 2017 the Board consisted of the following members –

**Mr Ronald C Perera, PC**  
Independent Non-Executive Director/Chairman

**Mr Sajith R Attygalle**  
Non-Executive Ex-officio Director

**Mr Ranel T Wijesinha**  
Independent Non-Executive Director

**Mr H P Ajith Gunawardana**  
Independent Non-Executive Director

**Mr Charitha N Wijewardane**  
Independent Non-Executive Director  
(Resigned w.e.f. 21 July 2017)

**Mr Sanjaya Padmaperuma**  
Independent Non-Executive Director  
(Resigned w.e.f. 30 June 2017)

**Mr Mano Sekaram**  
Independent Non-Executive Director  
(Appointed w.e.f. 6 July 2017 and Resigned w.e.f. 8 September 2017)

**Mr Samantha Rajapaksa**  
Independent Non - Executive Director  
(Appointed w.e.f. 25 July 2017)

**Mr Mohan Wijesinghe**  
Independent Non-Executive Director  
(Appointed w.e.f. 24 November 2017)

**Mr Kanagasabai Vimalenthirarajah**  
(Appointed as the Alternate Director to Mr Sajith R Attygalle w.e.f. 9 November 2017)

The current Directors of the Bank as at date of the Financial Statements (31 December 2017) are as follows:

Name of the Director	Status of Executive/Non-Executive	Status of Independence
Mr Ronald C Perera	Non-Executive	Independent
Mr Sajith R Attygalle	Non-Executive Ex-officio	Non-Independent
Mr Ranel T Wijesinha	Non-Executive	Independent
Mr H P Ajith Gunawardana	Non-Executive	Independent
Mr Samantha Rajapaksa	Non-Executive	Independent
Mr Mohan Wijesinghe	Non-Executive	Independent

The Directors are classified as Independent Directors on the basis given in Banking Act Direction No. 11 of 2007 on Corporate Governance for licensed commercial banks issued by the Central Bank of Sri Lanka.

## 12.2 Board Subcommittees

The Board has formed four subcommittees complying with the aforesaid Banking Act Direction No. 11 of 2007 to ensure oversight control over affairs of the Bank. The subcommittee composition is given on pages 69 to 77 of this Annual Report.

## 12.3 Directors' Meetings

Attendance of Directors at Board and subcommittee meetings are given on page 69 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 144 and 145. These interests have been declared at meetings of the Board of Directors. Except for the contracts given therein the Directors do not have any direct or indirect interest in other contracts or proposed contracts with the Bank.

## 12.5 Directors' Interests in Debentures Issued by the Bank/Group

There were no debentures registered in the name of any Director.

## 12.6 Directors' Allowances/Fees

The allowances/fees payable to the Board of Directors are made in terms of the provisions/contents in the Public Enterprises Circular No. PED 58 (2) dated 15 September 2011, letters dated 12 November 2013 and 18 June 2014 issued by the Department of Public Enterprises of the Ministry of Finance and Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Directors' remuneration in respect of the Group and the Bank for the financial year ended 31 December 2017 are given in Note 15 on page 180.

## 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 80 to 92 of this Annual Report.

### 13.2 Internal Control

The Board of Directors has ensured the implementation of an effective and comprehensive system of internal controls in the Bank through the Audit Committee. The Audit Committee helps the Board of Directors to discharge their fiduciary responsibilities. The Report of the Chairman of the Audit Committee is contained on pages 70 to 73 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 146 and 147 of this Annual Report. The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external reporting purposes has been done in accordance with relevant accounting principles and regulatory requirements. The Board has obtained an Assurance Report from the Auditor General on Directors' Statement on Internal Control and it is given on page 148 of this Annual Report

## 14. Corporate Governance

The Board of Directors is committed towards maintaining an effective corporate governance structure and process. The financial, operational and compliance functions of the Bank are directed and controlled effectively within corporate governance practices. These procedures and practices that are in conformity with Corporate Governance Directions issued by the Central Bank of Sri Lanka under Banking Act Direction No. 11 of 2007 and the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka, are described in the section titled "Corporate Governance" appearing on pages 62 to 77 of this Annual Report. The Board has obtained a report from the Auditor General on the compliance with the provisions of the above mentioned Direction No. 11 of 2007.

## 15. Human Resources

One of the most valuable assets of the Bank is its employees and it is important for the Bank to develop them. Several measures were taken to strengthen the much valued human capital in order to optimise their contribution towards the achievement of corporate objectives. The Bank's human resource management policies and practices are detailed in the section titled "Leveraging Our Greatest Asset" on pages 126 to 133 of this Report.

## 16. Compliance with Laws and Regulations

The Directors, to the best of their knowledge and belief confirm that the Group has not engaged in any activities contravening the laws and regulations.

Details of the Bank's compliance with laws and regulations are given on pages 304 to 343 under the section titled "Compliance Annexes" which forms an integral part of this Report. Further, the Bank has complied with the Transfer Pricing Regulations issued by the Department of Inland Revenue and the Directors certify that the Bank has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act No. 10 of 2006. Certificate of the Directors on Transfer Pricing is given in page 344.

## 17. Outstanding Litigation

In the opinion of the Directors and as confirmed by the Bank's lawyers the litigation currently pending against the Bank will not have a material impact on the reported financial results or future operations of the Bank.

## 18. Statutory Payments

The Board confirms that all statutory payments due to the Government and in relation to employees have been made on time.

## 19. Environmental Protection

The Bank has not engaged in any activity, which has caused detriment to the environment. Further, precautions taken to protect the environment are given in the section titled "Helping to Preserve the Planet" on pages 134 to 136.

## 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

27 March 2018  
Colombo

## Directors' Interest in Contracts

Related party disclosures as required by the Sri Lanka Accounting Standard LKAS 24 – “Related Party Disclosures” are detailed in Note 57 to the Financial Statements on pages 274 to 279.

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 31.12.2017 '000	Balance/Amount Outstanding as at 31.12.2016 '000
<b>Mr Ronald C Perera PC</b> Bank of Ceylon (UK) Limited	Chairman	Current accounts (Nostro accounts)		USD 4,881	USD 659
				*746,084	*98,775
				GBP 232	GBP 531
				*47,684	*97,755
				EURO 1,017	EURO 1,656
		Placements		*185,588	*261,444
				USD 8,000	USD 8,000
				*1,222,838	*1,198,400
				GBP 55,300	GBP 73,400
				*11,366,152	*13,508,852
				EURO 1,000	EURO 1,000
		*182,486	*157,874		
Hotels Colombo (1963) Limited [Mr Ronald C Perera PC appointed as the Acting Chairman of Hotels Colombo (1963) Limited w.e.f. 19 October 2017]	Acting Chairman	Savings accounts		6,046	
		Current accounts		12,563	
		Time deposits		152,278	
		Loans		5,243	
		Other receivables		47,050	
<b>Mr Sajith R Attygalle</b> Airport and Aviation Services (Sri Lanka) Limited [As at 31 December 2017 Mr Sajith R Attygalle was not a Director of Airport and Aviation Services (Sri Lanka) Limited]	Director	Savings accounts			484,227
		Current accounts			1,399,730
		Time deposits			2,890,369
		Letters of credit			240,740
		Letters of guarantee			18,300
<b>Mr Ranel T Wijesinha</b> Koladeniya Hydropower (Private) Limited [Mr Ranel T Wijesinha appointed as a Director of Koladeniya Hydropower (Private) Limited w.e.f. 25 October 2017]	Director	Current accounts		2,551	
		Time deposits		237,165	
		Repo		6,103	
<b>Mr H P Ajith Gunawardana</b> Lanka Securities (Private) Limited	Director	Current accounts		10,835	10,486
		Time deposits		231,400	102,879
		Overdrafts	25,000		
		Repo		77,037	22,007

\* LKR equivalent amount.

Note: Currencies not specifically mentioned are in LKR.



Company	Relationship	Nature of Transactions	Limit '000	Balance/Amount Outstanding as at 31.12.2017 '000	Balance/Amount Outstanding as at 31.12.2016 '000
<b>Mr Samantha Rajapaksa</b> [Mr Samantha Rajapaksa appointed as a Director of Bank of Ceylon w.e.f. 25 July 2017] Associated Motorways (Private) Limited	Director	Savings accounts (LKR)		71,849	
		Savings accounts		USD 3,306	
				*505,274	
		Current accounts		119,592	
		Time deposits		USD 156	
				*23,904	
		Shipping guarantee	250,000	20,709	
		Letter of credit	1,000,000	822,239	
		Hypothecation loan	200,000	-	
		Acceptance		9,660	
		Letter of guarantee	100,000	36,267	
		Export collections		15,124	
		Import bills		234	
Associated Autoways (Private) Limited	Director	Current accounts		1,946	
		Letter of guarantee	1,000	-	
		Shipping guarantee	6,000	-	
		Letter of credit	6,000	-	
		Hypothecation loan	8,000	-	
Associated Motor (Lanka) Company Limited	Director	Current accounts		249	
		Letter of credit	90,000	-	
		Shipping guarantee	120,000	-	
		Hypothecation loan	19,975	-	
		Letter of guarantee	5,000	-	
AMW Capital Leasing and Finance PLC	Director	Savings accounts		4,700	
		Current accounts		15,523	
<b>Mr Mohan Wijesinghe</b> [Mr Mohan Wijesinghe appointed as a Director of Bank of Ceylon w.e.f. 24 November 2017] Lanka Hospitals PLC	Director	Savings accounts		USD 235	
				*35,944	
		Current accounts		53,555	
		Time deposits		USD 6,301	
				*963,159	
Maga Naguma Consultancy and Project Management Services Company (Pvt) Limited	Director	Current accounts		2,864	

\* LKR equivalent amount.

Note: Currencies not specifically mentioned are in LKR.

## Directors' Statement on Internal Control Over Financial Reporting

### Responsibility

In line with the Banking Act Direction No. 11 of 2007, Section 3 (8) (ii) (b), the Board of Directors presents this Report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at Bank of Ceylon, ("the Bank"). In considering such adequacy and effectiveness, the Board recognises that the business of banking requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed with a view to highlighting any deviations from the limits and indicators which comprise the risk appetite of the Bank. In this light, the system of internal controls can only provide reasonable, but not absolute assurance, against material misstatement of financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing 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 70 to 73.

- 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 *inter alia* relating to impairment of loans and advances of the Bank and foreign branches, Financial Statement disclosures related to risk management and related parties. The Bank has also recognised the need to introduce an automated financial reporting process in order to comply with the requirements of recognition, measurement, classification and disclosure of the financial instruments more effectively and efficiently and to facilitate the "Financial Statement Closure" process. The assessment did not include subsidiary companies of the Bank. Further, the Bank has proactively taken steps to adopt the Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments" with effect from 1 January 2018 and

is in the process of developing a mechanism to ensure full compliance with the aforesaid Standard.

- The comments made by the External Auditors in connection with 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 2017 in connection with the internal control system over financial reporting will be addressed in the future.

### Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of Central Bank of Sri Lanka.

By order of the Board,



Chairman  
Audit Committee



Chairman



Director

27 March 2018  
Colombo

# Independent Assurance Report



## විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம் AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය  
எனது இல. }  
My No. }

BAF/B/BOC/IC/2017

ඔබේ අංකය  
உமது இல. }  
Your No. }

දිනය  
திகதி }  
Date }

18 May 2018

The Chairman  
Bank of Ceylon

### Independent Assurance Report of the Auditor General to the Board of Directors on the Directors' Statement on Internal Control Over Financial Reporting 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 2017. 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.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures:

- Enquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the Annual Report.
- Reviewed the documentation prepared by the Directors to support their Statement made.
- Related the Statement made by the Directors to my knowledge of the Bank obtained during the audit of the Financial Statements.
- Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.
- Attended meetings of the Audit Committee at which the Annual Report, including the Statement on Internal Control is considered and approved for submission to the Board of Directors.
- Considered whether the Directors' Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.

- Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3050 does not require me to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 also does not require me to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

#### Conclusion

Based on the procedures performed, nothing has come to my attention that causes me to believe that the Statement included in the Annual Report is inconsistent with my understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of Internal Control over financial reporting of the Bank.

**H M Gamini Wijesinghe**  
Auditor General

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka



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## Directors' Responsibility for Financial Reporting

This Statement by the Board of Directors is made especially to distinguish the respective responsibilities of the Directors and Auditors in relation to financial reporting. The responsibility of Directors in relation to financial reporting of the Bank of Ceylon and the Group is set out in the following statement.

### Financial Statements

In terms of the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments read with the Banking Act No. 30 of 1988 and its amendments and Directions, the Directors of the Bank are responsible for ensuring that the Bank maintains proper books of accounts, which disclose with reasonable accuracy at any time, the financial position of the Bank and prepares proper Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Bank.

The Directors affirm that in preparing the Financial Statements for the year 2017 presented in this Annual Report, the most appropriate accounting policies have been used and applied consistently supported by judgements and estimates that are reasonable and prudent. Material departures, if any, have been disclosed and explained.

The Financial Statements for the year 2017 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 2017.

### Going Concern

The Directors are of the view that the Bank and the Group have adequate resources to continue in business in the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing the Financial Statements.

### Internal Controls, Risk Management and Compliance

The Directors are also responsible for the system of internal financial controls and risk management and place considerable importance on maintaining a strong control environment to protect and safeguard the Bank's assets and prevent fraud and mismanagement. Whilst inherent and residual risks cannot be completely eliminated, the Bank endeavours to minimise them by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and practiced within predetermined procedures and limits/boundaries.

A report by the Directors on the Bank's internal control mechanism, confirming that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, is given on pages 146 and 147 of this Annual Report.

The Directors and Management have put in place, risk management policies and guidelines. Management committees have been established to monitor and manage material risks. Arrangements are in place to ensure that reports on risk are submitted to the Integrated Risk Management Committee on a quarterly basis for discussion. Compliance with applicable laws, regulations, rules, directives and guidelines are monitored by the Independent Integrated Risk Management Division and reported to the Board.

The Audit Committee and Integrated Risk Management Committee, on an ongoing basis, have acted to strengthen the effectiveness of internal controls and risk management procedures. The Reports of the Audit Committee and Integrated Risk Management Committee are included on pages 70 to 73 and pages 74 and 75 respectively of this Annual Report.

### Audit Report

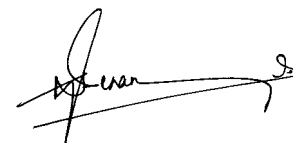
Pursuant to provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka, the Auditor General is the Auditor of the Bank and issues the final opinion on the Financial Statements of the Bank. The responsibilities of the Auditor in relation to the Financial Statements are set out in the Report of the Auditor General on page 150 of this Annual Report. The Auditor General's Certification on the effectiveness of the Bank's internal control mechanism is given on page 148 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

27 March 2018  
Colombo



# Report of the Auditor General



## විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம் AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය  
எனது இல. }  
My No. }

BAF/B/BOC/FA/2017  
මගේ අංකය  
உமது இல. }  
Your No. }

දිනය  
திகதி }  
Date }

29 March 2018

The Chairman  
Bank of Ceylon

### Report of the Auditor General on the Financial Statements of the Bank of Ceylon (the Bank) and the Consolidated Financial Statements of the Bank and its subsidiaries for the year ended 31 December 2017

The audit of the Financial Statements of the Bank of Ceylon ("the Bank") and the Consolidated Financial Statements of the Bank and its subsidiaries ("Group") for the year ended 31 December 2017 comprising the Statement of Financial Position as at 31 December 2017 and the Statement of Profit and 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 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

### Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation

of Financial Statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these Financial Statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the Auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the Bank's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the Financial Statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the Financial Statement of the Bank and the Consolidated Financial Statements give a true and fair view of the financial position of the Bank and the Group respectively as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Exception

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			Group		
		2017 LKR '000	2016 LKR '000	Change %	2017 LKR '000	2016 LKR '000	Change %
<b>Total income</b>	7	<b>189,211,395</b>	<b>154,121,372</b>	<b>22.8</b>	<b>197,012,961</b>	<b>159,701,225</b>	<b>23.4</b>
Interest income		171,343,888	134,685,338	27.2	177,746,357	139,701,569	27.2
Less: Interest expenses		112,987,696	80,727,850	40.0	116,256,255	83,095,077	39.9
<b>Net interest income</b>	8	<b>58,356,192</b>	<b>53,957,488</b>	<b>8.2</b>	<b>61,490,102</b>	<b>56,606,492</b>	<b>8.6</b>
Fee and commission income		9,178,655	8,739,625	5.0	9,436,780	8,983,083	5.1
Less: Fee and commission expenses		1,883,302	1,520,190	23.9	1,972,374	1,607,271	22.7
<b>Net fee and commission income</b>	9	<b>7,295,353</b>	<b>7,219,435</b>	<b>1.1</b>	<b>7,464,406</b>	<b>7,375,812</b>	<b>1.2</b>
Net gains/(losses) from trading	10	2,802,048	2,061,616	35.9	2,822,168	2,037,390	38.5
Net gains/(losses) from financial instruments designated at fair value through profit or loss		-	-	-	-	-	-
Net gains/(losses) from financial investments	11	905,527	273,881	230.6	925,733	312,273	196.4
Other operating income	12	4,981,277	8,360,912	(40.4)	6,081,923	8,666,910	(29.8)
<b>Total operating income</b>		<b>74,340,397</b>	<b>71,873,332</b>	<b>3.4</b>	<b>78,784,332</b>	<b>74,998,877</b>	<b>5.0</b>
Less: Impairment charge/(reversal) for loans and other losses	13	9,340,658	4,396,761	112.4	9,884,889	4,421,000	123.6
<b>Net operating income</b>		<b>64,999,739</b>	<b>67,476,571</b>	<b>(3.7)</b>	<b>68,899,443</b>	<b>70,577,877</b>	<b>(2.4)</b>
<b>Less: Operating expenses</b>							
Personnel expenses	14	16,996,176	16,844,431	0.9	18,723,550	18,409,329	1.7
Other expenses	15	10,411,797	13,178,506	(21.0)	11,980,852	15,737,789	(23.9)
<b>Total operating expenses</b>		<b>27,407,973</b>	<b>30,022,937</b>	<b>(8.7)</b>	<b>30,704,402</b>	<b>34,147,118</b>	<b>(10.1)</b>
<b>Operating profit before Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services</b>		<b>37,591,766</b>	<b>37,453,634</b>	<b>0.4</b>	<b>38,195,041</b>	<b>36,430,759</b>	<b>4.8</b>
Less: Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services		7,248,786	6,264,949	15.7	7,431,502	6,376,679	16.5
<b>Operating profit after Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services</b>		<b>30,342,980</b>	<b>31,188,685</b>	<b>(2.7)</b>	<b>30,763,539</b>	<b>30,054,080</b>	<b>2.4</b>
Share of profits/(losses) of associate companies, net of tax	16	-	-	-	52,024	62,952	(17.4)
<b>Profit before income tax</b>		<b>30,342,980</b>	<b>31,188,685</b>	<b>(2.7)</b>	<b>30,815,563</b>	<b>30,117,032</b>	<b>2.3</b>
Less: Income tax expense	17	9,030,696	6,397,689	41.2	9,328,918	6,731,105	38.6
<b>Profit for the year</b>		<b>21,312,284</b>	<b>24,790,996</b>	<b>(14.0)</b>	<b>21,486,645</b>	<b>23,385,927</b>	<b>(8.1)</b>
<b>Profit attributable to:</b>							
Equity holder of the Bank		21,312,284	24,790,996	(14.0)	21,470,163	23,496,656	(8.6)
Non-controlling interest		-	-	-	16,482	(110,729)	114.9
<b>Profit for the year</b>		<b>21,312,284</b>	<b>24,790,996</b>	<b>(14.0)</b>	<b>21,486,645</b>	<b>23,385,927</b>	<b>(8.1)</b>
<b>Earnings per share:</b>	18						
Basic earnings per share (LKR)		1,856.56	2,479.10	(25.1)	1,870.31	2,349.67	(20.4)
Diluted earnings per share (LKR)		1,414.36	2,439.01	(42.0)	1,424.84	2,311.67	(38.4)
Dividend per share (LKR)	18	1,075.52	1,734.64	(38.0)	1,075.52	1,734.64	(38.0)

The Notes to the Financial Statements from pages 160 to 302 form an integral part of these Financial Statements.

## Statement of Comprehensive Income

For the year ended 31 December	Bank			Group		
	2017 LKR '000	2016 LKR '000	Change %	2017 LKR '000	2016 LKR '000	Change %
<b>Profit for the year</b>	<b>21,312,284</b>	<b>24,790,996</b>	<b>(14.0)</b>	<b>21,486,645</b>	<b>23,385,927</b>	<b>(8.1)</b>
<b>Other comprehensive income, net of tax</b>						
<b>Items that will not be reclassified to profit or loss</b>						
Changes in revaluation surplus/(deficit)	6,059,715	1,394,640	334.5	6,406,248	2,307,452	177.6
Deferred tax effect on changes in revaluation surplus/deficit	(4,094,358)	-	-	(4,191,387)	(255,587)	1,539.9
Actuarial gains/(losses) on defined benefit plans	2,789,929	(1,621,904)	272.0	2,766,683	(1,580,561)	275.0
Deferred tax effect on actuarial gains/losses on defined benefit plans	(8,400)	32,038	(126.2)	8,363	30,061	(72.2)
<b>Net other comprehensive income that will not be reclassified to profit or loss</b>	<b>4,746,886</b>	<b>(195,226)</b>	<b>2,531.5</b>	<b>4,989,907</b>	<b>501,365</b>	<b>895.3</b>
<b>Items that are or may be reclassified to profit or loss</b>						
Net exchange gains/(losses) arising from translating the Financial Statements of foreign operations	361,375	165,793	118.0	643,365	(228,067)	382.1
Gains/(Losses) on remeasuring available for sale financial investments	(595,034)	(1,025,760)	(42.0)	(619,591)	(957,182)	(35.3)
Deferred tax effect on gains/losses on remeasuring available for sale financial investments	(177,006)	(8,893)	1,890.4	(177,006)	(8,893)	1,890.4
Realised gains/(losses) on available for sale financial investments transferred to profit or loss	3,385	(15,525)	121.8	3,385	(15,525)	121.8
Share of other comprehensive income of associate companies, net of tax	-	-	-	(6,600)	2,174	(403.6)
<b>Net other comprehensive income that are or may be reclassified to profit or loss</b>	<b>(407,280)</b>	<b>(884,385)</b>	<b>(53.9)</b>	<b>(156,447)</b>	<b>(1,207,493)</b>	<b>(87.0)</b>
<b>Other comprehensive income for the year, net of tax</b>	<b>4,339,606</b>	<b>(1,079,611)</b>	<b>502.0</b>	<b>4,833,460</b>	<b>(706,128)</b>	<b>784.5</b>
<b>Total comprehensive income for the year</b>	<b>25,651,890</b>	<b>23,711,385</b>	<b>8.2</b>	<b>26,320,105</b>	<b>22,679,799</b>	<b>16.1</b>
<b>Attributable to:</b>						
Equity holder of the Bank	25,651,890	23,711,385	8.2	26,270,244	22,758,128	15.4
Non-controlling interest	-	-	-	49,861	(78,329)	163.7
<b>Total comprehensive income for the year</b>	<b>25,651,890</b>	<b>23,711,385</b>	<b>8.2</b>	<b>26,320,105</b>	<b>22,679,799</b>	<b>16.1</b>

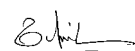
The Notes to the Financial Statements from pages 160 to 302 form an integral part of these Financial Statements.

# Statement of Financial Position

As at 31 December	Note	Bank			Group		
		2017 LKR '000	2016 LKR '000	Change %	2017 LKR '000	2016 LKR '000	Change %
<b>Assets</b>							
Cash and cash equivalents	20	72,843,108	67,705,791	7.6	78,005,362	73,244,043	6.5
Balances with Central Banks	21	68,689,012	56,387,741	21.8	68,689,012	56,387,741	21.8
Placements with banks	22	8,067,490	11,674,664	(30.9)	5,319,602	12,931,605	(58.9)
Securities purchased under resale agreements	23	18,455,555	1,901,618	870.5	19,872,247	2,350,704	745.4
Derivative financial instruments	24	1,618,823	5,300,844	(69.5)	1,618,823	5,300,844	(69.5)
Financial instruments – Held for trading	25	8,359,274	8,474,041	(1.4)	8,596,548	8,804,647	(2.4)
Financial investments – Loans and receivables	26	213,167,048	191,874,638	11.1	214,349,624	191,984,082	11.6
Loans and advances to customers	27	1,163,160,914	1,000,082,574	16.3	1,194,294,394	1,027,768,110	16.2
Financial investments – Available for sale	28	17,921,170	10,463,046	71.3	22,552,292	16,263,641	38.7
Financial investments – Held to maturity	29	308,256,082	243,178,400	26.8	308,750,317	243,253,967	26.9
Investment in subsidiary companies	30	6,513,048	6,213,048	4.8	–	–	–
Investment in associate companies	31	92,988	92,988	–	446,793	420,669	6.2
Investment properties	32	2,882,928	3,000,000	(3.9)	123,773	127,670	(3.1)
Property, Plant and Equipment	33	23,046,114	15,482,163	48.9	36,608,919	29,200,036	25.4
Leasehold properties	34	101,481	101,839	(0.4)	134,441	136,155	(1.3)
Intangible assets	35	810,730	563,490	43.9	1,074,436	655,630	63.9
Deferred tax assets	36	–	–	–	8,621	5,456	58.0
Other assets	37	37,818,188	46,794,389	(19.2)	38,964,979	47,721,701	(18.3)
<b>Total assets</b>		<b>1,951,803,953</b>	<b>1,669,291,274</b>	<b>16.9</b>	<b>1,999,410,183</b>	<b>1,716,556,701</b>	<b>16.5</b>
<b>Liabilities</b>							
Due to banks	38	2,203,199	2,042,322	7.9	2,194,266	2,053,945	6.8
Securities sold under repurchase agreements	39	44,487,462	59,424,629	(25.1)	44,628,686	58,925,801	(24.3)
Derivative financial instruments	40	70,715	171,663	(58.8)	70,715	171,663	(58.8)
Due to customers	41	1,546,832,036	1,256,589,490	23.1	1,566,376,418	1,273,631,287	23.0
Other borrowings	42	178,191,089	195,469,853	(8.8)	184,330,181	204,485,301	(9.9)
Debt securities issued	43	–	3,427,058	(100.0)	5,667,514	8,360,333	(32.2)
Current tax liabilities		1,877,342	–	–	2,051,020	253,020	710.6
Deferred tax liabilities	36	5,820,329	1,439,285	304.4	8,625,219	4,078,734	111.5
Insurance provision – Life	44	–	–	–	547,026	514,675	6.3
Insurance provision – Non-life	44	–	–	–	430,093	775,375	(44.5)
Other liabilities	45	18,596,249	19,231,833	(3.3)	19,936,478	21,656,513	(7.9)
Subordinated term debts	47	42,570,457	38,645,546	10.2	42,226,067	38,295,318	10.3
<b>Total liabilities</b>		<b>1,840,648,878</b>	<b>1,576,441,679</b>	<b>16.8</b>	<b>1,877,083,683</b>	<b>1,613,201,965</b>	<b>16.4</b>
<b>Equity</b>							
Share capital	48	20,000,000	15,000,000	33.3	20,000,000	15,000,000	33.3
Permanent reserve fund	49	10,427,000	7,996,000	30.4	10,427,000	7,996,000	30.4
Retained earnings		63,472,250	54,154,685	17.2	65,100,871	55,659,003	17.0
Other reserves	50	17,255,825	15,698,910	9.9	25,871,254	23,820,288	8.6
<b>Total equity attributable to equity holder of the Bank</b>		<b>111,155,075</b>	<b>92,849,595</b>	<b>19.7</b>	<b>121,399,125</b>	<b>102,475,291</b>	<b>18.5</b>
Non-controlling interest	51	–	–	–	927,375	879,445	5.4
<b>Total equity</b>		<b>111,155,075</b>	<b>92,849,595</b>	<b>19.7</b>	<b>122,326,500</b>	<b>103,354,736</b>	<b>18.4</b>
<b>Total liabilities and equity</b>		<b>1,951,803,953</b>	<b>1,669,291,274</b>	<b>16.9</b>	<b>1,999,410,183</b>	<b>1,716,556,701</b>	<b>16.5</b>
Contingent liabilities and commitments	53	507,258,821	547,398,625	(7.3)	508,399,376	548,333,620	(7.3)
Net assets value per share (LKR)	48	7,410.34	9,284.96	(20.2)	8,093.28	10,247.53	(21.0)

The Notes to the Financial Statements from pages 160 to 302 form an integral part of these Financial Statements.

These Financial Statements give a true and fair view of the state of affairs of the Bank of Ceylon and the Group as at 31 December 2017 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



**Senarath Bandara**  
General Manager

27 March 2018  
Colombo

## Statement of Changes in Equity

### Bank

	Note	Share Capital LKR '000	Capital Pending Allotment LKR '000	Permanent Reserve Fund LKR '000
<b>Balance as at 1 January 2016</b>		10,000,000	–	5,209,955
Total comprehensive income for the year				
Profit for the year		–	–	–
Other comprehensive income, net of tax		–	–	–
<b>Total comprehensive income for the year</b>		–	–	–
<b>Transactions with equity holder, recognised directly in equity</b>				
Dividends for 2016	18.3	–	–	–
Capital infusion during the year		–	5,000,000	–
Transfers to permanent reserve fund	49	–	–	2,786,045
<b>Total transactions with equity holder</b>		–	<b>5,000,000</b>	<b>2,786,045</b>
<b>Balance as at 31 December 2016</b>		<b>10,000,000</b>	<b>5,000,000</b>	<b>7,996,000</b>
<b>Balance as at 1 January 2017</b>		10,000,000	5,000,000	7,996,000
Total comprehensive income for the year				
Profit for the year		–	–	–
Other comprehensive income, net of tax		–	–	–
<b>Total comprehensive income for the year</b>		–	–	–
<b>Transactions with equity holder, recognised directly in equity</b>				
Dividends for 2017	18.3	–	–	–
Transfers to share capital	48.1	5,000,000	(5,000,000)	–
Capital infusion during the year		–	5,000,000	–
Revaluation surplus of disposed property		–	–	–
Transfers to permanent reserve fund	49	–	–	2,431,000
<b>Total transactions with equity holder</b>		<b>5,000,000</b>	<b>–</b>	<b>2,431,000</b>
<b>Balance as at 31 December 2017</b>		<b>15,000,000</b>	<b>5,000,000</b>	<b>10,427,000</b>

The Notes to the Financial Statements from pages 160 to 302 form an integral part of these Financial Statements.



Other Reserves				
Available for Sale Reserve LKR '000	Other Reserves LKR '000	Revaluation Reserve LKR '000	Retained Earnings LKR '000	Total Equity LKR '000
5,537,359	1,043,642	8,607,654	51,086,010	81,484,620
-	-	-	24,790,996	24,790,996
(1,050,178)	165,793	1,394,640	(1,589,866)	(1,079,611)
<b>(1,050,178)</b>	<b>165,793</b>	<b>1,394,640</b>	<b>23,201,130</b>	<b>23,711,385</b>
-	-	-	(17,346,410)	(17,346,410)
-	-	-	-	5,000,000
-	-	-	(2,786,045)	-
-	-	-	<b>(20,132,455)</b>	<b>(12,346,410)</b>
<b>4,487,181</b>	<b>1,209,435</b>	<b>10,002,294</b>	<b>54,154,685</b>	<b>92,849,595</b>
4,487,181	1,209,435	10,002,294	54,154,685	92,849,595
-	-	-	21,312,284	21,312,284
(768,655)	361,375	1,965,357	2,781,529	4,339,606
<b>(768,655)</b>	<b>361,375</b>	<b>1,965,357</b>	<b>24,093,813</b>	<b>25,651,890</b>
-	-	-	(12,346,410)	(12,346,410)
-	-	-	-	-
-	-	-	-	5,000,000
-	-	(1,162)	1,162	-
-	-	-	(2,431,000)	-
-	-	<b>(1,162)</b>	<b>(14,776,248)</b>	<b>(7,346,410)</b>
<b>3,718,526</b>	<b>1,570,810</b>	<b>11,966,489</b>	<b>63,472,250</b>	<b>111,155,075</b>

## Group

	Note	Share Capital LKR '000	Capital Pending Allotment LKR '000	Permanent Reserve Fund LKR '000
<b>Balance as at 1 January 2016</b>		10,000,000	–	5,209,955
Total comprehensive income for the year				
Profit for the year		–	–	–
Other comprehensive income, net of tax		–	–	–
<b>Total comprehensive income for the year</b>		–	–	–
<b>Transactions with equity holder, recognised directly in equity</b>				
Dividends for 2016	18.3	–	–	–
Subsidiary dividends to non-controlling interest		–	–	–
Capital infusion during the year	48.1	–	5,000,000	–
Transfers to permanent reserve fund	49	–	–	2,786,045
Transfers to other reserves	50.5	–	–	–
<b>Total transactions with equity holders</b>		–	5,000,000	2,786,045
<b>Balance as at 31 December 2016</b>		10,000,000	5,000,000	7,996,000
<b>Balance as at 1 January 2017</b>		10,000,000	5,000,000	7,996,000
Total comprehensive income for the year				
Profit for the year		–	–	–
Other comprehensive income, net of tax		–	–	–
<b>Total comprehensive income for the year</b>		–	–	–
<b>Transactions with equity holder, recognised directly in equity</b>				
Dividends for 2017	18.3	–	–	–
Subsidiary dividends to non-controlling interest		–	–	–
Transfers to share capital		5,000,000	(5,000,000)	–
Capital infusion during the year	48.1	–	5,000,000	–
Revaluation surplus of disposed property		–	–	–
Transfers to permanent reserve fund	49	–	–	2,431,000
Transfers to other reserves	50.5	–	–	–
<b>Total transactions with equity holder</b>		5,000,000	–	2,431,000
<b>Balance as at 31 December 2017</b>		15,000,000	5,000,000	10,427,000

The Notes to the Financial Statements from pages 160 to 302 form an integral part of these Financial Statements.

Attributable to Equity Holder of the Bank					
Available for Sale Reserve LKR '000	Other reserves		Retained Earnings LKR '000	Non-Controlling Interest LKR '000	Total Equity LKR '000
	Other Reserves LKR '000	Revaluation Reserve LKR '000			
6,539,515	1,956,800	14,469,008	53,888,295	1,010,640	93,074,213
-	-	-	23,496,656	(110,729)	23,385,927
(977,249)	(228,067)	2,025,051	(1,558,263)	32,400	(706,128)
<b>(977,249)</b>	<b>(228,067)</b>	<b>2,025,051</b>	<b>21,938,393</b>	<b>(78,329)</b>	<b>22,679,799</b>
-	-	-	(17,346,410)	-	(17,346,410)
-	-	-	-	(52,866)	(52,866)
-	-	-	-	-	5,000,000
-	-	-	(2,786,045)	-	-
-	35,230	-	(35,230)	-	-
-	<b>35,230</b>	-	<b>(20,167,685)</b>	<b>(52,866)</b>	<b>(12,399,276)</b>
<b>5,562,266</b>	<b>1,763,963</b>	<b>16,494,059</b>	<b>55,659,003</b>	<b>879,445</b>	<b>103,354,736</b>
5,562,266	1,763,963	16,494,059	55,659,003	879,445	103,354,736
-	-	-	21,470,163	16,482	21,486,645
(801,650)	643,365	2,188,368	2,769,998	33,379	4,833,460
<b>(801,650)</b>	<b>643,365</b>	<b>2,188,368</b>	<b>24,240,161</b>	<b>49,861</b>	<b>26,320,105</b>
-	-	-	(12,346,410)	-	(12,346,410)
-	-	-	-	(1,931)	(1,931)
-	-	-	-	-	-
-	-	-	-	-	5,000,000
-	-	(1,162)	1,162	-	-
-	-	-	(2,431,000)	-	-
-	22,045	-	(22,045)	-	-
-	<b>22,045</b>	<b>(1,162)</b>	<b>(14,798,293)</b>	<b>(1,931)</b>	<b>(7,348,341)</b>
<b>4,760,616</b>	<b>2,429,373</b>	<b>18,681,265</b>	<b>65,100,871</b>	<b>927,375</b>	<b>122,326,500</b>

## Statement of Cash Flows

For the year ended 31 December	Note	Bank		Group	
		2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Cash Flows from Operating Activities</b>					
Profit before income tax		30,342,980	31,188,685	30,815,563	30,117,032
<b>Adjustments for:</b>					
Net interest income	8	(58,356,192)	(53,957,488)	(61,490,102)	(56,606,492)
Dividend income on trading securities	10	(111,783)	(113,674)	(120,214)	(126,801)
Dividends from subsidiaries and associates	12	(76,680)	(1,102,158)	-	-
Share of (profits)/losses of associate companies, net of tax	16	-	-	(52,024)	(62,952)
Change in operating assets	52.1	(176,623,016)	(160,667,438)	(177,474,266)	(163,958,901)
Change in operating liabilities	52.2	304,162,970	131,411,796	306,329,345	134,895,340
Other non-cash items included in profit before tax	52.3	10,872,287	3,832,099	12,102,838	4,890,843
Other net gains from investing activities	11	(905,527)	(273,881)	(925,733)	(312,273)
		<b>109,305,039</b>	<b>(49,682,059)</b>	<b>109,185,407</b>	<b>(51,164,204)</b>
Benefit paid from defined benefit plans		(6,976,625)	(6,427,894)	(6,994,516)	(6,469,307)
Interest received		120,744,703	95,086,587	126,994,502	99,900,577
Interest paid		(85,565,050)	(54,415,320)	(88,311,449)	(56,022,201)
Dividends received		111,783	113,674	120,214	126,801
<b>Net cash from/(used in) operating activities before income tax</b>		<b>137,619,850</b>	<b>(15,325,012)</b>	<b>140,994,158</b>	<b>(13,628,334)</b>
Income tax paid		(2,580,454)	(6,020,924)	(2,683,837)	(6,248,626)
<b>Net cash from/(used in) operating activities</b>		<b>135,039,396</b>	<b>(21,345,936)</b>	<b>138,310,321</b>	<b>(19,876,960)</b>
<b>Cash Flows from Investing Activities</b>					
Net (increase)/decrease in financial investments – Held to maturity		(65,055,871)	3,105,015	(65,470,538)	3,090,334
Net (increase)/decrease in financial investments – Available for sale		(7,716,838)	624,947	(6,571,920)	(861,988)
Net (increase)/decrease in financial investments – Loans and receivables		(21,292,409)	40,686,630	(22,365,555)	41,019,663
Proceeds from disposal of an associate company		-	3,880,000	-	3,880,000
Purchase of Property, Plant and Equipment and leasehold properties		(3,080,752)	(2,052,805)	(3,199,778)	(2,207,275)
Purchase of intangible assets		(528,565)	(376,643)	(764,014)	(390,549)
Proceeds from sale of Property, Plant and Equipment		62,457	18,961	69,101	63,951
Dividends received		649,270	1,268,331	592,796	204,565
Interest received		40,578,598	36,487,727	41,088,070	36,809,586
<b>Net cash from/(used in) investing activities</b>		<b>(56,384,110)</b>	<b>83,642,163</b>	<b>(56,621,838)</b>	<b>81,608,287</b>

For the year ended 31 December	Note	Bank		Group	
		2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Cash Flows from Financing Activities</b>					
Net decrease in other borrowings		(49,653,199)	(42,090,586)	(52,901,368)	(38,650,060)
Proceeds from issue of shares		5,000,000	5,000,000	5,000,000	5,000,000
Proceeds from issue of debentures		10,000,000	8,000,000	12,000,000	7,990,000
Payments on redemption of debentures		(9,501,723)	(5,032,015)	(10,867,381)	(5,368,253)
Dividends paid to equity holders of the Bank		(12,346,410)	(18,346,410)	(12,346,410)	(18,346,410)
Dividends paid to non-controlling interest		-	-	(1,931)	(52,866)
Interest payments on borrowings and debt securities		(17,320,884)	(21,458,109)	(18,093,765)	(22,211,745)
<b>Net cash used in financing activities</b>		<b>(73,822,216)</b>	<b>(73,927,120)</b>	<b>(77,210,855)</b>	<b>(71,639,334)</b>
Net increase/(decrease) in cash and cash equivalents during the year		4,833,070	(11,630,893)	4,477,628	(9,908,007)
Cash and cash equivalents at the beginning of the year		66,898,438	78,529,331	72,425,067	82,333,074
<b>Cash and cash equivalents at the end of the year</b>		<b>71,731,508</b>	<b>66,898,438</b>	<b>76,902,695</b>	<b>72,425,067</b>
<b>Analysis of Cash and Cash Equivalents</b>					
Cash and cash equivalents	20	72,843,108	67,705,791	78,005,362	73,244,043
Bank overdrafts	38	(1,111,600)	(807,353)	(1,102,667)	(818,976)
<b>Cash and cash equivalents at the end of the year</b>		<b>71,731,508</b>	<b>66,898,438</b>	<b>76,902,695</b>	<b>72,425,067</b>

The Notes to the Financial Statements from pages 160 to 302 form an integral part of these Financial Statements.



# Notes to the Financial Statements

## 1 Reporting Entity

### 1.1 Corporate Information

Bank of Ceylon (“the Bank”) is a Government-owned bank domiciled in Sri Lanka, duly incorporated on 1 August 1939 under the Bank of Ceylon Ordinance No. 53 of 1938. It is a licensed commercial bank established under the Banking Act No. 30 of 1988 and amendments thereto. The Registered Office of the Bank is situated at “BOC Square”, No. 01, Bank of Ceylon Mawatha, Colombo 01, Sri Lanka. The debentures issued by the Bank are listed on the Colombo Stock Exchange and the senior notes amounting to USD 500.0 million are listed on the Singapore Stock Exchange. The staff strength of the Bank as at 31 December 2017 was 7,587 (2016 – 7,569).

### 1.2 Consolidated Financial Statements

The Consolidated Financial Statements are prepared as at and for the year ended 31 December 2017 comprise the Bank (“Parent”), its Subsidiaries (together referred to as the “Group” and individually as “Group Entities”) and the Group’s interests in its associate companies. The Financial Statements of the companies in the Group have a common financial year which ends on 31 December, except the associate companies, Transnational Lanka Records Solutions (Private) Limited and Ceybank Asset Management Limited. The Bank is the ultimate parent of the Group.

### 1.3 Principal Activities

#### 1.3.1 Bank

The principal activities of the Bank during the year were, personal banking, corporate banking, development banking, offshore banking, trade financing, lease financing, primary dealing, investment banking and treasury operations, correspondent banking and money remittances, Islamic banking, bancassurance, pawning, credit card facilities, foreign currency operations, and other financial services.

#### 1.3.2 Subsidiaries

The principal activities of the Subsidiaries of the Bank are as follows:

Name of the Company	Principal Business Activities
Property Development PLC	Own, maintain and manage the Bank of Ceylon head office building.
Merchant Bank of Sri Lanka & Finance PLC	Leasing, hire purchase, corporate and retail credit facilities, corporate advisory services, capital market operations, margin trading, microfinancing, agricultural credit facilities, real estate, pawning and accepting deposits.
BOC Management & Support Services (Private) Limited	Not in operation and in the process of liquidation.
BOC Property Development & Management (Private) Limited	Renting of office space of BOC Merchant Tower in Colombo 03 and Ceybank House in Kandy.
BOC Travels (Private) Limited	Engages in travel-related services.
Hotels Colombo (1963) Limited	Provides hotel services.
Ceybank Holiday Homes (Private) Limited	Maintaining of pilgrims rests/holiday homes/guest houses.
MBSL Insurance Company Limited	Underwriting of all classes of life and general insurance.
Koladeniya Hydropower (Private) Limited	Hydropower generation.
Bank of Ceylon (UK) Limited	Authorised licensed commercial bank by Prudential Regulation Authority of the United Kingdom, engages in retail and corporate banking, treasury operations, correspondent banking services and trade finance services.

#### 1.3.3 Associates

The principal activities of the associates of the Bank are as follows:

Name of the Company	Principal Business Activities
Ceybank Asset Management Limited	Management of unit trust funds and other private portfolios.
Lanka Securities (Private) Limited	Registered stockbroker, engages in equity trading, debt trading and margin trading.
Transnational Lanka Records Solutions (Private) Limited	Renting properties and real estates.
Southern Development Financial Company Limited	Not in operation and in the process of liquidation.

There were no significant changes in the nature of principal activities of the Bank, Subsidiaries and Associates during the year under review. BOC Management & Support Services (Private) Limited (MSS) has not carried out its core business activities since 2007 and the Board of the Bank has granted the approval to wind-up the company. Southern Development Financial Company Limited (SDFCL) is also not in operations. The Board of Directors of SDFCL has decided to wind-up the company and is in the process of liquidation.

## 2 Directors' Responsibility for Financial Statements

### 2.1 Preparation and Presentation of the Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Bank and its Subsidiaries and Associates in compliance with the requirements of the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments, Banking Act No. 30 of 1988 and its amendments thereto and Sri Lanka Accounting Standards (SLFRSs and LKASs ). These Financial Statements comprises

- Statement of Profit or Loss
- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Financial Statements

### 2.2 Approval of Financial Statements

The Financial Statements for the year ended 31 December 2017 were authorised for issue on 27 March 2018 by the Board of Directors.

## 3 Basis of Preparation

### 3.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Bank have been prepared in accordance with Sri Lanka Accounting Standards comprising of Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka (together referred to as SLFRSs in these Financial Statements). The preparation and presentation of these Financial Statements are in compliance with the requirements of the Bank of Ceylon Ordinance, the Banking Act No. 30 of 1988 and the Companies Act No. 07 of 2007. The Group has prepared Financial Statements which comply with SLFRSs applicable for the year ended 31 December 2017, together with the comparative year data as at and for the year ended 31 December 2016, as described in the accounting policies.

### 3.2 Basis of Measurement

The Financial Statements have been prepared on the basis of historical cost convention which has been applied on a consistent basis, except for the following:

- Derivative financial instruments are measured at fair value (Notes 24 and 40)
- Financial instruments held for trading are measured at fair value (Note 25)
- Available for Sale financial investments are measured at fair value (Note 28)
- Owner-occupied freehold land and buildings and buildings on leasehold lands are measured at revalued amount less any subsequent accumulated depreciation and impairment losses (Note 33)
- Defined benefit obligations are actuarially valued and recognised at the present value of the defined benefit obligation less total of the fair value of plan assets (Note 46)

No adjustments have been made for inflationary factors affecting the Financial Statements.

### 3.3 Presentation of Financial Statements

Items in the Financial Position of the Bank and the Group are grouped by nature of such item and presented broadly in order of their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 56.

#### 3.3.1 Functional and Presentation Currency

Items included in the 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.

#### 3.3.2 Accrual Basis of Accounting

The Financial Statements, except for information on Statement of Cash Flows have been prepared following the accrual basis of accounting.

#### 3.3.3 Offsetting

Financial assets and financial liabilities are generally reported gross in the Statement of Financial Position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Bank and/or its counterparties.

Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by any accounting standard or interpretation and as specifically disclosed in the accounting policies of the Group. Statement of Cash Flows has been prepared by using of “Indirect Method” in accordance with LKAS 7 – “Statement of Cash Flows”, whereby the profit is adjusted to derive the cash flows from operating activities. Cash and cash equivalents comprise cash in hand, other short-term highly liquid investments with maturity less than seven days from date of acquisition and bank overdrafts.

### 3.3.4 Comparative Information

The comparative information is provided in narrative and descriptive nature, if it is relevant to understand the current period’s Financial Statements and reclassified wherever necessary to conform to the current year’s presentation.

### 3.3.5 Materiality and Aggregation

In compliance with LKAS 1 – “Presentation of Financial Statements”, each material class of similar items are presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately unless they are immaterial.

### 3.3.6 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard LKAS 1 – “Presentation of Financial Statements”.

### 3.3.7 Use of Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Financial Statements requires management to exercise judgements, 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 judgements, estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and/or in future periods if the revision affects future periods too.

In the process of applying the Group’s accounting policies, management has made the following judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the Financial Statements.

#### 3.3.7.1 Going Concern

The Management has made an assessment on the Group’s ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

#### 3.3.7.2 Commitment and Contingent Liabilities

All discernible risks are accounted for in determining the amount of all known and measurable liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its considered remote that the Group will be liable to settle the possible obligation.

#### 3.3.7.3 Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities, recorded in the Statement of Financial Position cannot

be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, however, if such data are not available, a degree of judgement is exercised in establishing fair values which minimise the effect of use of unobservable inputs. The valuations of financial instruments are described comprehensively in Note 59.

#### 3.3.7.4 Impairment Losses on Loans and Advances

The measurement of impairment of loans and advances requires management’s best estimate of the losses incurred in the portfolio at reporting date.

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 judgement 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, all such 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 judgements on the effect of concentrations of risks and economic data (including levels of unemployment, real estate price indices, country risk and the performance of different individual groups). Details of impairment losses on loans and advances are given in Note 27.

### 3.3.7.5 Impairment of Available for Sale Investments

The Group reviews its debt securities classified as available for sale investments at each reporting date to assess whether they are impaired.

The Group also records impairment charges on equity investments classified as available for sale when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is “significant or prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its carrying value. Details of impairment of available for sale investments are given in Note 28.

### 3.3.7.6 Impairment of Investment in Subsidiaries, Other Financial Assets and Non-Financial Assets

The Group and the Bank follow the guidance of LKAS 36 – “Impairment of Assets” and LKAS 39 – “Financial Instruments: Recognition and Measurement” in determining whether an investment or a financial asset is impaired. Determination and identification of impairment indicators require the Group and the Bank to evaluate duration and extent to which the fair value of an investment for a financial asset is less than its cost and the financial stability of the near term business outlook of the investment or the financial asset, considering the factors such as performance of the sector and industry, technology and operational environmental changes along with future cash flows. This process involves with significant judgement in aforesaid areas and details are given under respective Notes.

### 3.3.7.7 Defined Benefit Obligation

The cost of the defined benefit pension plans and other post employment benefit plans are determined using an actuarial valuation. An actuarial valuation involves making various assumptions determining the discount rates, expected rates of

return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date and assumptions used in the year are given in Note 46.

### 3.3.7.8 Fair Value of Land and Buildings

The freehold land and buildings and the buildings on leasehold land of the Group are reflected at fair value less accumulated depreciation. The Group engaged independent valuation specialists to determine fair value of such properties in terms of the SLFRS 13 – “Fair Value Measurement”. The details of valuation of freehold land and buildings and the buildings on leasehold land are given in Note 33.

### 3.3.7.9 Useful Life of the Property, Plant and Equipment and Intangible Assets

The Group reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment and intangible assets at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. The details of the depreciation methods and rates used for each assets category are given in Note 33.

### 3.3.7.10 Classification of Investment Properties

Management is required to use its judgement to determine whether a property qualified as an investment property. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Group are accounted for as investment properties. On the other hand, properties that are used for operations or for the process of providing services or for administration purposes and which do not directly generate cash flows as stand-alone assets are accounted as Property, Plant and Equipment.

### 3.3.7.11 Taxation

The Group is subject to income tax, Value Added Tax (VAT) and Nation Building Tax (NBT) and other applicable taxes.

A judgement is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exists with respect to the interpretation of the applicable tax laws at the time of preparing these Financial Statements. The details on the applicable tax rates and other information are given under Notes 17 and 36.

The Group is subject to transfer pricing regulations and it is necessitated using management judgement to determine the impact of transfer pricing regulations. Accordingly, critical judgements 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 judgements. Differences between estimated income tax charge and actual payable may arise as a result of Management’s interpretation and application of transfer pricing regulation.

## 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. A more detailed description of policies adopted are set out in the respective notes, where relevant.

### 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 SLFRS 10 – “Consolidated Financial Statements”

and LKAS 27 – “Consolidated and Separate Financial Statements” and the proportionate share of the profit or loss and net assets of its Associates in terms of the Sri Lanka Accounting Standard LKAS 28 – “Investments in Associates and Joint Ventures”.

The Bank’s Financial Statements comprise the amalgamation of the Financial Statements of the Domestic Banking Unit, the Offshore Banking Unit and the overseas operations of the Bank.

The detailed accounting policies pertaining to the consolidation of Subsidiaries and Associates are given in the Notes 30 and 31.

#### 4.1.1 Business Combinations

The Group determines whether a transaction or other event is a business combination by applying the definition in SLFRS 3 – “Business Combination”, which requires that the assets acquired and liabilities assumed constitute a business. Business combinations are accounted for using the acquisition method. As of the acquisition date, the amount of non-controlling interest is measured either at fair value or at the non-controlling interests’ proportionate share of the acquirer’s identifiable net assets.

Acquisition related cost are costs the acquirer incurs to effect a business combination. Those costs include finder’s fees, advisory, legal, accounting, valuation and other professional consulting fees, general administrative costs, including the cost of maintaining an Internal Acquisition Department and cost of registering and issuing debt and equity securities.

Acquisition-related costs, other than those associated with the issue of debt or equity securities are expensed in the periods in which the costs are incurred and the services are received.

The Group elects on a transaction by transaction basis whether to measure non-controlling interests at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

#### 4.1.2 Loss of Control

When the Group loses control over a Subsidiary, it derecognises the assets and liabilities of the Subsidiary, and any related Non-Controlling Interest (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former Subsidiary is measured at fair value when control is lost. Further, the Bank’s share of components previously recognised in Other Comprehensive Income (OCI) is reclassified to Profit or Loss or retained earnings as appropriate. Any surplus or deficit arising on the loss of control is recognised in the Profit or Loss. If the Group retains any interest in the previous Subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group’s accounting policy for financial instruments depending on the level of influence retained.

### 4.2 Foreign Currency Translations

#### 4.2.1 Foreign Currency Transactions and Balances

At the initial recognition, transactions in foreign currency are translated into the functional currency of the operation which is Sri Lankan Rupees (LKR) at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated into the functional currency at the spot exchange

rate at that date and all differences arising on non-trading activities are taken to “other operating income” in the Statement of Profit or Loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial recognition.

Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are retranslated into the functional currency at the spot exchange rate including any exchange gain or loss component at the date on which the fair value is determined. When a gain or loss on a non-monetary item including exchange component is recognised in Other Comprehensive Income. Forward exchange contracts are valued at the forward market rates ruling on the reporting date and resulting net unrealised gains or losses are dealt within the Statement of 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 rate as at the reporting date. The income and expenses of foreign operations are translated at average rate for the period. Foreign currency differences on the translation of foreign operations are recognised in Other Comprehensive Income (OCI).

When a foreign operation is disposed off, the relevant amount in the translation reserve is transferred to the profit or loss as part of the profit or loss on disposal in other operating income or other operating expenses.



### 4.3 Classification of Financial Instruments between Debt and Equity

Classification of financial instruments between debt and equity depends on following characteristics of such instruments:

- Name or labels given to the instruments
- Presence or absence of a fixed maturity date
- Life of the instrument
- Source of payments
- Right to enforce payments
- Rights to participate in management
- Risk involved in the instruments
- Volatility of cash flows
- Securities given as collaterals

### 4.4 Financial Assets and Financial Liabilities

#### 4.4.1 Classification of Financial Assets and Financial Liabilities

The classification of financial assets and liabilities at initial recognition depends on their purpose, characteristics, and the Management's intention in acquiring them.

##### 4.4.1.1 At the Inception, the Financial Assets are Classified in One of the Following Categories:

- Financial assets at fair value through profit or loss
  - Financial instruments – Held for trading (Note 25)
  - Financial assets designated through profit or loss
- Financial investments – Loans and receivables (Note 26)
- Financial investments – Available for sale (Note 28)
- Financial investments – Held to maturity (Note 29)

##### 4.4.1.2 At the Inception, the Financial Liabilities are Classified in One of the Following Categories:

- Financial liabilities at fair value through profit or loss
  - Financial liabilities – Held for trading
  - Financial liabilities designated through profit or loss
- Financial liabilities – Other financial liabilities

#### 4.4.2 Date of Recognition

All financial assets and liabilities are initially recognised on the settlement date, i.e. the date that the Group becomes a party to the contractual provisions of the instrument. This includes; “regular way trades”. Regular way trade means purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

#### 4.4.3 Initial Measurements of Financial Instruments

Financial assets and liabilities are initially measured at their fair value plus transaction cost, except in the case of financial assets and liabilities recorded at fair value through profit or loss. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are dealt with in the Statement of Profit or Loss.

#### 4.4.4 “Day One” Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a “Day One” Profit or Loss) in the Statement of Profit or Loss. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Statement of Profit or Loss over the life of the instrument.

#### 4.4.5 Reclassification of Financial Assets

The Group does not reclassify any financial instrument into the “fair value through profit or loss” category after initial recognition. Further, the Group does not reclassify any financial instrument out of the “fair value through profit or loss” category if upon initial recognition it was designated as at fair value through profit or loss. The Group reclassifies non-derivative financial assets out of the “held for trading” category and into the “available for sale”, “loans and receivables” or “held to maturity” categories as permitted by the Sri Lanka Accounting Standard LKAS 39 – “Financial Instruments: Recognition and Measurement”. Further, in certain circumstances, the Group is permitted to reclassify financial instruments out of the “available for sale” category and into the “loans and receivables” or “held to maturity” category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset reclassified out of the “available for sale” category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the Effective Interest Rate (EIR). Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the Statement of Profit or Loss.

The Group may reclassify a non-derivative trading asset out of the “held for trading” category and into the “loans and receivables” category if it meets the definition of loans and receivables and the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Bank subsequently increases its estimates of future cash receipts as a result of increased

recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

However, sale or reclassification of a more than insignificant amount of HTM investments would result in the reclassification of all HTM investments as “available for sale” and would prevent the Group from classifying any financial asset as “held to maturity” for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial assets’ fair value
- Sales or reclassifications after the Group has collected substantially all of the assets’ original principal
- Sales or reclassifications attributable to non-recurring isolated events beyond the Group’s control that could not have been reasonably anticipated

Reclassification is at the election of management and is determined on an instrument by instrument basis.

#### 4.4.6 Derecognition

##### 4.4.6.1 Derecognition of Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire, or when it transfers the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial assets.

Any interest in transferred financial assets that qualify for derecognition that are created or retained by the Group is recognised as a separate asset or liability in the Statement of Financial Position.

On derecognition of financial assets –

- The difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the assets transferred) and the sum of the consideration received (including any new asset obtained less any new liability assumed); and
- Any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Group retains all or substantially all the risks and rewards of ownership of such assets.

The transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee

is more than adequate (asset) or is less than adequate (liability) for performing the service.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

##### 4.4.6.2 Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

The difference between the carrying value of the original financial liability and the consideration paid is recognised in the Statement of Profit or Loss.

#### 4.4.7 Impairment of Assets

##### 4.4.7.1 Impairment of Financial Assets

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired, when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the estimated future cash flows of the asset(s) that can be estimated reliably. Impairment details of Financial investments – Loans and Receivables, Loans and Advances to customers, Financial investments – Available for sale and Financial investments – Held to maturity are given in Notes 26, 27, 28 and 29 respectively.

#### 4.4.7.2 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly-traded subsidiaries or other valuable fair value indicators.

#### 4.4.8 Fiduciary Services

The Group provides fiduciary services to third parties that result in holding of the assets on behalf of its customers. Assets held in fiduciary capacity are not recognised in the Financial Statements, as the Group is not the beneficial owner or does not control such assets.

#### 4.5 Provisions

A provision is recognised as a result of a past event, when the Group has a present (legal or constructive) obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its

carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

### 4.6 Income Tax Expense and Other Taxes

#### 4.6.1 Income Tax Expense

Income tax expense comprises current and deferred tax. More details are given in Note 17.

#### 4.6.2 Value Added Tax (VAT) on Financial Services

The base for Value Added Tax computation is arrived by aggregating the accounting profit before income tax and emoluments of employees, which is adjusted for the depreciation computed on prescribed rates. During the year, the Group's total value addition was subjected to 15% (2016 – 15%) VAT as per Section 25 (a) of the Value Added Tax Act No. 14 of 2002 and amendments thereto. Also the Group is following value attributable method to compute VAT on financial services.

#### 4.6.3 Withholding Tax (WHT) on Dividends

- Withholding tax on dividends distributed by the Bank.  
No withholding tax is paid by the Bank, since Bank distributes dividend to its sole 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 set-off against the tax liability, since it is treated as a final tax.

#### 4.6.4 Economic Service Charge (ESC)

As per provisions of the Economic Service Charge (ESC) Act No.13 of 2006 and amendments thereafter, ESC is payable at 0.5% 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 on turnover of the Bank and is deductible from income tax payable.

#### 4.6.5 Crop Insurance Levy (CIL)

As per the provisions of the Section 15 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable 1% of the profit after tax to the National Insurance Trust Fund Board.

#### 4.6.6 Nation Building Tax (NBT) on Financial Services

NBT on financial services is calculated in accordance with Nation Building Tax (NBT) Act No. 9 of 2009 and subsequent amendments. NBT on financial services is calculated at 2% of the value addition used for the purpose of VAT on Financial Services.

## 5 Insurance Business

### 5.1 Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group

may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the Statement of Profit or Loss.

Premiums and claims are presented on a gross basis for reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

## 5.2 Insurance Receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit or Loss.

## 5.3 Deferred Expenses

### 5.3.1 Deferred Acquisition Costs (DAC)

The costs of acquiring new businesses including commission, underwriting, marketing and policy issue expenses which vary with and directly related to production of new businesses and/or investment contracts with Discretionary Participation Features (DPF), are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, DAC for general insurance is amortised over the period on the basis unearned premium is amortised. The reinsurances' share of deferred acquisition cost is amortised in the same manner as the underlying assets amortisation is recorded in the Statement of Profit or Loss.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in

the assets are accounted for by changing the amortisation period and are treated as a change in an accounting estimate. DAC are derecognised when the related contracts are either expired or cancelled.

## 5.4 Reinsurance Commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortised over the period of reinsurance.

## 5.5 Investment Contract Liabilities

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, investment contract liabilities are measured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the Statement of Financial Position. Fair value adjustments are performed at each reporting date and are recognised in the Statement of Profit or Loss. Fair value is determined through the use of prospective discounted cash flow techniques. For unutilised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit linked fund multiplied by the unit price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit prices at the reporting date are valued on a basis consistent with their measurement basis in the Statement of Financial Position adjusted to take account of the effect on the liabilities of the deferred tax on unrealised gains on assets in the fund.

Non-utilised contracts are subsequently carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic modelling. Models are validated, calibrated and periodically reviewed by an independent qualified person.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value. When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance.

## 5.6 Discretionary Participation Features (DPF)

A DPF is a contractual right that gives holders of these contracts the right to receive as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio. Under the terms of the contract, surpluses in the DPF funds can be distributed to policyholders and shareholders on a 90/10 basis. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at annually are held within insurance or investment contract liabilities as appropriate.

## 5.7 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.



## 6 New Accounting Standards Issued But Not Effective as at the Reporting Date

The following Sri Lanka Accounting Standards were issued by The Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31 December 2017. Accordingly, these Accounting Standards have not been applied in the preparation of the Financial Statements for the year ended 31 December 2017.

We have identified following Standards where this applies to the Group and further details are set out below:

### (i) SLFRS 9 – “Financial Instruments”:

SLFRS 9 – “Financial Instruments” will replace LKAS 39 for annual periods on or after 1 January 2018 with early adoption permitted. In 2016, the Bank set up a multidisciplinary implementation team (“the Team”) with members from its Risk, Finance and Operations teams to prepare for SLFRS 9 implementation (“the Project”). The Project implementation is continuously monitored by the Project Steering Committee which is headed by the Chief Financial Officer.

The Project has clear individual work streams within two sub-teams for classification and measurement and impairment. The initial assessment and analysis stage was completed for impairment in 2016, and the sub-team is finalising the classification and measurement phase.

The Bank performed the Diagnostic Phase (Preliminary Impact Assessment Exercise) and Implementation Phase (Solution Development) on SLFRS 9 – “Financial Instruments”.

The Bank has undertaken a significant analysis of how SLFRS 9 should be implemented and has taken tentative accounting policy decisions.

### Classification and Measurement

From a classification and measurement perspective, the new Standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity’s business model for managing the assets and the instruments’ contractual cash flow characteristics.

### Business Model Assessment

The Bank determines its business model at the level that best reflects how it manages the financial assets to achieve its objectives. The Bank’s business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial asset held within that business model are evaluated and reported to the entity’s Key Management Personnel
- The risks that affects the performance of the business model (and the financial asset held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flow collected)
- The expected frequency, value and timing of sales are also important aspect of the Bank’s assessment

The business model assessment is based on reasonably expected scenarios without taking “Worst Case” or “Stress Case” scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank’s original expectation, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets.

### Contractual Cash Flow Characteristic Test

As the second test of the classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet Solely the Payment of Principle and Interest (SPPI) Principle for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principle or amortisation of the premium/ discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make SPPI assessment, the Bank applies judgement and considers relevant factors such as currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast to contractual exposures that introduce a more than deminimise exposure to risk or volatility, in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely the payment of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at “Fair Value Through Profit or Loss”.

### Impairment of Financial Assets

Overview of Expected Credit Loss Principle (ECL) SLFRS 9 will principally change the Bank’s loan loss provision method by replacing LKAS 39 – “Financial Instrument Recognition and Measurement’s” incurred loss approach with a forward looking ECL Approach.

ECL allowance will be based on credit losses expected to arise over the life of the asset (Lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination in which case the loss allowance will be 12 month expected credit loss (12mECL)

12mECL is the portion of LTECL that represent the ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date.

The Bank has established a policy to perform an assessment, at the end of each reporting period of whether a financial instrument's credit risk has increased significantly since initial recognition. Based on such process the Bank groups loans into Stage 1, Stage 2, and Stage 3 as described below:

- **Stage 1:** When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include the facilities where the credit risk has improved and the loans has been reclassified from Stage 2. Assessment of Stage 1 will be performed collectively.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. Assessment of Stage 2 will be performed collectively.
- **Stage 3:** Loan considered to be credit impaired/contains objective evidence of incurred losses records an allowance for the LTECL. Stage 3 assessment will be performed Individually/Collectively Significant Increase in Credit Risk.

The Bank continuously monitors all assets subject to ECL, in order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assess whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have significantly increased in credit risk when the either of the following criteria are met:

- Facilities exceeding 30 days past due
- Counterparties/facilities reflected coded any elevated risk industries as per the assessment performed by the Credit Risk Management Team

- Restructured facilities  
Secondary qualitative indicators triggering a significant increase in credit risk for an asset, such as moving a customer/facility to watch list

### Individually Significant Assessment and Not Impaired Individually

The Bank will individually assess all customer exposures which are above the predetermined threshold. Individual assessment will be performed for all the customers with Objective evidence of incurred losses (under Stage 3). Loans which are individually significant but not impaired will be assessed collectively for impairment either under Stage 1 or Stage 2 based on the criteria whether there has been significant credit deterioration since origination.

While establishing significant credit deterioration the Bank will consider the following criteria:

- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated.
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instrument.
- Other Information related to the borrower, such as changes in the price of a borrower's debt/equity instrument.
- An actual/expected internal credit rating downgrade for the borrower or decrease in behavioural score used to assess credit risk internally.
- Existing or forecast adverse changes in business, financial or economic condition that are expected to cause significant change in the borrower's ability to meet its obligation.
- An actual or expected significant change in the operating results of the borrower in relating to actual/expected decline in revenue, increase in operating risk, working capital deficiency, decrease in asset quality, increase in gearing, liquidity management problems.

- Significant increase in credit risk on other financial instruments of the same borrower.
- An actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that result in a significant change in the borrower's ability to meet the debt obligation.

### Grouping Financial Assets Measured on a Collective Basis

As explained above, the Bank calculates ECL either on a collective or individual basis. Asset classes where the Bank calculates ECL on an individual basis includes all individually significant assets which are belong to Stage 3. All assets which belong to Stages 1, 2 and individually non-impaired assets will be assessed collectively for impairment.

The Bank groups these exposures for smaller homogeneous exposures, based on a combination of internal and external characteristics of the loan as described below:

- Product Type
- Type of Collateral
- Days Past Due
- Industry

### The Calculation of ECL

The Bank calculates ECL-based on three probability weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.



The mechanics of the ECL calculation are outlined below and the key elements are as follows:

- **PD:** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- **EAD:** Exposure At Default is the estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of the principle and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities.

- **LGD:** Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lenders would expect to receive, including realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECL, the Bank considers three scenarios (Base Case, Best Case and Worst Case). Each of these scenarios associated with different loss rates. For all products, the maximum period of which the credit losses are determined is the contractual life of a financial instrument.

## Forward Looking Information

In the ECL model the Bank relies on broad range qualitative/quantitative forward looking information as economic input such as:

Quantitative	Qualitative
GDP Growth	Government Policies
Inflation	Status of the Industry Business
Unemployment	Regulatory Impact
Interest Rates	
Exchange Rates	

Impact to the Bank on SLFRS 9 is presented in below table in a summarised format:

Impacted Area	Requirement under LKAS 39	Requirement under SLFRS 9	Possible impact
Financial asset classification and measurement	Classification is based on ability and intention to hold and the marketability of the instrument.  There are four categories as follows: <ul style="list-style-type: none"> <li>• Held to Maturity</li> <li>• Loans and Receivables</li> <li>• Fair Value Through Profit or Loss</li> <li>• Available for Sale</li> </ul>	Classification is based on characteristics of financial instruments and the business model of the portfolio.  There are three categories as follows: <ul style="list-style-type: none"> <li>• Amortised cost</li> <li>• Fair Value Through Profit or Loss</li> <li>• Fair Value Through OCI</li> </ul>	Any gain/loss on fair value cannot be recognised in Profit or Loss, if equity instrument is classified as Fair Value Through OCI.  No significant impact
Financial liabilities	Two categories has been defined as: <ul style="list-style-type: none"> <li>• Fair Value Through Profit or Loss</li> <li>• Amortised cost</li> </ul>	Two categories has been defined as: <ul style="list-style-type: none"> <li>• Fair Value Through Profit or Loss</li> <li>• Amortised cost</li> </ul>	No change
Impairment	Incurred loss model	Expected loss model	<ul style="list-style-type: none"> <li>• Sri Lanka Development Bond (SLDB) and corporate debentures are subject to impairment</li> <li>• Under performing loans which are having significant deterioration in credit risk are considered for life time expected loss</li> <li>• Undrawn and utilised exposures are subject to impairment</li> <li>• Forward looking information is incorporated through economic factor adjustment</li> </ul>
Hedge accounting	Retrospective effectiveness of the hedging instrument is considered and the results should be within the range of 80%-125%	Quantitative threshold of 80%-125% is removed and qualitative threshold is used for recognising effectiveness of the hedge	No impact

The transition work has not been finalised yet since the Bank is refining and finalising its models for expected credit loss calculations and the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Bank finalises its first Financial Statements that include the date of initial application. The Bank is in the process of assessing the impact for the balances as at 31 December 2017, therefore the quantified impact of the above is not disclosed. The Group also has not quantified the impact of the above as at 31 December 2017.

### **(ii) SLFRS 15 – “Revenue from Contracts with Customers”**

SLFRS 15 states the principles that an entity shall apply to report useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

SLFRS 15 introduces a five step approach for revenue recognition from contracts with customers and replaces all other currently applicable revenue standards and related interpretations (LKAS 18 – “Revenue”, LKAS 11 – “Construction Contracts”, IFRIC 13 – “Customer Loyalty Programs”).

SLFRS 15 will become effective on 1 January 2018, with early adoption is permitted. However, the Group does not expect significant impact on its Financial Statements resulting from SLFRS 15.

### **(iii) SLFRS 16 – “Leases”**

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting. This Standard will be replaced LKAS 17 – “Leases”, IFRIC 4 – “Determining whether an Arrangement Contains a Lease”, SIC 15 – “Operating Leases – Incentives” and SIC 27 – “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

## 7 Total Income

### Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank/Group and the revenue can be reliably measured.

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Interest income [Note 8.1]	171,343,888	134,685,338	177,746,357	139,701,569
Fee and commission income [Note 9.1]	9,178,655	8,739,625	9,436,780	8,983,083
Net gains/(losses) from trading [Note 10]	2,802,048	2,061,616	2,822,168	2,037,390
Net gains/(losses) from financial investments [Note 11]	905,527	273,881	925,733	312,273
Other operating income [Note 12]	4,981,277	8,360,912	6,081,923	8,666,910
<b>Total income</b>	<b>189,211,395</b>	<b>154,121,372</b>	<b>197,012,961</b>	<b>159,701,225</b>

## 8 Net Interest Income

### Accounting Policy

Interest income and expense are recognised in the Statement of Profit or Loss using the effective interest rate (EIR).

Interest income and expense presented in the Statement of Profit or Loss include interest on:

- Financial assets and financial liabilities measured at amortised cost
- Financial instruments classified as held for trading
- Financial investments classified as available for sale

### Effective Interest Rate (EIR)

The “EIR” is the rate that exactly discounts the estimated future cash payments and receipts throughout the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to calculate the carrying amount of the financial asset or financial liability. When calculating the EIR, the Group estimates future cash flows, considering all contractual terms of the financial instruments.

The calculation of the EIR includes any discount or premium on acquisition of financial instrument, transaction costs and fees paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

For credit impaired financial assets, credit adjusted EIR is calculated using estimated future cash flows.

### 8.1 Interest Income

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Cash and cash equivalents	716,983	464,027	794,400	560,812
Placements with banks	623,881	580,833	688,805	646,813
Securities purchased under resale agreements	1,082,293	561,823	1,059,185	615,444
Financial instruments – Held for trading	585,342	428,314	586,073	428,314
Financial investments – Loans and receivables	11,540,713	11,807,028	11,661,827	11,847,619
Loans and advances to customers	124,890,681	93,898,806	130,663,714	98,376,809
Financial investments – Available for sale	754,802	151,785	996,946	342,840
Financial investments – Held to maturity	31,149,193	26,792,722	31,295,407	26,882,918
<b>Total interest income</b>	<b>171,343,888</b>	<b>134,685,338</b>	<b>177,746,357</b>	<b>139,701,569</b>

Interest income on loans and advances to customers includes interest on impaired loans LKR 1,258.7 million for the year 2017 (2016 – LKR 441.5 million).

## 8.2 Interest Expenses

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Due to banks	30,262	11,607	33,853	262,192
Securities sold under repurchase agreements	5,464,801	6,521,994	5,495,603	6,559,119
Due to customers	92,229,110	57,907,175	94,518,371	59,437,884
Other borrowings	10,249,478	11,716,862	10,510,630	11,663,625
Debt securities issued	399,087	1,365,604	1,147,939	2,026,725
Subordinated term debts	4,614,958	3,204,608	4,549,859	3,145,532
<b>Total interest expenses</b>	<b>112,987,696</b>	<b>80,727,850</b>	<b>116,256,255</b>	<b>83,095,077</b>
<b>Net interest income</b>	<b>58,356,192</b>	<b>53,957,488</b>	<b>61,490,102</b>	<b>56,606,492</b>

## 8.3 Net Interest Income from Sri Lanka Government Securities

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Interest income	32,623,129	27,710,618	32,823,130	27,905,965
Less: Interest expenses	5,464,801	6,521,994	5,495,603	6,559,119
Net interest income from Sri Lanka Government Securities	27,158,328	21,188,624	27,327,527	21,346,846

## 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 forms a part of statutory income of the Company for that year of assessment. Accordingly, the net interest earned by the Bank and the Group on secondary market transactions in Government Securities for the year has been grossed up in the Financial Statements and the resulting notional tax credit amounted to a sum of LKR 2,165.0 million (2016 – LKR 1,844.3 million) for the Bank and LKR 2,206.4 million (2016 – LKR 1,893.6 million) for the Group.

## 9 Net Fee and Commission Income

### Accounting Policy

Fee and commission income comprises with the fee and commission earned by the Group, providing diverse range of services. Those can be divided into following two main categories.

- (i) **Fee and commission income earned from services that are provided over a certain period of time**  
Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and private wealth and asset management fees, custody and other management and advisory fees.
- (ii) **Fee and commission income from providing transaction services and earned on the execution of a significant act**  
Fees and commission arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Fees and commission expenses relating to transactions are expensed as the services are received and are recognised on an accrual basis.

## 9.1 Fee and Commission Income

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Trade services	2,017,427	1,925,657	2,157,147	1,966,365
Debit and credit cards	2,646,648	2,061,285	2,646,648	2,061,285
Travel and remittances services	916,007	833,768	916,007	833,768
Custodial services	65,514	57,183	65,514	57,183
Retail banking services	2,107,808	2,212,222	2,117,176	2,212,222
Guarantees and related services	1,220,235	1,313,247	1,221,301	1,314,382
Other financial services	205,016	336,263	312,987	537,878
<b>Total fee and commission income</b>	<b>9,178,655</b>	<b>8,739,625</b>	<b>9,436,780</b>	<b>8,983,083</b>

## 9.2 Fee and Commission Expenses

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Trade services	95,306	79,710	95,306	79,710
Debit and credit cards	1,448,287	1,100,633	1,448,287	1,100,633
Travel and remittances	105,762	93,857	105,762	93,857
Retail banking services	216,860	221,193	227,999	221,193
Guarantees and related services	8,562	9,241	8,562	9,241
Other financial services	8,525	15,556	86,458	102,637
<b>Total fee and commission expenses</b>	<b>1,883,302</b>	<b>1,520,190</b>	<b>1,972,374</b>	<b>1,607,271</b>
<b>Net fee and commission income</b>	<b>7,295,353</b>	<b>7,219,435</b>	<b>7,464,406</b>	<b>7,375,812</b>

## 10 Net Gains/(Losses) from Trading

### Accounting Policy

Net gains/(losses) from trading comprise foreign exchange gain or losses arising from trading activities, realised gains or losses from investment in equities and fixed income securities classified as held for trading and unrealised gains and losses due to changes in fair value of such instruments, dividend income from trading equities and gains or losses arising from changes in fair value of derivative financial instruments.

Dividend income is recognised when the Group's right to receive the dividend is established.

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Foreign exchange				
From banks	1,479	6,959	20,403	24,561
From other customers	2,709,355	2,075,002	2,721,536	2,086,767
Government Securities				
Gains/(Losses) on marked to market valuation	75,448	1,865	75,448	1,865
Gains/(Losses) on sale	48,276	405,122	48,276	405,122
Equities				
Gains/(Losses) on marked to market valuation	(174,510)	(560,428)	(170,717)	(587,115)
Gains/(Losses) on sale	30,217	19,422	7,008	(20,611)
Dividend income	111,783	113,674	120,214	126,801
<b>Net gains/(losses) from trading</b>	<b>2,802,048</b>	<b>2,061,616</b>	<b>2,822,168</b>	<b>2,037,390</b>



## 11 Net Gains/(Losses) from Financial Investments

### Accounting Policy

Net gains/(losses) from financial investments include profit or loss on sale of financial investments and dividend income of financial investments classified as available for sale. Dividend income is recognised when the Group's right to receive the dividend is established.

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Financial investments – Available for sale				
Gains/(Losses) on sale of Government Securities	332,937	107,708	332,937	107,708
Dividend income	572,590	166,173	592,796	204,565
<b>Net gains/(losses) from financial investments</b>	<b>905,527</b>	<b>273,881</b>	<b>925,733</b>	<b>312,273</b>

## 12 Other Operating Income

### Accounting Policy

#### Dividend Income from Subsidiaries and Associates

Dividend income from subsidiaries and associates is recognised when the Bank's right to receive the dividend is established.

#### Gains/(Losses) from Disposal of Non-Financial Assets

Net gains or losses arising from the disposal of Property, Plant and Equipment and other non-current assets including investments in subsidiaries and associates are accounted for in the Statement of Profit or Loss after deducting the carrying amount of such assets and the related selling expenses from the proceeds on disposal.

#### Gains/(Losses) on Revaluation of Foreign Exchange

Foreign currency positions are revalued at each reporting date. Gains/(Losses) arising from changes in fair value are included in the Statement of Profit or Loss in the period in which they arise.

#### Rental Income

Rental income is recognised on an accrual basis. This includes rent recovered from the Bank's premises, quarters, safety lockers, and lease rent recovered from branch premises etc.

#### Service Income

Service income is recognised on an accrual basis and includes income earned through documentation charges recovered from loans and leases, CRIB charges, legal fees, correspondent banking services charges and automated cheque clearing etc.

#### Gross Insurance Premium

Gross recurring premiums on life and investment contracts with Discretionary Participation Features (DPF) are recognised as revenue when receivable from the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Dividend income from subsidiaries and associates	76,680	1,102,158	–	–
Gains from disposal of non-financial assets*	–	3,130,000	–	2,378,666
Gains/(Losses) on revaluation of foreign exchange	701,621	1,069,579	701,621	1,069,579
Gains/(Losses) on sale of Property, Plant and Equipment	55,105	51,643	59,399	87,249
Gains/(Losses) on sale of foreclosed properties	70,866	19,052	70,866	19,052
Rental income	250,454	231,326	329,905	298,791
Service income	2,043,604	2,143,545	2,403,599	2,611,013
Profit from sale of gold bullion	15,342	13,025	15,342	13,025
Miscellaneous income	1,554,635	448,187	1,656,118	797,373
Gross insurance premium	–	–	632,103	1,239,765
Net income from Islamic banking [Note 12.1]	212,970	152,397	212,970	152,397
<b>Total other operating income</b>	<b>4,981,277</b>	<b>8,360,912</b>	<b>6,081,923</b>	<b>8,666,910</b>

\*Gains from disposal of non-financial assets included gain on disposal of Mireka Capital Land (Private) Limited, an associate company of the Bank.

## 12.1 Net Income from Islamic Banking

For the year ended 31 December	Bank/Group	
	2017 LKR '000	2016 LKR '000
Income from Islamic banking operations	364,126	252,846
Less: Profit paid to investors	151,156	100,449
<b>Net income from Islamic banking</b>	<b>212,970</b>	<b>152,397</b>

## 13 Impairment Charge/(Reversal) for Loans and Other Losses

### Accounting Policy

The Bank and Group recognise the changes in the impairment provisions for loans and advances, which are assessed as per Sri Lanka Accounting Standard – LKAS 39 – “Financial Instruments: Recognition and Measurement”. Details are given under loans and advances to customers (Note 27). Further, the Bank/Group recognises an impairment loss when the carrying amount of a non-financial asset exceeds the estimated recoverable amount of that asset as per Sri Lanka Accounting Standard – LKAS 36 – “Impairment of Assets”.

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Net impairment charge/(reversal) for loans and advances [Note 13.1]	9,640,658	4,396,761	9,884,889	4,421,000
Net impairment charge/(reversal) for other investments [Note 30.2]	(300,000)	–	–	–
<b>Impairment charge/(reversal) for loans and other losses</b>	<b>9,340,658</b>	<b>4,396,761</b>	<b>9,884,889</b>	<b>4,421,000</b>

## 13.1 Net Impairment Charge/(Reversal) for Loans and Advances

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Individual impairment for loans and advances [Note 13.1.1]	9,631,746	6,685,680	9,676,575	6,765,378
Collective impairment charge/(reversal) for loans and advances	8,912	(2,288,919)	208,314	(2,344,378)
<b>Net impairment charge/(reversal) for loans and advances</b>	<b>9,640,658</b>	<b>4,396,761</b>	<b>9,884,889</b>	<b>4,421,000</b>

### 13.1.1 Individual Impairment for Loans and Advances

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Impairment charge during the year	11,713,536	9,209,538	11,758,365	9,289,236
Less: Amount reversed or recovered during the year	2,081,790	2,523,858	2,081,790	2,523,858
<b>Net individual impairment charge/(reversal) during the year</b>	<b>9,631,746</b>	<b>6,685,680</b>	<b>9,676,575</b>	<b>6,765,378</b>

## 14 Personnel Expenses

### Accounting Policy

Personnel expenses include staff emoluments, contribution to defined contribution/benefit plans and other staff related expenses. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Employees are eligible for contribution to defined contribution/benefit plans in accordance with the respective internal and external statutes and regulations.

Defined benefit plan contributions and provisions for accumulated leave are recognised in the Statement of Profit or Loss based on actuarial valuations carried out in accordance with Sri Lanka Accounting Standard – LKAS 19 – “Employee Benefits”.

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Staff emoluments	13,142,117	12,679,264	14,335,669	13,888,137
Contributions to defined contribution plans [Note 14.1]	1,032,383	1,043,376	1,167,164	1,170,963
Contributions to defined benefit plans [Note 14.2]	495,125	1,188,793	562,159	1,250,027
Other personnel expenses	2,326,551	1,932,998	2,658,558	2,100,202
<b>Total personnel expenses</b>	<b>16,996,176</b>	<b>16,844,431</b>	<b>18,723,550</b>	<b>18,409,329</b>

### 14.1 Contributions to Defined Contribution Plans

A Defined Contribution Plan (DCP) is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in the Statement of Profit or Loss when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a DCP that is due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value at the reporting date.

#### Bank of Ceylon Provident Fund

All employees of the Bank are members of the “Bank of Ceylon Provident Fund” to which the Bank contributes 12% of employees’ monthly gross salary while employees contribute 8%. This Fund is an approved fund, which is independently administered.

#### Employees’ Provident Fund

The subsidiaries and their employees (other than Bank of Ceylon and its employees) contribute 12% (15% by Property Development PLC) and 8% (10% by Property Development PLC’s employees) respectively on monthly gross salary of each employee to Employees’ Provident Fund, in terms of the Employees’ Provident Fund Act No. 15 of 1958 and subsequent amendments thereto. The respective Fund is managed by the Central Bank of Sri Lanka.

### Employees' Trust Fund

All employees of the Bank and its subsidiaries are members of the Employees' Trust Fund to which the Bank and the Group contributes 3% of the employee's monthly gross salary, in terms of Employees' Trust Fund Act No. 46 of 1980.

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Employers' contribution to:</b>				
Bank of Ceylon/Employees' Provident Funds	827,212	836,910	938,876	939,617
Employees' Trust Fund	205,171	206,466	228,288	231,346
<b>Total contributions to defined contribution plans</b>	<b>1,032,383</b>	<b>1,043,376</b>	<b>1,167,164</b>	<b>1,170,963</b>

### 14.2 Contributions to Defined Benefit Plans

A Defined Benefit Plan (DBP) is a post employment benefit plan other than a DCP. The Group's net obligation in respect of DBP is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value and then deducting the fair value of any plan assets. The discount rate is the yield at the reporting date on long-term treasury bond rate for discount rates actually used that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the Projected Unit Credit method.

The Group recognises all actuarial gains and losses arising from DBP in the OCI and the expenses related to DBP under personnel expenses in the Statement of Profit or Loss. Details of defined benefit plans are given in "Employee retirement benefit plans" (Note 46).

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Employers' contribution to:</b>				
Bank of Ceylon Pension Trust Fund [Note 46.1.1]	936,596	619,988	936,596	619,988
Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund [Note 46.2.1]	(830,309)	(369,423)	(830,309)	(369,423)
Terminal gratuity [Note 46.3]	41,964	23,263	101,498	77,425
Bank of Ceylon Pension Fund – 2014 [Note 46.4.1]	137,767	699,789	137,767	699,789
Provision for encashment of medical leave	209,107	215,176	209,107	215,176
Pension fund – Bank of Ceylon (UK) Limited	–	–	7,500	7,072
<b>Total contributions to defined benefit plans</b>	<b>495,125</b>	<b>1,188,793</b>	<b>562,159</b>	<b>1,250,027</b>

## 15 Other Expenses

### Accounting Policy

Other expenses have been recognised in the Statement of Profit or Loss as they are incurred in the period to which they relate. All expenditure incurred in the operation of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the Group's profit for the year. Provisions in respect of other expenses are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### Deposit Insurance Premium

As per the Sri Lanka Deposit Insurance and Liquidity Support Scheme introduced under the Banking Act Direction No. 05 of 2010, the Bank is required to make quarterly payments of 0.1% or 0.125% on the eligible deposit liabilities, from 1 October 2010. The premium rate depends on the Capital Adequacy Ratio (CAR) of the immediate preceding Audited Financial Statements.

### Reinsurance Premium, Claims and Other Benefits

Gross benefits and claims for life insurance contracts and for investment contracts with Discretionary Participation Features (DPF) include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts, as well as changes in the gross valuation of insurance and investment contract liabilities with DPF. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Interim payments and surrenders are accounted at the time of settlement.

General insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims, expenses and liabilities for outstanding claims are recognised in respect of direct and inward reinsurance business. The liability covers claims reported but not yet paid, Incurred But Not Reported (IBNR) claims and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Directors' emoluments	6,255	7,055	14,229	14,348
Auditors' remuneration				
Audit fees	15,145	17,767	28,220	28,391
Non-audit fees	–	–	127	1,301
Deposit insurance premium	1,615,314	1,280,587	1,643,869	1,304,401
Professional and legal expenses	136,301	143,182	197,102	198,417
Depreciation of investment properties	117,072	–	2,906	2,961
Depreciation of Property, Plant and Equipment	1,523,783	1,263,914	2,197,108	1,758,041
Net revaluation loss on buildings	44,661	–	52,820	–
Amortisation of leasehold properties	2,821	2,814	4,178	4,175
Amortisation of intangible assets	281,326	186,468	338,288	234,727
Fixed assets maintenance expenses	4,588,624	4,124,359	4,061,002	3,707,238
Provision charge/(reversal) on gold in hand	(3,306,545)	1,733,508	(3,306,545)	1,733,508
Reinsurance premium, claims and other benefits	–	–	446,723	1,114,074
Office administration and establishment expenses	5,387,040	4,418,852	6,300,825	5,636,207
<b>Total other expenses</b>	<b>10,411,797</b>	<b>13,178,506</b>	<b>11,980,852</b>	<b>15,737,789</b>

## 16 Share of Profits/(Losses) of Associate Companies, Net of Tax

The aggregate of the Group's share of profits or losses of associates is shown in the Statement of Profit or Loss under the equity method of accounting.

For the year ended 31 December	Group	
	2017 LKR '000	2016 LKR '000
Ceybank Asset Management Limited	26,600	30,156
Lanka Securities (Private) Limited	1,362	(8,885)
Mireka Capital Land (Private) Limited	-	21,148
Transnational Lanka Records Solutions (Private) Limited	24,062	20,533
<b>Total share of profits/(losses) of associate companies, net of tax</b>	<b>52,024</b>	<b>62,952</b>

## 17 Income Tax Expense

Current tax and deferred tax are recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income (OCI).

### Current Taxation

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. The amount of current tax receivable or payable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes if any.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto.

Provision for taxation on the overseas operations is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the relevant laws and regulations in those countries, using the tax rates enacted or substantively enacted as at the reporting date.

### Deferred Taxation

Details are given in Note 36.

Following details are provided as required by the Sri Lanka Accounting Standard – LKAS 12 – “Income Taxes”.

### 17.1 Components of Income Tax Expense

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Current Tax Expense</b>				
Income tax on profit for the year	8,068,543	5,495,446	8,268,754	5,877,192
Adjustments in respect of prior years	860,873	956,808	876,874	953,463
<b>Deferred Tax Expense</b>				
Charge/(Reversal) of deferred tax [Note 36]	101,280	(54,565)	183,290	(99,550)
<b>Income tax expense for the year</b>	<b>9,030,696</b>	<b>6,397,689</b>	<b>9,328,918</b>	<b>6,731,105</b>



## 17.2 Reconciliation of Accounting Profit and Income Tax Expense

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Accounting profit before income tax	30,342,980	31,188,685	30,815,563	30,117,032
Add: Dividend income from subsidiaries and associates	–	–	76,680	1,102,158
	<b>30,342,980</b>	<b>31,188,685</b>	<b>30,892,243</b>	<b>31,219,190</b>
Add: Disallowable expenses	24,093,557	12,188,589	27,755,668	14,845,661
	<b>54,436,537</b>	<b>43,377,274</b>	<b>58,647,911</b>	<b>46,064,851</b>
Less: Allowable expenses	9,198,542	4,900,759	12,690,036	6,606,075
Less: Tax exempt income	19,405,951	21,889,267	19,463,696	21,941,912
<b>Taxable income</b>	<b>25,832,044</b>	<b>16,587,248</b>	<b>26,494,179</b>	<b>17,516,864</b>
Current tax at rate of 28% (2016 – 28%)	7,232,972	4,644,429	7,418,370	4,904,722
Effect of different tax rates in the Group	–	–	7,694	7,803
Effect of different tax rates in other countries	835,571	851,017	835,571	851,017
10% withholding tax on inter company dividends	–	–	7,120	113,650
Adjustments in respect of prior years	860,873	956,808	876,873	953,463
Charge/(Reversal) of deferred tax [Note 36]	101,280	(54,565)	183,290	(99,550)
<b>Income tax expense for the year</b>	<b>9,030,696</b>	<b>6,397,689</b>	<b>9,328,918</b>	<b>6,731,105</b>
The effective income tax rate (%)	29.8	20.5	30.3	22.3

**17.3** The tax liabilities of resident companies are computed at the standard rate of 28% (2016 – 28%), except following Bank operations and companies which enjoy full or partial exemptions and concessions.

For the year ended 31 December	2017 %	2016 %
<b>Tax rates applicable on local operations</b>		
BOC Travels (Private) Limited	12	12
Hotels Colombo (1963) Limited	12	12
Ceybank Holiday Homes (Private) Limited	12	12
Koladeniya Hydropower (Private) Limited*	10	Nil
<b>Tax rates applicable on foreign operations</b>		
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	19	20

\*In accordance with the agreement with the Board of Investment of Sri Lanka (BOI), Koladeniya Hydropower (Private) Limited is entitled to a tax exemption period of five years from the year in which the company commences to make profits or not later than two years from the date of commencement of commercial operations, whichever is earlier as may be specified in a certificate issued by the the Board of Investment. The tax holiday ended on 31 December 2016. After the tax exemption period, the Company will be liable to tax on its trading profit at a concessionary rate of 10% for 2 years and at 20% thereafter.

## 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 shareholders of the Bank (the numerator) by the weighted average number of ordinary shares in issue (the denominator) during the year.

For the year ended 31 December	Bank		Group	
	2017	2016	2017	2016
Profit attributable to ordinary shareholder of the Bank (LKR '000)	21,312,284	24,790,996	21,470,163	23,496,656
Weighted average number of ordinary shares in issue [Note 18.1.1]	11,479,452	10,000,000	11,479,452	10,000,000
Basic earnings per share (LKR)	<b>1,856.56</b>	<b>2,479.10</b>	<b>1,870.31</b>	<b>2,349.67</b>

#### 18.1.1 Weighted Average Number of Ordinary Shares in Issue

	Bank		Group	
	2017	2016	2017	2016
Number of ordinary shares in issue as at 1 January	10,000,000	10,000,000	10,000,000	10,000,000
Weighted average number of ordinary shares issued during the year	1,479,452	–	1,479,452	–
Weighted average number of ordinary shares in issue as at 31 December	11,479,452	10,000,000	11,479,452	10,000,000

### 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).

For the year ended 31 December	Bank		Group	
	2017	2016	2017	2016
Profit attributable to ordinary shareholder of the Bank (LKR '000)	21,312,284	24,790,996	21,470,163	23,496,656
Weighted average number of ordinary shares after adjusting for dilution [Note 18.2.1]	15,068,493	10,164,384	15,068,493	10,164,384
Diluted earnings per share (LKR)	<b>1,414.36</b>	<b>2,439.01</b>	<b>1,424.84</b>	<b>2,311.67</b>

#### 18.2.1 Weighted Average Number of Ordinary Shares After Adjusting for Dilution

For the year ended 31 December	Bank		Group	
	2017	2016	2017	2016
Weighted average number of ordinary shares in issue	11,479,452	10,000,000	11,479,452	10,000,000
Weighted average number of potential ordinary shares under pending allotment during the year	3,589,041	164,384	3,589,041	164,384
Weighted average number of ordinary shares after adjusting for dilution	15,068,493	10,164,384	15,068,493	10,164,384

### 18.3 Dividend Per Share

Dividend per share is calculated by dividing the total dividend allocated to shareholder (the numerator) by the weighted average number of ordinary shares in issue (the denominator) during the year.

For the year ended 31 December	Bank		Group	
	2017	2016	2017	2016
Total dividend allocated to shareholder during the year (LKR '000)	12,346,410	17,346,410	12,346,410	17,346,410
Weighted average number of ordinary shares in issue [Note 18.1.1]	11,479,452	10,000,000	11,479,452	10,000,000
Dividend per share (LKR)	<b>1,075.52</b>	<b>1,734.64</b>	<b>1,075.52</b>	<b>1,734.64</b>

There were six dividend payments during the year and weighted average number of outstanding shares was used to compute dividend per share.

## 19 Analysis of Financial Instruments by Measurement Basis

All financial assets and liabilities are measured under the following headings as per the LKAS 39 – “Financial Instruments: Recognition and Measurement”.

### 19.1 Bank

As at 31 December	2017			
	Fair Value through Profit or Loss LKR '000	Fair Value through OCI LKR '000	Amortised Cost LKR '000	Total LKR '000
<b>Financial Assets</b>				
Cash and cash equivalents	–	–	72,843,108	72,843,108
Balances with central banks	–	–	68,689,012	68,689,012
Placements with banks	–	–	8,067,490	8,067,490
Securities purchased under resale agreements	–	–	18,455,555	18,455,555
Derivative financial instruments	1,618,823	–	–	1,618,823
Financial instruments – Held for trading	8,359,274	–	–	8,359,274
Financial investments – Loans and receivables	–	–	213,167,048	213,167,048
Loans and advances to customers	–	–	1,163,160,914	1,163,160,914
Financial investments – Available for sale	–	17,921,170	–	17,921,170
Financial investments – Held to maturity	–	–	308,256,082	308,256,082
<b>Total financial assets</b>	<b>9,978,097</b>	<b>17,921,170</b>	<b>1,852,639,209</b>	<b>1,880,538,476</b>

As at 31 December	2017		
	Fair Value through Profit or Loss LKR '000	Amortised Cost LKR '000	Total LKR '000
<b>Financial Liabilities</b>			
Due to banks	–	2,203,199	2,203,199
Securities sold under repurchase agreements	–	44,487,462	44,487,462
Derivative financial instruments	70,715	–	70,715
Due to customers	–	1,546,832,036	1,546,832,036
Other borrowings	–	178,191,089	178,191,089
Debt securities issued	–	–	–
Subordinated term debts	–	42,570,457	42,570,457
<b>Total financial liabilities</b>	<b>70,715</b>	<b>1,814,284,243</b>	<b>1,814,354,958</b>

As at 31 December	2016			
	Fair Value through Profit or Loss LKR '000	Fair Value through OCI LKR '000	Amortised Cost LKR '000	Total LKR '000
<b>Financial Assets</b>				
Cash and cash equivalents	–	–	67,705,791	67,705,791
Balances with central banks	–	–	56,387,741	56,387,741
Placements with banks	–	–	11,674,664	11,674,664
Securities purchased under resale agreements	–	–	1,901,618	1,901,618
Derivative financial instruments	5,300,844	–	–	5,300,844
Financial instruments – Held for trading	8,474,041	–	–	8,474,041
Financial investments – Loans and receivables	–	–	191,874,638	191,874,638
Loans and advances to customers	–	–	1,000,082,574	1,000,082,574
Financial investments – Available for sale	–	10,463,046	–	10,463,046
Financial investments – Held to maturity	–	–	243,178,400	243,178,400
<b>Total financial assets</b>	<b>13,774,885</b>	<b>10,463,046</b>	<b>1,572,805,426</b>	<b>1,597,043,357</b>

As at 31 December	2016		
	Fair Value through Profit or Loss LKR '000	Amortised Cost LKR '000	Total LKR '000
<b>Financial Liabilities</b>			
Due to banks	–	2,042,322	2,042,322
Securities sold under repurchase agreements	–	59,424,629	59,424,629
Derivative financial instruments	171,663	–	171,663
Due to customers	–	1,256,589,490	1,256,589,490
Other borrowings	–	195,469,853	195,469,853
Debt securities issued	–	3,427,058	3,427,058
Subordinated term debts	–	38,645,546	38,645,546
<b>Total financial liabilities</b>	<b>171,663</b>	<b>1,555,598,898</b>	<b>1,555,770,561</b>

## 19.2 Group

As at 31 December	2017			
	Fair Value through Profit or Loss LKR '000	Fair Value through OCI LKR '000	Amortised Cost LKR '000	Total LKR '000
<b>Financial Assets</b>				
Cash and cash equivalents	–	–	78,005,362	78,005,362
Balances with central banks	–	–	68,689,012	68,689,012
Placements with banks	–	–	5,319,602	5,319,602
Securities purchased under resale agreements	–	–	19,872,247	19,872,247
Derivative financial instruments	1,618,823	–	–	1,618,823
Financial instruments – Held for trading	8,596,548	–	–	8,596,548
Financial investments – Loans and receivables	–	–	214,349,624	214,349,624
Loans and advances to customers	–	–	1,194,294,394	1,194,294,394
Financial investments – Available for sale	–	22,552,292	–	22,552,292
Financial investments – Held to maturity	–	–	308,750,317	308,750,317
<b>Total financial assets</b>	<b>10,215,371</b>	<b>22,552,292</b>	<b>1,889,280,558</b>	<b>1,922,048,221</b>

As at 31 December	2017		
	Fair Value through Profit or Loss LKR '000	Amortised Cost LKR '000	Total LKR '000
<b>Financial Liabilities</b>			
Due to banks	–	2,194,266	2,194,266
Securities sold under repurchase agreements	–	44,628,686	44,628,686
Derivative financial instruments	70,715	–	70,715
Due to customers	–	1,566,376,418	1,566,376,418
Other borrowings	–	184,330,181	184,330,181
Debt securities issued	–	5,667,514	5,667,514
Subordinated term debts	–	42,226,067	42,226,067
<b>Total financial liabilities</b>	<b>70,715</b>	<b>1,845,423,132</b>	<b>1,845,493,847</b>

As at 31 December	2016			
	Fair Value through Profit or Loss LKR '000	Fair Value through OCI LKR '000	Amortised Cost LKR '000	Total LKR '000
<b>Financial Assets</b>				
Cash and cash equivalents	–	–	73,244,043	73,244,043
Balances with central banks	–	–	56,387,741	56,387,741
Placements with banks	–	–	12,931,605	12,931,605
Securities purchased under resale agreements	–	–	2,350,704	2,350,704
Derivative financial instruments	5,300,844	–	–	5,300,844
Financial instruments – Held for trading	8,804,647	–	–	8,804,647
Financial investments – Loans and receivables	–	–	191,984,082	191,984,082
Loans and advances to customers	–	–	1,027,768,110	1,027,768,110
Financial investments – Available for sale	–	16,263,641	–	16,263,641
Financial investments – Held to maturity	–	–	243,253,967	243,253,967
<b>Total financial assets</b>	<b>14,105,491</b>	<b>16,263,641</b>	<b>1,607,920,252</b>	<b>1,638,289,384</b>

As at 31 December	2016		
	Fair Value through Profit or Loss LKR '000	Amortised Cost LKR '000	Total LKR '000
<b>Financial Liabilities</b>			
Due to banks	–	2,053,945	2,053,945
Securities sold under repurchase agreements	–	58,925,801	58,925,801
Derivative financial instruments	171,663	–	171,663
Due to customers	–	1,273,631,287	1,273,631,287
Other borrowings	–	204,485,301	204,485,301
Debt securities issued	–	8,360,333	8,360,333
Subordinated term debts	–	38,295,318	38,295,318
<b>Total financial liabilities</b>	<b>171,663</b>	<b>1,585,751,985</b>	<b>1,585,923,648</b>

## 20 Cash and Cash Equivalents

### Accounting Policy

Cash and cash equivalents include local and foreign currency notes and coins in hand, unrestricted balances held with central banks, balances with other banks and highly liquid financial assets with original maturities of less than seven days, which are subject to insignificant risk of changes in their fair value and are used by the Group to manage its short-term commitments.

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Local currency in hand	40,267,119	27,454,238	40,459,621	27,641,383
Foreign currency in hand	1,507,867	1,446,976	1,516,294	1,454,169
Balances with banks	12,429,737	14,492,569	11,798,422	14,434,784
Money at call and short notice	18,638,385	24,312,008	24,231,025	29,713,707
<b>Total cash and cash equivalents</b>	<b>72,843,108</b>	<b>67,705,791</b>	<b>78,005,362</b>	<b>73,244,043</b>

## 21 Balances with Central Banks

### Accounting Policy

Balances with central banks are carried at amortised cost in the Statement of Financial Position.

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Central Bank of Sri Lanka [Note 21.1]	64,800,808	51,055,931	64,800,808	51,055,931
Reserve Bank of India [Note 21.2]	165,035	161,463	165,035	161,463
Maldives Monetary Authority [Note 21.3]	3,239,492	4,900,518	3,239,492	4,900,518
Central Bank of Seychelles [Note 21.4]	483,677	269,829	483,677	269,829
<b>Total balances with central banks</b>	<b>68,689,012</b>	<b>56,387,741</b>	<b>68,689,012</b>	<b>56,387,741</b>

### 21.1 Central Bank of Sri Lanka (CBSL)

In terms of the provisions of Section 93 of the Monetary Law Act No. 58 of 1949, the Bank is required to maintain a cash reserve with Central Bank of Sri Lanka. The minimum cash reserve requirement as of 31 December 2017 was 7.5% (2016 – 7.5%) of Sri Lankan Rupee deposit liabilities. There is no reserve requirement for foreign currency deposit liabilities maintained by domestic branches and the deposit liabilities of the Offshore Banking Division in Sri Lanka (2016 – Nil).

### 21.2 Reserve Bank of India (RBI)

In terms of the provisions of Section 42 (1) of the Reserve Bank of India (RBI) Act No. 02 of 1934, the branch in Chennai is required to maintain a cash reserve with RBI. The minimum cash reserve as of 31 December 2017 was 4% on its demand and term deposit liabilities (2016 – 4%).

### 21.3 Maldives Monetary Authority (MMA)

In accordance with the prevailing regulations of Maldives Monetary Authority (MMA), the branch in Maldives is required to maintain a reserve deposit based on 10% of the branch's commercial deposits and liabilities to the public in the Maldives in Maldivian Rufiyaa and United States Dollar separately (2016 – 10%).

### 21.4 Central Bank of Seychelles (CBS)

In accordance with the regulations of Central Bank of Seychelles, the branch in Seychelles is required to maintain a reserve deposit based on 13% of the branch's commercial deposits liabilities to the public in Seychelles (2016 – 13%).



## 22 Placements with Banks

### Accounting Policy

“Placements with banks” includes balances with other banks with original maturities of more than seven days which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss
- Those that the Bank, upon initial recognition, designates as available for sale
- Those for which the Bank may not recover substantially all of its initial investment, other than – Due to credit deterioration

Placements with banks are initially measured at fair value. After initial measurement, they are subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Interest income from placements with banks is included in “Interest income” (Note 8.1) in the Statement of Profit or Loss. The losses arising from impairment are recognised in “Impairment charge/(reversal) for loans and other losses” (Note 13) in the Statement of Profit or Loss.

The Group writes off certain placements with banks when they are determined to be uncollectible.

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Within Sri Lanka	4,399,062	–	4,399,062	–
Outside Sri Lanka	3,668,428	11,674,664	920,540	12,931,605
<b>Total placements with banks</b>	<b>8,067,490</b>	<b>11,674,664</b>	<b>5,319,602</b>	<b>12,931,605</b>

## 23 Securities Purchased Under Resale Agreements

### Accounting Policy

Securities purchased under resale agreements (Reverse Repos) are purchase of securities with the agreement to sell them at a higher price at a specific future date. The consideration paid and accrued interest (measured by using the EIR) are recorded in the Statement of Financial Position, reflecting the transaction’s economic substance as an advance granted by the Group. The difference between the purchase and resale price is recorded as “Interest income” and is accrued over the life of the agreement.

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
With banks	15,157,328	–	15,195,040	62,707
With customers	3,298,227	1,901,618	4,677,207	2,287,997
<b>Total securities purchased under resale agreements</b>	<b>18,455,555</b>	<b>1,901,618</b>	<b>19,872,247</b>	<b>2,350,704</b>

## 24 Derivative Financial Instruments

### Accounting Policy

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk, indices etc. Derivatives are categorised as trading unless they are designated as hedging instruments. All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains or losses recognised in the Statement of Profit or Loss under “Net gains/(losses) from trading” (Note 10). Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Fair value is determined using the forward market rates ruling on the reporting date.

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Foreign currency derivatives</b>				
Forward exchange contracts	4,288	9,063	4,288	9,063
Currency SWAPs	1,614,535	5,291,781	1,614,535	5,291,781
<b>Total derivative financial instruments</b>	<b>1,618,823</b>	<b>5,300,844</b>	<b>1,618,823</b>	<b>5,300,844</b>

## 25 Financial Instruments – Held for Trading

### Accounting Policy

Financial instruments are classified as held for trading if they have been acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking.

All financial assets under this category are initially and subsequently measured at fair value. Upon initial recognition, transaction costs which are directly attributable to the acquisition are recognised in the Statement of Profit or Loss as incurred. Changes in fair value and dividend are recognised in “Net gains/(losses) from trading” (Note 10). Interest income is recorded in “Interest income” (Note 8.1) according to the terms of the contract.

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Treasury Bills	4,749,058	4,538,007	4,749,058	4,538,007
Treasury Bonds	682,169	681,439	682,169	681,439
Sri Lanka sovereign bonds	166,863	156,142	166,863	156,142
Quoted equities [Note 25.1]	2,761,184	3,098,453	2,993,845	3,426,824
Quoted debt securities [Note 25.2]	–	–	4,613	2,235
<b>Total financial instruments – Held for trading</b>	<b>8,359,274</b>	<b>8,474,041</b>	<b>8,596,548</b>	<b>8,804,647</b>

The Bank has not pledged any Treasury Bills or Treasury Bonds – Held for trading as collateral as at 31 December 2017 (2016 – Nil).

## 25.1 Quoted Equities

### 25.1.1 Sector Wise Composition of Quoted Equities

As at 31 December	2017			2016		
	Cost of Investment	Market Value	Sector-Wise Composition of Market Value	Cost of Investment	Market Value	Sector-Wise Composition of Market Value
	LKR '000	LKR '000	%	LKR '000	LKR '000	%
<b>Bank [Note 25.1.2]</b>						
Banks, Finance and Insurance	13,872	15,190	0.6	19,611	19,303	0.6
Beverage, Food and Tobacco	443,439	423,214	15.3	494,031	436,191	14.1
Chemicals and Pharmaceuticals	261,945	112,586	4.1	261,945	146,703	4.7
Construction and Engineering	205,814	83,247	3.0	206,144	74,943	2.4
Diversified Holdings	1,334,634	877,614	31.7	1,372,393	892,243	28.7
Footware and Textiles	23,668	16,141	0.6	22,793	16,152	0.5
Health Care	30,545	26,017	0.9	20,425	17,335	0.6
Hotels and Travels	718,505	319,581	11.6	717,456	386,666	12.5
Investment Trusts	168,781	62,854	2.3	168,781	63,399	2.0
Land and Property	24,815	16,857	0.6	24,685	19,056	0.6
Manufacturing	647,413	446,308	16.2	703,129	575,116	18.6
Motors	149,185	78,812	2.9	149,185	89,177	2.9
Oil Palms	83,965	25,104	0.9	83,965	33,392	1.1
Plantations	142,099	61,102	2.2	156,335	61,541	2.0
Power and Energy	206,555	101,505	3.7	206,555	153,181	4.9
Services	22,759	13,486	0.5	22,759	14,261	0.5
Stores and Supplies	21,923	12,054	0.4	21,923	11,274	0.4
Telecommunications	7,496	6,099	0.2	8,166	8,380	0.3
Trading	142,914	63,413	2.3	148,765	80,140	2.6
<b>Total</b>	<b>4,650,327</b>	<b>2,761,184</b>	<b>100.0</b>	<b>4,809,046</b>	<b>3,098,453</b>	<b>100.0</b>

As at 31 December	2017			2016		
	Cost of Investment	Market Value	Sector Wise Composition of Market Value	Cost of Investment	Market Value	Sector Wise Composition of Market Value
	LKR '000	LKR '000	%	LKR '000	LKR '000	%
<b>Group [Note 25.1.3]</b>						
Banks, Finance and Insurance	145,778	117,828	3.9	166,491	133,672	3.9
Beverage, Food and Tobacco	471,558	438,292	14.6	517,762	451,249	13.2
Chemicals and Pharmaceuticals	263,572	113,903	3.8	262,531	147,213	4.3
Construction and Engineering	213,559	86,250	2.9	217,426	81,681	2.4
Diversified Holdings	1,359,383	895,941	29.9	1,457,200	977,666	28.5
Footware and Textiles	25,983	17,974	0.6	23,666	16,946	0.5
Health Care	31,045	26,432	0.9	20,425	17,335	0.5
Hotels and Travels	782,318	354,199	11.8	796,149	435,925	12.7
Information Technology	120	89	0.0	-	-	-
Investment Trusts	183,093	72,399	2.4	190,115	76,976	2.2
Land and Property	27,706	19,365	0.6	25,232	19,478	0.6
Manufacturing	688,467	477,670	16.1	736,956	601,573	17.6
Motors	151,210	80,762	2.7	149,185	89,177	2.6
Oil Palms	83,965	25,104	0.8	83,965	33,392	1.0
Plantations	143,594	62,512	2.1	173,972	68,211	2.0
Power and Energy	213,851	107,853	3.6	211,419	158,331	4.6
Services	23,775	14,265	0.5	23,868	15,121	0.4
Stores and Supplies	21,923	12,054	0.4	21,923	11,274	0.3
Telecommunications	7,496	6,099	0.2	9,315	9,430	0.3
Trading	144,655	64,854	2.2	151,484	82,174	2.4
<b>Total</b>	<b>4,983,051</b>	<b>2,993,845</b>	<b>100.0</b>	<b>5,239,084</b>	<b>3,426,824</b>	<b>100.0</b>

## 25.1.2 Quoted Equities – Bank

As at 31 December	Bank							
	2017				2016			
	Number of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000	Number of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000
<b>Banks, Finance and Insurance</b>								
Hatton National Bank PLC	61,005	13,872	249.00	15,190	85,793	19,611	225.00	19,303
		13,872		15,190		19,611		19,303
<b>Beverage, Food and Tobacco</b>								
Bairaha Farms PLC	119,942	31,789	147.30	17,667	119,942	31,789	181.50	21,769
Cargills (Ceylon) PLC	1,298,613	267,368	199.90	259,593	1,303,613	268,297	194.40	253,422
Ceylon Tobacco Company PLC	143,178	137,101	1,004.50	143,822	194,178	185,937	806.50	156,605
HVA Foods PLC	20,000	905	6.10	122	20,000	905	6.00	120
Lucky Lanka Milk Processing PLC – Voting	1,000,000	6,000	1.90	1,900	1,000,000	6,000	3.20	3,200
Lucky Lanka Milk Processing PLC – Non-voting	91,900	276	1.20	110	91,900	276	1.40	129
Three Acre Farms PLC	-	-	-	-	7,000	827	135.10	946
		443,439		423,214		494,031		436,191

As at 31 December	Bank							
	2017				2016			
	Number of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000	Number of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000
<b>Chemicals and Pharmaceuticals</b>								
Chemanex PLC	100,000	16,685	51.50	5,150	100,000	16,685	59.60	5,960
CIC Holdings PLC – Voting	770,657	124,284	62.00	47,781	770,657	124,284	91.40	70,438
CIC Holdings PLC – Non-voting	416,189	40,011	47.40	19,727	416,189	40,011	68.00	28,301
Haycarb PLC	251,067	48,262	147.50	37,032	251,067	48,262	150.00	37,660
Lankem Ceylon PLC	72,400	32,703	40.00	2,896	72,400	32,703	60.00	4,344
		261,945		112,586		261,945		146,703
<b>Construction and Engineering</b>								
Access Engineering PLC	162,000	3,859	23.50	3,807	177,000	4,189	24.80	4,390
Colombo Dockyard PLC	897,622	201,955	88.50	79,440	897,622	201,955	78.60	70,553
		205,814		83,247		206,144		74,943
<b>Diversified Holdings</b>								
Aitken Spence PLC	2,596,230	360,512	54.60	141,754	2,596,230	360,512	65.00	168,756
Browns Capital PLC	200,000	991	3.20	640	200,000	991	1.10	220
Browns Investments PLC	3,073,412	13,317	2.60	7,991	3,073,412	13,317	1.40	4,303
Carson Cumberbatch PLC	313,352	141,328	176.00	55,150	313,352	141,328	173.80	54,461
C T Holdings PLC	–	–	–	–	244,944	36,788	125.20	30,667
Expolanka Holdings PLC	1,716,193	15,964	5.30	9,096	1,716,193	15,964	6.30	10,812
Hayleys PLC	68,097	21,556	241.00	16,411	68,097	21,556	270.00	18,386
John Keells Holdings PLC	3,299,657	575,620	148.50	489,999	3,305,714	576,591	145.00	479,329
Richard Pieris and Company PLC	6,889,225	90,662	13.00	89,560	6,889,225	90,662	8.00	55,114
Softlogic Holdings PLC	1,696,191	33,415	12.50	21,202	1,696,191	33,415	13.00	22,050
The Colombo Fort Land & Building PLC	149,500	10,307	19.00	2,841	149,500	10,307	20.00	2,990
Vallibel One PLC	2,427,704	70,962	17.70	42,970	2,427,704	70,962	18.60	45,155
		1,334,634		877,614		1,372,393		892,243
<b>Footware and Textiles</b>								
Hayleys Fabric PLC	774,098	14,343	13.50	10,450	724,098	13,468	15.00	10,861
ODEL PLC	222,295	9,325	25.60	5,691	222,295	9,325	23.80	5,291
		23,668		16,141		22,793		16,152
<b>Health Care</b>								
Nawaloka Hospitals PLC	–	–	–	–	19,081	79	4.50	86
Singhe Hospitals PLC	4,000,000	10,000	1.70	6,800	4,000,000	10,000	1.90	7,600
The Lanka Hospital Corporation PLC	309,949	20,545	62.00	19,217	148,450	10,346	65.00	9,649
		30,545		26,017		20,425		17,335
<b>Hotels and Travels</b>								
Aitken Spence Hotel Holdings PLC	2,547,422	232,670	29.50	75,149	2,547,422	232,670	43.10	109,794
Amaya Leisure PLC	569,845	53,019	51.30	29,233	569,845	53,019	65.50	37,325
Asian Hotels & Properties PLC	2,367,741	225,781	52.80	125,017	2,367,741	225,781	57.00	134,961
Citrus Leisure PLC	100,000	10,112	7.50	750	100,000	10,112	9.50	950
Eden Hotel Lanka PLC	775,550	41,864	14.20	11,013	775,550	41,864	13.50	10,470
Galadari Hotels (Lanka) PLC	61,030	927	8.00	488	61,030	927	10.70	653
John Keells Hotels PLC	893,487	14,553	8.80	7,863	893,487	14,553	10.90	9,739
Marawila Resorts PLC	100,000	782	1.90	190	100,000	782	2.40	240

As at 31 December	<b>Bank</b>							
	2017				2016			
	Number of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000	Number of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000
Tal Lanka Hotels PLC	447,400	30,043	15.90	7,114	447,400	30,043	25.20	11,274
Tangerine Beach Hotels PLC	50,000	5,056	52.00	2,600	50,000	5,056	59.90	2,995
The Fortress Resorts PLC	1,461,100	50,506	9.30	13,588	1,461,100	50,506	13.60	19,871
The Kingsbury PLC	304,166	4,785	13.50	4,106	232,668	3,736	15.20	3,537
Trans Asia Hotels PLC	477,200	48,407	89.00	42,470	477,200	48,407	94.00	44,857
		718,505		319,581		717,456		386,666
<b>Investment Trusts</b>								
Ceylon Guardian Investment Trust PLC	107,847	32,747	85.00	9,167	107,847	32,747	105.50	11,378
Ceylon Investment PLC	446,203	73,124	44.70	19,945	446,206	73,124	49.10	21,909
Lanka Century Investments PLC	385,000	23,271	12.10	4,659	385,000	23,271	11.80	4,543
Renuka Holdings PLC	1,211,821	39,639	24.00	29,083	1,211,821	39,639	21.10	25,569
		168,781		62,854		168,781		63,399
<b>Land and Property</b>								
Overseas Realty (Ceylon) PLC	957,792	24,815	17.60	16,857	952,792	24,685	20.00	19,056
		24,815		16,857		24,685		19,056
<b>Manufacturing</b>								
Abans Electricals PLC	196,303	26,807	84.50	16,588	196,303	26,807	100.10	19,650
ACL Cables PLC	1,005,246	45,924	42.40	42,622	1,005,246	45,924	60.50	60,817
ACME Printing & Packaging PLC	1,078,700	35,020	6.60	7,119	1,078,700	35,020	6.20	6,688
Alumex PLC	-	-	-	-	100,529	2,037	20.20	2,031
Central Industries PLC	62,560	2,575	41.00	2,565	113,156	4,562	49.50	5,601
Ceylon Grain Elevators PLC	612,498	60,754	66.10	40,486	403,709	45,057	82.90	33,467
Chevron Lubricants Lanka PLC	837,966	154,550	119.00	99,718	837,966	154,550	157.10	131,644
Kelani Tyres PLC	1,016,213	75,060	44.40	45,120	1,016,213	75,060	64.90	65,952
Lanka Cement PLC	7,265,828	63,576	5.70	41,415	9,014,438	78,876	5.90	53,185
Lanka Tiles PLC	973,200	130,512	115.00	111,918	973,200	130,512	95.90	93,330
Lanka Walltiles PLC	-	-	-	-	53,046	4,890	99.70	5,289
Orient Garments PLC	82,150	2,568	7.00	575	82,150	2,568	7.00	575
Piramal Glass Ceylon PLC	3,288,600	32,322	5.80	19,074	3,288,600	32,322	5.30	17,430
Royal Ceramics Lanka PLC	1,399	165	114.50	160	152,294	17,962	115.50	17,590
Sierra Cables PLC	329,525	1,090	2.50	824	129,525	465	3.30	427
Swisstek (Ceylon) PLC	161,929	11,283	62.00	10,040	216,709	15,317	68.90	14,931
Teejay Lanka PLC	-	-	-	-	565,103	10,638	42.80	24,186
Tokyo Cement Company (Lanka) PLC – Voting	36,669	1,807	66.00	2,420	200,000	11,911	59.20	11,840
Tokyo Cement Company (Lanka) PLC – Non-voting	96,000	3,400	59.00	5,664	203,563	8,651	51.50	10,483
		647,413		446,308		703,129		575,116
<b>Motors</b>								
C M Holdings PLC	50,857	17,422	73.00	3,713	50,857	17,422	85.20	4,333
Diesel & Motor Engineering PLC	77,935	84,514	490.00	38,188	77,935	84,514	581.00	45,280
Sathosa Motors PLC	16,000	6,198	335.10	5,362	16,000	6,198	298.70	4,779
United Motors Lanka PLC	404,478	41,051	78.00	31,549	404,478	41,051	86.00	34,785
		149,185		78,812		149,185		89,177



As at 31 December	Bank							
	2017				2016			
	Number of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000	Number of Ordinary Shares	Cost of Investment LKR '000	Market Price Per Share LKR	Market Value LKR '000
<b>Oil Palms</b>								
Bukit Darah PLC	119,257	83,965	210.50	25,104	119,257	83,965	280.00	33,392
		83,965		25,104		83,965		33,392
<b>Plantations</b>								
Agalawatte Plantations PLC	45,600	4,608	20.00	912	45,600	4,608	17.50	798
Balangoda Plantations PLC	30,000	2,184	30.20	906	30,000	2,184	12.20	366
Horana Plantations PLC	513,000	43,752	26.00	13,338	513,000	43,752	17.90	9,183
Kahawatte Plantations PLC	758,536	30,683	38.90	29,507	838,629	33,921	37.70	31,616
Kegalle Plantations PLC	50,600	13,703	70.00	3,542	50,600	13,703	48.50	2,454
Kotagala Plantations PLC	486,665	34,711	12.20	5,937	486,665	34,711	8.90	4,331
Namunukula Plantations PLC	80,000	12,458	87.00	6,960	80,000	12,458	73.70	5,896
Watawala Plantations PLC	-	-	-	-	350,100	10,998	19.70	6,897
		142,099		61,102		156,335		61,541
<b>Power and Energy</b>								
Laugfs Gas PLC – Voting	168,727	4,688	23.50	3,965	168,727	4,688	33.30	5,619
Laugfs Gas PLC – Non-voting	3,420,538	142,754	20.00	68,411	3,420,538	142,754	32.90	112,536
Lotus Hydro Power PLC	173,194	1,427	5.80	1,005	173,194	1,427	6.60	1,143
Panasian Power PLC	1,029,200	6,407	2.70	2,779	1,029,200	6,407	3.00	3,088
Resus Energy PLC	1,117,700	45,609	18.20	20,342	1,117,700	45,609	22.30	24,925
Vallibel Power Erathna PLC	667,050	5,670	7.50	5,003	667,050	5,670	8.80	5,870
		206,555		101,505		206,555		153,181
<b>Services</b>								
John Keells PLC	250,200	22,759	53.90	13,486	250,200	22,759	57.00	14,261
		22,759		13,486		22,759		14,261
<b>Stores and Supplies</b>								
Hunters & Company PLC	27,100	21,923	444.80	12,054	27,100	21,923	416.00	11,274
		21,923		12,054		21,923		11,274
<b>Telecommunications</b>								
Dialog Axiata PLC	-	-	-	-	64,408	670	10.50	676
Sri Lanka Telecom PLC	214,000	7,496	28.50	6,099	214,000	7,496	36.00	7,704
		7,496		6,099		8,166		8,380
<b>Trading</b>								
Brown & Company PLC	809,616	133,026	70.50	57,078	809,616	133,026	84.00	68,008
Ceylon & Foreign Trades PLC	830,100	8,533	6.20	5,147	830,100	8,533	5.30	4,400
C. W. Mackie PLC	25,812	1,355	46.00	1,188	54,890	2,959	54.70	3,002
Singer (Sri Lanka) PLC	-	-	-	-	37,481	4,247	126.20	4,730
		142,914		63,413		148,765		80,140
<b>Total quoted equities</b>		<b>4,650,327</b>		<b>2,761,184</b>		<b>4,809,046</b>		<b>3,098,453</b>

### 25.1.3 Quoted Equities – Group

As at 31 December	Group							
	2017				2016			
	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
<b>Banks, Finance and Insurance</b>								
Amāna Takaful PLC	500,000	450	0.80	400	–	–	–	–
Asia Asset Finance PLC	639,289	1,023	1.40	895	–	–	–	–
Central Finance Company PLC	46,331	5,842	92.30	4,276	45,000	5,842	100.00	4,500
Ceylinco Insurance PLC	–	–	–	–	1,810	2,851	1,490.00	2,697
Chilaw Finance PLC	–	–	–	–	3,753	87	20.40	77
Citizens Development Business Finance PLC – Non-voting	44,733	3,992	56.00	2,505	44,733	3,992	62.10	2,778
Commercial Bank of Ceylon PLC – Voting	–	–	–	–	9,964	1,714	145.00	1,445
Commercial Bank of Ceylon PLC – Non-voting	40,000	4,202	105.00	4,200	–	–	–	–
Commercial Credit and Finance PLC	22,500	1,498	43.00	968	30,000	1,998	56.30	1,689
DFCC Bank PLC	120,000	24,993	122.80	14,736	120,000	24,993	122.50	14,700
Hatton National Bank PLC	61,005	13,872	249.00	15,190	85,793	19,611	225.00	19,303
HDFC Bank of Sri Lanka	–	–	–	–	26,500	1,832	47.20	1,251
HNB Assurance PLC	–	–	–	–	7,500	621	58.80	441
Janashakthi Insurance Company PLC	669,893	12,975	15.70	10,517	674,893	13,072	16.40	11,068
Lanka Orix Leasing Company PLC	–	–	–	–	133,100	15,180	72.50	9,650
LOLC Finance PLC	–	–	–	–	500,000	1,300	2.60	1,300
LB Finance PLC	12,500	1,645	122.10	1,526	–	–	–	–
National Development Bank PLC	74,286	16,253	136.40	10,133	72,704	16,513	156.00	11,342
Nations Trust Bank PLC	210,032	20,657	78.00	16,382	210,032	20,657	80.90	16,992
Pan Asia Banking Corporation PLC	30,000	516	15.70	471	–	–	–	–
Sanasa Development Bank PLC	18,152	1,829	101.90	1,850	256	27	103.70	27
Seylan Bank PLC – Voting	137,789	13,846	87.20	12,015	135,000	13,846	90.00	12,150
Seylan Bank PLC – Non-voting	341,439	17,845	56.00	19,121	330,000	17,845	59.00	19,470
Softlogic Finance PLC	60,515	3,340	36.40	2,203	60,515	3,340	34.00	2,058
The Finance Company PLC – Non-voting	200,000	1,000	2.20	440	200,000	1,000	2.90	580
Union Bank of Colombo PLC	–	–	–	–	10,000	170	15.40	154
		145,778		117,828		166,491		133,672
<b>Beverage, Food and Tobacco</b>								
Bairaha Farms PLC	144,942	35,752	147.30	21,350	119,942	31,789	181.50	21,769
Cargills (Ceylon) PLC	1,298,613	267,268	199.90	259,593	1,303,613	268,297	194.40	253,422
Ceylon Tobacco Company PLC	143,178	137,101	1,004.50	143,822	194,178	185,937	806.50	156,605
HVA Foods PLC	45,000	1,060	6.10	275	20,000	905	6.00	120
Keells Food Products PLC	27,672	4,746	140.00	3,874	27,672	4,746	158.00	4,372
Lion Brewery Ceylon PLC	672	370	540.00	363	–	–	–	–
Lucky Lanka Milk Processing PLC – Voting	3,657,487	21,808	1.90	6,949	3,657,487	21,808	3.20	11,704
Lucky Lanka Milk Processing PLC – Non-voting	91,900	276	1.20	110	91,900	276	1.40	129
Renuka Agri Foods PLC	752,274	3,177	2.60	1,956	752,274	3,177	2.90	2,182
Three Acre Farms PLC	–	–	–	–	7,000	827	135.10	946
		471,558		438,292		517,762		451,249

As at 31 December	Group							
	2017				2016			
	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
<b>Chemicals and Pharmaceuticals</b>								
Chemanax PLC	100,000	16,685	51.50	5,150	100,000	16,685	59.60	5,960
CIC Holdings PLC – Voting	772,657	124,427	62.00	47,905	770,657	124,284	91.40	70,438
CIC Holdings PLC – Non-voting	441,353	41,494	47.40	20,920	423,689	40,596	68.00	28,811
Haycarb PLC	251,067	48,263	147.50	37,032	251,067	48,263	150.00	37,660
Lankem Ceylon PLC	72,400	32,703	40.00	2,896	72,400	32,703	60.00	4,344
		263,572		113,903		262,531		147,213
<b>Construction and Engineering</b>								
Access Engineering PLC	162,000	3,859	23.50	3,807	177,000	4,189	24.80	4,390
Colombo Dockyard PLC	897,622	201,955	88.50	79,440	915,540	205,492	78.60	71,961
MTD Walkers PLC	130,000	7,745	23.10	3,003	130,000	7,745	41.00	5,330
		213,559		86,250		217,426		81,681
<b>Diversified Holdings</b>								
Aitken Spence PLC	2,706,230	371,623	54.60	147,760	2,711,230	372,128	65.00	176,230
Browns Capital PLC	200,000	990	3.20	640	200,000	990	1.10	220
Browns Investments PLC	3,823,412	15,799	2.60	9,941	3,073,412	13,324	1.40	4,303
Carson Cumberbatch PLC	313,352	141,328	176.00	55,150	313,352	141,328	173.80	54,461
C T Holdings PLC	–	–	–	–	244,944	36,788	125.20	30,667
Dunamis Capital PLC	27,500	719	23.40	644	–	–	–	–
Expolanka Holdings PLC	1,716,193	15,964	5.30	9,096	1,716,193	15,964	6.30	10,812
Hayleys PLC	68,597	21,697	241.00	16,532	68,097	21,556	270.00	18,386
John Keells Holdings PLC	3,336,028	581,139	148.50	495,400	3,591,712	619,573	145.00	520,798
Melstacorp Limited	5,000	305	59.50	298	600,000	28,973	59.30	35,580
Richard Pieris and Company PLC	6,889,225	90,662	13.00	89,560	6,889,225	90,662	8.00	55,114
Softlogic Holdings PLC	1,696,191	33,415	12.50	21,202	1,696,191	33,415	13.00	22,050
Sunshine Holdings PLC	35,211	2,119	57.00	2,007	–	–	–	–
Taprobane Holdings PLC	30,000	180	5.50	165	–	–	–	–
The Colombo Fort Land & Building PLC	194,299	11,531	19.00	3,692	194,500	11,537	20.00	3,890
Vallibel One PLC	2,477,704	71,912	17.70	43,854	2,427,704	70,962	18.60	45,155
		1,359,383		895,941		1,457,200		977,666
<b>Footwear and Textiles</b>								
Ceylon Leather Products PLC	8,000	615	60.40	483	11,348	873	70.00	794
Hayleys Fabric PLC	874,098	16,043	13.50	11,800	724,098	13,468	15.00	10,861
ODEL PLC	222,295	9,325	25.60	5,691	222,295	9,325	23.80	5,291
		25,983		17,974		23,666		16,946
<b>Health Care</b>								
Ceylon Hospitals PLC	5,000	500	83.00	415	–	–	–	–
Nawaloka Hospitals PLC	–	–	–	–	19,081	79	4.50	86
Singhe Hospital PLC	4,000,000	10,000	1.70	6,800	4,000,000	10,000	1.90	7,600
The Lanka Hospital Corporation PLC	309,949	20,545	62.00	19,217	148,450	10,346	65.00	9,649
		31,045		26,432		20,425		17,335

As at 31 December	Group							
	2017				2016			
	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
<b>Hotels and Travels</b>								
Aitken Spence Hotel Holdings PLC	2,610,641	238,463	29.50	77,014	2,610,641	238,463	43.10	112,519
Amaya Leisure PLC	569,845	53,019	51.30	29,233	569,845	53,019	65.50	37,325
Asian Hotels & Properties PLC	2,367,741	225,781	52.80	125,017	2,500,558	235,726	57.00	142,532
Bansei Royal Resorts Hikkaduwa PLC	100,000	100	0.80	80	-	-	-	-
Ceylon Hotels Corporation PLC	-	-	-	-	2,930	75	20.30	59
Citrus Leisure PLC	100,000	10,112	7.50	750	100,000	10,112	9.50	950
Eden Hotel Lanka PLC	903,293	45,541	14.20	12,827	903,293	45,541	13.50	12,194
Galadari Hotels (Lanka) PLC	61,030	927	8.00	488	81,030	1,219	10.70	867
John Keells Hotels PLC	968,487	15,728	8.80	8,523	968,487	15,728	10.90	10,557
Marawila Resorts PLC	100,000	782	1.90	190	1,059,168	5,438	2.40	2,542
Palm Garden Hotels PLC	147,472	10,928	26.10	3,849	147,472	10,928	28.30	4,173
Tal Lanka Hotels PLC	447,400	30,043	15.90	7,114	447,400	30,043	25.20	11,274
Tangerine Beach Hotels PLC	50,000	5,056	52.00	2,600	50,000	5,056	59.90	2,995
The Fortress Resorts PLC	1,461,100	50,506	9.30	13,588	1,461,100	50,506	13.60	19,871
The Kingsbury PLC	2,241,893	46,619	13.50	30,266	2,170,395	45,582	15.20	32,990
Trans Asia Hotels PLC	477,200	48,407	89.00	42,470	477,200	48,407	94.00	44,857
Waskaduwa Beach Resort PLC	50,000	306	3.80	190	50,000	306	4.40	220
		782,318		354,199		796,149		435,925
<b>Information Technology</b>								
E-Channelling PLC	15,000	120	5.90	89	-	-	-	-
		120		89	-	-	-	-
<b>Investment Trusts</b>								
Ceylon Guardian Investment Trust PLC	107,847	32,747	85.00	9,167	107,847	32,747	105.50	11,378
Ceylon Investment PLC	511,933	79,536	44.70	22,883	537,370	82,017	49.10	26,385
Guardian Capital Partners PLC	18,472	1,006	30.10	556	18,472	1,006	38.90	719
Lanka Century Investments PLC	885,000	30,165	12.10	10,709	905,000	30,440	11.80	10,679
Renuka Holdings PLC	1,211,821	39,639	24.00	29,084	1,318,262	43,905	21.10	27,815
		183,093		72,399		190,115		76,976
<b>Land and Property</b>								
Cargo Boat Development Company PLC	9,984	899	84.00	839	-	-	-	-
Colombo Land & Development Company PLC	2,700	96	19.80	53	2,700	96	26.90	73
Commercial Development Company PLC	4,649	451	70.00	325	4,649	451	75.10	349
East West Properties PLC	8,000	120	11.30	90	-	-	-	-
Overseas Realty (Ceylon) PLC	957,792	24,815	17.60	16,858	952,792	24,685	20.00	19,056
R I L Property PLC	25,000	200	7.20	180	-	-	-	-
Serendib Land PLC	75,000	1,125	13.60	1,020	-	-	-	-
		27,706		19,365		25,232		19,478

As at 31 December	Group							
	2017				2016			
	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
<b>Manufacturing</b>								
Abans Electricals PLC	201,303	27,327	84.50	17,010	196,303	26,807	100.10	19,650
ACL Cables PLC	1,055,246	48,791	42.40	44,742	1,005,246	45,924	60.50	60,817
ACME Printing & Packaging PLC	1,078,700	35,020	6.60	7,119	1,209,723	36,221	6.20	7,500
Alufab PLC	60,000	1,660	23.00	1,380	-	-	-	-
Alumex PLC	-	-	-	-	100,529	2,037	20.20	2,031
Central Industries PLC	62,560	2,575	41.00	2,565	118,156	4,812	49.50	5,849
Ceylon Grain Elevators PLC	672,498	64,940	66.10	44,452	403,709	45,057	82.90	33,467
Chevron Lubricants Lanka PLC	872,966	159,206	119.00	103,883	837,966	154,550	157.10	131,644
Dankotuwa Porcelain PLC	-	-	-	-	630,902	6,301	7.10	4,479
Kelani Tyres PLC	1,131,213	84,083	44.40	50,226	1,131,213	84,083	64.90	73,416
Lanka Cement PLC	7,265,828	63,576	5.70	41,415	9,014,438	78,876	5.90	53,185
Lanka Tiles PLC	973,200	130,512	115.00	111,918	1,021,453	136,302	95.90	97,957
Lanka Walltiles PLC	-	-	-	-	53,046	4,890	99.70	5,289
Orient Garments PLC	82,150	2,568	7.00	575	82,150	2,568	7.00	575
Piramal Glass Ceylon PLC	3,288,600	32,322	5.80	19,074	4,088,600	37,427	5.30	21,670
Richard Pieris Exports PLC	2,000	470	177.00	354	-	-	-	-
Royal Ceramics Lanka PLC	69,722	8,905	114.50	7,983	152,294	17,962	115.50	17,590
Sierra Cables PLC	1,719,525	7,247	2.50	4,299	1,519,525	6,622	3.30	5,014
Swisstek (Ceylon) PLC	161,929	11,283	62.00	10,040	216,709	15,317	68.90	14,931
Teejay Lanka PLC	75,000	2,775	34.00	2,550	565,103	10,638	42.80	24,186
Tokyo Cement Company (Lanka) PLC – Voting	36,669	1,807	66.00	2,420	200,000	11,911	59.20	11,840
Tokyo Cement Company (Lanka) PLC – Non-voting	96,000	3,400	59.00	5,665	203,563	8,651	51.50	10,483
		688,467		477,670		736,956		601,573
<b>Motors</b>								
C M Holdings PLC	50,857	17,422	73.00	3,713	50,857	17,422	85.20	4,333
Diesel & Motor Engineering PLC	77,935	84,514	490.00	38,188	77,935	84,514	581.00	45,280
Sathosa Motors PLC	16,000	6,198	335.10	5,362	16,000	6,198	298.70	4,779
United Motors Lanka PLC	429,478	43,076	78.00	33,499	404,478	41,051	86.00	34,785
		151,210		80,762		149,185		89,177
<b>Oil Palms</b>								
Bukit Darah PLC	119,257	83,965	210.50	25,104	119,257	83,965	280.00	33,392
		83,965		25,104		83,965		33,392
<b>Plantations</b>								
Agalawatte Plantations PLC	45,600	4,608	20.00	912	45,600	4,608	17.50	798
Balangoda Plantations PLC	30,000	2,184	30.20	906	527,486	17,180	12.20	6,435
Elpitiya Plantations PLC	50,000	1,496	28.20	1,410	-	-	-	-
Horana Plantations PLC	513,000	43,752	26.00	13,338	513,000	43,752	17.90	9,183
Kahawatte Plantations PLC	758,536	30,683	38.90	29,507	838,629	33,921	37.70	31,616
Kegalle Plantations PLC	50,600	13,702	70.00	3,542	50,600	13,702	48.50	2,454
Kotagala Plantations PLC	486,665	34,711	12.20	5,937	554,109	37,353	8.90	4,932
Namunukula Plantations PLC	80,000	12,458	87.00	6,960	80,000	12,458	73.70	5,896
Watawala Plantations PLC	-	-	-	-	350,100	10,998	19.70	6,897
		143,594		62,512		173,972		68,211

As at 31 December	Group							
	2017				2016			
	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
<b>Power and Energy</b>								
Laugfs Gas PLC – Voting	243,727	6,650	23.50	5,728	168,727	4,689	33.30	5,619
Laugfs Gas PLC – Non-voting	3,445,538	143,705	20.00	68,911	3,446,626	143,747	32.90	113,394
Lotus Hydro Power PLC	173,194	1,427	5.80	1,005	173,194	1,427	6.60	1,143
Panasian Power PLC	1,029,200	6,407	2.70	2,779	1,029,200	6,407	3.00	3,088
Resus Energy PLC	1,290,737	49,020	18.20	23,490	1,290,437	49,020	22.30	28,777
Vallibel Power Erathna PLC	792,050	6,642	7.50	5,940	717,050	6,129	8.80	6,310
		213,851		107,853		211,419		158,331
<b>Services</b>								
Ceylon Tea Brokers PLC	114,778	556	4.30	494	192,655	937	3.90	751
John Keells PLC	250,200	22,759	53.90	13,486	250,200	22,759	57.00	14,261
Renuka Capital PLC	13,500	172	4.50	60	135	172	804.80	109
Paragon Ceylon PLC	50,000	288	4.50	225	–	–	–	–
		23,775		14,265		23,868		15,121
<b>Stores and Supplies</b>								
Hunters & Company PLC	27,100	21,923	444.80	12,054	27,100	21,923	416.00	11,274
		21,923		12,054		21,923		11,274
<b>Telecommunications</b>								
Dialog Axiata PLC	–	–	–	–	164,408	1,819	10.50	1,726
Sri Lanka Telecom PLC	214,000	7,496	28.50	6,099	214,000	7,496	36.00	7,704
		7,496		6,099		9,315		9,430
<b>Trading</b>								
Brown & Company PLC	828,677	134,637	70.50	58,422	814,794	133,566	84.00	68,443
Ceylon & Foreign Trades PLC	830,100	8,533	6.20	5,146	830,100	8,533	5.30	4,400
C. W. Mackie PLC	25,812	1,355	46.00	1,186	54,890	2,959	54.70	3,002
Eastern Merchants PLC	–	–	–	–	257,922	2,179	6.20	1,599
Tess Agro PLC	100,000	130	1.00	100	–	–	–	–
Singer (Sri Lanka) PLC	–	–	–	–	37,481	4,247	126.20	4,730
		144,655		64,854		151,484		82,174
<b>Total quoted equities</b>		<b>4,983,051</b>		<b>2,993,845</b>		<b>5,239,084</b>		<b>3,426,824</b>

## 25.2 Quoted Debt Securities

As at 31 December	Group							
	2017				2016			
	No. of Debentures	Cost of Investment LKR '000	Market Price Per Debenture LKR	Market Value LKR '000	No. of Debentures	Cost of Investment LKR '000	Market Price Per Debenture LKR	Market Value LKR '000
<b>Listed Debentures</b>								
Commercial Credit and Finance PLC	20,000	2,141	116.25	2,325	20,000	2,141	111.76	2,235
Hatton National Bank PLC	26,000	2,377	88.00	2,288	–	–	–	–
<b>Total quoted debt securities</b>		<b>4,518</b>		<b>4,613</b>		<b>2,141</b>		<b>2,235</b>



## 26 Financial Investments – Loans and Receivables

### Accounting Policy

Financial investments – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Those are initially measured at fair value and subsequently measured amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. The corresponding interest income being recognised in “Interest income” (Note 8.1) in the Statement of Profit or Loss. The loss arising from impairment are recognised in “Impairment charge/(reversal) for loans and other losses” (Note 13) in the Statement of Profit or Loss.

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Sri Lanka Development Bonds [Note 26.1]	185,337,468	162,734,051	185,337,468	162,734,051
Government of Sri Lanka Restructuring Bonds (Note 26.2)	8,968,474	8,968,474	8,968,474	8,968,474
Debentures [Note 26.3]	5,641,373	5,225,215	5,486,875	5,070,645
Trust certificates [Note 26.4]	768,799	965,457	768,799	965,457
Government securities – Local	5,709,127	5,492,644	5,709,127	5,492,644
Government securities – Other countries	6,741,807	8,488,797	6,741,807	8,488,797
Other investments	–	–	1,337,074	264,014
<b>Total financial investments – Loans and receivables</b>	<b>213,167,048</b>	<b>191,874,638</b>	<b>214,349,624</b>	<b>191,984,082</b>

### 26.1 Sri Lanka Development Bonds (US Dollar Bonds)

As at 31 December	Date of Maturity	Bank/Group			
		2017		2016	
		Cost of Investment LKR '000	Amortised Cost LKR '000	Cost of Investment LKR '000	Amortised Cost LKR '000
6 months LIBOR plus 340 basis points	21.01.2017	–	–	3,745,000	3,820,023
6 months LIBOR plus 345 basis points	21.01.2017	–	–	3,745,000	3,820,874
6 months LIBOR plus 350 basis points	21.01.2017	–	–	7,490,000	7,643,450
6 months LIBOR plus 360 basis points	17.03.2017	–	–	749,000	759,649
6 months LIBOR plus 365 basis points	17.03.2017	–	–	1,498,000	1,519,516
6 months LIBOR plus 375 basis points	17.03.2017	–	–	3,745,000	3,799,882
6 months LIBOR plus 380 basis points	17.03.2017	–	–	1,498,000	1,520,171
6 months LIBOR plus 390 basis points	17.03.2017	–	–	1,498,000	1,520,607
6 months LIBOR plus 400 basis points	17.03.2017	–	–	749,000	760,522
6 months LIBOR plus 405 basis points	17.03.2017	–	–	1,498,000	1,521,262
6 months LIBOR plus 410 basis points	17.03.2017	–	–	1,498,000	1,521,480
6 months LIBOR plus 435 basis points	17.03.2017	–	–	1,498,000	1,522,570
6 months LIBOR plus 440 basis points	17.03.2017	–	–	1,498,000	1,522,788
6 months LIBOR plus 450 basis points	17.03.2017	–	–	2,996,000	3,046,449
6 months LIBOR plus 455 basis points	17.03.2017	–	–	1,498,000	1,523,442
6 months LIBOR plus 460 basis points	17.03.2017	–	–	749,000	761,830
6 months LIBOR plus 345 basis points	30.04.2017	–	–	3,745,000	3,775,137
6 months LIBOR plus 350 basis points	30.04.2017	–	–	3,745,000	3,775,455
6 months LIBOR plus 325 basis points	30.06.2017	–	–	2,247,000	2,247,282

As at 31 December	Date of Maturity	Bank/Group			
		2017		2016	
		Cost of Investment LKR '000	Amortised Cost LKR '000	Cost of Investment LKR '000	Amortised Cost LKR '000
6 months LIBOR plus 375 basis points	30.06.2017	-	-	3,745,000	3,745,521
6 months LIBOR plus 300 basis points	21.01.2018	3,821,370	3,898,799	-	-
6 months LIBOR plus 425 basis points	21.01.2018	7,642,740	7,790,539	-	-
6 months LIBOR plus 435 basis points	21.01.2018	3,821,370	3,897,006	-	-
6 months LIBOR plus 375 basis points	16.03.2018	4,585,644	4,656,260	4,494,000	4,560,484
6 months LIBOR plus 430 basis points	28.03.2018	3,821,370	3,864,512	-	-
6 months LIBOR plus 435 basis points	28.03.2018	3,821,370	3,865,011	-	-
6 months LIBOR plus 435 basis points	30.04.2018	1,528,548	1,539,918	-	-
6 months LIBOR plus 440 basis points	30.04.2018	1,528,548	1,540,048	-	-
6 months LIBOR plus 415 basis points	01.07.2018	107,467,624	110,542,609	105,319,886	108,045,657
6 months LIBOR plus 325 basis points	30.01.2019	3,821,370	3,898,627	-	-
6 months LIBOR plus 335 basis points	30.01.2019	3,821,370	3,900,266	-	-
6 months LIBOR plus 345 basis points	30.01.2019	3,821,370	3,901,905	-	-
6 months LIBOR plus 330 basis points	17.03.2019	4,585,644	4,649,581	-	-
6 months LIBOR plus 335 basis points	17.03.2019	4,585,644	4,650,249	-	-
6 months LIBOR plus 340 basis points	17.03.2019	4,078,166	4,136,216	-	-
6 months LIBOR plus 370 basis points	17.03.2020	3,821,370	3,879,106	-	-
6 months LIBOR plus 375 basis points	17.03.2020	4,585,644	4,655,595	-	-
6 months LIBOR plus 380 basis points	17.03.2020	764,274	776,043	-	-
6 months LIBOR plus 360 basis points	01.04.2020	3,821,370	3,870,952	-	-
6 months LIBOR plus 370 basis points	01.04.2020	3,821,370	3,871,916	-	-
6 months LIBOR plus 385 basis points	17.05.2022	1,528,548	1,552,310	-	-
<b>Total Sri Lanka Development Bonds</b>		<b>181,094,724</b>	<b>185,337,468</b>	<b>159,247,886</b>	<b>162,734,051</b>

## 26.2 Government of Sri Lanka Restructuring Bonds

As at 31 December	Rate %	Date of Issue	Date of Maturity	Bank/Group			
				2017		2016	
				Cost of Investment LKR '000	Carrying Value LKR '000	Cost of Investment LKR '000	Carrying Value LKR '000
For recapitalisation purposes	12.00	24.03.1993	24.03.2023	4,780,000	5,015,714	4,780,000	5,015,714
For settlement of loans	12.00	24.03.1993	24.03.2023	3,767,000	3,952,760	3,767,000	3,952,760
<b>Total Government of Sri Lanka Restructuring Bonds</b>				<b>8,547,000</b>	<b>8,968,474</b>	<b>8,547,000</b>	<b>8,968,474</b>

## 26.3 Debentures

As at 31 December	Date of Maturity	Coupon Rate %	Bank					
			2017			2016		
			No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000	No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000
Access Engineering PLC	18.11.2020	10.25	2,000,000	200,000	202,370	2,000,000	200,000	202,370
Citizen Development Business Finance PLC	03.06.2021	12.75	500,000	50,000	50,492	500,000	50,000	50,482
Commercial Bank of Ceylon PLC	08.03.2021	10.75	1,000,000	100,000	103,326	1,000,000	100,000	103,326
Commercial Bank of Ceylon PLC	27.10.2021	12.00	779,600	77,960	79,568	779,600	77,960	79,569
Commercial Credit and Finance PLC	01.06.2020	10.50	530,519	53,052	54,450	530,519	53,052	54,447
Commercial Credit and Finance PLC	10.12.2020	10.40	3,665,600	366,560	368,702	3,665,600	366,560	368,706
Commercial Leasing & Finance PLC	21.07.2020	9.75	750,000	75,000	82,302	750,000	75,000	82,292
DFCC Bank PLC	18.03.2018	10.63	2,500,000	250,000	270,729	2,500,000	250,000	270,732
DFCC Bank PLC	10.06.2020	9.40	332,100	33,210	34,916	332,100	33,210	34,918
DFCC Bank PLC	09.11.2021	12.15	1,892,800	189,280	192,391	1,892,800	189,280	192,397
First Capital Treasuries PLC	05.02.2020	9.50	500,000	50,000	54,727	500,000	50,000	54,262
Hatton National Bank PLC	28.03.2021	11.25	1,000,000	100,000	108,456	1,000,000	100,000	108,458
Hatton National Bank PLC	01.11.2023	13.00	193,300	19,330	19,722	193,300	19,330	19,722
Hayleys PLC	31.05.2019	11.99	1,000,000	100,000	100,844	1,000,000	100,000	100,994
HDFC Bank of Sri Lanka	23.10.2017	15.00	-	-	-	779,400	77,940	80,895
HDFC Bank of Sri Lanka	20.11.2020	10.50	2,000,000	200,000	202,308	2,000,000	200,000	202,311
Hemas Holdings PLC	29.04.2019	11.00	173,500	17,350	17,826	173,500	17,350	17,825
Kotagala Plantations PLC	26.05.2018	14.25	165,975	16,598	17,797	165,975	16,598	17,800
Kotagala Plantations PLC	26.05.2019	14.50	165,975	16,598	17,815	165,975	16,598	17,814
Kotagala Plantations PLC	26.05.2020	14.75	165,975	16,598	17,832	165,975	16,598	17,830
Kotagala Plantations PLC	26.05.2021	15.00	165,975	16,598	17,852	165,975	16,598	17,850
Lanka Orix Leasing Company PLC	24.11.2019	9.00	1,000,000	100,000	102,257	1,000,000	100,000	102,246
Lanka Orix Leasing Company PLC	30.07.2022	13.00	2,500,000	250,000	263,662	-	-	-
LB Finance PLC	28.11.2018	15.00	445,200	44,520	51,098	445,200	44,520	50,984
LB Finance PLC	11.12.2022	12.75	2,500,000	250,000	251,280	-	-	-
Merchant Bank of Sri Lanka & Finance PLC	27.03.2018	16.70	938,600	93,860	97,815	938,600	93,860	97,829
Merchant Bank of Sri Lanka & Finance PLC	12.11.2019	9.00	1,135,200	113,520	123,760	1,135,200	113,520	123,765
MTD Walkers PLC	30.09.2018	9.75	500,000	50,000	51,207	500,000	50,000	51,207
National Development Bank PLC	19.12.2018	13.00	542,700	54,270	57,834	542,700	54,270	57,836
National Development Bank PLC	24.06.2020	9.40	534,500	53,450	58,469	534,500	53,450	58,463
Nawaloka Hospitals PLC	30.09.2019	14.15	1,000,000	100,000	109,459	1,000,000	100,000	112,405
Orient Finance PLC	26.12.2019	9.05	500,000	50,000	50,073	500,000	50,000	52,275
Pan Asia Banking Corporation PLC	29.09.2019	10.00	486,112	48,611	49,818	486,112	48,611	49,817
People's Leasing & Finance PLC	23.09.2018	9.63	73,500	7,350	8,061	73,500	7,350	8,060
People's Leasing & Finance PLC	12.11.2019	9.60	945,000	94,500	95,672	945,000	94,500	95,673
People's Leasing & Finance PLC	16.11.2021	12.60	2,000,000	200,000	203,032	2,000,000	200,000	203,036
Regional Development Bank	29.01.2020	9.00	4,250,000	425,000	463,115	4,250,000	425,000	460,193
Richard Pieris and Company PLC	16.05.2017	10.75	-	-	-	156,500	15,650	16,069
Sampath Bank PLC	14.12.2019	8.25	1,000,000	100,000	108,265	1,000,000	100,000	108,279
Sampath Bank PLC	18.11.2020	9.90	898,400	89,840	90,881	898,400	89,840	90,869
Sampath Bank PLC	10.06.2021	12.75	1,500,000	150,000	160,400	1,500,000	150,000	160,405
Sanasa Development Bank PLC	31.12.2020	10.00	1,500,000	150,000	157,608	1,500,000	150,000	157,583

As at 31 December	Date of Maturity	Coupon Rate %	Bank					
			2017			2016		
			No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000	No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000
Sanasa Development Bank PLC	31.12.2020	10.30	1,500,000	150,000	157,836	1,500,000	150,000	157,811
Senkadagala Finance PLC	09.11.2018	13.25	320,000	32,000	32,578	320,000	32,000	32,579
Senkadagala Finance PLC	10.12.2018	15.00	817,653	81,765	82,327	817,653	81,765	82,359
Senkadagala Finance PLC	10.11.2019	12.50	320,000	32,000	32,546	320,000	32,000	32,547
Seylan Bank PLC	22.12.2019	8.60	1,500,000	150,000	150,271	1,500,000	150,000	150,271
Seylan Bank PLC	15.07.2021	13.00	451,600	45,160	47,870	451,600	45,160	47,872
Singer Finance PLC	06.04.2020	12.00	1,000,000	100,000	102,784	1,000,000	100,000	102,784
Singer (Sri Lanka) PLC	07.06.2018	8.60	500,000	50,000	52,170	500,000	50,000	52,162
Singer (Sri Lanka) PLC	14.03.2019	10.50	2,500,000	250,000	257,746	2,500,000	250,000	257,788
Singer (Sri Lanka) PLC	17.06.2020	9.95	309,300	30,930	34,010	309,300	30,930	34,006
Siyapatha Finance PLC	20.09.2019	13.00	1,000,000	100,000	103,475	1,000,000	100,000	103,474
Softlogic Finance PLC	29.08.2019	10.00	190,900	19,090	19,569	190,900	19,090	19,568
<b>Total debentures</b>			<b>5,414,000</b>	<b>5,641,373</b>		<b>5,007,590</b>	<b>5,225,215</b>	

As at 31 December	Date of Maturity	Coupon Rate %	Group					
			2017			2016		
			No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000	No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000
Access Engineering PLC	18.11.2020	10.25	2,000,000	200,000	202,370	2,000,000	200,000	202,370
Citizen Development Business Finance PLC	03.06.2021	12.75	500,000	50,000	50,492	500,000	50,000	50,482
Commercial Bank of Ceylon PLC	08.03.2021	10.75	1,000,000	100,000	103,326	1,000,000	100,000	103,326
Commercial Bank of Ceylon PLC	27.10.2021	12.00	779,600	77,960	79,568	779,600	77,960	79,569
Commercial Credit and Finance PLC	01.06.2020	10.50	530,519	53,052	54,450	530,519	53,052	54,447
Commercial Credit and Finance PLC	10.12.2020	10.40	3,665,600	366,560	368,702	3,665,600	366,560	368,706
Commercial Leasing & Finance PLC	21.07.2020	9.75	750,000	75,000	82,302	750,000	75,000	82,292
DFCC Bank PLC	18.03.2018	10.63	2,500,000	250,000	270,729	2,500,000	250,000	270,732
DFCC Bank PLC	10.06.2020	9.40	332,100	33,210	34,916	332,100	33,210	34,918
DFCC Bank PLC	09.11.2021	12.15	1,892,800	189,280	192,391	1,892,800	189,280	192,397
First Capital Treasuries PLC	05.02.2020	9.50	500,000	50,000	54,727	500,000	50,000	54,262
Hatton National Bank PLC	28.03.2021	11.25	1,000,000	100,000	108,456	1,000,000	100,000	108,458
Hatton National Bank PLC	01.11.2023	13.00	193,300	19,330	19,722	193,300	19,330	19,722
Hayleys PLC	31.05.2019	11.99	1,000,000	100,000	100,844	1,000,000	100,000	100,994
HDFC Bank of Sri Lanka	23.10.2017	15.00	-	-	-	779,400	77,940	80,895
HDFC Bank of Sri Lanka	20.11.2020	10.50	2,000,000	200,000	202,308	2,000,000	200,000	202,311
Hemas Holdings PLC	29.04.2019	11.00	173,500	17,350	17,826	173,500	17,350	17,825
Kotagala Plantations PLC	26.05.2018	14.25	165,975	16,598	17,797	165,975	16,598	17,800
Kotagala Plantations PLC	26.05.2019	14.50	165,975	16,598	17,815	165,975	16,598	17,814
Kotagala Plantations PLC	26.05.2020	14.75	165,975	16,598	17,832	165,975	16,598	17,830
Kotagala Plantations PLC	26.05.2021	15.00	165,975	16,598	17,852	165,975	16,598	17,850
Lanka Orix Leasing Company PLC	24.11.2019	9.00	1,000,000	100,000	102,257	1,000,000	100,000	102,246
Lanka Orix Leasing Company PLC	30.07.2022	13.00	2,500,000	250,000	263,662	-	-	-

As at 31 December	Date of Maturity	Coupon Rate %	Group					
			2017			2016		
			No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000	No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000
LB Finance PLC	28.11.2018	15.00	445,200	44,520	51,098	445,200	44,520	50,984
LB Finance PLC	11.12.2022	12.75	2,500,000	250,000	251,280	-	-	-
MTD Walkers PLC	30.09.2018	9.75	500,000	50,000	51,207	500,000	50,000	51,207
National Development Bank PLC	19.12.2018	13.00	542,700	54,270	57,834	542,700	54,270	57,836
National Development Bank PLC	24.06.2020	9.40	534,500	53,450	58,469	534,500	53,450	58,463
Nawaloka Hospitals PLC	30.09.2019	14.15	1,000,000	100,000	109,459	1,000,000	100,000	112,405
Orient Finance PLC	26.12.2019	9.05	500,000	50,000	50,073	500,000	50,000	52,275
Pan Asia Banking Corporation PLC	29.09.2019	10.00	486,112	48,611	49,818	486,112	48,611	49,817
People's Leasing & Finance PLC	26.03.2018	17.00	500,000	50,000	50,104	500,000	50,000	50,050
People's Leasing & Finance PLC	23.09.2018	9.63	73,500	7,350	8,061	73,500	7,350	8,060
People's Leasing & Finance PLC	12.11.2019	9.60	945,000	94,500	95,672	945,000	94,500	95,673
People's Leasing & Finance PLC	16.11.2021	12.60	2,000,000	200,000	203,032	2,000,000	200,000	203,036
Regional Development Bank	29.01.2020	9.00	4,250,000	425,000	463,115	4,250,000	425,000	460,193
Richard Pieris and Company PLC	16.05.2017	10.75	-	-	-	156,500	15,650	16,069
Sampath Bank PLC	14.12.2019	8.25	1,000,000	100,000	108,265	1,000,000	100,000	108,279
Sampath Bank PLC	18.11.2020	9.90	898,400	89,840	90,881	898,400	89,840	90,869
Sampath Bank PLC	10.06.2021	12.75	1,500,000	150,000	160,400	1,500,000	150,000	160,405
Sanasa Development Bank PLC	31.12.2020	10.00	1,500,000	150,000	157,608	1,500,000	150,000	157,583
Sanasa Development Bank PLC	31.12.2020	10.30	1,500,000	150,000	157,836	1,500,000	150,000	157,811
Senkadagala Finance PLC	09.11.2018	13.25	320,000	32,000	32,578	320,000	32,000	32,579
Senkadagala Finance PLC	10.12.2018	15.00	817,653	81,765	82,327	817,653	81,765	82,359
Senkadagala Finance PLC	10.11.2019	12.50	320,000	32,000	32,546	320,000	32,000	32,547
Seylan Bank PLC	21.02.2018	15.50	150,000	15,000	16,973	150,000	15,000	16,974
Seylan Bank PLC	22.12.2019	8.60	1,500,000	150,000	150,271	1,500,000	150,000	150,271
Seylan Bank PLC	15.07.2021	13.00	451,600	45,160	47,870	451,600	45,160	47,872
Singer Finance PLC	06.04.2020	12.00	1,000,000	100,000	102,784	1,000,000	100,000	102,784
Singer (Sri Lanka) PLC	07.06.2018	8.60	500,000	50,000	52,170	500,000	50,000	52,162
Singer (Sri Lanka) PLC	14.03.2019	10.50	2,500,000	250,000	257,746	2,500,000	250,000	257,788
Singer (Sri Lanka) PLC	17.06.2020	9.95	309,300	30,930	34,010	309,300	30,930	34,006
Siyapatha Finance PLC	20.09.2019	13.00	1,000,000	100,000	103,475	1,000,000	100,000	103,474
Softlogic Finance PLC	29.08.2019	10.00	190,900	19,090	19,569	190,900	19,090	19,568
<b>Total debentures</b>			<b>5,271,620</b>	<b>5,486,875</b>		<b>4,865,210</b>	<b>5,070,645</b>	

## 26.4 Trust Certificates

As at 31 December	Bank/Group			
	2017		2016	
	Cost of Investment LKR '000	Amortised Cost LKR '000	Cost of Investment LKR '000	Amortised Cost LKR '000
LOLC Finance PLC	314,611	360,317	500,000	520,438
People's Leasing & Finance PLC	239,200	277,506	320,300	329,068
Sanasa Development Bank PLC	111,846	130,976	111,846	115,951
<b>Total trust certificates</b>	<b>665,657</b>	<b>768,799</b>	<b>932,146</b>	<b>965,457</b>

## 27 Loans and Advances to Customers

### Accounting Policy

Loans and advances to customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group intends to sell immediately or in the near term and those that the Group, upon initial recognition, designates as at fair value through profit or loss
- Those that the Group, upon initial recognition, designates as available for sale
- Those for which the Group may not recover substantially all of its initial investment, other than due to credit deterioration

“Loans and advances to customers” are initially measured at fair value and subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in “Interest income” (Note 8.1) in the Statement of Profit or Loss. The losses arising from impairment are recognised in “Impairment charge for loans and other losses” (Note 13) in the Statement of Profit or Loss.

### Write-Off of Loans and Receivables

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If a write-off is later recovered, the recovery is recognised in the “Other operating income” (Note 12).

### Collateral Valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, securities, letters of credit/guarantees, real estate, inventories, other non-financial assets and credit enhancements such as netting arrangements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by Central Bank of Sri Lanka.

Non-financial collaterals, including immovable and movables, are valued based on data provided by third parties such as independent professional valuers and Audited Financial Statements and other independent sources.

### Collaterals Repossessed

The Group’s policy is to dispose of repossessed properties (Foreclosed properties) in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

### Renegotiated Loans

Where possible, the Group seeks to reschedule/restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. The Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan’s original EIR.

### Allowance for Impairment Losses

The Group assesses at each Reporting date, whether there is any objective evidence that loans and advances to customers are impaired.

The Group first assesses individually, whether objective evidence of impairment exist for loans and advances to customers that are individually significant and that are not individually significant assesses collectively.

Objective evidence for loans and advances to customers that are impaired can include and not limited to significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, renegotiating of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower will enter bankruptcy and 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 carrying amount of the loans and advances and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of loans and advances is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Profit or Loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest income" (Note 8.1).

All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for Management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling.

Impairment of loans and advances portfolios are based on the judgements in past experience of portfolio behaviour. However, these portfolios are not gone through the full economic life cycle. It may not encounter any future uncertainties that could arise. Therefore, to avoid this limitation, an economic factor adjustment has been incorporated in the Financial Statements.

If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the existing impairment.

## 27.1 Net Loans and Advances to Customers

### 27.1.1 Bank

As at 31 December	2017				2016			
	Individually Significant Loans	Retail Loans	Staff Loans	Total	Individually Significant Loans	Retail Loans	Staff Loans	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Gross loans and advances	663,904,153	539,999,527	16,010,801	1,219,914,481	554,030,753	477,345,815	15,813,122	1,047,189,690
Less: Individual impairment	28,928,388	-	157,217	29,085,605	19,247,084	-	128,088	19,375,172
Collective impairment	1,451,058	26,216,904	-	27,667,962	3,088,387	24,643,557	-	27,731,944
<b>Net loans and advances</b>	<b>633,524,707</b>	<b>513,782,623</b>	<b>15,853,584</b>	<b>1,163,160,914</b>	<b>531,695,282</b>	<b>452,702,258</b>	<b>15,685,034</b>	<b>1,000,082,574</b>

### 27.1.2 Group

As at 31 December	2017				2016			
	Individually Significant Loans	Retail Loans	Staff Loans	Total	Individually Significant Loans	Retail Loans	Staff Loans	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Gross loans and advances	679,001,234	557,080,950	16,281,172	1,252,363,356	567,790,592	492,132,248	16,029,313	1,075,952,153
Less: Individual impairment	29,394,405	-	168,279	29,562,684	19,637,627	-	139,150	19,776,777
Collective impairment	1,451,058	27,055,220	-	28,506,278	3,088,387	25,318,879	-	28,407,266
<b>Net loans and advances</b>	<b>648,155,771</b>	<b>530,025,730</b>	<b>16,112,893</b>	<b>1,194,294,394</b>	<b>545,064,578</b>	<b>466,813,369</b>	<b>15,890,163</b>	<b>1,027,768,110</b>

## 27.2 Movement in Impairment for Loans and Advances to Customers

	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Movement in Individual Impairment</b>				
As at 1 January	19,375,172	12,629,562	19,776,777	13,396,778
Charge during the year	11,713,536	9,209,538	11,758,365	9,289,236
Amount reversed or recovered during the year	(2,081,790)	(2,523,858)	(2,081,790)	(2,523,858)
Exchange rate variance on foreign currency impairment	143,324	172,083	143,324	172,083
Amount written off	(26,944)	(15,452)	(37,546)	(460,761)
Other movements	(37,693)	(96,701)	3,554	(96,701)
<b>As at 31 December</b>	<b>29,085,605</b>	<b>19,375,172</b>	<b>29,562,684</b>	<b>19,776,777</b>
<b>Movement in Collective Impairment</b>				
As at 1 January	27,731,944	29,897,086	28,407,266	30,637,409
Charge/(reversal) during the year	8,912	(2,288,919)	208,314	(2,344,378)
Exchange rate variance on foreign currency impairment	15,815	13,106	15,815	13,106
Amount written off	(1,153,687)	(15,492)	(1,153,687)	(15,492)
Other movements	1,064,978	126,163	1,028,570	116,621
<b>As at 31 December</b>	<b>27,667,962</b>	<b>27,731,944</b>	<b>28,506,278</b>	<b>28,407,266</b>
<b>Total of individual and collective impairment</b>	<b>56,753,567</b>	<b>47,107,116</b>	<b>58,068,962</b>	<b>48,184,043</b>

## 27.3 Analysis of Gross Loans and Advances – By Product

As at 31 December	2017			2016		
	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
<b>Bank</b>						
Term loans	258,559,100	246,534,671	505,093,771	220,511,465	170,726,008	391,237,473
Loans under schemes	89,621,904	48,022	89,669,926	80,127,478	1,017,341	81,144,819
Housing loans	56,520,480	170,674	56,691,154	48,851,923	–	48,851,923
Trade finance	46,910,127	31,728,812	78,638,939	38,183,554	29,854,206	68,037,760
Personal loans	175,226,804	–	175,226,804	160,170,812	–	160,170,812
Overdrafts	169,123,476	11,801,933	180,925,409	157,764,525	13,753,894	171,518,419
Credit cards	3,840,479	–	3,840,479	3,370,916	–	3,370,916
Lease rentals receivable [Note 27.6]	48,199,691	236,682	48,436,373	47,111,702	363,587	47,475,289
Pawning	51,540,743	–	51,540,743	47,191,558	–	47,191,558
Foreclosed properties	1,097,220	523,495	1,620,715	547,785	513,033	1,060,818
Staff loans	16,000,936	9,865	16,010,801	15,803,961	9,161	15,813,122
Other loans	10,280,816	1,938,551	12,219,367	9,986,891	1,329,890	11,316,781
<b>Gross loans and advances</b>	<b>926,921,776</b>	<b>292,992,705</b>	<b>1,219,914,481</b>	<b>829,622,570</b>	<b>217,567,120</b>	<b>1,047,189,690</b>

As at 31 December	2017			2016		
	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
<b>Group</b>						
Term loans	264,188,350	249,119,988	513,308,338	224,572,914	172,551,191	397,124,105
Loans under schemes	90,662,792	48,022	90,710,814	81,120,650	1,017,341	82,137,991
Housing loans	56,520,480	170,674	56,691,154	48,888,959	–	48,888,959
Trade finance	47,538,632	31,728,812	79,267,444	39,179,748	29,854,206	69,033,954
Personal loans	180,549,642	–	180,549,642	164,852,154	–	164,852,154
Overdrafts	169,120,155	11,989,037	181,109,192	157,732,793	13,926,430	171,659,223
Credit cards	3,840,479	–	3,840,479	3,370,916	–	3,370,916
Lease rentals receivable [Note 27.6]	64,287,980	236,682	64,524,662	62,422,939	363,587	62,786,526
Pawning	52,240,377	–	52,240,377	47,691,413	–	47,691,413
Foreclosed properties	1,097,220	523,495	1,620,715	547,785	513,033	1,060,818
Staff loans	16,263,739	17,433	16,281,172	16,017,452	11,861	16,029,313
Other loans	10,280,816	1,938,551	12,219,367	9,986,891	1,329,890	11,316,781
<b>Gross loans and advances</b>	<b>956,590,662</b>	<b>295,772,694</b>	<b>1,252,363,356</b>	<b>856,384,614</b>	<b>219,567,539</b>	<b>1,075,952,153</b>

## 27.4 Analysis of Gross Loans and Advances – By Currency

As at December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Sri Lankan Rupee	926,921,776	829,622,570	956,590,662	856,384,614
United States Dollar	277,458,160	202,881,696	277,458,160	202,881,696
Great Britain Pound	441,083	383,159	3,221,072	2,383,577
Maldivian Rufiyaa	7,730,018	7,767,141	7,730,018	7,767,141
Euro	383,252	286,748	383,252	286,748
Indian Rupee	5,589,102	6,210,730	5,589,102	6,210,730
Other currencies	1,391,090	37,646	1,391,090	37,647
<b>Gross loans and advances</b>	<b>1,219,914,481</b>	<b>1,047,189,690</b>	<b>1,252,363,356</b>	<b>1,075,952,153</b>

## 27.5 Analysis of Loan Impairment – By Product

As at 31 December	2017			2016		
	Gross Loans and Advances LKR '000	Total Impairment LKR '000	Net Loans and Advances LKR '000	Gross Loans and Advances LKR '000	Total Impairment LKR '000	Net Loans and Advances LKR '000
<b>Individually Assessed Loans</b>						
<b>Bank</b>						
Term loans	424,747,378	22,448,598	402,298,780	328,656,206	13,377,106	315,279,100
Loans under schemes	24,139,204	1,075,195	23,064,009	25,479,115	876,115	24,603,000
Housing loans	-	-	-	-	-	-
Trade finance	66,704,091	1,323,611	65,380,480	57,304,419	4,006,721	53,297,698
Personal loans	-	-	-	-	-	-
Overdrafts	129,056,633	5,347,740	123,708,893	119,048,316	3,629,754	115,418,562
Credit cards	-	-	-	-	-	-
Lease rentals receivable	16,370,241	12,693	16,357,548	19,828,062	152,500	19,675,562
Pawning	-	-	-	-	-	-
Foreclosed properties	-	-	-	-	-	-
Staff loans	16,010,801	157,217	15,853,584	15,813,122	128,088	15,685,034
Other loans	2,886,606	171,609	2,714,997	3,714,635	293,275	3,421,360
<b>Total</b>	<b>679,914,954</b>	<b>30,536,663</b>	<b>649,378,291</b>	<b>569,843,875</b>	<b>22,463,559</b>	<b>547,380,316</b>
<b>Group</b>						
Term loans	430,920,415	22,593,111	408,327,304	336,443,825	13,486,121	322,957,704
Loans under schemes	24,676,839	1,075,195	23,601,644	25,479,115	876,115	24,603,000
Housing loans	-	-	-	-	-	-
Trade finance	67,277,685	1,446,277	65,831,408	58,102,070	4,129,595	53,972,475
Personal loans	-	-	-	-	-	-
Overdrafts	129,240,416	5,347,740	123,892,676	119,048,316	3,629,754	115,418,562
Credit cards	-	-	-	-	-	-
Lease rentals receivable	24,269,644	222,593	24,047,051	25,002,631	311,154	24,691,477
Pawning	-	-	-	-	-	-
Foreclosed properties	-	-	-	-	-	-
Staff loans	16,281,172	168,279	16,112,893	16,029,313	139,150	15,890,163
Other loans	2,616,235	160,547	2,455,688	3,714,635	293,275	3,421,360
<b>Total</b>	<b>695,282,406</b>	<b>31,013,742</b>	<b>664,268,664</b>	<b>583,819,905</b>	<b>22,865,164</b>	<b>560,954,741</b>

As at 31 December	2017			2016		
	Gross Loans and Advances LKR '000	Total Impairment LKR '000	Net Loans and Advances LKR '000	Gross Loans and Advances LKR '000	Total Impairment LKR '000	Net Loans and Advances LKR '000
<b>Collectively Assessed Loans</b>						
<b>Bank</b>						
Term loans	80,346,393	3,212,546	77,133,847	62,581,267	2,214,742	60,366,525
Loans under schemes	65,530,722	3,167,291	62,363,431	55,665,704	3,941,780	51,723,924
Housing loans	56,691,154	559,721	56,131,433	48,851,923	594,573	48,257,350
Trade finance	11,934,848	1,132,000	10,802,848	10,733,341	1,165,470	9,567,871
Personal loans	175,226,804	950,508	174,276,296	160,170,812	587,318	159,583,494
Overdrafts	51,868,776	7,919,020	43,949,756	52,470,103	7,628,229	44,841,874
Credit cards	3,840,479	169,161	3,671,318	3,370,916	151,269	3,219,647
Lease rentals receivable	32,066,132	859,938	31,206,194	27,647,227	789,295	26,857,932
Pawning	51,540,743	680,263	50,860,480	47,191,558	1,043,342	46,148,216
Foreclosed properties	1,620,715	953,612	667,103	1,060,818	658,841	401,977
Staff loans	-	-	-	-	-	-
Other loans	9,332,761	6,612,844	2,719,917	7,602,146	5,868,698	1,733,448
<b>Total</b>	<b>539,999,527</b>	<b>26,216,904</b>	<b>513,782,623</b>	<b>477,345,815</b>	<b>24,643,557</b>	<b>452,702,258</b>
<b>Group</b>						
Term loans	82,387,923	3,821,544	78,566,379	60,680,280	2,421,033	58,259,247
Loans under schemes	66,033,975	3,167,291	62,866,684	56,658,876	3,963,156	52,695,720
Housing loans	56,691,154	559,721	56,131,433	48,888,959	621,197	48,267,762
Trade finance	11,989,759	1,143,743	10,846,016	10,931,884	1,177,238	9,754,646
Personal loans	180,549,642	950,508	179,599,134	164,852,154	677,090	164,175,064
Overdrafts	51,868,776	7,919,020	43,949,756	52,610,907	7,756,756	44,854,151
Credit cards	3,840,479	169,161	3,671,318	3,370,916	151,269	3,219,647
Lease rentals receivable	40,255,018	1,077,513	39,177,505	37,783,895	954,287	36,829,608
Pawning	52,240,377	680,263	51,560,114	47,691,413	1,069,314	46,622,099
Foreclosed properties	1,620,715	953,612	667,103	1,060,818	658,841	401,977
Staff loans	-	-	-	-	-	-
Other loans	9,603,132	6,612,844	2,990,288	7,602,146	5,868,698	1,733,448
<b>Total</b>	<b>557,080,950</b>	<b>27,055,220</b>	<b>530,025,730</b>	<b>492,132,248</b>	<b>25,318,879</b>	<b>466,813,369</b>

## 27.6 Lease Rentals Receivable

### Accounting Policy

Assets leased to customers, which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases. Amounts receivable under finance leases are classified as lease rentals receivables and presented within loans and receivables to customers in the Statement of Financial Position, after deduction of unearned interest income and the impairment for rentals doubtful of recovery.

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Gross Lease Rentals Receivable</b>				
Less than one year	22,288,103	19,699,478	30,913,316	26,386,101
One to five years	35,433,813	36,715,009	47,343,619	49,201,396
More than five years	135,059	247,274	135,059	247,274
<b>Total lease rentals receivable</b>	<b>57,856,975</b>	<b>56,661,761</b>	<b>78,391,994</b>	<b>75,834,771</b>
Less: Unearned interest income	9,420,602	9,186,472	13,867,332	13,048,245
<b>Gross lease rentals receivable</b>	<b>48,436,373</b>	<b>47,475,289</b>	<b>64,524,662</b>	<b>62,786,526</b>
Less: Provision for impairment losses	872,631	941,795	1,300,106	1,265,441
<b>Net lease rentals receivable</b>	<b>47,563,742</b>	<b>46,533,494</b>	<b>63,224,556</b>	<b>61,521,085</b>

## 28 Financial Investments – Available for Sale

### Accounting Policy

All non-derivative financial assets that are not in any of following three categories are classified under, financial investments – available for sale:

- Financial instruments – Held for trading
- Financial investments – Loans and receivables
- Financial investments – Held to maturity

Available for Sale (AFS) financial investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through profit or loss. Quoted equities include strategic investments held by the Group at the year end.

Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions. The Group has not designated any loans or receivables as AFS.

All AFS financial investments are initially and subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in the “available for sale reserve” through Other Comprehensive Income. When the investment is disposed off, the cumulative gain or loss previously recognised in available for sale reserve is recognised in the Statement of Profit or Loss and reflected in “Net gains/(losses) from financial investments” (Note 11). Interest earned whilst holding available for sale financial investments is reported as “Interest income” (Note 8.1). Dividends earned, whilst holding available for sale financial investments, are recognised in the Statement of Profit or Loss under in “Net gains/(losses) from financial investments” (Note 11), when the right to receive the dividend is established.



## Impairment of Financial Investments – Available for Sale

The Group assesses at each reporting date whether there is an objective evidence to determine that AFS investment is impaired.

Debt instruments classified as available for sale, the Group assesses individually whether there is an objective evidence of impairment occurred as at the each reporting date. The amount of impairment is measured as the difference between the carrying amount and the fair value of such asset.

Equity investments classified as available for sale are treated as impaired, if objective evidence includes a “significant” or “prolonged” decline in the fair value of the investment exist.

Impairment losses are recognised in the Statement of Profit or Loss in “Impairment (charge)/reversal for loans and other losses” (Note 13). If cumulative mark to market losses recognised in Other Comprehensive Income for a instrument, impairment losses are recognised for such instrument by transferring the cumulative loss that has been recognised in Other Comprehensive Income to the profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from Other Comprehensive Income to the profit or loss, is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in the Statement of Profit or Loss. Changes in impairment provisions attributable to time value are reflected as a component of “Interest income” (Note 8.1).

If, in a subsequent period, the fair value of an impaired AFS debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Statement of Profit or Loss. If the impairment loss is reversed, the amount of the reversal recognised in the Statement of Profit or Loss. However, impairment losses on equity investments are not reversed through the Statement of Profit or Loss, any subsequent recovery in the fair value of an impaired AFS equity investment is recognised in Other Comprehensive Income. The Group writes off certain financial investments – Available for sale when they are determined to be uncollectible.

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Government Securities				
Treasury Bills	4,044,815	–	4,236,635	2,320,821
Treasury Bonds	4,153,858	434,475	4,945,270	1,164,971
In other countries	1,478,870	1,627,319	3,718,590	2,915,692
Quoted equities [Note 28.1]	3,687,567	3,938,737	5,009,964	5,325,122
Units in unit trusts [Note 28.2]	3,626,484	3,764,963	3,660,702	3,798,173
Unquoted equities [Note 28.3]	929,576	697,552	981,131	738,862
<b>Total financial investments – Available for sale</b>	<b>17,921,170</b>	<b>10,463,046</b>	<b>22,552,292</b>	<b>16,263,641</b>

## 28.1 Quoted Equities

As at 31 December	2017			2016		
	Number of Ordinary Shares	Cost of Investment LKR '000	Market Value LKR '000	Number of Ordinary Shares	Cost of Investment LKR '000	Market Value LKR '000
<b>Bank</b>						
National Development Bank PLC	16,995,471	787,207	2,318,182	16,371,076	691,862	2,553,888
People's Leasing & Finance PLC	11,453,600	206,165	194,711	11,453,600	206,165	197,002
Seylan Bank PLC	13,471,025	493,427	1,174,674	13,198,305	466,700	1,187,847
<b>Total quoted equities</b>		<b>1,486,799</b>	<b>3,687,567</b>		<b>1,364,727</b>	<b>3,938,737</b>
<b>Group</b>						
National Development Bank PLC	16,995,471	787,207	2,318,182	16,371,076	691,862	2,553,888
People's Leasing & Finance PLC	11,453,600	206,165	194,711	11,453,600	206,165	197,002
Seylan Bank PLC	13,471,025	493,427	1,174,674	13,198,305	466,700	1,187,847
The Lanka Hospital Corporation PLC	21,329,000	213,290	1,322,397	21,329,000	213,290	1,386,385
<b>Total quoted equities</b>		<b>1,700,089</b>	<b>5,009,964</b>		<b>1,578,017</b>	<b>5,325,122</b>

## 28.2 Units in Unit Trusts

As at 31 December	2017			2016		
	Number of Units	Cost of Investment LKR '000	Market Value LKR '000	Number of Units	Cost of Investment LKR '000	Market Value LKR '000
<b>Bank</b>						
Ceybank Unit Trust	120,986,551	1,889,364	2,650,815	120,986,551	1,889,364	3,089,997
Ceybank Century Growth Fund	8,284,896	146,101	554,839	8,284,896	146,101	553,348
Ceybank High Yield Fund	29,763,086	300,000	300,164	-	-	-
Ceybank Surekum Gilt Edged Fund	11,389,982	114,148	120,666	11,389,982	114,148	121,618
<b>Total units in unit trusts</b>		<b>2,449,613</b>	<b>3,626,484</b>		<b>2,149,613</b>	<b>3,764,963</b>
<b>Group</b>						
Ceybank Unit Trust	120,986,551	1,889,364	2,650,815	120,986,551	1,889,364	3,089,997
Ceybank Century Growth Fund	8,284,896	146,101	554,839	8,284,896	146,101	553,348
Ceybank High Yield Fund	29,763,086	300,000	300,164	-	-	-
Ceybank Surekum Gilt Edged Fund	11,389,982	114,148	120,666	11,389,982	114,148	121,618
Comtrust Money Market Fund	163,821	1,500	2,458	163,821	1,500	2,238
First Capital Asset Management Limited	25,932	29,350	31,760	25,932	29,350	30,972
<b>Total units in unit trusts</b>		<b>2,480,463</b>	<b>3,660,702</b>		<b>2,180,463</b>	<b>3,798,173</b>

## 28.3 Unquoted Equities

As at 31 December	2017			2016		
	Number of Ordinary Shares	Cost of Investment LKR '000	Fair Value LKR '000	Number of Ordinary Shares	Cost of Investment LKR '000	Fair Value LKR '000
<b>Bank</b>						
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	–	397,941	17,200	–	266,030
Regional Development Bank	16,448,448	162,300	162,300	16,448,448	162,300	162,300
Visa Inc.	17,438	–	303,918	17,438	–	203,805
		<b>232,072</b>	<b>929,576</b>		<b>232,072</b>	<b>697,552</b>
Fair value adjustment		701,859			469,835	
Provision for impairment [Note 28.4]		(4,355)			(4,355)	
<b>Total unquoted equities</b>		<b>929,576</b>	<b>929,576</b>		<b>697,552</b>	<b>697,552</b>
<b>Group</b>						
Ceylinco Investment Company Limited	500,000	5,000	–	500,000	5,000	–
Credit Information Bureau of Sri Lanka	47,140	41,596	41,596	47,140	41,596	41,596
Fitch Ratings Lanka Limited	62,500	625	625	62,500	625	625
LankaClear (Private) Limited	2,100,000	21,000	21,000	2,100,000	21,000	21,000
Lanka Financial Services Bureau Limited	225,000	2,250	2,250	225,000	2,250	2,250
LVL Energy Fund (Private) Limited	2,500,000	20,000	26,500	2,500,000	20,000	20,000
Magpek Exports Limited	300,000	4,355	–	300,000	4,355	–
MasterCard Incorporated	17,200	–	397,941	17,200	–	266,030
Mega Containers Limited	1,000,000	10,000	23,794	1,000,000	10,000	20,491
Regional Development Bank	16,448,448	162,300	162,300	16,448,448	162,300	162,300
Ranwan Industries (Private) Limited	165,790	3,600	–	165,790	3,600	–
San Michele Limited	50,000	500	–	50,000	500	–
UB Finance Company Limited	2,506,562	17,546	1,207	2,506,562	17,546	765
Visa Inc.	17,438	–	303,918	17,438	–	203,805
		<b>288,772</b>	<b>981,131</b>		<b>288,772</b>	<b>738,862</b>
Fair value adjustment		722,153			480,326	
Provision for impairment [Note 28.4]		(29,794)			(30,236)	
<b>Total unquoted equities</b>		<b>981,131</b>	<b>981,131</b>		<b>738,862</b>	<b>738,862</b>

## 28.4 Movement in Provision for Impairment on Unquoted Investments

	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Balance as at 1 January	4,355	4,355	30,236	30,236
Provision made/(reversal) during the year	–	–	(442)	–
<b>Balance as at 31 December</b>	<b>4,355</b>	<b>4,355</b>	<b>29,794</b>	<b>30,236</b>

## 29 Financial Investments – Held to Maturity

### Accounting Policy

Held to Maturity (HTM) financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

HTM financial investments are initially measured at fair value. After initial measurement, subsequently measured at amortised cost using the Effective Interest Rate (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in “Interest income” (Note 8.1) in the Statement of Profit or Loss. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss under “Impairment charge/(reversal) for loans and other losses” (Note 13).

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Government Securities				
Treasury Bills	105,225,107	24,236,802	105,239,979	24,254,603
Treasury Bonds	202,562,239	218,941,598	203,041,602	218,999,364
Sovereign Bond	468,736	–	468,736	–
<b>Total financial investments – Held to maturity</b>	<b>308,256,082</b>	<b>243,178,400</b>	<b>308,750,317</b>	<b>243,253,967</b>

The Bank has pledged Treasury Bonds – Held to maturity of LKR 52,186.5 million as collateral as at 31 December 2017 (2016 – LKR 84,117.4 million).

## 30 Investment in Subsidiary Companies

### Accounting Policy

Subsidiaries are entities that are controlled by the Bank. Control is achieved when the Bank is exposed or has rights, to variable returns from its involvement with the investee and has the ability to affect the returns of those investees through its power over the investee. Specifically, the Bank controls an investee if, and only if, the Bank has:

- power over the investee
- exposure or rights to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns

The Financial Statements of Subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The Bank reassesses whether it has control if there are changes to one or more of the elements of control. A change in the ownership interest of a Subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a Subsidiary, it derecognises the related assets (including goodwill), liabilities, Non-Controlling Interest (NCI) and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

The Consolidated Financial Statements are prepared for the common financial year end of 31 December and have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group balances, income and expenses (except for foreign currency translation gains or losses) arising from intra-group transactions are eliminated on consolidation. Unrealised gains and losses resulting from transactions between the Group and its associates are also eliminated on consolidation to the extent of the Group’s interests in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

There are no significant restrictions on the ability of Subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans and advances. All Subsidiaries of the Bank have been incorporated in Sri Lanka except for Bank of Ceylon (UK) Limited, which is incorporated in the United Kingdom. A list of the Bank’s Subsidiaries is given in Note 30.5 to the Financial Statements.

As at 31 December	2017 LKR '000	2016 LKR '000
Investment in quoted subsidiaries [Note 30.3]	3,114,952	3,114,952
Investment in unquoted subsidiaries [Note 30.4]	3,798,096	3,798,096
<b>Total investment in Subsidiaries</b>	<b>6,913,048</b>	<b>6,913,048</b>
Less: Provision for impairment of investment in subsidiaries [Note 30.2]	400,000	700,000
<b>Carrying value of investment in subsidiary companies</b>	<b>6,513,048</b>	<b>6,213,048</b>

### 30.1 Movement in Investment in Subsidiary Companies

	2017 LKR '000	2016 LKR '000
Balance as at 1 January	6,913,048	6,913,048
Increase/(Decrease) in Investments	–	–
<b>Balance as at 31 December</b>	<b>6,913,048</b>	<b>6,913,048</b>

### 30.2 Provision for Impairment of Investment in Subsidiaries

	2017 LKR '000	2016 LKR '000
Balance as at 1 January	700,000	700,000
Impairment charge/(reversal) during the year	(300,000)	–
<b>Balance as at 31 December</b>	<b>400,000</b>	<b>700,000</b>

### 30.3 Investment in Quoted Subsidiaries

As at 31 December	Bank			
	2017		2016	
	Cost LKR '000	Market Value LKR '000	Cost LKR '000	Market Value LKR '000
Property Development PLC (63,064,957 ordinary shares)	860,270	6,120,211	860,270	6,593,423
Merchant Bank of Sri Lanka & Finance PLC (123,562,267 ordinary shares)	2,254,682	1,668,091	2,254,682	1,680,447
<b>Total investment in quoted subsidiaries</b>	<b>3,114,952</b>	<b>7,788,302</b>	<b>3,114,952</b>	<b>8,273,870</b>

### 30.4 Investment in Unquoted Subsidiaries

As at 31 December	Bank			
	2017		2016	
	Cost LKR '000	Directors' Valuation LKR '000	Cost LKR '000	Directors' Valuation LKR '000
BOC Management & Support Services (Private) Limited (99,996 Ordinary shares)	1,000	1,000	1,000	1,000
BOC Property Development & Management (Private) Limited (100,999,998 Ordinary shares)	1,010,000	1,010,000	1,010,000	1,010,000
BOC Travels (Private) Limited (250,004 ordinary shares)	2,500	2,500	2,500	2,500
Bank of Ceylon (UK) Limited (15,000,000 ordinary shares)	2,683,859	2,283,859	2,683,859	1,983,859
Hotels Colombo (1963) Limited (10,073,667 ordinary shares)	100,737	100,737	100,737	100,737
<b>Total investment in unquoted subsidiaries</b>	<b>3,798,096</b>	<b>3,398,096</b>	<b>3,798,096</b>	<b>3,098,096</b>

### 30.5 Information Relating to Subsidiaries of the Bank

As at 31 December	Ownership Interest Held by the Bank	
	2017 %	2016 %
<b>Quoted Subsidiaries</b>		
Property Development PLC (PDL)	95.55	95.55
Merchant Bank of Sri Lanka & Finance PLC (MBSL)	74.49	74.49
<b>Unquoted Subsidiaries</b>		
BOC Management & Support Services (Private) Limited (MSS)*	100.00	100.00
BOC Property Development & Management (Private) Limited (PDML)	100.00	100.00
BOC Travels (Private) Limited (TRAVELS)	100.00	100.00
Hotels Colombo (1963) Limited (HCL)	99.99	99.99
Ceybank Holiday Homes (Private) Limited (HH)**	100.00	100.00
MBSL Insurance Company Limited (MBSL INS)**	62.66	62.66
Koladeniya Hydropower (Private) Limited (KHP)**	95.55	95.55
Bank of Ceylon (UK) Limited (BoC UK)	100.00	100.00

\* Not in operation and in the process of liquidation.

\*\*Ceybank Holiday Homes (Private) Limited, MBSL Insurance Company Limited and Koladeniya Hydropower (Private) Limited are indirect subsidiaries of the Bank.

### 30.6 Non-Controlling Interest (NCI) of Subsidiaries

	2017				
	PDL	MBSL	MBSL INS	KHP	HCL
Equity interest held by the NCI (%)	4.45	25.51	37.34	4.45	0.01
Profit/(Loss) allocated during the year (LKR '000)	21,278	26,045	(24,705)	2,562	(4)
Accumulated balance of NCI as at 31 December (LKR '000)	166,381	722,238	12,788	25,947	19
Dividends paid to NCI (LKR '000)	-	-	-	-	-

	2016				
	PDL	MBSL	MBSL INS	KHP	HCL
Equity interest held by the NCI (%)	4.45	25.51	37.34	4.45	0.01
Profit/(Loss) allocated during the year (LKR '000)	18,500	44,936	(87,842)	2,312	1
Accumulated balance of NCI as at 31 December (LKR '000)	159,105	660,677	34,318	25,323	22
Dividends paid to NCI (LKR '000)	52,866	-	-	-	-



### 30.7 Summarised Financial Information of Subsidiaries

For the year ended 31 December	2017				
	PDL LKR '000	MBSL LKR '000	MSS LKR '000	PDML LKR '000	TRAVELS LKR '000
<b>Statement of Profit or Loss</b>					
Total income	961,666	6,402,825	793	387,617	104,354
Profit/(Loss) after tax	478,147	104,218	274	181,612	21,755
Other comprehensive income	(65,991)	26,454	–	(65)	240
Total comprehensive income	412,156	130,672	274	181,547	21,995
<b>Statement of Financial Position</b>					
Total assets	4,073,519	35,694,695	1,130	1,749,624	304,363
Total liabilities	596,008	32,450,534	318	115,223	75,494
Net assets	3,477,511	3,244,161	812	1,634,401	228,869
Dividends paid	–	–	9,000	50,500	5,000
<b>Statement of Cash Flows</b>					
Operating cash flows	457,345	2,052,584	(118)	129,781	21,468
Investing cash flows	(382,011)	(1,038,885)	10,036	(69,268)	(237)
Financing cash flows	(982,782)	(905,114)	(9,000)	(50,500)	(7,350)
Net increase/(decrease) in cash and cash equivalents	(907,448)	108,585	918	10,013	13,881
<b>For the year ended 31 December</b>					
<b>2016</b>					
	PDL LKR '000	MBSL LKR '000	MSS LKR '000	PDML LKR '000	TRAVELS LKR '000
<b>Statement of Profit or Loss</b>					
Total income	839,397	4,888,154	671	271,601	110,073
Profit/(Loss) after tax	415,723	176,149	419	108,014	26,711
Other comprehensive income	100,983	(79,086)	–	(341)	546
Total comprehensive income	516,706	97,063	419	107,673	27,257
<b>Statement of Financial Position</b>					
Total assets	4,659,695	31,933,847	9,925	1,582,329	300,012
Total liabilities	1,594,340	28,828,725	387	78,975	87,944
Net assets	3,065,355	3,105,122	9,538	1,503,354	212,068
Dividends paid	1,188,000	–	–	20,200	5,000
<b>Statement of Cash Flows</b>					
Operating cash flows	194,024	(783,969)	(273)	91,228	(11,622)
Investing cash flows	328,616	(484,106)	56	(158,614)	(19,884)
Financing cash flows	(179,857)	1,345,090	–	(20,200)	(7,351)
Net increase/(decrease) in cash and cash equivalents	342,783	77,015	(217)	(87,586)	(38,857)

For the year ended 31 December	2017				
	HCL LKR '000	HH LKR '000	MBSL INS LKR '000	KHP LKR '000	BoC UK LKR '000
<b>Statement of Profit or Loss</b>					
Total income	188,612	79,145	800,359	113,692	463,616
Profit/(Loss) after tax	(39,671)	2,382	(66,163)	57,584	3,552
Other comprehensive income	-	-	8,256	(148)	280,354
Total comprehensive income	(39,671)	2,382	(57,907)	57,436	283,906
<b>Statement of Financial Position</b>					
Total assets	298,187	39,180	1,366,270	491,817	20,414,678
Total liabilities	107,866	36,157	1,332,029	38,687	17,673,031
Net assets	190,321	3,023	34,241	453,130	2,741,647
Dividends paid	-	-	-	43,400	-
<b>Statement of Cash Flows</b>					
Operating cash flows	(13,081)	2,095	(165,261)	39,494	(17,471)
Investing cash flows	(6,082)	(772)	189,797	28,820	(14,593)
Financing cash flows	(1,300)	-	-	(43,400)	-
Net increase/(decrease) in cash and cash equivalents	(20,463)	1,323	24,536	24,914	(32,064)

For the year ended 31 December	2016				
	HCL LKR '000	HH LKR '000	MBSL INS LKR '000	KHP LKR '000	BoC UK LKR '000
<b>Statement of Profit or Loss</b>					
Total income	237,237	146,221	1,503,367	92,572	434,757
Profit/(Loss) after tax	12,709	(99)	(235,248)	51,950	(24,417)
Other comprehensive income	-	-	(10,620)	103	(396,425)
Total comprehensive income	12,709	(99)	(245,868)	52,053	(420,842)
<b>Statement of Financial Position</b>					
Total assets	285,483	28,871	1,769,111	466,631	25,673,579
Total liabilities	64,898	27,831	1,677,211	27,537	23,215,837
Net assets	220,585	1,040	91,900	439,094	2,457,742
Dividends paid	-	-	-	-	-
<b>Statement of Cash Flows</b>					
Operating cash flows	6,731	63	(234,589)	60,205	(139,137)
Investing cash flows	249	(1,608)	218,070	(78,262)	(9,386)
Financing cash flows	(1,750)	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	5,230	(1,545)	(16,519)	(18,057)	(148,523)

### 31 Investment in Associate Companies

Associates are those entities in which the Bank has significant influence, but not control, over the financial and operating policies. Investments in associate entities are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

The Consolidated Financial Statements include the Bank's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Bank's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reported at nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the associate subsequently reports profits, the Bank resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

A list of the Bank's associates is shown in Note 31.4 to the Financial Statements.

The Bank discontinues the use of the Equity Method from the date that it ceases to have significant influence over an associate and accounts for such investments in accordance with the Sri Lanka Accounting Standard – LKAS 39 – “Financial Instruments: Recognition and Measurement”.

Upon loss of significant influence over the associate, the Bank measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

#### 31.1 Unquoted Associates

As at 31 December	Bank				Group			
	2017		2016		2017		2016	
	Cost LKR '000	Directors' Valuation LKR '000	Cost LKR '000	Directors' Valuation LKR '000	Equity Value LKR '000	Directors' Valuation LKR '000	Equity Value LKR '000	Directors' Valuation LKR '000
Ceybank Asset Management Limited (1,240,002 ordinary shares)	31,048	31,048	31,048	31,048	225,282	225,282	216,704	216,704
Lanka Securities (Private) Limited (3,594,857 ordinary shares)	41,940	41,940	41,940	41,940	134,490	134,490	131,006	131,006
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	87,021	87,021	72,959	72,959
<b>Total investment in unquoted associates</b>	<b>117,988</b>	<b>92,988</b>	<b>117,988</b>	<b>92,988</b>	<b>446,793</b>	<b>446,793</b>	<b>420,669</b>	<b>420,669</b>
Provision for impairment of investments in associates (Note 31.3)	(25,000)	–	(25,000)	–	–	–	–	–
<b>Net investment in unquoted associates</b>	<b>92,988</b>	<b>92,988</b>	<b>92,988</b>	<b>92,988</b>	<b>446,793</b>	<b>446,793</b>	<b>420,669</b>	<b>420,669</b>

### 31.2 Movement in Investment in Associate Companies

	Bank		Group	
	Cost		Equity Value	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Balance as at 1 January	117,988	867,988	420,669	1,912,317
Aquisitions/(Disposals) in investments	-	(750,000)	-	(1,501,333)
Share of profits/(losses), net of tax (Note 16)	-	-	52,024	62,952
Share of other comprehensive income, net of tax	-	-	(6,600)	2,174
Share of dividends	-	-	(19,300)	(55,441)
<b>Balance as at 31 December</b>	<b>117,988</b>	<b>117,988</b>	<b>446,793</b>	<b>420,669</b>

### 31.3 Movement in Provision for Impairment of Investment in Associate Companies

	Bank	
	2017 LKR '000	2016 LKR '000
Balance as at 1 January	25,000	25,000
Impairment charge during the year	-	-
<b>Balance as at 31 December</b>	<b>25,000</b>	<b>25,000</b>

### 31.4 Share Holding Structure of Associate Companies

Name of the Company	Equity Interest %		Shareholding Structure	
	2017	2016	Name	Holding %
Ceybank Asset Management Limited (CAML)	43.36	43.36	Bank of Ceylon	43.36
			Sri Lanka Insurance Corporation	26.57
			Unit Trust of India	17.48
			Carson Cumberbatch PLC	12.59
Lanka Securities (Private) Limited (LSL)	41.60	41.60	First Capital Securities Corporation Limited	51.00
			Merchant Bank of Sri Lanka & Finance PLC	29.00
			Bank of Ceylon (Bank of Ceylon indirectly hold 21.6%)	20.00
Transnational Lanka Records Solutions (Private) Limited (TLRS)	24.69	24.69	Transnational (Pte) Limited – Singapore	62.96
			Bank of Ceylon	24.69
			Seylan Bank PLC	12.35
Southern Development Financial Company Limited (SDFC)*	41.67	41.67	Bank of Ceylon	41.67
			People's Bank	41.67
			Southern Development Authority of Sri Lanka	16.66

\* SDFC is not in operation and in the process of liquidation.

### 31.5 Summarised Financial Information of Associates

For the year ended 31 December	2017		
	CAML LKR '000	LSL LKR '000	TLRS LKR '000
<b>Statement of Profit or Loss</b>			
Total income	170,234	121,062	72,154
Profit/(Loss) before tax	73,499	3,557	110,500
Profit/(Loss) after tax	58,912	3,273	103,459
Other comprehensive income	(20,115)	5,101	–
Total comprehensive income	38,797	8,374	103,459
<b>Statement of Financial Position</b>			
Current assets	296,552	578,740	27,723
Total assets	562,591	615,545	609,533
Current liabilities	20,052	263,100	41,306
Total liabilities	43,029	292,259	257,071
Net assets	519,562	323,286	352,462
Dividends paid	21,450	–	40,500
Dividends received to the Bank (net)	9,300	–	10,000
<b>For the year ended 31 December</b>			
<b>2016</b>			
	CAML LKR '000	LSL LKR '000	TLRS LKR '000
<b>Statement of Profit or Loss</b>			
Total income	173,482	89,605	121,861
Profit/(Loss) before tax	84,185	(18,749)	89,617
Profit/(Loss) after tax	69,514	(21,358)	83,158
Other comprehensive income	(11,809)	3,569	–
Total comprehensive income	57,705	(17,789)	83,158
<b>Statement of Financial Position</b>			
Current assets	380,618	356,787	30,443
Total assets	551,965	391,591	503,735
Current liabilities	30,220	46,976	4,877
Total liabilities	52,187	76,676	208,230
Net assets	499,778	314,915	295,505
Dividends paid	17,160	–	32,400
Dividends received to the Bank (net)	7,156	–	10,500

## 32 Investment Property

### Accounting Policy

#### Recognition

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

#### Measurement

Investment property is accounted for under Cost Model in the Financial Statements. Accordingly, after initial recognition as an asset, the property is carried at its cost, less accumulated depreciation and impairment losses.

If any property is reclassified to investment property due to changes in its use, fair value of such property at the date of reclassification becomes its cost for subsequent accounting.

#### Depreciation

Depreciation is provided on a straight-line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal. Provision for depreciation is made over the period of 20 years at the rate of 5% per annum using the straight-line method for buildings classified as investment property. Land is not depreciated under normal circumstances.

#### Derecognition

Investment properties are derecognised when they are disposed of or permanently withdrawn from use since no future economic benefits are expected. Transfers are made to and from investment property only when there is a change in use. When the use of a property changes such that it is reclassified as Property, Plant and Equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Cost</b>				
Balance as at 1 January	3,000,000	–	150,085	165,876
Disposals during the year	–	–	(991)	(15,791)
Transfers from Property, Plant and Equipment	–	3,000,000	–	–
<b>Balance as at 31 December</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>149,094</b>	<b>150,085</b>
<b>Less: Accumulated Depreciation</b>				
Balance as at 1 January	–	–	22,415	20,036
Charge for the year	117,072	–	2,906	2,961
Disposal/Transfer	–	–	–	(582)
<b>Balance as at 31 December</b>	<b>117,072</b>	<b>–</b>	<b>25,321</b>	<b>22,415</b>
<b>Net investment properties</b>	<b>2,882,928</b>	<b>3,000,000</b>	<b>123,773</b>	<b>127,670</b>

During the year 2016 the Bank classified the property at York Street, Colombo 01 as Investment Property due to cessation of the owner occupation. This property covers land area of 181.85 perches and building at site runs to six floors with a basement floor consists with 261,610 square feet.

The entire property was valued to LKR 3,000 million by Mr K T D Tissera – Chartered Valuation Surveyor [Diploma in Valuation (Sri Lanka), FRICS (Eng.), FIV( Sri Lanka)] based on the investment method of valuation as at 31 December 2016.



### 32.1 Unobservable Inputs Considered in Measuring Fair Value

Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Estimated value per perch	LKR 12.0 million – LKR 16.0 million	Positive correlated sensitivity

### 32.2 Investment Properties Held by the Group

As at 31 December	Building (Sq. ft.)	Extent of Land (Perches)	2017				2016	
			Cost			Fair Value Total LKR '000	Cost Total LKR '000	Fair Value Total LKR '000
			Land LKR '000	Building LKR '000	Total LKR '000			
Nos. 64 and 66, Nonagama Road, Pallegama, Embilipitiya	–	16.61	1,750	–	1,750	30,000	1,750	26,200
No. 385/1, Kotte Road, Pittakotte	2,896	19.01	2,958	1,730	4,688	5,298	4,688	5,298
Nos. 116/4, 116/7, 116/26, 116/27, 116/29, 1st Cross Street, Colombo 01	–	12.35	1,249	–	1,249	2,602	1,249	2,602
No. 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	2,000
No. 50/21, Old Kesbawa Road, Raththanapitiya, Boralesgamuwa	–	364.35	65,604	44,396	110,000	298,015	110,000	298,015
No. 64, Gabadawa Estate, Pitipana, Homagama	–	10.00	686	–	686	1,394	686	1,400
No. 2, Plan No. 1206, Silverberst Estate, Pitipana, Homagama	–	100.70	–	–	–	–	991	2,014
<b>Total</b>			<b>90,979</b>	<b>58,115</b>	<b>149,094</b>	<b>574,309</b>	<b>150,085</b>	<b>573,929</b>

**Note:**

**32.2. a** The fair value of the investment properties as at 31 December 2017 was based on market valuations carried out in the years 2013, 2014, 2016 and 2017 by Mr D N Dhammika Baranage [RICS (UK), DIV AIS (SL)] and Mr H A W Perera [BSc Estate Management and Valuation (Special)], Mr Samantha Kumara Madawan Arachchi [BSc Estate Management and Valuation (Special), City Planning (JP), Dip (UPM) NI, AIREV] and Mr A G Gunarathne [BSc. Estate Mgt. & Valuation, FIV (Sri Lanka)], Mr L G T Thungasiri [(AIV) FIV (Sri Lanka), Dip. in Valuation (SLTC)], who are independent valuers not connected with the companies. The Directors have reviewed values of the investment properties as at 31 December 2017 and concluded that there was no impairment.

## 33 Property, Plant and Equipment

### Recognition

Property, Plant and Equipment (PPE) are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be reliably measured.

### Measurement

Cost of Property, Plant and Equipment includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Items of Property, Plant and Equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Revaluation model is applied for entire class of freehold land and buildings and buildings on leasehold lands. The market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use are taken into account in measuring the fair value.

Properties that carried at revaluation amount being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and building of the Group are revalued every three to five years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date. Any surplus arising on revaluation of an asset is accumulated under the Revaluation Reserve in Equity through Other Comprehensive Income. However, if there is any revaluation deficit of the same asset previously recognised on profit or loss, revaluation surplus is recognised on profit or loss to the extent it reverse such deficit. Any deficit arising on revaluation of a asset is recognised in profit or loss and such deficit is recognised in Other Comprehensive Income to the extend of any credit balance existing in the revaluation reserve in respect of that asset.

Accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of assets and the net amount restated to the revalued amount of the assets. Where the carrying value of the Property, Plant and Equipment are reviewed for impairment, when an event or changes in circumstances indicate that the carrying value may not be recoverable.

When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

#### **Subsequent Costs**

The cost of replacing a part of an item of Property, Plant and Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of Property, Plant and Equipment are recognised in the Statement of Profit or Loss in “Other expenses” (Note 15) as incurred.

#### **Capital Work in Progress**

Capital work in progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, awaiting capitalisation.

#### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Bank incurs in connection with the borrowing of funds.

#### **Depreciation**

Depreciation is recognised in Statement of Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of Property, Plant and Equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. Further, cost of expansion and major renovations on the building are depreciated over the remaining useful lives of the original buildings.

Provisioning for depreciation of Property, Plant and Equipment is made on *pro rata* basis.

The Group’s estimated useful lives for the current and comparative periods are as follows:

Freehold buildings	40-60 years
Office equipment	08 years
Furniture and fittings	08 years
Computer equipment	05 years
Motor vehicles	04 years
Power plant	20 years

Depreciation methods, useful lives and residual values are reassessed at each financial year end and adjusted if appropriate.

### Useful Life and Residual Values

Residual value is the amount that Group could receive for an asset at the reporting date if the asset was already at the age and in the condition that it will be in when the Group expects to dispose it.

The residual and useful life of an asset are reviewed at least at each reporting date, changes in the residual value and useful life are accounted for prospectively as a change in an accounting estimate only if the residual value is material.

### Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, replacement or when no future economic benefits are expected from its use. The gain or loss arising from the de-recognition of an item of Property, Plant and Equipment is included in the "Other operating income (Note 12)/Other operating expenses (Note 15)" in the Statement of Profit or Loss in the year the item is derecognised.

### Reclassification as Investment Property

When the use of property changes such that is reclassified as investment property, its fair value at the date of reclassification becomes its cost for subsequent accounting. Any gain arising on remeasurement is recognised in the Statement of Profit or Loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in Other Comprehensive Income and presented in revaluation reserve in equity. Any loss is recognised immediately in the Statement of Profit or Loss.

## 33.1 Bank

	Freehold Land	Freehold Building	Buildings on Leasehold Land	Equipment (Note 33.12.1)	Motor Vehicles	Leasehold Motor Vehicles	Capital Work in Progress	2017 Total	2016 Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Cost or Valuation</b>									
As at 1 January	7,914,625	2,437,312	1,686,582	11,107,522	1,255,144	43,317	316,172	24,760,674	25,580,341
Additions during the year									
Acquisitions	389,759	91,280	34,089	1,891,028	380,502	-	291,630	3,078,288	2,052,805
Capitalisations	-	384,201	65,617	-	-	-	(449,818)	-	-
Changes in revaluation surplus/(deficit)	4,389,015	547,851	1,078,188	-	-	-	-	6,015,054	1,394,640
Transfer of accumulated depreciation on asset revaluation	-	(257,913)	(728,274)	-	-	-	-	(986,187)	(146,155)
Disposals during the year	(1,193)	-	-	(164,893)	(62,585)	-	-	(228,671)	(1,122,991)
Impairment to profit or loss	-	-	-	(711)	-	-	-	(711)	(2,127)
Exchange rate adjustments	-	-	-	12,345	405	-	-	12,750	4,161
Transfers to investment property	-	-	-	-	-	-	-	-	(3,000,000)
<b>As at 31 December</b>	<b>12,692,206</b>	<b>3,202,731</b>	<b>2,136,202</b>	<b>12,845,291</b>	<b>1,573,466</b>	<b>43,317</b>	<b>157,984</b>	<b>32,651,197</b>	<b>24,760,674</b>
<b>Accumulated Depreciation</b>									
As at 1 January	-	170,155	648,642	7,523,805	892,592	43,317	-	9,278,511	9,254,582
Charge for the year	-	88,607	79,736	1,136,960	218,480	-	-	1,523,783	1,263,914
Transfer of accumulated depreciation on assets revaluation	-	(257,913)	(728,274)	-	-	-	-	(986,187)	(146,155)
Disposals during the year	-	-	-	(161,658)	(59,661)	-	-	(221,319)	(1,096,473)
Exchange rate adjustments	-	-	-	9,882	413	-	-	10,295	2,643
<b>As at 31 December</b>	<b>-</b>	<b>849</b>	<b>104</b>	<b>8,508,989</b>	<b>1,051,824</b>	<b>43,317</b>	<b>-</b>	<b>9,605,083</b>	<b>9,278,511</b>
<b>Net book value as at 31 December 2017</b>	<b>12,692,206</b>	<b>3,201,882</b>	<b>2,136,098</b>	<b>4,336,302</b>	<b>521,642</b>	<b>-</b>	<b>157,984</b>	<b>23,046,114</b>	<b>-</b>
Net book value as at 31 December 2016	7,914,625	2,267,157	1,037,940	3,583,717	362,552	-	316,172	-	15,482,163

### 33.2 Group

	Freehold Land LKR '000	Freehold Building LKR '000	Buildings on Leasehold Land LKR '000	Equipment (Note 33.12.2) LKR '000	Motor Vehicles LKR '000	Leasehold Motor Vehicles LKR '000	Capital Work in Progress LKR '000	2017 Total LKR '000	2016 Total LKR '000
<b>Cost or Valuation</b>									
As at 1 January	10,606,090	5,336,764	8,976,883	12,518,143	1,400,488	55,894	371,145	39,265,407	36,391,846
Additions during the year									
Acquisitions	403,759	93,240	35,586	1,982,539	388,781	-	293,408	3,197,313	2,389,786
Capitalisations	-	384,201	65,617	-	-	-	(449,818)	-	-
Changes in revaluation surplus/(deficit)	4,535,254	747,690	1,070,484	-	-	-	-	6,353,428	2,307,452
Transfer of accumulated depreciation on asset revaluation	-	(285,779)	(1,042,551)	-	-	-	-	(1,328,330)	(517,643)
Disposals during the year	(1,193)	(8,973)	(317)	(183,592)	(71,858)	-	-	(265,933)	(1,208,750)
Impairment to profit/loss	-	-	-	(711)	-	-	-	(711)	(2,127)
Exchange rate adjustments	31,164	32,238	-	16,951	405	-	-	80,758	(87,937)
Transfers/Adjustments	-	(135)	768,774	4,453	1,558	-	(499)	774,151	(7,220)
<b>As at 31 December</b>	<b>15,575,074</b>	<b>6,299,246</b>	<b>9,874,476</b>	<b>14,337,783</b>	<b>1,719,374</b>	<b>55,894</b>	<b>214,236</b>	<b>48,076,083</b>	<b>39,265,407</b>
<b>Accumulated Depreciation</b>									
As at 1 January	-	423,040	332,582	8,290,717	965,151	53,881	-	10,065,371	9,950,043
Charge for the year	-	268,564	433,243	1,260,285	234,098	917	-	2,197,107	1,758,041
Transfer of accumulated depreciation on assets revaluation	-	(285,779)	(1,042,551)	-	-	-	-	(1,328,330)	(517,643)
Disposals during the year	-	(8,459)	(317)	(179,980)	(68,857)	-	-	(257,613)	(1,115,944)
Exchange rate adjustments	-	2,781	-	12,201	413	-	-	15,395	(1,906)
Transfers/Adjustments	-	4,003	768,774	3,158	(701)	-	-	775,234	(7,220)
<b>As at 31 December</b>	<b>-</b>	<b>404,150</b>	<b>491,731</b>	<b>9,386,381</b>	<b>1,130,104</b>	<b>54,798</b>	<b>-</b>	<b>11,467,164</b>	<b>10,065,371</b>
<b>Net book value as at 31 December 2017</b>	<b>15,575,074</b>	<b>5,895,096</b>	<b>9,382,745</b>	<b>4,951,402</b>	<b>589,270</b>	<b>1,096</b>	<b>214,236</b>	<b>36,608,919</b>	<b>-</b>
Net book value as at 31 December 2016	10,606,090	4,913,724	8,644,301	4,227,426	435,337	2,013	371,145	-	29,200,036

### 33.3 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.

### 33.4 Property, Plant and Equipment Pledged as Security for Liabilities

Freehold Property, Plant and Equipment have not been pledged as security for any liability.

### 33.5 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.

### 33.6 Fully-Depreciated Property, Plant and Equipment

The initial cost of fully-depreciated Property, Plant and Equipment which are still in use are as follows:

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Motor vehicles	854,835	578,506	889,474	613,438
Computer equipment	2,694,496	2,533,514	2,832,713	2,671,694
Equipment, furniture and fittings	1,292,375	1,055,784	1,422,797	1,201,608
Buildings on leasehold lands	178,947	98,684	178,947	98,684
Plant and machinery	1,120,447	970,897	1,120,723	971,173
<b>Total</b>	<b>6,141,100</b>	<b>5,237,385</b>	<b>6,444,654</b>	<b>5,556,597</b>

### 33.7 Temporarily Idle Property, Plant and Equipment

There were no temporarily idle Property, Plant and Equipment as at the reporting date.

### 33.8 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”.

### 33.9 Freehold Properties

The carrying value of freehold properties, that would have been recognised in the Financial Statements, if they were carried at cost less accumulated depreciation is as follows:

#### 33.9.1 Bank

As at 31 December	2017			2016		
	Cost LKR '000	Accumulated Depreciation LKR '000	Net Book Value LKR '000	Cost LKR '000	Accumulated Depreciation LKR '000	Net Book Value LKR '000
Land	877,895	–	877,895	488,167	–	488,167
Building	1,518,050	(532,316)	985,734	1,042,569	(505,403)	537,166
<b>Total</b>	<b>2,395,945</b>	<b>(532,316)</b>	<b>1,863,629</b>	<b>1,530,736</b>	<b>(505,403)</b>	<b>1,025,333</b>

#### 33.9.2 Group

As at 31 December	2017			2016		
	Cost LKR '000	Accumulated Depreciation LKR '000	Net Book Value LKR '000	Cost LKR '000	Accumulated Depreciation LKR '000	Net Book Value LKR '000
Land	901,856	–	901,856	498,128	–	498,128
Building	2,640,420	(960,415)	1,680,005	2,171,952	(900,148)	1,271,804
<b>Total</b>	<b>3,542,276</b>	<b>(960,415)</b>	<b>2,581,861</b>	<b>2,670,080</b>	<b>(900,148)</b>	<b>1,769,932</b>

### 33.10 Revaluation of Leasehold/Freehold Properties – Group

The following freehold lands and buildings on leasehold/freehold lands of the subsidiaries were revalued during the year by professionally qualified independent valuers.

Leasehold Buildings		2017			
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 2017)	M/s P B Kalugalagedara & Associates	Market value method	6,811,894	6,775,000	(36,894)
BOC Property Development & Management (Private) Limited Bank of Ceylon – Ceybank House No. 86, Sri Dalada Veediya, Kandy (Revalued as at 31 December 2017)	M/s P B Kalugalagedara & Associates	Market value method	443,371	472,561	29,190
Freehold Land		2017			
Details of Properties	Valuer	Basis of Valuation	Carrying Value LKR '000	Revalued Amount of Land LKR '000	Surplus/ (Loss) of Land LKR '000
Merchant Bank of Sri Lanka & Finance PLC No. 470, Hendala Road, Wattala (Revalued as at 31 December 2017)	Mr S A N A Perera	Market value method	9,961	75,200	65,239
Merchant Bank of Sri Lanka & Finance PLC Kurunduwatta, Ekala (Revalued as at 31 August 2017)	Mr D N Dhammika Baranage	Market value method	14,000	95,000	81,000
Freehold Buildings		2017			
Details of Properties	Valuer	Basis of Valuation	Carrying Value LKR '000	Revalued Amount of Building LKR '000	Surplus/ (Loss) of Building LKR '000
BOC Property Development & Management (Private) Limited Bank of Ceylon – Merchant Tower St. Micheal's Road, Colombo 03 (Revalued as at 31 December 2017)	M/s P B Kalugalagedara & Associates	Market value method	1,822,171	2,019,000	196,829
Merchant Bank of Sri Lanka & Finance PLC No. 470, Hendala Road, Wattala (Revalued as at 31 December 2017)	Mr S A N A Perera	Market value method	1,190	4,200	3,010



### 33.11 Unobservable Inputs Considered in Measuring Fair Value

The following table depicts information about significant unobservable inputs used in measuring fair value of the assets categorised under Level 3 of the fair value hierarchy:

#### 33.11.1 Bank

Type of Asset	Fair Value as at 31.12.2017 LKR '000	Valuation Technique	2017		
			Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Freehold land	12,692,206	Market comparable method	Estimated cost per perch	LKR 24,500 – LKR 14,493,000	Positively correlated sensitivity
Freehold buildings	3,201,882	Market comparable method	Estimated cost per square feet	LKR 400 – LKR 55,400	Positively correlated sensitivity
Buildings on leasehold lands	2,136,098	Rental value basis	Estimated rental value per square feet	LKR 840 – LKR 6,426	Positively correlated sensitivity
			Expected market rental growth	0%	Positively correlated sensitivity
			Discount rate	6% – 8%	Negatively correlated sensitivity

#### 33.11.2 Group

Type of Asset	Fair Value as at 31.12.2017 LKR '000	Valuation Technique	2017		
			Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Freehold land	15,575,074	Market comparable method	Estimated cost per perch	LKR 24,500 – LKR 14,493,000	Positively correlated sensitivity
Freehold buildings	5,895,096	Market comparable method	Estimated cost per square feet	LKR 400 – LKR 55,400	Positively correlated sensitivity
Buildings on leasehold lands	9,382,745	Rental value basis	Estimated rental value per square feet	LKR 110 – LKR 6,426	Positively correlated sensitivity
			Expected market rental growth p.a.	5%	Positively correlated sensitivity
			Anticipated maintenance cost	40%	Positively correlated sensitivity
			Discount rate	5.5% - 8.0%	Negatively correlated sensitivity

## 33.12 Equipment

### 33.12.1 Bank

	Computer Equipment LKR '000	Furniture and Fittings LKR '000	Office Equipment LKR '000	2017 Total LKR '000	2016 Total LKR '000
<b>Cost</b>					
Balance as at 1 January	5,362,695	3,225,270	2,519,557	11,107,522	10,686,794
Additions during the year	1,254,898	344,896	291,234	1,891,028	1,462,444
Disposals during the year	(72,366)	(36,999)	(55,528)	(164,893)	(1,043,664)
Impairment to profit or loss	(531)	–	(180)	(711)	(2,127)
Exchange rate adjustments	11,524	303	518	12,345	4,075
<b>Balance as at 31 December</b>	<b>6,556,220</b>	<b>3,533,470</b>	<b>2,755,601</b>	<b>12,845,291</b>	<b>11,107,522</b>
<b>Accumulated Depreciation</b>					
Balance as at 1 January	3,705,884	2,103,657	1,714,264	7,523,805	7,670,294
Charge for the year	672,470	269,863	194,627	1,136,960	893,038
Disposals during the year	(71,894)	(34,543)	(55,221)	(161,658)	(1,042,241)
Exchange rate adjustments	9,185	532	165	9,882	2,714
<b>Balance as at 31 December</b>	<b>4,315,645</b>	<b>2,339,509</b>	<b>1,853,835</b>	<b>8,508,989</b>	<b>7,523,805</b>
<b>Net book value as at 31 December 2017</b>	<b>2,240,575</b>	<b>1,193,961</b>	<b>901,766</b>	<b>4,336,302</b>	
Net book value as at 31 December 2016	1,656,811	1,121,613	805,293		3,583,717

### 33.12.2 Group

	Computer Equipment LKR '000	Furniture and Fittings LKR '000	Office Equipment LKR '000	Power Plant LKR '000	2017 Total LKR '000	2016 Total LKR '000
<b>Cost</b>						
Balance as at 1 January	5,764,866	3,834,084	2,620,195	298,998	12,518,143	11,955,654
Additions during the year	1,304,462	385,707	292,370	–	1,982,539	1,623,667
Disposals during the year	(72,788)	(54,965)	(55,839)	–	(183,592)	(1,050,920)
Impairment to profit or loss	(531)	–	(180)	–	(711)	(2,127)
Exchange rate adjustments	12,712	3,721	518	–	16,951	(911)
Transfers/Adjustments	5,010	(263)	(294)	–	4,453	(7,220)
<b>Balance as at 31 December</b>	<b>7,013,731</b>	<b>4,168,284</b>	<b>2,856,770</b>	<b>298,998</b>	<b>14,337,783</b>	<b>12,518,143</b>
<b>Accumulated Depreciation</b>						
Balance as at 1 January	3,967,883	2,507,372	1,746,064	69,398	8,290,717	8,345,779
Charge for the year	716,225	331,114	197,996	14,950	1,260,285	1,001,893
Disposals during the year	(72,274)	(52,183)	(55,523)	–	(179,980)	(1,048,871)
Exchange rate adjustments	10,248	1,788	165	–	12,201	(864)
Transfers/Adjustments	(790)	4,158	(210)	–	3,158	(7,220)
<b>Balance as at 31 December</b>	<b>4,621,292</b>	<b>2,792,249</b>	<b>1,888,492</b>	<b>84,348</b>	<b>9,386,381</b>	<b>8,290,717</b>
<b>Net book value as at 31 December 2017</b>	<b>2,392,439</b>	<b>1,376,035</b>	<b>968,278</b>	<b>214,650</b>	<b>4,951,402</b>	
Net book value as at 31 December 2016	1,796,983	1,326,712	874,131	229,600		4,227,426

**33.13** The details of freehold land and building held by the Bank as at 31 December 2017 are as follows:

Name of Premises	Extent (Perches)	Building (Square Feet)	Date of Valuation	Valuer
<b>Central Province</b>				
<b>Galaha Branch</b> No. 59/37, Deltota Road, Galaha	15.00	5,353	30.09.2017	N M Keppetipola
<b>Gampola Branch</b> No. 44, Kadugannawa Road, Gampola	175.00	9,677	30.09.2017	N M Keppetipola
<b>Galewela Land</b> No. 158, Dhambulla Road, Galewela	47.00	–	24.03.2017	R W N S B Rajapaksha
<b>Hatton Branch and Staff Quarters</b> No. 46, Circular Road, Hatton	139.50	15,359	30.09.2017	N M Keppetipola
<b>Kandy 2nd City Branch</b> No. 22, Dalada Veediya, Kandy	42.81	27,081	30.09.2017	A G Gunaratna
<b>Maskeliya Branch</b> No. 66, Upcot Road, Maskeliya	42.05	6,130	30.09.2017	N M Keppetipola
<b>Nawalapitiya Branch</b> No. 106, Gampola Road, Nawalapitiya	21.92	5,534	30.09.2017	N M Keppetipola
<b>Nuwara Eliya Branch</b> No. 43, Lawson Street, Nuwara Eliya	133.50	9,713	30.09.2017	R H Jayawardana
<b>Nuwara Eliya Staff Quarters (Clerical)</b> No. 14,19, Hill Street, Nuwara Eliya	75.70	7,562	30.09.2017	R H Jayawardana
<b>Nuwara Eliya Property</b> No. 12, Hill Street, Nuwara Eliya	82.53	4,638	30.09.2017	R H Jayawardana
<b>Talawakelle Branch</b> No. 23,25,29, Hatton Road, Talawakelle	25.30	7,332	30.09.2017	R H Jayawardana
<b>Talawakelle Staff Quarters</b> Talawakelle Estate Plantation	160.00	4,898	30.09.2017	R H Jayawardana
<b>Eastern Province</b>				
<b>Batticaloa Branch</b> No. 21 and 21 1/1 Govington Road, Batticaloa	64.85	7,774	30.09.2017	R W N S B Rajapaksha
<b>Muttur Branch</b> No. 36/1, Ward No. 7, Main street, Muttur	71.00	7,566	30.09.2017	P P T Mohideen
<b>Pottuvil Branch</b> Main Street, Pottuvil	10.70	4,077	30.09.2017	R W N S B Rajapaksha
<b>Trincomalee Branch</b> No. 24, Inner Harbour Road, Trincomalee	90.00	10,810	30.09.2017	P P T Mohideen
<b>Trincomalee City Branch</b> No. 09, Main Street, Trincomalee	21.90	2,670	30.09.2017	P P T Mohideen
<b>Valaichchenai Branch</b> Main Street, Valaichchenai	47.34	6,621	30.09.2017	R W N S B Rajapaksha
<b>Northern Province</b>				
<b>Jaffna Area Office and Branch</b> No. 476, 476A, Hospital Road, Jaffna	166.25	21,393	30.11.2014	S Sivakantha
<b>Karainagar Branch</b> Post Office View, Karainagar	63.22	5,720	30.11.2014	S Sivakantha

Basis of Valuation	Carrying Value of Land LKR '000	Revalued Amount of Land LKR '000	Surplus/(Loss) of Land LKR '000	Carrying Value of Building LKR '000	Revalued Amount of Buildings LKR '000	Surplus/(Loss) of Buildings LKR '000	Total Revaluation Surplus/(Loss) LKR '000
Contractor's Method	15,000	15,000	-	16,336	18,700	2,364	2,364
Investment Method	180,675	105,000	(75,675)	14,621	31,000	16,379	(59,296)
Investment Method	97,759	97,759	-	-	-	-	-
Contractor's Method	168,000	97,000	(71,000)	29,600	43,500	13,900	(57,100)
Contractor's Method	214,000	428,000	214,000	13,913	27,000	13,087	227,087
Contractor's Method	31,000	25,000	(6,000)	11,700	15,000	3,300	(2,700)
Contractor's Method	14,000	33,000	19,000	12,950	17,000	4,050	23,050
Contractor's Method	460,000	667,500	207,500	38,804	38,436	(368)	207,132
Contractor's Method	41,000	151,400	110,400	1	21,400	21,399	131,799
Contractor's Method	15,000	142,600	127,600	925	15,200	14,275	141,875
Contractor's Method	29,920	33,520	3,600	13,232	16,947	3,715	7,315
Contractor's Method	9,600	10,400	800	11,322	11,635	313	1,113
	1,275,954	1,806,179	530,225	163,404	255,818	92,414	622,639
Contractor's Method	26,000	48,500	22,500	15,342	19,000	3,658	26,158
Contractor's Method	8,000	15,585	7,585	73,271	41,600	(31,671)	(24,086)
Contractor's Method	10,750	17,000	6,250	14,569	13,000	(1,569)	4,681
Contractor's Method	49,500	72,000	22,500	17,367	25,149	7,782	30,282
Contractor's Method	24,000	35,000	11,000	3,360	3,360	-	11,000
Contractor's Method	28,400	30,500	2,100	17,371	14,500	(2,871)	(771)
	146,650	218,585	71,935	141,280	116,609	(24,671)	47,264
Market Value	249,500	249,500	-	31,610	31,610	-	-
Market Value	3,300	3,300	-	4,984	4,984	-	-

Name of Premises	Extent (Perches)	Building (Square Feet)	Date of Valuation	Valuer
<b>Mannar Branch, Manager and Staff Quaters (Ice Factory)</b> No. 52, Pallimunai Road, Grand Bazaar, Mannar	162.04	7,661	30.11.2014	S Sivakantha
<b>Nelliadi Branch</b> No. 23, Kodikamam Road, Nelliadi	22.11	2,718	30.11.2014	S Sivakantha
<b>North Western Province</b>				
<b>Alawwa Branch</b> No. 64, Giriulla Road, Alawwa	30.80	7,011	30.09.2017	R W N S B Rajapaksha
<b>Bingiriya Land</b> Wariyapola Road, Bingiriya	40.00	–	02.05.2017	S A R Amarasinghe
<b>Chilaw Branch</b> Radaguru Edmund Peiris Mawatha, Chilaw	38.25	8,248	30.09.2017	Sumedha Hapugoda
<b>Dummalasuriya Branch</b> No. 227, Kuliyaipitiya – Madampe Road, Dummalasuriya	41.68	5,611	30.09.2017	Sumedha Hapugoda
<b>North Western Province Office, AGM's Quarters, and CM Quarters.</b> No. 18, Mihindu Mawatha, Kurunegala	225.00	19,437	30.09.2017	R H Jayawardana
<b>Kurunegala Super Grade Branch</b> Commercial Complex, Kurunegala	–	12,242	30.09.2017	R H Jayawardana
<b>Kurunegala 2nd City Branch (Bazaar)</b> No. 34, Colombo Road, Kurunegala	46.80	16,677	30.09.2017	R H Jayawardana
<b>Madampe Branch</b> No. 10, Station Road, Madampe	86.10	7,260	30.09.2017	Sumedha Hapugoda
<b>Madurankuliya Branch</b> No. 66, Colombo Road, Madurankuliya	46.00	6,083	30.09.2017	Sumedha Hapugoda
<b>Malsiripura Branch (Proposed)</b> No. 254, Dambulla Road, Malsiripura	46.20	–	06.06.2015	D P L C De Silva
<b>Narammala Branch</b> No. 139, Negombo Road, Narammala	117.50	7,190	30.09.2017	R W N S B Rajapaksha
<b>Nattandiya Land</b> No. 115, Marawila Road, Nattandiya	67.50	–	18.01.2017	K T D Tissera
<b>Waikkal Land</b> Puttalam Road, Thoppuwa, Waikkal	36.00	–	05.03.2017	R W N S B Rajapaksha
<b>Sabaragamuwa Province</b>				
<b>Balangoda Branch</b> No. 137, Main Street, Balangoda	14.50	3,202	30.09.2017	A G Gunaratna
<b>Dehiowita Branch</b> No. 62, Main Street, Dehiowita	38.60	3,818	30.09.2017	A G Gunaratna
<b>Kegalle Branch</b> No. 110, Colombo Road, Kegalle	120.00	14,680	30.09.2017	N M Keppetipola
<b>Ratnapura Branch</b> No. 04, Dharmapala Mawatha, Ratnapura	99.70	9,808	30.09.2017	W D P Rupananda
<b>Land in Ratnapura</b> No. 195, Main Street, Ratnapura	31.69	–	30.09.2017	W D P Rupananda

Basis of Valuation	Carrying Value of Land LKR '000	Revalued Amount of Land LKR '000	Surplus/(Loss) of Land LKR '000	Carrying Value of Building LKR '000	Revalued Amount of Buildings LKR '000	Surplus/(Loss) of Buildings LKR '000	Total Revaluation Surplus/(Loss) LKR '000
Contractor's Method	9,500	9,500	-	8,407	8,407	-	-
Contractor's Method	17,750	17,750	-	32,525	32,525	-	-
	280,050	280,050	-	77,526	77,526	-	-
Contractor's Method	32,440	46,000	13,560	20,258	23,000	2,742	16,302
Investment Method	21,199	21,199	-	-	-	-	-
Contractor's Method	47,000	66,000	19,000	16,720	24,000	7,280	26,280
Contractor's Method	22,672	30,000	7,328	11,403	16,000	4,597	11,925
Contractor's Method	157,500	560,000	402,500	27,727	40,000	12,273	414,773
Investment Method	-	-	-	90,188	134,400	44,212	44,212
Contractor's Method	174,125	234,000	59,875	15,824	15,824	-	59,875
Contractor's Method	34,900	38,000	3,100	12,117	19,000	6,883	9,983
Contractor's Method	11,000	60,000	49,000	23,125	36,000	12,875	61,875
Investment Method	46,799	46,799	-	-	-	-	-
Contractor's Method	61,806	87,000	25,194	41,336	39,500	(1,836)	23,358
Investment Method	47,399	47,399	-	-	-	-	-
Investment Method	44,799	44,799	-	-	-	-	-
	701,639	1,281,196	579,557	258,698	347,724	89,026	668,583
Investment Method	21,750	40,000	18,250	2,263	1,280	(983)	17,267
Contractor's Method	8,288	15,180	6,892	6,319	2,568	(3,751)	3,141
Contractor's Method	104,190	146,000	41,810	24,547	36,000	11,453	53,263
Contractor's Method	69,500	82,000	12,500	15,987	31,000	15,013	27,513
Comparison Method	58,000	85,000	27,000	-	-	-	27,000
	261,728	368,180	106,452	49,116	70,848	21,732	128,184



Name of Premises	Extent (Perches)	Building (Square Feet)	Date of Valuation	Valuer
<b>Southern Province</b>				
<b>Ambalangoda Branch</b> No. 345, Galle Road, Ambalangoda	58.00	7,575	30.09.2017	S A R Amarasinghe
<b>Ambalantota Branch</b> No. 11A, Wanduruppa Road, Ambalantota	38.00	5,410	30.09.2017	U Rajapaksha
<b>Ahangama Branch</b> Matara Road, Ahangama	33.35	–	21.02.2017	E Dayasena
<b>Beliatta Branch</b> No. 67, Walasmulla Road, Beliatta	53.02	6,200	30.09.2017	U Rajapaksha
<b>Southern Province Office</b> No. 02, Light House Street, Fort, Galle	32.63	14,250	30.09.2017	S A R Amarasinghe
<b>Galle Branch</b> No. 02, Gamini Road, Galle	31.50	10,800	30.09.2017	S A R Amarasinghe
<b>Hakmana Branch</b> Beliatta Road, Hakmana	36.70	3,400	30.09.2017	S A R Amarasinghe
<b>Imaduwa Branch</b> Ahangama Road, Imaduwa	83.50	3,300	30.09.2017	S A R Amarasinghe
<b>Karapitiya Land</b> No. 105, Hirimbura Cross Road, Karapitiya, Galle	35.00	–	01.02.2017	E Dayasena
<b>Matara Branch</b> No. 11, Kumaratunga Mawatha, Matara	104.40	15,905	30.09.2017	U Rajapaksha
<b>Matara City Branch</b> No. 58, New Tangalle Road, Kotuwegoda, Matara	49.25	7,105	30.09.2017	U Rajapaksha
<b>Nagoda Branch</b> Nagoda	40.00	2,985	30.09.2017	S A R Amarasinghe
<b>Tangalle Branch</b> No. 145/147, Sea Street, Tangalle	21.05	5,370	30.09.2017	U Rajapaksha
<b>Weeraketiya Branch</b> Beliatta Road, Weeraketiya	36.87	4,480	30.09.2017	U Rajapaksha
<b>Weligama Branch</b> No. 239, Main Street, Weligama	97.75	8,110	30.09.2017	S A R Amarasinghe
<b>Walasmulla Land</b> No. 453, Walasmulla South, Walasmulla	38.00	–	09.12.2016	K T D Tissera
<b>Uva Province</b>				
<b>Uva Province Office</b> Bank Road, Badulla	118.75	7,366	30.11.2014	D P L C De Silva
<b>Bandarawela Branch</b> No. 198B, Badulla Road, Bandarawela	10.60	7,731	30.09.2017	L H Lickson
<b>Ettampitiya Branch</b> No. 23, Nuwara Eliya Road, Ettampitiya	20.35	3,729	30.09.2017	L H Lickson
<b>Haputale Branch (Browns)</b> No. 20, Station Road, Haputale	158.70	7,361	30.09.2017	L H Lickson
<b>Monaragala Branch, Manager Quarters and Staff Quarters</b> No. 401, Wellawaya Road, Monaragala	160.00	15,000	30.11.2014	D P L C De Silva

Basis of Valuation	Carrying Value of Land LKR '000	Revalued Amount of Land LKR '000	Surplus/(Loss) of Land LKR '000	Carrying Value of Building LKR '000	Revalued Amount of Buildings LKR '000	Surplus/(Loss) of Buildings LKR '000	Total Revaluation Surplus/(Loss) LKR '000
Contractor's Method	49,300	203,000	153,700	13,230	25,500	12,270	165,970
Contractor's Method	14,000	36,200	22,200	12,676	15,800	3,124	25,324
Investment Method	20,007	20,007	-	-	-	-	-
Contractor's Method	37,800	59,000	21,200	32,953	40,500	7,547	28,747
Contractor's Method	130,000	228,000	98,000	18,000	25,000	7,000	105,000
Contractor's Method	155,000	236,000	81,000	18,000	21,000	3,000	84,000
Contractor's Method	28,700	36,700	8,000	7,937	8,800	863	8,863
Contractor's Method	20,000	58,500	38,500	7,467	8,600	1,133	39,633
Contractor's Method	62,599	62,599	-	-	-	-	-
Contractor's Method	186,600	261,000	74,400	12,705	25,000	12,295	86,695
Contractor's Method	114,350	123,500	9,150	32,005	41,500	9,495	18,645
Contractor's Method	9,400	16,000	6,600	17,989	12,000	(5,989)	611
Contractor's Method	19,000	26,500	7,500	21,275	31,500	10,225	17,725
Contractor's Method	20,250	42,600	22,350	12,487	25,900	13,413	35,763
Contractor's Method	44,000	73,300	29,300	21,600	22,700	1,100	30,400
Investment Method	32,717	32,717	-	-	-	-	-
	943,723	1,515,623	571,900	228,324	303,800	75,476	647,376
Market Value	11,750	11,750	-	9,521	9,521	-	-
Investment Method	25,000	33,000	8,000	18,500	15,000	(3,500)	4,500
Contractor's Method	5,792	10,105	4,313	8,993	9,956	963	5,276
Contractor's Method	18,313	36,000	17,687	7,178	11,000	3,822	21,509
Market Value	50,000	50,000	-	29,276	29,276	-	-
	110,855	140,855	30,000	73,468	74,753	1,285	31,285

Name of Premises	Extent (Perches)	Building (Square Feet)	Date of Valuation	Valuer
<b>Western Province North</b>				
<b>Borella Branch</b> No. 71, Danister de Silva Mawatha, Borella	48.65	20,173	30.09.2017	W D P Rupananda
<b>Borella Branch Parking</b> Borella	6.65	–	06.01.2013	K T D Tissera
<b>City Office</b> No. 41, Bristol Street, Colombo 1	39.50	31,443	30.09.2017	W D P Rupananda
<b>Grand Pass Branch</b> No. 703, Sirimavo Bandaranaike Mawatha, Grandpass	20.12	6,210	30.09.2017	A G Gunaratna
<b>Gampaha Branch</b> No. 16, Rest House Road, Gampaha	34.06	–	30.09.2017	W D P Rupananda
<b>Ja-Ela Branch</b> No. 19, Negombo Road, Ja-Ela	40.64	8,090	30.09.2017	H A Jayaratne
<b>Kadawatha Branch</b> No. 469, Ragama Road, Kadawatha	30.71	6,138	30.09.2017	H A Jayaratne
<b>Negombo Branch</b> No. 118, Rajapakse Broadway, Negombo	97.25	16,760	30.11.2014	D C Sosa
<b>Negombo City</b> No. 75, 77, Main Street, Negombo	10.76	8,355	07.06.2017	S A R Amarasinghe
<b>Pettah Branch</b> No. 212/63, Gas Works Street, Colombo 11	28.29	25,222	30.09.2017	W D P Rupananda
<b>Dematagoda Branch (Proposed)</b> No. 45, 47, Kolonnawa Road, Colombo 09	38.14	–	30.09.2017	W D P Rupananda
<b>Western Province South</b>				
<b>Aluthgama Branch</b> No. 14, Douglas Gunawardana Mawatha, Aluthgama	36.60	7,914	30.09.2017	D P L C De Silva
<b>Bambalapitiya Branch</b> No. 20, Unity Plaza Building, Galle Road, Colombo 04	–	7,776	30.09.2017	A G Gunaratna
<b>Beruwala Branch</b> No. 165A, Galle Road, Beruwala	21.50	5,937	30.09.2017	D P L C De Silva
<b>Bulathsinhala Branch</b> No. 40, Horana Road, Athura, Bulathsinhala	53.85	7,190	30.09.2017	D P L C De Silva
<b>Dehiwala Branch</b> No. 207, Galle Road, Dehiwala	22.00	12,422	30.09.2017	R W N S B Rajapaksha
<b>Horana Branch</b> No. 87, Anguruwatota Road, Horana	70.02	10,611	30.09.2017	D P L C De Silva
<b>Idama (Moratuwa) Branch</b> No. 707, Galle Road, Moratuwa	61.12	8,272	30.09.2017	R W N S B Rajapaksha
<b>Kalutara Area Office</b> No. 108, Old Road, Kalutara	52.65	3,300	30.11.2014	L S K De Silva
<b>Kalutara Branch</b> No. 218, Galle Road, Kalutara South, Kalutara	45.86	11,436	30.09.2017	D P L C De Silva
<b>Maharagama Branch and Central Training Institute</b> No. 88, High Level Road, Maharagama	179.21	82,121	30.09.2017	A G Gunaratna
<b>Matugama Branch</b> No. 72, Agalawatte Road, Matugama	9.50	4,158	30.09.2017	A G Gunaratna

Basis of Valuation	Carrying Value of Land LKR '000	Revalued Amount of Land LKR '000	Surplus/(Loss) of Land LKR '000	Carrying Value of Building LKR '000	Revalued Amount of Buildings LKR '000	Surplus/(Loss) of Buildings LKR '000	Total Revaluation Surplus/(Loss) LKR '000
Contractor's Method	163,000	357,000	194,000	61,750	74,000	12,250	206,250
Investment Method	31,199	31,199	-	-	-	-	-
Contractor's Method	280,000	495,000	215,000	87,875	55,000	(32,875)	182,125
Contractor's Method	70,420	120,720	50,300	19,639	24,280	4,641	54,941
Comparison Method	102,180	85,000	(17,180)	-	-	-	(17,180)
Contractor's Method	81,280	121,920	40,640	15,869	20,000	4,131	44,771
Contractor's Method	24,500	92,130	67,630	13,718	17,500	3,782	71,412
Market Value	171,160	171,160	-	37,050	37,050	-	-
Contractor's Method	46,998	46,998	-	56,287	56,287	-	-
Investment Method	212,000	410,000	198,000	125,545	48,000	(77,545)	120,455
Comparison Method	112,359	205,000	92,641	-	-	-	92,641
	1,295,096	2,136,127	841,031	417,733	332,117	(85,616)	755,415
Contractor's Method	25,620	62,220	36,600	34,965	26,550	(8,415)	28,185
Income Method	-	-	-	158,730	204,000	45,270	45,270
Contractor's Method	42,800	48,376	5,576	3,569	11,496	7,927	13,503
Contractor's Method	29,750	40,388	10,638	9,562	23,575	14,013	24,651
Contractor's Method	77,500	99,000	21,500	30,987	34,000	3,013	24,513
Contractor's Method	60,000	245,063	185,063	3,813	32,531	28,718	213,781
Contractor's Method	135,000	150,000	15,000	10,155	13,400	3,245	18,245
Market Value	34,000	34,000	-	2,975	2,975	-	-
Contractor's Method	77,630	88,720	11,090	23,000	30,272	7,272	18,362
Contractor's Method	443,458	507,380	63,922	151,343	177,620	26,277	90,199
Contractor's Method	27,000	33,250	6,250	14,733	4,250	(10,483)	(4,233)

Name of Premises	Extent (Perches)	Building (Square Feet)	Date of Valuation	Valuer
<b>Nugegoda Branch</b> No. 174, High Level Road, Nugegoda,	67.50	45,584	30.09.2017	R W N S B Rajapaksha
<b>Panadura Branch</b> No. 21, Susantha Mawatha, Panadura	80.00	10,509	30.09.2017	A G Gunaratna
<b>Panadura City Branch (Proposed)</b> No. 17/3D, Jayathilake Mawatha, Panadura	36.00	-	30.09.2017	A G Gunaratna
<b>Wadduwa Branch</b> No. 557/A, Galle Road, Wadduwa	29.00	-	30.09.2017	D P L C De Silva
<b>Wellawatte Branch</b> No. 149/2, Galle Road, Colombo 06	51.25	15,832	30.09.2017	A G Gunaratna
<b>Holiday Homes and Rests</b>				
<b>Badulla Fernham Bungalow and Property</b> No. 153, Spring Valley Road, Badulla	222.25	4,580	30.11.2012	P P T Mohideen
<b>Bandarawela Holiday Home</b> Bandarawela	115.00	3,028	30.09.2017	N M Keppetipola
<b>Dickoya Upper Glencarn Bungalow</b> Dickoya	189.65	8,665	30.09.2017	N M Keppetipola
<b>Dickoya Lower Glencarn Bungalow</b> Dickoya	100.00	5,925	30.09.2017	N M Keppetipola
<b>Haputale Woodland Bungalow</b> Haputale	135.00	3,010	30.09.2017	N M Keppetipola
<b>Jaffna Bank Rest</b> No. 34-34/3, Rasavinthoddam Road, Jaffna	166.25	-	30.11.2014	S Sivakantha
<b>Kandy Holiday Home (New)</b> No. 18/5, Dangolla Road, Getambe	39.00	3,600	07.10.2016	R W N S B Rajapaksha
<b>Lindula Ridge Holiday Home</b> Lindula	175.00	3,010	30.09.2017	N M Keppetipola
<b>Nuwara Eliya Holiday Home</b> No. 16, Hill Street, Nuwara Eliya	35.27	3,388	30.09.2017	N M Keppetipola
<b>Ceybank Rest, Nuwara Eliya (Phase 1)</b> No. 12, Hill Street, Nuwara Eliya	67.54	3,820	30.09.2017	N M Keppetipola
<b>Others</b>				
<b>GM's Bangalow</b> No. 75, Ananda Kumaraswamy Mawatha, Colombo 07	79.80	6,380	30.09.2017	A G Gunaratna
<b>Colombo Darley Road Stores</b> Browns Building No. 481, T B Jayah Mawatha, Colombo 10	151.00	28,777	30.09.2017	W D P Rupananda
<b>World Trade Centre</b> No. 08, 8-2/1, Bank of Ceylon Mawatha, Colombo 01	-	6,345	30.09.2017	P P T Mohideen
<b>Walker's &amp; Sons</b> No. 28, St. Michael's Road, Cololmbo 03	57.00	-	30.09.2017	P P T Mohideen
<b>Grand Total</b>				

Basis of Valuation	Carrying Value of Land LKR '000	Revalued Amount of Land LKR '000	Surplus/(Loss) of Land LKR '000	Carrying Value of Building LKR '000	Revalued Amount of Buildings LKR '000	Surplus/(Loss) of Buildings LKR '000	Total Revaluation Surplus/(Loss) LKR '000
Contractor's Method	235,000	337,500	102,500	480,751	512,500	31,749	134,249
Contractor's Method	120,000	140,000	20,000	21,399	25,870	4,471	24,471
Contractor's Method	26,638	36,000	9,362	-	-	-	9,362
Contractor's Method	34,625	40,600	5,975	-	-	-	5,975
Contractor's Method	230,626	281,875	51,249	34,190	39,125	4,935	56,184
	<b>1,599,647</b>	<b>2,144,372</b>	<b>544,725</b>	<b>980,172</b>	<b>1,138,164</b>	<b>157,992</b>	<b>702,717</b>
Market Value	20,000	20,000	-	-	-	-	-
Contractor's Method	8,000	14,400	6,400	5,517	7,300	1,783	8,183
Market Value	4,500	7,400	2,900	12,813	23,000	10,187	13,087
Market Value	2,500	6,000	3,500	10,360	18,000	7,640	11,140
Market Value	10,800	15,000	4,200	4,720	6,600	1,880	6,080
Market Value	86,250	86,250	-	-	-	-	-
Contractor's Method	48,999	48,999	-	8,063	8,063	-	-
Market Value	3,000	4,300	1,300	5,440	7,500	2,060	3,360
Contractor's Method	35,000	53,000	18,000	31,641	9,800	(21,841)	(3,841)
Contractor's Method	55,000	91,000	36,000	8,837	15,000	6,163	42,163
	<b>274,049</b>	<b>346,349</b>	<b>72,300</b>	<b>87,391</b>	<b>95,263</b>	<b>7,872</b>	<b>80,172</b>
Contractor's Method	359,100	798,000	438,900	6,779	12,760	5,981	444,881
Contractor's Method	880,000	1,200,000	320,000	14,000	25,000	11,000	331,000
Rental Value Basis	-	-	-	156,140	351,500	195,360	195,360
Market Value	174,700	456,690	281,990	-	-	-	281,990
	<b>1,413,800</b>	<b>2,454,690</b>	<b>1,040,890</b>	<b>176,919</b>	<b>389,260</b>	<b>212,341</b>	<b>1,253,231</b>
	<b>8,303,191</b>	<b>12,692,206</b>	<b>4,389,015</b>	<b>2,654,031</b>	<b>3,201,882</b>	<b>547,851</b>	<b>4,936,866</b>



**33.14** The details of revalued building on leasehold lands held by the Bank as at 31 December 2017 are as follows:

Name of Premises	Building (Square Feet)	Date of Valuation	Valuer	Basis of Valuation	Carrying Value of Building LKR '000	Revalued Amount of Buildings LKR '000	Surplus/(Loss) of Buildings LKR '000
<b>Central Province</b>							
Digana Branch	1,810	30.09.2017	R H Jayawardane	Contractor's Method	904	4,344	3,440
Dambulla Branch	9,700	30.09.2017	T B Balasooriya	Depreciated Replacement Cost Method	18,904	30,000	11,096
Matale Branch and Managers' Quarters	14,499	30.09.2017	R H Jayawardane	Contractor's Method	1	79,947	79,946
Ududumbara Branch	4,662	30.09.2017	R H Jayawardane	Contractor's Method	16,647	8,000	(8,647)
					36,456	122,291	85,835
<b>Eastern Province</b>							
Kalmunai Branch and Managers' Quarters	9,500	30.09.2017	T B Balasuriya	Depreciated Replacement Cost Method	1	40,000	39,999
Kantale Staff Quarters	2,620	30.09.2017	P P T Mohideen	Depreciated Replacement Cost Method	6,472	12,500	6,028
Kantale Bazaar Branch	4,000	30.09.2017	P P T Mohideen	Depreciated Replacement Cost Method	11,750	16,275	4,525
					18,223	68,775	50,552
<b>Northern Province</b>							
Mannar Branch and Managers' Quarters	4,305	30.09.2017	P P T Mohideen	Depreciated Replacement Cost Method	9,020	18,400	9,380
Vavuniya Branch and Managers' Quarters	6,032	30.09.2017	P P T Mohideen	Depreciated Replacement Cost Method	16,702	21,200	4,498
Vavuniya Staff Quarters	9,382	30.09.2017	P P T Mohideen	Depreciated Replacement Cost Method	3,397	29,550	26,153
Vavuniya Area Office and Quarters	8,770	30.09.2017	P P T Mohideen	Depreciated Replacement Cost Method	2	26,300	26,298
					29,121	95,450	66,329
<b>North Central Province</b>							
North Central Province Office – Anuradhapura	12,700	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost Method	1,584	31,400	29,816
Anuradhapura Branch	7,000	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost Method	2,102	16,500	14,398
Anuradhapura Staff Quarters	825	30.09.2017	S.A.R Amarasinghe	Depreciated Replacement Cost Method	1	4,600	4,599
Anuradhapura Bachelors Quarters	12,255	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost Method	2	29,600	29,598
Aralaganwila Branch	8,969	30.09.2017	R H Jayawardane	Contractor's Method	42,240	42,360	120
Bakamuna Branch	3,377	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost Method	3,008	11,600	8,592
Dehiattakandiya Branch	5,857	30.09.2017	R H Jayawardane	Contractor's Method	4,557	13,890	9,333
Galenbindunuwewa Branch	5,160	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost Method	3,799	14,400	10,601
Galkiriyagama Branch	5,580	30.09.2017	P P T Mohideen	Depreciated Replacement Cost Method	1	21,500	21,499
Galnewa Branch	5,580	30.09.2017	P P T Mohideen	Depreciated Replacement Cost Method	1	17,755	17,754
Horowpathana Branch	5,480	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost Method	4,577	17,400	12,823
Ipalogama Branch	1,860	30.09.2017	P P T Mohideen	Depreciated Replacement Cost Method	9,716	8,170	(1,546)
Kahatagasdigiliya Branch	4,490	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost Method	4,530	16,000	11,470

Name of Premises	Building (Square Feet)	Date of Valuation	Valuer	Basis of Valuation	Carrying Value of Building LKR '000	Revalued Amount of Buildings LKR '000	Surplus/(Loss) of Buildings LKR '000
Kekirawa Branch	9,010	30.09.2017	P P T Mohideen	Depreciated Replacement Cost Method	934	31,875	30,941
Kebithigollewa Branch and Managers' Quarters	7,570	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost Method	38,124	30,000	(8,124)
Madatugama Branch	5,332	30.09.2017	P P T Mohideen	Depreciated Replacement Cost Method	1	16,974	16,973
Medawachchiya Branch	3,805	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost Method	2,859	10,100	7,241
Medirigiriya Branch	8,425	30.09.2017	R H Jayawardane	Contractor's Method	5,429	23,670	18,241
Meegallewa Branch	5,580	30.09.2017	P P T Mohideen	Depreciated Replacement Cost Method	1	17,735	17,734
Mihintale Branch	6,812	30.09.2017	R H Jayawardane	Contractor's Method	6,639	21,450	14,811
Welikanda Branch	8,340	30.09.2017	R H Jayawardane	Contractor's Method	44,875	34,665	(10,210)
Nochchiyagama Branch and Staff Quarters	5,580	30.09.2017	P P T Mohideen	Depreciated Replacement Cost Method	315	19,415	19,100
Padavi Parakramapura Branch and Staff Quarters	7,209	30.09.2017	R H Jayawardane	Contractor's Method	4,967	23,350	18,383
Polonnaruwa New Town Branch	9,990	30.09.2017	R H Jayawardane	Contractor's Method	405	29,300	28,895
Polonnaruwa New Town Staff Quarters	6,382	30.09.2017	R H Jayawardane	Contractor's Method	1	11,660	11,659
Thambuttegama Branch and Staff Quarters	5,580	30.09.2017	P P T Mohideen	Depreciated Replacement Cost Method	1,011	22,275	21,264
Thirappane Branch	6,435	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost Method	44,925	26,000	(18,925)
					226,604	563,644	337,040
<b>North Western Province</b>							
Anamaduwa Branch	5,912	30.09.2017	G H K Wickhremathilake	Depreciated Replacement Cost	45,436	28,000	(17,436)
Galgamuwa Branch	9,658	30.09.2017	G H K Wickhremathilake	Depreciated Replacement Cost	4,932	35,000	30,068
Nikaweratiya Branch	8,370	30.09.2017	G H K Wickhremathilake	Depreciated Replacement Cost	811	23,000	22,189
Puttalam Branch and Managers Quarters	5,002	30.09.2017	G H K Wickhremathilake	Depreciated Replacement Cost	198	14,000	13,802
Pannala Branch	7,131	30.09.2017	R W M S B Rajapaksha	Contractor's Method	5,860	30,000	24,140
					57,237	130,000	72,763
<b>Sabaragamuwa Province</b>							
Avissavella Branch	8,996	30.09.2017	A G Gunarathne	Cost Approach	13,138	28,217	15,079
Embilipitiya Branch	8,432	30.09.2017	A G Gunarathne	Cost Approach	2,699	29,388	26,689
Embilipitiya Staff Quarters	4,637	30.09.2017	A G Gunarathne	Cost Approach	3,018	7,785	4,767
Kuruwita Branch	6,754	30.09.2017	A G Gunarathne	Cost Approach	19,344	13,165	(6,179)
Nivithigala Branch	6,660	30.09.2017	A G Gunarathne	Cost Approach	7,670	5,599	(2,071)
Rambukkana Branch	5,545	30.09.2017	A G Gunarathne	Cost Approach	2,399	10,924	8,525
					48,268	95,078	46,810

Name of Premises	Building (Square Feet)	Date of Valuation	Valuer	Basis of Valuation	Carrying Value of Building LKR '000	Revalued Amount of Buildings LKR '000	Surplus/(Loss) of Buildings LKR '000
<b>Southern Province</b>							
Elpitiya Branch	6,060	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost	1	12,120	12,119
Hambantota Branch AM's Quarters, and Staff Quarters	13,260	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost	1	35,000	34,999
Hikkaduwa Branch	7,050	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost	13,996	17,000	3,004
Kamburupitiya Branch and Managers' Quarters	5,850	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost	3,632	15,000	11,368
Kataragama Branch	7,240	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost	361	19,500	19,139
Koggala Branch	6,060	30.09.2017	S A R Amarasinghe	Depreciated Replacement cost	9,408	17,700	8,292
Middeniya Branch	7,640	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost	27,642	43,700	16,058
Pitigala Branch	2,050	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost	2,910	4,600	1,690
Talgaswela Branch	4,600	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost	1	8,300	8,299
Tissamaharama Branch	7,140	30.09.2017	S A R Amarasinghe	Depreciated Replacement Cost	14,200	32,000	17,800
					72,152	204,920	132,768
<b>Uva Province</b>							
Buttala Branch	5,095	30.09.2017	U Rajapaksha	Contractor's Method	905	17,350	16,445
Wellawaya Branch	6,905	30.09.2017	U Rajapaksha	Contractor's Method	1,775	22,275	20,500
					2,680	39,625	36,945
<b>Western Province</b>							
<b>North</b>							
Kolonnawa Branch	7,469	30.09.2017	R W M S B Rajapaksha	Contractor's Method	43,737	48,000	4,263
Kadawatha Branch	4,652	28.12.2017	H A Jayarathne	Depreciated Replacement Method	11,372	20,934	9,562
Ragama Branch	7,562	28.12.2017	H A Jayarathne	Depreciated Replacement Method	80,832	34,000	(46,832)
					135,941	102,934	(33,007)
<b>Western Province</b>							
<b>South</b>							
Bandaragama Branch	9,024	30.09.2017	D P L C Silva	Depreciated Replacement Method	15,745	48,550	32,805
					15,745	48,550	32,805
<b>Others</b>							
Ceybank Rest, Anuradhapura	49,255	30.09.2017	S A R Amarasinghe	Depreciated Replacement Method	9,900	240,000	230,100
Ceybank Rest, Katharagama	15,435	30.09.2017	S A R Amarasinghe	Depreciated Replacement Method	15,352	34,600	19,248
					25,252	274,600	249,348
<b>Grand Total</b>					<b>667,679</b>	<b>1,745,867</b>	<b>1,078,188</b>

## 34 Leasehold Properties

### Accounting Policy

The determination of whether an arrangement is a lease or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset/ assets or the arrangement conveys a right to use the asset/assets, even if that right is not explicitly specified in an arrangement.

#### Group as a Lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the lower of fair value of the leased property or present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Statement of Profit or Loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognised as an operating expense in the Statement of Profit or Loss on a straight line basis over the lease term.

	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Cost</b>				
Balance as at 1 January	126,715	126,715	192,948	192,948
Additions during the year	2,464	–	2,464	–
<b>Balance as at 31 December</b>	<b>129,179</b>	<b>126,715</b>	<b>195,412</b>	<b>192,948</b>
<b>Accumulated Amortisation</b>				
Balance as at 1 January	24,876	22,062	56,793	52,618
Amortisation during the year	2,822	2,814	4,178	4,175
<b>Balance as at 31 December</b>	<b>27,698</b>	<b>24,876</b>	<b>60,971</b>	<b>56,793</b>
<b>Net book value</b>	<b>101,481</b>	<b>101,839</b>	<b>134,441</b>	<b>136,155</b>

Leasehold properties represent the leasehold interest in the lands held for own use. The value of buildings situated in the leasehold land is shown separately under Property, Plant and Equipment. The interest on leasehold land is stated at cost less accumulated amortisation.

## 35 Intangible Assets

### Accounting Policy

#### Basis of Recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost.

Intangible assets represent the value of computer application software and licenses, other than software applied to the operating software system of computers.

#### Measurement

Intangible assets acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure incurred on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

### Amortisation and Impairment

Amortisation is recognised in the Statement of Profit or Loss on 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 intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognised as expenses in the Statement of Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### Derecognition

Intangible assets are derecognised when it reveals that they will not generate economic benefits or circumstances indicate that the carrying value is impaired.

Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in Statement of Profit or Loss.

	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Cost</b>				
Balance as at 1 January	2,508,841	2,230,371	2,832,758	2,554,377
Additions during the year	528,566	376,643	764,014	393,152
Derecognised during the year	(178)	(98,173)	(178)	(98,173)
Exchange rate adjustment	-	-	14,441	(19,695)
Adjustments/Transfers	-	-	(12,517)	3,097
<b>Balance as at 31 December</b>	<b>3,037,229</b>	<b>2,508,841</b>	<b>3,598,518</b>	<b>2,832,758</b>
<b>Accumulated Amortisation</b>				
Balance as at 1 January	1,945,351	1,857,056	2,177,128	2,050,419
Amortisation during the year	281,326	186,468	338,289	234,727
Derecognised during the year	(178)	(98,173)	(178)	(98,173)
Exchange rate adjustment	-	-	11,846	(12,847)
Adjustments/Transfers	-	-	(3,003)	3,002
<b>Balance as at 31 December</b>	<b>2,226,499</b>	<b>1,945,351</b>	<b>2,524,082</b>	<b>2,177,128</b>
<b>Net book value</b>	<b>810,730</b>	<b>563,490</b>	<b>1,074,436</b>	<b>655,630</b>

### 35.1 Fully-Amortised Intangible Assets

The initial cost of fully-amortised intangible assets which are still in use are as follows:

	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
As at 31 December				
Computer software	1,632,796	1,479,233	1,716,848	1,562,982
	<b>1,632,796</b>	<b>1,479,233</b>	<b>1,716,848</b>	<b>1,562,982</b>

### 36 Deferred Tax (Assets)/Liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- The initial recognition of goodwill.
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- Differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The following table shows deferred tax recorded in the Statement of Financial Position and charge/(reversal) recorded in the income tax expense (Note 17).

#### 36.1 Bank

As at 31 December	2017				2016			
	Deferred Tax Assets	Deferred Tax Liabilities	Statement of Profit or Loss	Other Comprehensive Income/Equity	Deferred Tax Assets	Deferred Tax Liabilities	Statement of Profit or Loss	Other Comprehensive Income/Equity
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Retirement benefits	-	(58,136)	(11,750)	8,400	-	(54,786)	(5,192)	(32,038)
Impairment allowance for loans and advances	-	(890,683)	-	-	-	(890,683)	-	-
Revaluation of Property, Plant and Equipment*	-	4,568,746	-	4,094,358	-	474,388	-	-
Investment in financial instruments	-	308,560	-	177,006	-	131,554	-	8,893
Other temporary differences	-	1,891,842	113,030	-	-	1,778,812	(49,373)	-
	-	<b>5,820,329</b>	<b>101,280</b>	<b>4,279,764</b>	-	<b>1,439,285</b>	<b>(54,565)</b>	<b>(23,145)</b>

#### 36.2 Group

As at 31 December	2017				2016			
	Deferred Tax Assets	Deferred Tax Liabilities	Statement of Profit or Loss	Other Comprehensive Income/Equity	Deferred Tax Assets	Deferred Tax Liabilities	Statement of Profit or Loss	Other Comprehensive Income/Equity
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Retirement benefits	(6,525)	(60,231)	(370)	(8,363)	(5,328)	(52,696)	(4,663)	(30,061)
Impairment allowance for loans and advances	-	(890,683)	-	-	-	(890,683)	-	-
Revaluation of Property, Plant and Equipment*	-	7,215,790	-	4,191,387	-	3,024,403	-	255,587
Investment in financial instruments	-	308,560	-	177,006	-	131,554	-	8,893
Other temporary differences	(2,096)	2,051,783	183,660	-	(128)	1,866,156	(94,887)	-
	<b>(8,621)</b>	<b>8,625,219</b>	<b>183,290</b>	<b>4,360,030</b>	<b>(5,456)</b>	<b>4,078,734</b>	<b>(99,550)</b>	<b>234,419</b>

\*As per the Inland Revenue Act No. 24 of 2017, which will become effective from 1 April 2018 Capital Assets/Business Assets will attract tax at applicable corporate tax rate on the gains at the time of disposal. Accordingly, deferred tax liability has been recognised at 28% on the revaluation surplus relating to freehold land and building in these Financial Statements.



## 37 Other Assets

### Pre Paid Staff Cost

Staff loans are initially recognised at fair value according to LKAS 39 – “Financial Instruments: Recognition and Measurement”. The difference between granted amount and its fair value is treated as pre paid staff cost and amortised over the loan period.

### Gold Stock in Hand

The gold inventory is valued at lower of cost or net realisable value. Cost includes all cost of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

### Employee Benefit Asset

Employee benefit asset represents net retirement benefit assets of Bank of Ceylon Pension Fund – 2014. For more details, refer Note 46.

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Consumable stock in hand	536,938	735,746	629,075	812,406
Prepaid staff cost	11,472,036	9,689,695	11,492,621	9,735,168
Cheques in transit – Local	1,233,167	1,361,061	1,233,167	1,361,061
Cheques in transit – Foreign	30,933	12,514	30,933	12,514
Tax recoverable	–	6,048	13,783	27,482
Gold bullion and coins in hand	18,316	65,576	18,316	65,576
Gold stock in hand	843,950	13,410,931	843,950	13,410,931
Net employee benefit asset [Note 46]	2,096,019	1,789,844	2,096,019	1,789,844
Other	21,586,829	19,722,974	22,607,115	20,506,719
<b>Total other assets</b>	<b>37,818,188</b>	<b>46,794,389</b>	<b>38,964,979</b>	<b>47,721,701</b>

## 38 Due to Banks

### Accounting Policy

Due to banks represents credit balances in Nostro Accounts and short-term borrowings from banks. These are initially recognised at fair value. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any transaction costs that are an integral part of the EIR. The EIR amortisation is included in “Interest expenses” (Note 8.2) in the Statement of Profit or Loss.

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Deposits from other banks	1,091,599	1,234,969	1,091,599	1,234,969
Bank overdrafts	1,111,600	807,353	1,102,667	818,976
<b>Total due to banks</b>	<b>2,203,199</b>	<b>2,042,322</b>	<b>2,194,266</b>	<b>2,053,945</b>

### 39 Securities Sold Under Repurchase Agreements

#### Accounting Policy

Securities sold under repurchase agreements at a specified future date are not derecognised from the Statement of Financial Position as the Group retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the Statement of Financial Position as an asset with a corresponding obligation to return it, including accrued interest as a liability within “Other borrowings”, reflect 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.

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
With Banks	1,547,501	1,646,744	437,672	746,096
With Customers	42,939,961	57,777,885	44,191,014	58,179,705
<b>Total securities sold under repurchase agreements</b>	<b>44,487,462</b>	<b>59,424,629</b>	<b>44,628,686</b>	<b>58,925,801</b>

### 40 Derivative Financial Instruments

#### Accounting Policy

Derivative financial instruments include contracts which are entered by the Bank that are not designated as hedging instruments in hedge relationships as per the Sri Lanka Accounting Standard – LKAS 39 – “Financial Instruments: Recognition and Measurement”.

Derivatives are recorded at fair value and carried as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in “Net gains/(losses) from trading” (Note 10) in Statement of Profit or Loss.

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Foreign Currency Derivatives</b>				
Forward exchange contracts	2,584	8,210	2,584	8,210
Currency SWAPs	68,131	163,453	68,131	163,453
<b>Total derivative financial instruments</b>	<b>70,715</b>	<b>171,663</b>	<b>70,715</b>	<b>171,663</b>

## 41 Due to Customers

### Accounting Policy

Due to customers include non-interest-bearing deposits, savings deposits, term deposits, deposits payable at call and certificate of deposits, which are initially recognised at fair value. Subsequent to initial recognition, deposits are measured at their amortised cost using the Effective Interest Rate (EIR) method, except where the Group designates liabilities at fair value through profit or loss. The EIR amortisation is included in “Interest expenses” (Note 8.2) in the Statement of Profit or Loss.

### 41.1 By Product

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Local Currency Deposits</b>				
Demand deposits	113,404,221	110,289,302	113,047,717	110,085,641
Savings deposits	352,068,521	321,546,458	352,930,501	322,247,426
Time deposits	739,171,377	509,930,350	757,236,651	525,465,049
Certificates of deposit	2,315	4,315	7,048	8,918
Other deposits	2,828,892	3,172,486	2,828,892	3,172,486
<b>Total local currency deposits</b>	<b>1,207,475,326</b>	<b>944,942,911</b>	<b>1,226,050,809</b>	<b>960,979,520</b>
<b>Foreign Currency Deposits</b>				
Demand deposits	22,344,522	33,967,358	22,893,509	34,548,616
Savings deposits	88,397,442	77,935,473	88,725,067	78,259,071
Time deposits	227,389,171	198,582,914	227,481,458	198,683,246
Other deposits	1,225,575	1,160,834	1,225,575	1,160,834
<b>Total foreign currency deposits</b>	<b>339,356,710</b>	<b>311,646,579</b>	<b>340,325,609</b>	<b>312,651,767</b>
<b>Total deposits</b>	<b>1,546,832,036</b>	<b>1,256,589,490</b>	<b>1,566,376,418</b>	<b>1,273,631,287</b>

### 41.2 By Currency

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Sri Lankan Rupee	1,207,475,326	944,942,911	1,226,050,809	960,979,520
United States Dollar	255,968,922	232,593,675	255,978,377	232,607,478
Great Britain Pound	29,361,033	27,759,556	30,313,899	28,744,868
Maldivian Rufiyaa	30,511,710	29,039,013	30,511,710	29,039,013
Seychellois Rupee	1,583,668	1,501,364	1,583,668	1,501,364
Euro	7,191,167	7,522,874	7,197,745	7,528,947
Australian Dollar	6,862,385	7,658,880	6,862,385	7,658,880
Indian Rupee	3,779,151	4,397,059	3,779,151	4,397,059
Other	4,098,674	1,174,158	4,098,674	1,174,158
<b>Total deposits</b>	<b>1,546,832,036</b>	<b>1,256,589,490</b>	<b>1,566,376,418</b>	<b>1,273,631,287</b>

Note: The maturity analysis of deposits is given in Note 56.

## 42 Other Borrowings

### Accounting Policy

Other borrowings represent Senior notes, Term borrowings from banks abroad and in Sri Lanka, Term borrowings from other financial institutions in Sri Lanka and refinance borrowings which are initially recognised at fair value. Subsequent to initial recognition, these borrowings are measured at their amortised cost, using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in “Interest expenses” (Note 8.2) in the Statement of Profit or Loss.

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Senior notes [Note 42.1]	77,253,833	151,331,226	77,253,833	151,331,226
Call borrowings from banks and other financial institutions in Sri Lanka	3,439,502	–	3,439,502	–
Term borrowings from banks abroad	64,760,742	41,523,039	68,280,063	48,290,569
Term borrowings from banks and other financial institutions in Sri Lanka	29,325,247	–	31,945,018	2,247,918
Refinance borrowings	3,411,765	2,615,588	3,411,765	2,615,588
<b>Total other borrowings</b>	<b>178,191,089</b>	<b>195,469,853</b>	<b>184,330,181</b>	<b>204,485,301</b>

### 42.1 Senior Notes

Senior notes represent two senior unsecured notes, each worth of USD 500 million which are listed in Singapore Stock Exchange. Interest paid semi-annually, based on fixed coupon rate.

As at 31 December	Issued Date	Maturity Date	Coupon Rate %	Bank		Group	
				2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Senior note 1	03.05.2012	03.05.2017	6.875	–	75,686,428	–	75,686,428
Senior note 2	16.04.2013	16.04.2018	5.325	77,253,833	75,644,798	77,253,833	75,644,798
				<b>77,253,833</b>	<b>151,331,226</b>	<b>77,253,833</b>	<b>151,331,226</b>

## 43 Debt Securities Issued

### Accounting Policy

Debt securities issued represent funds borrowed for long-term funding purposes where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. Debt securities are initially recognised at fair value. Subsequent to initial recognition these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in “Interest expenses” (Note 8.2) in the Statement of Profit or Loss.

### 43.1 Senior Debentures

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Listed Debentures</b>				
Unsecured, redeemable debentures of LKR 100 each	-	-	5,667,514	4,933,275
<b>Unlisted Debentures</b>				
Unsecured, redeemable debentures of LKR 100 each (private placement)	-	3,427,058	-	3,427,058
<b>Total debt securities issued</b>	<b>-</b>	<b>3,427,058</b>	<b>5,667,514</b>	<b>8,360,333</b>

### 43.2 Movement in Senior Debentures

	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Balance as at 1 January	3,427,058	3,427,058	8,360,333	8,703,747
Issued during the year	-	-	2,000,000	-
Redemptions	(3,427,058)	-	(4,797,781)	(336,238)
Amortisation adjustment	-	-	104,962	(7,176)
<b>Balance as at 31 December</b>	<b>-</b>	<b>3,427,058</b>	<b>5,667,514</b>	<b>8,360,333</b>

### 43.3 Senior Debentures

	Notes	Interest Payable Frequency	Issue Date	Maturity Date	Coupon Rate		Amount as at 31 December			
					2017 %	2016 %	Bank		Group	
							2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Fixed Interest Rate</b>										
Unsecured, redeemable debentures		Semi-annually	18.06.2012	17.06.2017	-	14.75	-	1,286,404	-	1,286,404
Unsecured, redeemable debentures		Annually	07.12.2012	06.12.2017	-	15.50	-	2,140,654	-	2,140,654
Unsecured, redeemable debentures	(a)	Annually	28.03.2013	27.03.2018	17.50	17.50	-	-	735,857	735,088
Unsecured, redeemable debentures	(a)	Annually	28.03.2013	27.03.2017	-	17.25	-	-	-	569,943
Unsecured, redeemable debentures	(a)	Quarterly	28.03.2013	27.03.2018	16.70	16.70	-	-	655,844	655,752
Unsecured, redeemable debentures	(a)	Monthly	28.03.2013	27.03.2018	16.50	16.50	-	-	168,793	168,786
Unsecured, redeemable debentures	(a)	Annually	17.12.2013	16.12.2017	-	14.25	-	-	-	771,044
Unsecured, redeemable debentures	(a)	Quarterly	17.12.2013	16.12.2017	-	13.50	-	-	-	18,137
Unsecured, redeemable debentures	(a)	Monthly	17.12.2013	16.12.2017	-	13.25	-	-	-	11,599
Unsecured, redeemable debentures	(a)	Annually	13.11.2014	12.11.2019	9.00	9.00	-	-	867,739	868,031
Unsecured, redeemable debentures	(a)	Annually	13.11.2014	12.11.2019	8.75	8.75	-	-	1,132,445	1,134,895
Unsecured, redeemable debentures	(a)	Annually	12.05.2017	03.05.2022	15.00	-	-	-	884,335	-
Unsecured, redeemable debentures	(a)	Semi-annually	12.05.2017	03.05.2022	14.50	-	-	-	1,221,467	-
Unsecured, redeemable debentures	(a)	Semi-annually	12.05.2017	03.05.2022	13.89	-	-	-	1,034	-
<b>Total debt securities issued</b>							<b>-</b>	<b>3,427,058</b>	<b>5,667,514</b>	<b>8,360,333</b>

Note: (a) Debentures that are listed in Colombo Stock Exchange.

## 44 Insurance Contract Liabilities

### Accounting Policy

#### Life Insurance Contract Liabilities

These liabilities are measured by using the gross premium valuation method as prescribed by the Regulation of Insurance Industry Act No. 43 of 2000. The liability is determined as the discounted value of the expected contractual cash outflows less the discounted value of the expected premiums. Valuation assumptions are derived based on the best estimate experience with a prescribed risk margin to allow for adverse deviations.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using a liability adequacy test.

#### Liability Adequacy Test (LAT)

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that it is adequate to meet future benefits and expenses.

Any deficiency is recognised in the Income Statement by setting up a provision for liability adequacy.

#### Non-Life Insurance Contract Liabilities

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

#### Liability Adequacy Test (LAT)

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income. At each reporting date the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums.

This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the Statement of Comprehensive Income by setting up a provision for liability adequacy.

### 44.1 Insurance Provision – Life

	Group	
	2017 LKR '000	2016 LKR '000
Balance as at 1 January	514,675	444,257
Increase in life fund	15,436	70,357
Fair value reserve	1,285	(16,803)
Unclaimed benefits	15,630	16,864
<b>Balance as at 31 December</b>	<b>547,026</b>	<b>514,675</b>



## 44.2 Insurance Provision – Non-Life

As at 31 December	Group	
	2017 LKR '000	2016 LKR '000
Provision for reported claims by policy holders	356,018	407,014
Provision for claims on Incurred But Not Reported (IBNR)	39,792	50,002
<b>Outstanding claims provision</b>	<b>395,810</b>	<b>457,016</b>
Provision for unearned premiums	31,819	324,018
Deferred acquisition	2,464	(5,659)
<b>Total insurance provision – Non-life</b>	<b>430,093</b>	<b>775,375</b>

## 45 Other Liabilities

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Cheques sent on clearing	272,383	886,701	272,383	886,701
Lease creditors				
Within 12 months	–	–	4,526	5,057
Later than 12 months	–	–	7,851	10,686
Dividend payable	–	–	–	58,253
Net employee benefit liabilities [Note 46]	3,146,728	5,876,927	3,488,193	6,161,273
Other	15,177,138	12,468,205	16,163,525	14,534,543
<b>Total other liabilities</b>	<b>18,596,249</b>	<b>19,231,833</b>	<b>19,936,478</b>	<b>21,656,513</b>

## 46 Employee Retirement Benefit Plans

### Accounting Policy

The Bank has the pension schemes established under an Industrial Award which are solely funded by the Bank. There is also a Widows'/Widowers' and Orphans' Pension Scheme established by the members who joined the Bank before 1 January 1996.

The assets of these three plans are held independently of the Bank's assets and administered by Boards of Trustees/Managers, representing the management and the employees, as provided in the Trust Deed/Rules of the respective funds.

These funds are subject to annual audits independent to the audit of the Bank, by a firm/s of Chartered Accountants appointed by the members and actuarial valuations are carried out as per the rules governing these funds.

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Net Employee Benefit Liabilities</b>				
Bank of Ceylon Pension Trust Fund [Note 46.1]	2,521,730	5,409,473	2,521,730	5,409,473
Provision for terminal gratuity [Note 46.3]	207,627	195,663	549,092	480,009
Provision of encashment of medical leave	417,371	271,791	417,371	271,791
<b>Total net employee benefit liabilities</b>	<b>3,146,728</b>	<b>5,876,927</b>	<b>3,488,193</b>	<b>6,161,273</b>
<b>Net Employee Benefit Assets</b>				
Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund [Note 46.2]	–	–	–	–
Bank of Ceylon Pension Fund – 2014 [Note 46.4]	2,096,019	1,789,844	2,096,019	1,789,844
<b>Total net employee benefit assets</b>	<b>2,096,019</b>	<b>1,789,844</b>	<b>2,096,019</b>	<b>1,789,844</b>

## 46.1 Bank of Ceylon Pension Trust Fund

The “Bank of Ceylon Pension Trust Fund” is a funded, non-contributory, defined retirement benefit plan, operated for the payment of pensions until death of the permanent employees who have completed a minimum of ten years of continuous service with the Bank, at their retirement on reaching the retirement age on or after 55 years or on medical grounds, before reaching retirement age. The pension is computed as a percentage of the last drawn salary excluding certain allowances.

Contributions to the Pension Trust Fund are made monthly, based on the advice of a qualified actuary, currently at 56.8% of gross salary. The Fund is valued by a qualified actuary annually. This Fund has been approved by the Government and administrated independently. The subsidiaries and associate companies of the Group do not have pension funds.

An actuarial valuation of the Pension Trust Fund as at 31 December 2017 was carried out by Messrs Actuarial & Management Consultants (Pvt) Limited.

The valuation has been done using the “Projected Unit Credit Method”, which is recommended in the Sri Lanka Accounting Standard – LKAS 19 – “Employee Benefits”. The benefit is available to all permanent employees who have joined the Bank prior to 1 January 1996. The results of the actuarial valuation of the Pension Trust Fund is summarised as follows:

### 46.1.1 Net Benefit Expense (Recognised Under Personnel Expenses)

For the year ended 31 December	Bank/Group	
	2017 LKR '000	2016 LKR '000
Current service cost	314,507	377,255
Net interest expenses	622,089	242,733
<b>Net benefit expense</b>	<b>936,596</b>	<b>619,988</b>

### 46.1.2 Amount Recognised in Other Comprehensive Income

For the year ended 31 December	Bank/Group	
	2017 LKR '000	2016 LKR '000
Actuarial losses on the defined benefit obligation	(3,777,610)	(3,006,581)
Actuarial gains/(losses) on plan assets	6,793,826	(384,886)
<b>Net actuarial gains/(losses) recognised in other comprehensive income</b>	<b>3,016,216</b>	<b>(3,391,467)</b>

### 46.1.3 Retirement Benefit Liability

As at 31 December	Bank/Group	
	2017 LKR '000	2016 LKR '000
Fair value of plan assets [Note 46.1.4]	62,827,692	55,033,729
Defined benefit obligation [Note 46.1.5]	65,349,422	60,443,202
<b>Net retirement benefit liability</b>	<b>2,521,730</b>	<b>5,409,473</b>

### 46.1.4 Changes in Fair Value of Plan Assets

	Bank/Group	
	2017 LKR '000	2016 LKR '000
Opening fair value of plan assets	55,033,729	54,595,690
Expected return	6,328,879	5,459,570
Contribution by employer	808,121	1,029,318
Benefits paid	(6,136,863)	(5,665,963)
Actuarial gains/(losses)	6,793,826	(384,886)
<b>Closing fair value of plan assets</b>	<b>62,827,692</b>	<b>55,033,729</b>

#### 46.1.5 Changes in the Present Value of the Defined Benefit Obligation

	Bank/Group	
	2017 LKR '000	2016 LKR '000
Opening defined benefit obligation	60,443,202	57,023,026
Interest cost	6,950,968	5,702,303
Current service cost	314,507	377,255
Benefits paid	(6,136,865)	(5,665,963)
Losses due to change in assumptions	2,303,936	(6,522,289)
Actuarial losses on obligation	1,473,674	9,528,870
<b>Closing defined benefit obligation</b>	<b>65,349,422</b>	<b>60,443,202</b>

The present value of the Defined Benefit Obligation as of the valuation date with respect to active employees and pensioners are LKR 10,035.4 million and LKR 55,314.1 million respectively.

#### 46.1.6 Plan Assets Consist of the Following

As at 31 December	Bank/Group	
	2017 LKR '000	2016 LKR '000
Fixed deposits	23,975,252	15,407,000
Treasury Bonds	6,920,120	9,486,293
Debentures	21,225,141	17,883,209
Investment in shares	6,827,937	4,973,588
Government bonds	2,805,519	3,000,000
Others	1,073,723	4,283,639
<b>Total plan assets</b>	<b>62,827,692</b>	<b>55,033,729</b>

#### 46.1.7 Actuarial Assumptions

	Bank/Group	
	2017 %	2016 %
Future salary increment rate	6.5 p.a	6.5 p.a
Increase in future Cost of Living Allowance (COLA)	5.5 p.a	5.5 p.a
Increase in pension in payment (basic)	Nil	Nil
Discount rate	11.0 p.a	11.5 p.a
Attrition rate	Nil	Nil

The Bank uses IALM (2006-2008) Ultimate Mortality Table issued by the Institute of Actuaries of India.

Increase/decrease in the following assumptions will change the present value of defined benefit obligation as illustrated below:

	Bank/Group	
	0.5% increase LKR '000	0.5% decrease LKR '000
Discount rate	63,032,263	67,827,573
Salary increment	65,422,821	65,277,301
Cost of Living Allowance	66,829,004	63,959,483

Further, the remaining years of benefit payments are expected to be 8.1 years.

The following payments are expected from the Pension Trust Fund in future years.

As at 31 December	Bank/Group	
	2017 LKR '000	2016 LKR '000
Within the next 12 months	6,441,698	5,976,289
Between 1 and 5 years	25,057,110	23,344,228
Between 5 and 10 years	15,732,887	14,467,992
Beyond 10 years	18,117,727	16,654,693
<b>Total expected payments</b>	<b>65,349,422</b>	<b>60,443,202</b>

## 46.2 Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund

The Bank is liable for and guarantees the payments to the beneficiaries of the "Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund" to which the Bank's employees monthly contribute 8% of their gross salary. The Bank's liability towards the beneficiaries of the employees arises when an employee who has contributed to the fund for five continuous years dies while in service or on the death of a pensioner where the Bank will be liable to pay Widows' and Orphans' Pension to his/her beneficiaries monthly. The pension to the beneficiaries of an employee who dies while in service is based on the last drawn salary excluding certain allowances.

An actuarial valuation of the Widows'/Widowers' and Orphans' Pension Fund as at 31 December 2017 was carried out by Messrs Actuarial & Management Consultants (Pvt) Limited. Funding would be done in consultation with the Actuary, trustees and beneficiaries.

This fund has been approved by the Government and administered independently.

The valuation has been done using the "Projected Unit Credit Method", which is recommended in the Sri Lanka Accounting Standard – LKAS 19 – "Employee Benefits". The results of the actuarial valuation of the Widows'/Widowers' and Orphans' Pension Fund is summarised as follows:

### 46.2.1 Net Benefit Expense (Recognised Under Personnel Expenses)

For the year ended 31 December	Bank/Group	
	2017 LKR '000	2016 LKR '000
Current service cost	34,952	36,139
Net interest income	(865,261)	(405,562)
<b>Net benefit expense</b>	<b>(830,309)</b>	<b>(369,423)</b>

### 46.2.2 Amount Recognised in Other Comprehensive Income

For the year ended 31 December	Bank/Group	
	2017 LKR '000	2016 LKR '000
Actuarial gains/(losses) on the defined benefit obligation	(1,215,098)	2,477,376
Actuarial gains/(losses) on plan assets	1,214,884	44,247
<b>Actuarial gains/(losses) on actuarial valuation</b>	<b>(214)</b>	<b>2,521,623</b>
Derecognition of plan asset	214	(2,521,623)
<b>Net actuarial gains/(losses) recognised in other comprehensive income</b>	<b>-</b>	<b>-</b>

### 46.2.3 Retirement Benefit Assets

As at 31 December	Bank/Group	
	2017 LKR '000	2016 LKR '000
Fair value of plan assets (Note 46.2.4)	22,692,572	19,471,795
Defined benefit obligation (Note 46.2.5)	(13,789,177)	(11,947,782)
<b>Retirement benefit assets*</b>	<b>8,903,395</b>	<b>7,524,013</b>

\*The Bank does not have direct control over the above Fund as it is administered separately with specific rules and regulations of the Fund. Therefore, the above surplus has not been recognised in the Financial Statements as the existing arrangements prevent the recognition of assets.

### 46.2.4 Changes in Fair Value of Plan Assets

	Bank/Group	
	2017 LKR '000	2016 LKR '000
Opening fair value of plan assets	19,471,795	17,823,591
Expected return	2,239,256	1,782,359
Contribution paid into plan	93,287	121,356
Actual employer contribution	456,000	456,000
Benefits paid	(782,650)	(755,758)
Actuarial gains/(losses) on plan asset	1,214,884	44,247
<b>Closing fair value of plan assets</b>	<b>22,692,572</b>	<b>19,471,795</b>

### 46.2.5 Changes in the Present Value of the Defined Benefit Obligation

	Bank/Group	
	2017 LKR '000	2016 LKR '000
Opening defined benefit obligation	11,947,782	13,767,980
Interest cost	1,373,995	1,376,798
Current service cost	34,952	36,139
Benefits paid	(782,650)	(755,758)
Actuarial (gains)/losses on obligation	492,833	(239,511)
Gain due to change in assumptions	722,265	(2,237,866)
<b>Closing defined benefit obligation</b>	<b>13,789,177</b>	<b>11,947,782</b>

The present value of the Defined Benefit Obligation as of the valuation date with respect to active employees, pensioners, and family pensioners who are receiving benefits are LKR 1,083.3 million, LKR 4,558.8 million and LKR 8,147.1 million respectively.

### 46.2.6 Plan Assets Consist of the Following

As at 31 December	Bank/Group	
	2017 LKR '000	2016 LKR '000
Fixed deposits	18,859,654	9,279,000
Treasury Bonds	1,766,231	3,729,092
Debentures	2,032,273	5,455,511
Others	34,414	1,008,192
<b>Total plan assets</b>	<b>22,692,572</b>	<b>19,471,795</b>

### 46.2.7 Actuarial Assumptions

	Bank/Group	
	2017 %	2016 %
Future salary increment rate	6.5 p.a	6.5 p.a
Increase in future Cost of Living Allowance (COLA)	5.5 p.a	5.5 p.a
Increase in Widows'/Widowers' and Orphans' pension in payment (Basic)	Nil	Nil
Discounting rate	11.0 p.a	11.5 p.a
Attrition rate	Nil	Nil

The Bank uses IALM (2006-2008) Ultimate Mortality Table issued by the Institute of Actuaries of India.

Increase/decrease in the following assumptions will have an impact on the present value of defined benefit obligation as illustrated below:

	Bank/Group	
	0.5% Increase LKR '000	0.5% Decrease LKR '000
Discount rate	13,063,041	14,586,647
Salary increment	13,792,580	13,785,832
Cost of Living Allowance	14,363,690	13,258,317

Further, the remaining years of benefit payments are expected to be 12.2 years.

The following payments are expected from the fund in future years.

	Bank/Group	
	2017 LKR '000	2016 LKR '000
As at 31 December		
Within the next 12 months	812,415	721,485
Between 1 and 5 years	3,630,427	3,178,975
Between 6 and 10 years	2,955,764	2,540,208
Beyond 10 years	6,390,571	5,507,114
<b>Total expected payments</b>	<b>13,789,177</b>	<b>11,947,782</b>

### 46.3 Provision for Terminal Gratuity

In compliance with the Payment of Gratuity Act No. 12 of 1983 provision is made in the accounts from the first year of service for gratuity payable to employees who has not completed ten years of service as they are not in pensionable service of the Bank. Provision has not been made in the Financial Statements for retirement gratuity for the employees who are eligible for the retirement benefits under the pension schemes in force. However, employees whose services are terminated after five years other than by retirement are eligible to receive a terminal gratuity under the Payment of Gratuity Act No. 12 of 1983, at the rate of one half of the basic or consolidated wage or salary, cost of living and all other allowances applicable to the last month of the financial year, for each year of continuous service.

In terms of LKAS 19 – “Employee Benefits”, the Bank and its subsidiaries have calculated the post employment benefit obligations, based on the actuarial valuation method recommended in the standard. The gratuity liabilities are not externally funded.

An actuarial valuation of the Gratuity Fund as at 31 December 2017 was carried out by Messrs Actuarial & Management Consultants (Pvt) Limited.



The valuation has been done using the “Projected Unit Credit Method”, which is recommended in the Sri Lanka Accounting Standard – LKAS 19 – “Employee Benefits”.

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Balance as at 1 January	195,663	62,700	480,009	372,079
Provision charge/(reversal) during the year	41,964	23,263	101,498	77,425
Actuarial (gain)/losses	25,678	114,419	48,924	73,076
Payment made during the year	(55,678)	(4,719)	(77,653)	(46,134)
Adjustment/transfers	–	–	(3,686)	3,563
<b>Balance as at 31 December</b>	<b>207,627</b>	<b>195,663</b>	<b>549,092</b>	<b>480,009</b>

The principal actuarial assumptions used in the valuation were as follows:

	Bank/Group	
	2017 %	2016 %
Future salary increment rate	6.5 p.a	6.5 p.a
Increase in future Cost of Living Allowance (COLA)	5.5 p.a	5.5 p.a
Discount rate	11.5 p.a	12.0 p.a

The Bank uses IALM (2006-2008) Ultimate Mortality Table issued by the Institute of Actuaries of India. Further, the remaining year of benefit payments are expected to be 9.3 years.

Increase/decrease in the following assumptions will change the present value of defined benefit obligation as illustrated below:

	Bank		Group	
	0.5% Increase LKR '000	0.5% Decrease LKR '000	0.5% Increase LKR '000	0.5% Decrease LKR '000
Discount rate	199,275	216,646	527,004	572,944
Salary increment	213,674	201,992	565,084	534,189

#### 46.4 Bank of Ceylon Pension Fund – 2014

Under the directions of the Ministry of Finance and Planning, this pension scheme was approved by the Board of Directors of the Bank with effect from 16 December 2014 for the employees recruited to the Bank on or after 1 January 1996. Minimum period of 120 months uninterrupted active service in the Bank at the time of retirement is required to be eligible for any retirement benefit under this pension scheme. Further, the beneficiaries under this pension scheme will not be entitled for rights and privileges under the current service gratuity scheme of the Bank except death gratuity payment. Contribution to this pension scheme is made monthly, based on the advice of a qualified actuary, currently at 12% of gross salary. The liability under this pension scheme has been valued by a qualified Actuary at the year-end.

An actuarial valuation of this fund as at 31 December 2017 was carried out by Messrs Actuarial & Management Consultants (Pvt) Limited.

The valuation has been done using the “Projected Unit Credit Method”, which is recommended in the Sri Lanka Accounting Standard – LKAS 19 – “Employee Benefits”. The results of the actuarial valuation of this Pension Fund is summarised as follows:

#### 46.4.1 Net Benefit Expense (Recognised Under Personnel Expenses)

For the year ended 31 December	Bank/Group	
	2017 LKR '000	2016 LKR '000
Current service cost	352,548	269,350
Net interest (income)/expenses	(214,781)	430,439
<b>Net benefit expense</b>	<b>137,767</b>	<b>699,789</b>

#### 46.4.2 Amount Recognised in Other Comprehensive Income

For the year ended 31 December	Bank/Group	
	2017 LKR '000	2016 LKR '000
Actuarial gains/(losses) on the defined benefit obligation	(278,904)	1,716,311
Actuarial gains/(losses) on plan assets	78,295	167,671
<b>Net actuarial gains/(losses) recognised in other comprehensive income</b>	<b>(200,609)</b>	<b>1,883,982</b>

#### 46.4.3 Retirement Benefit Assets

As at 31 December	Bank/Group	
	2017 LKR '000	2016 LKR '000
Fair value of plan assets (Note 46.4.4)	5,429,485	4,203,634
Defined benefit obligation (Note 46.4.5)	(3,333,466)	(2,413,790)
<b>Net retirement benefit assets</b>	<b>2,096,019</b>	<b>1,789,844</b>

#### 46.4.4 Changes in Fair Value of Plan Assets

	Bank/Group	
	2017 LKR '000	2016 LKR '000
Opening fair value of plan assets	4,203,634	–
Expected return	504,436	–
Actual employer contribution	644,551	4,037,415
Benefits paid	(1,431)	(1,452)
Actuarial gains/(losses) on plan asset	78,295	167,671
<b>Closing fair value of plan assets</b>	<b>5,429,485</b>	<b>4,203,634</b>

#### 46.4.5 Changes in the Present Value of the Defined Benefit Obligation

	Bank/Group	
	2017 LKR '000	2016 LKR '000
Opening defined benefit obligation	2,413,790	3,431,764
Interest cost	289,655	430,439
Current service cost	352,548	269,350
Benefits paid	(1,431)	(1,452)
Actuarial (gains)/losses on obligation	(78,125)	(783,622)
(Gains)/Losses due to change in assumptions	357,029	(932,689)
<b>Closing defined benefit obligation</b>	<b>3,333,466</b>	<b>2,413,790</b>

#### 46.4.6 Plan Assets Consist of the Following

As at 31 December	Bank/Group	
	2017 LKR '000	2016 LKR '000
Fixed deposits	2,872,880	2,770,000
Debentures	2,555,352	1,386,100
Others	1,253	47,534
<b>Total plan assets</b>	<b>5,429,485</b>	<b>4,203,634</b>

#### 46.4.7 Actuarial Assumptions

	Bank/Group	
	2017 %	2016 %
Future salary increment rate	6.5 p.a	6.5 p.a
Increase in future Cost of Living Allowance (COLA)	5.5 p.a	5.5 p.a
Increase in pension in payment (Basic)	Nil	Nil
Discounting rate	11.5 p.a	12.0 p.a
Attrition rate	Nil	Nil

The Bank uses IALM (2006-2008) Ultimate Mortality Table issued by the Institute of Actuaries of India.

Increase/decrease in the following assumptions will have an impact on the present value of defined benefit obligation as illustrated below:

	Bank/Group	
	0.5% Increase LKR '000	0.5% Decrease LKR '000
Discount rate	2,945,145	3,785,175
Salary increment	3,520,953	3,163,254
Cost of living allowance	3,444,893	3,229,994

Further, the remaining years of benefit payments are expected to be 28 years.

The following payments are expected from the Pension Fund in future years.

As at 31 December	Bank/Group	
	2017 LKR '000	2016 LKR '000
Within the next 12 months	3,132	953
Between 1 and 5 years	49,944	31,520
Between 6 and 10 years	162,867	110,870
Beyond 10 years	3,117,523	2,270,447
<b>Total expected payments</b>	<b>3,333,466</b>	<b>2,413,790</b>

## 47 Subordinated Term Debts

### Accounting Policy

Subordinated term debts include funds borrowed for long-term funding purposes which are subordinated to other claims. These are initially recognised at fair value. Subsequent to initial recognition subordinated term debts are measured at their amortised cost, using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in “Interest expenses” (Note 8.2) in the Statement of Profit or Loss.

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Listed Debentures</b>				
Unsecured, subordinated, redeemable debentures of LKR 100 each	32,563,940	38,645,546	32,219,550	38,295,318
<b>Unlisted Debentures</b>				
Unsecured, subordinated, redeemable debentures of LKR 100 each (private placement)	10,006,517	–	10,006,517	–
<b>Total subordinated term debts</b>	<b>42,570,457</b>	<b>38,645,546</b>	<b>42,226,067</b>	<b>38,295,318</b>

### 47.1 The Movement in Subordinated Term Debts

	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Balance as at 1 January	38,645,546	35,627,450	38,295,318	35,290,007
Issued during the year	10,000,000	8,000,000	10,000,000	7,990,000
Redemptions	(6,074,665)	(5,032,015)	(6,069,600)	(5,032,015)
Amortisation adjustment	(424)	50,111	349	47,326
<b>Balance as at 31 December</b>	<b>42,570,457</b>	<b>38,645,546</b>	<b>42,226,067</b>	<b>38,295,318</b>

### 47.2 Types of Debentures

	Notes	Interest Payable Frequency	Issue Date	Maturity Date	Coupon Rate		Amount as at 31 December			
					2017 %	2016 %	Bank		Group	
							2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Fixed Interest Rate</b>										
Unsecured, subordinated, redeemable debentures		Annually	30.11.2012	29.11.2017	–	16.00	–	6,034,052	–	6,028,987
Unsecured, subordinated, redeemable debentures		Semi-annually	30.11.2012	29.11.2017	–	15.25	–	40,189	–	40,189
Unsecured, subordinated, redeemable debentures		Annually	25.10.2013	24.10.2018	13.00	13.00	3,869,827	3,869,827	3,869,827	3,869,827
Unsecured, subordinated, redeemable debentures		Semi-annually	25.10.2013	24.10.2018	12.60	12.60	220,369	220,369	220,369	220,369
Unsecured, subordinated, redeemable debentures		Annually	25.10.2013	24.10.2021	13.25	13.25	1,226,594	1,226,594	1,226,594	1,226,594
Unsecured, subordinated, redeemable debentures		Annually	25.10.2013	24.10.2022	13.25	13.25	1,227,617	1,227,617	1,227,617	1,227,617
Unsecured, subordinated, redeemable debentures		Annually	25.10.2013	24.10.2023	13.75	13.75	1,638,142	1,638,142	1,638,142	1,638,142
Unsecured, subordinated, redeemable debentures		Annually	22.09.2014	21.09.2019	8.00	8.00	5,234,969	5,234,969	5,234,969	5,234,969
Unsecured, subordinated, redeemable debentures		Quarterly	22.09.2014	21.09.2019	7.75	7.75	216,182	216,182	216,182	216,182
Unsecured, subordinated, redeemable debentures		Annually	22.09.2014	21.09.2022	8.25	8.25	1,873,793	1,873,793	1,873,793	1,873,793

	Notes	Interest Payable Frequency	Issue Date	Maturity Date	Coupon Rate		Amount as at 31 December			
					2017 %	2016 %	Bank		Group	
							2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Unsecured, subordinated, redeemable debentures		Annually	06.10.2015	05.10.2020	8.25	8.25	293,991	293,991	293,991	293,991
Unsecured, subordinated, redeemable debentures		Quarterly	06.10.2015	05.10.2020	8.00	8.00	12,449	12,449	12,449	12,449
Unsecured, subordinated, redeemable debentures		Annually	06.10.2015	05.10.2023	9.50	9.50	1,205,580	1,205,580	1,205,580	1,205,580
Unsecured, subordinated, redeemable debentures		Annually	29.12.2016	28.12.2021	13.25	13.25	8,003,631	8,003,631	7,993,622	7,993,622
Unsecured, subordinated, redeemable debentures		Annually	29.12.2016	28.12.2024	12.75	12.75	784	784	784	784
Unsecured, subordinated, redeemable debentures		Annually	29.12.2017	28.12.2022	12.50	-	5,003,228	-	5,003,228	-
Unsecured, subordinated, redeemable debentures		Annually	29.12.2017	28.12.2025	12.75	-	5,003,289	-	5,003,289	-
<b>Total fixed interest rate subordinated debentures</b>							<b>35,030,445</b>	<b>31,098,169</b>	<b>35,020,436</b>	<b>31,083,095</b>
<b>Floating Interest Rate</b>										
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 125 basis points]	(a)	Semi-annually	30.11.2012	29.11.2017	-	12.04	-	424	-	424
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 100 basis points]	(a)	Semi-annually	25.10.2013	24.10.2018	11.13	11.51	204	204	204	204
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 100 basis points]	(a)	Semi-annually	25.10.2013	24.10.2021	11.13	11.51	1,020	1,021	1,020	1,021
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 50 basis points]	(a)	Semi-annually	22.09.2014	21.09.2019	10.43	11.29	848,392	850,292	514,011	515,138
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 50 basis points]	(a)	Semi-annually	22.09.2014	21.09.2022	10.43	11.29	31	31	31	31
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 125 basis points]	(a)	Semi-annually	06.10.2015	05.10.2020	11.34	11.68	4,595,440	4,598,903	4,595,440	4,598,903
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 125 basis points]	(a)	Semi-annually	06.10.2015	05.10.2023	11.34	11.68	2,093,885	2,095,461	2,093,885	2,095,461
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 125 basis points]	(a)	Semi-annually	29.12.2016	28.12.2021	10.47	11.95	1,020	1,021	1,020	1,021
Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 125 basis points]	(a)	Semi-annually	29.12.2016	28.12.2024	10.47	11.95	20	20	20	20
<b>Total floating interest rate subordinated debentures</b>							<b>7,540,012</b>	<b>7,547,377</b>	<b>7,205,631</b>	<b>7,212,223</b>
<b>Total subordinated debentures</b>							<b>42,570,457</b>	<b>38,645,546</b>	<b>42,226,067</b>	<b>38,295,318</b>

Notes: Debentures that are listed in the Colombo Stock Exchange. Some of these have been traded in the Colombo Stock Exchange during the year.

2013/2023 – (Highest price – LKR 101.50, Lowest price – LKR 100.82, Last transaction price – LKR 101.50)

2015/2020 – (Highest price – LKR 98.00, Lowest price – LKR 94.00, Last transaction price – LKR 94.00)

(a) Weighted average six months Treasury Bill interest rate before deducting 10% withholding tax at the primary quotations as announced by the Central Bank of Sri Lanka, at the preceding week of the interest resetting date.

## 48 Share Capital

### 48.1 Ordinary Shares

	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Authorised</b>				
50,000,000 ordinary shares	50,000,000	50,000,000	50,000,000	50,000,000
<b>Issued and Fully Paid</b>				
Balance as at 1 January (10,000,000 ordinary shares)	10,000,000	10,000,000	10,000,000	10,000,000
Share issued during the year (5,000,000 ordinary shares)	5,000,000	–	5,000,000	–
Balance as at 31 December (15,000,000 ordinary shares)	15,000,000	10,000,000	15,000,000	10,000,000
<b>Assigned Capital*</b>				
Capital infusion during the year	5,000,000	5,000,000	5,000,000	5,000,000
<b>Balance as at 31 December</b>	<b>20,000,000</b>	<b>15,000,000</b>	<b>20,000,000</b>	<b>15,000,000</b>

*\*Assigned capital*

During the year 2017, the Bank issued five million ordinary shares at LKR 1,000 each to the Government of Sri Lanka and transferred LKR 5,000 million prevailed under assigned capital at the end of 2016. Further, the Bank received LKR 5,000 million from the Government of Sri Lanka, the first phase of the total amount of LKR 10,000 million allocated to the Bank under the National Budget 2018. This amount has been reported under capital pending allotment as of 31 December 2017. The Bank is making arrangement to issue five million ordinary shares at LKR 1,000 each to the Government of Sri Lanka and thereby will transfer the assigned capital to issued and fully paid share capital during the year 2018.

### 48.2 Net Assets Value Per Share

As at 31 December	Bank		Group	
	2017	2016	2017	2016
<b>Amount Used as the Numerator</b>				
Total equity attributable to equity holder of the Bank (LKR '000)	111,155,075	92,849,595	121,399,125	102,475,291
<b>Number of Ordinary Shares Used as Denominator</b>				
Total number of ordinary shares issued	15,000,000	10,000,000	15,000,000	10,000,000
<b>Net asset value per share (LKR)</b>	<b>7,410.34</b>	<b>9,284.96</b>	<b>8,093.28</b>	<b>10,247.53</b>

## 49 Permanent Reserve Fund

	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Balance as at 1 January	7,996,000	5,209,955	7,996,000	5,209,955
Transfers during the year	2,431,000	2,786,045	2,431,000	2,786,045
<b>Balance as at 31 December</b>	<b>10,427,000</b>	<b>7,996,000</b>	<b>10,427,000</b>	<b>7,996,000</b>

The permanent reserve fund is maintained as required by Bank of Ceylon Ordinance (Chapter 397) whereby the Bank must, out of net profit after taxation, but before any dividend is declared, transfer to a reserve, a sum equivalent to not less than 20% of such profit, until the reserve is equivalent to 50% of the issued and paid-up capital and thereafter, an appropriate amount determined at 2% per annum in terms of Section 20 (1) and (2) of the Banking Act No. 30 of 1988 until the reserve is equal to the paid-up capital.

In order to meet the requirement, an amount of LKR 2,431.0 million was transferred to the permanent reserve during the year 2017. (2016: LKR 2,786.0 million).

The balance in the permanent reserve fund will be used only for the purposes specified in the Section 20 (2) of the Banking Act No. 30 of 1988.



## 50 Other Reserves

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Revaluation reserve [Note 50.1]	11,966,489	10,002,294	18,681,265	16,494,059
Free reserve [Note 50.2]	169,067	169,067	366,644	366,644
Exchange translation reserve [Note 50.3]	1,401,743	1,040,368	1,703,785	1,060,420
Available for sale reserve [Note 50.4]	3,718,526	4,487,181	4,760,616	5,562,266
Statutory reserve [Note 50.5]	-	-	358,944	336,899
<b>Total other reserves</b>	<b>17,255,825</b>	<b>15,698,910</b>	<b>25,871,254</b>	<b>23,820,288</b>

### 50.1 Revaluation Reserve

	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Balance as at 1 January	10,002,294	8,607,654	16,494,059	14,469,008
Change in revaluation surplus/(deficit)	6,059,715	1,394,640	6,406,248	2,307,452
Deferred tax effect on above	(4,094,358)	-	(4,191,387)	(255,587)
Revaluation surplus of disposed property	(1,162)	-	(1,162)	-
Transferred to non-controlling interest	-	-	(26,493)	(26,814)
<b>Balance as at 31 December</b>	<b>11,966,489</b>	<b>10,002,294</b>	<b>18,681,265</b>	<b>16,494,059</b>

The revaluation reserve represents the surpluses arising on the revaluation of freehold properties which are still in use.

According to the Basel III regulatory directives, issued by Central Bank of Sri Lanka, the Bank can consider the revaluation surplus as supplementary capital in computing capital adequacy ratio, once in every three years.

### 50.2 Free Reserve

	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Balance as at 1 January	169,067	169,067	366,644	366,644
<b>Balance as at 31 December</b>	<b>169,067</b>	<b>169,067</b>	<b>366,644</b>	<b>366,644</b>

Free reserve has been created for unforeseeable risks and future losses.

### 50.3 Exchange Translation Reserve

	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Balance as at 1 January	1,040,368	874,575	1,060,420	1,288,487
Exchange gains/(losses) arising from translating the Financial Statement of foreign operations	361,375	165,793	643,365	(228,067)
<b>Balance as at 31 December</b>	<b>1,401,743</b>	<b>1,040,368</b>	<b>1,703,785</b>	<b>1,060,420</b>

This represents the exchange differences arising from translating investments made in the capital and net exchange movement arising on the translation of net equity of Bank of Ceylon (UK) Limited and foreign branches and also exchange differences arising from translation of the results of foreign branches for this year from the average rate to the exchange rate ruling at the year end.

## 50.4 Available for Sale Reserve

	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Balance as at 1 January	4,487,181	5,537,359	5,562,266	6,539,515
Gains/(Losses) on remeasuring available for sale financial investments	(595,034)	(1,025,760)	(619,591)	(957,182)
Deferred tax effect on above	(177,006)	(8,893)	(177,006)	(8,893)
Realised gains/(losses) on available for sale financial investments transferred to profit or loss	3,385	(15,525)	3,385	(15,525)
Transferred to non-controlling interest	-	-	(8,438)	4,351
<b>Balance as at 31 December</b>	<b>3,718,526</b>	<b>4,487,181</b>	<b>4,760,616</b>	<b>5,562,266</b>

## 50.5 Statutory Reserve

	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Balance as at 1 January	-	-	336,899	301,669
Transfers during the year	-	-	22,045	35,230
<b>Balance as at 31 December</b>	<b>-</b>	<b>-</b>	<b>358,944</b>	<b>336,899</b>

Statutory reserve 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.

## 51 Non-Controlling Interest

As at 31 December	Group	
	2017 LKR '000	2016 LKR '000
Property Development PLC	166,381	159,105
Merchant Bank of Sri Lanka & Finance PLC	722,238	660,677
MBSL Insurance Company Limited	12,788	34,318
Hotels Colombo (1963) Limited	19	22
Koladeniya Hydropower (Private) Limited	25,949	25,323
<b>Total non-controlling interest</b>	<b>927,375</b>	<b>879,445</b>

## 52 Notes to the Statement of Cash Flows

### 52.1 Change in Operating Assets

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Change in deposits with regulatory authorities	(12,301,271)	(17,447,951)	(12,301,271)	(17,447,951)
Loans and advances to customers	(167,274,301)	(177,678,392)	(171,623,297)	(180,373,019)
Net decrease in financial instruments – Held for trading	1,091,495	3,545,462	1,184,827	3,583,801
Net (increase)/decrease in securities purchased under resale agreements	(12,946,763)	26,698,388	(9,909,540)	26,752,059
Net decrease in derivative financial instruments	3,682,021	2,118,444	3,682,021	2,118,444
Change in other operating assets	11,125,803	2,096,611	11,492,994	1,407,765
<b>Total</b>	<b>(176,623,016)</b>	<b>(160,667,438)</b>	<b>(177,474,266)</b>	<b>(163,958,901)</b>

## 52.2 Change in Operating Liabilities

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Net decrease in deposits from banks	(143,370)	(8,211)	(143,370)	(8,211)
Net increase in deposits from customers	279,690,784	169,076,395	282,519,404	170,504,609
Net decrease in securities sold under repurchase agreements	(14,937,167)	(27,928,525)	(14,297,115)	(27,288,164)
Net increase/(decrease) in short-term borrowings	32,824,007	(12,257,447)	33,195,860	(12,388,503)
Net increase/(decrease) in derivative financial instruments	(100,948)	15,361	(100,948)	15,361
Change in other operating liabilities	6,829,664	2,514,223	5,155,514	4,060,248
<b>Total</b>	<b>304,162,970</b>	<b>131,411,796</b>	<b>306,329,345</b>	<b>134,895,340</b>

## 52.3 Other Non-Cash Items Included in Profit Before Tax

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Exchange revaluation	(701,621)	(1,069,579)	(701,621)	(1,069,579)
Contribution paid to defined benefit plans	281,914	929,084	340,747	1,034,752
Loan impairment charges	9,340,658	4,396,761	9,884,889	4,421,000
Depreciation of investment property	117,072	–	2,906	2,961
Depreciation of Property, Plant and Equipment	1,523,783	1,263,914	2,197,108	1,758,040
Amortisation of intangible assets and leasehold properties	284,148	189,282	342,466	238,902
Accrual for expenses and other non-cash items	26,333	(1,877,363)	36,343	(1,495,233)
<b>Total</b>	<b>10,872,287</b>	<b>3,832,099</b>	<b>12,102,838</b>	<b>4,890,843</b>

## 53 Contingent Liabilities and Commitments

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 – “Provisions, Contingent Liabilities and Contingent Assets”.

In the normal course of business, the Bank undertakes commitments and incurs contingent liabilities with legal recourse to its customers to accommodate the financial and investment needs of clients, to conduct trading activities and to manage its own exposure to risk. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. Operating lease commitments of the Bank (as a lessor and as a lessee) and pending legal claims against the Bank also form part of commitments of the Bank.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. These financial instruments generate interest or fees and carries elements of credit risk in excess of those amounts recognised as assets and liabilities in the Statement of Financial Position. However no material losses are anticipated as a result of these transactions.

These commitments and contingencies are quantified below:

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Contingent liabilities [Note 53.1]	323,104,305	386,661,049	324,229,150	387,580,301
Undrawn and undisbursed facilities [Note 53.2]	170,849,311	149,416,786	170,849,328	149,416,786
Capital commitments [Note 53.3]	11,184,205	8,603,409	11,187,521	8,603,409
Lease commitments [Note 53.4]	2,121,000	2,717,381	2,133,377	2,733,124
<b>Total contingent liabilities and commitments</b>	<b>507,258,821</b>	<b>547,398,625</b>	<b>508,399,376</b>	<b>548,333,620</b>

### 53.1 Contingent Liabilities

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Acceptances and documentary credit	147,887,385	133,108,741	147,963,606	133,763,857
Bills for collection	6,812,882	4,924,009	6,812,882	4,924,009
Forward exchange contracts	39,125,183	78,538,947	39,125,183	78,538,947
Guarantees	83,593,855	88,636,554	83,794,517	88,975,690
Other commitments [Note 53.1.1]	45,685,000	81,452,798	46,532,962	81,377,798
<b>Total contingent liabilities</b>	<b>323,104,305</b>	<b>386,661,049</b>	<b>324,229,150</b>	<b>387,580,301</b>

#### 53.1.1 Other Commitments

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Purchase commitment of securities for secondary market	-	-	-	-
Purchase commitment of securities for primary market	-	2,075,000	-	2,075,000
Sale commitment of securities for primary market	-	75,000	-	-
Forward exchange sales with financial institutions	81,500	65,298	81,500	65,298
Currency swaps	45,603,500	79,237,500	45,603,500	79,237,500
Other commitments	-	-	847,962	-
<b>Total other commitments</b>	<b>45,685,000</b>	<b>81,452,798</b>	<b>46,532,962</b>	<b>81,377,798</b>

### 53.2 Undrawn and Undisbursed Facilities

The unutilised value of irrevocable commitments, which cannot be withdrawn at the discretion of the Bank, without risk of incurring significant penalties or expenses are as follows:

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Undisbursed amount of loans	31,942,266	33,906,107	31,942,266	33,906,107
Undrawn limits of overdrafts	78,612,709	75,505,676	78,612,719	75,505,676
Undrawn limits of credit cards	7,964,314	7,344,133	7,964,314	7,344,133
Undrawn limits of letters of credit	31,618,687	18,213,723	31,618,694	18,213,723
Undrawn limits of letters of guarantee	20,711,335	14,447,147	20,711,335	14,447,147
<b>Total undrawn and undisbursed facilities</b>	<b>170,849,311</b>	<b>149,416,786</b>	<b>170,849,328</b>	<b>149,416,786</b>

## 53.3 Capital Commitments

Capital expenditure approved by the Directors, for which, no provision has been made in the Financial Statements, amounts to:

### 53.3.1 Capital Commitments in Relation to Property, Plant and Equipment

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Approved and contracted for	2,431,828	1,170,440	2,433,822	1,170,440
Approved but not contracted for	3,914,797	5,565,334	3,914,797	5,565,334
<b>Total capital commitments in relation to Property, Plant and Equipment</b>	<b>6,346,625</b>	<b>6,735,774</b>	<b>6,348,619</b>	<b>6,735,774</b>

### 53.3.2 Capital Commitments in Relation to Intangible Assets

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Approved and contracted for	1,961,567	1,867,635	1,962,889	1,867,635
Approved and not contracted for	2,876,013	–	2,876,013	–
<b>Total capital commitments in relation to intangible assets</b>	<b>4,837,580</b>	<b>1,867,635</b>	<b>4,838,902</b>	<b>1,867,635</b>
<b>Total capital commitments</b>	<b>11,184,205</b>	<b>8,603,409</b>	<b>11,187,521</b>	<b>8,603,409</b>

## 53.4 Lease Commitments

### 53.4.1 Operating Lease Commitments

Future minimum lease payments under non-cancellable operating leases, where the Bank is the lessee, are as follows:

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Not later than 1 year	1,178,812	1,082,266	1,178,812	1,082,266
Later than 1 year and not later than 5 years	858,822	1,590,947	858,822	1,590,947
Later than 5 years	83,366	44,168	83,366	44,168
<b>Total operating lease commitments</b>	<b>2,121,000</b>	<b>2,717,381</b>	<b>2,121,000</b>	<b>2,717,381</b>

### 53.4.2 Finance Lease Commitments

Future minimum lease payments under non-cancellable finance leases, where the Bank is the lessee, are as follows:

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Not later than 1 year	–	–	4,526	5,057
Later than 1 year and not later than 5 years	–	–	7,851	10,686
Later than 5 years	–	–	–	–
<b>Total finance lease commitments</b>	<b>–</b>	<b>–</b>	<b>12,377</b>	<b>15,743</b>
<b>Total lease commitments</b>	<b>2,121,000</b>	<b>2,717,381</b>	<b>2,133,377</b>	<b>2,733,124</b>

### 53.5 Litigation

Litigations are anticipated in the context of business operations due to the nature of the transactions involved. The Bank and the Group's companies are involved in various such legal actions and the controls have been established to deal with such legal claims. There are pending litigations existing as at the end of the reporting period against the Bank, resulting through normal business operations.

Litigations against the Bank have been assessed in terms of the probability of any claims or damages arising against the Bank, which require provisions to be made in the Financial Statements as per LKAS 37 – “Provisions, Contingent Liabilities and Contingent Assets”.

As of 31 December 2017, claims for the Legal Actions against the Bank approximately amount to LKR 3,431.2 million (2016: LKR 2,523.7 million), nevertheless the Bank has no impact over such claims whatsoever affecting to the business, operations or image of the Bank.

### 54 Assets Pledged as Security

The securities sold under repurchase agreement issued by the Bank and the Group and details of assets pledged by the Bank and the Group, to secure those liabilities are given below:

As at 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Borrowings;</b>				
Securities sold under repurchase agreements	44,487,462	59,424,629	44,628,686	58,925,801
Refinance purposes	–	–	–	361,197
	<b>44,487,462</b>	<b>59,424,629</b>	<b>44,628,686</b>	<b>59,286,998</b>
<b>Secured by:</b>				
Treasury Bonds	52,186,541	84,117,378	52,327,765	83,411,272
Lease/Hire purchase rentals receivables	–	–	–	325,867
Fixed deposits	–	–	–	35,330
<b>Total assets pledged as securities</b>	<b>52,186,541</b>	<b>84,117,378</b>	<b>52,327,765</b>	<b>83,772,469</b>

### 55 Events After the Reporting Date

Events after the reporting date are those events, favourable and unfavourable, that occur between the reporting date and the date the Financial Statements are authorised for issue. There are no events occurring after the reporting date which require adjustments to or disclosure in the Financial Statements.



## 56 Maturity Analysis of Assets and Liabilities

The analysis of total assets and liabilities of the Bank and the Group into relevant maturity groupings based on the remaining period as at 31 December 2017, into the contractual maturity date, is given in the table below:

As at 31 December 2017	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
<b>Assets</b>						
Cash and cash equivalents	72,843,108	–	72,843,108	78,005,362	–	78,005,362
Balances with central banks	68,689,012	–	68,689,012	68,689,012	–	68,689,012
Placements with banks	4,462,929	3,604,561	8,067,490	5,319,602	–	5,319,602
Securities purchased under resale agreements	18,455,555	–	18,455,555	19,872,247	–	19,872,247
Derivative financial instruments	1,618,823	–	1,618,823	1,618,823	–	1,618,823
Financial instruments – Held for trading	8,359,274	–	8,359,274	8,596,548	–	8,596,548
Financial investments – Loans and receivables	150,674,377	62,492,671	213,167,048	151,522,089	62,827,535	214,349,624
Loans and advances to customers	485,754,236	677,406,678	1,163,160,914	497,372,906	696,921,488	1,194,294,394
Financial investments – Available for sale	17,374,068	547,102	17,921,170	20,334,325	2,217,967	22,552,292
Financial investments – Held to maturity	130,516,236	177,739,846	308,256,082	130,951,274	177,799,043	308,750,317
Investment in subsidiary companies	–	6,513,048	6,513,048	–	–	–
Investment in associate companies	–	92,988	92,988	–	446,793	446,793
Investment properties	–	2,882,928	2,882,928	–	123,773	123,773
Property, Plant and Equipment	–	23,046,114	23,046,114	–	36,608,919	36,608,919
Leasehold properties	–	101,481	101,481	–	134,441	134,441
Intangible assets	–	810,730	810,730	–	1,074,436	1,074,436
Deferred tax assets	–	–	–	–	8,621	8,621
Other assets	24,251,340	13,566,848	37,818,188	38,929,343	35,636	38,964,979
<b>Total assets</b>	<b>982,998,958</b>	<b>968,804,995</b>	<b>1,951,803,953</b>	<b>1,021,211,531</b>	<b>978,198,652</b>	<b>1,999,410,183</b>
Percentage (%)	50.4	49.6	100.0	51.1	48.9	100.0
<b>Liabilities</b>						
Due to banks	2,203,199	–	2,203,199	2,194,266	–	2,194,266
Securities sold under repurchase agreements	44,487,462	–	44,487,462	44,628,686	–	44,628,686
Derivative financial instruments	70,715	–	70,715	70,715	–	70,715
Due to customers	1,497,427,661	49,404,375	1,546,832,036	1,512,555,634	53,820,784	1,566,376,418
Other borrowings	170,562,796	7,628,293	178,191,089	173,772,117	10,558,064	184,330,181
Debt securities issued	–	–	–	3,409,462	2,258,052	5,667,514
Current tax liabilities	1,877,342	–	1,877,342	2,051,020	–	2,051,020
Deferred tax liabilities	–	5,820,329	5,820,329	2,369,044	6,256,175	8,625,219
Insurance provision – Life	–	–	–	–	547,026	547,026
Insurance provision – Non-life	–	–	–	–	430,093	430,093
Other liabilities	16,226,541	2,369,708	18,596,249	16,912,525	3,023,953	19,936,478
Subordinated term debts	4,090,400	38,480,057	42,570,457	3,746,010	38,480,057	42,226,067
Equity	3,825,318	107,329,757	111,155,075	3,831,895	118,494,605	122,326,500
<b>Total liabilities and equity</b>	<b>1,740,771,434</b>	<b>211,032,519</b>	<b>1,951,803,953</b>	<b>1,765,541,374</b>	<b>233,868,809</b>	<b>1,999,410,183</b>
Percentage (%)	89.2	10.8	100.0	88.3	11.7	100.0
Net gap	(757,772,476)	757,772,476	–	(744,329,843)	744,329,843	–

The analysis of total assets and liabilities of the Bank and the Group into relevant maturity groupings based on the remaining period as at 31 December 2016 into the contractual maturity date is given in the table below:

As at 31 December 2016	Bank			Group		
	Within 12 Months LKR '000	After 12 Months LKR '000	Total LKR '000	Within 12 Months LKR '000	After 12 Months LKR '000	Total LKR '000
<b>Assets</b>						
Cash and cash equivalents	67,705,791	-	67,705,791	73,244,043	-	73,244,043
Balances with central banks	56,387,741	-	56,387,741	56,387,741	-	56,387,741
Placements with banks	8,349,116	3,325,548	11,674,664	12,931,605	-	12,931,605
Securities purchased under resale agreements	1,901,618	-	1,901,618	2,350,704	-	2,350,704
Derivative financial instruments	5,300,844	-	5,300,844	5,300,844	-	5,300,844
Financial instruments – Held for trading	8,474,041	-	8,474,041	8,804,647	-	8,804,647
Financial investments – Loans and receivables	61,404,333	130,470,305	191,874,638	63,658,362	128,325,720	191,984,082
Loans and advances to customers	515,932,747	484,149,827	1,000,082,574	525,522,406	502,245,704	1,027,768,110
Financial investments – Available for sale	379,780	10,083,266	10,463,046	2,883,852	13,379,789	16,263,641
Financial investments – Held to maturity	86,711,371	156,467,029	243,178,400	86,715,615	156,538,352	243,253,967
Investment in subsidiary companies	-	6,213,048	6,213,048	-	-	-
Investment in associate companies	-	92,988	92,988	-	420,669	420,669
Investment properties	-	3,000,000	3,000,000	-	127,670	127,670
Property, Plant and Equipment	-	15,482,163	15,482,163	-	29,200,036	29,200,036
Leasehold properties	-	101,839	101,839	-	136,155	136,155
Intangible assets	-	563,490	563,490	-	655,630	655,630
Deferred tax assets	-	-	-	-	5,456	5,456
Other assets	38,045,288	8,749,101	46,794,389	38,935,923	8,785,778	47,721,701
<b>Total assets</b>	<b>850,592,670</b>	<b>818,698,604</b>	<b>1,669,291,274</b>	<b>876,735,742</b>	<b>839,820,959</b>	<b>1,716,556,701</b>
Percentage (%)	51.0	49.0	100.0	51.1	48.9	100.0
<b>Liabilities</b>						
Due to banks	2,042,322	-	2,042,322	2,053,945	-	2,053,945
Securities sold under repurchase agreements	59,424,629	-	59,424,629	58,925,801	-	58,925,801
Derivative financial instruments	171,663	-	171,663	171,663	-	171,663
Due to customers	1,204,007,842	52,581,648	1,256,589,490	1,218,172,217	55,459,070	1,273,631,287
Other borrowings	112,485,505	82,984,348	195,469,853	121,497,667	82,987,634	204,485,301
Debt securities issued	3,427,058	-	3,427,058	4,797,781	3,562,552	8,360,333
Current tax liabilities	-	-	-	253,020	-	253,020
Deferred tax liabilities	-	1,439,285	1,439,285	-	4,078,734	4,078,734
Insurance provision – Life	-	-	-	-	514,675	514,675
Insurance provision – Non-life	-	-	-	-	775,375	775,375
Other liabilities	15,074,095	4,157,738	19,231,833	16,030,315	5,626,198	21,656,513
Subordinated term debts	6,645,546	32,000,000	38,645,546	6,645,546	31,649,772	38,295,318
Equity	-	92,849,595	92,849,595	-	103,354,736	103,354,736
<b>Total liabilities and equity</b>	<b>1,403,278,660</b>	<b>266,012,614</b>	<b>1,669,291,274</b>	<b>1,428,547,955</b>	<b>288,008,746</b>	<b>1,716,556,701</b>
Percentage (%)	84.1	15.9	100.0	83.2	16.8	100.0
Net gap	(552,685,990)	552,685,990	-	(551,812,213)	551,812,213	-

## 57 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.

### 57.1 Parent and the Ultimate Controlling Party

Bank of Ceylon is a Government owned bank.

### 57.2 Key Management Personnel (KMPs) and their Close Family Members (CFMs)

#### 57.2.1 Compensation to Key Management Personnel (KMPs) and their Close Family Members (CFMs)

As per the Sri Lanka Accounting Standard – LKAS 24 – “Related Party Disclosures”, the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Bank. Accordingly, the Board of Directors and selected key members of the Corporate Management are identified as KMPs who meet the above criteria.

CFMs are defined as family members who may be expected to influence or be influenced by, that KMP in their dealings with the entity, i.e. spouse, children under 18 years of age and dependants of KMPs. Dependant is defined as anyone who depends on the respective KMP for more than 50% of his or her financial needs.

#### Compensation to KMPs of the Bank

For the year ended 31 December	Bank		Group	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Short-term employment benefits	20,220	19,473	21,302	21,752
Post employment benefits	4,832	4,326	4,832	4,326
<b>Total</b>	<b>25,052</b>	<b>23,799</b>	<b>26,134</b>	<b>26,078</b>

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.

#### 57.2.2 Transactions, Arrangements and Agreements Involving Key Management Personnel (KMPs) and their Close Family Members (CFMs)

##### (a) Items in Statement of Profit or Loss

For the year ended 31 December	KMPs and CFMs	
	2017 LKR '000	2016 LKR '000
Interest income	888	714
Interest expenses	5,587	2,238

**(b) Items in Statement of Financial Position**

As at 31 December	KMPs & CFMs	
	2017 LKR '000	2016 LKR '000
<b>Assets</b>		
Loans	16,010	11,716
Credit cards	221	58
	16,231	11,774
<b>Liabilities</b>		
Due to customers	55,369	37,926
	55,369	37,926

**(c) Off Balance Sheet Items**

As at 31 December	KMPs & CFMs	
	2017 LKR '000	2016 LKR '000
Undrawn facilities	2,429	2,192
	2,429	2,192

**(d) Average Accommodations/Due to Customer Balances**

For the year ended 31 December	KMPs & CFMs	
	2017 LKR '000	2016 LKR '000
Loans	13,863	10,637
Overdrafts	209	81
Due to customers	48,696	31,223

**57.3 Transactions with Group Related Parties**

The Group related parties include the subsidiaries and associates of the Bank.

**57.3.1 Transactions with Subsidiaries and Associate Companies of the Bank**

The aggregate amount of income and expenses arising from the transactions during the year and amount due to and due from the relevant related parties and total contract sum of off balance sheet transactions at the year end are summarised below:

**(a) Items in Statement of Profit or Loss**

For the year ended 31 December	Subsidiary Companies		Associate Companies	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Interest income	120,402	116,196	28,413	15,503
Interest expenses	333,993	322,755	25,525	12,250
Other income	137,440	1,233,908	19,300	55,440
Other expenses	887,733	740,746	32,074	26,144

(b) Items in Statement of Financial Position

As at 31 December	Subsidiary Companies		Associate Companies	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Assets</b>				
Loans	316,175	1,334,779	224,365	186,536
Overdrafts	3,411	31,732	–	–
Investments in debts	221,576	221,594	–	–
Placements	12,771,476	14,865,126	–	–
Other receivables	1,382,733	825,436	–	–
	14,695,371	17,278,667	224,365	186,536
<b>Liabilities</b>				
Due to customers	3,264,273	2,480,935	256,333	126,900
Securities sold under repurchase agreements	296,448	900,650	86,241	25,708
Debentures	344,390	340,668	–	–
Other liabilities	8,043	1,326	–	–
	3,913,154	3,723,579	342,574	152,608

(c) Off Balance Sheet Items

As at 31 December	Subsidiary Companies		Associate Companies	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Letters of credit	–	104	–	–
Guarantees	10,380	66,382	–	–
Undrawn facilities	1,560,226	444,330	30,000	30,000
	1,570,606	510,816	30,000	30,000

(d) Average Accommodations/Due to Customer Balances

As at 31 December	Subsidiary Companies		Associate Companies	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Loans	811,294	1,066,196	213,016	123,221
Overdrafts	45,606	75,178	97	7,801
Due to customers	2,472,637	2,204,717	209,099	158,987

### 57.3.2 Transactions with Subsidiaries and Associate Companies of the Group

In addition to the transactions between the Bank and its subsidiaries and associate companies, transactions which were taken place between the subsidiaries and associate companies are also included in the section below:

#### (a) Items in Statement of Profit or Loss

For the year ended 31 December	Subsidiary Companies		Associate Companies	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Interest income	147,319	116,639	29,858	15,503
Interest expenses	367,059	322,755	25,525	12,693
Other income	307,312	1,417,231	24,004	55,440
Other expenses	1,057,145	923,690	32,534	26,478

#### (b) Items in Statement of Financial Position

As at 31 December	Subsidiary Companies		Associate Companies	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Assets</b>				
Loans	393,626	1,334,779	224,365	186,536
Overdrafts	3,411	31,732	-	-
Investments in debts	221,576	221,594	-	-
Placements	12,771,476	14,865,126	-	-
Other receivables	1,462,663	1,062,616	26,885	-
	14,852,752	17,515,847	251,250	186,536
<b>Liabilities</b>				
Due to customers	3,343,388	2,480,935	282,879	140,936
Securities sold under repurchase agreements	296,448	900,650	86,241	25,708
Debentures	344,390	340,668	-	-
Other liabilities	86,486	252,542	162	-
	4,070,712	3,974,795	369,282	166,644

#### (c) Off Balance Sheet Items

As at 31 December	Subsidiary Companies		Associate Companies	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Letters of credit	-	104	-	-
Guarantees	10,380	66,382	-	-
Undrawn facilities	1,560,226	444,330	30,000	30,000
	1,570,606	510,816	30,000	30,000

#### (d) Average Accommodations/Due to Customer Balances

As at 31 December	Subsidiary Companies		Associate Companies	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Loans	811,294	1,066,196	213,016	123,221
Overdrafts	45,606	75,178	97	7,801
Due to customers	2,472,637	2,204,717	209,099	158,987



## 57.4 Transactions with the Significant Investors having Significant Influence Over the Bank and the Post Employment Benefit Plans for Bank's Employees

Significant investor of the Bank is the Government as it is a state owned entity. The Government refers to the Government of Sri Lanka, Government Corporations, Provincial Councils, Local Government bodies, other Government entities and their subsidiaries.

Post employment benefit plans are arrangements made by the Bank to provide post employment benefits for its employees.

Transactions and arrangements entered into by the Bank with the Government and Government controlled entities (significant investor) and post employment benefit plans which are individually significant and for other transactions that are collectively but not individually significant are as follows:

### 57.4.1 Transactions which are Collectively Significant

#### (a) Items in Statement of Profit or Loss

For the year ended 31 December	Significant Investor		Post Employment Benefit Plans	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Interest income	74,417,323	62,320,382	-	-
Other income	766,497	620,014	-	-
Interest expenses	23,323,315	10,467,922	5,707,049	8,823,935
Dividends paid	12,346,410	17,346,410	-	-
Contribution made	-	-	286,018	973,518

#### (b) Items in Statement of Financial Position

As at 31 December	Significant Investor		Post Employment Benefit Plans	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Assets</b>				
Loans and advances	393,893,128	324,329,198	-	-
Investment in securities and bonds	535,202,370	425,264,492	-	-
Investment in equity instruments	1,250,715	1,155,370	-	-
	930,346,213	750,749,060	-	-
<b>Liabilities</b>				
Due to customers	215,416,321	138,029,997	56,728,098	41,559,908
Securities sold under repurchase agreements	39,329,807	51,712,660	596,000	4,134,000
Debentures	9,276,330	9,200,006	14,673,825	18,300,543
	264,022,458	198,942,663	71,997,923	63,994,451

#### (c) Off Balance Sheet Items

As at 31 December	Significant Investor	
	2017 LKR '000	2016 LKR '000
Letters of credit	77,113,154	68,964,283
Bills and acceptances	34,102,659	28,764,217
Guarantees	3,596,209	9,064,702
Forward exchange contracts	45,856,440	82,390,000
	160,668,462	189,183,202

#### (d) Other Transactions

For the year ended 31 December	Significant Investor	
	2017 LKR '000	2016 LKR '000
Gross foreign exchange transactions		
– Sales	159,658,969	376,943,911
– Purchases	291,870,422	373,415,579

#### (e) Average Accommodations/Due to Customer Balances

As at 31 December	Significant Investor		Post Employment Benefit Plans	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
Loans and advances	338,872,282	262,164,808	–	–
Due to customers	161,598,781	106,241,117	37,306,762	32,039,996
Off balance sheet facilities	176,208,846	191,749,231	–	–

#### 57.4.2 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.

The Government has issued Treasury Guarantees of LKR 228,028 million and Comfort Letters of LKR 31,363 million as of 31 December 2017 against the Loan facilities granted to State Owned Enterprises (SOEs).

During the year, the Bank received LKR 5,000 million from the Government of Sri Lanka, the first phase of the total amount of LKR 10,000 million capital allocated to the Bank under the National Budget 2018.

#### 57.4.3 Transactions with the Significant Investor – Group

Other than the transactions carried out by the Bank and balances held by the Bank with the Government, subsidiaries of the Group have carried out following transactions with the Government and balances held with the Government as follows:

As at 31 December	Significant Investor	
	2017 LKR '000	2016 LKR '000
Investment in securities and bonds	1,002,447	3,122,690
Nostro balance with Central Bank of Sri Lanka	184,439	168,917
Income from investments in securities and bonds	211,097	195,339

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 2017 on comparable terms, which are applicable to transactions between the Group and its unrelated customers.

## 58 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.

### 58.1 Primary Segment Information – Operating Segments – Group

“An operating segment is a component of the Group that engages in business activities, from which it may earn revenues and incur expenses, including revenues and expenses that relating to transactions with any of the Group’s other components, whose operating results are reviewed by the management to make decisions about resource allocation to each segment and assess its performances”.

The Group comprises the following major business segments:

Retail banking, Corporate banking, International, Treasury and Investments, and Group functions.

The management monitors the operating results of its business segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performances are evaluated based on their operating profits or losses. VAT, NBT and Income Tax are managed on a Group basis and are not allocated to operating segments.

For the year ended 31 December	Retail Banking		Corporate Banking	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
<b>Revenue from External Customers:</b>				
Net interest income	30,039,025	26,013,710	17,234,314	11,289,375
Net fee and commission income	3,492,224	3,114,917	2,440,840	2,693,911
Other income	3,897,834	2,130,174	604,786	443,911
<b>Total operating income</b>	<b>37,429,083</b>	<b>31,258,801</b>	<b>20,279,940</b>	<b>14,427,197</b>
Impairment (charge)/reversal for loans and other losses	(1,830,794)	(179,231)	(7,780,736)	(4,172,581)
Other operating expenses	(18,829,578)	(18,801,358)	(4,109,781)	(5,614,716)
<b>Total expenses</b>	<b>(20,660,372)</b>	<b>(18,980,589)</b>	<b>(11,890,517)</b>	<b>(9,787,297)</b>
<b>Operating profit before VAT and NBT</b>	<b>16,768,711</b>	<b>12,278,212</b>	<b>8,389,423</b>	<b>4,639,900</b>
VAT and NBT on financial services	-	-	-	-
<b>Operating profit after VAT and NBT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Share of profits/(losses) of associate companies, net of tax	-	-	-	-
<b>Profit/ (loss) before income tax</b>	<b>16,768,711</b>	<b>12,278,212</b>	<b>8,389,423</b>	<b>4,639,900</b>
Income tax expense	-	-	-	-
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>632,145,758</b>	<b>562,800,269</b>	<b>601,742,151</b>	<b>505,590,833</b>
<b>Total liabilities</b>	<b>596,145,109</b>	<b>531,496,099</b>	<b>567,472,984</b>	<b>477,468,776</b>
Cash flows from/(used in) operating activities	67,567,090	(9,134,526)	38,765,320	(3,964,182)
Cash flows from/(used in) investing activities	(27,660,790)	(830,770)	(15,869,847)	(746,321)
Cash flows used in financing activities	(24,521,481)	(23,602,765)	(23,342,099)	(21,203,511)
Capital expenditure to non-current assets	-	-	-	-
Depreciation and amortisation expenses	623,465	489,944	593,479	440,140

Being the major customer of the Bank, “Government and State-Owned Enterprises (SOEs)” represents 16% of revenue of the Bank’s, (2016 – 16%) and included under Retail and Corporate segments. More details are given in Note 57 – “Related Party Disclosures”.

	International, Treasury and Investment		Group Function		Unallocated		Total	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
	14,344,185	18,314,913	3,132,158	2,646,753	(3,259,580)	(1,658,259)	61,490,102	56,606,492
	767,608	855,069	169,053	156,377	594,681	555,538	7,464,406	7,375,812
	3,963,541	7,835,717	2,344,850	2,869,873	(981,187)	(2,263,102)	9,829,824	11,016,573
	<b>19,075,334</b>	<b>27,005,699</b>	<b>5,646,061</b>	<b>5,673,003</b>	<b>(3,646,086)</b>	<b>(3,365,823)</b>	<b>78,784,332</b>	<b>74,998,877</b>
	300,000	-	(294,420)	(24,239)	(278,939)	(44,949)	(9,884,889)	(4,421,000)
	(4,215,509)	(5,572,657)	(4,046,207)	(4,494,198)	496,673	335,811	(30,704,402)	(34,147,118)
	<b>(3,915,509)</b>	<b>(5,572,657)</b>	<b>(4,340,627)</b>	<b>(4,518,437)</b>	<b>217,734</b>	<b>290,862</b>	<b>(40,589,291)</b>	<b>(38,568,118)</b>
	<b>15,159,825</b>	<b>21,433,042</b>	<b>1,305,434</b>	<b>1,154,566</b>	<b>(3,428,352)</b>	<b>(3,074,961)</b>	<b>38,195,041</b>	<b>36,430,759</b>
	-	-	-	-	-	-	(7,431,502)	(6,376,679)
	-	-	-	-	-	-	<b>30,763,539</b>	<b>30,054,080</b>
	-	-	52,024	62,952	-	-	52,024	62,952
	<b>15,159,825</b>	<b>21,433,042</b>	<b>1,357,458</b>	<b>1,217,518</b>	<b>(3,428,352)</b>	<b>(3,074,961)</b>	<b>30,815,563</b>	<b>30,117,032</b>
	-	-	-	-	-	-	(9,328,918)	(6,731,105)
	-	-	-	-	-	-	<b>21,486,645</b>	<b>23,385,927</b>
	<b>621,865,981</b>	<b>520,547,053</b>	<b>64,420,266</b>	<b>66,709,365</b>	<b>79,236,027</b>	<b>60,909,181</b>	<b>1,999,410,183</b>	<b>1,716,556,701</b>
	<b>586,450,764</b>	<b>491,593,098</b>	<b>52,417,323</b>	<b>55,603,568</b>	<b>74,597,503</b>	<b>57,040,424</b>	<b>1,877,083,683</b>	<b>1,613,201,965</b>
	32,264,524	(6,431,149)	7,045,195	(929,388)	(7,331,808)	582,285	138,310,321	(19,876,960)
	(13,208,534)	83,373,761	(2,884,180)	(98,472)	3,001,513	(89,911)	(56,621,838)	81,608,287
	(24,122,720)	(21,830,746)	(2,156,103)	(2,469,252)	(3,068,452)	(2,533,060)	(77,210,855)	(71,639,334)
	-	-	-	-	-	-	3,963,792	2,597,824
	613,327	453,161	275,335	247,202	436,874	369,456	2,542,480	1,999,903

## 58.2 Secondary Segment Information – Geographical Segments

Geographical segments provide products or services within a particular economic environment where risk and returns are different from those of other economic environments.

These segment comprise domestic operations, offshore banking division and overseas banking units.

	Bank				Group			
	2017 LKR '000	%	2016 LKR '000	%	2017 LKR '000	%	2016 LKR '000	%
<b>Assets</b>								
Domestic banking unit	1,664,741,312	85.3	1,376,413,525	82.5	1,691,932,690	84.6	1,398,005,373	81.5
Offshore banking division	247,929,200	12.7	254,548,971	15.2	247,929,200	12.4	254,548,971	14.8
Overseas banking units	39,133,441	2.0	38,328,778	2.3	59,548,293	3.0	64,002,357	3.7
<b>Total assets</b>	<b>1,951,803,953</b>	<b>100.0</b>	<b>1,669,291,274</b>	<b>100.0</b>	<b>1,999,410,183</b>	<b>100.0</b>	<b>1,716,556,701</b>	<b>100.0</b>
<b>Total Income</b>								
Domestic banking unit	167,072,299	88.3	134,095,057	87.0	174,410,229	88.6	139,240,153	87.2
Offshore banking division	17,029,578	9.0	14,837,559	9.6	17,029,578	8.6	14,837,559	9.3
Overseas banking units	5,109,518	2.7	5,188,756	3.4	5,573,154	2.8	5,623,513	3.5
<b>Total income</b>	<b>189,211,395</b>	<b>100.0</b>	<b>154,121,372</b>	<b>100.0</b>	<b>197,012,961</b>	<b>100.0</b>	<b>159,701,225</b>	<b>100.0</b>
<b>Profit Before Tax</b>								
Domestic banking unit	23,545,936	77.6	27,598,676	88.5	24,014,865	78.0	26,551,440	88.1
Offshore banking division	4,328,111	14.3	(223,917)	(0.7)	4,328,111	14.0	(223,917)	(0.7)
Overseas banking units	2,468,933	8.1	3,813,926	12.2	2,472,587	8.0	3,789,509	12.6
<b>Total profit before tax</b>	<b>30,342,980</b>	<b>100.0</b>	<b>31,188,685</b>	<b>100.0</b>	<b>30,815,563</b>	<b>100.0</b>	<b>30,117,032</b>	<b>100.0</b>
<b>Profit After Tax</b>								
Domestic banking unit	16,562,681	77.7	22,048,818	88.9	16,733,388	77.9	20,668,166	88.4
Offshore banking division	3,116,240	14.6	(223,917)	(0.9)	3,116,240	14.5	(223,917)	(1.0)
Overseas banking units	1,633,363	7.7	2,966,095	12.0	1,637,017	7.6	2,941,678	12.6
<b>Total profit after tax</b>	<b>21,312,284</b>	<b>100.0</b>	<b>24,790,996</b>	<b>100.0</b>	<b>21,486,645</b>	<b>100.0</b>	<b>23,385,927</b>	<b>100.0</b>

## 59 Fair Values of Assets and Liabilities

### Accounting Policy

“Fair value” is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1** – Valuation technique using quoted market price:

Financial instruments with quoted prices for identical instruments in active markets.

**Level 2** – Valuation technique using observable inputs:

Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

**Level 3** – Valuation technique with significant unobservable inputs:

Financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Bank uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

## 59.1 Assets and Liabilities Measured at Fair Value

### Derivative Financial Instruments

All Derivative financial instruments are classified as held for trading are valued using a valuation technique with market observable and market unobservable inputs. The most frequently applied valuation technique include forward foreign exchange spot and forward premiums.

### Financial Instruments – Held for Trading

Financial instruments are classified as held for trading consists Government securities, Quoted debt securities and Quoted equities. Government securities are valued using yield curve published by the Central Bank of Sri Lanka and the Bank uses quoted market prices in the active market for the valuation of quoted equities and quoted debt securities as at the reporting date.

### Financial Investments – Available for Sale

Financial investments are classified as available for sale consists Government securities, Quoted equities Unquoted equities, and Units in unit trusts.

- Government securities are valued using yield curve published by the Central Bank of Sri Lanka as at the reporting date.
- The Bank uses quoted market prices in the active market for the valuation of quoted equities and quote debt securities as at the reporting date.
- Unquoted equities are carried at cost except Regional Development Bank investment in shares since it is the most reasonable value available to represent the price of such securities. Fair value of Regional Development Bank derived using an internal management valuation technique which details are given in Note 59.1.3.
- Units in unit trusts are valued using management buying price of such asset management company since it is the most relevant exit price of such assets.

### Property, Plant and Equipment

Free hold lands and buildings and buildings on leasehold lands are carried at revalued amount less any subsequent accumulated depreciation and impairment losses.



### 59.1.1 Assets Measured at Fair Value – Fair Value Hierarchy

As at 31 December 2017	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
<b>Financial Assets</b>								
<b>Derivative Financial Instruments</b>								
Forward exchange contracts	-	4,288	-	4,288	-	4,288	-	4,288
Currency SWAPs	-	-	1,614,535	1,614,535	-	-	1,614,535	1,614,535
	-	<b>4,288</b>	<b>1,614,535</b>	<b>1,618,823</b>	-	<b>4,288</b>	<b>1,614,535</b>	<b>1,618,823</b>
<b>Financial Instruments – Held for Trading</b>								
Treasury Bills	4,749,058	-	-	4,749,058	4,749,058	-	-	4,749,058
Treasury Bonds	680,380	1,789	-	682,169	680,380	1,789	-	682,169
Sri Lanka sovereign bonds	166,863	-	-	166,863	166,863	-	-	166,863
Quoted equities	2,761,184	-	-	2,761,184	2,993,845	-	-	2,993,845
Other debt securities	-	-	-	-	4,613	-	-	4,613
	<b>8,357,485</b>	<b>1,789</b>	<b>-</b>	<b>8,359,274</b>	<b>8,594,759</b>	<b>1,789</b>	<b>-</b>	<b>8,596,548</b>
<b>Financial Investments – Available for Sale</b>								
<b>Quoted Investments</b>								
Government Securities								
Treasury Bills	4,044,815	-	-	4,044,815	4,236,635	-	-	4,236,635
Treasury Bonds	4,153,858	-	-	4,153,858	4,945,270	-	-	4,945,270
In other countries	1,478,870	-	-	1,478,870	3,718,590	-	-	3,718,590
Quoted equities	3,687,567	-	-	3,687,567	5,009,964	-	-	5,009,964
<b>Unquoted Investments</b>								
Units in unit trusts	-	3,626,484	-	3,626,484	-	3,660,702	-	3,660,702
Unquoted equities	-	701,859	227,717	929,576	-	701,859	279,272	981,131
	<b>13,365,110</b>	<b>4,328,343</b>	<b>227,717</b>	<b>17,921,170</b>	<b>17,910,459</b>	<b>4,362,561</b>	<b>279,272</b>	<b>22,552,292</b>
<b>Total financial assets</b>	<b>21,722,595</b>	<b>4,334,420</b>	<b>1,842,252</b>	<b>27,899,267</b>	<b>26,505,218</b>	<b>4,368,638</b>	<b>1,893,807</b>	<b>32,767,663</b>
<b>Non-Financial Assets</b>								
Property, Plant and Equipment	-	-	18,030,186	18,030,186	-	-	30,852,915	30,852,915
	-	-	<b>18,030,186</b>	<b>18,030,186</b>	-	-	<b>30,852,915</b>	<b>30,852,915</b>
<b>Total</b>	<b>21,722,595</b>	<b>4,334,420</b>	<b>19,872,438</b>	<b>45,929,453</b>	<b>26,505,218</b>	<b>4,368,638</b>	<b>32,746,722</b>	<b>63,620,578</b>
<b>Financial Liabilities</b>								
<b>Derivative Financial Instruments</b>								
Forward exchange contracts	-	2,584	-	2,584	-	2,584	-	2,584
Currency SWAPs	-	-	68,131	68,131	-	-	68,131	68,131
<b>Total</b>	<b>-</b>	<b>2,584</b>	<b>68,131</b>	<b>70,715</b>	<b>-</b>	<b>2,584</b>	<b>68,131</b>	<b>70,715</b>

As at 31 December 2016	Bank				Group			
	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
<b>Financial Assets</b>								
<b>Derivative Financial Instruments</b>								
Forward exchange contracts	-	9,063	-	9,063	-	9,063	-	9,063
Currency SWAPs	-	-	5,291,781	5,291,781	-	-	5,291,781	5,291,781
	-	<b>9,063</b>	<b>5,291,781</b>	<b>5,300,844</b>	-	<b>9,063</b>	<b>5,291,781</b>	<b>5,300,844</b>
<b>Financial Instruments – Held for Trading</b>								
Treasury Bills	4,538,007	-	-	4,538,007	4,538,007	-	-	4,538,007
Treasury Bonds	679,650	1,789	-	681,439	679,650	1,789	-	681,439
Sri Lanka sovereign bonds	156,142	-	-	156,142	156,142	-	-	156,142
Quoted equities	3,098,453	-	-	3,098,453	3,426,824	-	-	3,426,824
Other debt securities	-	-	-	-	2,235	-	-	2,235
	<b>8,472,252</b>	<b>1,789</b>	<b>-</b>	<b>8,474,041</b>	<b>8,802,858</b>	<b>1,789</b>	<b>-</b>	<b>8,804,647</b>
<b>Financial Investments – Available for Sale</b>								
<b>Quoted Investments</b>								
Government securities								
Treasury Bills	-	-	-	-	2,320,821	-	-	2,320,821
Treasury Bonds	431,247	3,228	-	434,475	1,161,743	3,228	-	1,164,971
In other countries	1,627,319	-	-	1,627,319	2,915,692	-	-	2,915,692
Quoted equities	3,938,737	-	-	3,938,737	5,325,122	-	-	5,325,122
<b>Unquoted Investments</b>								
Units in unit trusts	-	3,764,963	-	3,764,963	-	3,798,173	-	3,798,173
Unquoted equities	-	469,835	227,717	697,552	-	469,835	269,027	738,862
	<b>5,997,303</b>	<b>4,238,026</b>	<b>227,717</b>	<b>10,463,046</b>	<b>11,723,378</b>	<b>4,271,236</b>	<b>269,027</b>	<b>16,263,641</b>
<b>Total Financial Assets</b>	<b>14,469,555</b>	<b>4,248,878</b>	<b>5,519,498</b>	<b>24,237,931</b>	<b>20,526,236</b>	<b>4,282,088</b>	<b>5,560,808</b>	<b>30,369,132</b>
<b>Non-Financial Assets</b>								
Property, Plant and Equipment	-	-	11,219,722	11,219,722	-	-	24,164,115	24,164,115
	-	-	<b>11,219,722</b>	<b>11,219,722</b>	-	-	<b>24,164,115</b>	<b>24,164,115</b>
<b>Total</b>	<b>14,469,555</b>	<b>4,248,878</b>	<b>16,739,220</b>	<b>35,457,653</b>	<b>20,526,236</b>	<b>4,282,088</b>	<b>29,724,923</b>	<b>54,533,247</b>
<b>Financial Liabilities</b>								
<b>Derivative Financial Instruments</b>								
Forward exchange contracts	-	8,210	-	8,210	-	8,210	-	8,210
Currency SWAPs	-	-	163,453	163,453	-	-	163,453	163,453
<b>Total</b>	<b>-</b>	<b>8,210</b>	<b>163,453</b>	<b>171,663</b>	<b>-</b>	<b>8,210</b>	<b>163,453</b>	<b>171,663</b>

### 59.1.2 Movements in Level 3 Assets Measured at Fair Value

The following table shows a reconciliation of the opening and closing amounts of Level 3 assets and liabilities which are recorded at fair value:

	Bank					Group				
	As at 1 January 2017 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 2017 LKR '000	As at 1 January 2017 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 2017 LKR '000
<b>Financial Assets</b>										
<b>Derivative Financial Instruments</b>										
Currency SWAPs	5,291,781	-	-	(3,677,246)	1,614,535	5,291,781	-	-	(3,677,246)	1,614,535
<b>Financial Investments – Available for Sale</b>										
<b>Unquoted Investments</b>										
Unquoted equities	227,717	-	-	-	227,717	269,027	10,245	-	-	279,272
<b>Total Level 3 financial assets</b>	<b>5,519,498</b>	<b>-</b>	<b>-</b>	<b>(3,677,246)</b>	<b>1,842,252</b>	<b>5,560,808</b>	<b>10,245</b>	<b>-</b>	<b>(3,677,246)</b>	<b>1,893,807</b>
<b>Non-Financial Assets</b>										
Property, Plant and Equipment	11,219,722	(168,343)	6,059,715	919,092	18,030,186	24,164,115	(701,807)	6,406,248	984,359	30,852,915
<b>Total Level 3 assets</b>	<b>16,739,220</b>	<b>(168,343)</b>	<b>6,059,715</b>	<b>(2,758,154)</b>	<b>19,872,438</b>	<b>29,724,923</b>	<b>(691,562)</b>	<b>6,406,248</b>	<b>(2,692,887)</b>	<b>32,746,722</b>
<b>Financial Liabilities</b>										
Currency SWAPs	163,453	-	-	(95,322)	68,131	163,453	-	-	(95,322)	68,131
<b>Total Level 3 financial liabilities</b>	<b>163,453</b>	<b>-</b>	<b>-</b>	<b>(95,322)</b>	<b>68,131</b>	<b>163,453</b>	<b>-</b>	<b>-</b>	<b>(95,322)</b>	<b>68,131</b>
<b>Net Level 3 financial assets</b>	<b>5,356,045</b>	<b>-</b>	<b>-</b>	<b>(3,581,924)</b>	<b>1,774,121</b>	<b>5,397,355</b>	<b>10,245</b>	<b>-</b>	<b>(3,581,924)</b>	<b>1,825,676</b>

The following table shows a reconciliation of the opening and closing amounts of Level 3 assets and liabilities which are recorded at fair value:

	Bank					Group				
	As at 1 January 2016 LKR '000	Total Gains/ (Losses) Recorded in Profit or Loss LKR '000	Total Gains/ (Losses) Recorded in OCI LKR '000	Purchases/ (Sales) and Other Adjustments LKR '000	As at 31 December 2016 LKR '000	As at 1 January 2016 LKR '000	Total Gains/ (Losses) Recorded in Profit or Loss LKR '000	Total Gains/ (Losses) Recorded in OCI LKR '000	Purchases/ (Sales) and Other Adjustments LKR '000	As at 31 December 2016 LKR '000
<b>Financial Assets</b>										
<b>Derivative Financial Instruments</b>										
Currency SWAPs	7,385,970	-	-	(2,094,189)	5,291,781	7,385,970	-	-	(2,094,189)	5,291,781
<b>Financial Investments – Available for Sale</b>										
<b>Unquoted Investments</b>										
Unquoted equities	227,717	-	-	-	227,717	269,027	-	-	-	269,027
<b>Total Level 3 financial assets</b>	<b>7,613,687</b>	<b>-</b>	<b>-</b>	<b>(2,094,189)</b>	<b>5,519,498</b>	<b>7,654,997</b>	<b>-</b>	<b>-</b>	<b>(2,094,189)</b>	<b>5,560,808</b>
<b>Non-Financial Assets</b>										
Property, Plant and Equipment	12,625,762	(234,243)	1,394,640	(2,566,437)	11,219,722	22,023,125	(603,183)	2,307,452	436,721	24,164,115
<b>Total Level 3 assets</b>	<b>20,239,449</b>	<b>(234,243)</b>	<b>1,394,640</b>	<b>(4,660,626)</b>	<b>16,739,220</b>	<b>29,678,122</b>	<b>(603,183)</b>	<b>2,307,452</b>	<b>(1,657,468)</b>	<b>29,724,923</b>
<b>Financial Liabilities</b>										
Currency SWAPs	144,896	-	-	18,557	163,453	144,896	-	-	18,557	163,453
<b>Total Level 3 financial liabilities</b>	<b>144,896</b>	<b>-</b>	<b>-</b>	<b>18,557</b>	<b>163,453</b>	<b>144,896</b>	<b>-</b>	<b>-</b>	<b>18,557</b>	<b>163,453</b>
<b>Net Level 3 financial assets</b>	<b>7,468,791</b>	<b>-</b>	<b>-</b>	<b>(2,112,746)</b>	<b>5,356,045</b>	<b>7,510,101</b>	<b>-</b>	<b>-</b>	<b>(2,112,746)</b>	<b>5,397,355</b>

### 59.1.3 Unobservable Inputs Used in Measuring Fair Value of Level 3

The table below sets out information about significant unobservable inputs used as at 31 December 2017 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of Financial Instrument	Fair Value As at 31 December 2017 LKR '000	Valuation Technique	Significant Unobservable Inputs	Range of Estimates (Weighted Average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
<b>Derivative Financial Instruments</b>					
Currency SWAPs	1,614,535	Forward pricing model	Foreign exchange forward rate. Discount for counterparty credit risk.	Negative 10 to positive 10 basis point.	Unfavourable or favourable impact on derivative assets value of LKR 1.6 million respectively.
<b>Financial Investments – Available for Sale Unquoted Equity Shares</b>					
Regional Development Bank	162,300	Discounted Cash Flow method	Constant Dividend model	Decreased by 5% and increased by 5% for existing cost of capital.	Impact to the fair value will be within negative and positive LKR 8.1 million no significant impact to the investment.
Credit Information Bureau of Sri Lanka	41,596	Value at cost*			*Fair value cannot be reliably measured. These are investments in 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*			

### 59.2 Fair Value of Assets and Liabilities not Carried at Fair Value

The following table summarised the fair value for assets and liabilities which are not already recorded at fair value in the Financial Statement:

As at 31 December 2017	Bank					Group				
	Fair Value				Carrying Value LKR '000	Fair Value				Carrying Value LKR '000
	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	
<b>Assets</b>										
Financial investments – Loans and receivables	–	212,399,368	–	212,399,368	213,167,048	–	213,581,944	–	213,581,944	214,349,624
Financial investments – Held to maturity	310,076,948	–	–	310,076,948	308,256,082	310,571,183	–	–	310,571,183	308,750,317
Investment properties	–	–	3,000,000	3,000,000	2,882,928	–	–	574,309	574,309	123,773
<b>Total</b>	<b>310,076,948</b>	<b>212,399,368</b>	<b>3,000,000</b>	<b>525,476,316</b>	<b>524,306,058</b>	<b>310,571,183</b>	<b>213,581,944</b>	<b>574,309</b>	<b>524,727,436</b>	<b>523,223,714</b>
<b>Liabilities</b>										
Other borrowings	77,571,805	–	100,937,256	178,509,061	178,191,089	77,571,805	–	107,076,348	184,648,153	184,330,181
Debt securities issued	–	–	–	–	–	–	–	5,667,514	5,667,514	5,667,514
Subordinate term debts	–	32,403,624	10,006,517	42,410,141	42,570,457	–	32,219,550	10,006,517	42,226,067	42,226,067
<b>Total</b>	<b>77,571,805</b>	<b>32,403,624</b>	<b>110,943,773</b>	<b>220,919,202</b>	<b>220,761,546</b>	<b>77,571,805</b>	<b>32,219,550</b>	<b>122,750,379</b>	<b>232,541,734</b>	<b>232,223,762</b>

As at 31 December 2016	Bank					Group				
	Fair Value				Carrying Value LKR '000	Fair Value				Carrying Value LKR '000
	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	
<b>Assets</b>										
Financial investments – Loans and receivables	-	191,780,103	-	191,780,103	191,874,638	-	191,889,547	-	191,889,547	191,984,082
Financial investments – Held to maturity	235,401,153	-	-	235,401,153	243,178,400	235,476,720	-	-	235,476,720	243,253,967
Investment properties	-	-	3,000,000	3,000,000	3,000,000	-	-	573,929	573,929	127,670
<b>Total</b>	<b>235,401,153</b>	<b>191,780,103</b>	<b>3,000,000</b>	<b>430,181,256</b>	<b>438,053,038</b>	<b>235,476,720</b>	<b>191,889,547</b>	<b>573,929</b>	<b>427,940,196</b>	<b>435,365,719</b>
<b>Liabilities</b>										
Other borrowings	152,311,563	-	44,138,627	196,450,190	195,469,853	152,311,563	-	51,193,401	203,504,964	204,485,301
Debt securities issued	-	3,422,247	-	3,422,247	3,427,058	-	8,355,522	-	8,355,522	8,360,333
Subordinate term debts	38,717,099	-	-	38,717,099	38,645,546	38,366,871	-	-	38,366,871	38,295,318
<b>Total</b>	<b>191,028,662</b>	<b>3,422,247</b>	<b>44,138,627</b>	<b>238,589,536</b>	<b>237,542,457</b>	<b>190,678,434</b>	<b>8,355,522</b>	<b>51,193,401</b>	<b>250,227,357</b>	<b>251,140,952</b>

The following describes the methodologies and assumptions used to determine fair values for those assets and liabilities which are not already recorded at fair value in the Financial Statements.

#### Financial Investments – Loans and Receivables

Financial investments – Loans and receivables comprise Sri Lanka Development Bonds, Non-marketable Government Securities and Corporate debt securities.

Sri Lanka Development Bonds are variable rate instruments which are repricing semi-annually. Hence it is assumed that the carrying amounts approximate their fair value. Listed corporate debt securities are valued using quoted market price as of the reporting date and fair value of unquoted corporate debt securities and Government securities are estimated as the present value of future cash flows expected to be received from such investments calculated based on interest rates at the reporting date for similar instruments.

#### Financial Investments – Held to Maturity

Financial investments – Held to maturity comprise Government debt securities and they are valued using yield curve published by the Central Bank of Sri Lanka.

#### Investment Properties

Investment properties are valued by the independent professional valuers and more details are given in Note 32.

#### Other Borrowings

Other borrowings represent Senior notes, term borrowings from banks and other financial institutions in Sri Lanka and abroad and refinance borrowings.

Senior notes are listed in the Singapore Stock Exchange and valued using quoted market price as of the reporting date. Fair value of term borrowings and refinance borrowings are estimated by discounting the future cash flows using effective interest rates of similar instruments.

#### Debt Securities Issued

Fair value of debt securities issued are estimated as the present value of future cash flows expected to be paid from such investments calculated based on interest rates at the reporting date for similar instruments.

#### Subordinated Term Debts

Subordinated term debts are listed in the Colombo Stock Exchange and valued using quoted market price as of the reporting date.

### 59.3 Assets and Liabilities for which Fair Value Approximates Carrying Value

For financial assets and liabilities that have a short-term maturity, it is assumed that the carrying amounts approximate their fair value. For certain instruments which have contractual maturity of more than one year, the fair value is determined using reasonable basis. Given below is the bases adopted by the Bank in order to establish the fair values of such financial instruments:

#### Loans and Advances to Customers

More than 40% 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 95% of the customer deposits are either repayable on demand or have a remaining contractual maturity of less than one year. Customer deposits with a contractual maturity of more than one year are subject to premature upliftment. Amounts paid to customers in the event of premature upliftment would not be materially different to its carrying value as at date. Therefore fair value of customer deposits approximates to their carrying value as at the reporting date.

As at 31 December	2017		2016	
	Carrying Amount LKR '000	Fair Value LKR '000	Carrying Amount LKR '000	Fair Value LKR '000
<b>Bank</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	72,843,108	72,843,108	67,705,791	67,705,791
Balances with central banks	68,689,012	68,689,012	56,387,741	56,387,741
Placements with banks	8,067,490	8,067,490	11,674,664	11,674,664
Securities purchased under resale agreements	18,455,555	18,455,555	1,901,618	1,901,618
Loans and advances to customers	1,163,160,914	1,163,160,914	1,000,082,574	1,000,082,574
<b>Total financial assets</b>	<b>1,331,216,079</b>	<b>1,331,216,079</b>	<b>1,137,752,388</b>	<b>1,137,752,388</b>
<b>Financial Liabilities</b>				
Due to banks	2,203,199	2,203,199	2,042,322	2,042,322
Securities sold under repurchase agreements	44,487,462	44,487,462	59,424,629	59,424,629
Due to customers	1,546,832,036	1,546,832,036	1,256,589,490	1,256,589,490
<b>Total financial liabilities</b>	<b>1,593,522,697</b>	<b>1,593,522,697</b>	<b>1,318,056,441</b>	<b>1,318,056,441</b>
<b>Group</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	78,005,362	78,005,362	73,244,043	73,244,043
Balances with central banks	68,689,012	68,689,012	56,387,741	56,387,741
Placements with banks	5,319,602	5,319,602	12,931,605	12,931,605
Securities purchased under resale agreements	19,872,247	19,872,247	2,350,704	2,350,704
Loans and advances to customers	1,194,294,394	1,194,294,394	1,027,768,110	1,027,768,110
<b>Total financial assets</b>	<b>1,366,180,617</b>	<b>1,366,180,617</b>	<b>1,172,682,203</b>	<b>1,172,682,203</b>
<b>Financial Liabilities</b>				
Due to banks	2,194,266	2,194,266	2,053,945	2,053,945
Securities sold under repurchase agreements	44,628,686	44,628,686	58,925,801	58,925,801
Due to customers	1,566,376,418	1,566,376,418	1,273,631,287	1,273,631,287
<b>Total financial liabilities</b>	<b>1,613,199,370</b>	<b>1,613,199,370</b>	<b>1,334,611,033</b>	<b>1,334,611,033</b>

### 59.4 Reclassification of Financial Assets and Financial Liabilities

There have been no reclassifications during 2017.



## 60 Risk Management

### 60.1 Introduction

#### 60.1.1 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.

#### 60.1.2 Group Risk Management

Bank of Ceylon Group consist of ten subsidiaries and four associate companies. Their principal activities spread over diverse range. Their income and expenses, are less than 5% of the Group's income and expenses and their total assets and liabilities are less than 3% of the Group's total assets and liabilities. Therefore, the affairs of subsidiaries and associates do not have significant impact to the risk management.

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 Internal Auditor of the Bank carries out audits in subsidiaries. In addition, the Bank has developed and implemented a reporting mechanism for subsidiaries through risk dashboards. The dashboard includes all the headline risk indicators of the respective Subsidiary Companies.

#### 60.1.3 Risk Management Framework

Risk management governance structure of the Bank begins with oversight by the Board of Directors, which assures the performance of overall risk management framework. The Board establishes the risk appetite and sets strategic direction through risk management policies. The Bank's Independent Integrated Risk Management Division (IIRMD) is headed by the Chief Risk Officer (CRO), who directly reports to the Integrated Risk Management Committee (IRMC), which is a subcommittee of the Board. CRO is also a member of management level committees such as Credit Committee, Asset and Liability Management Committee (ALCO), Operational Risk Management Executive Committee (ORMEC), IT Steering Committee, Fraud Risk Management Committee and Non-Performing Advances Monitoring Committee, which assist in managing various risks that the Bank is exposed to.

#### 60.1.4 Risk Measurement and Reporting Systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur, in fact, do occur.

Monitoring and controlling risks are primarily performed based on limits established by the Bank. The risk appetite and limits for the Bank are approved by the Board based on recommendations of IRMC and inputs from the IIRMD by considering the operating business environment and the types of risk taking activities that are assumed in pursuit of the Bank's strategic and financial objectives. In the limits setting process through risk appetite statement, the Bank is controlling the risk-taking activities within the tolerance limits for credit, market, and operational 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.

### 60.1.5 Risk Mitigation

As part of its overall risk management, the Bank uses mitigation techniques and strategies to reduce the risk. In managing credit risk the Bank actively uses counterparty evaluation to reduce its credit risks. Collaterals are used to further mitigate losses. Market risk is mitigated using derivative instruments in limited context. Strong internal control mechanism is in place to manage operational risks and insurance is used as a operational risk transfer strategy where necessary.

## 60.2 Credit Risk

Credit risk management process is based on credit risk management policy and lending guidelines approved by the Board of Directors. These documents lay down the conditions and guidelines for granting, maintenance, monitoring and management of credit, at both transaction and portfolio levels.

### 60.2.1 Maximum Exposure to Credit Risk

#### 60.2.1.1 Collateral and Other Credit Enhancements

The Bank obtains collateral from borrowers/counterparties in order to mitigate credit risk. The amount/types of collateral required depend on the credit risk assessment of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over immovable properties, inventory and trade receivables
- For personal lending, mortgages over properties, cash and cash equivalents and gold articles
- For Government and State-Owned Enterprises, Sovereign guarantee

The Bank monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The following table shows the maximum exposure to credit risk, total fair value of collateral, any surplus collateral and the net exposure to credit risk.

### 60.2.1.2 Type of Collateral or Credit Enhancements

31 December 2017	Maximum Exposure to Credit Risk LKR '000	Cash LKR '000	Gold LKR '000	GoSL Securities/ Guarantees LKR '000
<b>Financial Assets</b>				
Cash and cash equivalents	72,843,108	41,774,986	-	-
Balances with central banks	68,689,012	68,689,012	-	-
Placements with banks	8,067,490	-	-	-
Securities purchased under resale agreements	18,455,555	-	-	18,455,555
Derivative financial instruments	1,618,823	-	-	-
Financial instruments – Held for trading	8,359,274	-	-	5,598,090
Financial investments – Loans and receivables	213,167,048	-	-	206,756,877
Loans and advances to customers	1,219,914,481	66,872,015	49,660,188	310,703,980
Less: Impairment	(56,753,567)	-	-	-
Financial investments – Available for sale	17,921,170	-	-	9,677,543
Financial investments – Held to maturity	308,256,082	-	-	256,069,541
<b>Total</b>	<b>1,880,538,476</b>	<b>177,336,013</b>	<b>49,660,188</b>	<b>807,261,586</b>

31 December 2016	Maximum Exposure to Credit Risk LKR '000	Cash LKR '000	Gold LKR '000	GoSL Securities/ Guarantees LKR '000
<b>Financial Assets</b>				
Cash and cash equivalents	67,705,791	28,901,214	-	-
Balances with central banks	56,387,741	56,387,741	-	-
Placements with banks	11,674,664	-	-	-
Securities purchased under resale agreements	1,901,618	-	-	1,901,618
Derivative financial instruments	5,300,844	-	-	-
Financial instruments – Held for trading	8,474,041	-	-	5,375,588
Financial investments – Loans and receivables	191,874,638	-	-	185,683,966
Loans and advances to customers	1,047,189,690	60,535,565	44,954,643	281,263,263
Less: Impairment	(47,107,116)	-	-	-
Financial investments – Available for sale	10,463,046	-	-	2,061,794
Financial investments – Held to maturity	243,178,400	-	-	159,061,022
<b>Total</b>	<b>1,597,043,357</b>	<b>145,824,520</b>	<b>44,954,643</b>	<b>635,347,251</b>

### 60.2.2 Credit Quality by Class of Financial Assets

The Bank has established borrower risk rating models for corporate exposures covering different industries through the Integrated Risk Management System (IRMS), which would be used for decision making process and estimation of probability of default. In addition, facility rating models have been established for the transaction specific factors; these would be subsequently used in Internal Rating Based Approach under Basel II. The borrower risk rating system categorises all performing corporate credits into eight grades on the basis of underlying credit quality. For consumer lending, the Bank has established credit-scorecards covering retail segment through the IRMS for evaluating credit facilities and monitoring credit quality.

The Bank's non-performing advances are categorised as per the CBSL guidelines. At each reporting date the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that there is an incurred loss.

Fair Value of Collateral and Credit Enhancements Held				Net Collateral LKR '000	Net Exposure LKR '000
Movables LKR '000	Properties LKR '000	Others LKR '000	Surplus Collateral LKR '000		
-	-	-	-	41,774,986	31,068,122
-	-	-	-	68,689,012	-
-	-	-	-	-	8,067,490
-	-	-	-	18,455,555	-
-	-	-	-	-	1,618,823
-	-	-	-	5,598,090	2,761,184
-	-	-	-	206,756,877	6,410,171
108,434,274	213,153,077	66,655,828	(97,502,880)	717,976,482	501,937,999
-	-	-	-	-	(56,753,567)
-	-	-	-	9,677,543	8,243,627
-	-	-	-	256,069,541	52,186,541
<b>108,434,274</b>	<b>213,153,077</b>	<b>66,655,828</b>	<b>(97,502,880)</b>	<b>1,324,998,086</b>	<b>555,540,390</b>

Fair Value of Collateral and Credit Enhancements Held				Net Collateral LKR '000	Net Exposure LKR '000
Movables LKR '000	Properties LKR '000	Others LKR '000	Surplus Collateral LKR '000		
-	-	-	-	28,901,214	38,804,577
-	-	-	-	56,387,741	-
-	-	-	-	-	11,674,664
-	-	-	-	1,901,618	-
-	-	-	-	-	5,300,844
-	-	-	-	5,375,588	3,098,453
-	-	-	-	185,683,966	6,190,672
98,159,598	192,955,783	60,339,865	(88,264,007)	649,944,710	397,244,980
-	-	-	-	-	(47,107,116)
-	-	-	-	2,061,794	8,401,252
-	-	-	-	159,061,022	84,117,378
<b>98,159,598</b>	<b>192,955,783</b>	<b>60,339,865</b>	<b>(88,264,007)</b>	<b>1,089,317,653</b>	<b>507,725,705</b>

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an impairment charges against loans and advances. A detailed note on impairment of loans and advances is in Note 27 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 subcommittee of the Board. CRO is also a member of management level committees such as Credit Committee. Asset and advances granted to GOSL and loans and advances granted to corporate borrowers whose internal credit ratings are AAA, AA or A. Standard grade consists of corporate borrowers whose internal credit rating is BBB, BB or B. Substandard grade includes corporate borrowers whose credit rating is C or D.

Credit Quality by Class of Financial Assets	As at 31 December 2017						
	Neither Past Due/Nor Impaired						Total
	High Grade	Standard Grade	Sub-Standard Grade	Grades Not Allocated/Unrated	Past Due But Not Individually Impaired	Individually Impaired	
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
<b>Financial Assets</b>							
Cash and cash equivalents	54,204,723	-	-	18,638,385	-	-	72,843,108
Balances with Central Banks	68,689,012	-	-	-	-	-	68,689,012
Placements with banks	8,067,490	-	-	-	-	-	8,067,490
Securities purchased under resale agreements	18,455,555	-	-	-	-	-	18,455,555
Derivative financial instruments	1,618,823	-	-	-	-	-	1,618,823
Financial instruments – Held for trading	5,598,090	-	-	2,761,184	-	-	8,359,274
Financial investments – Loans and receivables	206,756,877	-	-	6,410,171	-	-	213,167,048
Loans and advances to customers	314,509,110	104,311,326	34,810,132	463,277,623	239,218,214	63,788,076	1,219,914,481
Less: Impairment	-	-	-	-	-	-	(56,753,567)
Financial investments – Available for sale	9,677,543	-	-	8,243,627	-	-	17,921,170
Financial investments – Held to maturity	256,069,541	-	-	52,186,541	-	-	308,256,082
<b>Total</b>	<b>943,646,764</b>	<b>104,311,326</b>	<b>34,810,132</b>	<b>551,517,531</b>	<b>239,218,214</b>	<b>63,788,076</b>	<b>1,880,538,476</b>

Age analysis of Past Due (i.e. facilities in arrears of one day and above) But Not Impaired loans by class of financial assets.

Age Analysis of Past Due But Not Individually Impaired Loans	Past Due But Not Individually Impaired					Total
	Less than 30 Days	30 to 60 Days	60 to 90 Days	90 to 180 Days	180 Days and Over	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Loans and advances to customers	124,756,928	74,175,997	6,216,779	2,644,976	31,423,534	239,218,214

Credit Quality by Class of Financial Assets	As at 31 December 2016						
	Neither Past Due/Nor Impaired						Total
	High Grade	Standard Grade	Sub-Standard Grade	Grades Not Allocated/Unrated	Past Due But Not Individually Impaired	Individually Impaired	
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Cash and cash equivalents	43,393,783	-	-	24,312,008	-	-	67,705,791
Balances with central banks	56,387,741	-	-	-	-	-	56,387,741
Placements with banks	11,674,664	-	-	-	-	-	11,674,664
Securities purchased under resale agreements	1,901,618	-	-	-	-	-	1,901,618
Derivative financial instruments	5,300,844	-	-	-	-	-	5,300,844
Financial instruments – Held for trading	5,375,587	-	-	3,098,454	-	-	8,474,041
Financial investments – Loans and receivables	185,683,966	-	-	6,190,672	-	-	191,874,638
Loans and advances to customers	279,845,017	108,409,398	16,554,840	422,192,716	187,105,186	33,082,533	1,047,189,690
Less: Impairment	-	-	-	-	-	-	(47,107,116)
Financial investments – Available for sale	2,061,794	-	-	8,401,252	-	-	10,463,046
Financial investments – Held to maturity	159,061,022	-	-	84,117,378	-	-	243,178,400
<b>Total</b>	<b>750,686,036</b>	<b>108,409,398</b>	<b>16,554,840</b>	<b>548,312,480</b>	<b>187,105,186</b>	<b>33,082,533</b>	<b>1,597,043,357</b>

Age analysis of Past Due (i.e. facilities in arrears of one day and above) But Not Impaired loans by class of financial assets.

Age Analysis of Past Due But Not Impaired Loans	Past Due But Not Individually Impaired					Total
	Less than 30 Days	30 to 60 Days	60 to 90 Days	90 to 180 Days	180 Days and Over	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Loans and advances to customers	93,525,723	51,317,462	5,680,504	5,122,053	31,459,444	187,105,186

### 60.2.3 Analysis of Risk Concentration

At portfolio level, risk arise from concentration of exposures to individual/group of borrowers, industry/sectors and geographical regions.

#### Country-Wise Exposure

The Bank maintains exposures outside Sri Lanka mainly due to its three branches in India, Maldives and Seychelles and the fully-owned Subsidiary operating in United Kingdom (UK). All overseas branches are operating with pre-set limits (credit limits as well as country limits) and are approved by the Board of Directors while the credits are managed through delegated authority where the higher levels of authority is retained within Head Office in Colombo.

UK subsidiary is operating under regulatory purview of UK Prudential Regulation Authority and by having the control over the decentralised credit decision through the Board of Directors appointed by the Bank. The key staff including Chief Executive Officer and Deputy Chief Executive Officer are the employees seconded from Bank of Ceylon. UK operations have established risk exposure levels as part of its risk management framework.

Exposures in other countries include placements with Bank's Nostro account balances with correspondent banks whose risks are managed through Board-approved bank limits and country limits.



31 December 2017	Sri Lanka LKR '000	UK LKR '000	Maldives LKR '000	India LKR '000	USA LKR '000	Seychelles LKR '000	Other Countries LKR '000	Total LKR '000
<b>Financial Assets</b>								
Cash and cash equivalents	40,187,549	13,988,645	8,448,677	85,582	6,870,236	77,092	3,185,327	72,843,108
Balances with central banks	64,800,808	-	3,239,492	165,035	-	483,677	-	68,689,012
Placements with banks	4,399,061	3,037,776	-	630,653	-	-	-	8,067,490
Securities purchased under resale agreements	18,455,555	-	-	-	-	-	-	18,455,555
Derivative financial instruments	1,618,823	-	-	-	-	-	-	1,618,823
Financial instruments – Held for trading	8,359,274	-	-	-	-	-	-	8,359,274
Financial investments – Loans and receivables	206,448,353	-	6,718,695	-	-	-	-	213,167,048
Loans and advances to customers	1,133,450,152	-	21,525,646	6,967,240	-	1,217,876	-	1,163,160,914
Financial investments – Available for sale	16,442,300	-	-	1,478,870	-	-	-	17,921,170
Financial investments – Held to maturity	308,256,082	-	-	-	-	-	-	308,256,082
<b>Total</b>	<b>1,802,417,957</b>	<b>17,026,421</b>	<b>39,932,510</b>	<b>9,327,380</b>	<b>6,870,236</b>	<b>1,778,645</b>	<b>3,185,327</b>	<b>1,880,538,476</b>
<b>Financial Liabilities</b>								
Due to banks	1,583,334	-	-	619,865	-	-	-	2,203,199
Securities sold under repurchase agreements	44,487,462	-	-	-	-	-	-	44,487,462
Derivative financial instruments	70,715	-	-	-	-	-	-	70,715
Due to customers	1,510,562,066	-	30,301,978	4,368,004	-	1,599,988	-	1,546,832,036
Other borrowings	36,176,514	-	-	13,171	-	-	142,001,404	178,191,089
Debt Securities Issued	-	-	-	-	-	-	-	-
Subordinated term debts	42,570,457	-	-	-	-	-	-	42,570,457
<b>Total</b>	<b>1,635,450,548</b>	<b>-</b>	<b>30,301,978</b>	<b>5,001,040</b>	<b>-</b>	<b>1,599,988</b>	<b>142,001,404</b>	<b>1,814,354,958</b>

31 December 2016	Sri Lanka	UK	Maldives	India	USA	Seychelles	Other Countries	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Financial Assets</b>								
Cash and cash equivalents	38,436,122	13,156,378	3,912,193	89,880	10,908,334	94,560	1,108,324	67,705,791
Balances with central banks	50,700,556	-	4,900,518	516,838	-	269,829	-	56,387,741
Placements with banks	156,619	10,200,705	-	1,317,340	-	-	-	11,674,664
Securities purchased under resale agreements	1,901,618	-	-	-	-	-	-	1,901,618
Derivative financial instruments	5,300,844	-	-	-	-	-	-	5,300,844
Financial instruments – Held for trading	8,474,041	-	-	-	-	-	-	8,474,041
Financial investments – Loans and receivables	176,705,115	-	15,169,523	-	-	-	-	191,874,638
Loans and advances to customers	953,431,521	-	39,544,046	6,145,043	-	961,964	-	1,000,082,574
Financial investments – Available for sale	9,321,157	-	-	1,141,889	-	-	-	10,463,046
Financial investments – Held to maturity	243,178,400	-	-	-	-	-	-	243,178,400
<b>Total</b>	<b>1,487,605,993</b>	<b>23,357,083</b>	<b>63,526,280</b>	<b>9,210,990</b>	<b>10,908,334</b>	<b>1,326,353</b>	<b>1,108,324</b>	<b>1,597,043,357</b>
<b>Financial Liabilities</b>								
Due to banks	1,309,844	-	-	732,478	-	-	-	2,042,322
Securities sold under resale agreements	59,424,629	-	-	-	-	-	-	59,424,629
Derivative financial instruments	171,663	-	-	-	-	-	-	171,663
Due to customers	1,222,384,532	-	29,039,013	3,664,581	-	1,501,364	-	1,256,589,490
Other borrowings	2,615,588	-	-	276,903	-	-	192,577,362	195,469,853
Debt securities issued	3,427,058	-	-	-	-	-	-	3,427,058
Subordinated term debts	38,645,546	-	-	-	-	-	-	38,645,546
<b>Total</b>	<b>1,327,978,860</b>	<b>-</b>	<b>29,039,013</b>	<b>4,673,962</b>	<b>-</b>	<b>1,501,364</b>	<b>192,577,362</b>	<b>1,555,770,561</b>

## Sector-Wise Exposure

31 December 2017	Agriculture and Fisheries LKR '000	Banking Finance and Insurance LKR '000	Hotels Travels and Services LKR '000	Housing, Construction and Infrastructure LKR '000	Manufacturing LKR '000
<b>Financial Assets</b>					
Cash and cash equivalents	-	12,429,737	-	-	-
Balances with central banks	-	-	-	-	-
Placements with banks	-	8,067,490	-	-	-
Securities purchased under resale agreements	-	-	-	-	-
Derivative financial instruments	-	1,618,823	-	-	-
Financial instruments – Held for trading	86,206	78,045	333,067	100,104	1,099,754
Financial investments – Loans and receivables	-	5,641,373	-	-	-
Loans and advances to customers*	91,074,381	31,480,730	53,637,678	262,592,679	70,781,133
Less: Impairment	-	-	-	-	-
Financial investments – Available for sale	-	8,243,627	-	-	-
Financial investments – Held to maturity	-	-	-	-	-
	<b>91,160,587</b>	<b>67,559,825</b>	<b>53,970,745</b>	<b>262,692,783</b>	<b>71,880,887</b>

31 December 2016	Agriculture and Fisheries LKR '000	Banking Finance and Insurance LKR '000	Hotels Travels and Services LKR '000	Housing, Construction and Infrastructure LKR '000	Manufacturing LKR '000
<b>Financial Assets</b>					
Cash and cash equivalents	-	14,492,569	-	-	-
Balances with central banks	-	-	-	-	-
Placements with banks	-	11,674,664	-	-	-
Securities purchased under resale agreements	-	-	-	-	-
Derivative financial instruments	-	5,300,844	-	-	-
Financial instruments – Held for trading	531,124	82,702	386,666	93,999	827,151
Financial investments – Loans and receivables	-	5,225,215	-	-	-
Loans and advances to customers*	93,122,279	35,577,036	38,962,287	220,818,815	64,745,001
Less: Impairment	-	-	-	-	-
Financial investments – Available for sale	-	8,401,252	-	-	-
Financial investments – Held to maturity	-	-	-	-	-
	<b>93,653,403</b>	<b>80,754,282</b>	<b>39,348,953</b>	<b>220,912,814</b>	<b>65,572,152</b>

\* This excludes exposure to state-owned enterprises.

### 60.2.4 Commitments and Guarantees

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the Statement of Financial Position as on balance sheet asset, they do contain credit/default risk and are therefore part of the overall risk of the Bank.

The table below shows the Bank's maximum credit risk exposure for commitments and guarantees:

As at 31 December	Bank	
	2017 LKR '000	2016 LKR '000
Acceptances and documentary credit	147,887,385	133,108,741
Forward exchange contracts	39,125,183	78,538,947
Guarantees	83,593,855	88,636,554
	<b>270,606,423</b>	<b>300,284,242</b>

Commercial Trade LKR '000	Sovereign and Direct Government LKR '000	Transportation and Logistics LKR '000	Other Commercial Services LKR '000	Consumption and Others LKR '000	Total LKR '000
-	-	-	-	60,413,371	72,843,108
-	68,689,012	-	-	-	68,689,012
-	-	-	-	-	8,067,490
-	18,455,555	-	-	-	18,455,555
-	-	-	-	-	1,618,823
889,668	5,598,090	84,911	89,429	-	8,359,274
768,799	206,756,876	-	-	-	213,167,048
209,406,599	108,058,736*	89,891,385	31,716,190	271,274,970	1,219,914,481
-	-	-	-	-	(56,753,567)
-	8,198,673	-	-	1,478,870	17,921,170
-	308,256,082	-	-	-	308,256,082
<b>211,065,066</b>	<b>724,013,024</b>	<b>89,976,296</b>	<b>31,805,619</b>	<b>333,167,211</b>	<b>1,880,538,476</b>

Commercial Trade LKR '000	Sovereign and Direct Government LKR '000	Transportation and Logistics LKR '000	Other Commercial Services LKR '000	Consumption and Others LKR '000	Total LKR '000
-	-	-	-	53,213,222	67,705,791
-	56,387,741	-	-	-	56,387,741
-	-	-	-	-	11,674,664
-	1,901,618	-	-	-	1,901,618
-	-	-	-	-	5,300,844
972,381	5,375,587	11,274	193,157	-	8,474,041
965,457	185,683,966	-	-	-	191,874,638
180,657,875	101,138,871*	49,524,934	22,027,488	240,615,104	1,047,189,690
-	-	-	-	-	(47,107,116)
-	434,475	-	-	1,627,319	10,463,046
-	243,178,400	-	-	-	243,178,400
<b>182,595,713</b>	<b>594,100,658</b>	<b>49,536,208</b>	<b>22,220,645</b>	<b>295,455,645</b>	<b>1,597,043,357</b>

## 60.3 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 mismatches between assets and liabilities which might lead to a stressed liquidity situation.

Maturity Gap Analysis prepared by Treasury Division on a monthly basis is submitted to ALCO for decision-making purpose. Assets and liabilities of the Bank are positioned into pre defined time bands according to their residual term to maturity in Maturity Gap Analysis. Accordingly, assets and liability mismatches are monitored against the pre determined 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 2017:

31 December 2017	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	–	2,203,199	–	–	–	2,203,199
Securities sold under resale agreements	–	33,391,992	11,095,470	–	–	44,487,462
Derivative financial instruments	–	70,715	–	–	–	70,715
Due to customers	576,214,705	392,398,282	528,814,674	48,652,021	752,354	1,546,832,036
Other borrowings	–	91,247,400	77,835,383	8,262,972	845,334	178,191,089
Debt securities issued	–	–	–	–	–	–
Subordinated debentures	–	–	4,090,196	9,941,700	28,538,561	42,570,457
<b>Total</b>	<b>576,214,705</b>	<b>519,311,588</b>	<b>621,835,723</b>	<b>66,856,693</b>	<b>30,136,249</b>	<b>1,814,354,958</b>

31 December 2016	On Demand LKR '000	Less than 3 Months LKR '000	3 to 12 Months LKR '000	1 to 5 Years LKR '000	Over 5 Years LKR '000	Total LKR '000
Due to banks	–	2,042,322	–	–	–	2,042,322
Securities sold under resale agreements	–	43,420,086	61,985,387	17,307	–	105,422,780
Derivative financial instruments	–	171,663	–	–	–	171,663
Due to customers	544,978,039	286,365,143	390,777,612	61,946,504	3,178	1,284,070,476
Other borrowings	–	34,719,659	81,273,566	79,892,126	824,918	196,710,269
Debt securities issued	–	–	3,823,000	–	–	3,823,000
Subordinated debentures	–	–	9,584,647	8,595,013	9,455,669	27,635,329
<b>Total</b>	<b>544,978,039</b>	<b>366,718,873</b>	<b>547,444,212</b>	<b>150,450,950</b>	<b>10,283,765</b>	<b>1,619,875,839</b>

## 60.4 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 portfolios 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.

### 60.4.1 Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to the changes in 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 transactions. A detailed limit structure along with VaR limits prescribed by the IIRMD govern the foreign exchange risk derived from trading transactions. Currently, Bank uses Historical VaR methodology to monitor foreign exchange risk. Foreign Exchange VaR as at 31 December 2017 – LKR 21,066,977 and our risk appetite limit is LKR 160,000,000.

Foreign Exchange Position as at 31 December	2017		2016	
	Net Overall Long LKR '000	Net Overall Short LKR '000	Net Overall Long LKR '000	Net Overall Short LKR '000
<b>Currency</b>				
United States Dollar	877,195	-	82,924	-
Great Britain Pound		(3,974)	14	-
Euro	1,331	-	112	-
Japanese Yen	-	(5,263)	2	-
Australian Dollar	-	(582)	-	(1,123)
Canadian Dollar	-	(410)	-	(326)
Swiss Franc		(386)	489	-
Singapore Dollar	-	(930)	-	(1,052)
Hong Kong Dollar	-	(1,562)	(1,838)	-
<b>Sub Total</b>	<b>878,526</b>	<b>(13,107)</b>	<b>11,745</b>	<b>(2,501)</b>
Other Currencies	12,090	(3,489)	4,783	(647)
<b>Grand total</b>	<b>890,616</b>	<b>(16,596)</b>	<b>2,376</b>	<b>(3,148)</b>
Higher of long or short		(16,596)		(3,148)

#### Impact on Income Statement due to Exchange Rate Shocks

Exchange Rate Shocks  (%)	2017		2016	
	Net Open Position (After Rate Shocks) LKR '000	Impact on Income Statement as at 31 December 2017 LKR '000	Net Open Position (After Rate Shocks) LKR '000	Impact on Income Statement as at 31 December 2016 LKR '000
5	(15,766)	830	(2,991)	157
10	(14,936)	1,660	(2,833)	315
-5	(17,426)	(830)	(3,305)	(157)
-10	(18,256)	(1,660)	(3,463)	(315)

#### 60.4.2 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 daily basis to assess the impact of interest rate changes on Bank's trading portfolios of Treasury Bonds and Bills.

Interest Rate Shocks	2017 LKR '000	2016 LKR '000
<b>PVBP</b>		
Investment in Treasury Bills	32,201	8,864
Investment in Treasury Bonds	58,835	25,308
<b>Duration</b>		
Investment in Treasury Bills	0.5 years	0.5 years
Investment in Treasury Bonds	1.0 years	2.5 Years

Sensitivity analysis of interest sensitive assets and liabilities is carried out to monitor interest rate risk in the banking book by placing those assets and liabilities in predetermined maturity buckets considering its residual time to maturity and setting and monitoring gap limits and the repricing profile.

2017	Up to 1 Month %	1-3 Months %	3-6 Months %	6-12 Months %	1-2 Years %	2-3 Years %	3-4 Years %	4-5 Years %	Over 5 Years %
Rate sensitive assets	9.1	17.1	6.3	22.2	9.3	9.3	5.0	5.0	16.7
Rate sensitive liabilities	8.8	15.1	16.8	18.2	4.5	4.5	4.0	4.0	24.2
GAP	0.3	2.0	-10.5	4.0	4.8	4.8	1.0	1.0	-7.5

2016	Up to 1 Month %	1-3 Months %	3-6 Months %	6-12 Months %	1-2 Years %	2-3 Years %	3-4 Years %	4-5 Years %	Over 5 Years %
Rate sensitive assets	8.6	13.8	9.5	13.8	15.1	15.1	3.6	3.6	16.9
Rate sensitive liabilities	8.1	11.7	8.4	25.1	7.4	7.4	4.5	4.5	23.0
GAP	-0.5	-2.1	-1.0	11.3	-7.7	-7.7	0.8	0.8	6.1

### 60.4.3 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. Risk appetite for equity VaR is LKR 315,000,000 for year 2017.

Equity VaR	2017 LKR '000	2016 LKR '000
Highest	263,051	151,146
Lowest	87,841	117,168
Average	144,906	134,170
31 December	89,852	131,409

### 60.5 Operational Risk

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

The Bank recognises the significance of operational risk, which is inherent in all areas of business. The Bank seeks to minimise exposure to operational risk, through implementing improved management and control mechanisms.

Bank uses Basic Indicator Approach (BIA) to allocate capital for operational risk. Even though the capital allocated for operational risk was significant, the actual operational loss was far below the allocated capital.

### 60.6 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.

#### 60.6.1 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 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. 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.





# Compliance Annexes

- 304—Compliance Requirements as per Banking Act Direction No. 11 of 2007
- 324—Compliance Requirements Enforced by Colombo Stock Exchange
- 326—Compliance Requirements Enforced by the Central Bank of Sri Lanka
- 329—Capital Adequacy
- 344—Certificate of the Director on Transfer Pricing

## Compliance Requirements as per Banking Act Direction No. 11 of 2007

Section	Principle	Level of Compliance during the Year 2017
<b>3 (1)</b>	<b>The Responsibilities of the Board</b>	
3 (1) (i)	<p>The Board shall strengthen the safety and soundness of the bank by ensuring the implementation of the following:</p> <p>a. Approve and oversee the bank's strategic objectives and corporate values and ensure that these are communicated throughout the bank;</p>	<p>Complied with.</p> <p>Strategic objectives and values are formulated at sessions held at an off-site location with the participation of the Board and the top management. They were incorporated in the Board approved Corporate Plan for the period 2017-2019. These were communicated to staff up to Branch Manager level at an off-site location where the Corporate Plan was launched and reinforced by the Corporate Management Team. All other levels of staff were informed through regular briefing sessions and at meetings.</p> <p>The Board approved Corporate Plan for 2018-2020 formulated in a similar manner is in place. The corporate values have been revamped going forward from 2018. The corporate values are included in the Employee Handbook given to all employees which is also available on the intranet.</p>
	<p>b. Approve the overall business strategy of the bank, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least the next three years;</p>	<p>Complied with.</p> <p>The Bank's overall Business Strategy is included in the Corporate Plan 2017-2019 and the Action Plan for the same period which was approved by the Board. The risk appetite, risk 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 and analysed at off-site discussion meetings.</p>
	<p>c. Identify the principal risks and ensure implementation of appropriate systems to manage the risks prudently;</p>	<p>Complied with.</p> <p>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.</p> <p>The Bank has implemented a process where the Board members discuss at length the risks arising out of new strategies and further the ways and means to mitigate such risks.</p> <p>A Board approved Integrated Risk Management Policy covering all areas of major risks is in place.</p> <ul style="list-style-type: none"> <li>• The following reports also provide further details in this regard: Risk Management Report on pages 80 to 92.</li> <li>• Integrated Risk Management Committee Report on pages 74 to 75.</li> </ul>
	<p>d. Approve implementation of a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers;</p>	<p>Complied with.</p> <p>Board has approved and implemented a Communication Policy covering all stakeholders which is reviewed periodically.</p>
	<p>e. Review the adequacy and the integrity of the bank's internal control systems and management information systems;</p>	<p>Complied with.</p> <p>The Board Audit Committee which reports to the Board is tasked with reviewing the adequacy and the integrity of the Bank's internal control system and financial reporting. This Committee reviewed reports from the Internal Audit Department which reports directly to the Audit Committee and from the External Auditors in carrying out this task. Internal Audit Department is tasked with information systems audits to assess the effectiveness of the MIS. The Board has reviewed the adequacy of the MIS and the Internal Control System.</p>

Section	Principle	Level of Compliance during the Year 2017
	f. Identify and designate Key Management Personnel;	<p>Complied with.</p> <p>In terms of the Central Bank of Sri Lanka guidelines dated 2 December 2015 and Banking Act Determination No. 3 of 2010, the Bank has identified the General Manager, Deputy General Managers, Assistant General Managers and officers in allied grades as Key Management Personnel (KMP) of the Bank for Corporate Governance purposes.</p>
	g. Define the areas of authority and key responsibilities for the Board Directors themselves and for the Key Management Personnel;	<p>Complied with.</p> <p>Areas of authority and key responsibilities have been defined for the Directors and Key Management Personnel through the Board Charter and position descriptions respectively. Board Charter was last reviewed in the year 2017.</p>
	h. Ensure that there is appropriate oversight of the affairs of the bank by Key Management Personnel, that is consistent with Board policy;	<p>Complied with.</p> <p>Performance against the Bank's Corporate Plan is reviewed by the Board based on the Action Plan.</p> <p>Key Management Personnel make presentations to the Board and Subcommittees on matters under their purview and are also called in by the Board as and when needed to explain matters relating to their areas.</p>
	<p>i. Periodically assess the effectiveness of the Board Directors' own governance practices, including:</p> <p>(i) the selection, nomination and election of Directors and Key Management Personnel;</p> <p>(ii) the management of conflicts of interests; and</p> <p>(iii) the determination of weaknesses and implementation of changes where necessary;</p>	<p>Complied with.</p> <p>A self-evaluation of the performance of the Board is carried out annually assessing its own governance practices.</p>
	j. Ensure that the bank has an appropriate succession plan for Key Management Personnel;	<p>Complied with.</p> <p>A Board approved Succession Plan for Key Management Personnel (viz. for the Corporate and Executive Management) is in place which was reviewed and revised by the Nomination and Corporate Governance Committee in year 2017.</p>
	k. Meet regularly, on a needs basis, with the Key Management Personnel to review policies, establish communication lines and monitor progress towards corporate objectives;	<p>Complied with.</p> <p>Key Management Personnel regularly present or are called in for discussions at the meetings of the Board and its Subcommittees on policy and other matters relating to their areas. The performance review of the Corporate Plan is carried out at off-site locations with the participation of the Management.</p>
	l. Understand the regulatory environment and ensure that the bank maintains an effective relationship with regulators;	<p>Complied with.</p> <p>On appointment as Directors, they are 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.</p> <p>Compliance reports submitted to the Central Bank of Sri Lanka which includes all returns to regulators are presented to the Board monthly and monitored by the Board.</p>
	m. Exercise due diligence in the hiring and oversight of External Auditors.	<p>Complied with.</p> <p>As provided for in the Constitution of the country, the Auditor General is the External Auditor of the Bank as it is a State-Owned Enterprise. However, the Audit Committee has been tasked with the oversight of the External Auditors who are assisting the Auditor General in the audit of the Bank.</p>

Section	Principle	Level of Compliance during the Year 2017
3 (1) (ii)	The Board shall appoint the Chairman and the Chief Executive Officer and define and approve the functions and responsibilities of the Chairman and the Chief Executive Officer in line with Direction 3 (5) of these Directions.	Complied with when read in conjunction with Direction No. 3 (9) (ii).  The Board appoints the Chief Executive Officer referred to as the General Manager in the Bank of Ceylon with the approval of the Minister under whose purview the Bank falls and the Chairman is appointed by the said Minister in terms of the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments.  The Board has also approved their functions and responsibilities maintaining the balance of power between the two roles through the Board Charter.
3 (1) (iii)	The Board shall meet regularly and Board meetings shall be held at least twelve times a year at approximately monthly intervals. Such regular Board meetings shall normally involve active participation in person of a majority of Directors entitled to be present. Obtaining the Board's consent through the circulation of written resolutions/papers shall be avoided as far as possible.	Complied with.  Regular fortnightly Board meetings were held and special meetings were scheduled as and when the need arises. During the year under review the Board met 28 times.  The Bank has minimised obtaining approval via circular resolutions and it is done only on an exceptional basis and such resolutions are ratified by the Board at the next meeting. During the year 2017, five resolutions have been adopted by circulation.
3 (1) (iv)	The Board shall ensure that arrangements are in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the bank.	Complied with.  Meetings are scheduled and the Board is informed at the beginning of the each calendar year to enable submission of proposals to the agenda for regular meetings.
3 (1) (v)	The Board procedures shall ensure that notice of at least seven days is given of a regular Board meeting to provide all Directors an opportunity to attend. For all other Board meetings, reasonable notice may be given.	Complied with.  Notice of meetings are given through an Annual Calendar at the beginning of the year. Agenda and Board papers for the Board meetings are circulated to the Directors seven days prior to the meetings through a secure eSolution.  Reasonable notice is given before any special meeting.
3 (1) (vi)	The Board procedures shall ensure that a Director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a Director. Participation at the Directors' meetings through an alternate Director shall, however, be acceptable as attendance.	Complied with.  The Directors are apprised of their attendance in accordance with the Corporate Governance Code. Details of the Directors' attendance are set out on page 69. Directors' attendance has been in compliance with this Direction.
3 (1) (vii)	The Board shall appoint a Company Secretary who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988, whose primary responsibilities shall be to handle the secretariat services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied with.  The Secretary, Bank of Ceylon/Secretary to the Board is an Attorney-at-Law, whose credentials/qualifications are in compliance with the provisions of Section 43 of the Banking Act No. 30 of 1988 and its amendments. She is primarily responsible for handling the secretariat services to the Board and carrying out other functions specified in the statutes and other regulations.
3 (1) (viii)	All Directors shall have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable rules and regulations are followed.	Complied with.  All members of the Board have the opportunity to obtain the advice and services of the Secretary to the Board who is an Attorney-at-Law and who is responsible to the Board for follow-up of Board procedures, compliance with rules and regulations, directions and statutes and keeping and maintaining minutes and relevant records of the Bank.

Section	Principle	Level of Compliance during the Year 2017
3 (1) (ix)	The Company Secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any Director.	<p>Complied with.</p> <p>The Secretary, Bank of Ceylon/Secretary to the Board maintains the minutes of the Board meetings and circulates same to all Board members through a secure eSolution.</p> <p>The minutes are approved at the subsequent Board meeting. Additionally, the Directors have access to the past Board papers and minutes through the same eSolution.</p>
3 (1) (x)	<p>Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes shall also serve as a reference for regulatory and supervisory authorities to assess the depth of deliberations at the Board meetings. Therefore, the minutes of a Board meeting shall clearly contain or refer to the following:</p> <ol style="list-style-type: none"> <li>a. a summary of data and information used by the Board in its deliberations;</li> <li>b. the matters considered by the Board;</li> <li>c. the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence;</li> <li>d. the testimonies and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations;</li> <li>e. the Board's knowledge and understanding of the risks to which the bank is exposed and an overview of the risk management measures adopted; and</li> <li>f. the decisions and Board resolutions.</li> </ol>	<p>Complied with.</p> <p>Minutes of the meetings are kept covering the given criteria.</p>
3 (1) (xi)	There shall be a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the bank's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director or Directors to discharge his/her/their duties to the bank.	<p>Complied with.</p> <p>A Policy for Directors' Access to Independent Professional Advice is in place and the Directors are able to obtain independent professional advice when deemed necessary.</p>
3 (1) (xii)	Directors shall avoid conflicts of interests, or the appearance of conflicts of interest, in their activities with, and commitments to, other organisations or related parties. If a Director has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, the matter should be dealt with at a Board meeting, where Independent Non-Executive Directors [refer to Direction 3 (2) (iv) of these Directions] who have no material interest in the transaction, are present. Further, a Director shall abstain from voting on any Board resolution in relation to which he/she or any of his/her close relation or a concern, in which a Director has substantial interest, is interested and he/she shall not be counted in the quorum for the relevant agenda item at the Board meeting.	<p>Complied with.</p> <p>The Directors are conscious of their obligation to deal with a situation when there is a conflict of interest in accordance with applicable regulations. A Board approved Policy on Conflict of Interest is in place. As a practice at every Board meeting Directors are required to declare any interest in contracts/new appointments to any other Board or Institution. Directors abstain from participating in the discussions, voicing their opinion or approving in situations where there is a conflict of interest and such Director is not counted in the quorum in such instances.</p>
3 (1) (xiii)	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the Direction and control of the bank is firmly under its authority.	<p>Complied with.</p> <p>Powers Reserved for the Board are included in the Board Charter which was reviewed during the year.</p>

Section	Principle	Level of Compliance during the Year 2017
3 (1) (xiv)	The Board shall, if it considers that the Bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of Bank Supervision of the situation of the bank prior to taking any decision or action.	Complied with. Such a situation has not arisen during the year 2017. Monthly Financial Statements submitted to the Board assures the Board of the Bank's solvency.
3 (1) (xv)	The Board shall ensure that the Bank is capitalised at levels as required by the Monetary Board in terms of the Capital Adequacy Ratio and other prudential grounds.	Complied with. The Board ensures that the Bank is capitalised at levels as required by the Monetary Board in terms of the Capital Adequacy Ratio (CAR) and other prudential grounds. Capital Augmentation Plan is submitted to the Board on quarterly basis. Calculation of CAR is submitted to the Board with the monthly Financial Statements of the Bank.
3 (1) (xvi)	The Board shall publish in the Bank's Annual Report, an Annual Corporate Governance Report setting out the compliance with Direction 3 of these Directions.	Complied with. These disclosures are part of the Corporate Governance Report in the Bank's Annual Report.
3 (1) (xvii)	The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually, and maintain records of such assessments.	Complied with. A scheme of self-assessment is adopted. The self-assessment reports of the Board is maintained by the Secretary, Bank of Ceylon/Secretary to the Board.
<b>3 (2)</b>	<b>The Board's Composition</b>	
3 (2) (i)	The number of Directors on the Board shall not be less than 7 and not more than 13.	According to the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments the number of Directors permitted on the Board is six and the present Board consists of six Directors. Bank is in the process of amending the said Bank of Ceylon Ordinance to accommodate the said requirement of the Direction.
3 (2) (ii)	a. The total period of service of a Director other than a Director who holds the position of Chief Executive Officer shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such Director up to 1 January 2008.	Complied with. Present Directors of Bank of Ceylon have been in office for a period less than nine years. Details of their appointments are given on pages 35 to 37 of this Annual Report.
3 (2) (iii)	An employee of a bank may be appointed, elected or nominated as a Director of the bank (hereinafter referred to as an "Executive Director") provided that the number of Executive Directors shall not exceed one-third of the number of Directors of the Board. In such an event, one of the Executive Directors shall be the Chief Executive Officer of the bank.	Complied with. Bank of Ceylon Ordinance does not provide for Executive Directors in Bank of Ceylon.
3 (2) (iv)	The Board shall have at least three Independent Non-Executive Directors or one-third of the total number of Directors, whichever is higher. This sub-direction shall be applicable from 1 January 2010 onwards.	Complied with. The entire Board of Bank of Ceylon consists of six Non-Executive Directors. Out of them, five are identified as Independent Directors based on the criteria specified in this Direction. The Director representing the Ministry of Finance is considered Non-Independent since he represents the shareholder, the Government of Sri Lanka.

Section	Principle	Level of Compliance during the Year 2017
	<p>A Non-Executive Director shall not be considered independent if he/she:</p> <ol style="list-style-type: none"> <li>a. has direct and indirect shareholdings of more than 1% of the bank;</li> <li>b. currently has or had during the period of two years immediately preceding his/her appointment as director, any business transactions with the bank as described in Direction No. 3 (7) hereof, exceeding 10% of the regulatory capital of the bank;</li> <li>c. has been employed by the bank during the two year period immediately preceding the appointment as Director;</li> <li>d. has a close relation who is a Director or Chief Executive Officer or a member of Key Management Personnel or a material shareholder of the bank or another bank. For this purpose, a "close relation" shall mean the spouse or a financially dependant child;</li> <li>e. represents a specific stakeholder of the bank;</li> <li>f. is an employee or a Director or a material shareholder in a Company or business organisation: <ol style="list-style-type: none"> <li>i. which currently has a transaction with the bank as defined in Direction No. 3 (7) of these Directions, exceeding 10% of the regulatory capital of the bank; or</li> <li>ii. in which any of the other Directors of the bank are employed or are Directors or are material shareholders; or</li> <li>iii. in which any of the other Directors of the bank have a transaction as defined in Direction No. 3 (7) of these Directions, exceeding 10% of regulatory capital in the bank.</li> </ol> </li> </ol>	<p>They are identified on pages 35 to 37 with the Profiles of the Directors and also under Direction No. 3 (2) (viii) below.</p>
3 (2) (v)	In the event an Alternate Director is appointed to represent an Independent Director, the person so appointed shall also meet the criteria that applies to the Independent Director.	No Alternate Director has been appointed to represent any Independent Director (Only Alternate Director appointed is for the Director representing the Ministry of Finance).
3 (2) (vi)	Non-Executive Directors shall be persons with credible track records and/or have necessary skills and experience to bring an independent judgement to bear on issues of strategy, performance and resources.	Complied with. Present Directors' Profiles appearing on pages 35 to 37 spell out the necessary information.
3 (2) (vii)	A meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present, unless more than one half of the number of Directors present at such meeting are Non-Executive Directors. This sub-direction shall be applicable from 1 January 2010 onwards.	Complied with. All the Board members of Bank of Ceylon are Non-Executive Directors.



Section	Principle	Level of Compliance during the Year 2017
3 (2) (viii)	The Independent Non-Executive Directors shall be expressly identified as such in all corporate communications that disclose the names of Directors of the bank. The bank shall disclose the composition of the Board, by category of Directors, including the names of the Chairman, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors in the Annual Corporate Governance Report.	<p>Complied with.</p> <p>During the year 2017 the Board consisted of the following members:</p> <ul style="list-style-type: none"> <li>• <b>Mr Ronald C Perera, PC</b> Independent Non-Executive Director/Chairman</li> <li>• <b>Mr Sajith R Attygalle</b> Non-Executive Ex Officio Director</li> <li>• <b>Mr Ranel T Wijesinha</b> Independent Non-Executive Director</li> <li>• <b>Mr H P Ajith Gunawardana</b> Independent Non-Executive Director</li> <li>• <b>Mr Charitha N Wijewardane</b> Independent Non-Executive Director (Resigned w.e.f. 21 July 2017)</li> <li>• <b>Mr Sanjaya Padmaperuma</b> Independent Non-Executive Director (Resigned w.e.f. 30 June 2017)</li> <li>• <b>Mr Mano Sekaram</b> Independent Non-Executive Director (Appointed w.e.f. 6 July 2017 and resigned w.e.f. 8 September 2017)</li> <li>• <b>Mr Samantha Rajapaksa</b> Independent Non-Executive Director (Appointed w.e.f. 25 July 2017)</li> <li>• <b>Mr Mohan Wijesinghe</b> Independent Non-Executive Director (Appointed w.e.f. 24 November 2017)</li> <li>• <b>Mr Kanagasabai Vimalenthirajah</b> (Appointed as the Alternate Director to Mr S R Attygalle w.e.f. 9 November 2017)</li> </ul>
3 (2) (ix)	There shall be a formal, considered and transparent procedure for the appointment of new Directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Appointments to the Board are made by the shareholder, the Government of Sri Lanka through Minister under whose purview the Bank falls under the terms of the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments.
3 (2) (x)	All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first General Meeting after their appointment.	This does not arise since the relevant Minister appoints them.
3 (2) (xi)	If a Director resigns or is removed from office, the Board shall: <ul style="list-style-type: none"> <li>a. announce the Director's resignation or removal and the reasons for such removal or resignation including but not limited to information relating to the relevant Director's disagreement with the bank, if any; and</li> <li>b. issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.</li> </ul>	<p>Complied with.</p> <p>The Government of Sri Lanka, the sole shareholder does the appointments as well as the removals through the Minister under whose purview the Bank falls. Any resignation is also referred to the same Minister. The Central Bank of Sri Lanka and the Colombo Stock Exchange are kept informed of the resignations.</p> <p>There is not any matter that needs to be highlighted. The Shareholder of the Bank is the Government and the changes to the Directorate is carried out by the Government through the subject Minister.</p>
3 (2) (xii)	A Director or an employee of a bank shall not be appointed, elected or nominated as a Director of another bank except where such bank is a subsidiary company or an associate company of the first mentioned bank.	Neither Directors nor employees of Bank of Ceylon are Directors of another Bank, other than for the appointment of a Deputy General Manager to the Pradeshiya Sanwardana Bank as per the requirements of the enabling enactments of this Bank (Pradeshiya Sanwardana Bank Act No. 41 of 2008).

Section	Principle	Level of Compliance during the Year 2017
<b>3 (3)</b>	<b>Criteria to Assess the Fitness and Propriety of Directors</b>	
3 (3) (i)	<p>The age of a person who serves as Director shall not exceed 70 years.</p> <p>In this context, the following general exemption shall apply:</p> <p>A Director who has reached the age of 70 years as at 1 January 2008 or who would reach the age of 70 years prior to 31 December 2008 may continue in office for a further maximum period of three years commencing 1 January 2009.</p>	<p>Complied with.</p> <p>None of the Directors of the Bank are over 70 years of age.</p>
3 (3) (ii)	A person shall not hold office as a Director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the bank.	<p>Complied with.</p> <p>No Director holds directorships of more than 20 companies/entities.</p>
<b>3 (4)</b>	<b>Management Functions Delegated by the Board</b>	
3 (4) (i)	The Directors shall carefully study and clearly understand the delegation arrangements in place.	<p>Complied with.</p> <p>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.</p>
3 (4) (ii)	The Board shall not delegate any matters to a Board Committee, Chief Executive Officer, Executive Directors or Key Management Personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	<p>The provisions in the governing Ordinance are considered in this process.</p>
3 (4) (iii)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the bank.	
<b>3 (5)</b>	<b>The Chairman and Chief Executive Officer</b>	
3 (5) (i)	The roles of Chairman and Chief Executive Officer shall be separate and shall not be performed by the same individual.	<p>Complied with.</p> <p>The positions of the Chairman and the Chief Executive Officer referred to as the General Manager in Bank of Ceylon are held by two different individuals.</p> <p>A Board Charter is in place defining the responsibilities of the Chairman and the General Manager.</p>
3 (5) (ii)	The Chairman shall be a Non-Executive Director and preferably an Independent Director as well. In the case where the Chairman is not an Independent Director, the Board shall designate an Independent Director as the Senior Director with suitably documented Terms of Reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the bank's Annual Report.	<p>Complied with.</p> <p>The Chairman of Bank of Ceylon is an Independent Non-Executive Director and as such the need to appoint a Senior Independent Director does not arise.</p>
3 (5) (iii)	The Board shall disclose in its Corporate Governance Report, which shall be an integral part of its Annual Report, the identity of the Chairman and the Chief Executive Officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairman and the Chief Executive Officer and the relationships among members of the Board.	<p>Complied with.</p> <p>The identity of the Chairman and the General Manager are disclosed in the Annual Report on pages 12 to 22 there are many references to these roles throughout.</p> <p>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 2017.</p>

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**Compliance Requirements as per Banking Act Direction No. 11 of 2007**

Section	Principle	Level of Compliance during the Year 2017
3 (5) (iv)	The Chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key and appropriate issues are discussed by the Board in a timely manner.	Complied with.
3 (5) (v)	The Chairman shall be primarily responsible for drawing up and approving the agenda for each Board meeting, taking into account where appropriate, any matters proposed by the other Directors for inclusion in the agenda. The Chairman may delegate the drawing up of the agenda to the Company Secretary.	Complied with. The Secretary, Bank of Ceylon/Secretary to the Board draws up the agenda under the authority delegated by the Chairman based on the memoranda submitted through the General Manager and any other relevant items proposed by any Board member.
3 (5) (vi)	The Chairman shall ensure that all Directors are properly briefed on issues arising at Board meetings and also ensure that Directors receive adequate information in a timely manner.	Complied with. The Chairman ensures that the Board is adequately briefed. The following procedures are in place to ensure this: <ul style="list-style-type: none"> <li>• Board papers are circulated seven days prior to the Board meetings through a secured electronic link.</li> <li>• Relevant members of the management team are on hand for explanation and clarifications.</li> <li>• Management information is provided in agreed formats on a regular basis to enable Directors to assess the performance and stability of the Bank.</li> <li>• Directors are able to seek independent professional advice on a needs basis at the Bank's expense.</li> </ul>
3 (5) (vii)	The Chairman shall encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the bank.	Complied with.
3 (5) (viii)	The Chairman shall facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relations between Executive and Non-Executive Directors.	Complied with. The entire Board consists of Non-Executive Directors.
3 (5) (ix)	The Chairman, shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.	Complied with. Chairman is an Independent Non-Executive Director and does not get involved in the direct supervision of Key Management Personnel or any other executive duties.
3 (5) (x)	The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied with. Effective communication is maintained with the Government of Sri Lanka who is the sole shareholder. The Ex Officio Director acts as the channel between the Board and the shareholder.
3 (5) (xi)	Chief Executive Officer shall function as the apex executive-in-charge of the day-to-day management of the bank's operations and business.	Complied with. The day-to-day operations of the Bank is the responsibility of the General Manager. The Board Charter specifically refers to such authority of the General Manager.

Section	Principle	Level of Compliance during the Year 2017
<b>3 (6)</b>	<b>Board Appointed Committees</b>	
3 (6) (i)	Each bank shall have at least four Board committees as set out in Directions 3 (6) (ii), 3 (6) (iii), 3 (6) (iv) and 3 (6) (v) of these Directions. Each committee shall report directly to the Board. All committees shall appoint a Secretary to arrange the meetings and maintain minutes, records, etc., under the supervision of the Chairman of the committee. The Board shall present a report of the performance on each committee, on their duties and roles at the Annual General Meeting.	<p>Complied with.</p> <p>Four Subcommittees of the Board (viz. Audit, Human Resources and Remuneration, Nomination and Corporate Governance and Integrated Risk Management) have been established as required under this Direction which are reporting directly to the Board. The Terms of Reference for each Subcommittee is in place and are reviewed annually.</p> <p>The Secretary, Bank of Ceylon/Secretary to the Board serves as Secretary to all Subcommittees and maintains minutes etc. with oversight by the respective Chairpersons.</p> <p>The reports of the Subcommittees are included in this Annual Report.</p> <p>Audit Committee on pages 70 to 73.</p> <p>Integrated Risk Management Committee on pages 74 and 75.</p> <p>Human Resources and Remuneration Committee on page 76.</p> <p>Nomination and Corporate Governance Committee on page 77.</p> <p>The Government being the sole shareholder, the Annual Report of the Bank is submitted to the Parliament of Sri Lanka and to the relevant Ministries.</p>
3 (6) (ii)	The following rules shall apply in relation to the Audit Committee:	Complied with.
	a. The Chairman of the Committee shall be an Independent Non-Executive Director who possesses qualifications and experience in accountancy and/or audit.	The Chairman of the Audit Committee is an Independent Non-Executive Director who has required qualifications as indicated under the profiles on page 36.
	b. All members of the Committee shall be Non-Executive Directors.	Complied with. All members of the Committee are Non-Executive Directors.
	c. The Committee shall make recommendations on matters in connection with:	Complied with.
	(i) the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes;	In accordance with the Terms of Reference, the Audit Committee makes the following recommendations among many others:
	(ii) the implementation of the Central Bank Guidelines issued to Auditors from time to time;	<ul style="list-style-type: none"> <li>• The implementation of the Central Bank Guidelines issued to Auditors from time to time.</li> <li>• The application of the relevant accounting standards.</li> </ul>
	(iii) the application of the relevant accounting standards; and	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.
	(iv) the service period, audit fee and any resignation or dismissal of the Auditor; provided that the engagement of the Audit partner shall not exceed five years, and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.	
	d. The Committee shall review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices	The Bank's Auditor being the Auditor General, his independence and effectiveness is guaranteed under the Constitution of Sri Lanka.  The Auditor General in turn ensures the independence of any Auditor appointed to assist him to perform the audit of the Bank.

Section	Principle	Level of Compliance during the Year 2017
	<p>e. The Committee shall develop and implement a policy on the engagement of an External Auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the Committee shall ensure that the provision by an External Auditor of non-audit services does not impair the External Auditor's independence or objectivity. When assessing the External Auditor's independence or objectivity in relation to the provision of non-audit services, the Committee shall consider:</p> <ul style="list-style-type: none"> <li>(i) whether the skills and experience of the audit firm make it a suitable provider of the non-audit services;</li> <li>(ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the External Auditor; and</li> <li>(iii) whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit firm, pose any threat to the objectivity and/or independence of the External Auditor.</li> </ul>	<p>Complied with.</p> <p>This does not arise since the Auditor General is the Auditor of the Bank.</p> <p>However, the Committee ensures that provision by an audit firm appointed by the Auditor General to assist him in the audit of the Bank of non-audit services does not impair that firm's independence or objectivity.</p>
	<p>f. The Committee shall, before the audit commences, discuss and finalise with the External Auditors the nature and scope of the audit, including:</p> <ul style="list-style-type: none"> <li>(i) an assessment of the bank's compliance with the relevant Directions in relation to corporate governance and the management's internal controls over financial reporting;</li> <li>(ii) the preparation of Financial Statements for external purposes in accordance with relevant accounting principles and reporting obligations; and</li> <li>(iii) the coordination between firms where more than one audit firm is involved.</li> </ul>	<p>Complied with.</p> <p>The scope and the extent of audit have been determined by the Auditor General and it is stated that Messrs KPMG, Chartered Accountants (KPMG) who assist the Auditor General in the audit of year 2017 can make further changes/amendments to the scope having considered the volume and risk associated.</p> <p>KPMG presented the Audit Plan for year 2017 and the Committee agreed to it.</p>
	<p>g. The Committee shall review the financial information of the bank, in order to monitor the integrity of the Financial Statements of the bank, its Annual Report, accounts and quarterly reports prepared for disclosure, and the significant financial reporting judgements contained therein. In reviewing the bank's Annual Report and accounts and quarterly reports before submission to the Board, the Committee shall focus particularly on:</p> <ul style="list-style-type: none"> <li>(i) major judgemental areas;</li> <li>(ii) any changes in accounting policies and practices;</li> <li>(iii) significant adjustments arising from the audit;</li> <li>(iv) the going concern assumption; and</li> <li>(v) the compliance with relevant accounting standards and other legal requirements.</li> </ul>	<p>Complied with.</p> <p>There is a continuing process carried out in reviewing monthly, quarterly and annual financials of the Bank by the Committee and recommendations are made to the Board.</p>
	<p>h. The Committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the Auditor may wish to discuss including those matters that may need to be discussed in the absence of Key Management Personnel, if necessary.</p>	<p>Complied with.</p> <p>The Committee discusses issues, problems and reservations arising from the interim and final audits. The representative of the Auditor General was present at the Committee meetings throughout along with the representatives of KPMG who assisted the Auditor General, where relevant.</p>

Section	Principle	Level of Compliance during the Year 2017
	i. The Committee shall review the External Auditor's Management Letter and the management's response thereto.	Complied with.
	j. The Committee shall take the following steps with regard to the internal audit function of the bank:	Complied with.
	(i) Review the adequacy of the scope, functions and resources of the Internal Audit Department, and satisfy itself that the Department has the necessary authority to carry out its work;	The Audit Committee reviews and make necessary recommendations with regard to the adequacy of the scope, functions and resources of the Internal Audit Department.
	(ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department;	Complied with. The Committee reviews the internal audit programme and results of the internal audit procedures and ensures that appropriate actions are taken for improvements.
	(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit Department;	Complied with. Performance appraisal of Chief Internal Auditor and the work process and results of the internal audit function have been evaluated by the Audit Committee. Performance evaluation of senior staff is carried out according to the Board approved evaluation process by the Chief Internal Auditor and is tabled before the Audit Committee.
	iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;	Complied with.
	v) Ensure that the Committee is appraised of resignations of senior staff members of the Internal Audit Department including the Chief Internal Auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;	Complied with. Such a situation has not arisen during the year.
	vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.	Complied with. According to the organisation structure of the Bank, the Chief Internal Auditor reports directly to the Board through the Audit Committee and he is independent of any operations of the Bank
	k. The Committee shall consider the major findings of internal investigations and management's responses thereto.	Complied with. The Audit Committee has reviewed the major findings of internal investigations and management responses thereto.
	l. The Chief Finance Officer, the Chief Internal Auditor and a representative of the External Auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the Committee. However, at least twice a year, the Committee shall meet with the External Auditors without the Executive Directors being present.	Complied with. The Chief Financial Officer, Chief Internal Auditor, Chief Risk Officer and Compliance Officer, representative of the Auditor General and the representatives of KPMG who are appointed to assist the Auditor General participate at the Committee meetings. The General Manager also attended the meetings on invitation of the Committee. The members of the management are invited for any explanations, if necessary. A "Closed door" meeting was held with the External Auditors in the absence of the Management.

Section	Principle	Level of Compliance during the Year 2017
	<p>m. The Committee shall have:</p> <ul style="list-style-type: none"> <li>(i) explicit authority to investigate into any matter within its terms of reference;</li> <li>(ii) the resources which it needs to do so;</li> <li>(iii) full access to information; and</li> <li>(iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.</li> </ul>	<p>Complied with.</p>
	<p>n. The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.</p>	<p>Complied with.</p> <p>The Audit Committee has scheduled regular meetings. Additional meetings are convened when required.</p> <p>The Committee met eleven times during the year. The members of the Committee are served with due notice of issues to be discussed and the conclusions in discharging its duties and responsibilities are recorded in the minutes of the meetings maintained by the Secretary to the Board/Secretary, Bank of Ceylon.</p>
	<p>o. The Board shall disclose in an informative way,</p> <ul style="list-style-type: none"> <li>(i) details of the activities of the Audit Committee;</li> <li>(ii) the number of Audit Committee meetings held in the year; and</li> <li>(iii) details of attendance of each individual Director at such meetings.</li> </ul>	<p>Complied with.</p> <p>Activities of the Committee are reported in Audit Committee Report on pages 70 to 73.</p> <p>The Committee met eleven times during the year 2017 and details of attendance are given on page 69.</p>
	<p>p. The Secretary of the Committee (who may be the Company Secretary or the Head of the Internal Audit function) shall record and keep detailed minutes of the Committee meetings.</p>	<p>Complied with.</p> <p>Minutes are maintained by the Secretary to the Board/Secretary, Bank of Ceylon who is also the Secretary to the Committee.</p>
	<p>q. The Committee shall review arrangements by which employees of the bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the Committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the bank's relations with the External Auditor.</p>	<p>Complied with.</p> <p>A Whistle-Blower Policy is in place which covers these aspects and significant findings are reported to the Audit Committee for appropriate follow-up action.</p> <p>The Audit Committee is the key representative body for overseeing the Bank's relations with the External Auditor.</p>
3 (6) (iii)	<p>The following rules shall apply in relation to the Human Resources and Remuneration Committee:</p> <p>a. The Committee shall determine the remuneration policy (salaries, allowances and other financial payments) relating to Directors, Chief Executive Officer (CEO) and Key Management Personnel of the bank.</p>	<p>Complied with.</p> <p>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 adopted a Remuneration Policy based on the said circulars.</p> <p>The Board approved Remuneration Policy for the Key Management Personnel is in place and was reviewed in the year 2017.</p>



Section	Principle	Level of Compliance during the Year 2017
	b. The Committee shall set goals and targets for the Directors, CEO and the Key Management Personnel.	<p>Complied with.</p> <p>Directors are Non-Executive Directors as such specific goals are not set for them. Goals and targets for KMPs are documented and detailed in the Action Plan prepared based on the Corporate Plan of the Bank. The General Manager is responsible for the implementation of the Corporate Plan through Key Management Personnel (KMPs). Performance on same is reviewed.</p> <p>A separate evaluation of the performance of the General Manager is also carried out on an annual basis.</p>
	c. The Committee shall evaluate the performance of the CEO and Key Management Personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.	<p>Complied with.</p> <p>The Committee evaluated the performance of the Deputy General Managers including the General Manager against the targets given to them at the beginning of the year. Performance of the Assistant General Managers were evaluated through the evaluation carried out on them by the respective Deputy General Managers.</p>
	d. The CEO shall be present at all meetings of the Committee, except when matters relating to the CEO are being discussed.	Complied with.
3 (6) (iv)	The following rules shall apply in relation to the Nomination Committee:	The Bank has established a Nomination and Corporate Governance Committee. In addition to the duties of the Nomination Committee given under this Direction, certain other duties pertaining to upholding the applicable Corporate Governance Principles are included under the Terms of Reference of this Committee.
	a. The Committee shall implement a procedure to select/ appoint new Directors, CEO and Key Management Personnel.	<p>Complied with.</p> <p>The Directors are appointed by the Minister under whose purview the Bank falls. The General Manager is appointed by the Board with the approval of the said Minister. There is a Board approved general procedure/scheme for the appointment of the KMP.</p>
	b. The Committee shall consider and recommend (or not recommend) the re-election of current Directors, taking into account the performance and contribution made by the Director concerned towards the overall discharge of the Board's responsibilities.	Does not arise since the Directors are appointed by the relevant Minister.
	c. The Committee shall set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO and the key management positions.	<p>Complied with.</p> <p>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.</p>
	d. The Committee shall ensure that Directors, CEO and Key Management Personnel are fit and proper persons to hold office as specified in the criteria given in Direction 3 (3) and as set out in the statutes.	<p>Complied with.</p> <p>Annual declarations from Directors ensuring that they are fit and proper persons to hold office as specified in the criteria given in Direction 3 (3) and as set out in statutes are sent to CBSL.</p> <p>Also the Committee ensures that KMPs are fit and proper persons to hold their offices when they are promoted or appoint as KMPs.</p>

Section	Principle	Level of Compliance during the Year 2017
	e. The Committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring Directors and Key Management Personnel.	Complied with. A Succession Plan for the KMPs is in place. Additional or new expertise that is needed are either recommended by the Board Subcommittees or decided by the Board.
	f. The Committee shall be chaired by an Independent Director and preferably be constituted with a majority of Independent Directors. The CEO may be present at meetings by invitation.	Complied with. The Committee is chaired by an Independent Non-Executive Director. Page 77 of this Annual Report provides details in this regard.
3 (6) (v)	The following rules shall apply in relation to the Integrated Risk Management Committee:	Complied with.
	a. The Committee shall consist of at least three Non-Executive Directors, Chief Executive Officer and Key Management Personnel supervising broad risk categories, i.e. credit, market, liquidity, operational and strategic risks. The Committee shall work with Key Management Personnel very closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.	The Committee comprises three Non-Executive Directors, General Manager and the Chief Risk Officer who supervises credit, market, operational, reputational and strategic risks. The Chief Internal Auditor, Chief Financial Officer and Compliance Officer participate at all Committee meetings at the request of the Committee. Any other KMP and other staff are invited as and when the Committee needs their presence. The Committee works closely with KMPs within the framework of authority and responsibility assigned to the Committee.
	b. The Committee shall assess all risks, i.e. credit, market, liquidity, operational and strategic risks to the bank on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on a bank basis and group basis.	Complied with. Independent Integrated Risk Management Division of the Bank assesses the credit, market, liquidity, operational, strategic and operational risks of the Bank based on the policy documents recommended by this Committee and approved by the Board, on a monthly basis and the summary reports are submitted to the Committee at its regular meetings and then to the next immediate Board meeting.  In the case of subsidiaries and associates, a risk management dashboard has been developed to address the risks.
	c. The Committee shall review the adequacy and effectiveness of all management level committees such as the Credit Committee and the Asset Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.	Complied with.
	d. The Committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the bank's policies and regulatory and supervisory requirements.	Complied with. Specific quantitative and qualitative risks which went beyond the limits are monitored by the Chief Risk Officer and reported direct to the Committee based on the severity of the issues involved.
	e. The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Complied with. During the year, the Committee has had five meetings. Details of meetings and attendance are given on page 69.
	f. The Committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the Committee, and/or as directed by the Director of Bank Supervision.	Complied with. Formal documented disciplinary action procedure is in place in the Bank.

Section	Principle	Level of Compliance during the Year 2017
	g. The Committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied with. The detailed minutes of the meetings are submitted to the next immediate Board meeting together with the recommendations and Risk Management Reports.
	h. The Committee shall establish a compliance function to assess the bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated Compliance Officer selected from Key Management Personnel shall carry out the compliance function and report to the Committee periodically.	Complied with. The Bank has established a separate compliance function to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. This function is headed by a dedicated Compliance Officer and he submits quarterly Compliance Reports to the Committee and monthly Compliance Reports to the Board.  The compliance function also assess the Bank's compliance with Internal Controls and approved policies on all areas of business operations.
<b>3 (7)</b>	<b>Related Party Transactions</b>	
3 (7) (i)	The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the bank with any person, and particularly with the following categories of persons shall be considered as "related parties" for the purposes of this Direction: a. Any of the bank's subsidiary companies; b. Any of the bank's associate companies; c. Any of the Directors of the bank; d. Any of the bank's Key Management Personnel; e. A close relation of any of the bank's Directors or Key Management Personnel; f. A shareholder owning a material interest in the bank; g. A concern in which any of the bank's Directors or a close relation of any of the bank's Directors or any of its material shareholders has a substantial interest.	Complied with. There is a Board approved Policy on Related Party Transactions covering related parties, their transactions, and restrictions on offering more favourable treatment to related parties in order for the Board members to avoid any Conflict of Interest in this regard.  Directors who have related party transactions are individually requested to declare their transactions. Transactions are monitored through an automated system.
3 (7) (ii)	The type of transactions with related parties that shall be covered by this Direction shall include the following: a. The grant of any type of accommodation, as defined in the Monetary Board's Directions on maximum amount of accommodation; b. The creation of any liabilities of the bank in the form of deposits, borrowings and investments; c. The provision of any services of a financial or non-financial nature provided to the bank or received from the bank; d. The creation or maintenance of reporting lines and information flows between the bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.	Complied with. Information in this regard, is disclosed in Note 57 on page 274 "Related Party Disclosures" disclosures.

Section	Principle	Level of Compliance during the Year 2017
3 (7) (iii)	<p>The Board shall ensure that the bank does not engage in transactions with related parties as defined in Direction No. 3 (7) (i) above, in a manner that would grant such parties “more favourable treatment” than that accorded to other constituents of the bank carrying on the same business. In this context, “more favourable treatment” shall mean and include treatment, including the:</p> <p>a. Granting of “total net accommodation” to related parties, exceeding a prudent percentage of the bank’s regulatory capital, as determined by the Board. For purposes of this sub-direction:</p> <p>(i) “Accommodation” shall mean accommodation as defined in the banking Act Direction No. 7 of 2007 on Maximum Amount of Accommodation.</p> <p>(ii) The “total net accommodation” shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the bank’s share capital and debt instruments with a maturity of five years or more.</p> <p>b. Charging of a lower rate of interest than the bank’s best lending rate or paying more than the bank’s deposit rate for a comparable transaction with an unrelated comparable counterparty;</p> <p>c. Providing of preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties;</p> <p>d. Providing services to or receiving services from a related-party without an evaluation procedure;</p> <p>e. Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.</p>	<p>Complied with.</p> <p>The Bank has implemented a Board approved process to monitor related party transactions which is monitored by the Compliance Division and compliance status is indicated in the monthly Compliance Report submitted to the Board.</p>
3 (7) (iv)	<p>A bank shall not grant any accommodation to any of its Directors or to a close relation of such Director unless such accommodation is sanctioned at a meeting of its Board of Directors, with not less than two-thirds of the number of Directors other than the Director concerned, voting in favour of such accommodation. This accommodation shall be secured by such security as may from time to time be determined by the Monetary Board as well.</p>	<p>Complied with.</p>
3 (7) (v)	<p>a. Where any accommodation has been granted by a bank to a person or a close relation of a person or to any concern in which the person has a substantial interest, and such person is subsequently appointed as a Director of the bank, steps shall be taken by the bank to obtain the necessary security as may be approved for that purpose by the Monetary Board, within one year from the date of appointment of the person as a Director.</p>	<p>Complied with.</p> <p>Such a situation has not arisen during the year 2017.</p>

Section	Principle	Level of Compliance during the Year 2017
	<p>b. Where such security is not provided by the period as provided in Direction 3 (7) (v) (a) above, the bank shall take steps to recover any amount due on account of any accommodation, together with interest, if any, within the period specified at the time of the grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of such Director, whichever is earlier.</p> <p>c. Any Director who fails to comply with the above sub-directions shall be deemed to have vacated the office of Director and the bank shall disclose such fact to the public.</p> <p>d. This sub-direction, however, shall not apply to a Director who at the time of the grant of the accommodation was an employee of the bank and the accommodation was granted under a scheme applicable to all employees of such bank.</p>	
3 (7) (vi)	A bank shall not grant any accommodation or “more favourable treatment” relating to the waiver of fees and/or commissions to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such bank or when secured by security as may be approved by the Monetary Board in respect of accommodation granted as per Direction 3 (7) (v) above.	<p>Complied with.</p> <p>No favourable treatment/accommodation is provided to any employee of the Bank on more favourable terms unless under general staff loan schemes applicable to all employees of the Bank. Circular instructions have been issued in this regard. Close relations of Bank employees are also not given any favourable treatment/recommendation.</p>
3 (7) (vii)	No accommodation granted by a bank under Direction 3 (7) (v) and 3 (7) (vi) above, nor any part of such accommodation, nor any interest due thereon shall be remitted without the prior approval of the Monetary Board and any remission without such approval shall be void and of no effect.	<p>Complied with.</p> <p>Such a situation has not arisen during the year 2017.</p>
<b>3 (8)</b>	<b>Disclosures</b>	
3 (8) (i)	The Board shall ensure that: <p>a. annual Audited Financial Statements and quarterly Financial Statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards; and that</p> <p>b. such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.</p>	<p>Complied with.</p>
3 (8) (ii)	The Board shall ensure that the following minimum disclosures are made in the Annual Report: <p>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.</p> <p>b. A report by the Board on the bank’s internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.</p>	<p>Complied with.</p> <p>Disclosed in the “Annual Report of the Directors on the State of Affairs of the Bank” on pages 139 to 143 and Directors’ Responsibility for Financial Reporting on page 149.</p> <p>Complied with.</p> <p>Disclosed in the “Directors’ Statement on Internal Control” on pages 146 and 147 of this Annual Report and Directors’ Responsibility for Financial Reporting on page 149.</p>

Section	Principle	Level of Compliance during the Year 2017																				
	c. The Assurance Report issued by the Auditors under “Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Reports for banks on Directors’ Statements on Internal Control”.	Complied with. The Bank has obtained a certificate on the Effectiveness of Internal Controls over Financial Reporting from the Auditor General which is published on page 148 of this Annual Report.																				
	d. Details of Directors, including names, fitness and propriety, transactions with the bank and the total of fees/remuneration paid by the bank.	Complied with. Details of Directors are given on pages 35 to 37. Directors’ Interest in Contracts with the Bank are given on page 144 and 145. Remunerations paid by the Bank are given in Note 15 to the Financial Statements on page 180.																				
	e. Total net accommodation as defined in 3 (7) (iii) granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the bank’s regulatory capital.	Complied with. “Total net accommodation” granted to each category of related party during the year 2017 as a percentage of the Bank’s regulatory capital is given below:																				
		<table border="1"> <thead> <tr> <th></th> <th>LKR '000</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Key Management Personnels (KMPs)</td> <td>140,125</td> <td>0.11</td> </tr> <tr> <td>Subsidiaries</td> <td>1,751,755</td> <td>1.40</td> </tr> <tr> <td>Associates</td> <td>254,365</td> <td>0.20</td> </tr> <tr> <td>Government and Government-related entities (Refer definition in Note 57.4 of Financial Statements)</td> <td>1,065,487,630</td> <td>849.26</td> </tr> </tbody> </table>		LKR '000	%	Key Management Personnels (KMPs)	140,125	0.11	Subsidiaries	1,751,755	1.40	Associates	254,365	0.20	Government and Government-related entities (Refer definition in Note 57.4 of Financial Statements)	1,065,487,630	849.26					
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	f. The aggregate values of remuneration paid by the Bank to its Key Management Personnel and the aggregate values of the transactions of the bank with its Key Management Personnel, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the bank.	Complied with. The aggregate amount of remuneration paid by the Bank and transactions with KMPs for the year 2017 are stated below:																				
		<table border="1"> <thead> <tr> <th></th> <th>LKR '000</th> </tr> </thead> <tbody> <tr> <td>Short-term employment benefits</td> <td>392,458</td> </tr> <tr> <td>Post employment benefits</td> <td>171,459</td> </tr> </tbody> </table> <p>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.</p> <table border="1"> <thead> <tr> <th></th> <th>LKR '000</th> </tr> </thead> <tbody> <tr> <td>Loans</td> <td>410,435</td> </tr> <tr> <td>Overdrafts</td> <td>11,666</td> </tr> <tr> <td>Credit cards</td> <td>9,215</td> </tr> <tr> <td>Deposits</td> <td>368,897</td> </tr> <tr> <td>Debentures</td> <td>7,626</td> </tr> <tr> <td>Undrawn facilities</td> <td>51,410</td> </tr> </tbody> </table>		LKR '000	Short-term employment benefits	392,458	Post employment benefits	171,459		LKR '000	Loans	410,435	Overdrafts	11,666	Credit cards	9,215	Deposits	368,897	Debentures	7,626	Undrawn facilities	51,410
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	g. A confirmation by the Board of Directors in its Annual Corporate Governance Report that all the findings of the “Factual Finding Reports” of Auditors issued under “Sri Lanka Related Services Practice Statement 4750” have been incorporated in the Annual Corporate Governance Report provided that Auditors confirm to the Director of Bank Supervision to this effect.	Complied with. The Bank has obtained a certificate from the Auditor General in compliance with the Corporate Governance Direction No. 11 of 2007. All findings of the Auditors have been incorporated in this Corporate Governance Report and any recommendations will be dealt within 2018.																				

Section	Principle	Level of Compliance during the Year 2017
	<p>h. A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliances.</p>	<p>Complied with.</p> <p>The Statement of Directors' Responsibility for Financial Reporting on page 149 clearly sets out details regarding compliance with prudential requirements, regulations, laws and internal controls.</p>
	<p>i. A statement of the regulatory and supervisory concerns on lapses in the bank's risk management, or non-compliance with these Directions that have been pointed out by the Director of Bank Supervision, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the bank to address such concerns.</p>	<p>Complied with.</p> <p>There were no lapses which caused supervisory concern on the Bank's Risk Management Systems or non-compliance with these directions which led to them being pointed out by the Director of Bank Supervision of the Central Bank of Sri Lanka and which have caused the Monetary Board to give directions that they be disclosed to the public. Since there have been no such lapses or instances of non-compliance and since no such directions have been given by the Monetary Board, the issue of measures to be taken does not arise and there is nothing to disclose in this regard.</p>
3 (9) (i)	<p><b>Transitional and Other General Provisions</b></p> <p>Compliance with this Direction shall commence from 1 January 2008 onwards and all licensed commercial banks shall fully comply with the provisions of this Direction by or before 1 January 2009 except where extended compliance dates have been specifically provided for in this Direction.</p>	<p>Complied with.</p>
3 (9) (ii)	<p>In respect of the banks that have been incorporated by specific statutes in Sri Lanka, the Boards as specified in such statutes shall continue to function in terms of the provisions of the respective statutes, provided they take steps to comply with all provisions of this Direction that are not inconsistent with the provisions of the respective statutes.</p>	<p>Complied with.</p> <p>Bank of Ceylon has taken all possible measures to comply with all applicable provisions of this Direction that are not inconsistent with the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments, the enabling enactment.</p> <p>Any instances of non-compliance and where Bank of Ceylon has continued to function in terms of the provisions of the statutes applicable to it has been specifically mentioned above against the relevant sections.</p>
3 (9) (iii)	<p>This Direction shall apply to the branches of the foreign banks operating in Sri Lanka to the extent that it is not inconsistent with the regulations and laws applicable in such bank's country of incorporation. The branch of a foreign bank shall also publish its parent bank's Annual Corporate Governance Report together with its Annual Report and accounts of the branch operations in Sri Lanka.</p>	<p>Not applicable.</p>
3 (9) (iv)	<p>In the event of a conflict between any of the provisions of this Direction and the Articles of Association (or Internal Rules) pertaining to any bank, the provisions of this Direction shall prevail. However, if the Articles of Association of an individual bank set a more stringent standard than that specified in this Direction, such provisions in the Articles of Association may be followed.</p>	<p>Not applicable.</p>
3 (9) (v)	<p>If for any reason such as ill health or any incapacity as provided in the Banking Act, the Monetary Board considers that exemptions referred to in Directions 3 (2) (ii) B, 3 (3) (i) A and 3 (3) (ii) A should not be availed of, such ground may be notified to the person by the Monetary Board, and after a hearing, the Monetary Board may limit the period of exemption.</p>	<p>Not applicable.</p>



## 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 2017 enforced by the Colombo Stock Exchange, are summarised below:

Rule No.	Requirement	Period	Date Submitted
7.4 a (i)	The Interim Financial Statements prepared on quarterly basis, approved by the Board of Directors to be submitted to CSE within 45 days from respective quarter ends for the first three quarters and within two months at the end of 4th quarter.	Quarter 1 ended 31 March 2017	12 May 2017
		Quarter 2 ended 30 June 2017	14 August 2017
		Quarter 3 ended 30 September 2017	15 November 2017
		Quarter 4 ended 31 December 2017	28 February 2018

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 2017 was submitted on 29 March 2018. Annual Report for the year 2017 will be submitted before the deadline.

Rule No.	Disclosure Requirement	Reference/Comments	Page No.
7.6 (i)	Names of persons who during the financial year were Directors of the entity.	Annual Report of the Board of Directors on the State of Affairs of Bank of Ceylon	141
7.6 (ii)	Principal activities of the entity and its subsidiaries during the year and any changes therein.	Annual Report of the Board of Directors on the State of Affairs of Bank of Ceylon	139
		Notes to the Financial Statements	160
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.	364
7.6 (iv)	The public holding percentage.	Not applicable.	
7.6 (v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year.	Not applicable.	
7.6 (vi)	Information pertaining to material foreseeable risk factors of the entity.	Risk Management Report	80-92
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the entity.	No material issues occurred during the year under review.	
7.6 (viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties.	Notes 32 and 33 to the Financial Statements.	223-244
7.6 (ix)	Number of shares representing the entity's stated capital.	Note 48.1 to the Financial Statements.	265
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and percentage of their total holdings.	Supplementary Information.	364

Rule No.	Disclosure Requirement	Reference/Comments	Page No.
7.6 (xi)	Ratios and market price information:		
	1. Dividend per share, net assets value per share, interest rate of comparable Government Securities, Debt/equity ratio, interest cover and liquid asset ratio.	Notes 18.3 and 48.2 to the Financial Statements. Supplementary Information	184,265 363
	2. Market information on listed debentures.	Note 47 to the Financial Statements. Supplementary Information	263-264 364-365
	3. Any changes in credit rating.	Awards	107
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 33 to the Financial Statements.	224-244
7.6 (xiii)	During the year the entity has raised funds either through a public issue, rights issue and private placement.	Notes 43, 47 and 48 to the Financial Statements.	251-252 263-265
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.	Supplementary Information	367

## 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 2017 enforced by the Central Bank of Sri Lanka, are summarised below:

Circular No.	Requirement	Period	Date Published in Sinhala, Tamil and English Newspapers
02/04/003/0401/001 30 September 2005	The publication should be made within two months from the end of each quarter, at least once in an English, Sinhala and Tamil newspaper.	Quarter 1 ended 31 March 2017	30 May 2017
		Quarter 2 ended 30 June 2017	25 August 2017
		Quarter 3 ended 30 September 2017	28 November 2017
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 2017 (Audited)	31 March 2018

Compliance to other disclosure requirements on Annual Financial Statements, which were applicable to licensed commercial banks are summarised 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, 59 and 60 to the Financial Statements.
	(ii) Reclassifications of financial instruments from one category to another.	Note 59.4 to the Financial Statements.
	(iii) Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral.	Note 54 to the Financial Statements.
	(iv) Reconciliation of the allowance account for credit losses by class of financial assets.	Notes 27.2 and 28.4 to the Financial Statements.
	(v) Information about compound financial instruments with multiple embedded derivatives.	None.
	(vi) Breaches of terms of loan agreements.	None.

#### 1.2 Statement of Comprehensive Income

1.2.1	Disclosures on items of income, expense, gains and losses.	Notes 7 to 17 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, Notes 20 to 29, 38 to 43 and Notes 47 to the Financial Statements.
1.3.2	Information on hedge accounting	None.
1.3.3	Information about the fair values of each class of financial assets and financial liability, along with:	Notes 20 to 29, 38 to 43 and 47 to the Financial Statements
	(i) Comparable carrying amounts.	Note 59 to the Financial Statements.
	(ii) Description of how fair value was determined.	Note 59 to the Financial Statements.
	(iii) The level of inputs used in determining fair value.	Note 59 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 59 to the Financial Statements.
	(v) Information of fair value cannot be reliably measured.	Note 59 to the Financial Statements.

<b>2.</b>	<b>Information About the Nature and Extent of Risks Arising from Financial Instruments</b>	
<b>2.1</b>	<b>Qualitative disclosures</b>	
2.1.1	Risk exposures for each type of financial instrument.	Risk Management Report and Note 60 to the Financial Statements.
2.1.2	Management's objectives, policies, and processes for managing those risks.	Risk Management Report.
2.1.3	Changes from the prior period.	None.
<b>2.2</b>	<b>Quantitative disclosures</b>	
2.2.1	Summary of quantitative data about exposure to each risk at the reporting date	Note 60 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 60 to the Financial Statements and Risk Management Report.
	(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 60.2 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 60.2.2 to the Financial Statements.
	(c) Information about collateral or other credit enhancements obtained or called.	Note 60.2.1 to the Financial Statements
	(d) For other disclosures, refer Banking Act Direction No. 7 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H).	Note 60.1 to the Financial Statements and Risk Management Report.
	(ii) Liquidity Risk:	
	(a) A maturity analysis of financial liabilities.	Note 60.3 to the Financial Statements.
	(b) Description of approach to risk management.	Risk Management Report and Note 60.3 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 60.3 to the Financial Statements.
	(iii) Market Risk:	
	(a) A sensitivity analysis of each type of market risk to which the entity is exposed.	Note 60.4 to the Financial Statements.
	(b) Additional information, if the sensitivity analysis is not representative of the entity's risk exposure.	Note 60.4 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 60.4 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 60.5 to the Financial Statements.
	(v) Equity risk in the banking book	
	(a) Qualitative disclosures:	
	• Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons.	Notes 25 to 29 to the Financial Statements.
	• Discussion of important policies covering the valuation and accounting of equity holdings in the banking book.	Notes 25 to 28 to the Financial Statements.
	(b) Quantitative disclosures:	
	• Value disclosed in the Statement of Financial Position of Investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	Notes 25.1, 25.2, 28.1 and 28.2 to the Financial Statements.
	• The types and nature of investments.	Notes 25, 26, 28, 29 to the Financial Statements.
	• The cumulative realised gains/(losses) arising from sales and liquidations in the reporting period.	Notes 10 and 11 to the Financial Statements.

	(vi) Interest rate risk in the banking book	
	(a) Qualitative disclosures: Nature of interest rate risk in the banking book (IRRBB) and key assumptions.	Note 60.4 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 60.2.3 to the Financial Statements.
<b>3.</b>	<b>Other Disclosures</b>	
<b>3.1</b>	<b>Capital</b>	
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 47 to the Financial Statements. Equity – Note 48.
	(ii) Quantitative disclosures:	
	(a) The amount of Tier 1 capital, with separate disclosure of:	
	• Paid-up share capital/common stock.	Capital Adequacy in Compliance Annexes.
	• Reserves.	Capital Adequacy in Compliance Annexes.
	• Non-controlling interests in the equity of subsidiaries.	Capital Adequacy in Compliance Annexes.
	• Innovative instruments.	None.
	• Other capital instruments.	None.
	• Deductions from Tier 1 capital.	Capital Adequacy in Compliance Annexes.
	(b) The total amount of Tier 2 and Tier 3 capital.	Capital Adequacy in Compliance Annexes.
	(c) Other deductions from capital.	Capital Adequacy in Compliance Annexes.
	(d) Total eligible capital.	Capital Adequacy in Compliance Annexes.
3.1.2	Capital adequacy	
	(i) Qualitative disclosures: A summary discussion of the Bank's approach to assessing the adequacy of its capital or support current and future activities.	Risk Management Report and Note 60.6 to the Financial Statements.
	(ii) Quantitative disclosures:	
	(a) Capital requirements for credit risk, market risk and operational risk.	Capital Adequacy in Compliance Annexes.
	(b) Total and Tier 1 capital ratio.	Capital Adequacy in Compliance Annexes.

## Capital Adequacy

### What Means from Capital Adequacy and Why is it Important?

Strong capital position is a main component that every institute should consider for their long-term stabilisation. Therefore regulators endeavour to ensure that financial institutions, banks and investment firms have maintained enough capital to ensure smooth running of their business and have strength to meet unexpected economic fluctuations. This measure not only protects depositors within the industry but also the larger economy, as failures of institutions, specially banks, can have wider-scale repercussions.

“Capital Adequacy” is therefore the statutory minimum capital reserve that a financial institution or investment firm must have available under the regulatory provisions and it is compelled to relevant firms to maintain certain level of capital, at any given time against their risk weighted assets. This requirement is measured by, as a percentage of the risk weighted assets and it is called capital adequacy ratio.

$$\text{CAR} = \frac{\text{Tier 1 Capital} + \text{Tier 2 Capital}}{\text{Risk Weighted Assets}}$$

### Transformation from Basel I to Basel III

The liquidation of a Europe-based bank in 1974 prompted the group of ten (G-10) nations to set up the Basel Committee on Banking Supervision (BCBS), under the direction and supervision of the Bank of International Settlements, which is in Basel, Switzerland. After the experience of drowning of Europe-based bank and as a result of the liquidation of the same, this Committee instigated the Basel I Accord in 1988 with a view to resilience of financial institutions.

The Basel I Accord was the outcome of a round of consultations and deliberations by central bankers from around the world, which resulted in the publishing by the BCBS of a set of minimum capital requirements for banks. This is also known as the 1988 Basel Accord, and was enforced by law in the G-10

countries in 1992. Basel I was primarily focused on Credit Risk and Risk Weighted Assets (RWA).

The Basel II Accord was introduced following substantial losses in the international markets since 1992, which were attributed to poor risk management practices. From 2004, the Basel II Accord makes it mandatory for financial institutions to use standardised measurements for credit risk, market risk, and operational risk.

### Basel III

Basel III is an extension of the Basel II Framework, and introduces new capital and liquidity standards to strengthen the regulation, supervision, and risk management of the whole of the banking and finance sectors.

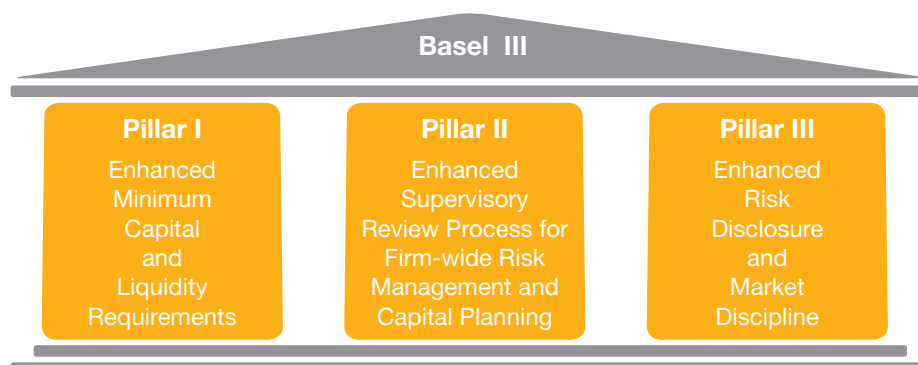
The Basel III requirements were in response to the deficiencies in financial regulation that is revealed by the 2000's financial crisis. Basel III was intended to strengthen bank capital requirements by increasing bank liquidity and decreasing bank leverage.

The global capital framework and new capital buffers require financial institutions to hold more capital and higher quality of capital than under Basel II rules. The new leverage ratio introduces a non-risk-based measure to supplement the risk-based minimum capital requirements. The new liquidity ratios ensure that adequate funding is maintained in case there are other severe banking crises.

The three pillars as established by Basel II have been revised and strengthened, while the framework itself was extended with astute innovative features:

### Main Features of the Basel III

- 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 bursts.
- Additional proposals for Domestic Systemically Important Banks (D-SIBs), including requirements for supplementary capital, augmented contingent capital and strengthened arrangements for cross-border supervision and resolution. According to the Central Bank of Sri Lanka, banks with a total asset base of over LKR 500 billion, in the latest annual audited Financial Statements will be identified as D-SIBS in the Banking sector.
- a leverage ratio – a minimum amount of loss-absorbing capital, relative to all of a bank's assets and off-balance sheet exposures regardless of risk weighting. Leverage ratio will be implemented in Sri Lanka from 1 July 2018 with observation period already commenced from 1st quarter 2017, which will be monitored by the Central Bank of Sri Lanka.
- Liquidity requirements – a minimum liquidity ratio, the Liquidity Coverage Ratio (LCR), intended to provide enough cash to cover funding needs over a 30-day period of stress; and a longer-term ratio, the Net Stable Funding Ratio (NSFR), intended to address maturity mismatches over the entire balance sheet.



The implementation of the Basel III minimum capital requirements across the banking sector in Sri Lanka, under the Direction No. 01 of 2016 is now effective from 1 July 2017 in transitional phase.

### Basel III – Transitional Phase-in-Arrangement of Capital Requirements for Banks with Assets of LKR 500 billion and above

Components of Capital	01.07.2017 %	01.01.2018 %	01.01.2019 %
<b>Common Equity Tier 1</b>	4.50	4.50	4.50
Capital Conservation Buffer	1.25	1.875	2.50
Surcharge on Domestic Systematically Important Banks (D-SIBs)	0.50	1.00	1.50
Additional Tier 1 Capital	1.50	1.50	1.50
<b>Total Tier 1 Capital</b>	<b>7.75</b>	<b>8.875</b>	<b>10.00</b>
<b>Minimum Total Capital Ratio + Capital Conservation Buffer + Capital Surcharge on D-SIBs</b>	11.75	12.875	14.00

Bank of Ceylon begun its preparation towards Basel III from 2015 when CBSL issued first consultancy paper for Basel III implementation in April 2015. By enhancing capital base and applying risk mitigating techniques, Bank was able to maintain the ratio well above the regulatory requirements as of 31 December 2017. Despite the challenging economic and market environment, BoC is well-positioned to meet the Basel III requirements when regulations become fully effective in 1 January 2019.

### Basel III Disclosure Requirements

#### Key Regulatory Ratios – Capital and Liquidity

Item	2017	
	Bank	Group
<b>Basel III Regulatory Capital (LKR '000)</b>		
Common equity Tier 1	92,596,974	99,289,566
Tier 1 capital	92,596,974	99,289,566
Total capital	125,460,069	132,382,713
<b>Regulatory Capital Ratios (%)</b>		
Common equity Tier 1 capital ratio (minimum requirement – 6.25%)	10.77	10.87
Tier 1 capital ratio (minimum requirement – 7.75%)	10.77	10.87
Total capital ratio (minimum requirement – 11.75%)	14.59	14.49

Item	Bank	
	2017	2016
<b>Regulatory Liquidity</b>		
Statutory liquid assets (LKR '000)	477,892,172	307,549,721
<b>Statutory Liquid Assets Ratio (%)</b>		
Domestic Banking Unit (Minimum Requirement – 20%)	27.22	21.62
Offshore Banking Unit (Minimum Requirement – 20%)	21.91	28.08
Liquidity coverage ratio – Rupee (minimum requirement 2017 – 80%, 2016 – 70%)	141.46	174.10
Liquidity coverage ratio – All Currencies (minimum requirement 2017 – 80%, 2016 – 70%)	105.04	101.99

Basel III new guidelines were implemented with effect from 1 July 2017.



**Basel III Computation of Capital Ratios – 2017**

Item	Bank LKR '000	Group LKR '000
<b>Common Equity Tier 1 (CET 1) capital after adjustments</b>	92,596,974	99,289,566
<b>Common Equity Tier 1 (CET 1) capital</b>	97,701,176	100,813,614
Equity capital (stated capital)/assigned capital	20,000,000	20,000,000
Reserve fund	10,427,000	10,427,000
Published retained earnings/(accumulated retained losses)	63,472,250	65,100,871
Published accumulated Other Comprehensive Income (OCI)	2,231,116	2,856,370
General and other disclosed reserves	1,570,810	2,429,373
Unpublished current year's profit/(losses) and gains reflected in OCI	-	-
Ordinary shares issued by consolidated banking and financial subsidiaries held by third parties	-	-
<b>Total Adjustments to CET 1 Capital</b>	5,104,202	1,524,048
Goodwill (net)	-	-
Intangible assets (net)	810,730	1,074,435
Deferred tax assets (net)	-	8,621
Investments in the capital of banking and financial institutions where the Bank does not own more than 10% of the issued ordinary share capital of the entity	449,444	440,991
Significant investments in the capital of financial institutions where the Bank owns more than 10% of the issued ordinary share capital of the entity	3,844,028	-
<b>Additional Tier 1 (AT I) capital after adjustment</b>	-	-
<b>Additional Tier 1 (AT I) capital</b>	-	-
Qualifying additional Tier 1 capital instruments	-	-
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	-	-
<b>Total adjustments to AT 1 capital</b>	-	-
Investment in own shares	-	-
Others (specify)	-	-
<b>Tier 2 capital after adjustments</b>	32,863,095	33,093,147
<b>Tier 2 capital</b>	34,275,944	34,275,944
Qualifying Tier 2 capital instruments	26,348,597	26,348,597
Revaluation gains	2,373,396	2,373,396
General provisions	5,553,951	5,553,951
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by third parties	-	-
<b>Total Adjustment to Tier 2</b>	1,412,849	1,182,797
Investment in own shares	-	-
Investments in the capital of financial institutions and where the Bank does not own more than 10% of the issued capital carrying voting rights of the issuing entity	1,205,469	1,182,797
Significant investments in the capital of banking and financial institutions where the Bank own more than 10% of the issued ordinary share capital of the entity	207,380	-
<b>CET I capital</b>	92,596,974	99,289,566
<b>Total Tier 1 capital</b>	92,596,974	99,289,566
<b>Total capital</b>	<b>125,460,069</b>	<b>132,382,713</b>

Item	Bank	Group
<b>Total risk-weighted assets (RWA) (LKR '000)</b>	859,663,681	913,616,033
RWAs for credit risk	764,409,191	808,714,937
RWAs for market risk	7,848,707	7,848,707
RWAs for operational risk	87,405,782	97,052,389
<b>CET I capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)</b>	10.77	10.87
of which: Capital conservation buffer	1.25	1.25
of which: Countercyclical buffer	N/A	N/A
of which: Capital surcharge on D-SIBs	0.50	0.50
<b>Total Tier 1 capital ratio (%)</b>	10.77	10.87
<b>Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)</b>	14.59	14.49
of which: Capital conservation buffer	1.25	1.25
of which: Countercyclical buffer	N/A	N/A
of which: Capital surcharge on D-SIBs	0.50	0.50

### Basel III Computation of Liquidity Coverage Ratio – All Currency (Bank Only)

Item	Amount (LKR '000)			
	2017		2016	
	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value
Total stock of High-Quality Liquid Asset (HQLA)	299,081,569	297,359,897	254,050,364	252,153,939
Total adjusted Level 1 assets	295,987,317	295,987,317	252,869,329	252,869,329
Level 1 assets	295,568,225	295,568,225	250,187,864	250,187,864
Total adjusted Level 2A assets	100,000	85,000	100,000	85,000
Level 2 assets	100,000	85,000	100,000	85,000
Total adjusted Level 2B assets	3,413,344	1,706,672	3,762,500	1,881,075
Level 2B assets	3,413,344	1,706,672	3,762,150	1,881,075
<b>Total cash outflows</b>	1,896,131,889	319,951,612	1,648,451,224	291,365,309
Deposits	1,090,725,752	109,072,575	928,546,190	92,854,619
Unsecured wholesale funding	428,492,592	185,171,536	346,481,276	172,670,361
Secured funding transactions	23,782,957	-	26,363,519	-
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	353,086,993	25,663,907	347,008,062	25,788,152
Additional requirements	43,595	43,595	52,177	52,177
<b>Total cash inflows</b>	78,429,645	36,858,631	69,394,824	44,137,437
Maturing secured lending transaction backed by collateral	18,388,000	-	1,900,600	-
Committed facilities	-	-	-	-
Other inflows by counterparty which are maturing within 30 days	46,347,809	36,858,631	51,628,626	44,137,437
Operational deposits	13,693,836	-	15,865,598	-
Other cash inflows	-	-	-	-
<b>Liquidity coverage ratio percentage (stock of high quality liquid assets/ total net cash outflows over the next 30 calendar days)* 100 (%)</b>		105.04		101.99

## Main Features of Regulatory Capital Instruments

### Description of the Capital Instrument

Issuer	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon
Unique identifier	LK0357D20405	LK0357D20421	LK0357D20447	LK0357D20462	LK0357D20439
Governing laws of the instrument	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka
Original date of issuance	25 October 2013	25 October 2013	25 October 2013	25 October 2013	25 October 2013
Par value of instrument (LKR)	100	100	100	100	100
Issued quantity (Number of debentures)	37,843,000	2,155,000	2,000	11,990,000	10,000
Issued quantity (LKR '000)	3,784,300	215,500	200	1,199,000	1,000
Perpetual or dated					
Original maturity date, if applicable	24 October 2018	24 October 2018	24 October 2018	24 October 2021	24 October 2021
Amount recognised in regulatory capital (in LKR '000 as at the reporting date)	756,860	43,100	40	959,200	800
Accounting classification (equity/liability)	Liability	Liability	Liability	Liability	Liability
<b>Coupons/Dividends</b>					
Fixed or floating dividend/coupon	FIXED	FIXED	FLOATING	FIXED	FLOATING
Coupon rate and any related index (%)	13.00	12.60	11.13	13.25	11.13
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible

### Description of the Capital Instrument

Issuer	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon
Unique identifier	LK0357D20454	LK0357D20470	LK0357D22500	LK0357D22534	LK0357D22526
Governing laws of the instrument	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka
Original date of issuance	25 October 2013	25 October 2013	22 September 2014	22 September 2014	22 September 2014
Par value of instrument (LKR)	100	100	100	100	100
Issued quantity (Number of debentures)	12,000,000	16,000,000	51,256,350	2,157,800	8,250,600
Issued quantity (LKR '000)	1,200,000	1,600,000	5,125,635	215,780	825,060
Perpetual or dated					
Original maturity date, if applicable	24 October 2022	24 October 2023	21 September 2019	21 September 2019	21 September 2019
Amount recognised in regulatory capital (in LKR '000 as at the reporting date)	1,200,000	1,600,000	2,050,254	86,312	330,024
Accounting classification (equity/liability)	Liability	Liability	Liability	Liability	Liability
<b>Coupons/Dividends</b>					
Fixed or floating dividend/coupon	FIXED	FIXED	FIXED	FIXED	FLOATING
Coupon rate and any related index (%)	13.25	13.75	8.00	7.75	10.43
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible

### Description of the Capital Instrument

Issuer	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon
Unique identifier	LK0357D22542	LK0357D22559	LK0357D23201	LK0357D23185	LK0357D23193
Governing laws of the instrument	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka
Original date of issuance	22 September 2014	22 September 2014	6 October 2015	6 October 2015	6 October 2015
Par value of instrument (LKR)	100	100	100	100	100
Issued quantity (Number of debentures)	18,334,950	300	2,885,900	122,200	44,783,860
Issued quantity (LKR '000)	1,833,495	30	288,590	12,220	4,478,386
Perpetual or dated					
Original maturity date, if applicable	21 September 2022	22 September 2022	5 October 2020	5 October 2020	5 October 2020
Amount recognised in regulatory capital (in LKR '000 as at the reporting date)	1,833,495	30	173,154	7,332	2,687,032
Accounting classification (equity/liability)	Liability	Liability	Liability	Liability	Liability
<b>Coupons/Dividends</b>					
Fixed or floating dividend/coupon	FIXED	FLOATING	FIXED	FIXED	FLOATING
Coupon rate and any related index (%)	8.25	10.43	8.25	8.00	11.34
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible

### Description of the Capital Instrument

Issuer	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon
Unique identifier	LK0357D23177	LK0357D23219	LK0357D23763	LK0357D23797	LK0357D23771
Governing laws of the instrument	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka	Laws of Sri Lanka
Original date of issuance	6 October 2015	6 October 2015	29 December 2016	29 December 2016	29 December 2016
Par value of instrument (LKR)	100	100	100	100	100
Issued quantity (Number of debentures)	11,802,560	20,405,480	79,981,764	10,200	7,836
Issued quantity (LKR '000)	1,180,256	2,040,548	7,998,176	1,020	784
Perpetual or dated					
Original maturity date, if applicable	5 October 2023	5 October 2023	28 December 2021	28 December 2021	28 December 2024
Amount recognised in regulatory capital (in LKR '000 as at the reporting date)	1,180,256	2,040,548	6,398,541	816	784
Accounting classification (equity/liability)	Liability	Liability	Liability	Liability	Liability
<b>Coupons/Dividends</b>					
Fixed or floating dividend/coupon	FIXED	FLOATING	FIXED	FLOATING	FIXED
Coupon rate and any related index (%)	9.50	11.34	13.25	10.47	12.75
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible

## Description of the Capital Instrument

Issuer	Bank of Ceylon	Bank of Ceylon
Unique identifier	LK0357D23789	BOC17UL001
Governing laws of the instrument	Laws of Sri Lanka	Laws of Sri Lanka
Original date of issuance	29 December 2016	29 December 2017
Par value of instrument – LKR	100	100
Issued quantity (Number of debentures)	200	50,000,000
Issued quantity (LKR '000)	20	5,000,000
Perpetual or dated		
Original maturity date, if applicable	28 December 2024	28 December 2025
Amount recognised in regulatory capital (in LKR '000 as at the reporting date)	20	5,000,000
Accounting classification (equity/liability)	Liability	Liability
<b>Coupons/Dividends</b>		
Fixed or floating dividend/coupon	FLOATING	FIXED
Coupon rate and any related index (%)	10.47	12.75
Non-cumulative or cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible

## Credit Risk Under Standardised Approach

### Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects – Bank

Asset Class	As at 31 December 2017					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures Post-CCF and CRM		RWA and RWA Density	
	On Balance Sheet Amount LKR '000	Off Balance Sheet Amount LKR '000	On Balance Sheet Amount LKR '000	Off Balance Sheet Amount LKR '000	RWA Amount LKR '000	RWA Density <sup>(9)</sup> %
Claims on Central Government and CBSL	744,103,499	14,377,840	744,103,499	2,875,568	–	0.00
Claims on foreign sovereigns and their central banks	14,076,995	–	14,076,995	–	13,229,105	93.98
Claims on public sector entities	266,487,443	117,738,026	22,219,935	4,982,987	27,202,923	100.00
Claims on official entities and multilateral development banks	–	–	–	–	–	–
Claims on banks exposures	39,786,210	16,495,852	39,786,210	16,495,852	31,175,173	55.39
Claims on financial institutions	20,634,029	–	20,634,029	–	11,897,065	57.66
Claims on corporates	223,203,521	207,658,167	195,205,660	39,029,515	229,696,555	98.06
Retail claims	431,296,587	81,566,976	396,420,542	12,564,565	337,677,260	82.56
Claims secured by gold	47,728,809	–	47,728,809	–	1,856,163	3.89
Claims secured by residential property	63,201,877	–	63,201,877	–	42,690,911	67.55
Claims secured by commercial real estate	14,951,370	–	14,951,370	–	14,951,370	100.00
Non-performing assets (NPAs) <sup>(9)</sup>	4,379,161	–	4,379,161	–	5,574,595	127.30
Higher-risk categories	977,012	–	977,012	–	2,442,530	250.00
Cash items and other assets	99,205,282	–	99,205,282	–	46,015,541	46.38
<b>Total</b>	<b>1,970,031,795</b>	<b>437,836,860</b>	<b>1,662,890,381</b>	<b>75,948,487</b>	<b>764,409,191</b>	<b>43.96</b>

## Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects – Group

Asset Class	As at 31 December 2017					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures Post-CCF and CRM		RWA and RWA Density	
	On Balance Sheet Amount LKR '000	Off Balance Sheet Amount LKR '000	On Balance Sheet Amount LKR '000	Off Balance Sheet Amount LKR '000	RWA Amount LKR '000	RWA Density <sup>(ii)</sup> %
Claims on Central Government and CBSL	752,065,398	14,377,840	752,065,398	2,875,568	–	0.00
Claims on foreign sovereigns and their central banks	14,076,995	–	14,076,995	–	13,229,105	93.98
Claims on public sector entities	266,487,443	117,738,026	22,219,935	4,982,987	27,202,923	100.00
Claims on official entities and multilateral development banks	–	–	–	–	–	–
Claims on banks exposures	37,069,446	16,495,852	37,069,446	16,495,852	28,458,409	53.13
Claims on financial institutions	20,634,029	–	20,634,029	–	11,897,065	57.66
Claims on corporates	252,836,498	207,658,167	224,838,637	39,029,515	259,329,531	98.28
Retail claims	431,296,587	81,566,976	396,420,542	12,564,565	337,677,260	82.56
Claims secured by gold	47,728,809	–	47,728,809	–	1,856,163	3.89
Claims secured by residential property	63,201,877	–	63,201,877	–	42,690,911	67.55
Claims secured by commercial real estate	14,951,370	–	14,951,370	–	14,951,370	–
Non-Performing Assets (NPAs) <sup>(i)</sup>	4,379,161	–	4,379,161	–	5,574,595	127.30
Higher-risk categories	162,300	–	162,300	–	405,750	250.00
Cash items and other assets	123,793,849	–	123,793,849	–	65,441,854	52.86
<b>Total</b>	<b>2,028,683,762</b>	<b>437,836,861</b>	<b>1,721,542,348</b>	<b>75,948,487</b>	<b>808,714,936</b>	<b>44.99</b>

Note:

(i) NPAs as per Banking Act Directions on Classifications and Advances, Income recognition and provisioning.

(ii) RWA Density – Total RWA/Exposures Post CCF and CRM.

## Exposures by Asset Classes and Risk Weights – Bank

Description	Risk Weight	As at 31 December 2017 (Post CCF and CRM)							Total Credit Exposure Amount LKR '000
		0% LKR '000	20% LKR '000	50% LKR '000	75% LKR '000	100% LKR '000	150% LKR '000	>150% LKR '000	
Claims on Central Government and Central Bank of Sri Lanka		744,103,499	–	–	–	–	–	–	744,103,499
Claims on foreign sovereigns and their central banks		–	–	1,695,781	–	12,381,214	–	–	14,076,995
Claims on public sector entities		–	–	–	–	22,219,935	–	–	22,219,935
Claims on official entities and multilateral development banks		–	–	–	–	–	–	–	–
Claims on banks exposures		–	14,944,273	7,614,770	–	17,227,167	–	–	39,786,210
Claims on financial institutions		–	4,471,200	10,320,007	–	5,842,822	–	–	20,634,029
Claims on corporates		–	1,835,552	2,747,765	–	190,622,343	–	–	195,205,660
Retail claims		–	–	–	285,231,386	111,189,156	–	–	396,420,542
Claims secured by gold		38,447,993	9,280,816	–	–	–	–	–	47,728,809
Claims secured by commercial residential property		–	–	41,021,932	–	22,179,945	–	–	63,201,877
Claims secured by commercial real estate		–	–	–	–	14,951,370	–	–	14,951,370
Non-Performing Assets (NPAs)		–	–	–	–	1,988,292	2,390,869	–	4,379,161
Higher-risk categories		–	–	–	–	–	–	977,012	977,012
Cash items and other assets		42,637,252	13,190,611	–	–	43,377,419	–	–	99,205,282
<b>Total</b>		<b>825,188,744</b>	<b>43,722,452</b>	<b>63,400,255</b>	<b>285,231,386</b>	<b>441,979,663</b>	<b>2,390,869</b>	<b>977,012</b>	<b>1,662,890,381</b>

## Exposures by Asset Classes and Risk Weights – Group

Description Asset Classes \ Risk Weight		As at 31 December 2017 (Post CCF and CRM)							Total Credit Exposure Amount LKR '000
		0%	20%	50%	75%	100%	150%	>150%	
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Claims on Central Government and Central Bank of Sri Lanka		752,065,398	-	-	-	-	-	-	752,065,398
Claims on foreign sovereigns and their central banks		-	-	1,695,781	-	12,381,214	-	-	14,076,995
Claims on public sector entities		-	-	-	-	22,219,935	-	-	22,219,935
Claims on official entities and multilateral development banks		-	-	-	-	-	-	-	-
Claims on banks exposures		-	14,944,273	7,614,770	-	14,510,403	-	-	37,069,446
Claims on financial institutions		-	4,471,200	10,320,007	-	5,842,822	-	-	20,634,029
Claims on corporates		-	1,835,552	2,747,765	-	220,255,320	-	-	224,838,637
Retail claims		-	-	-	285,231,386	111,189,156	-	-	396,420,542
Claims secured by gold		38,447,993	9,280,816	-	-	-	-	-	47,728,809
Claims secured by commercial residential property		-	-	41,021,932	-	22,179,945	-	-	63,201,877
Claims secured by commercial real estate		-	-	-	-	14,951,370	-	-	14,951,370
Non-Performing Assets (NPAs)		-	-	-	-	1,988,292	2,390,869	-	4,379,161
Higher-risk categories		-	-	-	-	-	-	162,300	162,300
Cash items and other assets		47,799,506	13,190,611	-	-	62,803,732	-	-	123,793,849
<b>Total</b>		<b>838,312,897</b>	<b>43,722,452</b>	<b>63,400,255</b>	<b>285,231,386</b>	<b>488,322,189</b>	<b>2,390,869</b>	<b>162,300</b>	<b>1,721,542,348</b>

## Market Risk Under Standardised Measurement Method

Item	2017	
	Bank LKR '000	Group LKR '000
<b>(a) Capital charge for interest rate risk</b>	112,204	112,204
General interest rate risk	112,204	112,204
(i) Net long or short position	112,204	112,204
(ii) Horizontal disallowance	-	-
(iii) Vertical disallowance	-	-
(iv) Options	-	-
Specific interest rate risk	-	-
<b>(b) Capital charge for equity</b>	604,055	604,055
(i) General equity risk	324,439	324,439
(ii) Specific equity risk	279,616	279,616
<b>(c) Capital charge for foreign exchange and gold</b>	205,964	205,964
<b>Total capital charge for market risk [(a)+(b)+(c)]</b>	922,223	922,223
<b>Total risk weighted amount for market risk</b>	7,848,707	7,848,707



### Operational Risk Under Basic Indicator Approach – Bank

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income as at 31 December 2017		
			1st Year LKR '000	2nd Year LKR '000	3rd Year LKR '000
The basic indicator approach	15%		66,324,079	70,270,961	68,808,549
<b>Capital charges for operational risk</b>			–	–	10,270,179
<b>Risk weighted amount for operational risk</b>			–	–	87,405,782

### Operational Risk Under Basic Indicator Approach – Group

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income as at 31 December 2017		
			1st Year LKR '000	2nd Year LKR '000	3rd Year LKR '000
The basic indicator approach	15%		71,016,573	76,299,836	80,756,706
<b>Capital charges for operational risk</b>			–	–	11,403,656
<b>Risk weighted amount for operational risk</b>			–	–	97,052,389

### Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories – Bank only

Item	Amount as at 31 December 2017				
	a	b	c	d	e
	Carrying Values Reported in Published Financial Statements LKR '000	Carrying Values Under Scope of Regulatory Reporting LKR '000	Subject to Credit Risk Framework LKR '000	Subject to Market Risk Framework LKR '000	Not Subject to Capital Requirements or Subject to Dedication from Capital LKR '000
<b>Assets</b>	1,951,803,953	1,971,261,258	1,962,790,186	12,965,786	8,471,072
Cash and cash equivalents	72,843,108	72,843,108	72,843,108	862,266	–
Balances with Central Banks	68,689,012	69,212,148	69,212,148	–	–
Placements with banks	8,067,490	25,134,938	25,134,938	–	–
Securities purchased under resale agreements	18,455,555	19,750,000	19,750,000	–	–
Derivative financial instruments	1,618,823	–	–	–	–
Financial instruments – Held for trading	8,359,274	8,208,176	8,192,986	8,057,180	15,190
Financial investments – Loans and receivables	213,167,048	202,432,055	202,432,055	–	–
Loans and advances to customers	1,163,160,914	1,167,114,297	1,167,114,297	–	–
Financial investments – Available for sale	17,921,170	13,668,917	10,682,504	4,046,340	2,986,413
Financial investments – Held to maturity	308,256,082	307,384,458	307,384,458	–	–
Investments in subsidiary companies	6,513,048	6,513,048	1,854,308	–	4,658,740
Investments in associate companies	92,988	92,988	92,988	–	–
Investment properties	2,882,928	2,882,928	2,882,928	–	–
Property, Plant and Equipment	23,046,114	17,031,057	17,031,057	–	–
Leasehold properties	101,481	101,481	101,481	–	–
Intangible assets	810,730	810,729	–	–	810,729
Deferred tax assets	–	–	–	–	–
Other assets	37,818,188	58,080,930	58,080,930	–	–

Item	Amount as at 31 December 2017				
	a	b	c	d	e
	Carrying Values Reported in Published Financial Statements LKR '000	Carrying Values Under Scope of Regulatory Reporting LKR '000	Subject to Credit Risk Framework LKR '000	Subject to Market Risk Framework LKR '000	Not Subject to Capital Requirements or Subject to Dedication from Capital LKR '000
<b>On balance sheet liabilities</b>	1,840,648,878	1,865,353,554	–	–	–
Due to banks	2,203,199	2,203,199	–	–	–
Securities sold under repurchase agreements	44,487,462	44,087,142	–	–	–
Derivative financial instruments	70,715	–	–	–	–
Due to customers	1,546,832,036	1,510,317,734	–	–	–
Other borrowings	178,191,089	175,782,928	–	–	–
Debt securities issued	–	–	–	–	–
Current tax liabilities	1,877,342	1,877,342	–	–	–
Deferred tax liabilities	5,820,329	2,272,386	–	–	–
Other liabilities	18,596,249	86,812,823	–	–	–
Subordinated term debts	42,570,457	42,000,000	–	–	–
<b>Off balance sheet liabilities</b>	507,258,821	522,647,043	457,836,859	–	–
Guarantees	49,450,446	49,450,446	49,450,446	–	–
Performance bonds	34,143,409	34,143,409	34,143,409	–	–
Letters of credit	104,675,380	104,675,380	104,675,380	–	–
Other contingent items	43,212,005	43,212,005	43,212,005	–	–
Undrawn loan commitment	29,679,521	29,679,521	29,679,521	–	–
Other commitments	246,098,060	261,486,282	176,676,098	–	–
<b>Shareholder's equity</b>	20,000,000	20,000,000	–	–	–
<b>Equity Capital (Stated Capital)/Assigned Capital</b>					
of which amount eligible for CET I	20,000,000	20,000,000	–	–	–
of which amount eligible for AT I	–	–	–	–	–
Retained earnings	63,472,250	65,951,935	–	–	–
Accumulated other comprehensive income	3,718,526	400,140	–	–	–
Other reserves	23,964,299	19,555,630	–	–	–
<b>Total shareholder's equity</b>	111,155,075	105,907,705	–	–	–
<b>Total on balance sheet liabilities and equity capital and reserves</b>	1,951,803,953	1,971,261,259	–	–	–

## Explanations of Differences between Accounting and Regulatory Exposure Amounts

Difference arises due to fair value adjustments, impairment under incurred loss model on financial instruments and the classification adjustments between line items of the financial position under SLFRSs.

### Derivative Financial Instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk, indices etc.

Derivative financial instruments are measured at fair value using forward pricing models in Published Financial Statement and more details are given in Note 24 and Note 40 in this Report.

### Loans and Advances to Customers

#### Allowance for Impairment

Time-based provisions under Central Bank guide lines have been netted off from the amortised cost when arriving loans and advances to the customers under regulatory reporting, however as per LKAS 39 “impairment under incurred loss model” have been netted off from amortised cost when arriving loans and advances to the customers under reporting purposes. More details are given under Note 27.

#### Day One Difference

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, Bank recognises fair value of such transactions as per LKAS 39. More details are given in Note 4.4.4 and Note 37. However, Bank recognises cost of such transactions under regulatory reporting.

### Financial Investment – Available for Sale

Financial Investment available for sale are measured at fair value under published Financial Statements and carried at cost for regulatory reporting purposes.

The details of financial investments – available for sale and the fair valuation of these instruments are disclosed in Note 28 and Note 59 respectively.

The following disclosures are included in Note 60 on Risk Management on pages 290 to 302.

- (i) Summary discussion on adequacy/meeting current and future capital requirement
- (ii) Bank risk management approach
- (iii) Risk management related to key risk exposures

## Computation of Capital Adequacy Ratio Under Basel II – 2016

	Bank LKR million	Group LKR million
<b>Tier 1: Core Capital</b>		
Paid-up ordinary shares	15,000	15,000
Permanent reserve fund	7,996	7,996
Published retained profits	54,155	55,659
General and other reserves	1,209	1,764
Non-controlling interests	–	879
<b>Deductions</b>		
50% of investments in unconsolidated banking and financial subsidiaries)	(2,179)	–
Other deductions	(2,053)	(2,150)
<b>Total eligible core capital (Tier 1 capital)</b>	<b>74,128</b>	<b>79,148</b>
<b>Tier 2: Supplementary Capital</b>		
Revaluation reserves (as approved by Central Bank of Sri Lanka)	2,373	2,373
General provisions	4,648	4,647
Approved subordinated term debt	27,378	27,377
Deductions	(3,669)	(1,489)
<b>Total eligible supplementary capital (Tier 2 capital)</b>	<b>30,730</b>	<b>32,909</b>
<b>Total capital base</b>	<b>104,858</b>	<b>112,057</b>

## Risk-Weighted Assets – 2016

Computation of Risk-Weighted Assets Business Lines	Bank			Group	
	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
<b>Assets</b>					
Claims on Government of Sri Lanka and Central Bank of Sri Lanka	0	604,897	–	611,663	–
Claims on foreign sovereigns and their central banks	0-150	18,047	17,217	18,047	17,217
Claims on public sector entities (PSEs)	20-150	72,847	72,847	72,847	72,847
Claims on banks	20-150	63,910	33,074	65,167	34,331
Claims on financial institutions	20-150	26,260	13,486	26,260	13,486
Claims on corporates	20-150	200,222	195,155	226,381	221,314
Retail claims	75-100	374,859	307,972	374,859	307,973
Claims secured by residential property	50-100	54,492	36,135	54,491	36,135
Non-performing assets (NPAs)	50-150	4,457	5,797	4,457	5,797
Cash items	0-20	55,742	2,673	61,280	2,673
Exposures collateralised by cash, gold and Government Securities	0	242,523	–	242,523	–
Property, Plant and Equipment	100	15,584	15,584	26,464	26,464
Other assets	100	34,879	34,875	35,806	35,806
<b>Total exposure</b>		<b>1,768,719</b>	<b>734,820</b>	<b>1,820,245</b>	<b>774,043</b>

Off Balance Sheet Exposures	Credit Conversion Factor %	Assets LKR million	Credit Equivalent LKR million	Assets LKR million	Credit Equivalent LKR million
Direct credit substitutes	100	42,383	42,383	42,383	42,383
Transaction-related contingencies	50	33,839	16,919	33,839	16,919
Short-term self-liquidating trade-related contingencies	20	150,448	30,090	150,448	30,090
Other commitments with and original maturity of up to one year or which can be unconditionally cancelled at any time	0	81,126	–	81,126	–
Commitments with an original maturity up to one year and maturity of over one year	20-50	31,393	15,589	31,393	15,589
Foreign exchange contracts	2-5	157,776	3,155	157,776	3,155
<b>Total off balance sheet exposure</b>		496,965	108,136	496,965	108,136

### Market Risk – The Standardised Measurement Approach – 2016

Off Balance Sheet Exposures	Bank LKR million	Group LKR million
<b>Capital Charge for</b>		
Interest rate risk	77	77
Equity	551	551
Foreign exchange and gold	1,359	1,359
<b>Total capital charges for market risk</b>	1,987	1,987
<b>Total risk-weighted assets for market risk</b>	19,872	19,872

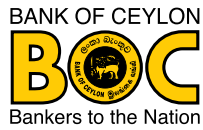
### Operational Risk – The Basic Indicator Approach – 2016

	Bank LKR million	Group LKR million
<b>Capital Charge for Operational Risk</b>		
Total gross income of three consecutive years	190,071	209,143
Average gross income	63,357	69,714
<b>Total capital charges for operational risk – (15%)</b>	9,503	10,457
<b>Total risk-weighted assets for operational risk</b>	95,035	104,572

## Capital Adequacy Summary – 2016

	Bank LKR million	Group LKR million
<b>Computation of Ratios</b>		
<b>Total Risk Weighted Assets</b>		
Total weighted assets for credit risk	734,820	774,043
Total weighted assets for market risk	19,872	19,872
Total weighted assets for operational risk	95,036	104,572
<b>Subtotal</b>	<b>849,728</b>	<b>898,487</b>
<b>Minimum Capital Charges</b>		
Credit risk	73,482	77,404
Market risk	1,987	1,987
Operational risk	9,503	10,457
Total eligible core capital (Tier 1 capital)	74,128	79,148
Total eligible supplementary capital (Tier 2 capital)	30,730	32,909
<b>Total capital base</b>	<b>104,858</b>	<b>112,057</b>
<b>Core capital ratio</b>	<b>8.7%</b>	<b>8.8%</b>
<b>Total capital adequacy ratio</b>	<b>12.3%</b>	<b>12.5%</b>

## Certificate of the Director on Transfer Pricing



**Deputy General Manager  
Finance & Planning Division**

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**10<sup>th</sup> Floor, Head Office, “BOC Square” No.01, Bank of Ceylon Mawatha, Colombo 01.  
Tel: 011 2432680, Fax: 011 2448203, E-mail: [dgmfp@boc.lk](mailto:dgmfp@boc.lk)**

The Commissioner General of Inland Revenue  
Department of Inland Revenue,  
Colombo 2.

28th November 2017

Dear Sir,

**Certificate of the Director on Transfer Pricing**

It is certified that the Bank of Ceylon has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act No. 10 of 2006. The information pursuant to these Regulations is given in approved accountant certificate produced under Section 107 (2) (a) of the said Inland Revenue Act. I believe that the record of transactions entered into with associated undertaking during the period from 1 of January 2016 to 31 December 2016 are at arm's length, not prejudicial to the interests of the Bank and not carried out for profit shifting purposes.

Records and information of all transactions have been submitted to the approved accountant who reviewed the transfer pricing records and no adverse remarks have been made in the certificate done by the approved accountant.

Bank of Ceylon – Head Office  
.....  
Place

.....  
For and on behalf of the Board of Directors

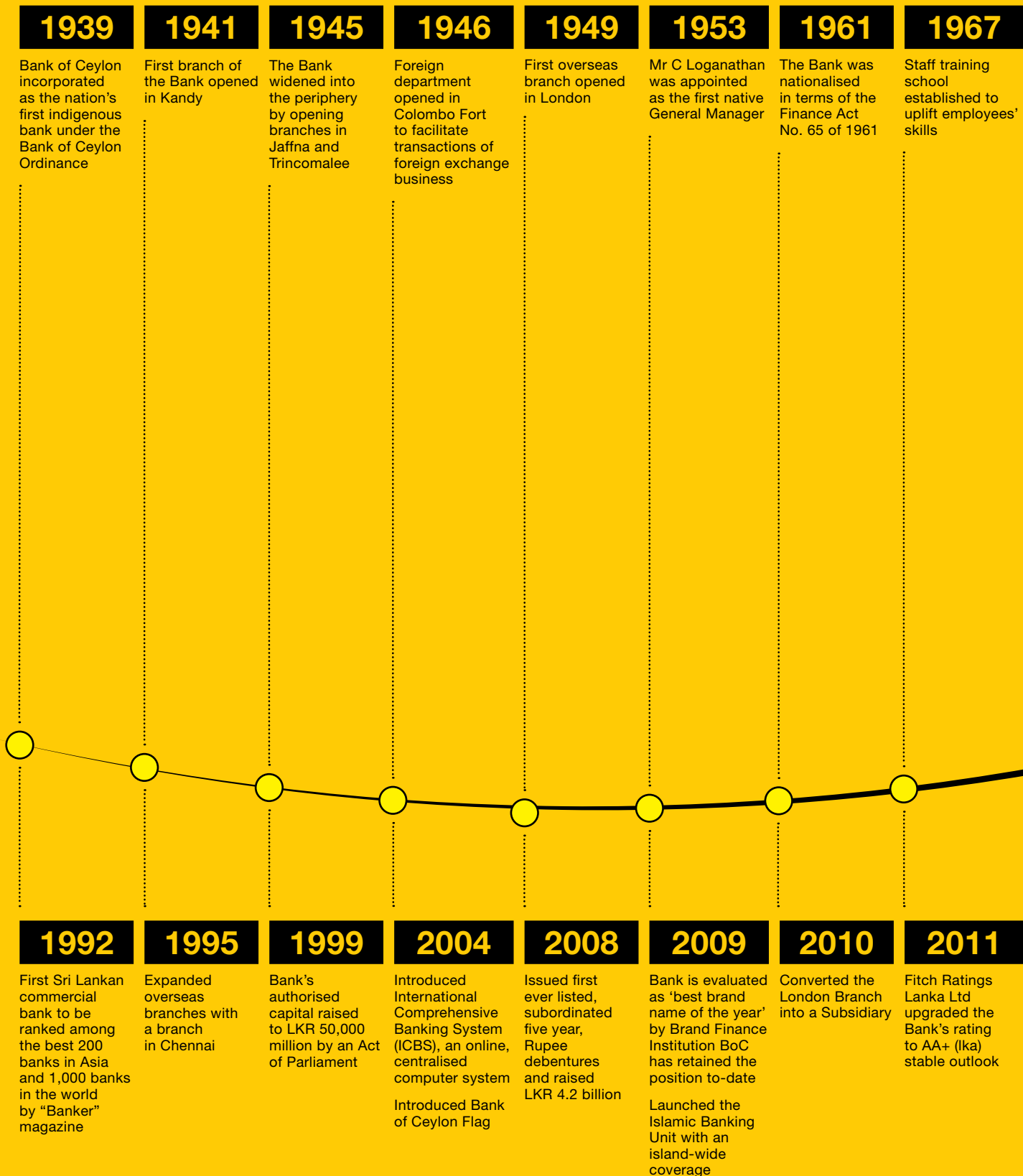


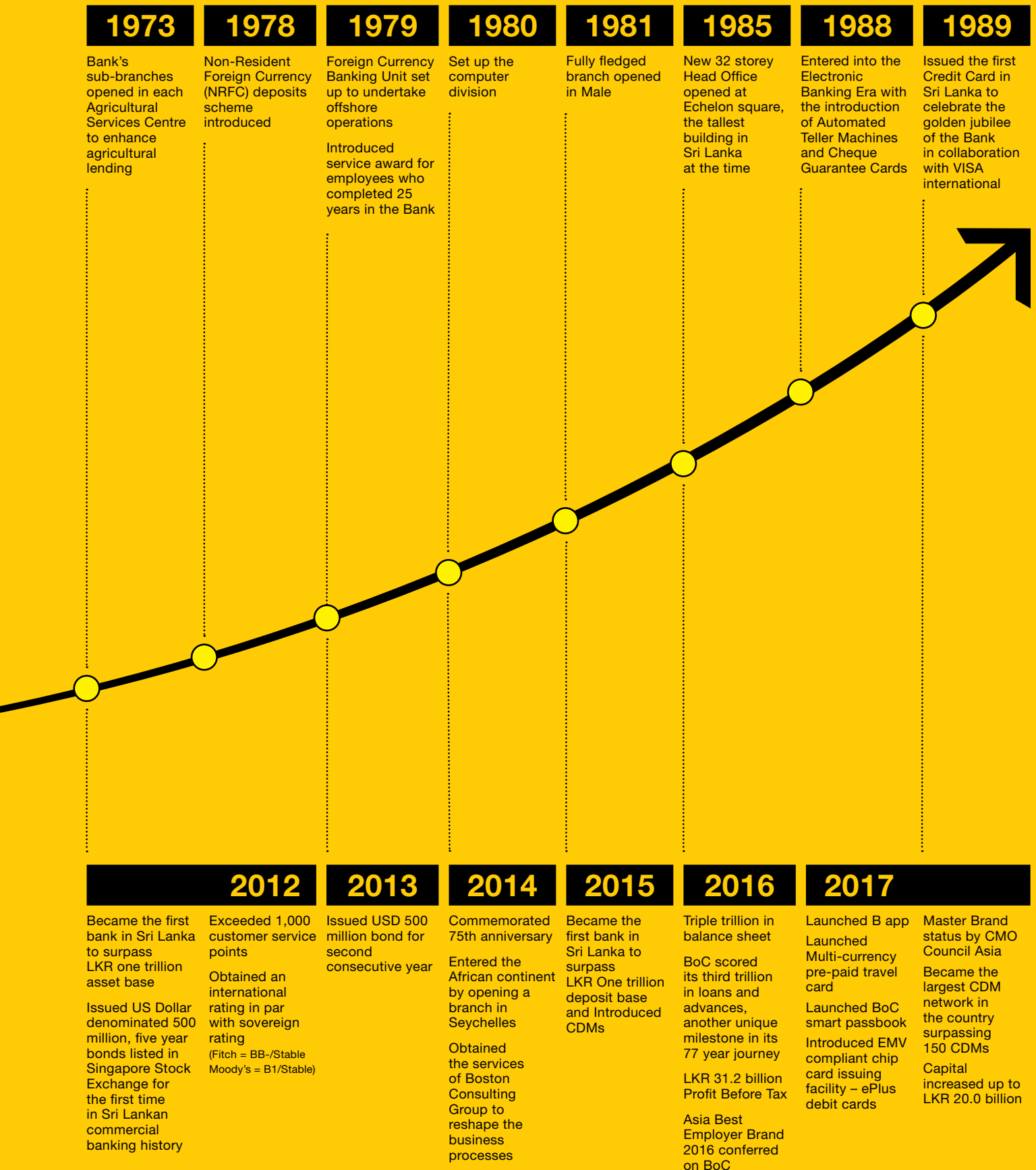


## Supplementary Information

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- 348 – Stakeholder Engagement and Materiality
- 352 – GRI Index
- 356 – Independent Assurance Report
- 358 – Statement of Profit or Loss in USD
- 359 – Statement of Comprehensive Income in USD
- 360 – Statement of Financial Position in USD
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## Milestones





## Stakeholder Engagement and Materiality

Engagement Mechanism	Frequency and Communication Channel	Engagement Framework	Identified Needs	Solutions/Needs Implemented
<b>Employees</b>				
<ul style="list-style-type: none"> <li>Employee engagement surveys</li> <li>Consultative meetings with the trade unions</li> <li>Employee suggestion schemes</li> <li>Grievance reporting procedure</li> <li>Social entertainment and sport events</li> <li>Welfare facilities to staff members</li> <li>Performance management system</li> </ul>	<p>Annually</p> <p>When the need arises</p>	<p>We invest in developing our employees in an environment where they are treated with respect, while their professional development and economic well-being is enhanced</p>	<ul style="list-style-type: none"> <li>Development and career progression</li> <li>Performance enabling environment</li> <li>Work-life balance</li> <li>Health and safety</li> <li>Collective bargaining</li> <li>Equal opportunity</li> <li>Special needs of key groups such as women</li> </ul>	<ul style="list-style-type: none"> <li>An attractive salary is given for all bank employees during the year</li> <li>Incentive bonus and annual bonus were paid</li> <li>Loan facilities at concession rates e.g.: housing loan, vehicle loan</li> <li>Financial support for professional and postgraduate studies, reimbursement of membership fee</li> <li>Comprehensive medical scheme, holiday home facilities, subsidised meals for staff at head office and subsidised transport facility for all staff</li> <li>Accident leave and compensation payments</li> <li>Providing facilities for health and well-being of the staff e.g. Gymnasium, Library, Yoga</li> </ul>
<b>Customers</b>				
<ul style="list-style-type: none"> <li>Online and local engagement by branch teams and relationship managers</li> <li>Customer satisfaction surveys</li> <li>Production, promotion campaigns and facilitation programmes</li> <li>Province customer day</li> </ul>	<p>Regularly</p>	<p>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</p>	<ul style="list-style-type: none"> <li>Customer service and care</li> <li>Convenience of transacting</li> <li>Upholding customer charter</li> <li>Improving financial inclusion through appropriate products, education advice and consultation</li> <li>Communication in language of choice</li> </ul>	<ul style="list-style-type: none"> <li>Well scattered branch/ATM and CDM network enabling easy access to the customers.</li> <li>Diversified product portfolio from childhood to elders</li> <li>Speedy delivery e.g. housing loan within two weeks by two visits</li> <li>Technology driven e.g. Mobile banking app, Online-loan application, Internet banking, smart zone, and SmartGen account</li> <li>Microfinancing and SME banking</li> <li>Introduction of new products to improve financial inclusion e.g. Branch on the wheels, "Samata Ginumak" programme</li> </ul>
<b>Investors</b>				
<ul style="list-style-type: none"> <li>One to one meetings with large investors</li> <li>Relationships with intermediaries</li> <li>Investor presentation</li> <li>Road shows</li> </ul>	<p>When the need arises</p>	<p>We commit to providing a balanced review of our performance and prospects in our communications with investors ensuring a competitive return to their investment</p>	<ul style="list-style-type: none"> <li>Comprehensive but concise information on operations and future outlook at regular intervals</li> <li>Returns commensurate with risks assumed</li> <li>Exit mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>Rated by international and local rating agencies and continuous review</li> <li>Financial Statements are published on a quarterly basis in Colombo Stock Exchange web, BoC web and newspapers and comprehensive Annual Report in Sinhala, Tamil and English languages along with audited financial are published annually</li> <li>Complied with all regulatory guidelines</li> </ul>

Engagement Mechanism	Frequency and Communication Channel	Engagement Framework	Identified Needs	Solutions/Needs Implemented
<b>Government and Regulators</b>				
<ul style="list-style-type: none"> <li>• Periodic meetings with Regulators and Government on matters relating to performance and compliance</li> <li>• Meetings, policy trend analysis and industry forums</li> <li>• Continuous updating based on regulatory requirement of Government and Regulators</li> </ul>	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 aligned with Government's development programme	<ul style="list-style-type: none"> <li>• Stability and growth of financial sector</li> <li>• Large funding needs of the Government's capital expenditure</li> <li>• Responsible business practices</li> <li>• Alignment of national priorities to Bank's strategy</li> <li>• Financial inclusion</li> <li>• Financing and facilitation of Infrastructure projects</li> <li>• Compliance with regulatory directions</li> </ul>	<ul style="list-style-type: none"> <li>• Value added to Government during the year – LKR 28.6 billion</li> <li>• Major contributor to Government projects, through SOEs</li> <li>• Facilitate to implement Government policies</li> </ul>
<b>Community</b>				
<ul style="list-style-type: none"> <li>• Local branch engagement, media, social events and sponsorships</li> <li>• Higher degree of participation</li> </ul>	When the need arises	We engage with local communities to develop economic activity, providing employment opportunities and facilitating their socioeconomic well-being	<ul style="list-style-type: none"> <li>• Responsible business practices</li> <li>• Community development</li> <li>• Community empowerment</li> <li>• Employment</li> <li>• Financial strength and credibility</li> </ul>	<ul style="list-style-type: none"> <li>• CSR activities</li> <li>• Microfinancing and SME Banking</li> </ul>
<b>Suppliers and Service Providers</b>				
<ul style="list-style-type: none"> <li>• Regular meetings, written communication</li> <li>• Transparent bidding process</li> <li>• Relationship building</li> </ul>	When the need arises	We recognise excellence in service by our suppliers and look to support their growth through mutually rewarding partnerships	<ul style="list-style-type: none"> <li>• Business growth</li> <li>• Ease of transacting</li> <li>• Strategic partnerships</li> <li>• Transformation in procurement process</li> <li>• Open communication</li> <li>• Transparent and equal opportunities on green criteria</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible business practices</li> </ul>

## Determining Material Aspects

The issues that have been covered in this report are those that have a material impact on the Bank's ability to create value over time or have the potential to do so. In determining such issues we have considered all aspects that are of relevance to the Bank and its operations, and identified those that are likely to be material. Such an assessment would necessarily include the image of the Bank in the eyes of the stakeholders.

The identification of all material issues is carried out at an interactive session attended by all Board members, Corporate Management and the Executive Management. At this forum the potential material issues are discussed and the impact of each is assessed. Identified events are assigned to individual Corporate Management team members, depending on their organisational roles, to monitor, measure and assess the impact on the Bank.

Events and issues that are found to significantly affect the Bank's ability to create value or affect the assessments of providers of financial capital or other stakeholders have been taken into consideration. The latter will in the long term also impact the Bank's ability to create value. Such events or issues will be included in financial or sustainability reporting. The value creation process of the Bank is a complex and multi faceted one. It is influenced by numerous factors including the corporate strategy, business model, strengths and weaknesses, opportunities and threats and relationships with stakeholders. All these would influence sustainability in a triple bottom line context.

The materiality determination process is part of the Bank's governance structure and is fully transparent. The role of the members of Senior Management involved in the materiality determination process is spelt out in the Bank's sustainability policy.

## BoC's Materiality Determination Process

### Step 1 – Relevance

At this stage the issues relevant to the value creation process of the Bank is identified, as well as their impact on the ability of the Bank to create value in the short, medium and long term.

### Step 2 – Importance

The next step would be to determine the importance of the issues identified in step 1 based on:

- The likelihood of occurrence based on the past, present and likely future frequency
- The impact of the event if it occurs

### Step 3 – Prioritisation

The issues would have to be ranked according to their importance to the Bank and the stakeholders. This process will be carried out by members of the Senior Management and those responsible for governance, who would first validate the materiality determining process.

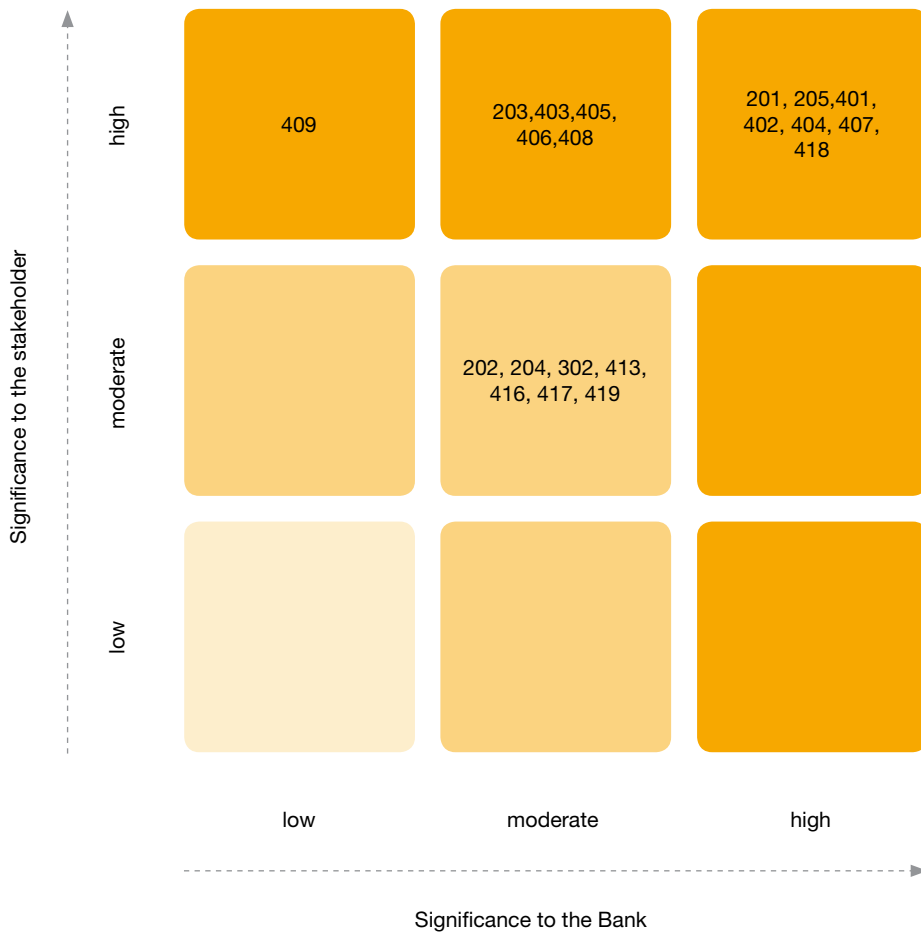
### Step 4 – Reporting

The matters to be reported on would have to be identified based on outcomes of the prioritisation process and judgement on the boundary in terms of materiality for purposes of reporting.

The Bank follows the GRI Standards Reporting Guidelines published by the Global Reporting Initiative to report material topics and disclosures.

In the course of the annual procedure for materiality determination, the need for any amendments due to changes in the Bank's value creation model, stakeholder requirements or the operating environment are considered and necessary changes made.

## Materiality Matrix



### 200: Economic

- 201: Economic performance
- 202: Market presence
- 203: Indirect economic impacts
- 204: Procurement practices
- 205: Anti corruption

### 300: Environmental

- 302: Energy

### 400: Social

- 401: Employment
- 402: Labour/Management relations
- 403: Occupational health and safety
- 404: Training and education
- 405: Diversity and equal opportunity
- 406: Non discrimination
- 407: Freedom of association and collective bargaining
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- 409: Forced and compulsory labour
- 413: Local communities
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# GRI Index

## GRI Content Index in accordance – Core

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103-1	Explanation of the material topic and its boundary	Risk Management	90 – 92
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103-1	Explanation of the material topic and its boundary	Risk Management	90 – 92
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103-3	Evaluation of the management approach	Risk Management	90 – 92
419- 1	Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area	None	

# Independent Assurance Report



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## Independent Assurance Report to Bank of Ceylon on the Sustainability Report – 2017

### Introduction and Scope of the Engagement

The management of Bank of Ceylon (“the Bank”) engaged us to provide an independent assurance on the following elements of the Sustainability Report 2017 (“the Report”).

- Reasonable assurance on the information on financial performance as specified on pages 26 and 27 of the Report.
- Limited assurance on key performance indicators and other information presented in the Report prepared in accordance with Global Reporting Initiative Standards (GRI Standards).

### 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 GRI Standards. These responsibilities include among other things, identification of stakeholders and material issues, determining the sustainable performance criteria for reporting and establishing appropriate processes and internal control systems to measure and report the sustainability performance criteria.

### Our Responsibility

Our responsibility is to perform a reasonable and limited assurance engagement and express conclusions based on the work performed in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): “Assurance Engagements other than Audits or Reviews of Historical Financial Information”, issued by The Institute of Chartered Accountants of Sri Lanka (“CA Sri Lanka”).

Reasonable assurance is a high level of assurance. However, reasonable assurance is not an absolute level of assurance because there are inherent limitations of assurance engagement.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

This Report is made solely to the Bank in accordance with our engagement letter dated 2 March 2018. 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 CA Sri Lanka.

### Assurance Procedures Carried Out

#### Financial Information

We reconciled the information on financial performance as reported on pages 26 and 27 of the Report with the audited financial statements of the Bank for the years ended 31 December 2016 and 2017.

### Key Performance Indicators

We reviewed the reliability of the data/information on Key Performance Indicators for the year ended 31 December 2017 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.

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 : Sujeewa Rajapakse FCA, FCMA, MBA. H.Sasanka Rathnaweera FCA, ACMA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. Hasanthi D. Amarakoon ACA, ACMA. R. Vasanthakumar Bsc (Acc), ACA



- Interviewing the senior management and relevant staff at corporate level and selected business unit level and obtained the evidence concerning sustainability strategy and policies for material issues and implementation of those across operation of the Bank.
- Reviewing and validating the information contained in the Report.
- Reading the information presented in the Report to determine whether that information is in line with our overall knowledge of, and experience with, sustainability performance of the Bank.
- Comparison of the content of the report against the requirements of GRI Standards.

## Conclusion

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

- The information on financial performance as specified on pages 26 and 27 of the Report is properly derived from the audited financial statements of the Bank for the years ended 31 December 2016 and 2017.
- 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 Standards.

A handwritten signature in black ink that reads "Boo Partners". Below the signature is a horizontal line.

Chartered Accountants

Colombo  
27 March 2018

## Statement of Profit or Loss in USD

For the year ended 31 December	Bank		Group	
	2017 USD '000	2016 USD '000	2017 USD '000	2016 USD '000
<b>Total income</b>	1,237,851	1,028,848	1,288,890	1,066,097
Interest income	1,120,959	899,101	1,162,844	932,587
Less: Interest expenses	739,184	538,904	760,567	554,707
<b>Net interest income</b>	<b>381,775</b>	<b>360,197</b>	<b>402,277</b>	<b>377,880</b>
Fee and commission income	60,048	58,342	61,737	59,967
Less: Fee and commission expenses	12,321	10,148	12,904	10,729
<b>Net fee and commission income</b>	<b>47,727</b>	<b>48,194</b>	<b>48,833</b>	<b>49,238</b>
Net gains/(losses) from trading	18,331	13,762	18,463	13,601
Net gains/(losses) from financial instruments designated at fair value through profit or loss	-	-	-	-
Net gains/(losses) from financial investments	5,924	1,828	6,056	2,085
Other operating income	32,589	55,814	39,789	57,857
<b>Total operating income</b>	<b>486,346</b>	<b>479,795</b>	<b>515,418</b>	<b>500,661</b>
Less: Impairment charge/(reversal) for loans and other losses	61,108	29,351	64,668	29,513
<b>Net operating income</b>	<b>425,238</b>	<b>450,444</b>	<b>450,750</b>	<b>471,148</b>
<b>Less: Operating expenses</b>				
Personnel expenses	111,192	112,446	122,492	122,893
Other expenses	68,115	87,974	78,381	105,059
<b>Total operating expenses</b>	<b>179,307</b>	<b>200,420</b>	<b>200,873</b>	<b>227,952</b>
<b>Operating profit before Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services</b>	<b>245,931</b>	<b>250,024</b>	<b>249,877</b>	<b>243,196</b>
Less: Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	47,422	41,822	48,618	42,568
<b>Operating profit after Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services</b>	<b>198,509</b>	<b>208,202</b>	<b>201,259</b>	<b>200,628</b>
Share of profits/(losses) of associate companies, net of tax	-	-	340	420
<b>Profit before income tax</b>	<b>198,509</b>	<b>208,202</b>	<b>201,599</b>	<b>201,048</b>
Less: Income tax expense	59,081	42,708	61,031	44,934
<b>Profit for the year</b>	<b>139,428</b>	<b>165,494</b>	<b>140,568</b>	<b>156,114</b>
<b>Profit attributable to:</b>				
Equity holder of the Bank	139,428	165,494	140,461	156,853
Non-controlling interest	-	-	107	(739)
<b>Profit for the year</b>	<b>139,428</b>	<b>165,494</b>	<b>140,568</b>	<b>156,114</b>
<b>Earnings per share:</b>				
Basic earnings per share (USD)	12.15	16.55	12.24	15.69
Diluted earnings per share (USD)	9.25	16.28	9.32	15.43
Dividend per share (USD)	7.04	11.58	7.04	11.58

Exchange rate of 1 USD was LKR 152.8548 as at 31 December 2017 (LKR 149.80 as at 31 December 2016).

The Statement of Profit or Loss given in this page does not form part of the Audited Financial Statements and it is solely for the convenience of the 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	
	2017 USD '000	2016 USD '000	2017 USD '000	2016 USD '000
<b>Profit for the year</b>	139,428	165,494	140,568	156,114
<b>Other comprehensive income, net of tax</b>	-	-	-	-
<b>Items that will not be reclassified to profit or loss</b>	-	-	-	-
Changes in revaluation surplus/(deficit)	39,644	9,310	41,911	15,404
Deferred tax effect on changes in revaluation surplus/deficit	(26,786)	-	(27,421)	(1,706)
Actuarial gains/(losses) on defined benefit plans	18,252	(10,827)	18,100	(10,551)
Deferred tax effect on actuarial gains/losses on defined benefit plans	(55)	214	55	201
<b>Net other comprehensive income that will not be reclassified to profit or loss</b>	31,055	(1,303)	32,645	3,348
<b>Items that are or may be reclassified to profit or loss</b>				
Net exchange gains/(losses) arising from translating the Financial Statements of foreign operations	2,364	1,107	4,209	(1,522)
Gains/(Losses) on remeasuring available for sale financial investments	(3,893)	(6,848)	(4,053)	(6,390)
Deferred tax effect on gains/losses on remeasuring available for sale financial investments	(1,158)	(59)	(1,158)	(59)
Realised gains/(losses) on available for sale financial investments transferred to profit or loss	22	(104)	22	(104)
Share of other comprehensive income of associate companies, net of tax	-	-	(43)	15
<b>Net other comprehensive income that are or may be reclassified to profit or loss</b>	(2,664)	(5,904)	(1,023)	(8,060)
<b>Other comprehensive income for the year, net of tax</b>	28,391	(7,207)	31,622	(4,712)
<b>Total comprehensive income for the year</b>	<b>167,819</b>	<b>158,287</b>	<b>172,190</b>	<b>151,402</b>
<b>Attributable to:</b>				
Equity holder of the Bank	167,819	158,287	171,864	151,925
Non-controlling interest	-	-	326	(523)
<b>Total comprehensive income for the year</b>	<b>167,819</b>	<b>158,287</b>	<b>172,190</b>	<b>151,402</b>

Exchange rate of 1 USD was LKR 152.8548 as at 31 December 2017 (LKR 149.80 as at 31 December 2016).

The Statement of Comprehensive Income given in 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		Group	
	2017 USD '000	2016 USD '000	2017 USD '000	2016 USD '000
<b>Assets</b>				
Cash and cash equivalents	476,551	451,975	510,323	488,946
Balances with Central Banks	449,374	376,420	449,374	376,420
Placements with banks	52,779	77,935	34,802	86,326
Securities purchased under resale agreements	120,739	12,694	130,007	15,692
Derivative financial instruments	10,591	35,386	10,591	35,386
Financial instruments – Held for trading	54,688	56,569	56,240	58,776
Financial investments – Loans and receivables	1,394,572	1,280,872	1,402,309	1,281,603
Loans and advances to customers	7,609,581	6,676,119	7,813,261	6,860,935
Financial investments – Available for sale	117,243	69,847	147,541	108,569
Financial investments – Held to maturity	2,016,659	1,623,354	2,019,893	1,623,858
Investment in subsidiary companies	42,609	41,476	–	–
Investment in associate companies	608	621	2,923	2,808
Investment properties	18,861	20,027	810	852
Property, Plant and Equipment	150,771	103,352	239,501	194,927
Leasehold properties	664	680	880	909
Intangible assets	5,304	3,762	7,029	4,377
Deferred tax assets	–	–	56	36
Other assets	247,413	312,379	254,914	318,570
<b>Total assets</b>	<b>12,769,007</b>	<b>11,143,468</b>	<b>13,080,454</b>	<b>11,458,990</b>
<b>Liabilities</b>				
Due to banks	14,414	13,634	14,355	13,711
Securities sold under repurchase agreements	291,044	396,693	291,968	393,363
Derivative financial instruments	463	1,146	463	1,146
Due to customers	10,119,617	8,388,448	10,247,479	8,502,212
Other borrowings	1,165,754	1,304,872	1,205,917	1,365,055
Debt securities issued	–	22,878	37,078	55,810
Current tax liabilities	12,282	–	13,418	1,689
Deferred tax liabilities	38,078	9,608	56,428	27,228
Insurance provision – Life	–	–	3,579	3,436
Insurance provision – Non-life	–	–	2,814	5,176
Other liabilities	121,660	128,383	130,428	144,569
Subordinated term debts	278,501	257,982	276,248	255,643
<b>Total liabilities</b>	<b>12,041,813</b>	<b>10,523,644</b>	<b>12,280,175</b>	<b>10,769,038</b>
<b>Equity</b>				
Share capital	130,843	100,134	130,843	100,134
Permanent reserve fund	68,215	53,378	68,215	53,378
Retained earnings	415,245	361,513	425,900	371,555
Other reserves	112,891	104,799	169,254	159,014
<b>Total equity attributable to equity holder of the Bank</b>	<b>727,194</b>	<b>619,824</b>	<b>794,212</b>	<b>684,081</b>
Non-controlling interest	–	–	6,067	5,871
<b>Total equity</b>	<b>727,194</b>	<b>619,824</b>	<b>800,279</b>	<b>689,952</b>
<b>Total liabilities and equity</b>	<b>12,769,007</b>	<b>11,143,468</b>	<b>13,080,454</b>	<b>11,458,990</b>
Contingent liabilities and commitments	3,318,567	3,654,196	3,326,028	3,660,438
Net assets value per share (USD)	48.48	61.98	52.95	68.41

Exchange rate of 1 USD was LKR 152.8548 as at 31 December 2017 (LKR 149.80 as at 31 December 2016).

The Statement of Financial Position given in this page does not form part of the Audited Financial Statements and it is solely for the convenience of the shareholders, investors, bankers and other interested parties of the Financial Statements of the Bank.

# Quarterly Performance

## Summary of the Statement of Profit or Loss

For the quarter ended	2017				2016			
	31 March LKR million	30 June LKR million	30 September LKR million	31 December LKR million	31 March LKR million	30 June LKR million	30 September LKR million	31 December LKR million
<b>Bank</b>								
Net interest income	13,534	14,856	14,717	14,284	12,738	12,285	13,353	15,581
Non-interest income	4,536	4,654	3,890	4,764	3,145	4,578	4,500	7,213
Non-interest expense	(6,645)	(7,062)	(8,107)	(7,616)	(6,196)	(8,600)	(9,586)	(7,161)
Impairment (charge)/reversal for loans and other losses	(1,790)	(4,418)	(3,221)	1,251	(572)	165	(252)	(3,738)
<b>Operating profit before VAT and NBT</b>	<b>9,635</b>	<b>8,030</b>	<b>7,279</b>	<b>12,683</b>	<b>9,115</b>	<b>8,428</b>	<b>8,015</b>	<b>11,895</b>
VAT and NBT on financial services	(1,727)	(1,782)	(1,424)	(2,331)	(1,268)	(1,478)	(1,427)	(2,091)
<b>Profit before income tax</b>	<b>7,908</b>	<b>6,248</b>	<b>5,855</b>	<b>10,352</b>	<b>7,847</b>	<b>6,950</b>	<b>6,588</b>	<b>9,804</b>
Income tax expense	(2,035)	(1,988)	(1,613)	(3,095)	(2,035)	(1,948)	(1,539)	(876)
<b>Profit after income tax</b>	<b>5,873</b>	<b>4,260</b>	<b>4,242</b>	<b>7,257</b>	<b>5,812</b>	<b>5,002</b>	<b>5,049</b>	<b>8,928</b>
Other comprehensive income	(345)	602	(478)	4,985	(1,075)	90	515	(610)
<b>Total comprehensive income</b>	<b>5,528</b>	<b>4,862</b>	<b>3,764</b>	<b>12,242</b>	<b>4,737</b>	<b>5,092</b>	<b>5,564</b>	<b>8,318</b>
<b>Group</b>								
Net interest income	14,207	15,630	15,561	15,103	13,370	12,893	14,004	16,339
Non-interest income	4,944	4,812	4,605	4,806	3,332	4,577	5,506	6,584
Non-interest expense	(7,537)	(7,664)	(9,428)	(8,105)	(6,982)	(9,224)	(11,002)	(8,546)
Impairment (charge)/reversal for loans and other losses	(1,778)	(4,446)	(3,403)	904	(586)	181	(251)	(3,764)
<b>Operating profit before VAT and NBT</b>	<b>9,836</b>	<b>8,332</b>	<b>7,335</b>	<b>12,708</b>	<b>9,134</b>	<b>8,427</b>	<b>8,257</b>	<b>10,613</b>
VAT and NBT on financial services	(1,768)	(1,827)	(1,468)	(2,387)	(1,288)	(1,514)	(1,453)	(2,122)
<b>Operating profit after VAT and NBT</b>	<b>8,068</b>	<b>6,505</b>	<b>5,867</b>	<b>10,321</b>	<b>7,846</b>	<b>6,913</b>	<b>6,804</b>	<b>8,491</b>
Share of profits/(losses) of associate companies, net of tax	6	24	7	12	1	41	36	(15)
<b>Profit before income tax</b>	<b>8,074</b>	<b>6,529</b>	<b>5,874</b>	<b>10,333</b>	<b>7,847</b>	<b>6,954</b>	<b>6,840</b>	<b>8,476</b>
Income tax expense	(2,089)	(2,056)	(1,640)	(3,193)	(2,066)	(2,022)	(1,573)	(1,070)
<b>Profit after income tax</b>	<b>5,985</b>	<b>4,473</b>	<b>4,234</b>	<b>7,140</b>	<b>5,781</b>	<b>4,932</b>	<b>5,267</b>	<b>7,406</b>
Other comprehensive income	(360)	824	(438)	5,090	(1,419)	202	632	(121)
<b>Total comprehensive income</b>	<b>5,625</b>	<b>5,297</b>	<b>3,796</b>	<b>12,230</b>	<b>4,362</b>	<b>5,134</b>	<b>5,899</b>	<b>7,285</b>

## Summary of the Statement of Financial Position

As at	2017				2016			
	31 March LKR million	30 June LKR million	30 September LKR million	31 December LKR million	31 March LKR million	30 June LKR million	30 September LKR million	31 December LKR million
<b>Bank</b>								
<b>Assets</b>								
Investments	523,202	488,503	543,637	573,022	526,305	514,882	506,561	462,198
Loans and advances to customers	1,050,661	1,112,641	1,114,794	1,166,274	869,096	875,036	901,114	1,000,083
Property, Plant and Equipment	16,495	17,153	17,599	23,526	16,738	16,758	16,943	16,147
Other assets	201,092	187,826	206,206	188,812	185,437	176,020	199,115	190,863
<b>Total assets</b>	<b>1,791,450</b>	<b>1,806,123</b>	<b>1,882,236</b>	<b>1,951,634</b>	<b>1,597,576</b>	<b>1,582,696</b>	<b>1,623,733</b>	<b>1,669,291</b>
<b>Liabilities and Equity</b>								
Due to customers	1,323,935	1,386,864	1,475,049	1,546,832	1,100,833	1,118,938	1,180,113	1,256,589
Debt securities and borrowed funds	345,510	291,176	279,086	265,249	383,596	342,641	327,844	296,967
Other liabilities	24,800	26,016	22,443	27,653	27,099	31,977	25,745	22,885
Equity	97,205	102,067	105,658	111,900	86,048	89,140	90,031	92,850
<b>Total liabilities and equity</b>	<b>1,791,450</b>	<b>1,806,123</b>	<b>1,882,236</b>	<b>1,951,634</b>	<b>1,597,576</b>	<b>1,582,696</b>	<b>1,623,733</b>	<b>1,669,291</b>
<b>Group</b>								
<b>Assets</b>								
Investments	523,933	490,322	545,897	574,811	527,895	516,347	508,330	463,078
Loans and advances to customers	1,079,606	1,143,386	1,146,540	1,197,427	894,477	900,380	927,338	1,027,768
Property, Plant and Equipment	30,220	30,784	31,361	37,236	26,886	26,789	26,913	29,992
Other assets	202,051	190,473	208,190	189,649	190,277	179,849	208,463	195,719
<b>Total assets</b>	<b>1,835,810</b>	<b>1,854,965</b>	<b>1,931,988</b>	<b>1,999,123</b>	<b>1,639,535</b>	<b>1,623,365</b>	<b>1,671,044</b>	<b>1,716,557</b>
<b>Liabilities and Equity</b>								
Due to customers	1,341,841	1,406,483	1,496,101	1,566,376	1,117,728	1,134,868	1,196,566	1,273,631
Debt securities and borrowed funds	355,646	303,570	291,023	276,852	392,084	350,434	341,515	310,067
Other liabilities	30,518	31,810	28,139	32,940	32,409	37,624	31,296	29,505
Equity	106,915	112,176	115,837	122,058	96,326	99,433	100,619	102,475
Non-controlling interest	890	926	888	897	988	1,006	1,048	879
<b>Total liabilities and equity</b>	<b>1,835,810</b>	<b>1,854,965</b>	<b>1,931,988</b>	<b>1,999,123</b>	<b>1,639,535</b>	<b>1,623,365</b>	<b>1,671,044</b>	<b>1,716,557</b>

## Summary of the Financial Measures

As at	2017				2016			
	31 March LKR million	30 June LKR million	30 September LKR million	31 December LKR million	31 March LKR million	30 June LKR million	30 September LKR million	31 December LKR million
<b>Bank</b>								
<b>Profitability</b>								
Interest margin (%)	3.1	3.3	3.2	3.2	3.2	3.2	3.2	3.3
Return on average assets (before tax) (%)	1.8	1.6	1.5	1.7	1.9	1.9	1.8	1.9
Return on average equity (after tax) (%)	24.7	20.8	19.3	21.1	27.8	25.3	24.7	28.4
<b>Investor Information</b>								
Interest cover (times)	2.2	2.2	2.2	2.5	2.4	2.3	2.2	2.3
Net assets value per share (LKR)	9,720	10,207	7,044	7,460	8,605	8,914	9,003	9,285
<b>Capital Adequacy Ratio</b>								
Core capital adequacy ratio, % (Tier 1)	8.5	8.3	8.6*	10.8*	8.9	8.3	7.6	8.7
Total capital adequacy ratio, % (Tier 1 + 2)	12.1	11.8	12.1*	14.6*	12.8	11.9	10.8	12.3
<b>Assets Quality</b>								
Gross non-performing advances ratio (%) (Net of interest in suspense)	3.2	3.3	3.3	2.9	3.8	3.5	3.4	2.9
Net non-performing advances ratio (%) (Net of interest in suspense and provisions)	0.8	0.7	0.5	0.3	1.4	1.1	1.2	0.4
<b>Regulatory Liquidity</b>								
Statutory liquid assets ratio								
– Domestic banking unit (%)	25.2	24.6	26.0	27.2	23.9	22.1	24.1	21.6
– Off shore banking unit (%)	29.1	22.1	22.3	21.9	35.5	39.8	35.0	28.1
<b>Group</b>								
<b>Profitability</b>								
Interest margin (%)	3.2	3.3	3.3	3.3	3.3	3.3	3.3	3.4
Return on average assets (before tax) (%)	1.8	1.6	1.5	1.7	1.9	1.8	1.8	1.8
Return on average equity (after tax) (%)	22.7	19.3	17.8	19.3	24.3	22.1	21.9	23.8
<b>Investor Information</b>								
Net assets value per share (LKR)	10,692	11,218	7,722	8,137	9,633	9,943	10,062	10,247
<b>Capital Adequacy Ratio</b>								
Core capital adequacy ratio, (%) (Tier 1)	8.6	8.4	8.9*	10.9*	9.2	8.5	8.0	8.8
Total capital adequacy ratio, (%) (Tier 1 + 2)	12.3	12.0	12.2*	14.5*	13.2	12.2	11.3	12.5

\* As per Basel III guidelines issued by the Central Bank of Sri Lanka.

## Share and Debenture Information

### Share Information

As at 31 December Shareholder	2017		2016	
	No. of Ordinary Shares	Holding %	No. of Ordinary Shares	Holding %
Government of Sri Lanka	20,000,000*	100	15,000,000*	100

\* This includes 5,000,000 number of shares in pending allotment.

### Debenture Information

The Bank has issued the following debt securities which are listed on the Colombo Stock Exchange (CSE):

Unsecured, Subordinated, Redeemable Debentures (Par value LKR 100)	Type	Interest Payable Frequency	Interest Rate (per annum)
October 2013-2023 series	A	Annually	13.00%
	B	Annually	12.60%
	C	Semi-annually	6 months TB rate (gross) plus 100 basis points
	D	Annually	13.25%
	E	Semi-annually	6 months TB rate (gross) plus 100 basis points
	F	Annually	13.25%
	G	Annually	13.75%
	H	Annually	13.75%
September 2014-2022 series	A	Annually	8.00%
	B	Quarterly	7.75%
	C	Semi-annually	6 months TB rate (gross) plus 50 basis points
	D	Annually	8.25%
	E	Semi-annually	6 months TB rate (gross) plus 50 basis points
October 2015-2023 series	A	Annually	8.25%
	B	Quarterly	8.00%
	C	Semi-annually	6 months TB rate (gross) plus 125 basis points
	D	Annually	9.50%
	E	Semi-annually	6 months TB rate (gross) plus 125 basis points
December 2016-2024 series	A	Annually	13.25%
	B	Quarterly	6 months TB rate (gross) plus 125 basis points
	C	Semi-annually	12.75%
	D	Annually	6 months TB rate (gross) plus 125 basis points

## Trading Information on Listed Debentures

The debentures that have been traded during the years ended 2017 and 2016 are as follows:

As at 31 December	2017					2016				
	Highest LKR	Lowest LKR	Last Traded LKR	Interest Yield* %	Yield to Maturity* %	Highest LKR	Lowest LKR	Last Traded LKR	Interest Yield* %	Yield to Maturity* %
<b>BoC Debentures 2012–2017</b> Unsecured, subordinated, redeemable, 5 years, fixed rate (16.0%)	N/T	N/T	N/T	N/T	N/T	102.65	102.65	102.65	13.94	15.59
<b>BoC Debentures 2013–2023</b> Unsecured, subordinated, redeemable, 10 years, fixed rate (13.75%)	101.50	100.82	101.50	13.34	13.55	N/T	N/T	N/T	N/T	N/T
<b>BoC Debentures 2014–2022</b> Unsecured, subordinated, redeemable, 5 years, fixed rate (8.0%)	N/T	N/T	N/T	N/T	N/T	96.87	96.87	96.87	9.06	8.26
<b>BoC Debentures 2015–2023</b> Unsecured, subordinated, redeemable, 5 years, floating rate 6 months TB rate (gross) plus 125 basis points	98.00	94.00	94.00	13.96	12.06	95.00	95.00	95.00	13.39	12.29

\*As at date of last trade done.

N/T – Not traded



## Ten Year Statistical Summary – Bank

For the year ended 31 December	2008 LKR million	2009 LKR million	2010 LKR million	2011 LKR million	2012 LKR million	2013 LKR million	2014 LKR million	2015 LKR million	2016 LKR million	2017 LKR million
<b>Operating Results</b>										
<b>Income</b>	60,182	63,461	63,363	70,457	110,138	127,464	126,546	131,502	154,121	189,211
Interest income	49,684	53,077	50,843	61,222	95,022	114,863	107,395	112,745	134,685	171,344
Interest expenses	(35,989)	(38,267)	(31,200)	(36,216)	(59,701)	(77,720)	(68,945)	(66,419)	(80,728)	(112,988)
<b>Net interest income</b>	<b>13,695</b>	<b>14,810</b>	<b>19,643</b>	<b>25,006</b>	<b>35,321</b>	<b>37,143</b>	<b>38,450</b>	<b>46,326</b>	<b>53,957</b>	<b>58,356</b>
Other operating income	10,498	10,385	12,515	9,235	15,116	12,601	19,151	18,756	19,437	17,868
Other operating expenses	(16,889)	(17,992)	(18,104)	(15,241)	(27,428)	(31,324)	(33,258)	(34,987)	(35,940)	(38,632)
<b>Operating profit before VAT and NBT</b>	<b>7,304</b>	<b>7,203</b>	<b>14,054</b>	<b>19,000</b>	<b>23,009</b>	<b>18,420</b>	<b>24,343</b>	<b>30,095</b>	<b>37,454</b>	<b>37,592</b>
VAT and NBT on financial services	(2,073)	(2,995)	(4,001)	(2,516)	(3,214)	(2,711)	(4,052)	(4,816)	(6,265)	(7,249)
<b>Profit before income tax</b>	<b>5,231</b>	<b>4,208</b>	<b>10,053</b>	<b>16,484</b>	<b>19,795</b>	<b>15,709</b>	<b>20,291</b>	<b>25,279</b>	<b>31,189</b>	<b>30,343</b>
Income tax expense	(1,670)	(1,124)	(3,688)	(4,567)	(5,378)	(3,622)	(6,717)	(7,922)	(6,398)	(9,031)
<b>Profit for the year</b>	<b>3,561</b>	<b>3,084</b>	<b>6,365</b>	<b>11,917</b>	<b>14,417</b>	<b>12,087</b>	<b>13,574</b>	<b>17,357</b>	<b>24,791</b>	<b>21,312</b>
<b>As at 31 December</b>										
	2008 LKR million	2009 LKR million	2010 LKR million	2011 LKR million	2012 LKR million	2013 LKR million	2014 LKR million	2015 LKR million	2016 LKR million	2017 LKR million
<b>Assets</b>										
Cash and cash equivalents	10,168	13,509	14,104	18,671	31,545	24,901	35,583	79,917	67,706	72,843
Balances with central banks	15,629	16,263	25,642	30,223	29,963	28,699	30,422	38,940	56,388	68,689
Placements with banks	16,403	45,867	42,709	14,581	19,394	19,315	13,349	27,976	11,675	8,067
Loans and advances to customers	271,105	265,065	368,302	543,149	691,899	725,332	741,348	826,790	1,000,082	1,163,161
Other financial assets	144,913	168,481	241,205	195,444	239,089	335,455	438,554	522,762	461,193	567,778
Investments in subsidiaries and associates	3,603	4,037	6,124	7,084	7,636	7,672	7,056	7,056	6,306	6,606
Investment properties	-	-	-	-	-	-	-	-	3,000	2,883
Property, Plant and Equipment	5,018	5,724	5,621	10,595	11,516	12,089	16,296	16,431	15,584	23,148
Intangible assets	233	111	164	343	376	501	385	373	563	811
Other assets	17,304	19,184	16,377	18,183	16,803	39,617	46,027	48,044	46,794	37,818
<b>Total assets</b>	<b>484,376</b>	<b>538,241</b>	<b>720,248</b>	<b>838,273</b>	<b>1,048,221</b>	<b>1,193,581</b>	<b>1,329,020</b>	<b>1,568,289</b>	<b>1,669,291</b>	<b>1,951,804</b>
<b>Liabilities</b>										
Due to banks*	-	-	2,215	6,508	10,128	1,166	890	2,630	2,042	2,203
Due to customers	316,070	408,607	530,092	595,774	693,441	842,070	933,966	1,082,337	1,256,589	1,546,832
Debt securities issued and subordinated term debts	17,988	18,045	40,115	42,591	47,114	45,326	53,282	39,055	42,072	42,570
Other borrowings	111,100	67,302	105,169	138,389	233,795	235,370	246,736	337,442	254,895	222,679
Current tax liabilities	1,079	190	2,200	1,139	2,208	-	-	2,081	-	1,877
Other liabilities	15,037	19,198	10,551	12,518	10,582	11,949	19,340	23,259	20,843	24,488
<b>Total liabilities</b>	<b>461,274</b>	<b>513,342</b>	<b>690,342</b>	<b>796,919</b>	<b>997,268</b>	<b>1,135,881</b>	<b>1,254,214</b>	<b>1,486,804</b>	<b>1,576,441</b>	<b>1,840,649</b>
<b>Equity</b>										
Share capital	5,000	5,000	5,000	5,000	5,000	5,000	10,000	10,000	15,000	20,000
Permanent reserve fund	2,585	2,650	2,777	3,008	3,286	3,538	3,810	5,210	7,996	10,427
Retained earnings	14,335	15,820	14,564	21,733	27,639	31,419	44,861	51,086	54,155	63,472
Other reserves	1,182	1,429	7,565	11,613	15,028	17,743	16,135	15,189	15,699	17,256
<b>Total equity</b>	<b>23,102</b>	<b>24,899</b>	<b>29,906</b>	<b>41,354</b>	<b>50,953</b>	<b>57,700</b>	<b>74,806</b>	<b>81,485</b>	<b>92,850</b>	<b>111,155</b>
<b>Total liabilities and equity</b>	<b>484,376</b>	<b>538,241</b>	<b>720,248</b>	<b>838,273</b>	<b>1,048,221</b>	<b>1,193,581</b>	<b>1,329,020</b>	<b>1,568,289</b>	<b>1,669,291</b>	<b>1,951,804</b>
<b>Contingent liabilities and commitments</b>	<b>164,813</b>	<b>246,245</b>	<b>313,040</b>	<b>409,747</b>	<b>455,181</b>	<b>655,441</b>	<b>721,763</b>	<b>696,857</b>	<b>547,399</b>	<b>507,259</b>

As at 31 December	2008 LKR million	2009 LKR million	2010 LKR million	2011 LKR million	2012 LKR million	2013 LKR million	2014 LKR million	2015 LKR million	2016 LKR million	2017 LKR million
<b>Ratios</b>										
Return on average assets (%)	1.1	0.8	1.6	2.1	2.1	1.4	1.6	1.7	1.9	1.7
Return on average equity (%)	16.1	12.9	24.0	33.5	31.2	22.2	20.5	22.2	28.4	20.9
Income growth (%)	20.0	5.5	(0.2)	11.2	56.3	15.7	(0.7)	3.9	17.2	22.8
Capital adequacy ratio (%)										
– Tier 1	11.3	11.2	10.3	7.8	8.3	8.4	9.5	9.1	8.7	10.8 ***
– Tier 1 + Tier 2	15.9	14.2	13.7	10.9	11.5	12.1	13.6	13.1	12.3	14.6 ***
Capital funds to liabilities including contingent liabilities (%)	3.7	3.3	3.1	3.4	3.5	3.2	3.8	3.7	4.4	4.7
Liquidity ratio – domestic (%)	24.2	21.1	28.7	23.4	21.8	27.7	30.8	28.2	21.6	27.2
Cost to income ratio (%)	64.2	68.3	53.7	51.1	42.7	49.1	44.0	44.7	43.0	38.4
<b>Other Information</b>										
Number of employees	7,912	7,538	8,204	8,115	7,790	8,883	8,577	7,980	7,569	7,587
Number of branches	309	310	309	318	324	567	573	578	580	578
Number of ATMs	251	329	352	404	451	523	540	549	678	764
Number of advances ('000)	1,839	2,011	2,261	2,837	3,363	3,193	2,384	2,146	2,122	2,226
Number of deposits ('000)	7,494	8,440	9,321	10,179	10,955	11,606	12,311	12,322	12,706	13,254
Cash flow from operating activities	30,262	100,115	10,271	(42,348)	(19,271)	47,051	72,987	127,503	(21,346)	135,039
Cash flow from investing activities	(67,091)	(20,775)	(59,418)	6,924	(52,965)	(51,351)	(27,222)	(101,988)	83,642	(56,384)
Cash flow from financing activities	34,433	(45,144)	46,554	12,476	89,640	(4,377)	(29,519)	17,982	(73,927)	(73,822)
Capital expenditure on purchase of Property, Plant and Equipment	(647)	(1,446)	(1,168)	(1,905)	(1,483)	(1,682)	(1,743)	(1,332)	(2,053)	(3,081)

\* From 2008 to 2009 Due to banks amount is included in due to customers and other borrowings.

\*\* Highlighted information is based on LKAs/SLFRSs.

\*\*\* As per Basel III guidelines issued by the Central Bank of Sri Lanka.

**Disclosure in terms of Section 7.6 (xvi) of the Listing Rules of the Colombo Stock Exchange on related party transactions exceeding 10% of the equity or 5% of the total assets of the Bank**

The Bank did not carry out any transactions exceeding 10% of the equity or 5% of the total assets of the Bank, whichever is lower, with the related parties given in Note 57 to the Financial Statements, except for the transactions engaged with the Government of Sri Lanka and Government related entities.

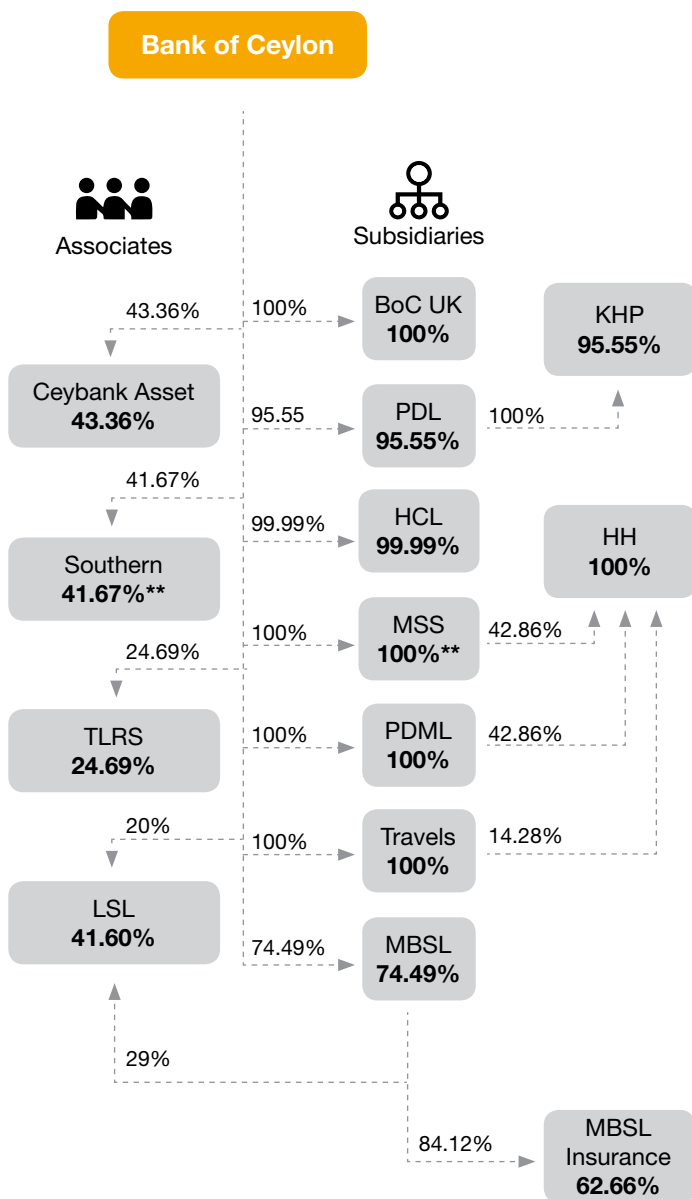
The Government of Sri Lanka, who holds 100% shareholding in Bank of Ceylon and Government related entities, carry out transactions with the Bank, in the ordinary course of business and the aggregate monetary value of these transactions exceeded the threshold given in Section 7.6 (xvi) of the Listing Rules of Colombo Stock Exchange.

These transactions include:

1. Overdraft facility granted to the Deputy Secretary to the Treasury
2. Foreign currency loans granted to the Government of Sri Lanka and State-Owned Enterprises
3. Investment in Sri Lanka Development Bonds and Restructuring Bonds issued by the Government of Sri Lanka
4. Extending of trade finance credit and other related services to facilitate import transactions of the Government of Sri Lanka and State-Owned Enterprises
5. Deposits made by the Government and Government related entities with the Bank

Most of these transactions are considered as recurrent nature transactions and the outstanding balances as at reporting date during the year 2017 are given in Note 57.4 to the Financial Statements.

## Subsidiaries and Associates



\*\* Not in Operation

### Subsidiaries

1. PDL – Property Development PLC
2. MBSL – Merchant Bank of Sri Lanka & Finance PLC
3. MSS – BOC Management & Support Services (Private) Limited
4. PDML – BOC Property Development & Management (Private) Limited
5. Travels – BOC Travels (Private) Limited
6. HCL – Hotels Colombo (1963) Limited
7. HH – Ceybank Holiday Homes (Private) Limited
8. MBSL Insurance – MBSL Insurance Company Limited
9. KHP – Koladeniya Hydropower (Private) Limited
10. BoC UK – Bank of Ceylon (UK) Limited

### Associates

11. Ceybank Asset – Ceybank Asset Management Limited
12. Southern – Southern Development Financial Company Limited
13. LSL – Lanka Securities (Private) Limited
14. TLRS – Transnational Lanka Records Solutions (Private) Limited

Subsidiary Companies	Directors*
<p><b>Property Development PLC</b></p> <p>19th Floor, BoC Head Office Building, “BOC Square”, No. 01, Bank of Ceylon Mawatha, Colombo 01.</p> <p>Tel : 011 2544328 Fax : 011 2544329 e-mail: pdlhrm@sltnet.lk</p>	<p>Mr K A K Jayathilake (Chairman) Mr W P Russel Fonseka Mr K K U Wijeyesekara Mr R P Halwala Mr W M T L Weeratne</p> <p><b>Secretaries</b> Messrs Corporate Services (Private) Limited</p>
<p><b>Merchant Bank of Sri Lanka &amp; Finance PLC</b></p> <p>BoC Merchant Tower, No. 28, St. Michael’s Road, Colombo 03.</p> <p>Tel : 011 4711711 : 011 2565636 Fax : 011 2565666 e-mail : mbslbank@mbslbank.com Website: www.mbslbank.com</p>	<p>Dr Sujeewa Lokuheewa (Chairman) Mr D M Gunasekara Mr Senarath Bandara Mr W P Russel Fonseka Mr N Perera Mr S N Dayaratne Mr S P Arsakularatne Mr R M D Vipula Jayabahu (Alternate Director to Mr Senarath Bandara) Mr D M L B Dassanayake (Alternate Director to Mr D M Gunasekara)</p> <p><b>Secretary</b> Ms Karnika Jayathilake</p>
<p><b>BOC Management &amp; Support Services (Private) Limited</b></p> <p>25th Floor, BoC Head Office Building, “BOC Square”, No. 01, Bank of Ceylon Mawatha, Colombo 01.</p> <p>Tel : 011 2432680</p>	<p>Mr D M Gunasekara (Chairman) Mr D P K Gunasekera Mr W A C Tissera</p> <p><b>Secretary</b> Ms Janaki Senanayake Siriwardane</p>
<p><b>BOC Property Development &amp; Management (Private) Limited</b></p> <p>10th Floor, BoC Merchant Tower, No. 28, St. Michael’s Road, Colombo 03.</p> <p>Tel : 011 2301911 Fax : 011 2370606 e-mail: secretary@bocpdml.lk</p>	<p>Mr M H M Faizer (Chairman) Mr D M Gunasekara Ms S T K Hettigoda Mr H Ashraff Mr C Amarasinghe (Alternate Director to Mr D M Gunasekara)</p> <p><b>Secretaries</b> Messrs Corporate Services (Private) Limited</p>
<p><b>BOC Travels (Private) Limited</b></p> <p>1st Floor, BoC Super Grade Branch Building, Baseline Road, Colombo 08.</p> <p>Tel : 011 2688154-8 Fax : 011 2688175 e-mail : ceybank@eureka.lk Website: www.boctravels.com</p>	<p>Mr M H K Paravithana (Chairman) Mr P Dheerasinghe Mr D M Gunasekara Ms G Jayasinghe Ms F A R Aziz Mr R Wijewardena Mr C Amarasinghe (Alternate Director to Mr D M Gunasekara)</p> <p><b>Secretaries</b> Messrs S S P Corporate Services (Private) Limited</p>

\* As at 31 December 2017.

Subsidiary Companies	Directors*	Associate companies	Directors*
<b>Hotels Colombo (1963) Limited</b> No. 02, York Street, Colombo 01.  Tel : 011 2320320 011 5221100 Fax : 011 2477640 e-mail : info@grandoriental.com Website: www.grandoriental.com	Mr Ronald C Perera PC (Acting Chairman) Mr D M Gunasekara Mr J C Ratwatte Mr M P Ruwan Kumara Mr R M D Vipula Jayabahu (Alternate Director to Mr D M Gunasekara)  <b>Secretaries</b> Messrs S S P Corporate Services (Private) Limited	<b>Lanka Securities (Private) Limited</b> No. 228/1, Galle Road, Colombo 04.  Tel : 011 4706757 Fax : 011 4706767 e-mail : lankasec@sltnet.lk Website: www.lankasecurities.com	Ms Aamna Taseer (Chairperson) Mr M Eshan ul-Haq Mr Farooq Bin Habib Mr K U D Gamage Mr H P Ajith Gunawardana Mr W P Russel Fonseka Mr S A Taseer Mr S Taseer (Alternate to Mr M Eshan ul-Haq) Mr I Hafeez (Alternate to Ms Aamna Taseer)  <b>Secretaries</b> Messrs S S P Corporate Services (Private) Limited
<b>Ceybank Holiday Homes (Private) Limited</b> 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.cebantourism.com	Mr D M Gunasekara (Chairman) Mr S Hewawitharana Ms D N Wickramasinghe Mr K E D Sumanasiri Mr M P Ruwan Kumara Mr Senarath Bandara (Alternate Director to Mr D M Gunasekara)  <b>Secretary</b> Ms Janaki Senanayake Siriwardane	<b>Transnational Lanka Records Solutions (Private) Limited</b> No. 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 R M D Vipula Jayabahu (Chairman) Mr W P Russel Fonseka Mr D K W Liew Mr D M H Liew Mr C R Norwood Mr P C Dodanwela  <b>Secretaries</b> Messrs P W Corporate Secretarial (Private) Limited
<b>MBSL Insurance Company Limited</b> No. 122, Kew Road, Colombo 02.  Tel : 011 2304500 Fax : 011 2300499 e-mail : info@mbslinsurance.lk Website: www.mbslinsurance.lk	Dr Sujeewa Lokuhewa (Chairman) Mr D M N P Karunapala Mr P I Kandanaarachchi  <b>Secretaries</b> Messrs Waters Secretarial Services (Private) Limited	<b>Ceybank Asset Management Limited</b> No. 85, York Street, Colombo 01.  Tel : 011 7602000 Fax : 011 2327203 e-mail : info@ceybank.com Website: www.cebantourism.com	Mr P S C Pelpola (Chairman) Mr D M Gunasekara Mr W P Russel Fonseka Mr C Sathkumara Shri B Babu Rao Ms E M M Tennakoon Mr P A Liyanamana Mr A P Weeratunge Mr M D C Nilantha (Alternate Director to Mr D M Gunasekara) Mr R D M U M M Bandara (Alternate Director to Ms E M M Tennakoon) Mr U D Liyanagamage (Alternate Director to Mr P A Liyanamana)  <b>Secretaries</b> Messrs Carsons Management Services (Private) Limited
<b>Koladeniya Hydropower (Private) Limited</b> 19th Floor, BoC Head Office Building, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01.  Tel : 011 2544328 011 2541113 Fax : 011 2544329 e-mail : pdlfin@sltnet.lk	Mr K A K Jayatilake (Chairman) Mr Ranel T Wijesinha Mr D M Gunasekara Mr N M Musaffer Mr Senarath Bandara (Alternate Director to Mr D M Gunasekara)  <b>Secretaries</b> Messrs Em En Es (Assignments) (Private) Limited	<b>Bank of Ceylon (UK) Limited</b> 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 PC (Chairman) Mr D M Gunasekara Mr Antony John Pulle Mr S Sabesan Mr W D R Swanney Mr R England  <b>Secretary</b> Mr Colin Finlayson

\* As at 31 December 2017.

## Operational Footprint

Name of Branch	Telephone	Email Address	No. of ATMs	ATM Status	No. of CDMs	CDM Status	Postal Address
<b>Central Province</b>							
Adikarigama	081-3838538	boc487@boc.lk					Raja Mawatha, Adikarigama
Agarapathana ■	051-2230133	boc488@boc.lk	1	On-site			No. 23, Main Street, Agarapathana
Akurana	081-2301477	boc489@boc.lk	1	On-site			No. 197, Kurunduahawela, Matale Road, Akurana
Aladeniya	081-2058358	boc812@boc.lk	1	On-site			No. 447, Kurunegala Road, Aladeniya
Alawathugoda	066-2242327	boc768@boc.lk	1	On-site			No. 1496, Matale Road, Alawathugoda
Ankumbura	066-2240399	boc490@boc.lk	1	On-site			No. 38/3, Alawathugoda Road, Ankumbura
Bogawanthalawa	052-2267599	boc491@boc.lk	1	On-site			No. 84, 86 Main Street, Bogawanthalawa
BOI Pallekelle	081-5672445	boc464@boc.lk	1	On-site			Kandy Industrial Park, Balagolla, Kengalla
Bokkawala	081-2461056	boc465@boc.lk					No. 135/1B, Bokkawala
Dambulla ▲	066-2285270	boc576@boc.lk	2	On-site	1	On-site	No. 438/B, Kandy Road, Dambulla
Danture	081-2575228	boc466@boc.lk					No. 572, 572 A, Main Street, Danture
Daulagala	081-2315171	boc467@boc.lk	1	On-site			No. 01/1, Imbuldeniya Handessa, Daulagala
Digana	081-2376928	boc273@boc.lk	2	On-site	1		No. 02, New Town, Digana, Rajawella
Digana Village	081-2375851	boc469@boc.lk					Digana Village, Digana
Galagedara	081-2461214	boc615@boc.lk	1	On-site			No. 237, Rambukkana Road, Galagedara
Galaha	081-2467213	boc101@boc.lk	1	On-site			No. 59/37, Deltota Road, Galaha
Galewala	066-2288258	boc432@boc.lk	2	On-site			No. 168, Kurunegala-Dambulla Road, Galewala
Gampola ▲	081-2350108	boc575@boc.lk	2	On-site	1	On-site	No. 44, Kadugannawa Road, Gampola
Gampola City	081-2354214	boc470@boc.lk	1	On-site			No. 23, Nawalapitiya Road, Gampola
Geliyoa	081-2314777	boc524@boc.lk	1	On-site	1	On-site	430, Karamada, Gampola Road, Geliyoa
Ginigathhena	051-2242310	boc471@boc.lk	1	On-site			No. 29/B, Colombo Road, Ginigathhena
Hatharaliyadda	081-2464187	boc472@boc.lk	1	On-site			Bank of Ceylon Building, Kandy Road, Hatharaliyadda
Hatton	051-2225015	boc040@boc.lk	2	On-site	1	On-site	No. 46, Circular Road, Hatton
Kandapola	052-2229636	boc633@boc.lk	1	On-site			No. 31, 33, Main Street, Kandapola
Kandy ☼	081-2223697	boc002@boc.lk	5	On-site	2	On-site	No. 88, Ceybank House, Dalada Veediya, Kandy
Kandy 2nd City	081-2234292	boc649@boc.lk	2	On-site	1	On-site	No. 22, Dalada Veediya, Kandy
Kandy Court Complex	081-2387490	boc474@boc.lk		On-site			Kandy Court Complex, William Gopallawa Mawatha, Kandy
Kandy Teaching Hospital	081-2233335	boc454@boc.lk	1	On-site			Kandy Teaching Hospital, Kandy
Katugastota	081-2498948	boc666@boc.lk	2	On-site	1	On-site	No. 161/A, Madawala Road, Katugastota
Kotagala	051-2244107	boc455@boc.lk	1	On-site			No. 182, Main Street, Kotagala
Kurunduwatte	081-2357115	boc809@boc.lk					Ayurvedic Centre Building, Kurunduwatte Bazaar, Kurunduwatte
Madawala	081-2470484	boc581@boc.lk	1	On-site			No. 35 A2, Wattegama Road, Madawala
Marassana	081-2405105	boc456@boc.lk	1	On-site			No. 29, Meeruppa, Marassana
Maskeliya	052-2277280	boc506@boc.lk	1	On-site			No. 66, Upcott Road, Maskeliya
Matale ☼	066-2222262	boc068@boc.lk	2	On-site	1	On-site	No. 5/2, Trincomalee Street, Matale
Medawala H.P.	081-2490574	boc797@boc.lk	1	On-site			Harispaththuwa Pradeshiya Sabha Building, Hedeniya Road, Medawala
Meepilimana	052-2237410	boc458@boc.lk					No. 67/68 A, Meepilimana, Nuwara Eliya
Menikhinna	081-2376911	boc459@boc.lk	1	On-site			No. 31, Kandy Road, Menikhinna
Naula	066-2246280	boc092@boc.lk	1	On-site			No. 85, Matale Road, Naula
Nawalapitiya	054-2222233	boc598@boc.lk	2	On-site	1	On-site	No. 6, Gampola Road, Nawalapitiya
Nuwara Eliya ☼	052-2224047	boc029@boc.lk	2	On-site	1	On-site	No. 43, Lawson Street, Nuwara Eliya
Padiyapelella	052-2287035	boc492@boc.lk	1	On-site			No. 267/2, 267/3, Ragala Road, Padiyapelella
Palapathwela	066-2225505	boc461@boc.lk					No. 409, Dambulla Road, Palapathwela
Pallepola	066-2247272	boc640@boc.lk	1	On-site			No. 19, 19/1, Akuramboda Road, Pallepola
Peradeniya	081-4945343	boc588@boc.lk	2	On-site	1	On-site	No. 115/7, Sirimavo Bandaranaike Mawatha, Peradeniya
Peradeniya University	081-2392422	boc445@boc.lk	1	On-site			University of Peradeniya, Peradeniya

### Holiday Banking Services

■ Sunday ▲ Saturday ◀ Saturday and Sunday ☼ 365 day Banking ✧ Night Banking

Name of Branch	Telephone	Email Address	No. of ATMs	ATM Status	No. of CDMs	CDM Status	Postal Address
Pilimalalawa	081-3753517	boc587@boc.lk	2	On-site	1	On-site	No. 246/2, Colombo Road, Pilimalalawa
Provincial Council Complex Pallekelle	081-2424545	boc802@boc.lk	1	On-site			Provincial Council Complex, Pallekelle
Pujapitiya	081-2301718	boc441@boc.lk	1	On-site			No. 72 B, Bokkawala Road, Pujapitiya
Pundaluoya	051-2233205	boc425@boc.lk	1	On-site			Ihala Veediya, Pundaluoya
Pussellawa	081-2478642	boc337@boc.lk	1	On-site			No. 437/439, Nuwara Eliya Road, Pussellawa
Ragala	052-2265660	boc442@boc.lk	1	On-site			No. 1/19, Ragala, Halgranoya, Ragala
Rattota	066-2255280	boc639@boc.lk	1	On-site			Matale Road, Rattota
Rikillagaskada	081-2365314	boc167@boc.lk	2	On-site			No. 03, Dimbulkumbura Road, Rikillagaskada
Sigiriya	066-2286270	boc443@boc.lk	1	On-site			No. 01, Airport Road, Kimbissa, Sigiriya
Talatuoya	081-2404334	boc650@boc.lk	1	On-site			No. 02, Kandy Road, Talatuoya
Talawakelle	052-2258280	boc531@boc.lk	2	On-site			Nos. 23, 25, 29, Hatton Road, Talawakelle
Teldeniya	081-2376820	boc781@boc.lk	1	On-site			No. 17/2, Wilamuna Building, Circular Road, Karalliyada, Teldeniya
Ududumbara	081-2402317	boc606@boc.lk	1	On-site			Nos. 44, 46, Mahiyangana Road, Ududumbara
Ukuwela	066-2244676	boc444@boc.lk	1	On-site			No. 154/3/1, Matale Road, Ukuwela
Upcott	051-2235095	boc446@boc.lk					No. 77, Main Street, Upcott
Walapane	052-2279180	boc743@boc.lk	1	On-site			Ratnayake Building, Walapane
Wattegama	081-2475838	boc340@boc.lk	1	On-site			No. 110, Kandy Road, Wattegama
Wilgamuwa	066-2250002	boc447@boc.lk	1	On-site			No. 80/2/1, Hettipola New Town, Wilgamuwa
Yatawatta	066-2221084	boc144@boc.lk	1	On-site			Yelakkare Junction, Yatawatta
<b>Other Service Points</b>							
Dedicated Economic Centre Dambulla ◊	066-2285217	boc576el@boc.lk	1	On-site			Dedicated Economic Centre, Dambulla
Kandy District Secretariat Branch	081-2224214	boc002el@boc.lk					Kandy District Secretariat Building, Kandy
Peradeniya Botanical Garden	081-2386463	boc588@boc.lk	1	On-site			Peradeniya Botanical Garden, Peradeniya
Matale District Secretariat Branch	066-2222024	boc068el@boc.lk	1	On-site			Kachcheri Building, Matale
Nuwara Eliya District Secretariat Branch	052-2222770	boc029el@boc.lk	1	On-site			Kachcheri Building, Nuwara Eliya
Kandy City Centre (BoC DIGI)	081-2205110	boc649@boc.lk	1	On-site	1		Premises No. 19 Level 1, Dalada Veediya, Kandy
<b>Off-site ATMs</b>							
Trendy Wear Adikarigama			1	Off-site			
Sigiriya Project Office			1	Off-site			
Nuwara Eliya Hospital			1	Off-site			
<b>Eastern Province</b>							
Addalaichenai	067-2279303	boc448@boc.lk	1	On-site			No. 1 A, Main Street, Addalaichenai – 11
Akkaraipattu	067-2279242	boc590@boc.lk	1	On-site			No. 288, Main Street, Akkaraipattu
Alankerny	026-2236500	boc449@boc.lk					Ward No. 01, Alankerny, Kinniya
Ampara ◊	063-2222981	boc021@boc.lk	3	On-site	1	On-site	No. 115A, D. S. Senanayake Street, Ampara
Arayampathy	065-2247939	boc451@boc.lk					Co-Operative Building, Kalmunai Road, Arayampathy
Batticaloa City Branch	065-2227032	boc452@boc.lk	1	On-site			No. 09, Arunagiri Road, Batticaloa
Batticaloa Super Grade ◊	065-2227410	boc012@boc.lk	1	On-site	1	On-site	Covington Road, Batticaloa
Central Camp	063-2051851	boc811@boc.lk					CC/37, Main Street, Central Camp, Ampara
Chenkaladi	065-2240492	boc630@boc.lk	1	On-site			No. 6, Trincomalee Road, Chenkaladi
China Bay	026-2242327	boc436@boc.lk					No. 61, Kinniya Road, 4th Milepost, China Bay
Eastern University	065-2241528	boc437@boc.lk	1	On-site			Vantharumoolai, Chenkaladi, Batticaloa

**Holiday Banking Services**

■ Sunday ▲ Saturday ◀ Saturday and Sunday ◊ 365 day Banking ◊ Night Banking



Name of Branch	Telephone	Email Address	No. of ATMs	ATM Status	No. of CDMs	CDM Status	Postal Address
Eravur	065-2241012	boc790@boc.lk	1	On-site			MPCS Building, Punnakudah Road, Eravur
Gonagolla	063-2050044	boc438@boc.lk					Kandy Road, Gonagolla
Hingurana	063-2240037	boc509@boc.lk	1	On-site			Jeyalanka Building, Hingurana Junction, Hingurana
Irakkamam	063-2050155	boc439@boc.lk					No. 150, Ampara Road, Irakkamam, Ampara
Kallady	065-2227972	boc426@boc.lk	1	On-site			No. 180A, New Kalmunai Road, Kallady
Kallar	067-2225421	boc427@boc.lk					Main Street, Periyakallar – 01
Kalmunai	067-2229340	boc510@boc.lk	2	On-site	1	On-site	No. 78, Kitddanki Road, Kalmunai
Kaluwanchikudy	065-2250012	boc611@boc.lk	1	On-site			Main Street, Kaluwanchikudy
Kantale	026-2234230	boc623@boc.lk	2	On-site	1	On-site	No. 91, Agrabodhi Mawatha, Kantale
Karadiyanaru	065-2241330	boc428@boc.lk					No. 01, Badulla Road, Karadiyanaru
Karaitivu	067-2225484	boc429@boc.lk	1	On-site			No. 20, Main Street, Karaitivu
Kattankudy	065-2248463	boc648@boc.lk	1	On-site	1	On-site	Nos. 30, 34/12, Advocate M.C. Abdul Cader Road, Kattankudy
Kinniya	026-2236270	boc735@boc.lk	1	On-site			Nos. 27, 27/1, 27/2, 29, Lathef Vidhan Road, Kinniya – 05
Kiran	065-3651142	boc430@boc.lk					Trincomalee Road, Kiran, Batticaloa
Kokkaddicholai	065-2227916	boc431@boc.lk					Main Street, Kokkaddicholai South, Kokkaddicholai
Malwatte	063-2051515	boc422@boc.lk					Main Street, Malwatte
Mamanagam	065-2227973	boc423@boc.lk					No. 450 A, Bar Road, Batticaloa
Maruthamunai	067-2220503	boc424@boc.lk					No. 1024, Batticaloa Road, Maruthamunai
Mollipothana	026-2246220	boc417@boc.lk					96th Junction, Mollipothana
Morawewa	026-2225825	boc418@boc.lk	1	On-site			Pradeshiya Sabha Market Complex, Morawewa
Muttur	026-2238327	boc118@boc.lk	1	On-site			No. 36/1 Trincomalee Road, Ward No. 07, Muttur
Navithanvely	067-2226140	boc419@boc.lk					Manikka Pillyar Kovil Road, Navithanvely – 01, Kalmunai
Nilaveli	026-2232290	boc420@boc.lk					Ward No. 02, Main Street, Nilaveli
Nintavur	067-2250039	boc591@boc.lk	1	On-site			No. 75, Main Street, Nintavur
Oddamavady	065-2258111	boc402@boc.lk					Main Street, Mawadichchenai, Oddamavady
Oluvil	067-2255397	boc403@boc.lk					Grand Mosque Road, Oluvil – 03
Palugamam	065-2251622	boc404@boc.lk					Main Street, Veeranchenai, Palugamam
Polwatta	063-2242128	boc405@boc.lk	1	On-site			No. 12, Temple Junction, Polwaga Janapadaya, Polwatta
Pottuvil	063-2248021	boc318@boc.lk	1	On-site			Main Street, Pottuvil
Pulmuddai	026-2256200	boc406@boc.lk	1	On-site			Jaffna Junction, Kokilai Road, Ward No. 03, Pulmuddai
Sainthamarathu	067-2220478	boc407@boc.lk	1	On-site			No. 1115, Akkaraipattu Road, Sainthamarathu – 09
Sammanthurai	067-2260054	boc440@boc.lk	1	On-site			No. 49/1 C, Ampara Road, Sammanthurai
Serunuwara	026-2251010	boc408@boc.lk	1	On-site			MPCS Building, Batticaloa Road, Serunuwara
Thambiluvil	067-2265309	boc409@boc.lk					Main Street, Thambiluvil – 02
Thampalakamam	026-2248043	boc410@boc.lk	1	On-site			MPCS Building, Kandy Road, Puthukudiyiruppu, Thampalakamam
Thoppur	026-2240989	boc411@boc.lk					MDN Bawa Building, Main Street, Thoppur – 04
Trincomalee Super Grade	026-2223084	boc006@boc.lk	2	On-site	1	On-site	No. 24, Inner Harbour Road, Trincomalee
Trincomalee City ☼	026-2223880	boc624@boc.lk	2	On-site			Nos. 167, 167 1/1, 167 2/1, Main Street, Trincomalee
Uhana	063-2250001	boc413@boc.lk	1	On-site			Jayanthi Building, Kandy Road, Uhana
Uppuveli	026-2226227	boc414@boc.lk	1	On-site			No. 820 A, Ehambaram Road, Uppuveli
Vakarai	065-2258181	boc415@boc.lk					Trincomalee Road, Kandalady, Vakara
Valachchenai	065-2257708	boc626@boc.lk	1	On-site			Main Street, Valachchenai
Vavunathivu	065-3063522	boc385@boc.lk					Market Complex, Vavunathivu
Vellaveli	065-2251113	boc386@boc.lk					No. 100 B, Main Street, Vellaveli

**Holiday Banking Services**

■ Sunday    ▲ Saturday    ◀ Saturday and Sunday    ☼ 365 day Banking    ✧ Night Banking



Name of Branch	Telephone	Email Address	No. of ATMs	ATM Status	No. of CDMs	CDM Status	Postal Address
<b>Other Service Points</b>							
Ampara District Secretariat Branch	063-2224150	boc021@boc.lk					Ampara District Secretariat Building, Ampara
Batticaloa District Secretariat Branch	065-2228688	boc012@boc.lk					Batticaloa District Secretariat Building, Batticaloa
Trincomalee District Secretariat Branch	026-2242999	boc006e1@boc.lk	1	On-site			Trincomalee District Secretariat Building, Trincomalee
<b>Off-site ATMs</b>							
Air Force Base Uhana Ampara			1	Off-site			
Naval Base Trincomalee			1	Off-site			
Trincomalee – Air Force China Bay			1	Off-site			
Batticaloa Air Force Base			1	Off-site			
<b>North Central Province</b>							
Anuradhapura ☼	025-2222393	boc022@boc.lk	3	On-site	2	On-site	Maithripala Senanayake Mawatha, Anuradhapura
Anuradhapura City	025-2222160	boc551@boc.lk	1	On-site	1	On-site	No. 250, Main Street, Anuradhapura
Anuradhapura New Town ■	025-2223685	boc098@boc.lk	2	On-site			New Town, Anuradhapura
Aralaganwila ▲	027-2257135	boc599@boc.lk	1	On-site			No. 2/119, Main Street, Aralaganwila
Bakamuna	066-2256680	boc652@boc.lk	1	On-site			Lanka Banku Mawatha, Bakamuna
Bogaswewa	025-3244951	boc808@boc.lk	1	On-site			Bogaswewa, Vavuniya
Dehiaththakandiya ▲	027-2250287	boc686@boc.lk	2	On-site	1	On-site	New Town, Dehiaththakandiya
Diyabeduma	027-2050016	boc388@boc.lk	1	On-site			Gamage Building, Katukeliyawa Road, Diyabeduma
Diyasenpura	027-2248061	boc389@boc.lk					Lakshan Tex, Ground Floor, Main Street, Diyasenpura
Doramadalawa	025-7200895	boc390@boc.lk	1	On-site			Rajamaha Viharaya, Doramadalawa, Mihintale
Eppawala	025-2249180	boc692@boc.lk	1	On-site			No. 68/5, Kanthi City Building, Thalawa Road, Eppawala
Galamuna	027-2245990	boc391@boc.lk	1	On-site			No. 145, Pansalgodella, Galamuna
Galenbindunuwewa	025-2258280	boc122@boc.lk	1	On-site	1	On-site	Denzil Kobbekaduwa Mawatha, Galenbindunuwewa
Galkiriyagama	025-2265299	boc653@boc.lk	1	On-site			New Town, Galkiriyagama
Galnewa	025-2269580	boc514@boc.lk	1	On-site			Thambuththegama Road, Galnewa
General Hospital Anuradhapura	025-3778400	boc392@boc.lk	1	On-site			General Hospital, Anuradhapura
Habarana	066-2270048	boc393@boc.lk	1	On-site			Trincomalee Road, Habarana
Hingurakgoda ■	027-2247642	boc601@boc.lk	2	On-site	1	On-site	Saint Michel Building, Main Street, Hingurakgoda
Horowpothana	025-2278416	boc217@boc.lk	1	On-site			Anuradhapura Road, Horowpothana
Ipalogama	025-2264279	boc236@boc.lk					Kekirawa Road, Ipalogama
Jayanthipura	027-2222266	boc600@boc.lk	1	On-site			22nd Milepost, Jayanthipura
Kaduruwela ☼	027-2225025	boc502@boc.lk	2	On-site	1	On-site	No. 812/614, Batticaloa Road, Kaduruwela
Kahatagasdigiliya	025-2247480	boc622@boc.lk	1	On-site			Trincomalee Road, Kahatagasdigiliya
Kebithigollewa ■	025-2298680	boc621@boc.lk	1	On-site			Padaviya Road, Kebithigollewa
Kekirawa ▲	025-2264280	boc676@boc.lk	3	On-site	1	On-site	Kekirawa
Madatugama	025-2264283	boc654@boc.lk	1	On-site			Kekirawa/Dambulla Road, Madatugama
Medawachchiya	025-2245683	boc162@boc.lk	3	On-site	1	On-site	No. 36, Jaffna Road, Medawachchiya
Medirigiriya	027-2248337	boc641@boc.lk	2	On-site	1	On-site	School Junction, Medirigiriya
Meegalewa	025-2281102	boc728@boc.lk	1	On-site			Meegallewa
Mihintale	025-2266503	boc335@boc.lk	1	On-site	1	On-site	Trincomalee Road, Mihintale
Minneriya	027-2245333	boc394@boc.lk	1	On-site			Habarana Road, Minneriya
Nochchiyagama	025-2257880	boc656@boc.lk	1	On-site	1	On-site	Main Street, Nochchiyagama
Padavi Parakramapura	025-2254018	boc127@boc.lk	1	On-site			Padavi Parakramapura
Padaviya	025-2253011	boc395@boc.lk	1	On-site			Bandaranayake Mawatha, Padaviya
Pemaduwa	025-2223307	boc152@boc.lk	1	On-site			Mannar Road, Pemaduwa

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Name of Branch	Telephone	Email Address	No. of ATMs	ATM Status	No. of CDMs	CDM Status	Postal Address
Polonnaruwa New Town	027-2223010	boc083@boc.lk	1	On-site	1	On-site	No. 286, New Town, Polonnaruwa
Rajanganaya	025-2276558	boc396@boc.lk	1	On-site			5th Milepost, Rajanganaya
Rajina Junction	025-2275057	boc397@boc.lk	1	On-site			No. 157, Rajina Junction, Thambuttegama
Rambewa	025-2266555	boc782@boc.lk	1	On-site			Kadaveediya, Rambewa
Ranajayapura	025-2262003	boc398@boc.lk	1	On-site			Ranajayapura, Ipalogama
Sevanapitiya	027-2050280	boc399@boc.lk	1	On-site			No. 63, Batticaloa Road, Sevanapitiya
Sewagama	027-2222585	boc183@boc.lk	1	On-site	1	On-site	No. 338, Walekade Junction, Sewagama
Thalawa	025-2275090	boc400@boc.lk	1	On-site			Anuradhapura Road, Thalawa
Thambuththegama	025-2276280	boc655@boc.lk	1	On-site	1	On-site	Rajanganaya Road, Thambuththegama
Thanthirimale	025-2245725	boc256@boc.lk	1	On-site			Opposite Raja Maha Viharaya, Thanthirimale
Thirappana	025-2050115	boc157@boc.lk	1	On-site			Colombo/Anuradhapura Road, Thirappane
Wahalkada	025-2253225	boc815@boc.lk					D4, Wahalkada, Kebithigollewa
Welikanda	027-2259060	boc817@boc.lk	1	On-site			Bank of Ceylon, Welikanda
Weli Oya – Sampathnuwara	025-3244950	boc803@boc.lk	1	On-site			No. 41, Weli Oya – Sampathnuwara
<b>Other Service Points</b>							
Anuradhapura District Secretariat	025-2222142	boc022@boc.lk					Kachcheri Building, Anuradhapura
Provincial Council Complex Anuradhapura	025-2235687	boc022@boc.lk	1	On-site			Provincial Council Complex, Anuradhapura
<b>Off-site ATMs</b>							
Air Force Hingurakgoda			1	Off-site			
Air Force Anuradhapura			1	Off-site			
Maliban Textiles (Private) Limited			1	Off-site			
Polonnaruwa Hospital			1	Off-site			
Rajarata University Mihintale			1	Off-site			
Rajarata University – Medical Faculty			1	Off-site			
Anuradhapura Market Site			1	Off-site			
<b>Northern Province</b>							
Alaveddy	021-2059656	boc380@boc.lk					Alaveddy Centre, Alaveddy
Andankulam	023-3233751	boc381@boc.lk					Agrarian Service Centre Building, Andankulam
Atchuvvely	021-2058011	boc778@boc.lk	1	On-site			Central College View, Rosa Veethy, Atchuvvely
Chankanai	021-2250015	boc792@boc.lk	1	On-site			Main Street, Chankanai
Chavakachcheri ▲	021-2270060	boc501@boc.lk	1	On-site			No. 4, Kandy Road, Chavakachcheri
Cheddikulam	024-2260017	boc382@boc.lk	1	On-site			Mannar Road, Cheddikulam
Chunnakam ▲	021-2242495	boc053@boc.lk	1	On-site	1	On-site	No. 146, KKS Road, Chunnakam
Delft	021-2215213	boc383@boc.lk					Main Street, Ward No. 12, Delft
Ilavalai	021-2211979	boc377@boc.lk					Main Street, Ilavalai
Jaffna ◊	021-2224018	boc005@boc.lk	2	On-site	1	On-site	No. 476, 476A, Hospital Road, Jaffna
Jaffna 2nd ▲	021-2222598	boc500@boc.lk	2	On-site	1	On-site	No. 56, Stanley Road, Jaffna
Jaffna Bus Stand	021-2221010	boc366@boc.lk					No. 400, Hospital Road, Jaffna
Jaffna Main Street	021-2224564	boc368@boc.lk	1	On-site			No. 320, Main Street, Jaffna
Jaffna University	021-2219570	boc369@boc.lk					Students Complex, University of Jaffna, Thirunavelly
Kaithady	021-2057121	boc370@boc.lk	1	On-site			A9 Road, Kaithady Junction, Kaithady
Kalviyankadu	021-2219571	boc371@boc.lk					Point Pedro Road, Kalviyankadu Junction, Kalviyankadu
Kankesanthurai	021-2241024	boc605@boc.lk	1	On-site			No. 51, KKS Road, Mallakam

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Name of Branch	Telephone	Email Address	No. of ATMs	ATM Status	No. of CDMs	CDM Status	Postal Address
Karainagar	021-2211707	boc749@boc.lk	1	On-site			Post Office View, Karainagar
Karanavai	021-2262597	boc372@boc.lk					Kunchar Kadai Junction, Karavanai Centre, Karavanai
Kayts	021-2211664	boc373@boc.lk	1	On-site			Bank of Ceylon Building, Main Street, Kayts
Kilinochchi ☼	021-2280002	boc093@boc.lk	2	On-site	1	On-site	Kilinagar A9 Road, Kilinochchi
Kodikamam	021-2050315	boc375@boc.lk	1	On-site			Piont Pedro Road, Kodikamam
Kokuvil	021-2052694	boc376@boc.lk	1	On-site			No. 108, KKS Road, Kokuvil
Kopay	021-2230084	boc787@boc.lk	1	On-site			No. 57, Point Pedro Road, Kopay North, Kopay
Madhu	023-2280079	boc378@boc.lk					Periyapandivirichchan, Madhu
Mallavi	021-2060747	boc349@boc.lk	1	On-site			Thunukkai Road, Mallavi
Manipay ▲	021-2255580	boc281@boc.lk	1	On-site			No. 105, Jaffna Road, Manipay
Mankulam	021 2060009	boc574@boc.lk	1	On-site			A9 Road, Mankulam Junction, Mankulam
Mannar ☼	023-2222337	boc046@boc.lk	2	On-site	1	On-site	No. 52, Pallimunai Road, Grand Bazaar, Mannar
Manthikai	021-2263354	boc351@boc.lk					Maruthankerny Road, Manthikai Junction, Manthikai
Maruthankerny	021-2260525	boc352@boc.lk					Thalayady, Maruthankerny
Mulankavil	021-2283131	boc353@boc.lk	1	On-site			No. 09, Nachchikuda Junction, Mulankavil
Mullaitivu	021-2290002	boc355@boc.lk					Post Office Road, Mullaitivu
Muliyawalai ☼	021-2061020	boc511@boc.lk	1	On-site			Ward No. 03, Mankulam Road, Thaneerutu Junction, Muliyawalai
Murungan	023-2050364	boc356@boc.lk	1	On-site			Madawachchiya Road, Murungan
Nainativu	021-3202107	boc357@boc.lk					Ward No. 02, Nainativu
Nallur	021-2219966	boc358@boc.lk	1	On-site			No. 590, Point Pedro Road, Nallur
Nanatan	023-2050696	boc359@boc.lk					Uyilankulam Road, Moddakkadai, Nanatan
Nedunkerny	024-2053024	boc360@boc.lk	1	On-site			Mullaitivu Road, Nedunkerny
Nelliady ▲	021-2264815	boc638@boc.lk	1	On-site	1	On-site	No. 23, Kodikamam Road, Nelliady
Oddusudan	021-2061720	boc361@boc.lk					Mankulam Road, Oddusudan
Omanthai	024-2052740	boc362@boc.lk					A9 Road, Omanthai
Pallai	021-2050020	boc363@boc.lk	1	On-site			Kandy Road (A9), Pallai
Paranthan	021-2280177	boc364@boc.lk					A9 Road, Paranthan Junction, Paranthan
Pesalai	023-2050010	boc344@boc.lk	1	On-site			Church Road, Ward No. 07, Pesalai
Point Pedro	021-2263570	boc028@boc.lk	1	On-site	1	On-site	No. 165/10, Main Street, Point Pedro
Poonagary	021-2060820	boc345@boc.lk					Vadiyady Junction, Poonagary
Poovarasankulam (Thalikkulam)	024-3248002	boc346@boc.lk	1	On-site			Mannar Road, Poovarasankulam, Vavuniya
Punnalaikadduwan	021-2059390	boc347@boc.lk					Palay Road, Punnalaikadduwan
Puthukkudiyeruppu	021-2061601	boc341@boc.lk	1	On-site			Ward No. 07, Paranthan Road, Puthukkudiyeruppu Junction, Puthukkudiyeruppu
Puthukulam	024-2053499	boc342@boc.lk					Kalmadhu Road, Puthukulam, Vavuniya
Savalkaddu	021-2255992	boc338@boc.lk					Annamalai Street, Savalkaddu
Sirupiddy	021-2231092	boc339@boc.lk					Point Pedro Road, Sirupiddy
Thalaimannar Pier	023-2281085	boc336@boc.lk					Thalaimannar Pier, Thalaimannar
Thirumurukandi	021-2060110	boc326@boc.lk					Akkarayan Road, Thirumurukandi
Thirunelveli	021-2223948	boc761@boc.lk	1	On-site			No. 102, Palaly Road, Thirunelveli
Urumpirai	021-2230899	boc794@boc.lk	1	On-site			No. 39/1, Palaly Road, Urumpirai
Vaddukoddai	021-2250990	boc804@boc.lk	1	On-site			Sangaraththai Junction, Vaddukoddai
Valvettiturai	021-2264883	boc791@boc.lk	1	On-site			No. 65, Jaffna Road, Valvettiturai
Vavuniya ☼	024-2222141	boc044@boc.lk	2	On-site	2	On-site	No. 75, Station Road, Vavuniya
Vavuniya City	024-2226631	boc793@boc.lk	1	On-site			No. 192, Bazaar Street, Vavuniya
Velanai	021-2225274	boc063@boc.lk	1	On-site			Vangalavady Junction, Velanai
Visuvamadu	021-2061830	boc328@boc.lk					No. 268, Middle Class Scheme, New Punnaineeravi, Visuvamadu

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Name of Branch	Telephone	Email Address	No. of ATMs	ATM Status	No. of CDMs	CDM Status	Postal Address
<b>Other Service Points</b>							
Jaffna District Secretariat Branch	021-2228808	boc005@boc.lk	1	On-site			Jaffna District Secretariat Building, A9 Road, Jaffna
Kilinochchi District Secretariat Branch	021-2285549	boc093@boc.lk					Kilinochchi District Secretariat Building, A9 Road, Kilinochchi
Mannar District Secretariat Branch	023-2251577	boc046@boc.lk					Mannar District Secretariat Building, Mannar
Mullaitivu District Secretariat Branch	021-2290021	boc511@boc.lk	1	On-site			Mullaitivu District Secretariat Building, Mullaitivu
Vavuniya District Secretariat Branch	024-2222626	boc044el@boc.lk	1	On-site			Vavuniya District Secretariat Building, A9 Road, Vavuniya
<b>Mobile Branch</b>							
Mobile Branch			1	On-site			
<b>Off-site ATMs</b>							
Air Force Iranamadu			1	Off-site			
Air Force Vavuniya			1	Off-site			
Jaffna University			1	Off-site			
Jaffna Railway			1	Off-site			
Jaffna Hospital			1	Off-site			
<b>North Western Province</b>							
Alawwa	037-2278180	boc498@boc.lk	2	On-site			No. 64, Giriulla Road, Alawwa
Ambanpola	037-2254099	boc329@boc.lk	1	On-site			"Jayani Building", Anuradhapura Road, Ambanpola
Anamaduwa	032-2263280	boc548@boc.lk	2	On-site	1	On-site	Nawagattegama Road, Anamaduwa
Anavilundawa	032-2259050	boc330@boc.lk	1	On-site			No. 55, 57, Puttalam Road, Anavilundawa
Bingiriya ■	032-2246999	boc554@boc.lk	1	On-site			No. 35A, Chilaw Road, Bingiriya
Chilaw ▲	032-2223401	boc020@boc.lk	1	On-site	1	On-site	Radaguru Edmund Peiris Mawatha, Chilaw
Dambadeniya	037-2266144	boc331@boc.lk					No. 70, Kurunegala Road, Dambadeniya
Dankotuwa	031-2258180	boc497@boc.lk	1	On-site			Nos. 46, 48, Kurunegala Road, Dankotuwa
Dummalasuriya	032-2240690	boc580@boc.lk	1	On-site			No. 227, Kuliypitiya-Madampe Road, Dummalasuriya
Galgamuwa ▲	037-2253080	boc549@boc.lk	2	On-site	1	On-site	Nos. 67, 69, Anuradhapura Road, Galgamuwa
Giriulla	037-2288080	boc553@boc.lk	1	On-site			Market Complex, Giriulla
Hettipola	037-2291080	boc570@boc.lk	1	On-site	1	On-site	No. 141/B, Kurunegala Road, Hettipola
Hiripitiya ■	037-2264080	boc569@boc.lk	2	On-site	1	On-site	No. 35/1, Kumbukgete Road, Hiripitiya, Nikadalupotha
Ibbagamuwa	037-2259970	boc770@boc.lk	1	On-site			No. 110, Dambulla-Kurunegala Road, Ibbagamuwa
Kalpitiya ■	032-2260702	boc589@boc.lk	1	On-site			No. 90, Main Street, Kalpitiya
Katuneriya	031-2245500	boc332@boc.lk	1	On-site			Salwe Building, Kumara Veediya Junction, Katuneriya
Katupotha	037-2247471	boc333@boc.lk	1	On-site			Rambawewa Road, Katupotha
Kirimatiyana	031-2249960	boc334@boc.lk	1	On-site			"Gayani Building", Kirimatiyana, Lunuwila
Kobeigana	037-2293101	boc172@boc.lk	1	On-site			Main Street, Kobeigana
Kochchikade	031-2277353	boc323@boc.lk	1	On-site	1	On-site	No. 18, Chilaw Road, Kochchikade
Kuliypitiya	037-2281280	boc052@boc.lk	2	On-site	1	On-site	No. 70, Madampe Road, Kuliypitiya
Kumbukgete	037-2264680	boc324@boc.lk	1	On-site			Bhagya Traders Building, Kumbukgete
Kurunegala ▲	037-2233880	boc009@boc.lk	1	On-site	1	On-site	Commercial Complex, Kurunegala
Kurunegala 2nd City ◊	037-2222331	boc513@boc.lk	3	On-site	1	On-site	No. 3, Mihindu Mawatha, Kurunegala
Madampe	032-2247680	boc544@boc.lk	1	On-site			No. 10, Station Road, Madampe
Madawakkulama	032-2052888	boc805@boc.lk	1	On-site			No. 85, Madawakkulama, Andigama
Madurankuliya ■	032-2268003	boc565@boc.lk	1	On-site	1	On-site	No. 66, Colombo Road, Madurankuliya
Mahawewa	032-2054255	boc319@boc.lk	1	On-site			Kudawewa Road, Mahawewa
Maho	037-2275280	boc564@boc.lk	1	On-site	1	On-site	No. 145, Nikaweratiya Road, Maho
Makandura	031-2298303	boc299@boc.lk					Bandaranayake Mawatha, Makandura

**Holiday Banking Services**

■ Sunday    ▲ Saturday    ◀ Saturday and Sunday    ◊ 365 day Banking    ◇ Night Banking

Name of Branch	Telephone	Email Address	No. of ATMs	ATM Status	No. of CDMs	CDM Status	Postal Address
Malkaduwwa	037-2052405	boc255@boc.lk	1	On-site			Décor Building, Negombo Road, Malkaduwwa, Kurunegala
Marawila	032-2252675	boc300@boc.lk	1	On-site			No. 27/1, Chilaw Road, Marawila
Mawathagama	037-2299259	boc257@boc.lk	1	On-site			No. 58/108, Main Street, Mawathagama
Melsiripura ■	037-2250165	boc555@boc.lk	2	On-site	1	On-site	No. 254, Dambulla Road, Melsiripura
Narammala	037-2249280	boc534@boc.lk	2	On-site	1	On-site	No. 139, Negombo Road, Narammala
Nattandiya	032-2254280	boc050@boc.lk	1	On-site			Kuliyapitiya Road, Nattandiya
Nikaweratiya	037-2260280	boc547@boc.lk	2	On-site	1	On-site	Puttalam Road, Nikaweratiya
Norochcholai ▲	032-2268555	boc779@boc.lk	1	On-site			No. 198/16, Kalpitiya Road, Norochcholai
Palaviya	032-22249210	boc301@boc.lk	1	On-site			Colombo Road, Palaviya
Pallama ▲	032-2224945	boc302@boc.lk	1	On-site			Anamaduwa Road, Pallama
Pannala	037-2246080	boc546@boc.lk	2	On-site	1	On-site	Public Ground Road, Pannala
Paragahadeniya	037-2296085	boc303@boc.lk	1	On-site			No. 123J, Balasuriya Watta, Kandy Road, Ilukewela, Wauda, Paragahadeniya
Polgahawela	037-2243280	boc526@boc.lk	1	On-site			No. 135, Dutugamunu Junction, Kegalle Road, Polgahawela
Polpithigama	037-2273103	boc783@boc.lk	1	On-site			Madagalla Road, Polpithigama
Pothuhera	037-2237619	boc664@boc.lk	1	On-site			No. 96, Colombo Road, Pothuhera
Puttalam ☼	032-2265216	boc048@boc.lk	2	On-site	1	On-site	No. 53, Kurunegala Road, Puttalam
Ridigama	037-2252080	boc532@boc.lk	1	On-site			Keppetigala Road, Ridigama
Saliyawewa	032 4934326	boc814@boc.lk	1	On-site			Anuradhapura-Puttalam Road, Kande Uda, Saliyawewa
Thoduwwa ▲	032-2256330	boc305@boc.lk	1	On-site			Church Road, Thoduwwa
Udappuwa	032-2258675	boc306@boc.lk					2nd Division, Udappuwa
Waikkal	031-2277280	boc558@boc.lk					No. 316A, Chilaw Road, Waikkal
Wariyapola	037-2267348	boc379@boc.lk	2	On-site	1	On-site	No. 1, Chilaw Road, Wariyapola
Wayamba University	037-2284480	boc307@boc.lk	1	On-site			Lionel Jayathilake Mawatha, Kanadulla, Kuliyapitiya
Weerapokuna	032-3297720	boc308@boc.lk	1	On-site			Bowatta, Weerapokuna Road, Weerapokuna
Wellawa	037-2235499	boc309@boc.lk	1	On-site			Sovis Building, Hiripitiya Road, Wellawa
Welpalla	031-2299512	boc104@boc.lk					Agriculture Service Centre, Welpalla
Wennappuwa	031-2255280	boc508@boc.lk	1	On-site	1	On-site	No. 197, Chilaw Road, Wennappuwa
<b>Other Service Points</b>							
Kurunegala District Secretariat Branch	037-2229726	boc009@boc.lk					Kurunegala District Secretariat Building, Kurunegala
Puttalam District Secretariat Branch	032-2265351	boc048@boc.lk					Puttalam District Secretariat Building, Puttalam
<b>Mobile Branch</b>			1	On-site			
<b>Off-site ATMs</b>							
Badagamuwa Tourist Information Centre			1	Off-site			
Kurunegala Base Hospital			1	Off-site			
Kurunegala Provincial Council			1	Off-site			
North Western Province Office			1	Off-site			
Chilaw Hospital			1	Off-site			
Kuliyapitiya Hospital			1	Off-site			
BOI Mawathagama			1	Off-site			
Dankotuwa Porcelain			1	Off-site			
Thulhiriya MAS Fabric			1	Off-site			
Waikkal SME Centre			1	Off-site			

**Holiday Banking Services**

■ Sunday ▲ Saturday ◀ Saturday and Sunday ☼ 365 day Banking ✧ Night Banking

Name of Branch	Telephone	Email Address	No. of ATMs	ATM Status	No. of CDMs	CDM Status	Postal Address
<b>Sabaragamuwa Province</b>							
Aranayake	035-2258016	boc566@boc.lk	1	On-site			No. 480, Dippitiya, Aranayake
Avissawella ▲	036-2222099	boc530@boc.lk	3	On-site	1	On-site	No. 47, Dharmapala Mawatha, Avissawella
Ayagama	045-2250080	boc401@boc.lk	1	On-site			No. 38, Kalawana Road, Ayagama
Balangoda ■	045-2288390	boc688@boc.lk	2	On-site			Near the Bus Stand, Balangoda
Bulathkohupitiya	036-2247356	boc311@boc.lk	1	On-site			New Town Centre, Kegalle Road, (Opposite Police Station), Bulathkohupitiya
Dehiowita	036-2222580	boc634@boc.lk	1	On-site			No. 62, Main Street, Dehiowita
Deraniyagala	036-2249280	boc642@boc.lk	1	On-site			No. 37, Noori Road, Deraniyagala
Eheliyagoda ■	036-2259571	boc057@boc.lk	2	On-site	1	On-site	No. 46, Main Street, Eheliyagoda
Embilipitiya	047-2230980	boc535@boc.lk	2	On-site	1	On-site	No. 545, New Town, Embilipitiya
Embilipitiya City	047-2261981	boc312@boc.lk	1	On-site			No. 187, Moraketiya Road, Embilipitiya
Endana	045-3450661	boc313@boc.lk	1	On-site			New Town, Endana, Gabbela, Kahawatta
Galigamuwa	035-2282050	boc314@boc.lk	1	On-site			No. 97, Kegalle Road, Galigamuwa
Godakawela	045-2240080	boc786@boc.lk	1	On-site			No. 168, Main Street, Godakawela
Gonagaldeniya	036-2267280	boc316@boc.lk					Basnagoda Road, Gonagaldeniya
Hemmathagama	035-2257280	boc772@boc.lk	1	On-site			No. 86, Mawanella Road, Hemmathagama
Kahawatta	045-2270180	boc507@boc.lk	1	On-site	1	On-site	No. 692, Main Street, Kahawatta
Kalawana	045-2255280	boc645@boc.lk	1	On-site			No. 53C, 53C 1/1, 53C 1/2, Ratnapura Road, Manana, Kalawana
Karawanella	036-2268780	boc294@boc.lk					No. 133/7, Avissawella Road, Karawanella
Karawita	045-2279070	boc295@boc.lk	1	On-site			Palawela Road, Udakarawita, Karawita
Kegalle ☼	035-2230600	boc027@boc.lk	2	On-site	1	On-site	No. 110, Colombo Road, Kegalle
Kegalle City	035-2222550	boc536@boc.lk	1	On-site	1	On-site	No. 233, Kandy Road, Kegalle
Kegalle Hospital	035-2222765	boc297@boc.lk	1	On-site			Base Hospital Premises, Kegalle
Kiriella	045-2265080	boc317@boc.lk	1	On-site			No. 7A, Idangoda, Kiriella
Kithulgala	036-2287747	boc282@boc.lk	1	On-site			No. 81, Hatton Road, Kithulgala
Kolonna	045-2260280	boc283@boc.lk	1	On-site			Kurundu Welendasela, New Town, Kolonna
Kotiyakumbura	035-2289240	boc284@boc.lk	1	On-site			No. 132, Kegalle Road, Kotiyakumbura
Kuruwita	045-2262581	boc325@boc.lk	1	On-site	1	On-site	No. 60, Ratnapura Road, Kuruwita
Mawanella	035-2246280	boc559@boc.lk	2	On-site	1	On-site	No. 43, Main Street, Mawanella
Morontota	035-2278114	boc285@boc.lk					Bulathkohupitiya Road, Morontota
Nelundeniya	035-2284855	boc799@boc.lk	1	On-site			No. 25, Kandy Road, Nelundeniya
Nivitigala ■	045-2279280	boc597@boc.lk	1	On-site			No. 72, Kalawana Road, Nivitigala
Pallebedda	045-2241614	boc816@boc.lk	1	On-site			No. 191, Main Street, Pallebedda
Pelmadulla	045-2274380	boc683@boc.lk	1	On-site	1	On-site	No. 57, Main Street, Pelmadulla
Pinnawala ■	035-2264294	boc287@boc.lk					Elephant Orphanage, Pinnawala
Rakwana	045-2246280	boc594@boc.lk	1	On-site			No. 51, Main Street, Rakwana
Rambukkana	035-2265280	boc582@boc.lk	2	On-site	1	On-site	No. 8A, Diyasunnatha Mawatha, Rambukkana
Ratnapura Hospital	045-2223561	boc315@boc.lk	1	On-site			General Hospital, Ratnapura
Ratnapura ■	045-2222100	boc031@boc.lk	2	On-site	1	On-site	No. 4, Dharmapala Mawatha, Ratnapura
Ratnapura City ☼	045-2222710	boc684@boc.lk	2	On-site	1	On-site	No. 195, Main Street, Ratnapura
Ruwanwella ■	036-2266280	boc585@boc.lk	1	On-site			Public Trade Complex, Ruwanwella
Sabaragamuwa Provincial Council	045-2226116	boc288@boc.lk	1	On-site			Provincial Council New Building, New Town, Ratnapura
Sabaragamuwa University	045-2280093	boc286@boc.lk	2	On-site			Sabaragamuwa University, Pambahinna, Balangoda
Seethawakapura	036-2232656	boc290@boc.lk	1	On-site			BOI Sri Lanka Office Complex, Industrial Processing Zone, Seethawakapura
Thalduwa	036-2234412	boc798@boc.lk	1	On-site			No. C 250/2, Thalduwa, Avissawella
Udawalawa	047-2232180	boc291@boc.lk	1	On-site			No. 168/6, Walawa Junction, Udawalawa, Kolambageara

**Holiday Banking Services**

■ Sunday ▲ Saturday ◀ Saturday and Sunday ☼ 365 day Banking ✧ Night Banking



Name of Branch	Telephone	Email Address	No. of ATMs	ATM Status	No. of CDMs	CDM Status	Postal Address
Warakapola	035-2267258	boc562@boc.lk	1	On-site			No. 89A, Main Street, Warakapola
Weligepola	045-2227180	boc292@boc.lk					No. 299/2, Weligepola
Weli Oya	045-3603304	boc274@boc.lk	1	On-site			Madabedda, Weli Oya
Yatiantota	036-2271280	boc477@boc.lk	1	On-site			Buddhist Centre, Colombo Road, Yatiantota
<b>Other Service Points</b>							
Kegalle District Secretariat Branch	035-2231574	boc027@boc.lk					Kegalle District Secretariat Building, Kegalle
Ratnapura District Secretariat Branch	045-2222454	boc031@boc.lk					Ratnapura District Secretariat Building, Ratnapura
<b>Mobile Branch</b>			1	On-site			
<b>Off-site ATMs</b>							
Bodyline Garments – Kirimetithenna			1	Off-site			
Embilipitiya Hospital			1	Off-site			
Hirdaramani Industries Kuruwita			1	Off-site			
Jay Jay Mills Avissawella			2	Off-site			
Macro Ware Nivitigala			1	Off-site			
Petrol Shed – By pass way to Kegalle			1	Off-site			
<b>Southern Province</b>							
Ahangama	091-2283977	boc276@boc.lk	1	On-site			No. 71/1, Galle Road, Ahangama
Ahungalla	091-2264107	boc754@boc.lk	1	On-site			No. 87A, Galle Road, Ahungalla
Akuressa	041-2283280	boc613@boc.lk	2	On-site	1	On-site	No. 50, D C Wanigasekara Mawatha, Akuressa
Aluthwala	091-3094700	boc277@boc.lk					Aluthwala Junction, Aluthwala
Ambalangoda	091-2256307	boc047@boc.lk	2	On-site	1	On-site	No. 345, Galle Road, Ambalangoda
Ambalantota	047-2223280	boc537@boc.lk	2	On-site	1	On-site	No. 11, Wanduruppa Road, Ambalantota
Angunakolapellasa	047-2229120	boc774@boc.lk	1	On-site			Hungama Road, Angunakolapellasa
Baddegama	091-2292280	boc525@boc.lk	1	On-site			Abeywickrama Building, Baddegama
Barawakumbuka	047-3621008	boc278@boc.lk	1				Samarasekera Building, New Road, Barawakumbuka
Batapola	091-2260405	boc522@boc.lk	1	On-site			Aluthwaththa, Batapola
Beliatta	047-2243274	boc539@boc.lk	1	On-site	1	On-site	No. 67, Walasmulla Road, Beliatta
Bentota	034-2275283	boc102@boc.lk	1	On-site			Tourist Village, Bentota
Deiyandara	041-2268598	boc784@boc.lk	1	On-site			Hakmana Road, Deiyandara
Deniyaya	041-2273870	boc528@boc.lk	1	On-site	1	On-site	Main Street, Deniyaya
Devinuwara	041-2222247	boc504@boc.lk	1	On-site			Tangalle Road, Devinuwara
Dickwella	041-2255280	boc592@boc.lk	1	On-site			No. 28 & 28/1, Beliatta Road, Dickwella
Elpitiya ▲	091-2291280	boc619@boc.lk	2	On-site	1	On-site	Janadhipathi Mawatha, Elpitiya
Galle	091-4933120	boc003@boc.lk	1	On-site	1	On-site	No. 2, Light House Street, Fort, Galle
Galle City ☉	091-2227804	boc089@boc.lk	4	On-site	2	On-site	No. 2, Gamini Road, Galle
Hakmana	041-2286280	boc691@boc.lk	2	On-site			Beliatta Road, Hakmana
Hambantota	047-2220180	boc085@boc.lk	1	On-site	1	On-site	No. 33, Tower Hill Road, Hambantota
Hikkakaduwa	091-2277813	boc609@boc.lk	1	On-site	1	On-site	No. 223, Galle Road, Hikkaduwa
Imaduwa	091-2286030	boc135@boc.lk	1	On-site	1	On-site	Ahangama Road, Imaduwa
Kamburupitiya	041-2292213	boc529@boc.lk	2	On-site	1	On-site	School Lane, Kamburupitiya
Karapitiya	091-2227090	boc280@boc.lk	1	On-site			No. 600/2, Hirimbura Road, Karapitiya
Karandeniya	091-3932627	boc266@boc.lk	1	On-site			Kelum Building, No. 22 B, Mahaedanda Junction, Maha-Edanda
Kataragama	047-2235280	boc616@boc.lk	1	On-site			No. 315, Tissamaharama Road, Kataragama
Katuwana	047-3621005	boc261@boc.lk	1	On-site			Urubokka Road, Katuwana

**Holiday Banking Services**

■ Sunday    ▲ Saturday    ◀ Saturday and Sunday    ☉ 365 day Banking    ✧ Night Banking



Name of Branch	Telephone	Email Address	No. of ATMs	ATM Status	No. of CDMs	CDM Status	Postal Address
Kekunadura	041-2265061	boc262@boc.lk	1	On-site			Sarath Building, Kekunadura Junction, Kekunadura
Koggala	091-2283380	boc750@boc.lk	1	On-site			Koggala, Habaraduwa
Kotapola	041-2271070	boc263@boc.lk	1	On-site			"Deshan Building", Deniyaya Road, Kotapola
Kudawella	041-2257514	boc264@boc.lk	1	On-site			No. 116 B, East Kudawella, Nakulugamuwa
Lunugamvehera	047-3621007	boc265@boc.lk					No. 7, New Town, Lunugamvehera
Makandura-Matara	041-2268785	boc267@boc.lk	1	On-site			Samarasinghe Building, Makandura
Malimbada	041-2240447	boc268@boc.lk					Akuressa Road, Malimbada
Matara ☼	041-2229280	boc024@boc.lk	3	On-site	1	On-site	No. 11, Kumaratunga Mawatha, Matara
Matara City	041-2222218	boc614@boc.lk	1	On-site	1	On-site	No. 58, New Tangalle Road, Kotuwegoda, Matara
Mattala Airport ◀	047-2031909	boc796@boc.lk	1	On-site			Mattala Airport, Mattala
Middeniya	047-2247280	boc518@boc.lk	1	On-site	1	On-site	Panamure Road, Middeniya
Morawaka	041-2282700	boc270@boc.lk	1	On-site			Nilwala Court, Pansalagodella Watta, Morawaka
Nagoda	091-2296241	boc818@boc.lk					Mapalagama Road, Nagoda
Neluwa	091-3783014	boc667@boc.lk	1	On-site	1	On-site	Kadihingala Road, Neluwa
Pasgoda	041-3444321	boc271@boc.lk	1	On-site			Nishantha Building, Pasgoda Junction, Pasgoda
Pitabeddara	041-2281081	boc272@boc.lk	1	On-site			Deniyaya Road, Pitabeddara
Pitigala	091-2291205	boc610@boc.lk	1	On-site			No. 39, North Pitigala Road, Pitigala
Ranna	047-2227280	boc767@boc.lk	1	On-site			No. 165/1, Thissa Road, Ranna
Rathgama ▲	091-2267791	boc259@boc.lk	1	On-site			Mangala Food City Building, Galle Road, Rathgama
Ruhunu Campus	041-2232880	boc693@boc.lk	1	On-site			Meddawatta, Matara
Suriyawewa	047-2288280	boc751@boc.lk	1	On-site			No. 27/1, Main Street, Suriyawewa
Talgaswela	091-2296480	boc596@boc.lk	1	On-site			Elpitiya, Mapalagama Road, Talgaswela
Tangalle	047-2240280	boc056@boc.lk	2	On-site	1	On-site	Muhudumawatha, Tangalle
Tawalama	091-3783030	boc250@boc.lk	1	On-site			No. 7, Egiliyagedera Watta, Tawalama
Thihagoda	041-2245529	boc752@boc.lk					Pradeshiya Sabha Building, Thihagoda
Tissamaharama ☼	047-2237280	boc538@boc.lk	2	On-site	1	On-site	No. 70, Main Street, Tissamaharama
Udugama	091-2285015	boc753@boc.lk	1	On-site			Withanachchi Building, Bar Junction, Udugama
Uragasmanhandiya ▲	091-2264865	boc748@boc.lk	1	On-site			Main Street, Uragasmanhandiya
Urubokka	041-2272280	boc298@boc.lk	1	On-site			Main Street, Urubokka
Walasmulla	047-2245280	boc517@boc.lk	1	On-site			No. 70, Beliatta Road, Walasmulla
Walgama	041-3497192	boc744@boc.lk	1	On-site			No. 904, Galle Road, Walgama
Wanduramba	091-3096061	boc800@boc.lk	1	On-site			Lion Centre, Mapalagama Road, Wanduramba
Warapitiya	047-3623303	boc733@boc.lk					Siththam Gallena Road, Rammala, Warapitiya
Weeraketiya	047-2246280	boc139@boc.lk	1	On-site			Belliatta Road, Weeraketiya
Weligama	041-2250280	boc550@boc.lk	2	On-site	1	On-site	No. 239, Main Street, Weligama
Yakkalamulla	091-2286080	boc578@boc.lk	1	On-site			Yakkalamulla Junction, Yakkalamulla
<b>Other Service Points</b>							
Galle District Secretariat Branch	091-2234514	boc003@boc.lk	1	On-site			Galle District Secretariat Building, Galle
Matara District Secretariat Branch	041-2222673	boc024@boc.lk	1	On-site			Matara District Secretariat Building, Matara
Hambantota Administrative Complex	047-2256180	boc085@boc.lk					Administrative Complex, Gannoruwa Road, Siribopura, Hambantota
<b>Mobile Branch</b>			1	On-site			
<b>Off-site ATMs</b>							
Matara General Hospital			1	Off-site			
Hambantota Base Hospital			1	Off-site			
Dakshinapaya Labuduwa			1	Off-site			
Karapitiya Hospital			1	Off-site			
Beliatte Bus Stand			1	Off-site			

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Name of Branch	Telephone	Email Address	No. of ATMs	ATM Status	No. of CDMs	CDM Status	Postal Address
Miami Exports – Pitigala			1	Off-site			
Sumithra Garments Weeraketiya			1	Off-site			
MAS Holdings Middeniya			1	Off-site			
Ranna BAM Holdings			1	Off-site			
<b>Uva Province</b>							
Badalkumbura	055-2250279	boc540@boc.lk	1	On-site	1	On-site	No. 127, Main Street, Badalkumbura
Badulla ☼	055-2222980	boc011@boc.lk	3	On-site	1	On-site	Bank Road, Badulla
Badulla City	055-2229580	boc729@boc.lk	1	On-site			No. 1, Bandarawela Road, Badulla
Ballekatuwa	055-2285160	boc320@boc.lk	1	On-site			No. 36, Passara Road, Ballekatuwa
Bandarawela	057-2230014	boc515@boc.lk	2	On-site	1	On-site	No. 198 B, Badulla Road, Bandarawela
Bibile	055-2265480	boc579@boc.lk	1	On-site	1	On-site	No. 41, Mahiyangana Road, Bibile
Bogahakumbura	057-2280088	boc699@boc.lk	1	On-site			No. 67, Kappetiopola Road, Bogahakumbura
Boragas	052-2051888	boc795@boc.lk					No. 2/50, Padinawela, Nuwara Eliya Road, Boragas
Buttala	055-2273980	boc560@boc.lk	2	On-site	1	On-site	Moneragala Road, Buttala
Dambagalla	055-2275092	boc700@boc.lk	1	On-site			Opposite New Bus Stand, Makulla Town, Dambagalla
Diyatalawa	057-2229092	boc260@boc.lk	1	On-site			No. 28, Chandrasiri Building, Bandarawela Road, Diyatalawa
Ella	057-2228899	boc701@boc.lk	1	On-site			Wellawaya Road, Ella
Ethiliwewa	055-2272515	boc702@boc.lk	1	On-site			Jayamini Building, Ethiliwewa
Ethimale	055-2275511	boc810@boc.lk	1	On-site			Lakjaya Enterprises Building, Ethimale
Ettampitiya	055-2294080	boc476@boc.lk	1	On-site			No. 23, Nuwara Eliya Road, Ettampitiya
Girandurukotte	027-2254380	boc669@boc.lk	1	On-site			New Town, Girandurukotte
Haldumulla	057-2050202	boc463@boc.lk	1	On-site			Colombo Road, Haldumulla
Hali-Ela	055-2295080	boc785@boc.lk	1	On-site			No. 47, Bandarawela Road, Hali-Ela
Haputale	057-2268080	boc035@boc.lk	1	On-site			No. 20, Station Road, Haputale
Hasalaka	055-2257180	boc365@boc.lk	1	On-site			New Town, Hasalaka
Keppetipola	057-2280043	boc703@boc.lk	1	On-site			No. 18, Boralanda Road, Keppetipola
Koslanda	057-2257780	boc629@boc.lk	1	On-site			No. 03, Poonagala Road, Koslanda
Lunugala	055-2263980	boc577@boc.lk					No. 149, Main Street, Lunugala
Lunuwatta	057-2232742	boc647@boc.lk	1	On-site			Padmasiri Building, Udupussellawa Road, Lunuwatta
Maha Oya	063-2244155	boc806@boc.lk	1	On-site			Wijethunga Building, Maha Oya
Mahiyangana	055-2258195	boc542@boc.lk	1	On-site	1	On-site	Badulla Road, Mahiyangana
Medagama	055-2266580	boc238@boc.lk	1	On-site			No. 171, Main Street, Medagama
Meegahakivula	055-2245707	boc384@boc.lk	1	On-site			Ratnayake Complex, Meegahakivula
Moneragala ☼	055-2276180	boc082@boc.lk	2	On-site	1	On-site	No. 401, Wellawaya Road, Moneragala
Moneragala City	055-2277270	boc705@boc.lk	1	On-site			Near the Lanka Hardware, New Bus Stand Road, Moneragala
Okkampitiya	055-2272092	boc706@boc.lk					Ubeysiri Building, Okkampitiya
Padiyatalawa	063-2246003	boc348@boc.lk	1	On-site	1	On-site	Main Street, Padiyatalawa
Passara	055-2288280	boc503@boc.lk	1	On-site	1	On-site	No. 386, Main Street, Passara
Pelwatta	055-3559825	boc707@boc.lk	1	On-site			Sugar Complex Branch, Pelwatta
Siyambalanduwa	055-3555360	boc416@boc.lk	2	On-site	1	On-site	Premadasa Hardware Building, Ampara Junction, Siyambalanduwa
Thanamalwila	047-2234080	boc322@boc.lk	1	On-site			No. 6, Tissa Road, Thanamalwila
Uva-Paranagama	057-3577000	boc343@boc.lk					Lunuatugama, Walahamulla, Uva-Paranagama
Welimada	057-2245984	boc730@boc.lk	1	On-site	1	On-site	Hemapala Munidasa Mawatha, Welimada
Wellawaya	055-2274880	boc434@boc.lk	2	On-site	1	On-site	Tissamaharama Road, Wellawaya
<b>Other Service Points</b>							
Badulla District Secretariat Branch	055-2225475	boc011@boc.lk					Badulla District Secretariat Building, Badulla

**Holiday Banking Services**

■ Sunday ▲ Saturday ◀ Saturday and Sunday ☼ 365 day Banking ✧ Night Banking

Name of Branch	Telephone	Email Address	No. of ATMs	ATM Status	No. of CDMs	CDM Status	Postal Address
Moneragala District Secretariat Branch	055-2055517	boc082@boc.lk	1	On-site			Moneragala District Secretariat Building, Moneragala
<b>Mobile Branch</b>			1	On-site			
<b>Off-site ATMs</b>							
Air Force – Diyatalawa			1	Off-site			
Badulla Bus Stand			1	Off-site			
Badulla Hospital			1	Off-site			
Bandarawela New Bus Stand			1	Off-site			
Sirigala Hospital Moneragala			1	Off-site			
Uva Wellassa University			1	Off-site			
Wijewickrama Book Shop – Welimada			1	Off-site			
Mahiyanganaya Bus Stand			1	Off-site			
Mahiyanganaya Base Hospital			1	Off-site			

**Western Province (North)**

Andiambalama	011-2258184	boc494@boc.lk	1	On-site			No. 113, Minuwangoda Road, Andiambalama
Batuwatte	011-2960892	boc708@boc.lk	1	On-site			Narangodapaluwa, Batuwatte
Biyagama ▲	011-5058970	boc732@boc.lk	2	On-site			IPZ Administrative Complex, Biyagama
Bopitiya	011-2243172	boc711@boc.lk	1	On-site			No. 2, Bopitiya Junction, Pamunugama
Borella ▲	011-4612617	boc038@boc.lk	3	On-site	1	On-site	No. 71, Dr. Danister De Silva Mawatha, Colombo 08
Borella 2nd	011-2685140	boc668@boc.lk					No. 845, Super Market Complex, Colombo 08
Central Bus Stand	011-5365118	boc573@boc.lk					Central Bus Stand, Colombo 11
Central Super Market	011-2446475	boc672@boc.lk	1	On-site			2nd Floor, Central Super Market, Colombo 11
City Office	011-2438455	boc001@boc.lk	2	On-site	1	On-site	No. 41, Bristol Street, Colombo 01
Dalugama	011-2909929	boc715@boc.lk	1	On-site			No. 465/A, Kandy Road, Dalugama, Kelaniya
Delgoda	011-2402970	boc716@boc.lk	1	On-site			No. 351/H/5, New Kandy Road, Delgoda
Demanhandiya	031-2228730	boc717@boc.lk	1	On-site			No. 370, Westerseaton Farm, Divulapitiya Road, Demanhandiya
Dematagoda	011-5335594	boc561@boc.lk					No. 45, 47, Kolonnawa Road, Colombo 09
Divulapitiya	031-2246280	boc433@boc.lk	2	On-site	1	On-site	No. 34, Negombo Road, Divulapitiya
Elakanda	011-2932282	boc258@boc.lk	1	On-site			No. 48, Hendala Road, Hendala, Wattala
Enderamulla	011-2937240	boc674@boc.lk	1	On-site			No. 117, Gongithota Road, Enderamulla, Wattala
Fish Market Peliyagoda ◀	011-2934042	boc718@boc.lk	1	On-site			No. RMU 9, New Fish Market Complex, Peliyagoda
Gampaha ◊	033-2234404	boc045@boc.lk	3	On-site	2	On-site	No. 16, Rest House Road, Gampaha
Ganemulla	033-2265888	boc720@boc.lk	1	On-site			No. 378/C, Kadawatha Road, Genemulla
Gothatuwa	011-2411018	boc721@boc.lk	1	On-site			No. 33, Gothatuwa New Town, Gothatuwa
Grandpass ▲	011-2448202	boc628@boc.lk	1	On-site			No. 703, Sirimavo Bandaranaike Mawatha, Colombo 14
Hulftsdorp	011-2422770	boc032@boc.lk	1	On-site	1	On-site	No. 30, St. Sebastian Hill, Colombo 12
Ja-Ela ▲	011-2236494	boc039@boc.lk	2	On-site	1	On-site	No. 19, Negombo Road, Ja-Ela
Kadawatha	011-2920687	boc059@boc.lk	3	On-site	1	On-site	No. 469, Ragama Road, Kadawatha
Kadawatha 2nd City	011-2922095	boc780@boc.lk	1	On-site	1	On-site	No. 430/11, New Town Complex, Kandy Road, Kadawatha
Kandana	011-2232398	boc771@boc.lk	1	On-site			No. 41/B-1/1, Negombo Road, Kandana
Katana	031-2228353	boc722@boc.lk	1	On-site			No. 305/J/1, Mirigama Road, Mahahunupitiya
IPZ Katunayake	011-2259583	boc658@boc.lk	1	On-site			No. 436, Baseline Road, Averiawatta, Katunayake IPZ
Katuwelligama	011-2299055	boc714@boc.lk	1	On-site			No. 487, Negombo Road, Katuwelligama

**Holiday Banking Services**

■ Sunday    ▲ Saturday    ◀ Saturday and Sunday    ◊ 365 day Banking    ✧ Night Banking

Name of Branch	Telephone	Email Address	No. of ATMs	ATM Status	No. of CDMs	CDM Status	Postal Address
Kiribathgoda ▲	011-2911304	boc543@boc.lk	2	On-site	1	On-site	No. 201, Kandy Road, Kiribathgoda
Kirindiwela	033-2269944	boc571@boc.lk	2	On-site	1	On-site	No. 137, Radawana Road, Kirindiwela
Kolonnawa ▲	011-2572265	boc595@boc.lk	2	On-site	1	On-site	No. 430A, IDH Road, Kolonnawa
Kotahena	011-2448632	boc663@boc.lk	1	On-site	1	On-site	No. 182, George R De Silva Mawatha, Colombo 13
Lake House	011-5863723	boc636@boc.lk	1	On-site			D R Wijeyawardena Mawatha, Colombo 10
Lake View	011-5859693	boc612@boc.lk	1	On-site			No. 142, Sir. James Peiris Mawatha, Colombo 02
Main Street ▲	011-2393541	boc026@boc.lk	2	On-site	1	On-site	No. 94, Main Street, Colombo 11
Makola	011-2964401	boc789@boc.lk	1	On-site			No. 177/1, Makola South, Makola
Maradana	011-2684219	boc041@boc.lk	1	On-site	1		No. 94, S Mahinda Himi Mawatha, Colombo 10
Minuwangoda	011-2295214	boc545@boc.lk	3	On-site	1	On-site	No. 21A, Divulapitiya Road, Minuwangoda
Mirigama	033-2275975	boc088@boc.lk	2	On-site	1	On-site	No. 12, Amaratunga Mawatha, Mirigama
Mulleriyawa New Town	011-2157465	boc723@boc.lk	1	On-site			No. 314/R, Avissawella Road, Mulleriyawa New Town
Naiwala	033-2297720	boc724@boc.lk	1	On-site			Divulapitiya Road, Naiwala
Narahenpita	011-2368514	boc762@boc.lk	1	On-site			No. 540, Thimbirigasyaya Road, Colombo 05
Negombo ▲	031-2224711	boc018@boc.lk	2	On-site	2	On-site	No. 118, Rajapakse Broadway, Negombo
Negombo City ▲	031-2232133	boc572@boc.lk	1	On-site			No. 111, Main Street, Negombo
Nittambuwa	033-2287280	boc675@boc.lk	3	On-site	1	On-site	Market Complex, Nittambuwa
Peliyagoda ▲	011-2980025	boc042@boc.lk	1	On-site	1	On-site	No. 51, Negombo Road, Peliyagoda
Personal ☼	011-2446821	boc681@boc.lk	3	On-site	1	On-site	Head Office, "BOC Square", No. 1, Bank of Ceylon Mawatha, Colombo 01
Pugoda ▲	011-2404821	boc765@boc.lk	1	On-site			No. 40/1, 43, Kospitiyana, Pugoda
Raddolugama	011-2289977	boc687@boc.lk	1	On-site			No. 9B, 94L, National Housing Scheme, Raddolugama
Ragama ▲	011-2960291	boc764@boc.lk	2	On-site	1	On-site	No. 16/26, Kadawatha Road, Ragama
Regent Street ▲	011-2690506	boc627@boc.lk	1	On-site			National Hospital, Colombo 08
Seeduwa	011-2259590	boc421@boc.lk	1	On-site	1	On-site	No. 429, 429/1, Negombo Road, Seeduwa
The Central Hospital	011-2690546	boc713@boc.lk	1	On-site			No. 114, 4 Floor, Norris Canal Road, Colombo 10
Veyangoda	033-2287279	boc682@boc.lk	2	On-site			No. 203A, Negombo Road, Veyangoda
Wattala ▲	011-5868394	boc505@boc.lk	2	On-site	1	On-site	No. 216, Negombo Road, Wattala
Welisara ▲	011-2958485	boc527@boc.lk	1	On-site	1	On-site	No. 540/2, Negombo Road, Welisara
Weliweriya	033-2255444	boc677@boc.lk	1	On-site			No. 342, New Kandy Road, Weliweriya
Yakkala	033-2233591	boc769@boc.lk	2	On-site	1	On-site	No. 38A, Kandy Road, Yakkala
<b>Other Service Points</b>							
BOI Cash Collection Centre ▼	011-2448875	boc681@boc.lk					BOI Cash Collection Center, WTC Building, Ground Floor, Colombo 01
BOI Katunayake-Cash Collection Centre ▲	011-2252523	boc658@boc.lk					Export Processing Road, Katunayake
Cargo Office ▲	011-2251943	boc658@boc.lk					Air Cargo Building, Sri Lankan Air Lines, BOI, Katunayake
Gampaha District Secretariat Branch	033-2220860	boc045@boc.lk					Gampaha District Secretariat Building, Gampaha
Narahenpita District Secretariat Branch	011-3000140	boc762@boc.lk					Narahenpita District Secretariat Building, Narahenpita
<b>Mobile Branch</b>							
Mobile Vehicle			1	On-site			Mobile Vehicle ATM installed on 6 January 2017
<b>Off-site ATMs</b>							
Agio Tobacco Co., BEPZ, Malwana			1	Off-site			
Air Force Camp, Ekala			1	Off-site			
Air Force Camp, Katunayake			1	Off-site			
Castle Hospital, Borella			1	Off-site			

**Holiday Banking Services**

■ Sunday    ▲ Saturday    ◀ Saturday and Sunday    ☼ 365 day Banking    ✧ Night Banking

Name of Branch	Telephone	Email Address	No. of ATMs	ATM Status	No. of CDMs	CDM Status	Postal Address
Grandpass Sugathadasa Stadium			1	Off-site			
Lady Ridgeway Hospital			1	Off-site			
Ward Place (Ceybank Asset Management-685)			1	Off-site			
Linea Aqua Garments, Kapugoda			2	Off-site			
Narahenpita Economic Centre			1	Off-site	1	Off-site	
Sri Lanka Navy Camp, Welisara			1	Off-site			
Welisara Navy Hospital			1	Off-site			
Negombo Bus Stand			1	Off-site			
Negombo Hospital			1	Off-site			
New Nuge Road, Peliyagoda			1	Off-site			
Petroleum Corporation – Kolonnawa			1	Off-site			
Regent Street Doctors Quarters			1	Off-site			
Sri Lanka Standards – Borella			1	Off-site			
Trelleborg Lanka (Private) Limited, Supugaskanda			1	Off-site			
World Trade Centre			1	Off-site			

### Western Province (South)

Administrative Complex Isurupaya	011-2785875	boc671@boc.lk	1	On-site			Education Department, Isurupaya, Pelawatta, Battaramulla
Agalawatta	034-2243450	boc657@boc.lk	1	On-site			No. 22, Matugama Road, Agalawatta
Aluthgama ▲	034-2271413	boc680@boc.lk	2	On-site	1	On-site	No. 14, Douglas Gunawardana Mawatha, Aluthgama
Athurugiriya	011-2561378	boc757@boc.lk	2	On-site	1	On-site	No. 70/20, Malabe Road, Athurugiriya
Baduraliya ■	034-2244167	boc662@boc.lk	1	On-site			No. 75, Rathnapura Road, Baduraliya
Bambalapitiya ▲	011-2583330	boc037@boc.lk	2	On-site	1	On-site	No. 10, Unity Plaza Building, Galle Road, Bambalapitiya
Bandaragama	038-2290280	boc665@boc.lk	2	On-site	1	On-site	Janadhipathi Mawatha, Bandaragama
Battaramulla	011-2862575	boc679@boc.lk	2	On-site	1	On-site	No. 231, Main Street, Battaramulla
Beruwala ▲	034-2279899	boc058@boc.lk	1	On-site	1	On-site	No. 165 A, Galle Road, Beruwala
Bombuwela	034-2289825	boc651@boc.lk	1	On-site			No. 22/8, Dehigalawala Road, Mankada, Bombuwela
Boralesgamuwa	011-2518478	boc646@boc.lk	1	On-site			No. 50, Lake Road, Boralesgamuwa
Bulathsinhala	034-2283116	boc673@boc.lk	1	On-site			Athura, Bulathsinhala
Dehiwala ■	011-2712075	boc051@boc.lk	2	On-site	1	On-site	No. 207, Galle Road, Dehiwala
Dharga Town	034-2275247	boc563@boc.lk	1	On-site			No. 298, Main Street, Darga Town
Dodangoda ▲	034-2281628	boc293@boc.lk	1	On-site			No. 14, Tudugala Junction, Dodangoda
Gonapola	034-2257550	boc643@boc.lk	1	On-site			No. 643, Colombo Road, Gonapola
Gurugoda	034-4285500	boc659@boc.lk	2	On-site			Body Line (Pvt) Limited, Gurugoda, Horana
Hanwella ▲	036-2253520	boc741@boc.lk	2	On-site	1	On-site	No. 133/8, Low Level Road, Hanwella
Homagama ▲	011-2855059	boc568@boc.lk	2	On-site	1	On-site	No. 93, High Level Road, Homagama
Horana ■	034-2260428	boc054@boc.lk	3	On-site	1	On-site	No. 87, Anguruwathota Road, Horana
Hyde Park	011-2687281	boc521@boc.lk	1	On-site			No. 500, T. B. Jayah Mawatha, Colombo 10
Independence Square ▲	011-2678073	boc453@boc.lk	1	On-site	1	On-site	Independence Square, Colombo 07
Ingiriya	034-2269280	boc604@boc.lk	1	On-site			No. 20, Panadura Road, Ingiriya
Jayawardenapura Hospital	011-2779136	boc520@boc.lk	1	On-site			Sri Jayawardenapura Hospital, Thalpathitiya, Nugegoda

#### Holiday Banking Services

■ Sunday ▲ Saturday ◀ Saturday and Sunday ☉ 365 day Banking ✧ Night Banking

Name of Branch	Telephone	Email Address	No. of ATMs	ATM Status	No. of CDMs	CDM Status	Postal Address
Kaduwela	011-2537999	boc608@boc.lk	2	On-site	1	On-site	No. 123A, Colombo Road, Kaduwela
Kalutara ☉	034-2229804	boc016@boc.lk	2	On-site	1	On-site	No. 218, Galle Road, Kalutara South, Kalutara
Katubedda Campus	011-3096112	boc631@boc.lk	1	On-site			Bank of Ceylon Extension Office, University of Moratuwa, Moratuwa
Katubedda	011-2625438	boc030@boc.lk	1	On-site	1	On-site	No. 601, Galle Road, Katubedda
Katukurunda ■	034-2221364	boc625@boc.lk	1	On-site			No. 915, Galle Road, Katukurunda, Kaluthara South
Kesbewa	011-2602517	boc620@boc.lk	1	On-site			No. 229/D/2, Bandaragama Road, Kesbewa
Keselwatta ▲	038-2288888	boc617@boc.lk	1	On-site			No. 29, Galle Road, Keselwatta, Panadura
Kirulapone	011-2513874	boc602@boc.lk	1	On-site			No. 88, High Level Road, Kirulapone
Kollupitiya	011-4795036	boc034@boc.lk	1	On-site			No. 28, St. Michael's Road, Colombo 03
Kollupitiya 2nd City	011-2565380	boc670@boc.lk	1	On-site	1		No. 409, Galle Road, Colombo 03
Kothalawala Defence University	011-2636280	boc813@boc.lk	1	On-site			General Sir John Kothalawala Defence University, Kandawala Estate, Ratmalana
Kottawa ■	011-2783313	boc773@boc.lk	1	On-site			No. 103, High Level Road, Kottawa, Pannipitiya
Lanka Hospitals ▲	011-2369535	boc603@boc.lk	1	On-site			No. 578, Elvitigala Mawatha, Narahenpita, Colombo 05
Maharagama ▲	011-2746146	boc055@boc.lk	4	On-site	2	On-site	No. 88, High Level Road, Maharagama
Malabe ■	011-2760753	boc763@boc.lk	3	On-site	1	On-site	No. 787, Kaduwela Road, Malabe
Mattegoda	011-2782399	boc583@boc.lk	1	On-site			No. 193/20, Opposite Bus Stand, Mattegoda
Matugama ■	034-2243590	boc556@boc.lk	2	On-site	1	On-site	No. 72, Agalawatta Road, Matugama
Meegoda	011-2831589	boc567@boc.lk	1	On-site			No. 35, Padukka Road, Meegoda
Milagiriya	011-2504627	boc593@boc.lk	1	On-site	1		No. 248, Galle Road, Colombo 04
Moratumulla	011-2652178	boc557@boc.lk	1	On-site			No. 240/2/1, De Soyza Road, Moratumulla, Moratuwa
Moratuwa ▲	011-2644161	boc061@boc.lk	2	On-site	1	On-site	No. 707, Galle Road, Moratuwa
Mount Lavinia ▲	011-2721060	boc766@boc.lk	1	On-site	1	On-site	No. 286, Galle Road, Mount Lavinia
National Institute of Education Maharagama	011-7601605	boc552@boc.lk	1	On-site			No. 21, High Level Road, Maharagama
Nugegoda ▲	011-2825612	boc049@boc.lk	4	On-site	2	On-site	No. 174, Highlevel Road, Nugegoda
Padukka ▲	011-2859112	boc678@boc.lk	2	On-site	1	On-site	No. 33, Horana Road, Padukka
Panadura ▲	038-2243323	boc007@boc.lk	2	On-site	1	On-site	No. 21, Susantha Mawatha, Panadura
Panadura City ▲	038-2243324	boc607@boc.lk	1	On-site			No. 21, Jayathilaka Mawatha, Panadura
Parliament	011-2777309	boc644@boc.lk	1	On-site			Parliament Complex Branch, Sri Jayawardanepura, Kotte
Pelawatta	011-2785550	boc690@boc.lk	1	On-site			No. 18A, Parliament Road, Pelawatte, Battaramulla
Pelawatte City – Kalutara	034-2284717	boc541@boc.lk	1	On-site			No. 151, Matugama Road, Pelawatte
Piliyandala ▲	011-2614165	boc736@boc.lk	2	On-site	1	On-site	No. 58, Moratuwa Road, Piliyandala
Pitakotte	011-2820311	boc533@boc.lk	1	On-site			No. 130 C/1, Pagoda Road, Pitakotte
Rajagiriya	011-2887637	boc746@boc.lk	2	On-site	1	On-site	No. 608, Nawala Road, Rajagiriya
Ratmalana ▲	011-2719735	boc689@boc.lk	2	On-site	1	On-site	No. 452, Galle Road, Ratmalana
Sethsiripaya	011-2863637	boc523@boc.lk					Sethsiripaya Complex, Battaramulla
Thalawathugoda	011-2775027	boc516@boc.lk	1	On-site			No. 215/2, Pannipitiya Road, Thalawathugoda
Thimbrigasyaya	011-2590602	boc512@boc.lk	1	On-site			Sambuddathwa Jayanthi Mandiraya, Thunmulla Junction, Colombo 05
Union Place	011-2314757	boc043@boc.lk	1	On-site			No. 278, Access Tower, Colombo 02
Visakha Vidyalaya	011-2556226	boc775@boc.lk	1	On-site			No. 133 C, Vajira Road, Colombo 04
Wadduwa ▲	038-2232538	boc584@boc.lk	1	On-site			No. 557/A, Galle Road, Wadduwa
Wellawatte ▲	011-2588941	boc023@boc.lk	2	On-site	1	On-site	No. 149/2, Galle Road, Colombo 06
Wijerama Junction	011-2803551	boc499@boc.lk	1	On-site			No. 705, Gangodawila, Nugegoda
<b>Other Service Points</b>							
BMICH Premises	011-2696820		1	On-site			BMICH, Baudhaloka Mawatha, Colombo 07
Immigration & Emigration Office	011-2862065		1	Off-site			Secretariat of Personal Identification, "Suhurupaya", Subhuthipura, Battaramulla

**Holiday Banking Services**

■ Sunday ▲ Saturday ◀ Saturday and Sunday ☉ 365 day Banking ✧ Night Banking

Name of Branch	Telephone	Email Address	No. of ATMs	ATM Status	No. of CDMs	CDM Status	Postal Address
Kalutara District Secretariat Branch	034-2222286		1	On-site			Kalutara District Secretariat Building, Kalutara
Development Lotteries Board ▲	011-2333547						PO Box No. 2,220, No. 356, Dr Colvin R De Silva Mawatha, (Union Place), Colombo 02
Srawasthi Mandiraya	011-2681366		1	On-site			Srawasthi Mandiraya, Colombo 07
NSBM University	011-2755510		1	On-site			University Complex of NSBM, Pitipana, Homagama
Road Development Authority Branch	011-2885821						Maga Neguma Building, No. 216, Denzil Kobbekaduwa Mawatha, Pelawatta, Battaramulla
<b>Off-site ATMs</b>							
Air Force, Ratmalana			1	Off-site			
Army Camp, Panagoda			1	Off-site			
Auditor General's Department			1	Off-site			
Ballys Entertainment Centre, D R Wijewardana Mawatha			2	Off-site			
Body Line Agalawatta			1	Off-site			
Central Engineering Consultancy Bureau Bauddhaloka Mawatha			1	Off-site			
Dehiwala Zoo			1	Off-site			
German Technical Training Institute, Ratmalana			1	Off-site			
HIL Garments – Kahathuduwa			1	Off-site			
Homagama Hospital			1	Off-site			
Kalubowila Hospital			1	Off-site			
Katubedda University			1	Off-site			
Maharagama Cancer Hospital			1	Off-site			
Marina Club (Rank Entertainment)			1	Off-site			
ODEL Alexandra Place			1	Off-site			
Panadura Base Hospital			1	Off-site			
Salawa Army Camp			1	Off-site			
SLIIT Malabe			2	Off-site			
Sports Ministry			1	Off-site			
Sri Lanka Insurance Corporation			1	Off-site			
Stardust (Rank Entertainment)			1	Off-site			
Water Board, Ratmalana			1	Off-site			
Private Medical College Malabe			1	Off-site			
Southern Express Way			2	Off-site			
Meepe Junction (Padukka)			1	Off-site			
Corporate	011-2446814	agmcr@boc.lk					Bank of Ceylon Head Office, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01
Corporate 2nd	011-2386080	agmrecco@boc.lk					Bank of Ceylon Head Office, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01
Offshore Banking Division	011-2338765	agmoffsho@boc.lk					Bank of Ceylon Head Office, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01
Pettah ▲	011-2434478	bocpb@boc.lk	2	On-site	2	On-site	No. 212/63, Gas Works Street, Colombo 11
Metropolitan	011-2328521	bocmb@boc.lk	1	On-site	1	On-site	No. 61, Hospital Lane, Colombo 01
Taprobane	011-2422267	boc747@boc.lk					No. 61, Hospital Lane, Colombo 01
<b>Other Service Points</b>							
Canal Yard – S L P A	011-2483526						Sri Lanka Ports Authority, Canal Yard, Colombo 01
Permit Office – S L P A Hunters	011-2483542						Security Division, Sri Lanka Ports Authority, Colombo 01

**Holiday Banking Services**

■ Sunday    ▲ Saturday    ◀ Saturday and Sunday    ⚙ 365 day Banking    ✦ Night Banking



Name of Branch	Telephone	Email Address	No. of ATMs	ATM Status	No. of CDMs	CDM Status	Postal Address
Sri Lanka Bureau of Foreign Employment	011-2864147						No. 234, Denzil Kobbekaduwa Mawatha, Koswatta, Battaramulla
Warehouse, Sri Lanka Ports Authority	011-2942620						Warehouse, New Nuge Road, Peliyagoda
Pettah Divisional Secretariat Branch	011-3010120						Colombo Divisional Secretariat Branch, No. 80, Dam Street, Colombo 12
Ceylon Shipping Lines Limited	011-2680301						No. 760, Dr Danister De Silva Mawatha, Colombo 09
Customs Imports Unit (Long Room) ▲ ■ ✦	011-2447030 011-2447031						No. 40, Customs New Building, Colombo 11
Health Ministry Suwasiripaya	011-2681361						Ministry of Health, Suwasiripaya, No. 38, Ven. Baddegama Wimalawansa Thero Mawatha, Colombo 10
Inland Revenue Department	011-2337367						Department of Inland Revenue, Sir Chittampalam A Gardiner Mawatha, Colombo 02
Jawatta Inland Revenue	011-5657162						Inland Revenue Department, No. 80, Jawatte Road, Colombo 05
Laksiri Seva (Private) Limited	011-2917729						No. 66, New Nuge Road, Peliyagoda
Trico Maritime (Private) Limited	011-3134764						No. 50, K Cyril C Perera Mawatha, Colombo 13
Department of Pensions, Maligawatte	011-5920207						Maligawatte Secretariat, Colombo 10
<b>Off-site ATMs</b>							
Sri Lanka Ports Authority, Jaya Terminal			1	Off-site			
Bellagio Club, Duplication Road, Colombo 3			2	Off-site			
Sri Lanka Bureau of Foreign Employment			1	Off-site			
Ceylon Dockyard PLC			1	Off-site			
Ceylon Fisheries Harbour			1	Off-site			
Sri Lanka Air Force Headquarters, Colombo 2			1	Off-site			
Health Ministry Suwasiripaya			1	Off-site			
Department of Pensions – Maligawatte			1	Off-site			
Customs New Head Office Metropolitan			1	Off-site			
Inland Revenue Department			1	Off-site			
Katunayake Airport	011-2252424	payofficebia@boc.lk	2	Off-site			Bank of Ceylon, Bandaranaike International Airport, Katunayake
BoC Premier	011-2694282	pbcc@boc.lk	1	On-site			No. 21, Sir Ernest De Silva Mawatha, Colombo 07
<b>Mobile Banking</b>							
Mobile Banking Unit			1				
<b>Overseas Branches</b>							
Malé	+9603323045 +9603314764	bcmale@dhivehinet.net.mv	2	On-site			Aage 12, “Boduthakurufaanu”, Magu, Henvairu, Malé. 20094, Republic of Maldives
Chennai	+914439519913	ceybank@vsnl.com					No. 2, Zerat Garden, 2nd Lane, Off Casa Major Road, Egmore, Chennai 600 008
Seychelles	+2484611880 +2484611889	boc807@boc.lk	2	On-site			2-05, Capital City Building, Independence Avenue, Victoria, Mahe, Republic of Seychelles

**Holiday Banking Services**

■ Sunday    ▲ Saturday    ◀ Saturday and Sunday    ⦿ 365 day Banking    ✦ Night Banking

## Correspondent Banks by Country

### Afghanistan

1. DA Afghanistan Bank

### Albania

2. Raiffeisen Bank

### Algeria

3. Banque Exterieur d'Algerie

### Argentina

4. Banco Credicoop Cooperativo Ltd.
5. Banco Finansur SA
6. Banco Macri Bansud SA

### Armenia

7. Ardshininvestment Bank

### Australia

8. Australia & New Zealand Banking Group Ltd. (Metro)
9. HSBC Bank Australia Ltd.
10. National Australia Bank Limited (Metro)
11. Westpac Banking Corporation (Metro)

### Austria

12. Allgemeine Sparkasse Oberosterreich Bank AG
13. BAWAG PSK Bank
14. BKS Bank AG
15. ERSTE Bank der Oesterreichischen Sparkassen AG
16. Erste Group Bank AG
17. Oberbank AG
18. Raiffeisen Bank International AG
19. Raiffeisenlandesbank Oberosterreich Aktiengesellschaft
20. Salzburger Landes - Hypothekenbank AG
21. Hypothekenbank AG Unicredit Bank Austria AG Bank Austria Creditanstalt AG
22. Volksbank Wien-Baden AG
23. Vorarlberger Landes-und Hypothekenbank Aktiengesellschaft

### Bahrain

24. Ahli United Bank
25. Al Baraka Islamic Bank
26. Arab Banking Corporation
27. Bahrain Islamic Bank
28. BBK (Formerly Bank of Bahrain & Kuwait BSC)
29. BMI Bank BSC (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 (Metro – NRFC)
36. Bangladesh Krishi Bank
37. BASIC Bank Limited (Bangladesh Small Industries & Commerce Bank Ltd.) (Metro – NRFC)
38. Dutch – Bangla Bank Ltd.
39. Janata Bank
40. Prime Bank Ltd.
41. Pubali Bank Ltd.
42. Sonali Bank (Metro – NRFC)
43. The Premier Bank Limited (Metro – NRFC)
44. Uttara Bank (Metro – NRFC)

### Belarus

45. Belarus Bank (Formerly Minskcomplex Bank)
46. Belvnesheconombank

### Belgium

47. Antwerpse Diamant Bank NV
48. Banca Monte Paschi, Belgio
49. Byblos Bank Europe SA
50. Deutsche Bank SA/NV
51. Fortis Bank NV/SA
52. ING Belgium SA/NV (Formerly Bank Brussels Lambert)
53. KBC Bank NV

### Bermuda

54. Bank of Bermuda Ltd.

### Botswana

55. Barclays Bank of Botswana Ltd.

### Brazil

56. Banco ABC Brasil SA
57. Banco Do Brazil
58. Banco Fibra SA
59. Banco Industrial e Commercial SA (BICBANCO)
60. Banco Indusval SA

### Bulgaria

61. Central Cooperative Bank
62. Investbank PLC
63. Municipal Bank PLC
64. Raiffeisenbank (Bulgaria) EAD
65. Texim Bank
66. Unicredit Bulbank AD (Formerly Bulbank AD)
67. United Bulgarian Bank AD

### Cambodia

68. ACLEDA Bank PLC

### Canada

69. Bank of Montreal
70. Bank of Nova Scotia
71. Canadian Imperial Bank of Commerce
72. HSBC Bank Canada (Formerly Credit Lyonnais Canada)
73. Royal Bank of Canada
74. Toronto Dominion Bank

### Chile

75. Corpbanca

### China

76. Bank of Changsha
77. Bank of China
78. Bank of Communications
79. Bank of Hangzhou Co. Ltd.
80. Bank of Jiangsu
81. Bank of Jiujiang Co. Ltd.
82. Bank of Nanjing
83. Bank of Shaoxing Co. Ltd.
84. Xian City Commerical Bank Co. Ltd.
85. Changshu Rural Commercial Bank
86. China Construction Bank
87. China Development Bank Corporation
88. China Everbright Bank
89. Evergrowing Bank
90. Export Import Bank of China
91. OCBC Wing Hang Bank (China) Ltd. – w.e.f.18.07.2016 (Former Name – OCBC Bank (China) Ltd.
92. Zhejiang Nanxun Rural Cooperative Bank
93. Zhejiang Xiaoshan Rural Cooperative Bank

### Colombia

94. Banco Popular

### Cook Islands

95. WSBC Bank (A/C closed on 21.10.2009) (Wall Street Banking Corporation Ltd.

### Croatia

96. Zagrebacka Banka DD

### Cyprus

97. Alpha Bank Cyprus Limited
98. Bank of Cyprus Public Company Ltd. (Cyprus Popular Bank Public Co. Ltd. Merged with the above on 06.06.2014).
99. Hellenic Bank Public Company Limited
100. National Bank of Greece (Cyprus) Ltd.

### Czech Republic

101. Ceska Sporitelna AS
102. Ceskoslovenska Obchodni Banka AS
103. Komerčni Banka AS
104. LBBW Bank CZ AS
105. Moneta Money Bank AS (Name Changed w.e.f. 06.05.2016) (Former Name – Ge Money Bank AS)
106. Raiffeisen Bank
107. Unicredit Bank Czech Republic AS

### Denmark

108. ALS Skiern Bank
109. Danmarks National Bank
110. Danske Bank AS (Metro)
111. Jyske Bank AS
112. Nordea Bank Denmark AS
113. Nordjyske Bank AS
114. Rinkjobing Landbobank
115. Skjern Bank
116. Spare Nord Bank
117. Sparebank Vest
118. Sydbank AS (Metro)
119. Vestjysk Bank

### Ecuador

120. Banca International Produbanco

### Egypt

121. ABC Egypt (Arab Banking Corp.)
122. Arab International Bank
123. Bank of Alexandria (ALEXBANK)
124. Banque Du Carie SAE
125. Banque Misr SAE
126. Central Bank of Egypt
127. Commercial International Bank (Egypt) SAE
128. Credit Agricole Indosuez (Egypt) SAE (Now Calyon Bank Egypt) SAE
129. Egyptian Saudi Finance Bank
130. Faisal Islamic Bank of Egypt SAE
131. Mohandes Bank
132. National Bank of Egypt
133. Suez Canal Bank SAE

### Estonia

134. SEB Pank

### Ethiopia

135. Commercial Bank of Ethiopia

### Fiji

136. National Bank of Fiji Limited
137. Westpac Banking Corporation

### Finland

138. Aktia Bank PLC
139. Nordea Bank Finland PLC
140. Oko Osuuspankkien Keskuspankki OYJ
141. OP Corporate Bank PLC (Name Changed w.e.f. 04.04.2016) (Former Name Pohjola Bank PLC)
142. Sampo Bank PLC

### France

143. AL Khaliji France SA
144. Bank of India (Paris Branch) (Metro)
145. Banque BIA
146. Banque De Neufelize, Schlumberger, Mallet, Demachy

147. Banque D'Escompte (Metro)
148. Banque Federative Du Credit Mutuel
149. Banque Palatine
150. Banque SBA
151. BNP Paribas
152. Calyon
153. CIC Lyonnaise De Banque
154. Credit Agricole
155. Credit Cooperatif
156. Credit Du Nord
157. Credit Industrial Del' Quest
158. Credit Industrial ET Commercial (CIC)
159. Credit Lyonnais
160. HSBC Private Bank France SA
161. Natixis (Formerly Natexis Banque Populaires)
162. Societe Generales
163. Union De Banques A Paris (UBAF) (Union De Banque Arabes ET Francaises)
164. VTB Bank (France) SA (Formerly Banque Commerciale Pour L'Europe Du Nordeurobank)

#### Georgia

165. Bank of Georgia

#### Germany

166. Baden Wuttenbergische Bank AG
167. Bankhaus Carl Plump & Co.
168. Bankhaus Neelmeyer AG
169. Bayerische Landesbank
170. Berenberg Bank
171. Berliner Volksbank EG
172. BHF Bank Aktiengesellschaft
173. Bremer Landesbank
174. Commerzbank AG – (Dusseldorf)
175. Commerzbank AG – (Frankfurt)
176. Degussa Bank
177. Deutsche Bank AG
178. Deutsche Bundesbank
179. Deutsche Postbank AG
180. DVB Bank AG
181. DZ Bank AG Deutsche Zentral-Genossenschaftsbank (New Name w.e.f. 01.08.2016) (Former Name – DZ Bank AG) (Metro)
182. Frankfurter Volksbank EG
183. Hamburger Sparkasse AG
184. HSBC Trinkaus & Burkhardt KGA
185. ING BHF – Bank AG
186. Kreissparkasse Esslingen – Nürtingen
187. Kreissparkasse Goppingen
188. Kreissparkasse Heilbronn
189. Landesbank Baden – Württemberg
190. Landesbank Berlin AG (Merger of Bankgesel – Lschaft Berlinag & Landesbank Berlin AG)

191. Landesbank Hessen Thuringen Girozentrale
192. LRP Landesbank Rheinland PFALZ
193. Mainzer Volksbank EG
194. Nassauische Sparkasse
195. Nordeutsche Landesbank Girozentrale (Metro)
196. NRW Bank
197. Oldenburgische Landesbank AG
198. Sparkasse Bielefeld
199. Sparkasse Dortmund
200. Sparkasse Duren
201. Sparkasse Essen (Stadtsparkasse Essen)
202. Sparkasse Hannover
203. Sparkasse Herford
204. Sparkasse Pforzheim Calw
205. Stadtsparkasse Dusseldorf
206. Stadtsparkasse Monchengladbach
207. Stadtsparkasse Wuppertal
208. Standard Chartered Bank (Frankfurt)
209. Unicredit Bank AG (Bayerische Hypo-Und Vereinsbank AG)
210. Westlb AG

#### Ghana

211. Ghana Commercial Bank Ltd.

#### Greece

212. Alpha Bank
213. Aspis Bank
214. EFG Eurobank Ergasias SA
215. Marfin Egnatia Bank SA (Formerly Egnatia Bank SA)
216. National Bank of Greece
217. Piraeus Bank

#### Hong Kong

218. Bank of East Asia Ltd.
219. Cathay Bank
220. Chiyu Banking Corporation Limited
221. Chong Hing Bank Limited (Formerly Liu Chong Hing Bank Ltd.)
222. DAH Sing Bank Limited
223. DBS Bank (Hong Kong) Ltd.
224. Hang Seng Bank Ltd.
225. Hongkong & Shanghai Banking Corporation
226. Industrial and Commercial Bank of China (Asia) Ltd.
227. Nan Yang Commercial Bank Ltd.
228. OCBC Wing Hang Bank Ltd. (Name changed as above w.e.f. 29.09.2014)
229. Oversea – Chinese Banking Corporation
230. Shanghi Commercial Bank Ltd.
231. UBAF Hong Kong Ltd. (UBAF) Union De Banques Arabes ET Francaises (UBAF)

#### Hungary

232. Bank of Hungarian Savings Cooperatives Co. Ltd.
233. Budapest Credit Development Bank RT
234. Central-European Int'l Bank Ltd. (CIC Bank)
235. ERST Bank Hungary NYRT
236. Kereskedelmi ES Hitel Bank (K and H Bank NYRT)
237. Magyar Nemzeti Bank
238. Raiffeisen Bank ZRT
239. Unicredit Bank Hungary ZRT

#### Iceland

240. Glitnir Banki HF (Formerly Islandbanki Fba Ltd.)

#### India

241. Allahabad Bank
242. Andhra Bank
243. Axis Bank
244. Bank of Baroda
245. Bank of India (Mumbai)
246. Bank of Maharashtra
247. Canara Bank
248. Central Bank of India Corporation Bank
249. Development Credit Bank Ltd.
250. HDFC Bank
251. ICICI Bank Ltd.
252. IDBI Bank Ltd.
253. Indian Bank
254. Indian Overseas Bank
255. Indusind Bank Ltd.
256. Jammu & Kashmir Bank Ltd. (Metro)
257. Karur Vysya Bank
258. Punjab & Sind Bank Ltd.
259. Punjab National Bank (Metro – NRFC)
260. RBL Bank Ltd.
261. Saraswat-Cooperative Bank Ltd.
262. State Bank of India
263. State Bank of Hyderabad
264. State Bank of Travancore
265. Syndicate Bank
266. Tamilnad Mercantile Bank Ltd.
267. The Bank of Rajasthan Ltd.
268. 269. UCO Bank
269. Union Bank of India (Metro – NRFC)
270. United Bank of India
271. Yes Bank
- 272.

#### Indonesia

273. Bank Artha Graha
274. Bank International Indonesia
275. Bank Mega
276. PT Bank Bukopin
277. PT Bank Central Asia TBK
278. PT Bank Ekspor Indonesia
279. PT Bank Mandiri (Persero)
280. PT Bank Negara Indonesia TBK
281. PT Bank Pan Indonesia TBK (Panin Bank)

282. PT Bank Permata TBK
283. PT Bank Rabobank International
284. PT Bank Rakyat Indonesia

#### Ireland

285. Allied Irish Bank PLC

#### Israel

286. Bank Hapoalim BM
287. Bank Leumi Le Israel BM
288. Bank of Palestine
289. First International Bank of Israel Ltd.
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. 307. Banca Nazionale Del Lavoro SpA (Merged into BNP Paribas)
305. Banco Popolare Soc. Coop (Banc Popolare DI Verona E Novara SCRL) (Including Creito Bergamasco SpA, Banca Popolare DI Novara SpA 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 Joint Stock Company (Banca Popolare DI Vicenza Scpa – Name Changed – w.e.f. 09.03.2016)
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. Banco DI Desio E Della Brianza SpA
318. Banco DI Sardegna SpA
319. Banco DI Sicilia
320. BIPOP-Carires

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Correspondent Banks by Country

321. Cariparma SpA (Cassa DI Risparmio DI Parma E Piacenza 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 Sanpaolo SpA (Formerly Banca Intesa SpA)
331. IW Bank SpA (UBI Banca Private Investment merged into IW Bank SpA) Brand Name Bank SpA Private Investments SpA (w.e.f. 25 May 2015)
332. UGF Banca
333. Unicredit Bank SpA (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 (Former Bank of Tokyo – Mitsubishi UFJ Ltd.)
342. MUFG Bank (w.e.f. 01 April 2018)
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. Mitsubishi Trust & Banking Co.
355. Mizuho Bank Ltd.
356. Nishi Nippon City Bank Ltd.
357. Okazaki Shinkin Bank
358. Osaka City Shinking 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 [Formerly Jordan Investment & Finance Bank (JIF Bank)]
389. Islamic International Arab Bank Ltd.
390. Jordan Ahli Bank PLC (w.e.f. 12 November 2006) (Formerly Jordan National Bank)
391. Jordan Commercial Bank (Formerly Jordan Gulf Bank)
392. Jordan Dubai Islamic Bank
393. Jordan Kuwait Bank
- Kazakstan**
394. JSC Bank Center Credit
- Kenya**
395. Barclays Bank of Kenya Ltd.
396. Kenya Commercial Bank Ltd.
- Korea**
397. Citi Bank Korea INC (Formerly Koram Bank)
398. KEB Hana Bank (Merged Between Hana Bank & Kores Exchange Bank)
399. Kookmin Bank
400. Korea Development Bank
401. Kyongnam Bank
402. Pusan Bank
403. The Kwagju 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 SAKP
409. Gulf Bank
410. Kuwait International Bank
411. National Bank of Kuwait SAKP
- Kyrgyzstan**
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 (New name - Audi Saradar Private Bank SAL)
420. Bank Audi Sal-Audi Saradar Group
421. Bank Bemo SAL
422. Bankmed SAL
423. Bank of Beirut SAL
424. Banque Libano Francaise
425. BBAC SAL (Formerly Bank of Beirut & The Arab Countries SAL)
426. BLC Bank SAL (Formerly Banque Libanaise Pour Le Commerce SAL)
427. BLOM Bank SAL
428. Byblos Bank SAL
429. Credit Libanais SAL
430. First National Bank SAL
431. Fransabank SAL
432. IBL Bank
433. Jammal Trust Bank SAL
434. MEAB Bank
435. Near East Commercial Bank SAL
436. Societe Generale Banque AU Liban SAL (Lebanese Canadian Bank SAL merged with 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. Wahda 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 (Formerly Arab – Malaysian Bank – Berhad)
452. Bank Islam Malaysia Berhad
453. CIMB Bank Berhad (Metro) (Formerly Bumiputra Commerce Bank Berhad)
454. EON Bank Berhad
455. Malayan Banking Berhad (May Bank) (Metro)
456. OCBC (Malaysia) Berhad
457. Oversea – Chinese Banking Corporation Ltd. (Metro) (Kuala Lumpur)
458. Public Bank Berhad (Metro)
459. RHB Bank Berhad
460. Royal Bank of Scotland
461. United Overseas Bank (Malaysia) Berhad
- Maldives**
462. Bank of Maldives PLC
463. Habib Bank Limited
- 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 International de Mocambique SARL

**Namibia**

476. Bank Windhoek Ltd.

**Nepal**

477. Himalayan Bank Ltd.  
478. Nepal Bank Limited  
479. Nepal Credit And Commerce Bank  
480. Standard Chartered Bank Nepal Ltd.

**Netherlands**

481. ABN AMBRO Bank – Royal Bank of Scotland.  
482. Cooperatieve Rabobank UA (Name Changed w.e.f. 01 January 2016) (Former Name Rabobank Nederland)  
483. F Van Lanschot Bankiers NV  
484. Hollandsche Bank – Unie NV  
485. ING Bank NV  
486. Kocbank AS (Merged into Yapi Ve Kredi Bankasi)  
487. SNS Bank NV  
488. The Economy Bank NV

**New Zealand**

489. ANZ Bank National Bank Ltd.  
490. ASB International Bank  
491. Bank of New Zealand  
492. Westpac Banking Corporation (Metro)

**Nigeria**

493. First Bank of Nigeria PLC  
494. Union Bank of Nigeria PLC

**Norway**

495. DNB NOR Bank ASA (Formerly Den Norske Bank NA)  
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 SAOC  
505. Oman International Bank

**Pakistan**

506. Allied Bank of Pakistan  
507. Askaribank Limited (Metro – NRFC) (Formerly Askari Commercial Bank Ltd.)  
508. Atlas Bank

509. Bank Al Habib Ltd.  
510. Bank of Khyber  
511. Bank of Panjab  
512. Bank Islami Pakistan Limited (Bipl) (Kasb Bank Merged into Bank Islami Pakistan Ltd.) (w.e.f. mid of May 2015)  
513. Dawood Islamic Bank Ltd.  
514. Dubai Islamic Bank Pakistan Ltd.  
515. Faysal Bank Ltd.  
516. Habib Bank Limited  
517. Habib Metropolitan Bank Ltd.  
518. MCB Bank Ltd. (Formerly Muslim Commercial Bank)  
519. Meezan Bank Ltd.  
520. Mybank Ltd.  
521. National Bank of Pakistan  
522. Soneri Bank Ltd.  
523. Standard Chartered Bank (Pakistan) Ltd.  
524. United Bank Limited

**Palestinian Autonomous Areas**

525. Arab Islamic Bank

**Papua New Guinea**

526. Westpac Banking Corporation (Westpac Bank PNG Ltd.)

**Paraguay**

527. Banco Amambay SA

**Peru**

528. Banco DE Credito DEL Peru

**Philippines**

529. Metropolitan Bank & Trust Co.  
530. Philippine National Bank

**Poland**

531. Bank BGZ  
532. Bank Gospodarstwa Krajowego  
533. Bank Handlowy Warszawa SA  
534. Bank Millennium SA  
535. Bank Pekao SA  
536. Kredyt Bank SA  
537. PKO Bank Polski SA (New name – Powszechna Kasa Oszczednosci Bank Polski SA) (Former name Nordea Bank Polska SA)  
538. Raiffeisen Bank Polska SA

**Portugal**

539. Banco BPI SA  
540. Banco Espirito Santo SA  
541. BNP – Banco Portugues De Negocios SA  
542. Finibanco SA  
543. Millennium BCP (Formerly Banco Commercial Portugues SA)

**Qatar**

544. Barwa Bank  
545. Doha Bank  
546. Qatar International Islamic Bank  
547. Qatar Islamic Bank SAQ

**Romania**

548. Banca Comerciala Carpatica  
549. Banca Comerciala Romana SA  
550. Banca Transilvania  
551. BRD-Groupe Societe Generale SA  
552. Unicredit Bank, SA (New Name – w.e.f. 18 August 2015) (Former Unicredit Tiriac Bank)

**Russia**

553. Bank for Development & Foreign Economic Affairs (Formerly Bank for Foreign Economic Affairs of the USSR)  
554. Bank Jugra  
555. Bank of Moscow  
556. B and N Bank (Public Joint – Stock Company) (M D M Bank – Name Changed AS above w.e.f. 18 November 2016)  
557. BIN Bank  
558. International Moscow Bank  
559. Khanty-Mansiysk Bank Otkritie (PJSC) (New name w.e.f. 22 August 2016)  
E855 Bank Otkritie Financial Corporation – (JSC) (Otkritie FC Bank) (Former – Nomos – Bank (Novaya Moskva)  
560. ROS Bank  
561. Sberbank  
562. Trans Credit Bank  
563. Vnesheconombank  
564. VTB 24 (PJSC) – (Public Joint-Stock Company) (Formerly JSC VTB Bank)

**Saudi Arabia**

565. Alawwal Bank – (Saudi Hollandi Bank – Name Changed as above w.e.f. 27 November 2016)  
566. Al Rajhi Bank (Formerly Al Rajhi Banking & Investment Corporation)  
567. Arab National Bank  
568. Bank Al Bilad  
569. Bank Al Jazira  
570. Banque Saudi Fransi  
571. National Commercial Bank Limited  
572. Riyadh Bank  
573. Samba Financial Group  
574. Saudi British Bank

**Scotland**

575. Royal Bank of Scotland (Metro)

**Serbia & Montenegro**

576. National Bank of Serbia  
577. Banca Intesa AD Beograd

**Seychelles**

578. Seychelles International Mercantile Banking (NOUVOBNQ)

**Singapore**

579. ABN AMRO  
580. Bank of India Singapore (Metro)  
581. DBS Bank Ltd.  
582. Dexia Banque Internationale A Luxembourg  
583. Far Eastern Bank Limited Merged into United Overseas Bank Limited (UOB) (w.e.f. 01 October 2017)  
584. Indian Bank  
585. Oversea – Chinese Banking Corporation Ltd. (Metro)  
586. Skandinaviska Enskilda Banken AB  
587. Standard Chartered Bank  
588. State Bank of India  
589. The Bank of East Asia Ltd.  
590. UCO Bank (Metro)  
591. Union DE Banques Arabes ET Francaises (UBAF)  
592. United Overseas Bank Ltd.  
593. VTB Bank Europe PLC (Formerly Moscow Narodny Bank Ltd.)

**Slovakia**

594. Ceskoslovenska Obchodni Banka AS  
595. Postova Bank AS  
596. Slovenska Sporitelna AS  
597. TARTA Bank AS  
598. Unicredit Bank Slovakia AS  
599. Vseobecna Uverova Bank AS

**Slovenia**

600. Abanka Vipa DD  
601. Gorenjska Banka  
602. Nova Kreditna Banka Maribor DD  
603. Nova Ljubljanska Banka DD Ljubljana

**Solomon Islands**

604. National Bank of Solomon Islands

**Somalia**

605. Commercial & Savings Bank of Somalia

**South Africa**

606. ABSA Bank Ltd.  
607. Firststrand Bank Ltd.  
608. Nedcor Bank Ltd. (NED Bank)  
609. Standard Bank of South Africa Ltd.

610. The Standard Chartered Bank of South Africa, Johannesburg

#### Spain

611. Banco Bilbao Vizcaya Argentaria  
612. Banco DE Europa SA  
613. Banco De Sabadell SA (Bsos)  
614. Banco De Valencia  
615. Banco Guipuzcoano SA  
616. Banco Intercontinental Espanol (BANKINTER)  
617. Banco Pastor SA  
618. Banco Santander Central Hispano  
619. Caixa'd Estalvis DE Catalunya  
620. Caja DE Ahorros Pensiones DE Barcelona LA Caixa  
621. Caja Madrid

#### Sweden

622. Nordbanken AB (PUBL)  
623. SEB Merchant Banking  
624. Skandinaviska Enskilda Banken AB (PUBL)  
625. Svenska Handelsbanken AG (PUBL)  
626. SWED Bank

#### Switzerland

627. Banque Cantonale DE Geneve  
628. Banque Cantonale Vandoise  
629. Banque De Commerce ET DE Placements  
630. BNP Paribas (Suisse) SA  
631. BSI SA  
632. Credit Agricole Next Bank (Sussie) SA (w.e.f. 20 November 2017)  
633. Credit Sussie  
634. Faisal Private Bank (Switzerland) SA 649  
635. Habib Bank AG Zurich  
636. Luzerner Kantonal Bank  
637. UBS Switzerland AG  
638. Zurcher Kantonalbank

#### Taiwan

639. Bank of Taiwan  
640. CTBC Bank Co. Ltd. (China Trust) Commercial Bank Name Change as CTBC Bank Co. Ltd. (w.e.f. 04 June 2013)  
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  
650. Chinfon Commercial Bank

#### Tanzania

651. NBC Limited (National Bank of Commerce)

#### Thailand

652. Bangkok Bank Public Company Ltd.  
653. Bank of Ayudhya Public Company Ltd.  
654. Export Import Bank of Thailand  
655. Kasikornabank Public Company Ltd. (Formerly Thai Farmers Bank)  
656. Krung Thai Bank Public Company Limited  
657. Siam City Bank Public Company Ltd.  
658. Siam Commercial Bank PCL  
659. Standard Chartered Bank (Thai) Public Company Ltd.  
660. United Overseas Bank (Thai) Public Co Ltd.

#### Tunis

661. Banque Nationale Agricole

#### Tunisia

662. Attijari Bank  
663. Societe Tunisienne De Banque

#### Turkey

664. AK Bank TAS  
665. Anadolu Bank  
666. Arab Turkish Bank  
667. ASYA Katilim Bankasi AS (Formerly Asya Finans Kurumu AS)  
668. EURO Tekfen AS  
669. ING Bank AS  
670. Kuvoyt Turk Katilim Bankasi AS  
671. Tekstil Bankasi AS  
672. Turk Ekonomi Bankasi  
673. Turkiye Finance Katilinu Bankasi AS  
674. Turkiye Half Bankasi AS  
675. Turkiye Garanti Bankasi AS  
676. Turkiye IS Bankasi AS  
677. Turkiye Vakiflar Bankasi TAO  
678. Turkland Bank – T Bank  
679. Yapi Ve Kredi Bankasi AS

#### UAE

680. Abu Dhabi Commercial Bank  
681. Abu Dhabi Islamic Bank  
682. Arab Bank for Investment & Foreign Trade  
683. Commercial Bank of Dubai PSC  
684. Commercial Bank International PLC  
685. Dubai Islamic Bank PLC  
686. Emirates NBD PJSC  
687. First Abu Dhabi Bank PJSC (National Bank of Abu Dhabi)  
688. First Abu Dhabi Bank  
689. Mashreqbank PSC

690. Middle East Bank PJSC  
691. National Bank of Fujirah  
692. Noor Bank PJSC (w.e.f. 26 December 2014) (Former Noor Islamic Bank)  
693. Union National Bank  
694. United Arab Bank

#### Uganda

695. Barclays Bank of Uganda Ltd.

#### UK

696. AIB Group (Formerly Allied Irish Bank)  
697. Barclays Bank PLC  
698. BACB-British Arab Commercial Bank  
699. Clydesdale Bank PLC  
700. Gulf International Bank (UK) Limited  
701. Habib Bank AG Zurich  
702. Habibsons Bank Ltd.  
703. HSBC Bank PLC  
704. Investec Bank (UK) Limited  
705. ICBC Standard Bank PLC  
706. Lloyds TSB Bank PLC  
707. National Westminster Bank PLC (Metro)  
708. Royal Bank of Scotland PLC  
709. Standard Chartered Bank

#### Ukraine

710. Calyon Bank  
711. First Ukrainian International Bank – PJSC  
712. OTP Bank – Public Joint Stock Company  
713. PJSC Alfa – Bank  
714. Prominvest Bank  
715. UKREXIMBANK (State Export – Import Bank of Ukraine)

#### Uruguay

716. The Banco DE LA Republic Oriental Del Uruguay

#### USA

717. American Express Bank Ltd.  
718. Banco Del Pichincha CA  
719. Bank of America NA  
720. Bank of TAMPA  
721. Branch Banking & Trust Co.  
722. Brown Brothers Harriman & Co.  
723. CITI BANK NA  
724. CO Bank ACB  
725. Commerce Bank NA  
726. Deutsche Bank Trust Company Americas  
727. First Hawaiian Bank  
728. French American Banking Corp  
729. Habib American Bank  
730. Hibernia National Bank  
731. HSBC Bank USA  
732. Huntington National Bank  
733. Israel Discount Bank of New York

734. JP Morgan Chase Bank (Metro)  
735. La Salle Bank Midwest  
736. M & T Bank (Formerly Allfirst Bank)  
737. National City Bank of Indiana  
738. National Penn Bank  
739. Northern Trust Company  
740. PNC Bank NA  
741. SAN Diego National Bank  
742. Silicon Valley Bank  
743. Sovereign Bank  
744. Standard Chartered Bank  
745. State Street Bank & Trust Co.  
746. Sun Trust Bank Ltd.  
747. The Bank of New York Mellon (Bank of New York merged with Mellon Bank 21 July 2018)  
748. UMB Bank NA  
749. Union Bank of California NA  
750. US Bank NA  
751. Wells Fargo Bank NA (Wachovia Bank Na merged with Wells Fargo)

#### Vietnam

752. Bank for Foreign Trade of Vietnam  
753. Bank for Investment & Development of Vietnam

#### Yemen

754. International Bank of Yemen YSC  
755. National Bank of Yemen  
756. Yemen Bank for Reconstruction & Development  
757. Yemen Commercial Bank  
758. Yemen Kuwait Bank

#### Zambia

759. Barclays Bank of Zambia Ltd.

#### Zimbabwe

760. Barclays Bank of Zimbabwe Ltd.

## Exchange Companies by Country

### Australia

1. Aussie Forex & Finance Pty. Ltd.
2. Cash Plus Forex Pty. Ltd.
3. Ceylon Exchange Pty. Ltd. (Metro)
4. Kapruka (Pty) Ltd. (Metro)
5. PFG Forex Pty Ltd.
6. Serendib Financial Pty. Ltd.
7. SL Money Transfer Pty. Ltd.

### Bahrain

8. Bahrain Financing Company
9. Ezremit Ltd.
10. National Finance & Exchange Co. WLL
11. Zenj Exchange
12. Zenj Exchange Company WLL (Turbo Cash)

### Cyprus

13. Masari Payment Services Ltd.

### France

14. Tempo – France

### Greece

15. International Express Remittance International Money Transfer Mediation Co.

### Hong Kong

16. Orient Exchange Co. (HK) Ltd.

### Israel

17. Tifco Logistics & Trade Ltd.

### Italy

18. Valutrans Spa (Metro)

### Japan

19. Japan Remit Finance Co. Ltd.
20. Unidos Co. Ltd. (Kyodai Remittance)

### Jordan

21. Al Samhour Exchange Company
22. Alawaneh Exchange Co.
23. Shift Financial Services Ltd.

### Kuwait

24. Al Mulla International Exchange Co. WLL
25. Al Muzaini Exchange Co. KSC
26. Joyalukkas Exchange Co. WLL
27. Al Nada International Exchange Co. WLL (Name changes as above from 02 January 2016) (Former Name-Security Exchange Co. WLL)
28. International Financial Line Co.
29. Aman Exchange Co. WLL
30. Bahrain Exchange Co. WLL
31. City International Exchange Co. WLL
32. Etemadco Exchange Co. WLL
33. Dollarco Exchange Co. Ltd.
34. National Money Exchange Co.
35. National Exchange Co. WLL
36. Kuwait Asian International Exchange Co. WLL
37. Kuwait Bahrain International Ex.
38. Kuwait India International Ex. Co.
39. Oman Exchange Co. Ltd. WLL
40. UAE Exchange Centre WLL

### Lebanon

41. Services Exchange Co. (Imad Al Hariri Trading Co. & Partners – SECO)

### Malaysia

42. Merchantrade Asia SDN BHD (Metro)

### Oman

43. Asia Express Exchange
44. Gulf Overseas Exchange Co. LLC
45. Hamdan Exchange
46. Majan Exchange LLC
47. Modern Exchange Co. LLC
48. Musandam Exchange
49. Mustafa Sultan Exchange Co. LLC
50. Oman UAE Exchange Centre Co. LLC
51. Oman International Exchange LLC
52. Oman United Exchange Co. LLC
53. Purshottam Kanji Exchange Co. LLC

### Qatar

54. Al Dar for Exchange Works
55. Al Fardan Exchange Co. WLL
56. Al Mana Exchange WLL
57. Al Sadd Exchange
58. Al Mirqab Exchange Co. (Name Change – Union Exchange Co.WLL)
59. Arabian Exchange Company WLL
60. Al Zaman Exchange WLL
61. City Exchange Co. WLL
62. Eastern Exchange EST
63. Gulf Exchange Company
64. Habib Qatar International Exch. Ltd.
65. Islamic Exchange
66. National Exchange Co. WLL (Formerly Al Shaibei Exchange Co.)

### Singapore

67. International Exchange Company (Singapore) Pte Ltd. (Former HBZ International Exchange Company)
68. Mustafa Foreign Exchange (Metro)

### Switzerland

69. Motherhouse Gmbh (Metro)

### UAE

70. Al Ahalia Money Exchange Bureau
71. Al Ansari Exchange EST
72. Al Fardan Exchange
73. Al Mona Exchange Co. LLC
74. Al Rostamani International Exchange (Formerly Thomas Cook Al Rostamani Exch. Co.)
75. Delma Exchange
76. Emirates India International Exchange Company
77. Hadi Express Exchange
78. Index Exchange Co. LLC
79. Joyalukkas Exchange
80. Lari Exchange Establishment
81. Lulu International Exchange LLC
82. National Exchange Co.
83. Orient Exchange Co. LLC
84. Redha Al-Ansari Exchange EST
85. UAE Exchange Centre
86. Wall Street Exchange Centre
87. Xpress Money Services Ltd.
88. Zareen Exchange

### UK

89. 3R Telecom Ltd.
90. An Express Ltd.
91. Currency Exchange Corporation
92. Global Exchange Ltd.
93. INTL FC Stone Ltd. (IFL)
94. Moneygram (Metro)
95. Sigue Global Services Ltd. (Former Coinstar) Metro)
96. Worldremit

### USA

97. Prabhu Group INC
98. RIA Financials Services Continental Exchange Solutions INC DBA
99. Trans-Fast Remittance LLC (Metro)



# Glossary of Financial/Banking Terms

## A

### Acceptances

Promise to pay created when the drawee of a time draft stamps or writes the word “accepted” above his signature and a designated payment date.

### Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

### Accrual Basis

To recognise the effects of transactions and other events as they occur, without waiting for the receipt or payment of related cash or its equivalent.

### Actuarial Assumptions

An entity’s unbiased and mutually compatible best estimates of the demographic and financial variables that will determine the ultimate cost of providing post-employment benefits.

### Actuarial Gains and Losses

Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

### Actuarial Present Value of Promised Retirement Benefits

The present value of the expected payments by a retirement benefit plan to existing and past employees, attributable to the service already rendered.

### Actuarial Valuation

Fund value determined by computing its normal cost, actuarial accrued liability, actuarial value of its assets, and other relevant costs and values.

### Amortisation

The systematic allocation of the depreciable amount of an asset over its useful life. In the case of an intangible asset or goodwill, the term “amortisation” is generally used instead of “depreciation”. Both terms have the same meaning.

### Amortised Cost

The amount at which a financial asset or liability is measured at initial recognition, minus any repayment of principal, minus any reduction for impairment or uncollectibility, and plus or minus the cumulative amortisation using the effective interest method of the difference between that initial amount and maturity amount.

### Anti-Money Laundering (AML)

A set of procedures, laws or regulations designed to prevent money laundering. Money laundering is an activity which aims to disguise the ownership of money that has an illegal origin such as trading of drugs, organised crimes, fraud and terrorism.

### Associate Company

A company other than a subsidiary in which a holding company has a participating interest and exercises a significant influence over its operating and financial policies.

### Attrition Rate

A measure of how many employees leave over a certain period of time.

### Average Weighted Deposit Rate (AWDR)

AWDR is calculated by the Central Bank of Sri Lanka monthly on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates.

### Average Weighted Prime Lending Rate (AWPLR)

AWPLR is calculated by the Central Bank of Sri Lanka weekly based on commercial banks lending rates offered to their prime customers during the week.

## B

### Basis Points

A unit that is equal to 1/100th of 1%. Often used in quotation of spreads between interest rates or to change in yield in securities.

### Bills of Exchange

A signed, written unconditional order addressed by one person (the drawer) directing another person (the drawee) to pay a specified sum of money to the order of a third person (the payee). The terms bills of exchange and drafts are often used interchangeably.

## C

### Capital Adequacy Ratio (CAR)

The ratio between capital and risk-weighted assets, as defined under the framework of risk-based capital standards developed by the Bank for International Settlements (BIS) and as modified to suit local requirements by Central Bank of Sri Lanka.

### Cash Equivalents

Investments/assets that are readily convertible to cash, subject only to an insignificant risk of change in their value.

### Collectively-Assessed Loan Impairment Provisions

Impairment assessment which carried out on a collective basis for homogeneous groups of loans that are not considered individually significant, in order to cover losses that has been incurred but has not yet been identified at the Reporting date.

### Compound Annual Growth Rate (CAGR)

The year over year growth rate over a specified period of time.

### Contractual Maturity

Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

### Corporate Governance

The process by which corporations are directed and controlled. It is concerned with the rights and responsibilities among stakeholders used to determine and control the strategic directions and performance of the corporation.

### Cost/Income Ratio

Operating expenses excluding impairment charge for loans and other losses, as a percentage of total operating income.

### Country Risk

The credit risk associated with lending to borrowers within a particular country, sometimes taken to include sovereign risk.

### Credit Risk

The risk of loss due to non-payment of a loan or other line of credit (either the principal or interest or both), by the borrower or a counterparty.

### Credit Ratings

An evaluation of a corporate’s ability to repay its obligations or the likelihood of not defaulting carried out by an independent rating agency.

## D

### Dealing Securities

Securities acquired and held with the intention of reselling them in the short term.

### Debt Equity Ratio

Long-term borrowings divided by shareholder’s equity.

### Deferred Taxation

Sum set aside for tax in the Financial Statements that will become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

### Defined Benefit Plans

Retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees’ earning history, tenure of service and age.

### Derivatives

A financial instrument, the price of which has a strong relationship with an underlying commodity, currency variable or financial instrument.

**Documentary Letters of Credit (LC)**

Written undertakings by a bank on behalf of its customers (typically an importer), authorising a third party (e.g. an exporter) to draw drafts on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

**E**

**Equity Method**

A method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the invested. The Income Statement reflects the investor's share of the results of operations of the invested.

**Events After the Reporting Date**

Events after the Reporting date are those events, both favourable and unfavourable, that occur between the Reporting date and the date when the financial statements are authorised for issue.

**Exchange Company/House**

An overseas location where the Bank's representatives provide banking services as a promotional tool.

**F**

**Fair Value**

The price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Finance Lease**

Leases which transfer risks and rewards of ownership. Title may or may not eventually be transferred.

**Financing Activities**

Activities that result in changes in the size and composition of the equity capital and borrowings of the entity.

**Financial Instruments**

Financial instrument is any contract that gives rise to financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial Instruments Held for Trading**

Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as at fair value through profit or loss.

**Financial Investments Available for Sale**

All non-derivative financial assets that are not in any of the following three categories; loans and receivables, held to maturity of financial instruments and held for trading.

**Financial Investments Held to Maturity**

Held to maturity financial investments are non-derivative financial assets with fixed or

determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

**Financial Investments Loans and Receivables**

Non-derivative financial assets with fixed or determinable payments which are not quoted in an active market.

**Foreclosed Properties**

Properties acquired in full or partial settlement of debts, which will be held with the intention of resale at the earliest opportunity.

**Foreign Exchange Income**

The gain recorded when assets or liabilities denominated in foreign currencies are translated into Sri Lankan Rupees on the Reporting date at prevailing rates which differ from those rates in force at inception or on the previous Reporting date. Foreign exchange income also arises from trading in foreign currencies.

**Forward Exchange Contracts**

Agreements between two parties to exchange one currency for another at a future date at a rate agreed upon today.

**G**

**Global Reporting Initiatives (GRI)**

GRI is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

**Gross Domestic Product (GDP)**

The value of all goods and services produced domestically in an economy during a specified period, usually a year. Nominal GDP, adjusted for inflation, gives GDP in real terms.

**Guarantees**

Primarily represent irrevocable assurances that a bank will make payments in the event that its customer is unable to perform its financial obligations to third parties. Certain other guarantees represent non-financial undertakings such as bid and performance bonds.

**H**

**Historical Cost Convention**

Recording transactions at the actual value received or paid.

**I**

**Impairment**

This occurs when recoverable amount of an asset is less than its carrying amount.

**Individually Significant Loan**

**Impairment Provisions**

Impairment measured individually for loans that are individually significant to the Group.

**Intangible Asset**

An identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

**Interest Margin**

Net interest income as a percentage of average interest earning assets.

**Interest Spread**

Represents the difference between the average interest rate earned on interest earning assets and the average interest rate incurred on interest bearing liabilities.

**Investment Securities**

Securities acquired and held for yield or capital growth purposes and usually held to maturity.

**K**

**Key Management Personnel (KMP)**

Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

**Key Performance Indicators (KPI)**

KPIs are quantifiable measures that a company users to gauge its performance over time.

**L**

**Liquid Assets**

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange, treasury bills.

**Liquid Assets Ratio**

Liquid assets expressed as a percentage of total liabilities other than shareholders' funds.

**Loss Given Default (LGD)**

LGD is the percentage of an exposure that a lender expects to lose in the event of default.

**M**

**Mark to Market**

The practice of periodically revaluing marketable securities to their current market value.

**Materiality**

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

**Minority Interest**

That portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Parent.

#### **Mortality Rate**

A measure of the number of deaths in some population, scaled to the size of that population, per unit time.

**N**

#### **Net Asset Value Per Share**

Shareholders' equity divided by the number of ordinary shares in issue.

#### **Net Interest Income**

The difference between what the Bank earns as interest on assets such as loans and securities and what it pays as interest on liabilities such as deposits, refinance funds and interbank borrowings.

#### **Net Realisable Value**

The estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

#### **Nostro Account**

A nostro account is a bank account held in a foreign country by a domestic bank, denominated in the currency of that country.

**O**

#### **Off-Balance Sheet Transactions**

Transactions not recognised as assets or liabilities in the balance sheet but which give rise to contingencies and commitments.

#### **Operating Activities**

The principal revenue producing activities of an entity and other activities that are not investing or financing activities.

**P**

#### **Plan Assets of an Employee Benefit Plan**

Assets held by a long-term employee benefit fund.

#### **Price Value Per Basic Point (PVBP)**

Estimated change in the value of portfolio due to one basic point change in interest rate.

#### **Primary Dealer Special Risk Reserve**

Reserve maintained in order to strengthen capital base further with development of capital market.

#### **Probability of Default (PD)**

PD is a financial term describing the likelihood of a default over a particular time horizon. It provides an estimate of the likelihood that a borrower will be unable to meet its debt obligations.

#### **Projected Unit Credit Method**

An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

#### **Property, Plant and Equipment (PPE)**

Tangible assets that:

- (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- (b) are expected to be used during more than one period.

#### **Prudence**

Inclusion of a degree of caution in the exercise of judgement needed in making the estimates required under conditions of uncertainty such that assets or income are not overstated and liabilities or expenses are not understated.

**R**

#### **Redemption**

Repayment of principal monies.

#### **Related Parties**

Two parties where one controls the other or exercise significant influence in financial and operating decisions, directly or indirectly.

#### **Repurchase Agreement**

Contracts relating to securities sold to creditors (who lend money for funding purposes), with the intention of buying them back at a set price on a specified future date.

#### **Return On Average Assets (ROAA)**

Profit before tax expressed as a percentage of average total assets. Used along with ROAE, as a measure of profitability and as a basis of intra industry performance comparison.

#### **Return On Average Equity (ROAE)**

Profit after tax less preferred share dividends, if any, expressed as a percentage of average ordinary shareholders' equity.

#### **Revenue Reserves**

Reserves set aside for future distribution and investment.

#### **Risk-Weighted Assets**

On-balance sheet assets and the credit equivalent of off-balance sheet assets multiplied by the relevant risk weighting factors.

**S**

#### **Securities Purchased Under Resale Agreement**

The purchase of securities under an agreement to resell at a given price on a specific future date.

#### **Shareholders' Equity**

Shareholders' equity consists of issued and fully paid ordinary share capital plus capital and revenue reserves.

#### **Significant Influence**

Significant influence is the power to participate in the financial and operating policy decisions of an investee but is not controlled or jointly controlled over those policies.

#### **Solvency**

The availability of cash over the long term to meet financial commitments as they fall due.

#### **Subordinated Debenture**

The claims of the debenture holders shall in the event of winding up, rank after all the claims of the secured and unsecured creditors and any preferential claims under any statutes, but in priority to and over claims and rights of the shareholders.

#### **Swaps**

The simultaneous purchase and sale of foreign exchange or securities, with the purchase executed at once and the sale back to the same party. Carried out on an agreed upon price to be completed at a specified future date. Swaps include interest rate swaps, currency swaps and credit swaps.

#### **Syndicated Loan**

A large loan by a group of banks to a large multinational firm or government. Syndicated loans allow the participating banks to maintain diversification by not lending too much to a single borrower.

**T**

#### **Tier 1 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 2 Capital**

Consists of the sum total of revaluation reserves, general provisions, hybrid capital instruments and approved subordinated debentures.

#### **Total Capital**

The sum of Tier 1 and Tier 2 capital.

**U**

#### **Unit Trust**

An undertaking formed to invest in securities under the terms of a trust deed.

#### **Unsecured**

Repayment of the principal and interest not being secured by any specific asset.

**V**

#### **Value at Risk (VaR)**

Estimated maximum loss that the Bank may incur in a given horizon at 99% confidence level.

#### **Vostro Account**

A local currency current account maintained with a bank by another bank.

# Corporate Offices and Overseas Branches

## Corporate Offices

### 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/cmccardrec@boc.lk/  
cmccc@boc.lk

**Branch Code: 731**

### BoC Premier Centre

Dedicated Centre for Private Banking

No. 21, Sir Ernest De Silva Mawatha,  
Colombo 7, Sri Lanka

Tel : +94 11 2694282 – 86

Fax : +94 11 2694280

Email : pbc@boc.lk

**Branch Code: 788**

### Correspondent Banking Unit

Gateway to global banking and financial relationships

9th Floor, Bank of Ceylon Head Office,  
“BOC Square”,  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2445791

Fax : +94 11 2445791

Email : corresbd@boc.lk, cbd@boc.lk,  
cmcbd@boc.lk

**Branch Code: 087**

### Credit Support Department

Issuing of local and international guarantees and documentation of credit facilities

3rd Floor, Bank of Ceylon Head Office  
“BOC Square”,  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2541943

Fax : +94 11 2446820

Email : corpcrsupport@boc.lk  
crsupport@boc.lk

**Branch Code: 660**

### Dealing Room

Providing money market and foreign exchange-related services

7th Floor, Bank of Ceylon Head Office,  
“BOC Square”,  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2445785-7, 2386862

Fax : +94 11 2445788

Email : chiefdealer@boc.lk

**Branch Code: 760**

### Electronic Banking Unit

Management of ATM card operations, facilitator for Internet and Mobile banking

21st Floor, Bank of Ceylon Head Office,  
“BOC Square”,  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2204650-63

Fax : +94 11 2447569

Email : cmebu@boc.lk, debitcard@boc.lk,  
ebank@boc.lk

**Branch Code: 777**

### Cey Bank Gold Shop

Supplier of precious gold to the nation

Ground Floor, Bank of Ceylon Head Office,  
“BOC Square”,  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2345420

Fax : +94 11 2345420

Email : goldshop@boc.lk

**Branch Code: 087**

### Inward Remittances Department

Facilitator in processing inward remittances to Sri Lanka

8th Floor, Bank of Ceylon Head Office,  
“BOC Square”,  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2445792, 2541933

Fax : +94 11 2344845

Email : irdept@boc.lk

**Branch Code: 087**

### Islamic Banking Unit

Brand house for all Islamic Banking products and services

25th Floor, Bank of Ceylon Head Office,  
“BOC Square”,  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2205030

Fax : +94 11 2445811

Email : ibu@boc.lk

**Branch Code: 776**

### Primary Dealer Unit

Buying and selling of Government Securities

7th Floor, Bank of Ceylon Head Office,  
“BOC Square”,  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2448830, 2203607

Fax : +94 11 2448207

Email : pdu@boc.lk

**Branch Code: 760**

### Trade Promotion Department

Service provider for migrant employee community

7th Floor, Bank of Ceylon Head Office,  
“BOC Square”,  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2447831, 2203626

Fax : +94 11 2346841

Email : intrtrade@boc.lk

**Branch Code: 087**

### Trade Services Department

Providing trade finance facilities and advisory services

2nd Floor, Bank of Ceylon Head Office,  
“BOC Square”,  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2394310, 2203310

Fax : +94 11 2542170

Email : agmtradefinance@boc.lk

**Branch Code: 660**

## Overseas Branches

### Malé Branch

“Aage” 12, Boduthakurufaana Magu,  
Henveiru, Malé. 20094,  
Republic of Maldives

Tel : +960 3323045, 3314764  
Email : agmmale@boc.lk

**SWIFT code : BCEYMVMV**  
**Branch code : 632**

### Chennai Branch

No. 20/21, Casa Major Road,  
New No. 2 (Old No. 11),  
Zerat Garden, 2 Lane,  
Egmore, Chennai 600 008, India

Tel : +91 44 2819 0972, 3951 9913  
Email : agmcb@boc.lk

**SWIFT code : BCEYIN5M**  
**Branch code : 758**

### Seychelles Branch

Oliaji Trade Center,  
Fransis Rachel Street,  
P.O. Box 1599,  
Victoria, Mahe,  
Republic of Seychelles

Tel : +248 461 1880, 461 1889  
Email : agmseychelles@boc.lk

**SWIFT code : BCEYSCSC**  
**Branch code : 807**

# Corporate Information

## Name of the Institution

Bank of Ceylon

## Legal Form

- A banking corporation domiciled in Sri Lanka, duly incorporated on 1 August 1939 under the Bank of Ceylon Ordinance No. 53 of 1938.
- A licensed commercial bank established under the Banking Act No. 30 of 1988.

## Registered Office

“BOC Square”, No. 01, Bank of Ceylon Mawatha, Colombo 01, Sri Lanka.

Tel : +94 11 220 3333 (Hotline)  
 +94 11 244 6790-811 (22 lines)  
 +94 11 233 8741-47 (7 lines)  
 +94 11 244 5815-20 (6 lines)  
 +94 11 254 4340-44 (5 lines)  
 +94 11 254 4333-37 (5 lines)

Facsimile : +94 11 232 1160

Bank : 7010

SWIFT Code: BCEYLK LX

Email : boc@boc.lk,  
 customercare@boc.lk

Website : www.boc.lk

## Call Centre

Tel : +94 11 220 4444  
 Facsimile : +94 11 232 0864

## 24-Hour Service Centre

Travel Counter, Ground Floor,  
 Bank of Ceylon Head Office,  
 “BOC Square”, No. 01,  
 Bank of Ceylon Mawatha,  
 Colombo 01, Sri Lanka

Tel : +94 11 220 3044/45  
 Facsimile : +94 11 244 5801

## 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 October 2013/October 2023 series, September 2014/September 2022 series, October 2015/October 2023 series and December 2016/December 2024 series with fixed and floating interest rates are listed on Colombo Stock Exchange.

The USD Senior Notes of April 2013/ April 2018 with fixed rates are listed on Singapore Stock Exchange.

## Local Ratings

- National Long-term rating: “AA+(lka)” Outlook Stable
- Subordinated debentures: “AA(lka)” by Fitch Ratings Lanka Limited
- Issuer rating: (SL) AAA Stable by ICRA Lanka Limited

## Global Ratings

“B+” stable by Fitch Ratings and “B 1” negative by Moody’s Investors Service

## Lawyers

Ms Gaya Jayasinghe  
 Chief Legal Officer of Bank of Ceylon and her assistants

Tel : +94 11 244 5813  
 +94 11 232 1167

Email : clo@boc.lk

## Compliance Officer

Mr A De S Pinnaduwege  
 (Assistant General Manager – Compliance)

Tel : +94 11 244 8532  
 Facsimile : +94 11 254 4306  
 Email : agmcmpl@boc.lk

## Auditor

The Auditor General,  
 The Auditor General’s Department,  
 306/72, Polduwa Road,  
 Battaramulla, Sri Lanka

Tel : +94 11 288 7028-34 (6 lines)  
 Facsimile : +94 11 288 7223  
 Email : oaggov@slt.net.lk

(Appointed in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka)

## Registrars to the Debenture Issues

Bank of Ceylon  
 Investment Banking Division,  
 7th Floor, Bank of Ceylon Head Office,  
 “BOC Square”, No. 01,  
 Bank of Ceylon Mawatha,  
 Colombo 01, Sri Lanka

Tel : +94 11 244 8348  
 +94 11 244 0081  
 +94 11 234 6845

Facsimile : +94 11 234 6842  
 Email : investment@boc.lk

## Registrars to the USD Senior Notes

The Bank of New York Mellon (Luxembourg) S.A., Vertigo Building, Polaris, 2-4 rue Eugene ruppert, L-2453, Luxembourg

Tel : +352 24 524 1

## Board of Directors

Mr Ronald C Perera PC (Chairman)  
 Mr Sajith R Attygalle  
 Mr Ranel T Wijesinha  
 Mr H P Ajith Gunawardana  
 Mr Samantha Rajapaksa  
 Mr Mohan Wijesinghe

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

Ms Janaki Senanayake Siriwardane

## For Clarifications on the Report, Please Contact

Deputy General Manager  
 (Finance and Planning),  
 10th Floor, Bank of Ceylon  
 Head Office, “BOC Square”,  
 No. 01, Bank of Ceylon Mawatha,  
 Colombo 01, Sri Lanka

Tel : +94 11 2432680  
 +94 11 2203900  
 Facsimile : +94 11 2448203  
 Email : dgmfp@boc.lk

## Audit Committee

Mr Ranel T Wijesinha – Chairman  
 Mr Sajith R Attygalle  
 Mr Samantha Rajapaksa

## Human Resources and Remuneration Committee

Mr H P Ajith Gunawardana – Chairman  
 Mr Ronald C Perera PC  
 Mr Sajith R Attygalle

## Nomination and Corporate Governance Committee

Mr Ronald C Perera PC – Chairman  
 Mr Sajith R Attygalle  
 Mr H P Ajith Gunawardana

## Integrated Risk Management Committee

Mr Samantha Rajapaksa – Chairman  
 Mr Sajith R Attygalle  
 Mr H P Ajith Gunawardana







## **This Annual Report is Carbon Neutral**

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BANK OF CEYLON



Bankers to the Nation

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