



# THE ICON OF TRUST

Bank of Ceylon | Annual Report 2018

# Bankers to the Nation

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## Our Vision

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

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## 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.

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## Corporate Value Statement

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



# THE ICON OF TRUST

With a 79 - year old rich heritage, the Bank of Ceylon has garnered infinite trust and credibility over the years. Occupying the vantage point of Sri Lanka's banking landscape we reign supreme, positioned as the Number 01 Bank in Sri Lanka.

Resonating the financial aspirations of our nation we reach out to a diverse spectrum of customers from SME's, corporates to individuals representing all walks of life. Powering our nation with financial strength we stand strong as the 'Bankers to the Nation'.

Focused on creating future-proof banking through agile, digitally driven platforms, we have earned infinite trust through our robust performance and our contribution to society as a good corporate citizen.

All this makes **Bank of Ceylon truly the icon of trust.**

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# Bank of Ceylon

## ANNUAL REPORT 2018

### Welcome to our Integrated Report

As the primary publication to our stakeholders, this Integrated Annual Report aims to provide a balanced and comprehensive assessment of how we create value over the short, medium and long-term while managing the competing interests of our stakeholders. The Report presents information relating to our business model, operating landscape, strategy, corporate governance, risk management, performance and commitment towards sustainability and is anchored by our material topics which have been determined through a systematic materiality analysis.

### Scope and Boundary

The Report covers the domestic, overseas and offshore operations of Bank of Ceylon (herein referred to as “BoC”) and its subsidiaries (collectively referred to as the “Group”) for the period from 1 January 2018 to 31 December 2018. The financial information presented on pages 196 to 392 of this Report reflects consolidated information while the non-financial information is limited to that of the parent entity, given its dominance within the Group. We adopt an annual reporting cycle and this Report builds on the Bank’s previous annual report for the financial year ending 31 December 2017. There have been no material restatements of non-financial information provided in the previous report. The Report has been structured based on the six capitals prescribed by the Integrated Reporting <IR> Framework.

### Standards and Principles

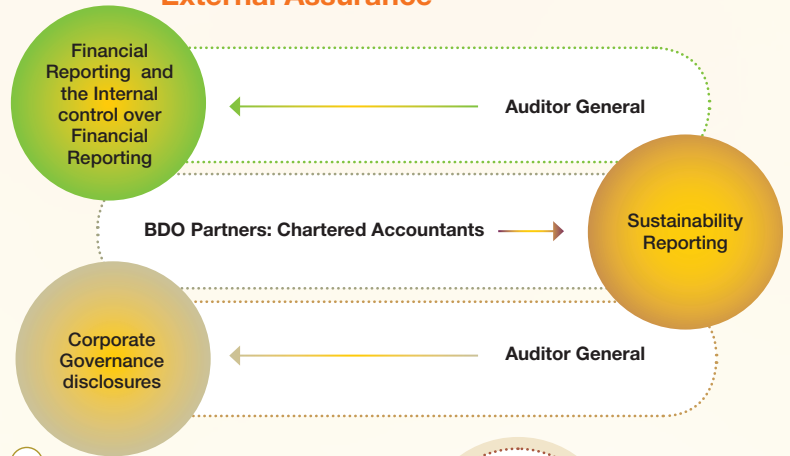
The financial statements have been prepared in line with the Sri Lankan Accounting Standards issued by the Chartered Accountants of Sri Lanka. The narrative report follows the principles of Integrated Reporting as prescribed in the International Integrated Reporting Council’s (IIRC) Integrated Reporting <IR> Framework. For sustainability reporting, we have adopted the ‘Core’ criteria of the GRI Standards published by the Global Reporting Initiative and have followed the recommendations for Environment and Social Governance (ESG) Reporting by the Colombo Stock Exchange. The Corporate Governance disclosures are in line with the requirements of the Bank of Ceylon Ordinance No.53 of 1938 and amendments, Banking Act No. 30 of 1988 and subsequent amendments and the revised Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

### Reporting Improvements

- Adoption of the revised Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.
- Widened the coverage of material topics beyond those prescribed by GRI to include entity and industry specific topics.
- Followed new format issued by CBSL in presenting financial statements.
- Dedicated chapter on the Bank’s contribution to the economy.
- Refined structure to facilitate improved readability.
- Compliance to SLFRS 9.



### External Assurance



#### Connectivity and Comparability

Navigation icons and signposting have been used across the Report to show connectivity.

#### Reliability

Material topics reflect both positive and negative matters which impacted the Bank's value creation during the year.

#### Relevance and Materiality

The Report is anchored by our material topics which represents information that is vital to our stakeholders.

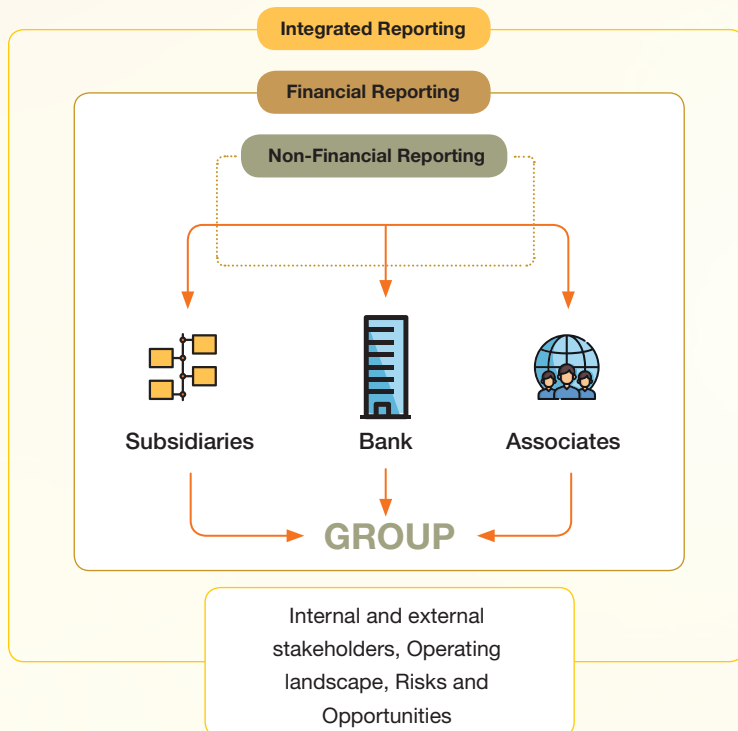
#### Strategic Focus

The Report has presented the strategies adopted in achieving triple bottom line performance during the year and strategies for 2019 and beyond.

### Navigation Icons



### Reporting Boundary



#### Feedback

We are committed to consistently enhancing the readability and relevance of our reporting and we welcome your suggestions and comments on our Annual Report. Please direct your feedback to,

[dgmfp@boc.lk](mailto:dgmfp@boc.lk)

# PERFORMANCE OVERVIEW 2018

## Financial Performance Highlights



## FINANCIAL CAPITAL

	Bank			Group		
	2018	2017	Change %	2018	2017	Change %
<b>Results of Operations (LKR million)</b>						
Total income	221,131	189,211	16.9	229,462	197,013	16.5
Net interest income	65,558	58,356	12.3	68,689	61,490	11.7
Profit before taxes on financial services	41,480	37,592	10.3	42,246	38,195	10.6
Profit before tax	31,892	30,343	5.1	32,437	30,816	5.3
Profit after tax	19,479	21,312	(8.6)	19,515	21,487	(9.2)
Value to the Government	24,158	28,524	(15.3)	24,583	28,923	(15.0)
<b>Financial Position (LKR million)</b>						
Total assets	2,268,154	1,951,804	16.2	2,312,923	1,999,410	15.7
Gross loans and advances	1,510,534	1,219,914	23.8	1,544,357	1,252,363	23.3
Loans and advances net of provisioning for impairment	1,429,107	1,163,161	22.9	1,460,619	1,194,294	22.3
Deposits due to customers	1,765,026	1,546,832	14.1	1,783,975	1,566,376	13.9
Total liabilities	2,146,712	1,840,649	16.6	2,180,782	1,877,084	16.2
Total equity	121,442	111,155	9.3	132,141	122,326	8.0
<b>Per Share Data (LKR)</b>						
Basic earnings per share	1,045	1,857	(43.7)	1,048	1,870	(44.0)
Net assets value per share	6,072	7,410	(18.1)	6,574	8,093	(18.8)
<b>Performance Ratios (%)</b>						
Return on average assets	1.5	1.7	(0.2)	1.5	1.7	(0.2)
Return on average equity	16.8	20.9	(4.1)	15.3	19.0	(3.7)
Interest margin	3.1	3.2	(0.1)	3.2	3.3	(0.1)
Cost to income	38.1	38.4	(0.3)	40.4	40.5	(0.1)
Loans to deposits	85.6	78.9	6.7	86.6	80.0	6.6
Debt to equity	41.0	41.5	(0.5)	-	-	-
Impairment provision as a percentage of gross loans and advances	5.4	4.7	0.7	5.4	4.6	0.8
<b>Statutory Ratio (%)</b>						
Liquid assets ratio (Domestic) (minimum requirement 20%)	24.5	27.2	(2.7)	-	-	-
Liquidity coverage ratio (LKR) (minimum requirement 2018 - 90%, 2017 - 80%)	143.5	141.5	2.0	-	-	-
Liquidity coverage ratio (All currency) (minimum requirement 2018 - 90%, 2017 - 80%)	115.0	105.0	10.0	-	-	-
<b>Capital Adequacy Ratios (%)</b>						
Common Equity Tier I Capital (Minimum requirement- 2018- 7.375%, 2017- 6.250%)	10.3	10.8	(0.5)	10.4	10.9	(0.5)
Tier I capital (Minimum requirement- 2018- 8.875%, 2017- 7.750%)	10.3	10.8	(0.5)	10.4	10.9	(0.5)
Total Capital (Minimum requirement- 2018- 12.875%, 2017- 11.750%)	14.6	14.6	-	14.6	14.5	0.1



## Non - Financial Performance Highlights

### Economic Performance Highlights

		2018	2017	Change %
Value creation to Government	LKR million	24,158	28,524	(15.3)
Direct new employment creation	No.	1,622	534	203.7
Penetration ratio	%	62.5	59.8	2.7
Branches outside the Western Province	No.	442	443	(0.2)
Road developments financed during the year	LKR million	31,696	1,464	(2,065.0)
Renewable power projects financed	LKR million	3,600	640	462.5
Inward remittances facilitated	LKR million	580,133	449,170	29.2

### Social Performance Highlights



#### HUMAN CAPITAL

		2018	2017	Change %
Total employees	No.	8,724	7,587	15.0
New recruits	No.	1,622	534	203.7
Female representation rate	%	60	57	3.0
Attrition rate	%	0.9	0.3	0.6
Total payments to employees	LKR million	18,875	16,996	11.1
No. of promotions	No.	174	1,831	(90.4)
Investment in training and development	LKR million	338	322	5.0
Total training hours	Programme hours	11,768	11,884	(1.0)
Revenue per employee	LKR million	25.3	24.9	1.6
Net profit per employee	LKR million	2.2	2.8	(21.4)
Employees holding membership in professional bodies	No.	371	292	27.1



#### SOCIAL AND RELATIONSHIP CAPITAL

		2018	2017	Change %
Total customers	No. million	13.4	12.8	4.7
Interest paid to customers	LKR million	112,056	92,229	21.5
Customer contact points	No.	1,721	1,589	8.3
Payments to suppliers	LKR million	6,670	5,179	28.8
Spending on local suppliers	%	95.1	91.6	3.5
Investment in CSR	LKR million	108	127	(15.0)
No. of university trainees and school leavers trained	No.	2,752	1,870	47.2
No. of correspondent relationships maintain	No.	859	859	-

## PERFORMANCE OVERVIEW 2018



### INTELLECTUAL CAPITAL

		2018	2017	Change %
Brand value	LKR million	42,874	40,600	5.6
Employee experience (tacit knowledge)	Years	81,627	81,841	(0.3)
Corporate Management experience	Years	519	566	(8.3)



### MANUFACTURED CAPITAL

		2018	2017	Change %
Investment on digital infrastructure	LKR million	1,964	1,693	16.0
Capital expenditure on Branch transformation and upgrade	LKR million	1,518	1,455	4.3

### Environmental Performance Highlights



### NATURAL CAPITAL

		2018	2017	Change %
GHG emission Scope 1 (CO <sub>2</sub> eqv.)	Tons	2,902	Not Available	-
GHG emission Scope 2 (CO <sub>2</sub> eqv.)	Tons	10,354	Not Available	-
Solar generation	kWh	885,238	492,230	79.8
Fuel usage	Litres	732,101	440,180	66.3
Electricity consumption	MWh	21,135	22,325	(5.3)
Water usage	m <sup>3</sup>	501,229	489,560	2.4
Investment in solar	LKR million	146	71	105.6
No. of loans screened under ESMS	No.	508	Not Available	-

# HIGHLIGHTS IN 2018

Bank of Ceylon has launched its first **BOC DIGI** in Kandy City Centre to provide an end-to-end digital experience to customers

**Reaching 1,000 landmark in ATM/ CDM/ CRM**

**Introduced (Near Field Communication) NFC enabled cards**

Together with mastercard International, Bank of Ceylon jointly launched the “World mastercard” themed as “Be the master of your journey” and “GMOA Affinity- World mastercard” for the members of the Government Medical Officers Association (GMOA)

**Upgraded Core Banking servers with “iSeries Power 8” nonstop servers**

**Became the first Sri Lankan Bank to establish Security Operation Centre (SOC) for information security**

**Be the first state bank to contribute 1Mw to the National Grid**

**Optical Character Reader (OCR) based state of art technology for inward clearing- “Image Master”**

## CHAIRMAN'S MESSAGE





**“As Sri Lanka’s largest financial institution, operating the industry’s most extensive network, Bank of Ceylon is one of Sri Lanka’s most economically and socially impactful organisations.”**



#### Dear Stakeholders,

Bank of Ceylon delivered another year of strong performance, fortifying its market leadership position and fostering economic activity across the island. Despite the tough operating conditions, the Bank successfully delivered on its shareholder commitments and financial objectives, recording a pre-tax Profit of LKR 31.9 billion, which is a growth of 5% in 2018. The Bank’s triple bottom line performance was commendable given numerous challenges in the operating landscape and its indeed my pleasure as the Chairman of this prestigious organisation to present you the Annual Report for the financial year ending 31 December 2018.

#### Bankers to the Nation

As Sri Lanka’s largest financial institution, operating the industry’s most extensive network, Bank of Ceylon is one of Sri Lanka’s most economically and socially impactful organisations. As a fully-state owned entity, the Bank’s objectives extend beyond mere financial performance to encompass economic and social objectives and for nearly eight decades we have directly contributed to the country’s socio-economic development, partnering the growth of individuals, entrepreneurs, businesses and the Government. The Bank’s growth strategy is closely aligned to that of the Government’s national development agenda and in 2018 we placed strategic emphasis on empowering entrepreneurs, supporting the SME sector, lending towards large scale national

infrastructure projects and promoting financial inclusion across the island. Also by operating three foreign branches in Maldives, Seychelles and Chennai and one subsidiary in the United Kingdom and maintaining more than 800 correspondent relationships, the Bank takes pride in owning largest correspondent network to serve all financial needs of our nation which extend beyond borders. We also marked another milestone in our journey towards broadening our presence in the Asian region, with the opening of the Bank’s second branch in Maldives.

#### Our Operating Landscape

The operating environment presented numerous challenges during the year due to global dynamics as well as domestic conditions. Global economic growth remained unchanged over the previous year at 3.5% reflecting a general slowdown in growth momentum driven by region and country-specific factors. Downside risks remain given escalating trade tensions between the US and its main trading partners and tighter financial conditions in several advanced economies. As such, global growth forecast for 2019 and 2020 were downwards to 3.5% and 3.6% respectively.

Sri Lanka also witnessed moderating economic growth due to tightening liquidity conditions, and subdued investor and consumer sentiments. GDP growth clocked in at 3.2% in 2018 led by the expansion of the Services sector by 4.7% and Agricultural Sector by 4.8% while

Industrial sector growth slowed to 0.9% during the year. The regulator adopted a more expansionary monetary policy during the first half of the year; however, the gradual tightening of global financial conditions led to a more neutral stance towards the latter part of 2018 resulting in a gradual increase of market interest rates. Meanwhile, the Rupee depreciated sharply by 19% against the US Dollar in 2018 with cascading effects across the economy.

These trends had a cascading effect on the country’s Banking sector, which in turn experienced mixed fortunes. The Sector’s gross loans and advances grew by 20% during the year although moderating economic conditions and a subdued construction sector led to a sharp increase in impairments. Gross Non-Performing-Loans increased by 64% while the sector’s NPL ratio rose to 3.4% from 2.5% the year before. Overall the sector’s profit after tax declined by 9% to LKR 125.9 billion during the year under review.

The sector’s efforts were also directed towards complying with Sri Lanka Financial Reporting Standards (SLFRS) 9 which necessitated a revamping of systems as well as a change in employee and customer mind-set. The implementation of the standard led to an escalation of impairment charges across the industry. The industry also sought to augment capital in line with the full implementation of BASEL III with several banks approaching the equity and debt market to strengthen capital. Given the sector’s subdued performance, increased

## CHAIRMAN'S MESSAGE



**“It is undoubtedly our ability to delight customers that is key to retaining our position as the most sought after bank in the industry.”**



taxes and implementation of the Debt Repayment Levy, shoring up internally generated funds has been challenging for the sector. Augmenting capital has been pronouncedly more difficult for state banks such as BoC which do not have access to the equity market.

### Strategy and Performance

The Bank's performance was commendable given developments in the economic and industry landscape. Our strategic actions for the year were guided by the Bank's Corporate Plan (2018-2020); as we sought to reinvent the Bank's offering and brand attributes to attract millennials. Driving customer centricity was a key area of focus during the year and we directed investments towards empowering employees to drive a consistent customer experience across all our touch points. Also, in all our capacity and skills enhancement programmes to the employees, we continue emphasising the fact that, It is undoubtedly our ability to delight customers that is key to retaining our position as the most sought after bank in the industry. Although during the year we focus on digital proposition, preserving credit quality and employee capacity building, what remains key point in deriving the competitive advantage is superior customer service. Hence, customer centricity has been the top in our Corporate cards during the year and also in years to come.

From a lending perspective, we placed strategic emphasis on empowering entrepreneurs and supporting the country's SME sector particularly through the Enterprise Sri Lanka Development Loan Scheme, an initiative which will be and catalyst for change in Sri Lanka and foster entrepreneurship and self-reliance. The SME sector which covers 75% of Sri Lankan entrepreneurs has long-since been identified as the engine of economic growth and we remain committed to partnering the Government's national development agenda by channelling funds to this sector to help lifting Sri Lankan village economy to global value chain through increased business opportunities. Since its introduction, BoC has proactively sought to support entrepreneurial ventures through the Enterprise Sri Lanka loan Scheme and I am extremely proud to report that the Bank is the largest lender of this programme to date with accounting to more than 40% market share of loans disbursed under Enterprise Sri Lanka. By end-December 2018 the Bank had disbursed over 10,500 facilities with a total value of LKR 13.6 billion under this scheme. BoC has actively participated to the Enterprise Sri Lanka Loan scheme by operating 11 credit schemes out of 16 schemes offered under this initiative. Some of this schemes which BoC partnered includes “Green Loan”, a special loan scheme to promote green technology and environmentally-friendly businesses. “Rivi Bala Savi”, a dedicated loan scheme to promote renewable

energy generation. BoC is also a lending partner in the “Erambuma” loan scheme, a unique programme which aims to promote entrepreneurship among the country's youth thereby reducing inequalities and ensuring decent work for all.

The BoC recorded portfolio and pre-tax profit growth of 24% and 5% respectively during the year. While the Bank saw a weakening of its portfolio quality, the escalation in impairment occurred at a relatively slower rate in comparison to industry counterparts given the Bank's stringent collection and monitoring frameworks. The Bank maintained its market leadership position accounting for 22% and 24% of the industry's loans and deposits by end-December 2018. We also emerged as the first Sri Lankan bank to cross the LKR 2.0 trillion milestone in assets, further cementing our position as the country's No. 1 Bank.

Our value creation efforts and customer experience are facilitated by the motivated and dedicated BoC team and during the year we sought to further enhance our employee value proposition. We seek to provide opportunities for training and career development in a conducive and challenging work environment while ensuring competitive remuneration. During the year, we successfully negotiated and finalised the collective agreement for the next three years with enhanced benefits to all employees.

### Corporate Governance

The Bank's corporate governance framework has evolved to embrace legal and compliance requirements as well as emerging industry best practices and is founded on the highest standards of corporate conduct and ethics. During the year under review, 23 Board meetings were held and a new Board of Directors was appointed in February 2019.

Main areas of focus of the Board of Directors included strategy formulation for 2019-2021 in the areas of, IT and cyber security risk management and preserving portfolio quality. A dedicated ICT subcommittee was also established during the year with the aim of assisting the Board in fulfilling its responsibilities regarding the deployment of technology across the Bank. The policy framework was reviewed during the year subsequent to which an Information Security Policy, Anti-bribery and Anti-corruption Policy were introduced.

## Commitment to Sustainability

As an entity driven by both financial and social objectives, sustainability considerations are embedded into all aspects of our operations. During the year we sought to further align the Sustainable Development Goals (SDGs) to the Bank's Sustainability Policy and are currently driving organisation-wide efforts in encouraging teams to pursue projects which can directly contribute towards Sri Lanka's achievement of SDGs.

Having mentioned those, I am extremely humbled to report that BoC was ranked among the country's top 10 Best Corporate Citizens by the Chamber of Commerce- the only state institution to receive this prestigious recognition. Our triple bottom line approach to value creation is also reflected in our corporate reporting as we continue to adopt the Integrated Reporting Framework and the GRI Guidelines for Sustainability Reporting. Our excellence in corporate reporting was recognised at the South Asian Federation of Accountants (SAFA) Best Presented Annual Report Awards 2018 where our 2017 Annual Report became the winner. The Report also won

the gold award in the State Institutions sector at the CA Sri Lanka Annual Report awards for the second consecutive year.

## Way Forward

Sri Lanka's long-term growth prospects are extremely encouraging. Policy impetus towards strengthening entrepreneurial activities, recommencement of large infrastructure projects, a booming tourism industry and stabilisation of macro-economic fundamentals are expected to augur well for the economy presenting numerous opportunities for the country's financial sector. BoC will maintain focus on the objectives clearly outlined in its Corporate Plan with emphasis on driving customer centricity, supporting the country's SME sector and embracing digital transformation.

## Acknowledgements

As we look forward to an exciting 2019, I wish to extend my gratitude to my colleagues on the Board for their continued support in providing strategic direction to the Bank. I also wish to congratulate the General Manager Mr Senarath Bandara, the members of the management and the BoC team for their untiring efforts and commitment in delivering our strategic aspirations. Our sole shareholder, the Government of Sri Lanka has always been a pillar of strength and I wish to place on record my gratitude to the Hon. Minister of Finance and the Hon. Minister of Public Enterprise and Kandy Development and the officials of the respective Ministries for their continued support. My appreciation also goes out to the Governor and officials of the Central Bank of Sri Lanka and the Auditor General and his staff for assisting the Bank in navigating these uncertain

times. Our customers are at the heart of everything we do, and I am deeply grateful for their unstinted loyalty and partnership throughout the Bank's remarkable journey. I also wish to thank all our other stakeholders including suppliers, business partners, trade unions and communities for supporting our value creation efforts and enabling us to contribute towards the country's socio-economic development.



**Ronald C Perera PC**  
Chairman

19 March 2019  
Colombo

## GENERAL MANAGER'S REVIEW







**“I am proud to report that the Bank retained its position as the undisputed leader in Sri Lanka’s financial services industry, crossed the LKR 2.0 trillion mark in assets, was ranked as Sri Lanka’s No.1 brand..”**



Dear Stakeholder,

The Bank of Ceylon demonstrated strong resilience in a year of numerous external challenges, delivering on its stakeholder commitments and creating shared value across its diverse stakeholders. It is therefore my pleasure to set before you an overview of the factors that shaped our strategy and performance in 2018 along with our prospects for the future. In a year of momentous achievements, I am proud to report that the Bank retained its position as the undisputed leader in Sri Lanka’s financial services industry, crossed the LKR 2.0 trillion mark in assets, was ranked as Sri Lanka’s No.1 brand for the 10th consecutive year and received 22 local and international awards for multiple aspects of its operations. These achievements are a testament to the Bank’s ability to navigate market volatilities and uncertainty through the effective execution of a relevant and robust strategy.

## A Holistic Strategy

Our strategic agenda for 2018 was guided by the Bank’s Corporate Plan for 2018-2020 themed ‘Refine and Define the Bank for the future.’ The Plan is centered on nine strategic pillars including customer centricity, geographical expansion, technology and cyber security and people development (among others) which are aimed at building a competitive and future-fit Bank given unprecedented changes in technology, regulatory developments, customer preferences and sophistication. Key areas of strategic focus during 2018 were;

- SME and Development lending:** In aligning with the Government’s national development agenda of supporting entrepreneurship and strengthening the country’s SME sector, the Bank pursued deeper penetration of this segment, particularly through the Enterprise Sri Lanka loan scheme. This has afforded us the opportunity of accessing a new customer base while diversifying our portfolio and contributing to the country’s socio-economic development. In 2018 the Bank disbursed LKR 13.6 billion through 10,507 facilities under the Enterprise Sri Lanka loan scheme, emerging as the largest lender of this programme.
- Digitisation:** The digital revolution in financial services has occurred at an unprecedented rate, transforming the way banks interact with their customers. For BoC, driving digital adoption in our target market has been an added challenge given customer demographics. However, we have continued to enhance our digital platforms and self-banking channels with the aim of enhancing customer accessibility and convenience.
- Preserving portfolio quality:** The moderation in macro-economic fundamentals led to increased repayment pressure with all banks seeing a weakening of portfolio quality. The Bank’s efforts towards strengthening credit appraisal criteria and deploying increased resources towards collection and monitoring enabled it to withstand these pressures to a certain degree with its gross NPA ratio clocking in at 3.6%.
- Customer centricity:** We are firm believers of the fact that a delighted customer is the greatest asset to the organisation and we adopted numerous measures to develop a more customer-centric approach. Given increasing customer sophistication and awareness, a customer centric approach is an essential source of competitive advantage. Driving improved customer convenience and value for money will be core elements of our strategy and a vital part of the Bank’s value proposition to customers.
- Employee capacity building:** In 2018 we recruited around 1,600 young employees to our team resulting in a reduction of the average age of our employee to 32 years. While contributing towards the dynamism and vibrancy of the team, this has also underscored the importance of strengthening our talent development proposition in ensuring that new employees align with the Bank’s strategy, systems and processes and organisational culture. During the year we invested LKR 338.0 million in training.

The Bank relaunched its online banking platform, the Smart Online Banking along with the B app in 2018 with advanced features, introduced BOC DIGI centres and expanded its network of CRMs and ATMs.

## GENERAL MANAGER'S REVIEW



**“Our brand attributes of trust and stability is a key source of competitive edge allowing us to nurture meaningful and long-term customer relationships.”**



- **Sustainability:** As Sri Lanka's largest financial institution and one of the country's most impactful organisations we believe that we have a vital role to play in addressing the country's most critical economic, social and environmental issues and contributing towards the achievement of the country's Sustainable Development Goals (SDGs). During the year we formalised the Bank's Sustainability Framework to make it more align with the SDGs, driving concerted efforts across the Bank in achieving our sustainability agenda.

### The Triple Bottom Line...

With an unmatched customer penetration of over 62%, the country's most extensive geographical reach and the largest advances and deposits portfolio in the industry, the Bank's socio-economic impact on the country is undeniable. As a state-owned entity and a systemically important bank our objectives extend beyond mere financial returns to encompass wider social and economic objectives in ensuring that we generate sustainable value across our stakeholder universe. As such the concept of triple bottom line is deeply embedded to our ethos, calling for co-ordinated thinking which ultimately results in the ethical and responsible creation of shared value.

### People

Our value creation is driven by a team of 8,724 dedicated and competent professionals who facilitate our customer experience and drive our strategic ambitions. A unique employee value proposition centered on opportunities for training and skill development, a conducive work environment and a high level of engagement has allowed the Bank to emerge as one of the country's top employers. In 2018 total value created for our employees increased by 11% to LKR 18.9 billion while more than 93% employees were covered via training during the year.

We serve an island-wide base of over 13 million diverse customers, offering an array of advances, deposits and transactional products. Our brand attributes of trust and stability is a key source of competitive edge allowing us to nurture meaningful and long-term customer relationships. In recent years, strategic focus has been placed on strengthening our market position amongst the country's youth through enhancing our digital self-service channels and refining our brand strategy to attract a younger demographic.

An extensive rural network and a deep commitment towards driving economic empowerment has enabled the Bank to actively support the Government's financial inclusion agenda through providing access to affordable financing. The Bank's unique micro-financing initiative, "BoC Mithuru" is designed to nurture financial discipline and support the economic activity of the country's most underprivileged strata and

during the year we have disbursed LKR 64.4 billion among our SME and Micro-Financing customers. Customers we have offered Micro Financing facilities during the year accounts to over 496,000. The Bank also has over 50 credit schemes through which funding is channelled for specific developmental purposes.

### Profit

The Bank delivered a year of strong financial performance in 2018 achieving a 5% growth in pre-tax profit to LKR 31.9 billion despite an array of economic and industry challenges. The operating landscape during the year was characterised by global geopolitical tensions, a slowdown in Sri Lanka's construction sector and adverse weather conditions during the first half of the year which affected the agriculture sector. Despite these challenges the Bank recorded a loan growth of 24% supported by growth in the corporate and retail banking books. Although interest rates recorded an up-tick during the year the Bank maintained its lending rates in view of providing relief to customers. Accordingly, The Bank's net interest margin narrowed to 3.1%, from 3.2% the year before.

The entire industry witnessed a deterioration of portfolio quality during the year, reflecting economic stresses, increased indebtedness in the micro-financing sector and a weak agricultural sector. The Bank too was not insulated from these pressures although proactive collections and rigorous monitoring enabled BoC to preserve its credit quality

to a certain extent. The gross NPL ratio increased to 3.6% from 2.8% the year before. Reflecting the underlying quality of the portfolio and the implementation of the provisioning requirements of SLFRS-9, impairment charges on loans and advances increased by 48% during the year, compared to an industry escalation of 104%.

The Bank's total operating expenses increased by 19% during the year while the cost to income ratio of 38% is amongst the best in the industry. However, the Bank has reported LKR 9.6 billion of taxes on financial services with an increase of 32% and the income tax of LKR 12.4 billion with an increase of 38% YoY. Debt Repayment Levy (DRL) imposed under the new Inland Revenue Act and the removal of some concessions allowed previously had their impacts. Profit after tax showed a 9% decline with the resultant increase in tax charge.

During the year the Bank paid LKR 4.8 billion as dividend to the Government adding up the contribution made to the Government to LKR 24.2 billion when taxes are brought in to consideration.

The Bank maintained all its regulatory ratios above the required norms and successfully complied with the Basel III norms and the Financial Statements also has been prepared in line with the SLFRS-9 specifications.

## Planet

Although as a financial institution our direct impact on the environment is limited, we are cognisant of the role we can play in propagating good environmental practices through our lending and in our own activities and operations. A comprehensive Environmental and Social screening framework is in place for lending, ensuring that environmental and

social considerations are embedded into the credit appraisal mechanism. The Bank also proactively lends towards 'green projects' including the installation of solar panels, waste to energy projects and wind projects. I am also extremely proud to report that we have converted 27 of our branches to solar energy resulting in the contribution of 1 MW of renewable energy to the national grid.

## Balancing Profitability and Stability

Implementation of the Basel III guidelines and the higher provisioning requirements resulting from SLFRS-9 have placed greater demand on banks to enhance capital. As an entirely state-owned institution the challenge is further compounded for BoC as we are unable to access the equity market for capital augmentation. An equity infusion of LKR 5.0 billion by the Government during the year has strengthened the Bank's financial position although we will be required to astutely balance growth aspirations with capital requirements in the coming year. While the implementation of SLFRS-9 will lead to a more resilient banking sector, it has required a substantial change in the mindset of both employees and customers and, in the short-term, has led to increased complexity.

## Way Forward

As we embark on the Bank's 80th anniversary in 2019, I look forward to an exciting and eventful year in which we will continue to drive towards fulfilling our economic and social aspirations. The macro-economic environment is expected to record improvement over the medium to long term given effective monetary policy, more conducive weather patterns, stabilising oil prices and gains made on the policy front. Our strategy

will be directed towards capitalising on the opportunities presented by a growing economy while aligning ourselves with the national development agenda. Improving customer centricity, people development, brand enhancement and preserving portfolio quality will be key areas of priority during the year as we consolidate our position as Sri Lanka's leading financial institution.

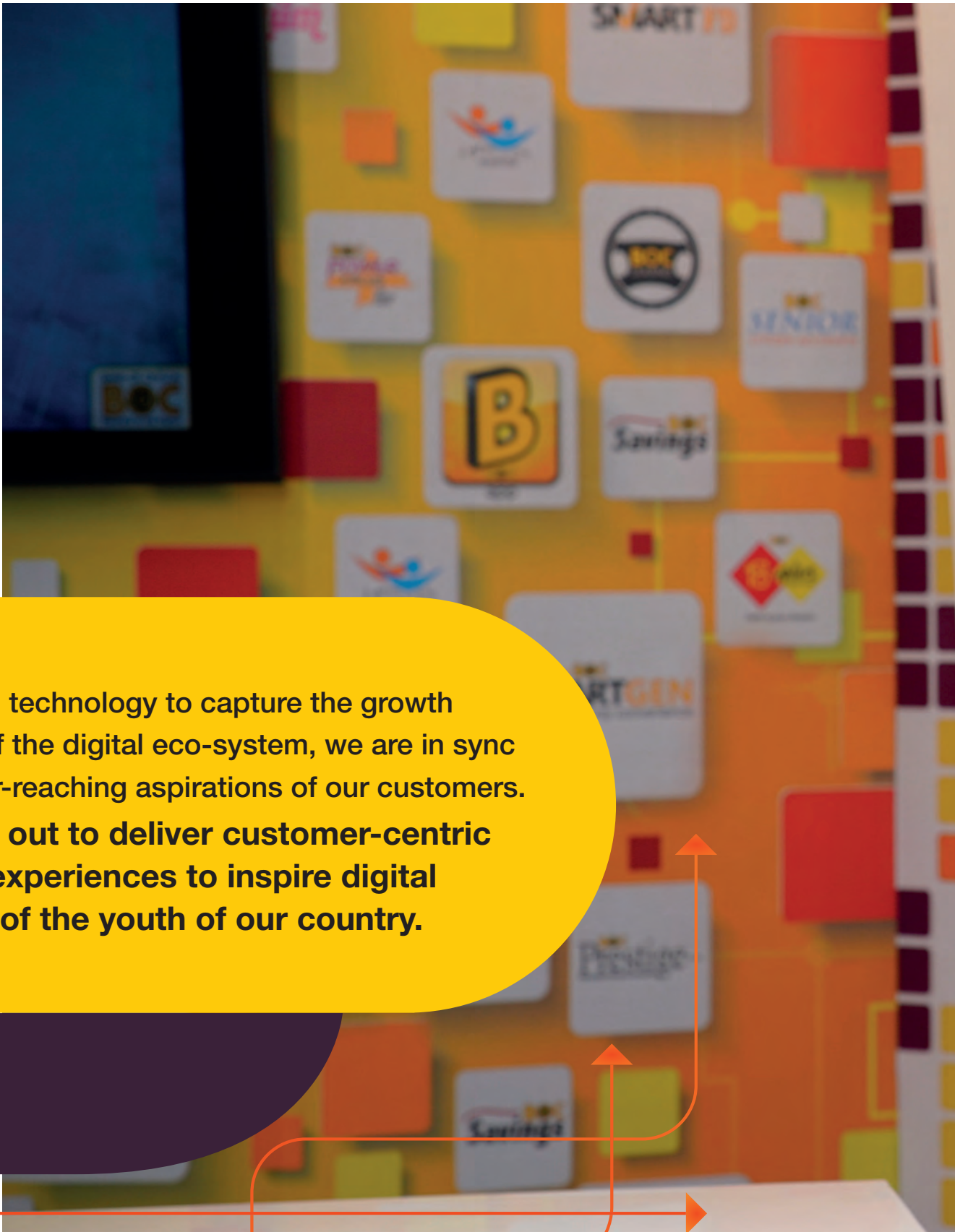
## Acknowledgements

As the year draws to a close, I would like to extend my gratitude to the Chairman and the Board of Directors for their vision and valuable counsel. I am extremely proud to lead such a dedicated team and wish to thank the Corporate and Executive Management, all employees for their commitment and efforts in delivering the results set out in this Annual Report, the trade unions for their cooperation and the former employees and our valued customers for their continuous loyalty to our Brand. I also wish to thank the Minister of Finance and Minister of Public Enterprise and Kandy Development and officials of these ministries for their continued support. The Central Bank of Sri Lanka has provided sterling support in ensuring the creation of a stable and resilient financial sector and I wish to express my appreciation of their efforts. 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.



**Senarath Bandara**  
General Manager

19 March 2019  
Colombo



Leveraging technology to capture the growth potential of the digital eco-system, we are in sync with the far-reaching aspirations of our customers. **We reach out to deliver customer-centric banking experiences to inspire digital lifestyles of the youth of our country.**



## OVERVIEW OF BANK OF CEYLON

Bank of Ceylon is the undisputed market leader in Sri Lanka's banking sector and one of the country's most economically and socially impactful organisations. Accounting for a respective 22% and 24% of industry assets and deposits 2018, the Bank is a financial powerhouse with a customer penetration rate of approximately 62%, and the industry's most extensive network of 1,714 direct customer contact points across the island. As a fully-state owned entity, BoC has directly contributed to the country's socio-economic development, partnering the growth of individuals, entrepreneurs, businesses and the Government for nearly eight decades. The Bank's international reach is fortified through three overseas branches, one foreign subsidiary, 758 correspondent banks and 101 exchange companies in 170 markets. BoC is powered by a team of 8,724 island-wide employees who serve a base of over 13.4 million customers.

The Bank has 10 subsidiaries and four associate companies which collectively form the BoC Group. Subsidiaries are involved in diverse operations ranging from financial services, property management services and hydropower generation among others. The Bank is by far the largest entity within the Group, accounting for 98% of consolidated assets.

As a systemically important state-owned financial institution, the Bank's role extends beyond that of mere financial intermediation. BoC plays a focal role in providing access to finance to underserved segments, promoting financial literacy, partnering the Government in national development projects while maintaining public confidence in the financial system and safeguarding public interest.

The Bank has obtained credit ratings from both international and domestic accredited credit rating agencies and successfully maintained its rating throughout the year.

### Market Position

Sri Lanka's largest financial institution in terms of assets, loans and advances, deposits and profit.

LKR  
**2.3**  
trillion  
Assets

LKR  
**1.8**  
trillion  
Deposits

### Financial Stability

**AA+(Ika)**  
Stable

Fitch Ratings Lanka (SL)

**AAA Stable**

ICRA Lanka Limited

### Beyond the Numbers

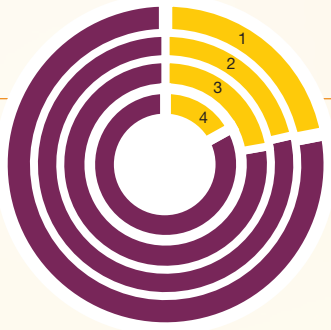
LKR  
**24.2**  
billion

Value Created to  
the Government  
(Dividends + Taxes)

### A Sustainable Business

LKR  
**338.0**  
million

Investment in  
training and  
development



- 1. Assets **22%**
- 2. Deposits **24%**
- 3. Gross Loans and Advances **22%**
- 4. PBT **17%**

Sri Lanka's No.

**1**  
**Brand**

*Brand Finance and Inter-brand rankings*

**13.4 million**  
**Customers**  
(62% of population)

**1,721**  
**Customer touch points**  
(direct)

**B2 Stable**  
**Moody's**  
**Investor Services**  
**B Stable**  
**Fitch Ratings**

**Unqualified audit**  
**opinion over the years**

**10.3%**  
CET 1 Capital

**14.6%**  
Total Capital

**1.5%**  
ROAA

**LKR**  
**64.4**  
**billion**

Disbursements to the  
SME and Micro Finance Sector

**LKR**  
**139.3**  
**billion**

Lending to  
Infrastructure  
Projects

**LKR**  
**551.5**  
**billion**

Investments in  
Government  
Securities

**27**  
**Solar powered**  
**branches**

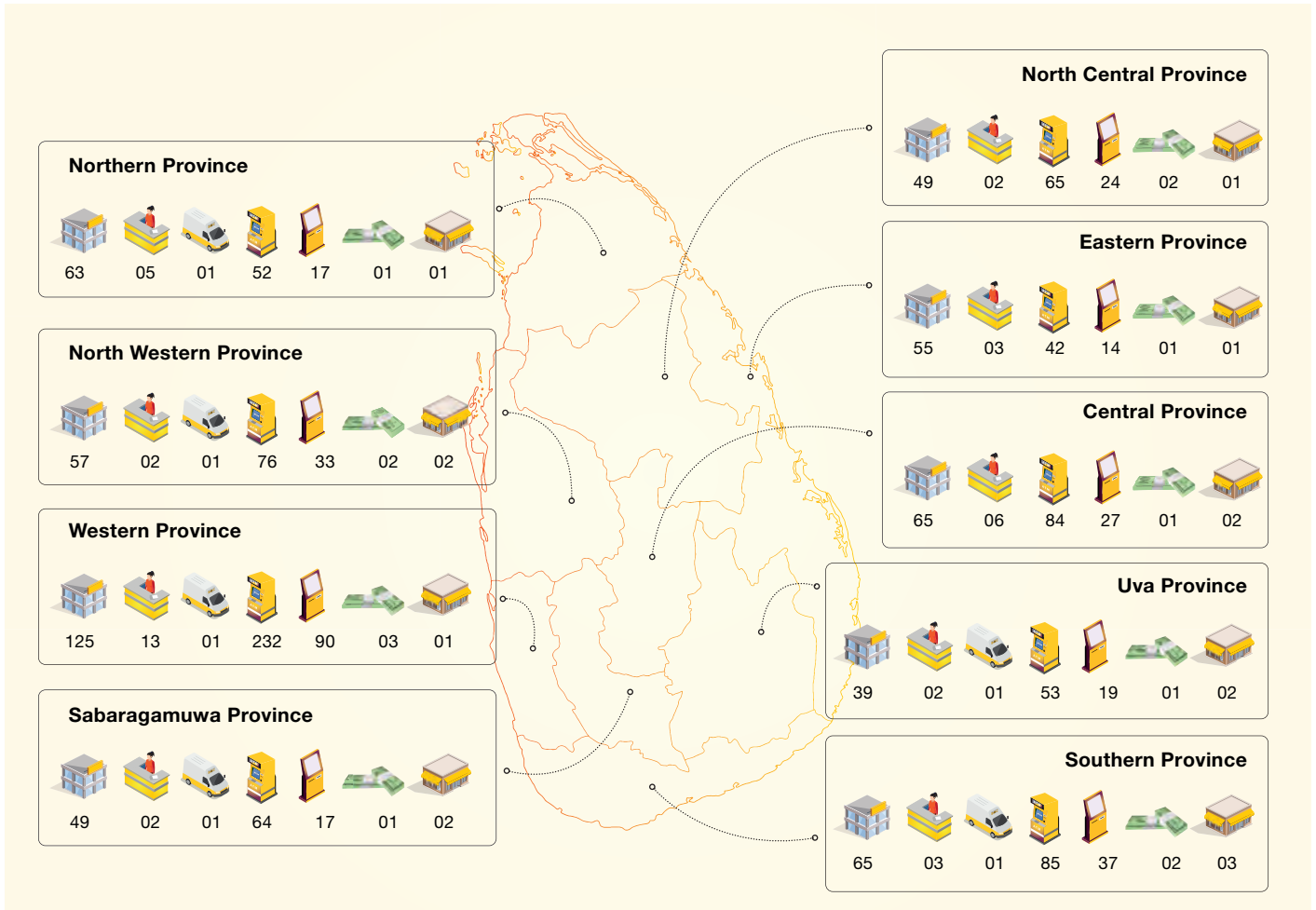
**LKR**  
**3,600.0**  
**million**  
Lending to  
renewable energy

**7 million**  
sheets of A4 paper  
savings from digital  
initiatives

**LKR**  
**107.9**  
**million**  
Investment in  
CSR

# OVERVIEW OF BANK OF CEYLON

## Our Footprint



### Corporate and Overseas Customer Touch Points

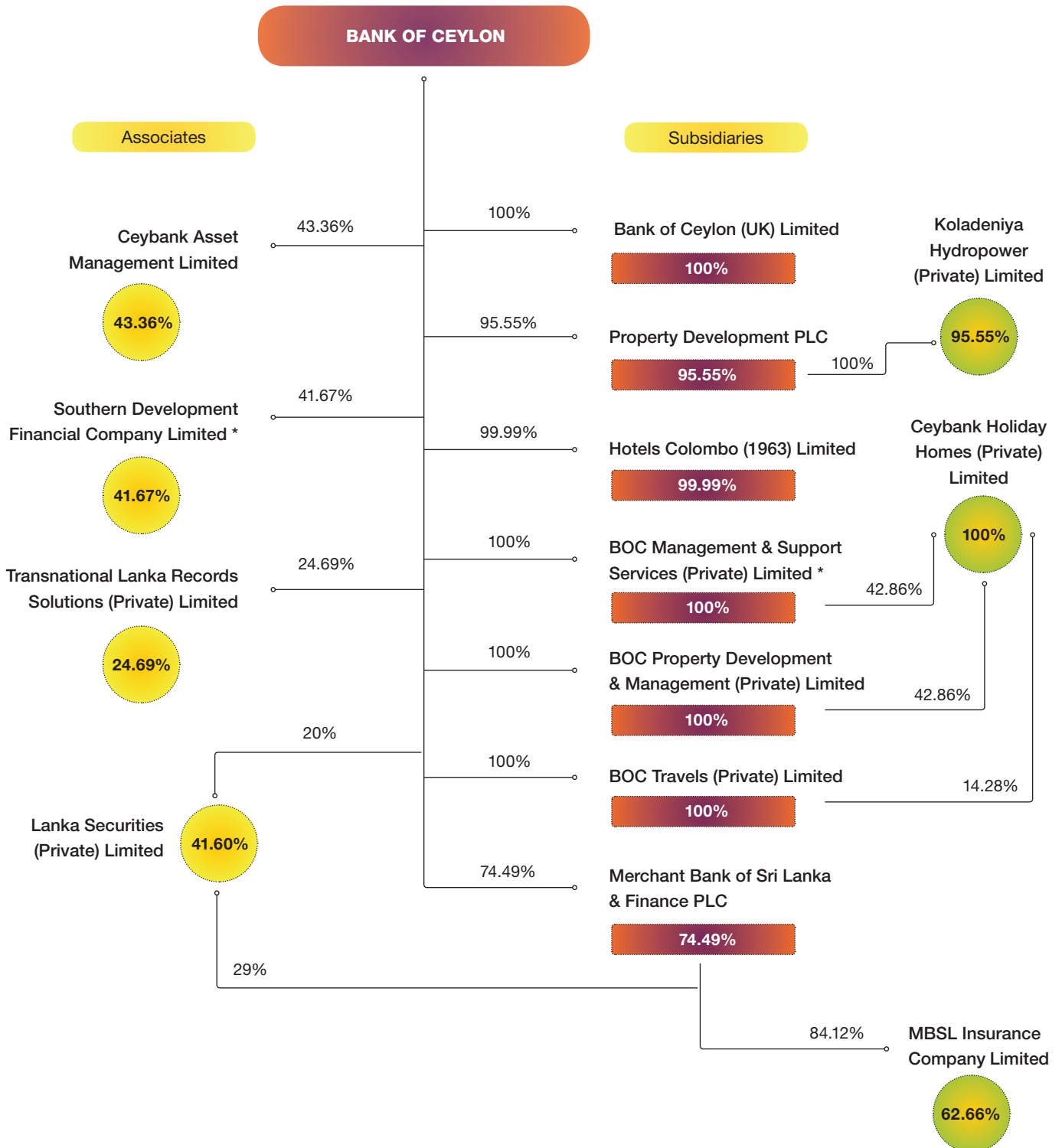
	Branches	Limited Service Branches	ATMs	CDMs/CRMs
Corporate Branches	05	14	17	03
Premier Banking	1	-	1	-
Overseas Branches	3	-	4	-
FCBU	1	-	-	-
Mobile Unit	-	-	1	-

### Total Customer Touch Points

	Branches	577
	Limited Service Branches	52
	Mobile Branches	06
	ATMs	776
	CDMs/ CRMs	281
	Regional Loan Centres	14
	SME Centres	15



## Group Structure



\* Not in Operation

## BOARD OF DIRECTORS



1. Mr Ronald C Perera, PC- Chairman/ Independent Non-Executive Director
2. Mr K A Vimalenthirarajah- Ex-officio Director/ Non-Independent Non-Executive Director
3. Mr Kumar Mayadunne- Independent Non-Executive Director
4. Mr P A Schaffter- Independent Non-Executive Director
5. Ms Janaki Senanayake Siriwardane- Secretary, Bank of Ceylon/ Secretary to the Board



**Mr Ronald C Perera, PC**

**Chairman**

**Independent Non-Executive Director**

**Date of Appointment:**

12 February 2019 (Assumed duties on 14 February 2019)

**Skills and Experience:**

Mr Perera is a President's Counsel with extensive experience in the original courts as well as in the Court of Appeal and Supreme Court with expertise in Civil and Criminal litigation, negotiation and drafting of commercial and transport contracts and agreements. He has specialised in the areas of Commercial Law, Banking Law, Industrial Law, Injunctions, Defamation, Election Petitions, Civil Appeals, Revision Applications, Writ Applications and Fundamental Rights Cases. He has also appeared in several Commercial Arbitrations.

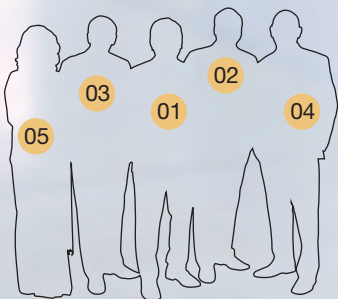
He holds a Bachelor of Laws (LLB) from the University of Colombo and a Master of Laws (LLM) in International Trade Law from Northumbria University, United Kingdom.

**Other Appointments:**

Acting Chairman of Hotels Colombo (1963) Limited.

**Previous Key Appointments:**

Chairman and Director of Bank of Ceylon, Chairman, Bank of Ceylon (UK) Limited, Chairman of Merchant Bank of Sri Lanka and Finance PLC, Director of Mireka Capital Land (Private) Limited and Mireka Homes (Private) Limited.



## BOARD OF DIRECTORS



### Mr K A Vimalenthirarajah

**Ex-officio Director**

**Non-Independent Non-Executive Director**

#### Date of Appointment:

27 February 2019

#### Skills and Experience:

Mr Vimalenthirarajah is an Attorney - at - law who counts over 24 years of experience in the public service. He holds a Special Degree in Economics from the University of Jaffna, Master of Philosophy in Economics from the University of Peradeniya, Master of Business Administration from the University of Moratuwa and Bachelor of Laws from the Open University of Sri Lanka. He has also completed a Postgraduate Diploma in Development Studies and Public Policy, a Postgraduate Diploma in International Relations, a Diploma in Human Resource Management and a Diploma in Information Technology.

#### Other Appointments:

Director General-Department of Fiscal Policy at the General Treasury, Member of the National Trade Negotiation Team of Sri Lanka and the Country Director to the SAARC Development Fund. Currently he is also representing the Treasury on the Boards of Sri Lanka Tourism Promotion Bureau, Board of Investment of Sri Lanka, Ceylon Petroleum Corporation, the Sri Lanka Insurance Corporation and the Institute of Human Resource Advancement of the University of Colombo.

#### Previous Key Appointments:

Alternate Director to the previous Ex-officio Director of Bank of Ceylon, Director General of the Department of Trade and Investment Policy, Senior Assistant Secretary in charge of Administrative Reforms, the Chief Information Officer of the Ministry of Public Administration and Home Affairs, Minister Counsellor of the Sri Lanka Embassy in Beijing, China.



### Mr Kumar Mayadunne

**Independent Non-Executive Director**

#### Date of Appointment:

21 February 2019

#### Skills and Experience:

Mr Mayadunne is a retired Banker with over 45 years of multi-disciplinary banking experience covering the areas of Strategy, Treasury, Operations, Personal Banking, Compliance, International Operations and Business Process Re-engineering. During the early stages of the introduction of the free economy he contributed immensely to establish the Foreign Exchange market operations and was widely credited for the introduction of Custodial Services to foreign clients to facilitate their stock market operations in Colombo. More recently as the Chief Operating Officer of SANASA Development Bank, he gave leadership to their transformation process through an International Finance Corporation assisted project.

Mr Mayadunne is an alumnus of the Ashridge Business School, United Kingdom, holds a Diploma in Bank Management and has had extensive overseas training and attachments with Standard Chartered Bank's overseas operations.

#### Other Appointments:

Banking Consultant

#### Previous Key Appointments:

Held many senior positions at Standard Chartered Bank, People's Bank, Nations Trust Bank and SANASA Development Bank. He also served as a Banking Consultant at M/s Ernst & Young, Chartered Accountants and as an Independent Director at Indra Finance Limited.



### **Mr P A Schaffter**

Independent Non-Executive Director

#### **Date of Appointment:**

26 February 2019

#### **Skills and Experience:**

Mr Schaffter is a Fellow of the Chartered Insurance Institute of the United Kingdom with over 25 years of experience in the Insurance industry in both Sri Lanka and the United Kingdom. He holds a Master's in Business Administration from the University of Cambridge, United Kingdom and a Bachelor's Degree in Political Science from the University of London, United Kingdom.

#### **Other Appointments:**

Chairman of Janashakthi Insurance PLC, Director of Janashakthi PLC, Orient Finance PLC (formerly Bartleet Finance PLC), Dunamis Capital PLC and First Capital Holdings PLC.

#### **Previous Key Appointments:**

Held Board positions at Softlogic Finance PLC, Kanrich Finance PLC and Acland Insurance Brokers. He also served as Director/ General Manager at Janashakthi Insurance Company Limited and Managing Director of Janashakthi Insurance PLC. He is also a former President of the Insurance Association of Sri Lanka.



### **Ms Janaki Senanayake Siriwardane**

Secretary, Bank of Ceylon/ Secretary to the Board

Profile given on page 33.

## CORPORATE MANAGEMENT



### Seated (Left to Right)

Ms Gaya Jayasinghe, Mr Senarath Bandara (General Manager), Mr W P Russel Fonseka, Ms Janaki Senanayake Siriwardane

### Standing (Left to Right)

Mr M J P Salgado, Dr Induniil Liyanage, Mr W N P Surawimala, Mr P M Liyanage, Mr C Amarasinghe, Mr D M L B Dassanayake, Mr K E D Sumanasiri, Mr M M Luxaman Perera, Mr R M D Vipula Jayabahu, Mr E M Jayaratne, Ms W I Hettihewa, Mr D P K Gunasekera, Mr D N L Fernando



## CORPORATE MANAGEMENT



### Mr Senarath Bandara

General Manager

Appointed as the General Manager on 22 February 2018

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

#### Directorships in Group of Companies:

Merchant Bank of Sri Lanka & Finance PLC, Hotels Colombo (1963) Limited, Koladeniya Hydropower (Private) Limited, BOC Management & Support Services (Private) Limited, BOC Property Development & Management (Private) Limited, BOC Travels (Private) Limited, Bank of Ceylon (UK) Limited, Ceybank Asset Management Limited

#### Skills and Experience:

Mr Bandara is a career banker counting over 29 years of experience in different aspects of banking locally and overseas.

He graduated from the University of Kelaniya, Sri Lanka with Bachelor of Science Degree in Physical Science and obtained his 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. He has successfully completed the Advanced Management Programme conducted by the Harvard Business School (HBS), USA and is a member of the Alumni of the HBS, USA as well.

#### 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 serves as the present Chairman of the Asia Pacific Rural and Agricultural Credit Association (APRACA) and as a member of the Governing Board of the Institute of Bankers of Sri Lanka as well. He is also the immediate Past President of Association of Professional Bankers of Sri Lanka, the premier body of professional bankers in Sri Lanka.

#### Career Milestones:

Mr Bandara commenced his career with the Bank in 1990 and gained exposure both locally and internationally, mainly in the fields of information systems, investment, 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 initiatives 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.



### Mr W P Russel Fonseka

Chief Financial Officer/  
Deputy General Manager  
(Corporate and Offshore Banking)

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

#### Directorships in Group of Companies:

Merchant Bank of Sri Lanka & Finance PLC, Property Development PLC, Ceybank Asset Management Limited, Lanka Securities (Private) Limited, Transnational Lanka Records Solutions (Private) Ltd., Transnational Lanka (Private) Ltd.

#### Skills and Experience:

Mr Fonseka carries more than 29 years of extensive experience in both local and international commercial banking operations, specialising in financial management, corporate and strategic planning, budgetary control systems, investments and treasury management, retail banking and corporate and offshore banking activities of the Bank.

He graduated from the University of Sri Jayewardenepura, Sri Lanka with a Bachelor of Science (Special) Degree in Business Administration and obtained Master's Degree in Business Administration from the University of Southern Queensland, Australia. He holds a Postgraduate Diploma in Management from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, Sri Lanka and has successfully completed the Advanced Management Programme conducted by the Harvard Business School, USA.



Mr Fonseka is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, an Associate Member of the Institute of Bankers of Sri Lanka and a Member of the Alumni of the Harvard Business School of USA as well.

#### **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) -  
February 2017 to March 2018

Deputy General Manager (Corporate and  
Offshore Banking) – Since March 2018

#### **Other Positions Held During the Year:**

Mr Fonseka serves as an Alternate Director on the Board of LankaClear (Private) Limited and acts as the Chairman of the Audit Committee of same since November 2012. He acts as the Chairman to Audit Committees of Merchant Bank of Sri Lanka & Finance PLC and Property Development PLC as well.

#### **Career Milestones:**

Commencing the banking career in 1990 as a Management Trainee, Mr Fonseka acquired profound knowledge and intensive experience in retail banking, first serving at branch level. He has also gathered comprehensive knowledge and hands-on experience in treasury management and international banking activities while serving at the Bank of Ceylon London branch.

With his assignment to the Finance and Planning Division, Mr Fonseka pioneered in transiting the finance and planning operations to a new phase and was instrumental in reforming working structures of Finance Division, including instigating of a separate unit for Taxation, through which a systematic taxation procedure was implemented and monitored in branch network. He guided and lead the finance team to bring about the Bank's Annual Report to a competitive standard, resulting local and international acclaims upon the Bank with numerous Awards.

Being the Chief Financial Officer cum Deputy General Manager (Corporate and Offshore Banking), Mr Fonseka currently is of service of dissemination of his specialised knowledge in preparation and launching of the Bank's Corporate Plans, maintaining and controlling of the Bank's funds, monitoring of corporate and offshore banking activities and keeping a good rapport with Bank's customer base.



**Mr D P K Gunasekera**  
Deputy General Manager  
(International, Treasury and Investment)

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

#### **Directorships in Group of Companies:**

BOC Management & Support Services  
(Private) Limited

#### **Skills and Experience:**

Mr Gunasekera carries more than 39 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. Mr Gunasekera is 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 (PIM), 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) – From May 2013 to  
March 2018

## CORPORATE MANAGEMENT

Deputy General Manager (International, Treasury and Investment) – Since March 2018

### Other Positions Held During the Year:

Mr Gunasekera serves as a Director on the Board of Lanka Securities (Private) Limited and also a member of the Special Standing Cabinet Appointed Procurement Committee of the Ceylon Petroleum Corporation.

### Career Milestones:

Mr Gunasekera joined the Bank in 1980 and commenced his career in retail banking, obtaining a vast experience in branch network. He later served in Central Cash and Accounts Departments as well. He has also gathered an extensive knowledge in treasury and money market operations locally as a Dealer and globally as the Head of Treasury at Bank of Ceylon Chennai Branch and at the Bank of Ceylon London Branch, Dealing Room. Mr Gunasekera has also served as the Deputy Manager, Chennai Branch from 2008-2010.

He was the first Chief Dealer in Ceybank Securities Limited and also one of the pioneer members in setting up the middle office of the Bank of Ceylon Treasury Division. Mr Gunasekera 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:

Ceybank Holiday Homes (Private) Limited, Koladeniya Hydropower (Private) Limited

### Skills and Experience:

Mr Sumanasiri possesses 29 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 followed a “Special Management Course for Higher Management and Public Policy for Business Leaders” and a “Management Development Programme for Key Management Personnel”, both conducted by the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, Sri Lanka and a Leadership course at the Harvard Business School of Harvard University, USA.

### 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 leading role in uplifting of livelihood of the resettled people and contributing immensely to the boom of the economy of the Northern Province.



### **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 23 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:**

She 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.

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 also 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

#### **Directorships in Group of Companies:**

Merchant Bank of Sri Lanka & Finance PLC, Alternate Director in Property Development PLC

#### **Skills and Experience:**

Mr Fernando possesses over 33 years of remarkable service with Bank of Ceylon gathering specialised knowledge and experiences in diversified banking operations of 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:**

Commencing the banking career, Mr Fernando first served in branch network mainly in Central and Uva Provinces acquiring comprehensive knowledge and experience in retail banking operations of the Bank. He later served in Recovery, and Product and Development Banking Units where he was instrumental in introducing some innovative products and services. He has also gained splendid experiences in overseas banking operations while serving at Bank of Ceylon (UK) Limited for one year in 1995 and three years in Karachi Branch of the Bank in Pakistan.

Being in the capacities of Assistant General Manager (Western Province South) for four years and the Chief Executive Officer of Bank of Ceylon (UK) Limited for three years, Mr Fernando immensely contributed in stimulating and facilitating his staff in reaching towards Bank's interests. On his return to Sri Lanka, he was appointed the Chief Risk Officer of the Bank.

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

## CORPORATE MANAGEMENT



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

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

**Skills and Experience:**

Mr Perera counts over 33 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:**

BOC Management & Support Services (Private) Limited, BOC Travels (Private) Limited

**Skills and Experience:**

Ms Jayasinghe counts more than 35 years of experience in the legal field and possesses over 32 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 a Member of the Executive Committee of the 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 Hong Kong 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  
(Sales and Channel Management)

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

**Directorships in Group of Companies:**

Alternate Director in BOC Property Development & Management (Private) Limited, Merchant Bank of Sri Lanka & Finance PLC and BOC Travels (Private) Limited

**Skills and Experience:**

Mr Amarasinghe possesses over 29 years of outstanding service with the Bank, acquiring a profound knowledge and vast experience in branch banking, corporate and offshore banking and sales and channel management operations of the Bank.

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.

#### **Positions Held in Corporate Management:**

Deputy General Manager (Retail Banking-Range II) – From July 2016 to March 2018

Deputy General Manager (Sales and Channel Management) – Since March 2018

#### **Other Positions Held During the Year:**

Mr Amarasinghe serves as a Director of the Institute of Bankers of Sri Lanka (IBSL) and as an Alternate Director of Credit Information Bureau of Sri Lanka (CRIB). He has also been serving as the Vice President of the Association of the Professional Bankers of Sri Lanka.

#### **Career Milestones:**

Joining the Bank in 1990 and commencing the banking career as a Management Trainee, Mr Amarasinghe first obtained his hands-on experiences in retail banking and then in every aspect of corporate and offshore banking segments of the Bank with his assignment to the Corporate and Offshore Banking Division.

Mr Amarasinghe was well instrumental in enriching business operations and elevating the performance of corporate and offshore banking operations when he was spearheading the Division in the capacities of Assistant General Manager (Offshore Banking) and Assistant General Manager (Corporate Relations) prior to being appointed to the Corporate Management.

Being the Deputy General Manager (Sales and Channel Management), Mr Amarasinghe presently contributes with his splendid insights for providing tech-savvy and digitised banking experience to Bank's customers keeping in line with the Bank's digitisation journey.



**Mr M J P Salgado**  
Deputy General Manager  
(Product and Banking Development)

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

#### **Skills and Experience:**

Mr Salgado carries over 29 years of profound experience with the Bank specialising in 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 commenced his career in retail banking. Serving in different banking segments and in various capacities, Mr Salgado has obtained an in-depth knowledge, especially in domestic banking and credit card operations of the Bank.

Mr Salgado immensely contributed with his astounding knowledge and skills in implementing and supervising of various projects and operational units of the Bank such as, ISSP Implementation Unit, Special Project, BoC Contact Centre, BoC Premier, BoC Assurance Department and "Wenasa" Transformation Project, while being the Assistant General Manager (Province Sales Management).

Serving as the Deputy General Manager (Product and Banking Development) and overseeing the operations of Organisation Transformation Unit as well, Mr Salgado presently supervise the Electronic Banking Centre, Central Back Office, Product Development and Business Process Re-Engineering Project and amply contributes for providing of ultra-modern banking experience to tech-savvy customers through technologically developed innovative products and services. Keeping abreast with Bank's focus on digitisation, he was instrumental in bringing about Bank's recent 'one of its kinds' products and services such as BoC DIGI, Kiosk and etc. and is striving to find new means and avenues for thriving the business operations of the Bank.

## CORPORATE MANAGEMENT



### 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:

Transnational Lanka Records Solutions (Private) Limited.

#### Directorships in Group of Companies:

Merchant Bank of Sri Lanka & Finance PLC, Alternate Director in Koladeniya Hydropower (Private) Limited.

#### Skills and Experience:

Mr Jayabahu carries more than 29 years of service with Bank of Ceylon, acquiring both the percipient knowledge and extensive experience, specialising in finance, corporate and strategic planning operations of the Bank.

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

#### Career Milestones:

Joining the Bank as a Management Trainee in 1990, Mr Jayabahu embarked his banking career with rural and retail banking operations. Thereafter, he served in online core-banking implementation project until his assignment to the Finance and Planning Division of the Bank.

Throughout his tenure with the Bank, Mr Jayabahu has extended his services for numerous projects of the Bank such as, Implementation of 'on-line real time Core-banking solution', 'IFRS Project', 'Core-banking system upgrading project' 'Transfer Pricing System Implementation' and several other system implementation projects, guiding and imparting his knowledge and experiences with team members. He has been a resource person for many training programmes conducted by the Central Training Institute as well.

At present, he oversees the functions of Central Cash Department, Central Accounting and Tax Unit, Financial Accounting Unit, General Ledger Balancing Unit, Management Information System, Treasury Back Office, Research and Development Division and Sustainability Unit of the Bank. He is a member of many management committees of the Bank and serves as the Chairman of Bank's Non Performing Advance Management Committee.

Mr Jayabahu has been leading and guiding the Finance team for conducting of several Corporate Plans and Bank-wide Performance Reviews, as well as publishing of sophisticated Annual Reports that brought local and international fame and several Awards to the Bank.



### Mr D M L B Dassanayake

Deputy General Manager  
(Retail Banking – Range I and Range II)

#### Appointment to the Corporate

**Management:** December 2016

#### Skills and Experience:

Mr Dassanayake counts over 36 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 graduated from the University of Peradeniya, Sri Lanka with Bachelor of Arts (Economic Special) Degree and has obtained his Master's Degree in Business Administration from the Mahatma Gandhi University, India. He is an Associate Member of the Institute of Bankers of Sri Lanka and holds a Postgraduate Diploma in Business and Financial Administration from the Institute of Chartered Accountants of Sri Lanka as well.

#### Positions Held in Corporate Management:

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

Deputy General Manager (Retail Banking – Range I) - from February 2017 to March 2018

Deputy General Manager (Retail Banking – Range 1 and Range II)- Since March 2018

**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 to 2003, he served as the In-Charge of Trade Finance Operations at the Bank of Ceylon (UK) Limited, a subsidiary of Bank of Ceylon.

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



**Ms W I Hettihewa**  
Deputy General Manager  
(Support Services)

**Appointment to the Corporate Management:** August 2018

**Directorships in Group of Companies:**

Alternate Director in Hotels Colombo (1963) Limited

**Skills and Experience:**

Ms Hettihewa possesses over 35 years of hands on experience in various business and management operations in the Bank along with 28 years of extensive experience in branch network, specialising in both retail and corporate banking operations.

She graduated from the University of Sri Jayewardenepura, Sri Lanka with a Bachelor of Science (Special) Degree in Chemistry and also with Bachelor's Degree in Law from the Open University Sri Lanka. Ms Hettihewa is an Attorney-at-Law and a Member of the Bar Association of Sri Lanka as well. She is also an Associate Member of the Institute of Bankers of Sri Lanka.

**Career Milestones:**

She joined the Bank in December 1983 as a Management Trainee and commenced her career in branch banking, gathering a vast experience in retail banking. Gradually rising up her career ladder, Ms Hettihewa held several key positions of the Bank and she played a major role in corporate banking segment while she was spearheading the Metropolitan Branch.

Prior to being appointed to the Corporate Management, Ms Hettihewa held the positions of Assistant General Manager (Metropolitan), Assistant General Manager (Administrative Services) and Assistant General Manager (Southern Province) of the Bank.



**Mr E M Jayaratne**  
Deputy General Manager  
(Recovery Provinces)

**Appointment to the Corporate Management:** August 2018

**Skills and Experience:**

With a splendid career spanning over 36 years with Bank of Ceylon, Mr Jayaratne has acquired immense knowledge and gained astounding experiences in both

domestic and overseas banking operations in diversified banking segments of the Bank.

Mr Jayaratne holds a Master's Degree in Business Administration from the Wayamba University, Sri Lanka and a Post Graduate Executive Diploma in Bank Management from the Institute of Bankers Sri Lanka. He is also an Associate Member of the Institute of Bankers of Sri Lanka.

**Career Milestones**

Mr Jayaratne commenced his career with the Bank in 1982 and first served in the branch network obtaining a significant exposure in retail banking and later on, taking-up various positions in carrying out different assignments in both local and international banking operations. He played an impressive role being the Senior Credit Manager of BoC Malé Branch for three consecutive years rendering his service and guiding the staff with his specialised knowledge in credits.

He represented the Executive Management of the Bank in the capacities of Assistant General Manager (North Western Province) and Assistant General Manager (Province Sales Management) during the period from February 2014 to August 2018 prior to being appointed to the Corporate Management of the Bank.

## CORPORATE MANAGEMENT



**Mr W N P Surawimala**  
Deputy General Manager  
(Recovery Corporate)

**Appointment to the Corporate Management:** August 2018

### Skills and Experience:

In an illustrious career spanning over 27 years in Bank of Ceylon, Mr Surawimala has gained extensive experience in both local and international banking arenas, entailing all facets of commercial banking operations in diversified banking landscapes with his unique ability to deal with intricate banking challenges.

Mr Surawimala holds a Bachelor's (Special) Degree in Public Administration and Master of Science (M.Sc) in Management specialising in Banking and Finance, both from the University of Sri Jayewardenepura, Sri Lanka. He is an Associate Member of the Institute of Bankers of Sri Lanka and has also successfully completed the Management Development Programme for Key Management Personnel conducted by the Post Graduate Institute of Management (PIM), University of Sri Jayewardenepura, Sri Lanka.

### Career Milestones:

Mr Surawimala commenced his career with the Bank in 1991 as a Management Trainee and has worked in various operational segments of the Bank, including retail banking, corporate banking, offshore banking and recovery.

With his assignment to Chennai Branch as its Country Manager, during the period from 2014 to 2017, Mr Surawimala rendered a splendid service to transform the Chennai Branch to the status of 'Excellent', uplifting its performance mainly with his eminent blend of industry and people management skills. He was also an Executive Committee Member of India-Asia-Sri Lanka Chamber of Commerce and Industry in Chennai during the years 2015/17.

Prior to his elevation as the Deputy General Manager (Recovery Corporate), Mr Surawimala was spearheading the Offshore Banking activities of the Bank as an Assistant General Manager. Aligning with Bank's endeavoring aspiration of maintaining a healthy Balance Sheet, Mr Surawimala as the Deputy General Manager (Recovery Corporate), has taken pioneering initiatives for managing of Non-Performing Loan portfolio of the Bank and is striving for future achievements as well with his sustained focus on Bank's interests.



**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 29 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 Jayewardenepura, 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 19 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 & Young as a Qualified Assistant.

## EXECUTIVE MANAGEMENT



- 01. G A Jayashantha - Assistant General Manager - Offshore Banking
- 02. A De S Pinnaduwege - Assistant General Manager - Compliance
- 03. K T A E De Silva - Assistant General Manager - Electronic Banking Centre
- 04. D S Muthukudaarachchi - Country Manager - Chennai
- 05. B Nanthakumar - Assistant General Manager - Support Services
- 06. Y A Jayathilaka - Assistant General Manager - Central Province
- 07. A R F John Pulle - Assistant General Manager - Risk Management
- 08. G R De Silva - Assistant General Manager - Investigation



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- 09. H M M B Herath - Assistant General Manager - Sabaragamuwa Province
- 10. W B P Rathnayake - Assistant General Manager - Corporate Credit
- 11. J C A Kurundukumbura - Assistant Director - IT (Operations/Technical Support)
- 12. M D A Karunaratne - Assistant Director - IT (Delivery Channels)
- 13. H M C M Maldeni - Assistant Director - IT (Application Systems)
- 14. D M K S Dissanayake - Assistant General Manager - Eastern Province
- 15. M H S Mala - Assistant General Manager - Development Banking
- 16. M J Prabakaran - Assistant General Manager - Northern Province

## EXECUTIVE MANAGEMENT



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- 17. H P K Silva - Assistant General Manager - Western Province North
- 18. A M R D Subasinghe - Assistant General Manager - Pettah Branch
- 19. P P M Wijesekara - Assistant General Manager - Marketing
- 20. B K Gurusinghe - Country Manager - Malé
- 21. A D S Indrani - Assistant General Manager - Training and Development
- 22. M P Ruwan Kumara - Assistant General Manager - Budget, Strategic Planning and MIS
- 23. W Ranjith - Assistant General Manager - North Central Province
- 24. A G Sirinimal - Assistant General Manager - Uva Province



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- 25. S T K Hewage - Deputy Chief Legal Officer - Recovery
- 26. M D C Nilantha - Chief Executive Officer - Bank of Ceylon (UK) Limited
- 27. L J Dissanayake - Country Manager - Seychells
- 28. K G C Deepal - Assistant General Manager - Information Systems Audit
- 29. J Gnanasambanthan - Assistant General Manager - Investment Banking
- 30. P N Gomes - Assistant General Manager - Superannuation Schemes
- 31. T Perera - Assistant General Manager - Branch Credit - Range I
- 32. L A R Seneviratne - Assistant General Manager - Credit, Province and Branch Audit

## EXECUTIVE MANAGEMENT



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- 33. R M M Weerasekera - Assistant General Manager - Metropolitan Branch
- 34. R M K S M Ratnayake - Deputy Chief Legal Officer - Credit
- 35. M M R P Fernando - Assistant General Manager - Trade Services
- 36. M T Karunaratne - Assistant General Manager - Recovery Corporate
- 37. K P Mallika - Assistant General Manager - Treasury Back Office
- 38. I S N Perera - Assistant General Manager - Western Province South
- 39. M R N Rohana Kumara - Assistant General Manager - Recovery Provinces
- 40. K A P K Samarakoon - Assistant General Manager - Overseas Branches



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- 41. S P C K Fernando - Assistant General Manager - Corporate Relations
- 42. R M N Jeewantha - Assistant General Manager - Treasury
- 43. P D S Liyanage - Assistant General Manager - North Western Province
- 44. Zeena Ruwais - Assistant General Manager - Product Development and Business Process Re-Engineering Project
- 45. S Sivanjan - Assistant General Manager - International
- 46. K A D Wijayawardhena - Assistant General Manager - Human Resources Operations
- 47. G K G M Bandara - Assistant General Manager - Administrative Services
- 48. D R C S Udayakumari - Assistant General Manager - Southern Province







BANK OF CEYLON

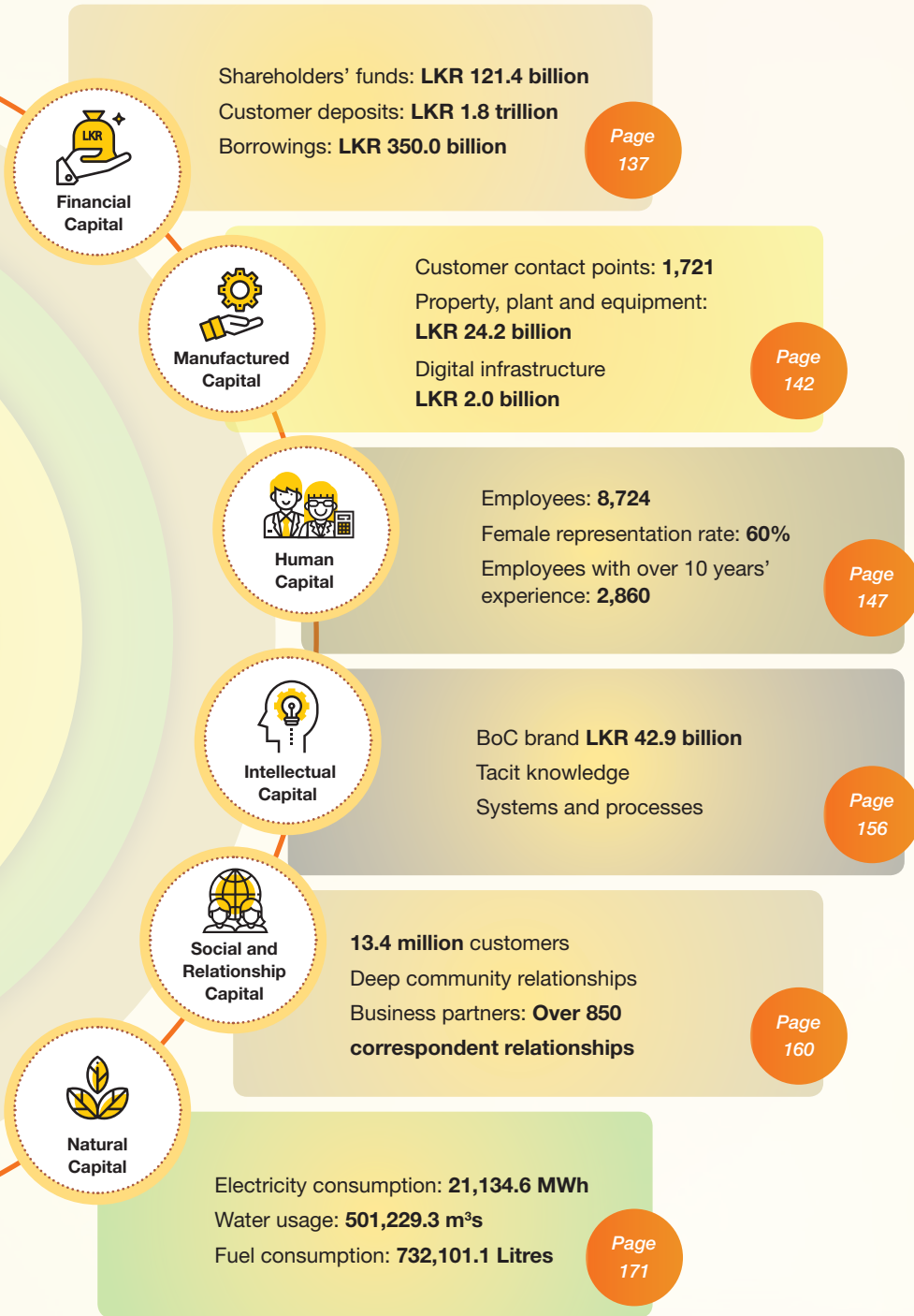
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Children are the creators and shapers of the future.  
We are committed to nurture and guide our future generations towards the right path by spearheading many initiatives that empower and motivate them to tap into their boundless energy, zeal and enthusiasm.  
**We believe these initiatives will have the power to transform our nation towards greater heights of success.**

# APPROACH TO VALUE CREATION

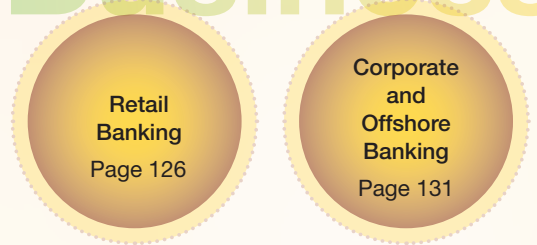
## Value Creation Model

### Capital Inputs

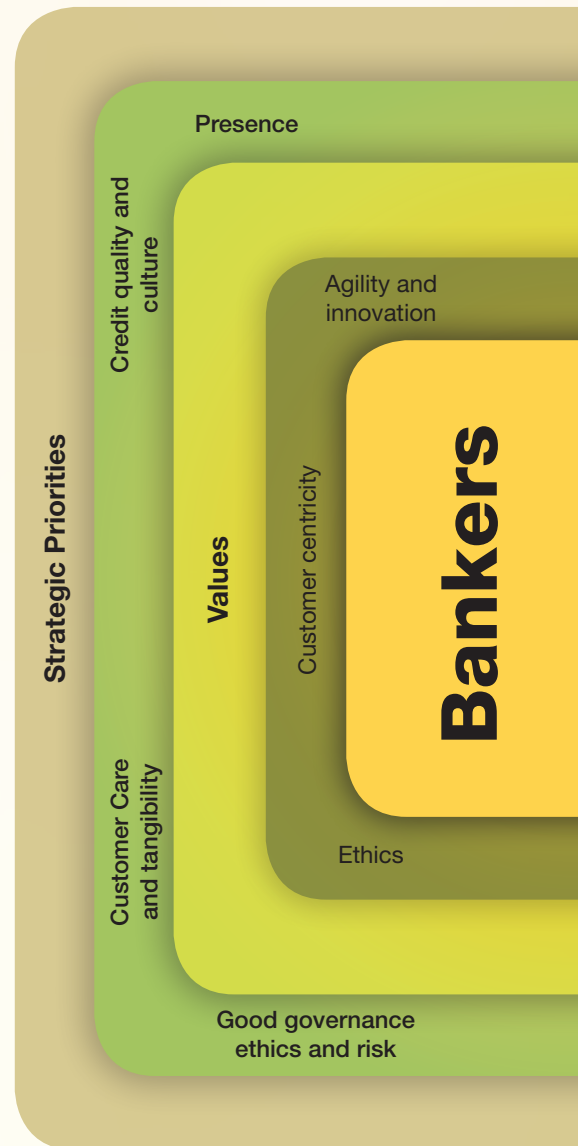


## Value Creating Activities

# Business



Trends in the Operating Landscape (Page 52)



Risk Management (Page 102)

# Value Creating Activities

# Verticals

International, Treasury Investment and Overseas  
Page 134

Group functions  
Page 141

Stakeholder Concerns (Page 50)



Corporate Governance (Page 71)

## Outputs

As a % of income

Net Interest Income (NII)  
**29.6%**

Net fee and commission income  
**3.8%**

Other income  
**6.8%**

Impairment charges  
**6.8%**

Operating expenses  
**14.7%**

Taxes  
**10%**

Net Profit for the year  
**8.8%**

## Outcomes

Dividends: **LKR 4.8 billion**  
Tax contribution: **LKR 19.3 billion**  
Interest paid on borrowings: **LKR 7.1 billion**



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Gross Loan disbursements: **LKR 1.5 trillion**  
Interest paid to depositors: **LKR 112.1 billion**  
New products launched: **03**  
Enhanced service delivery by **132 new Customer touch points**  
Investment in customer education: **LKR 21.9 million**



Page 137 and 160

Total payments to employees: **LKR 18.9 billion**  
Investment in training: **LKR 338.0 million**  
Promotions: **174**  
Retention rate: **98%**



Page 147

Value created to suppliers: **LKR 6.7 billion**



Page 167

Investment in community development: **LKR 30.4 million**  
Economic value added to community: **LKR 16,433 million**



Page 67 and 160

Reduction in paper use **7 million A4 sheets**  
Carbon footprint: **13,255.6 tons (CO2 Eqv)**



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# STAKEHOLDER ENGAGEMENT

Given the size, depth and reach of the Bank’s operations, it is critical to proactively identify and respond to the diverse expectations of its substantial stakeholder base. The Bank selects and engages with the stakeholders who are likely to be most impacted by its decisions and who in turn have the most significant impact on its value creation. Engagement is facilitated through numerous formal and informal platforms and the feedback thus obtained forms a vital input in our corporate planning process.



	Employees	Customers
Who they are	The BoC Team comprises of 8,724 employees across the island, with an average length of service of over nine years.	The Bank caters to over 13.4 million customers island-wide.
How we engage	<ul style="list-style-type: none"> <li>Employee engagement surveys (periodic)</li> <li>Trade union engagement (frequently)</li> <li>Open door culture (on going)</li> <li>Multi-level staff meetings (frequently)</li> <li>Grievance handling mechanism (on going)</li> <li>Work life balance initiatives</li> <li>Performance Management System (PMS) (bi annually)</li> <li>Whistle Blowing policy</li> </ul>	<ul style="list-style-type: none"> <li>Engagement through branch managers and relationship managers (continues)</li> <li>Customer Satisfaction surveys (periodic)</li> <li>Customer hotline-1975 (365*24)</li> <li>Marketing, advertising and promotions (frequently)</li> <li>Financial literacy Programmes (frequently)</li> </ul>
Topics identified	<ul style="list-style-type: none"> <li>Opportunities for career and skill development</li> <li>Freedom of association</li> <li>Equal opportunity in remuneration and promotions</li> <li>Performance-oriented organisational culture</li> <li>A safe working environment</li> <li>Retirement Benefits</li> </ul>	<ul style="list-style-type: none"> <li>Ease of transaction/ convenience</li> <li>Accessibility</li> <li>Customer care and service quality</li> <li>Providing access to finance</li> <li>Transparent pricing</li> <li>Inclusive communication</li> </ul>
Our response	People Development is a key pillar of the Bank’s Corporate Plan (2018-2020) and our employee value proposition for the year was centred on providing opportunities for developing technical competencies and soft skills.	The Bank has placed strategic emphasis on enhancing customer experience through providing accessible channels, innovative products and superior customer service.
Strategic relevance	People Development 📖 Page 153 for further information	Customer centricity Multi-channel strategy Digitisation 📖 Pages 160 to 166 for further information

Government and regulators	Investors	Business partners	Communities
<p>The GOSL is the Bank’s sole shareholder while the primary regulator is the CBSL.</p>	<p>The Bank’s investors are primarily parties who invest in our debentures</p>	<p>Our value creation process is supported by an extensive network of business partners across the entire value chain.</p>	<p>The Bank’s extensive geographical reach has allowed it to nurture meaningful relationships with communities across the island.</p>
<ul style="list-style-type: none"> <li>• Meetings on matters relating to performance and compliance (periodic)</li> <li>• Annual Report (annually)</li> <li>• Regulatory and compliance reporting (periodic)</li> <li>• Industry forums and meetings (frequently)</li> <li>• Financial Publications (quarterly)</li> </ul>	<ul style="list-style-type: none"> <li>• One to one meetings with large investors (periodic)</li> <li>• Investor presentations and roadshows (periodic)</li> <li>• Engagement through market intermediaries (continues)</li> <li>• Compliance reporting as per CSE regulations (quarterly)</li> </ul>	<ul style="list-style-type: none"> <li>• Written communication (frequently)</li> <li>• Regular meetings (frequently)</li> <li>• Bidding process (periodic)</li> <li>• Quarterly publications on Financial statements and the Annual Reports</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement through branches (continues)</li> <li>• CSR activities and sponsorships (frequently)</li> <li>• Press releases and media campaigns (frequently)</li> </ul>
<ul style="list-style-type: none"> <li>• Maintaining confidence within the financial sector</li> <li>• Fulfilling funding needs of the GOSL</li> <li>• Alignment of national development agenda to Bank’s strategy</li> <li>• Strong governance and risk management practices</li> <li>• Facilitating financial inclusion</li> </ul>	<ul style="list-style-type: none"> <li>• Returns commensurate with the risks assumed</li> <li>• Clarity in terms and conditions</li> <li>• Transparent and timely reporting on the Bank’s performance and outlook</li> </ul>	<ul style="list-style-type: none"> <li>• Ease of transacting and transparent pricing, terms and conditions</li> <li>• Timely payments</li> <li>• Secure and predictable demand</li> </ul>	<ul style="list-style-type: none"> <li>• Contribution towards community development projects</li> <li>• Responsible business practices</li> <li>• Financial inclusion and empowerment</li> <li>• Employment generation</li> </ul>
<p>The Bank is a key facilitator in GOSL’s economic development agenda and our strategic aspirations are aligned to those of the national development.</p>	<p>We maintain transparent and ongoing communication with our investors with balanced updates on performance, emerging risks and opportunities and outlook</p>	<p>Clearly defined policy frameworks and operating procedures ensure equitable treatment to all business partners and mutually rewarding relationships.</p>	<p>We have developed long-term relationships with the communities we operate in and adopt a strategic and meaningful approach towards contributing to community development.</p>
<p>Governance and sustainability</p> <p>Economic contribution</p> <p> Pages 64 to 67 and 71 to 88 for further information</p>	<p>Governance and sustainability</p> <p> Pages 71 to 88 and 58 to 62 for further information</p>	<p>Business partners</p> <p> Page 167 for further information</p>	<p>Social and Relationship Capital</p> <p> Pages 160 to 170 for further information</p>

# STRATEGIC REPORT

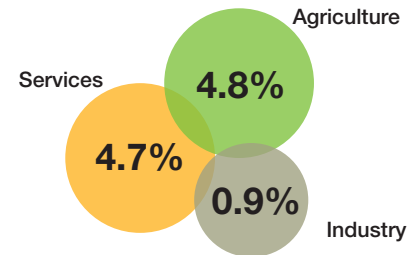
## Market Opportunities and Risks



**Economic Trends**



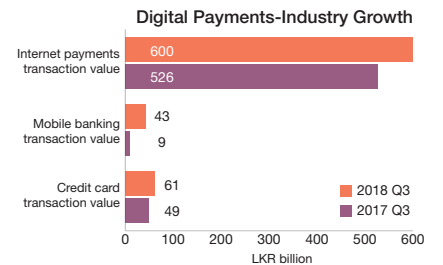
Despite a moderation in economic growth in 2018 significant improvement has been made on the macroeconomic front over the years, particularly in Government finances, curtail inflation and exchange rate management.



**Technology**



The widening role of digitisation in financial services have transformed customer interactions and heightened customer expectations on convenience and accessibility. Digital adoption has occurred at an unprecedented phase and is likely to accelerate further over the medium to long-term.



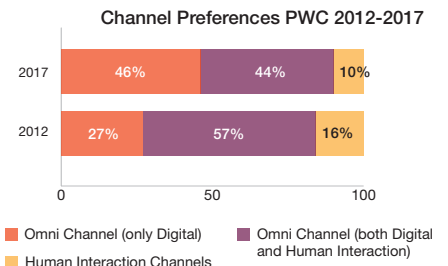
Source: Payments Bulletin, CBSL



**Customer Expectations**



Customer expectations are changing rapidly with increased demand for personalised services, instant accessibility and convenience. The wider use of digital platforms has also led to reduced brand loyalty and financial institutions which are unable to respond to these emerging expectations and customer preferences are likely to be at risk.



Source: PWC, 2017



**Regulations**



Financial institutions in Sri Lanka have seen increased stringency of the regulatory framework, as the CBSL seeks to strengthen the soundness and stability of the financial system. Regulatory changes in 2018 included restrictions on loan-to-value ratios on leasing facilities and

higher cash margins on vehicle imports. In addition, the Basel III guidelines and adoption of SLFRS 9 Financial Instruments will require banks to strengthen their capital positions.



**Sustainability Considerations**



Widening inequalities, geopolitical tensions and changing political landscapes have resulted in significant socio-economic challenges across the world. Environmental risks have also worsened with increasing implications of climate change seen both domestically

and globally. Against this backdrop, financial institutions and banks of our nature are expected to play a central role in facilitating access to finance, driving financial literacy and combating climate change.

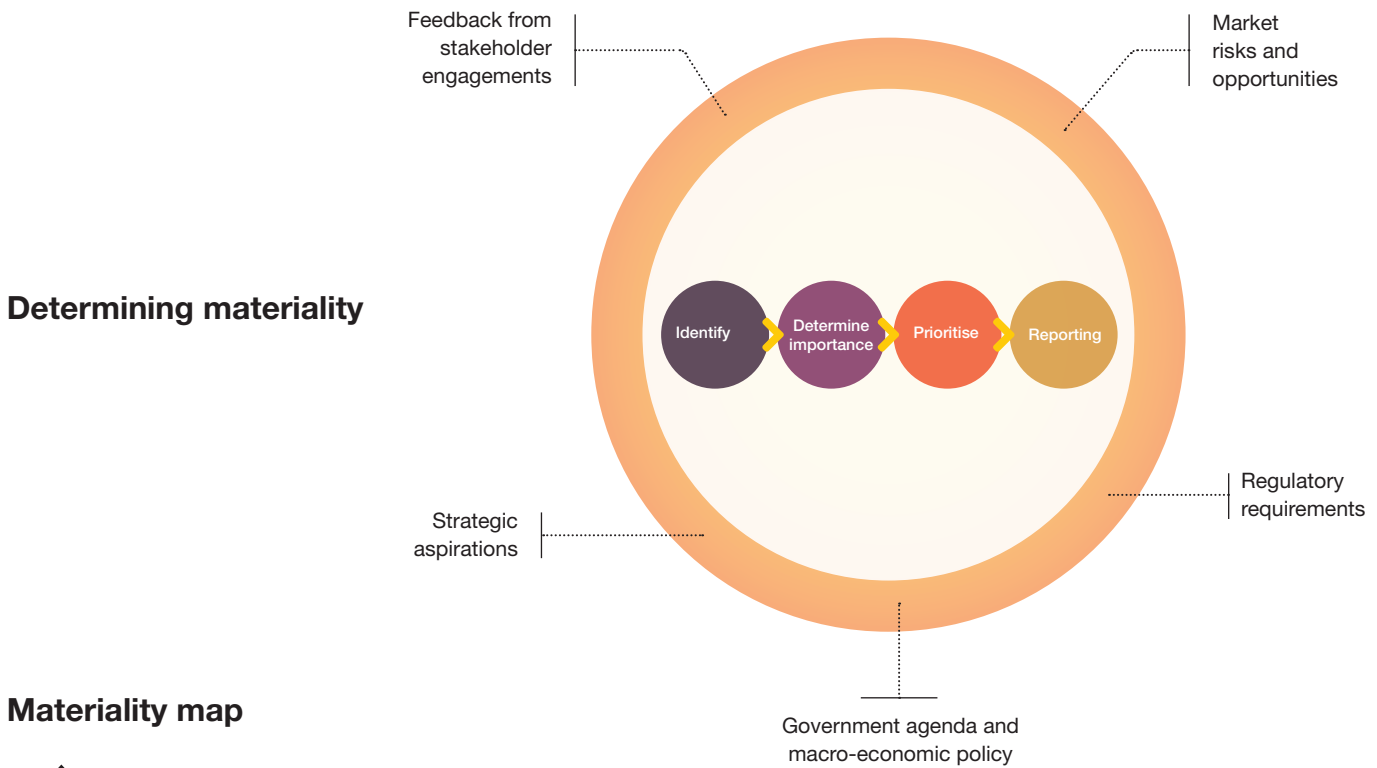
Opportunities	Risks	Strategic outlook for 2019
<ul style="list-style-type: none"> <li>• Policy emphasis on driving productivity enhancements across the economy</li> <li>• More connectivity with international forums in terms of investment inflows</li> </ul>	<ul style="list-style-type: none"> <li>• Policy inconsistency</li> <li>• Impact of rupee devaluation on the country's debt</li> </ul>	<p>Although macro-economic pressures are likely to persist in the short-term, the Bank will continue to maintain focus on driving economic activity through increased lending to the country's SME sector, particularly through the Enterprise Sri Lanka loan scheme</p>
<ul style="list-style-type: none"> <li>• Future customers are more focused towards digital channel</li> <li>• Driving process efficiencies and stronger risk management practices</li> <li>• Propagating digital banking practices in rural communities</li> </ul>	<ul style="list-style-type: none"> <li>• Cybersecurity and IT risks</li> <li>• Preserving data confidentiality in the digital age</li> <li>• IT resilience and continuity</li> <li>• Vendor and third-party risk</li> </ul>	<p>Strategic focus on further enhancing our digital channels with a view attracting and retaining a millennial while driving process efficiencies and enhancing the customer experience</p>
<ul style="list-style-type: none"> <li>• Increase in customers demanding for personalised services</li> <li>• Increase in customers who are demanding digital platforms</li> </ul>	<ul style="list-style-type: none"> <li>• Technological disruption by new entrants and fintech organisations</li> <li>• Increasing competitive intensity</li> <li>• Reduced brand loyalty due to rapidly changing customer expectations</li> </ul>	<p>Provide customer-centric service across all touch points while further strengthening the Bank's digital proposition</p>
<ul style="list-style-type: none"> <li>• Strengthen capital position and credit quality</li> <li>• Positive impacts on customers, industry and other stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Increased cost of compliance</li> <li>• Increasing complexity of regulations</li> <li>• Growth prospects are constrained by capital requirements</li> </ul>	<p>Balancing our growth aspirations with the minimum capital requirements of BASEL III will be an area of key management focus in 2019, particularly given that the Bank's restriction in raising capital</p>
<ul style="list-style-type: none"> <li>• More concern an green businesses, energy efficient technologies</li> <li>• Government prioritising on developing access to finance for all</li> </ul>	<ul style="list-style-type: none"> <li>• Impacts of climate change on agriculture sector lending</li> <li>• Short-term impact on profitability</li> </ul>	<p>Facilitate reducing resource consumption by integrating sustainability considerations to corporate strategy</p> <p>The CSR framework has also been refined to broadly align with the SDGs</p> <p>Propagating sustainable lending through adopting social and environmental screening criteria and offering Green lending products</p> <p>Facilitating financial inclusion through leveraging on our extensive network</p>

# STRATEGIC REPORT

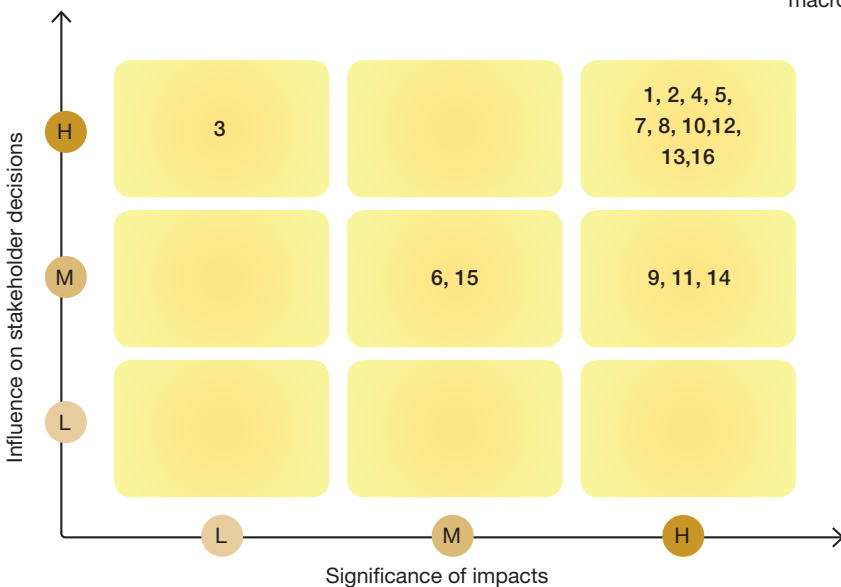
## Material Matters

This integrated report is anchored by the Bank’s material topics, which represent the issues that are most relevant to the organisation and its’ stakeholders. The topics listed below have been determined following a detailed materiality assessment and consider trends in the operating landscape, stakeholder concerns and strategic value priorities. They direct the focus of our corporate planning process, management priorities and corporate reporting. In enhancing the relevance of our report, this year we have widened the scope of our material topics to include industry and Bank-specific factors beyond those prescribed by GRI.

Extended the scope of material topics beyond GRI



## Materiality map





Stakeholder group	Relevant material topic	GRI indicator	ESG guidance: CSE
<b>Employees</b>	<ol style="list-style-type: none"> <li>1. Talent management</li> <li>2. Industrial peace and labour management relations</li> <li>3. Diversity and equal opportunity</li> </ol>	<p><b>GRI 401:</b> Employment</p> <p><b>GRI 402:</b> Labour/ Management relations</p> <p><b>GRI 403:</b> Occupational health and safety</p> <p><b>GRI 404:</b> Training and education</p> <p><b>GRI 405:</b> Diversity and equal opportunity</p> <p><b>GRI 407:</b> Freedom of association and collective bargaining</p>	<p>Employment</p> <p>Training and education</p> <p>Occupational health and safety</p> <p>Workforce diversity and equal treatment</p>
<b>Customers</b>	<ol style="list-style-type: none"> <li>4. Customer experience</li> <li>5. Customer privacy and data security</li> <li>6. Responsible banking practices</li> </ol>	<p><b>GRI 417:</b> Marketing and labelling</p> <p><b>GRI 418:</b> Customer privacy</p>	
<b>Government/ Regulators</b>	<ol style="list-style-type: none"> <li>7. Financial performance</li> <li>8. Socio-economic contribution</li> <li>9. Financial inclusion</li> <li>10. Governance and compliance</li> </ol>	<p><b>GRI 201:</b> Economic performance</p> <p><b>GRI 202:</b> Market presence</p> <p><b>GRI 413:</b> Local communities</p> <p><b>GRI 203:</b> Indirect economic impacts</p> <p><b>GRI 419:</b> Socio economic compliance</p> <p><b>GRI 307:</b> Environmental compliance</p>	Compliance
<b>Business Partners</b>	<ol style="list-style-type: none"> <li>11. Responsible procurement</li> <li>12. Bribery and anti-corruption</li> <li>13. Labour rights (outsourced/ contract)</li> </ol>	<p><b>GRI 204:</b> Procurement practices</p> <p><b>GRI 205:</b> Anti-corruption</p> <p><b>GRI 406:</b> Non-discrimination</p> <p><b>GRI 408:</b> Child labour</p> <p><b>GRI 409:</b> Forced or compulsory labour</p>	
<b>Other Factors</b>	<ol style="list-style-type: none"> <li>14. Digitisation and technology</li> <li>15. Environmental footprint</li> <li>16. Brand reputation</li> </ol>	<p><b>GRI 302:</b> Energy</p> <p><b>GRI 305:</b> Emissions</p>	<p>Energy intensity</p> <p>Direct and indirect emissions</p>

- Refer pages 451 to 456 for relevant GRI disclosures on material topics.

## STRATEGIC REPORT

### Our Strategy (2018-2020)

Unprecedented changes in technology, customer sophistication, competitive intensity and regulatory requirements are compelling banks to adopt bold strategies. BoC adopts a systematic and holistic approach towards strategy formulation, with a three-year rolling over Corporate Plan clearly outlining strategic priorities and action plans to drive our aspirations. The plan is reviewed regularly in view of changes in the operating environment to ensure that it remains relevant and feasible.

The Corporate Plan for 2018-2020 was centred on the theme “Refine and define the Bank for future” and set out several areas of focus. The section below provides a high-level overview of the Bank’s performance against its strategic priorities in 2018.

#### Progress in 2018

##### Customer Care and Tangibility

Key objectives include upgrading service standards and quality levels while delivering consistent service levels across all touch points to offer a uniform banking experience to all customers.

- ✔ Conducted customer satisfaction surveys on comparative service levels to identify gaps in service levels.
- ✔ Strengthened the digital proposition to customers through establishing smart zones and other digital products.

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##### Improve Credit Quality and Culture

Emphasis has been placed on preserving portfolio quality across all business verticals while maintaining customer relationships. Given the weakening macro-economic conditions and the requirements of SLFRS 9 maintaining credit quality was paramount in 2018.

- ✔ Skills and knowledge enhancement on credit evaluation.
- ✔ Strengthened credit policy guidelines.
- ✔ Implemented an island-wide recovery drive.

📖 Page 109

##### Expand Geographical Reach

The Bank intends to pursue innovative business models, improved processes and a multi-channel delivery strategy to enhance customer accessibility.

- ✔ Launch of several digital products including BoC DIGI centres.
- ✔ Expanded the network of smart zones.
- ✔ Upgraded and relaunched the online banking platform.
- ✔ Expanded the number of Branch on wheels.
- ✔ Tie up with Western Union and another money remitting agent.

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##### Technology and Cyber Security

The digital revolution in financial services has presented numerous opportunities to transform the customer experience and enhance internal processes. BoC will seek to serve the increasingly sophisticated needs of its young customers while ensuring that cyber and IT risks are managed appropriately.

- ✔ Widen the self-service channels.
- ✔ Launch of online loan applications.
- ✔ Upgrade network infrastructure.
- ✔ Strengthened cyber security framework.

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## Progress in 2018

### Process Streamline and Innovation

Identification of system and process bottlenecks and adopting remedial action to enhance efficiency and effectiveness is a key pillar of the Bank's three-year strategy.

- ✔ Automation of some of the major workflows via Document management system (DMS).
- ✔ Adoption of video conferencing technology for all provinces.
- ✔ Automated customer complaint handling mechanism.

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### People Development

Our main focus in people development is grooming up diverse and talented pool of Bankers who are well competent to face the future Banking with right attitudes and right skills. Hence, our people development programmes are focused on six major areas,

- Education
- Training (current job role, personal development, service offering and delivery)
- Multidisciplinary Exposure
- Specialisation and continuous professional development
- Attitude, Orientation and organisation culture
- Supportive Infrastructure

- ✔ 11,768 programmes of training offered.
- ✔ Management Development programme in partnership with PIM for KMPs.
- ✔ Performance Feedback offered to 97.7% of employees via PMS.

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### Sustainable Business

Our sustainability initiatives during the year spread across all aspects of the triple bottom line and all our strategies are directed towards generating optimal profits while improving our environment and social performance.

- ✔ Reviewed and revised policy frameworks.
- ✔ Implementation of Environmental and Social screening criteria for the development banking portfolio.
- ✔ Converted 27 branches to solar.
- ✔ Initiated GHG assessment programme in complying to ISO 14064-1.

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### Governance and Ethics

The Bank continues to evolve its governance practices to align with emerging global best practices.

- ✔ Reviewed and revised policy frameworks.
- ✔ New Board Subcommittee- ICT Committee.
- ✔ Adherence to new regulations imposed by regulators.

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### Brand Development

Consistently ranked as Sri Lanka's No.1 brand, the BoC brand is a key source of competitive strength and we will continue to drive enhanced brand recognition through unique stakeholder propositions, targeted marketing and innovative offerings.

- ✔ Formalised an action plan for reputational risk management.
- ✔ Numerous customer engagement initiatives.

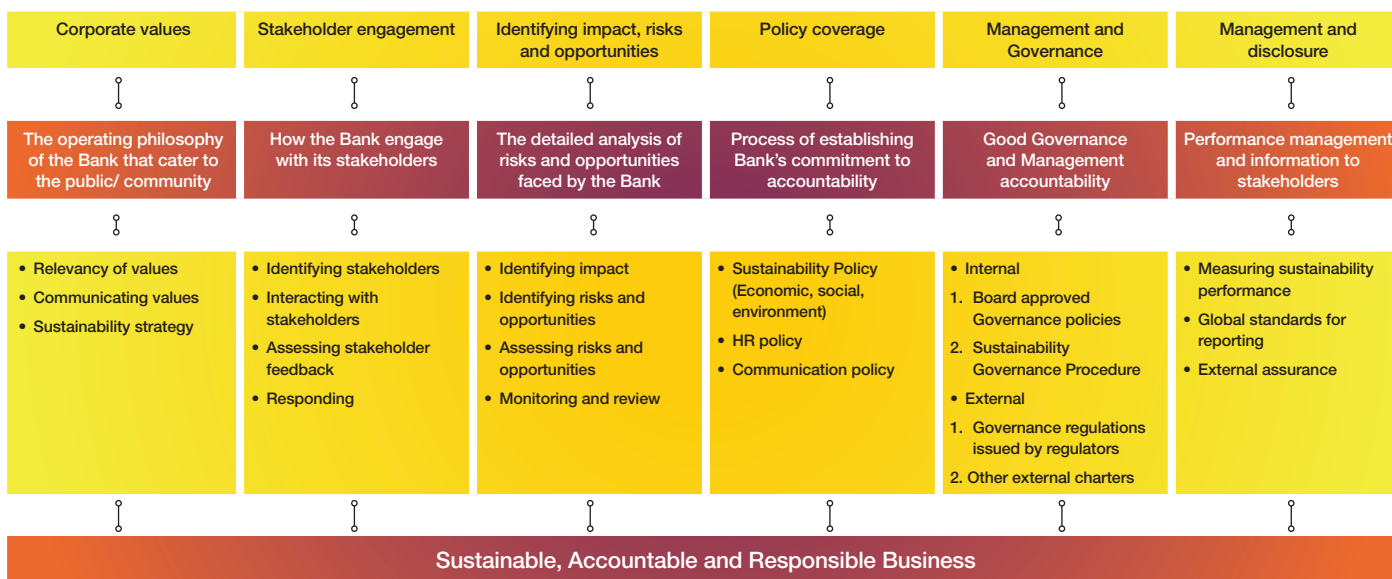
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# SUSTAINABILITY AT BoC

## Approach and Governance

In recent years, BoC has sought to refine its approach to sustainability by formalising a policy and integrating its sustainability strategy to its Corporate Plan. The Bank’s Sustainability Policy has been aligned to the United Nations’ Sustainable Development Goals (SDG) and provides guidance on CSR project selection and implementation. Clear action plans and defined responsibilities ensure the coverage of all 17 goals, either by the core business or corporate philanthropic projects.

### Management approach for sustainable business



Management approach for sustainable business of BoC consists of corporate values, stakeholder engagement, Identifying impacts, risks and opportunities, policy coverage, management and governance, and management and disclosure.

Corporate values refer to the operating philosophy of the bank which caters to the public/ community. Stakeholder engagement decides how the bank engages with its stakeholders in the operating environment. Identifying impacts, risks and opportunities are critical to analyse risks and opportunities faced by the bank and mitigate those risks. Policy coverage provides the process of establishing bank’s commitment to implement accountability as a corporate citizen. Management and governance also leads to maintain good governance

and management accountability for its stakeholders; Management and disclosures provides transparency of performance management and information to stakeholders. This sustainability outline of BoC clearly reflects sustainable, accountable and responsible business within its operating environment.

## Sustainability Committee

A dedicated Committee chaired by the General Manager, represented by the several Deputy General Managers is responsible for driving the Bank’s sustainability strategy. During the year, the Bank widened the representation of the Committee by including Chief Risk Officer and the Deputy General Manager Corporate and Offshore Banking. The Committee meets on a quarterly basis and reports to the Board on the progress. The Bank also has a dedicated Sustainability Unit, which is responsible for implementing the projects approved by the Sustainability Committee. During the year, we strengthened the Sustainability Unit by more recruits to the team.

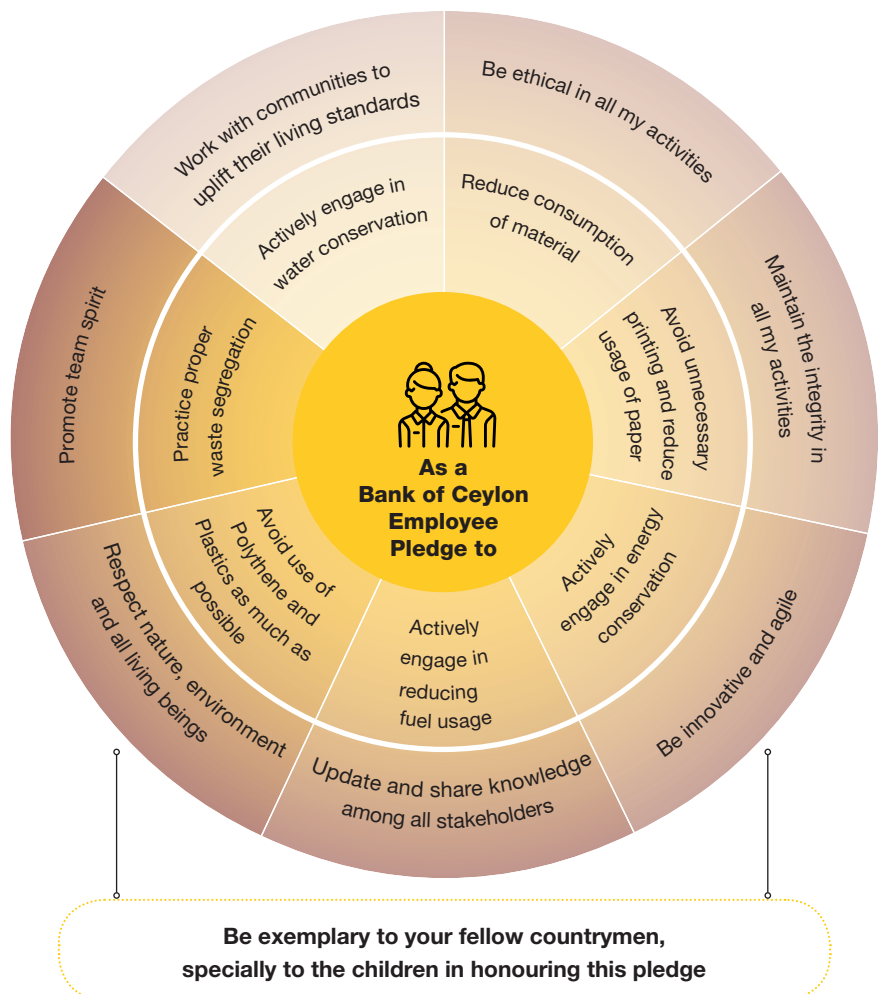
## Precautionary Principle

The Bank adopts a precautionary approach to its’ strategic business decisions with due consideration given to environmental and social criteria. Prior to engaging in new ventures/ investments potential environmental and social risks are assessed through robust risk management processes.

### Progress in 2018

Key sustainability initiatives launched during the year are listed below; detailed information is available in the relevant chapters in subsequent sections of this Report.

- ✔ Launched an Employee Sustainability pledge encouraging employees to demonstrate their commitment towards being environmentally, socially and economically sustainable.
- ✔ Implemented Environment and Social Management System (ESMS) screening criteria for the development banking portfolio.
- ✔ Revised CSR evaluation model.
- ✔ Eight new CSR projects initiated by Provinces.
- ✔ Conducted training for branch administration staff on green house gas assessment process.



## SUSTAINABILITY AT BoC



### Our Commitment to the SDGs

The SDGs provide universal agreement on development priorities, mobilising global efforts towards eradicating poverty, preserving the planet and achieving prosperity. The 17 goals, 169 targets and 244 indicators provide established measures and objectives to address the critical economic, social and environmental issues faced by the world today. As Sri Lanka's largest and most impactful Bank, we believe we can make a significant contribution the country's achievement of SDGs.

	Sri Lankan Context		Our Contribution
<p><b>1 NO POVERTY</b></p>	Population living below poverty line: <b>3.8%</b>	Population covered by social protection systems: <b>34%</b>	BoC's micro-financing scheme " <b>Mithuru</b> " is aimed towards empowering the grassroots which do not typically have access to affordable financing. <ul style="list-style-type: none"> <li>Disbursements under Mithuru: LKR 189.0 million</li> <li>New groups formed: 209</li> </ul>
<p><b>2 ZERO HUNGER</b></p>	Prevalence of food insecurity in population: <b>9.2%</b>	Stunting of children below age 5 <b>17.3%</b>	Through loan schemes such as " <b>Ran Aswanu</b> " and " <b>Govi Navoda</b> " targeting the Agriculture sector, BoC contributes to the country's food security. <ul style="list-style-type: none"> <li>Outstanding portfolio to the agriculture and fisheries sector: LKR 97.7 billion</li> <li>No. of Ran Aswanu and Govi Navoda loans disbursed by the Bank during 2018: 1,840</li> <li>Facilities provided to Paddy Marketing Board</li> </ul>
<p><b>3 GOOD HEALTH AND WELL-BEING</b></p>	Maternal mortality rate: <b>26.8</b> per 100,000 births	Death rate due to road traffic injuries: <b>13.4</b> per 100,000 population	<ul style="list-style-type: none"> <li>CSR expenditure on health LKR 3.0 million</li> <li>Comprehensive medical assistance scheme for our employees</li> </ul>
<p><b>4 QUALITY EDUCATION</b></p>	Participation rate in organised learning: <b>97.7%</b>	Youth and adults with ICT skills: <b>27.6%</b>	Providing opportunities for training is a core part of our employee value proposition. We also conduct several education-focused CSR initiatives on an ongoing basis. <ul style="list-style-type: none"> <li>Investment in employee training: LKR 338.0 million</li> <li>Beneficiaries of Grade 5 scholarships: 2,000</li> <li>Beneficiaries of 18+ scholarships for A/L high achievers: 562</li> <li>CSR expenses on Education: LKR 89.2 million</li> </ul>
<p><b>5 GENDER EQUALITY</b></p>	Proportion of women in managerial positions: <b>28%</b>	Women married before 18 years: <b>9.8%</b>	We are an equal opportunity employer and do not practice gender-based discrimination in selection, determining remuneration or promotions. <ul style="list-style-type: none"> <li>Female representation at management grade: 58% Overall: 60%</li> <li>Return to work after parental leave: 358</li> </ul>

	Sri Lankan Context		Our Contribution
 <p><b>6</b> CLEAN WATER AND SANITATION</p>	Population using safely managed water systems:	<b>81%</b>	<p>We are a major lender to projects of the National Water Supply and Drainage Board and the Mahaweli Authority which are instrumental in providing access to clean water.</p> <ul style="list-style-type: none"> <li>Funding to water projects during the year: <b>LKR 4.7 billion</b></li> <li>CSR expenditure on water projects: <b>LKR 4.0 million</b></li> </ul>
 <p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p>	Population with access to electricity:	<b>87%</b>	<p>We provide funding for numerous renewable energy projects, particularly for mini hydro, solar and wind power projects. The ongoing in-house solar project has resulted in the generation of 1 MW renewable energy for the national grid while reducing our dependence on fossil fuels.</p> <ul style="list-style-type: none"> <li>Funding to renewable energy projects: <b>LKR 3.6 billion</b></li> <li>Branches converted to solar: <b>27</b></li> <li>Contribution to national grid: <b>1 MW</b></li> </ul>
 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	Unemployment rate:	<b>4.6%</b>	<p>We offer our employees attractive remuneration and opportunities for skill development in a fair and conducive work environment.</p> <ul style="list-style-type: none"> <li>Total payments to employees: <b>LKR 18.9 billion</b></li> <li>Promotions: <b>174</b></li> <li>New recruits during the year : <b>1,622</b></li> </ul>
 <p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Rural population living with 2KM of an all-season road: <b>95.6%</b> Small scale industries in total value added: <b>27%</b>		<p>The Bank is a key lender to GOSL's infrastructure development projects which facilitate better transportation and build better infrastructure.</p> <ul style="list-style-type: none"> <li>Lending to such infrastructure development projects: <b>LKR 139.3 billion</b></li> </ul>
 <p><b>10</b> REDUCED INEQUALITIES</p>	Growth rate of household expenditure in the bottom 40%: <b>7.8%</b> Proportion living 50% below median income: <b>13.5%</b>		<p>The Bank specialised loan products to vulnerable and underserved communities, driving financial inclusion and empowerment.</p> <ul style="list-style-type: none"> <li>Disbursements under youth loan scheme: <b>LKR 193.0 million</b></li> <li>Senior citizens deposit portfolio: <b>LKR 207.7 billion</b></li> <li>Customer contact points in underserved communities: <b>112</b></li> </ul>
 <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p>	Urban population living in slums or inadequate housing: <b>0.8%</b>		<p>Through its corporate unit the Bank disburses funds for Government infrastructure development/housing projects in urban areas.</p> <ul style="list-style-type: none"> <li>Lending towards housing and infrastructures projects: <b>LKR 338.8 billion</b></li> <li>Funding to large waste-to-energy projects: <b>LKR 2.0 billion</b></li> </ul>

## SUSTAINABILITY AT BoC

### Our Commitment to the SDGs

	Sri Lankan Context	Our Contribution
 <p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Information not tracked at a national level	<p>The Bank has adopted organisation-wide efforts to reduce the consumption of paper, water and energy while engaging in the responsible disposal of waste.</p> <ul style="list-style-type: none"> <li>Paper savings from digital initiatives: <b>7 million of A4 Sheets</b></li> <li>Reduction in GHG emission due to solar installations - 756.8 tons of (CO2 eqv)</li> <li>Responsible disposal of e-waste</li> </ul>
 <p><b>13</b> CLIMATE ACTION</p>	National data not available	<p>The Bank's lending to renewable energy projects contributes to reducing the country's carbon footprint. Ongoing efforts are also made to reduce the Bank's carbon footprint.</p> <ul style="list-style-type: none"> <li>Lending to renewable energy projects: <b>LKR 3.6 billion</b></li> </ul>
 <p><b>14</b> LIFE BELOW WATER</p>	National data not available	<p>Green Pasikuda CSR Project in partnership with Marine Environment Project Authority kicked off</p>
 <p><b>15</b> LIFE ON LAND</p>	National data not available	<ul style="list-style-type: none"> <li>Green net project initiated in Southern Province</li> <li>Kumbuk Arana Project for flood mitigation in Kalu Ganga River Banks</li> <li>Twin tree project - A tree for each new born, initiated in North Western Province</li> <li>No of trees planted under those initiatives accounted to <b>12,634</b></li> </ul>
 <p><b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<p>Context Number of intentional homicide per 100,000 population</p> <p><b>2.5</b></p> <p>Population subject to physical/ psychological or sexual violence: per 100,000 of population</p> <p><b>62.6</b></p>	<p>As a systemically important financial institution we have a responsibility to preserve public interest and maintain confidence in the financial system. The Bank's operations are underpinned by a robust governance and risk management framework which ensures regulatory compliance and aligned to global best practices.</p> <p>Policies: Whistle Blowing Policy Anti corruption and Anti Bribery Policy</p>
 <p><b>17</b> PARTNERSHIPS FOR THE GOALS</p>	National data not available	<p>We have nurtured deep linkages with numerous Government organisations, funding partners and international organisations in driving common objectives and mutual value creation. Hence we are working closely : With ADB, World Bank, Biodiversity Sri Lanka, Ceylon Chamber of Commerce, Government of Sri Lanka etc.,.</p>



## ECONOMIC CONTRIBUTION

As Bankers to the Nation, BoC's growth strategy is closely aligned to that of the country's development agenda and it is a growth partner in the country's socio-economic development.



## ECONOMIC CONTRIBUTION

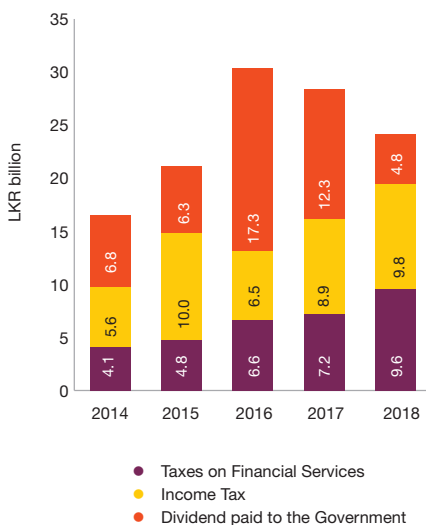




### Significant contributor to Government revenue

The Bank is one of the largest contributors to national revenue and its value creation to the Government takes the form of income tax, financial VAT, NBT, Debt Repayment Levy (DRL) as well as dividend payments. In 2018 total value creation to Government amounted to LKR 24.2 billion.

Value Creation to the Government



### Lender to large scale national development projects

As a key lender to the Government, we continue to finance large scale infrastructure projects with long gestation periods undertaken by the Government of Sri Lanka.

**LKR 31.7 billion**  
for road development

**LKR 3.6 billion**  
for power generation projects

**LKR 4.7 billion**  
for water generation projects



### Entrepreneurship development

The Bank is a participatory financial institution in 20 credit schemes aimed towards developing micro, small and medium entrepreneurs. In 2018, BoC disbursed LKR 64.4 million to the micro and SME sectors. Loans channelled to the North and Eastern provinces accounts to LKR 5,268.1 million.

#### New SME and Micro Finance Schemes supported during the year

- ➔ Erabuma
- ➔ Green Loan
- ➔ Smallholder Agribusiness Partnerships

**LKR 13.6 billion** disbursed under Enterprise Sri Lanka

**LKR 189.0 million** disbursed under BoC Mithuru for Micro Enterprise Development



### Promoting financial inclusion

BoC is often the first bank to establish a presence in rural areas, attesting to its commitment to drive financial inclusion across the country. The Bank operates the most extensive network of customer contact points in Sri Lanka, with a total reach of 1,721 direct contact points by end-December 2018.

**577 Branches**

**442 Branches outside Western Province**

**15 SME Centres**

**1,373 School savings units**

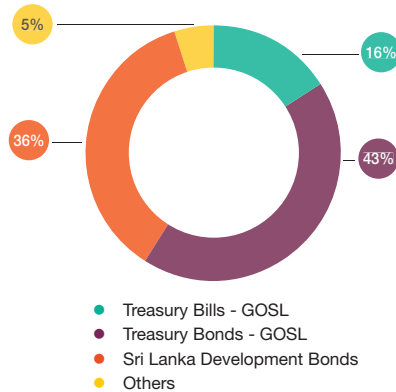
## ECONOMIC CONTRIBUTION



### Investments in Government Securities

The Bank has invested on Government securities, which in turn fulfils the funding requirement of the Government. In 2018 total Government security investments amounted to LKR 551.5 billion or 24% of its total assets.

Investment in Government Securities



### Sri Lanka's local international bank

We seek to position the Bank as Sri Lanka's first local international bank through widening our footprint in regional economies, strengthening our international relationships and positioning the Bank as a preferred financial partner among the global business community.

**03 International branches**

**859 Correspondent relationships**

**LKR 580.1 billion** Remittances facilitated

**USD 1,714.8 million** Raised through international markets



## Value Added Statement

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

	2018	2017	Change
	LKR million	LKR million	%
<b>Value Added</b>			
Income earned by providing banking services	217,238	185,427	17
Cost of services	(125,760)	(102,502)	23
<b>Value added by banking services</b>	<b>91,478</b>	<b>82,925</b>	<b>10</b>
Non - banking income	3,894	3,784	3
Impairment charges for loans and other losses	(15,041)	(9,341)	61
<b>Value addition</b>	<b>80,331</b>	<b>77,368</b>	<b>4</b>
<b>Value Allocation</b>			
<b>To Employees</b>			
Salaries, wages and other benefits	18,875	16,996	11
<b>To Government</b>			
Dividends paid to Government of Sri Lanka	4,846	12,346	(61)
Income tax	9,724	8,929	9
Taxes on financial services	9,588	7,249	32
	24,158	28,524	(15)
<b>To Community</b>			
Social responsibility projects	108	128	(16)
<b>To Providers of External Funds</b>			
Interest on other borrowings	12,512	15,714	(20)
Interest on debt issued	5,154	5,014	3
	17,667	20,728	(15)
<b>To Expansion and Growth</b>			
Retained profit	14,632	8,966	63
Depreciation and amortisation	2,200	1,925	14
Deferred taxation	2,690	101	2,556
	19,523	10,992	78
	<b>80,331</b>	<b>77,368</b>	<b>4</b>

## Economic Value Added (EVA)

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.

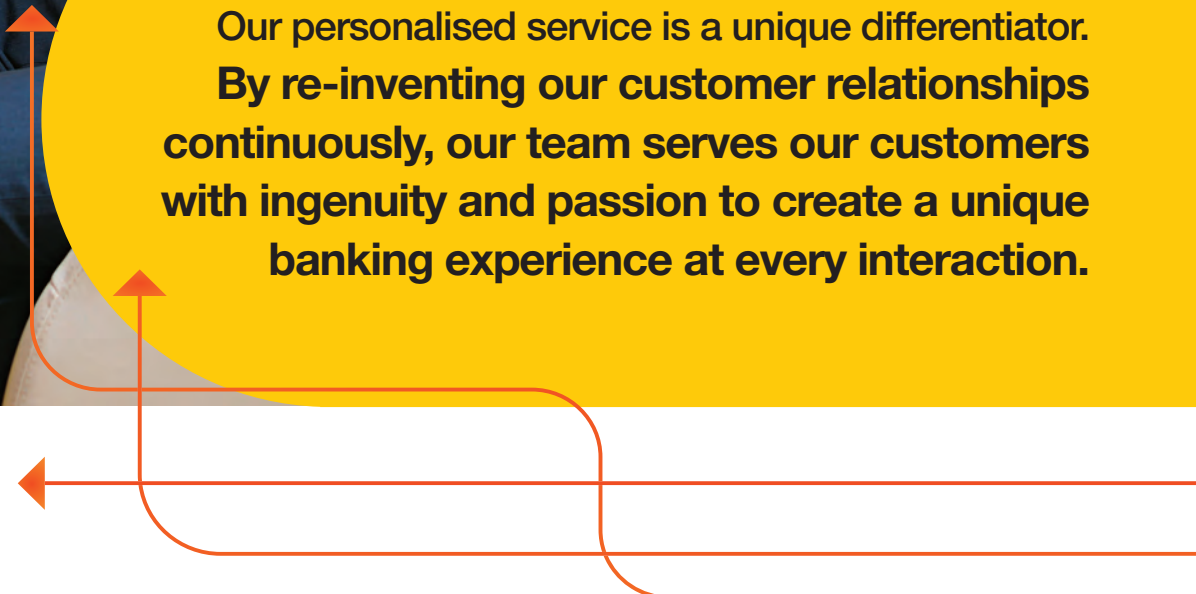
	2018	2017	Change
	LKR million	LKR million	%
<b>Invested Capital</b>			
Average Shareholders' funds	116,299	102,002	14
Add: Cumulative impairment Provision for loan losses and other losses	81,852	57,179	43
	<b>198,150</b>	<b>159,181</b>	<b>24</b>
<b>Return on Invested Capital</b>			
Profit after taxation	19,479	21,312	(9)
Add: Impairment provision for loan losses and other losses	15,041	9,341	61
Less: Loans written off	(35)	(1,181)	(97)
Total return on invested capital	34,485	29,472	17
Opportunity cost of invested capital*	(18,052)	(16,003)	13
<b>Economic Value Added</b>	<b>16,433</b>	<b>13,469</b>	<b>22</b>

\*Calculated based on weighted average 12 months Treasury bill rate 2018 - 9.11% (2017 - 10.05%)

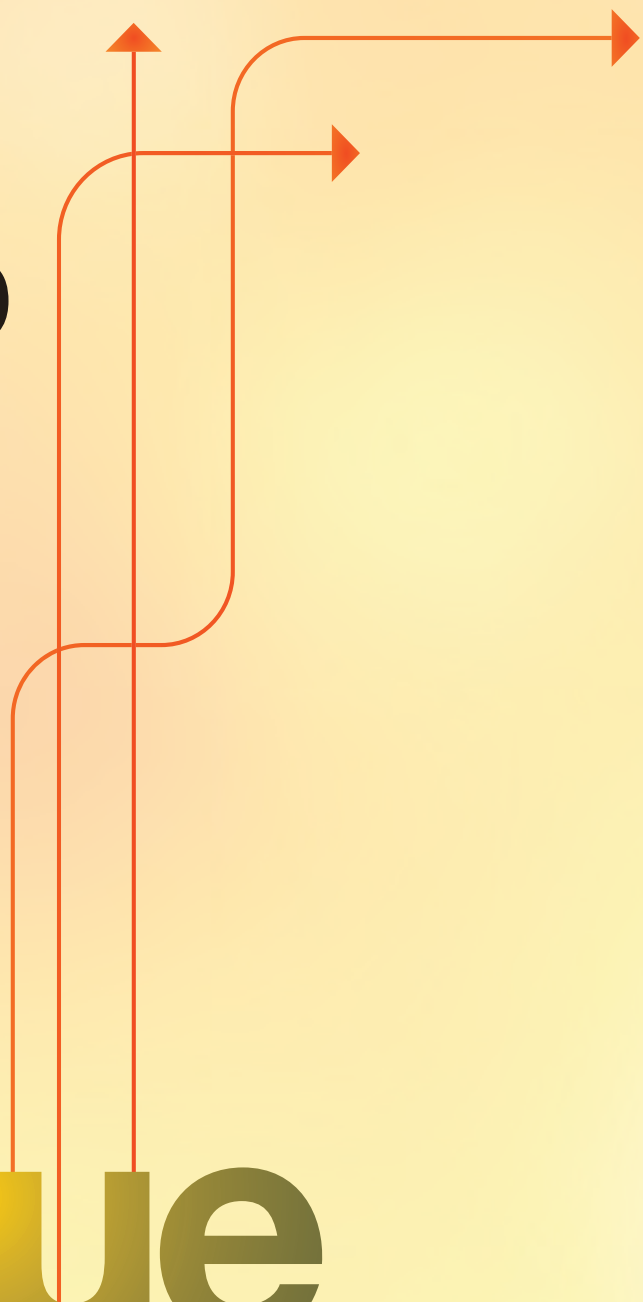




Customer-centricity forms the core of our business. Our personalised service is a unique differentiator. **By re-inventing our customer relationships continuously, our team serves our customers with ingenuity and passion to create a unique banking experience at every interaction.**



# Value Preserving



CORPORATE GOVERNANCE



# CORPORATE GOVERNANCE

## Message from Chairman

Strong governance practices underpin the delivery of our strategic aspirations and play a fundamental role in creating long term value for our customers, employees, shareholder and the country's economy. The Board of Directors is therefore fully committed to ensuring that the principles of good governance are embedded into the thinking and processes in all spheres of the Bank and its operations.

A new Board was appointed in February 2019 with Directors combining a diverse mix of skills, perspectives and industry experience. (Refer Board profiles on pages 25 to 27). The Board convenes regularly and during the year 2018 it has had 23 Board meetings. Main areas of focus includes strategy formulation, IT and cyber security, risk management and preserving portfolio quality. A dedicated Information and Communication Technology Subcommittee was established during the year with the objective of assisting the Board in fulfilling its responsibilities regarding the deployment of technology and the digitisation process within the Bank. The Board also reviewed and revised several key policies with due consideration to emerging best practices, changes in the operating landscape and regulatory developments.

Even in the absence of a Board, until the new appointments were made with the changes that happened in the political arena, the Bank functioned smoothly indicating the sound governance practice in place in the Bank with approved policies and guidelines which gave the management the guidance to function with minimum negative impact to its operations.

This Report sets out our approach to governance in practice and how the Board works. It also demonstrates the status of compliance with the corporate governance directions under the Banking Act Direction No 11 of 2007 for Licensed Commercial Banks. The Bank has also voluntarily adopted the revised Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) in December 2017.

There is a Code of Ethics for Directors and a separate Code of Ethics for employees and annual declarations are obtained on compliance with them. I confirm that I am not aware of any material violations of any of the provisions set out in the Bank's Code of Ethics by Key Management Personnel of BoC.



**Ronald C Perera PC**

Chairman

3 April 2019

## Highlights of 2018



Changes to the Board



Set up the Board ICT Subcommittee providing oversight over the Bank's digital strategy



Introduction of the Anti-bribery and Anti-corruption Policy



Reviewed and revised Corporate Plan for the next 3 years 2019-2021

## CORPORATE GOVERNANCE

### Governance Framework

The Bank's comprehensive governance framework prescribes mechanisms for implementing robust governance practices and provides clear direction for strategic decision-making across the organisation. Given the Bank's industry dominance, systemic importance and state-ownership, the framework has been designed to address long-term and short-term outcomes to manage expectations of the Bank's diverse stakeholder groups. Extending beyond mere compliance, the Bank views corporate governance as an enabler which leads to greater transparency, accountability, robust risk management and effective leadership. Key external and internal steering instruments on which the Bank's governance framework is based is presented alongside.

### Governance Structure

A well-defined governance structure comprising of multi-level governance bodies, specific roles and responsibilities and clear reporting lines ensure accountability and judicious empowerment. The Board of Directors serves as the apex governing body and custodian of the Bank's corporate governance. Day-to-day management of the Bank has been delegated to the management team led by the General Manager. The Board has also delegated

specific responsibilities to five (5) Subcommittees of the Board, thereby allowing it to dedicate adequate time and resources to matters reserved for the Board including setting strategy, formulating policy frameworks and guidelines and forward-looking agenda items.

*(Refer page 73 for the Bank's governance structure)*

### Company Secretary

The Secretary to the Board/ Secretary, Bank of Ceylon, Ms Janaki Senanayake Siriwardane is an Attorney-at-Law and was appointed to her position in 2005. Her credentials/ qualifications are in compliance with the requirements of the Banking Act and relevant amendments. All Directors have access to the services of the Secretary and she provides guidance to the Board on the discharge of its responsibilities and ensures all relevant procedures are followed in complying with statutory requirements and industry best practice. The Secretary regularly reviews the Bank's governance framework in view of emerging best practices, regulatory changes and stakeholder interests.



## Steering Instruments

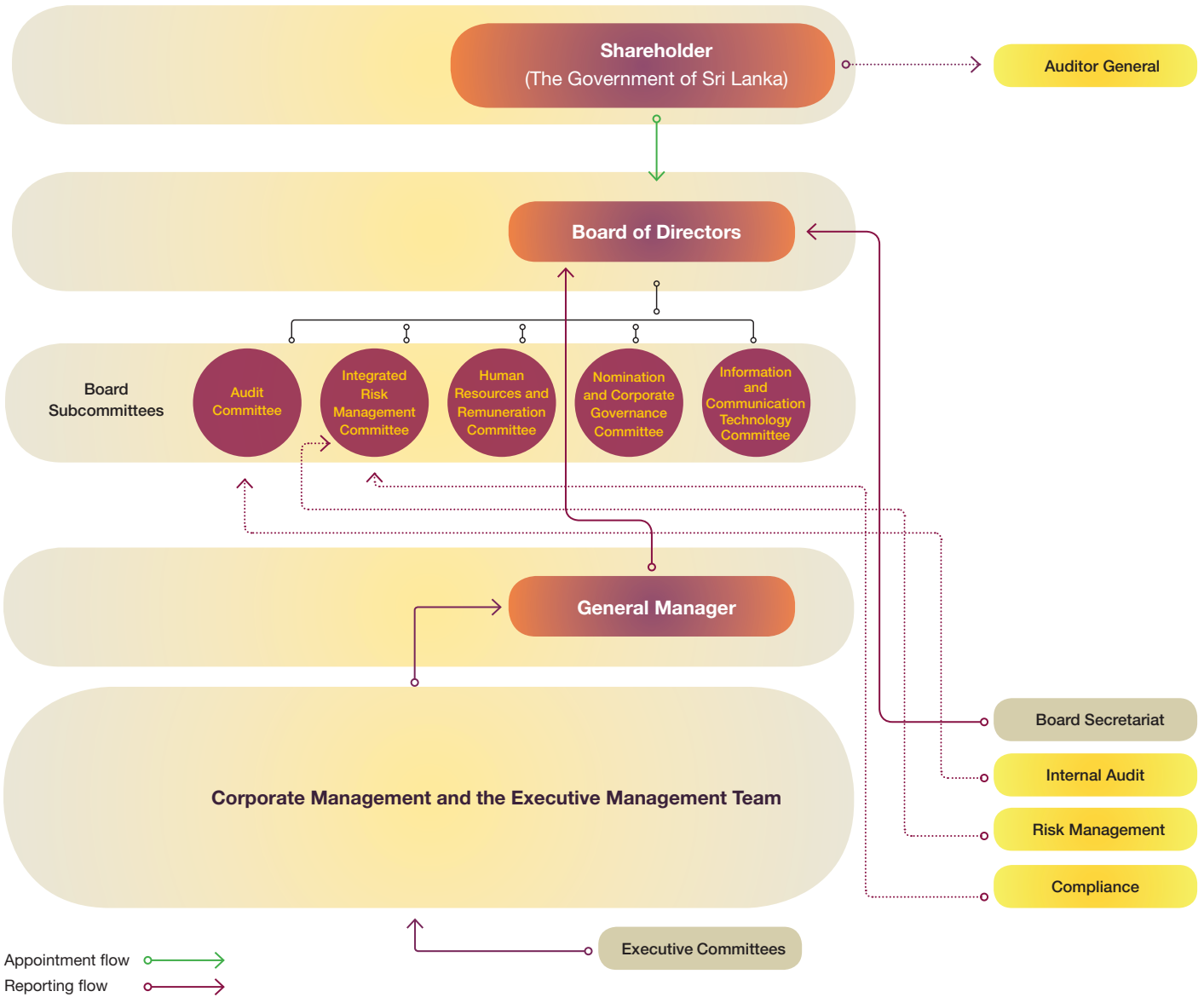
### External

- Bank of Ceylon Ordinance No.53 of 1938 (referred to as "Ordinance") and its subsequent amendments
- Banking Act No.30 of 1988 and subsequent amendments
- Banking Act Direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks
- Circulars applicable to the Bank issued by the Government
- Continuing listing requirements of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in December 2017

### Internal

- Board Charter
- Subcommittee Charters
- Codes of Ethics
- Comprehensive policies and procedures
- Subsidiary Management Charter
- Customer Charter

## Governance Structure



### Board Subcommittees

Each Board Subcommittee operates within a defined mandate as outlined in the Committee Charters. The Committee chairpersons are responsible for the effective functioning of the Committees. They report and make recommendations to the Board on the respective activities. When determining the composition of the Committees, the Board considers skills, industry expertise and experience of its members.

### Executive Committees

The management of the day-to-day operations have been delegated to the Corporate Management team led by the General Manager. Several executive level committees have been established with specific responsibilities and clearly defined mandates.

## CORPORATE GOVERNANCE

Subcommittees and Executive Committees	Mandate
<b>Board subcommittees</b>	
Audit Committee	Reviews the Bank's financial reporting process including internal controls, internal and external audit
Integrated Risk Management Committee	Oversight responsibility for all areas of risk management including credit, market, operational, liquidity, cyber/IT and strategic risks and ensures compliance with the entirety of the risk management policy framework and compliance with laws and regulations.
Human Resources and Remuneration Committee	Oversight responsibility for determining the Remuneration policy, setting objectives and evaluating performance of the General Manager and Key Management Personnel (KMP) and determining the Bank's HR policy.
Nomination and Corporate Governance Committee	Implementing of procedures to select/ appoint Senior Management persons and evaluating their suitability, review codes of ethics, improve corporate governance practices.
Information and Communication Technology Committee	Oversight responsibility for monitoring of IT products, services, policies, practices and infrastructure.
<b>Executive Committees</b>	
Asset and Liability Management Committee (ALCO)	Reviews the funding strategy, Liquidity management, assets mismatch as well as market risk exposures, management of liquidity risk and interest rate risks as primary objectives and manages various financial risks of the Bank.
Branches Division Credit Committee	Provides quality and quick service to the customers by expediting the process of entertaining requests of high net-worth customers and streamlining the credit administration and minimising of credit risk.
Business Continuity Coordinating Committee (BCCC)	Managing and coordinating all aspects of the Business Continuity Management (BCM) process of the Bank.
Business Continuity Implementation Committee (BCIC)	Effective implementation of Business Continuity Plan (BCP) of the Bank.
Business Continuity Management Alternative Committee (BCMAM)	Serves temporarily, immediately after any disaster, until the other Business Continuity Management committees are established.
Committee Dealing with Forged Cheques and Frauds	Makes recommendation to the respective authorities for writing off unrecoverable balances on Forged Cheques and Frauds after considering all possible ways of recovering the same.
Corporate Information Security Committee (CISC)	Provides direction and support for the Information Security initiatives. Accordingly, the Committee is expected to ensure the application of processes and procedures specified in the Information Security Policy (ISP), review and communicate the Information security plans, conduct investigations of security breaches and drive the Information security of the Bank.
Corporate Management Committee	Corporate Management Committee is the highest management level Committee in the Bank. Overall purpose of the Committee is to make vital decisions of the Bank, which do not fall under the purview of the other management committees. This Committee also intends to review the entire performance of the Bank, with a view to formulating strategies and issuing directions to manage deviations.
Corporate Strategies Review Committee	The objective of the Committee is to assist the management to streamline the process of planning, implementing and monitoring of corporate strategies of the Bank.
Credit Committee	Formulates, reviews and revises policies and procedures for granting credit facilities, to be submitted for the approval of the Board of Directors whilst ensuring compliance with all statutory and regulatory requirements. It also approves, declines or ratifies credit proposals submitted by the line management under its delegated authority limits or makes appropriate recommendations to the Board of Directors. It also monitors, reviews and renews portfolio exposure and concentration risk to ensure that the Bank maintains a well diversified and healthy credit portfolio. Further it monitors the remedial action taken in respect of non-performing advances.

Subcommittees and Executive Committees	Mandate
<b>Executive Committees</b>	
Damage Assessment and Restoration Committee (DARC)	Assesses damage to Bank Property and Restoration.
Human Resource Policy Committee (HRPC)	Formulates, reviews and revises policies and procedures relating to HR Management and makes recommendations to the Board of Directors where necessary. It also approves/ recommends to the Board on proposals relating to the HR functions such as recruitment, promotion, rewarding and compensation, industrial relations, terminations etc.
Idle Asset Committee	Assists in the management and monitoring of the process of disposal of properties vested in the Bank as per rules stipulated in Bank of Ceylon Ordinance, Bank of Ceylon Act, Debt Recovery Act and Office Instruction Circulars.
Internal Capital Adequacy Assessment Process Steering Committee	The ICAAP Steering Committee is the principal management committee responsible for the development and implementation of a sound Internal Capital Adequacy Assessment Process across the Bank to assess, quantify and monitor risk in addition to regulatory compliance.
Investment Committee	Its primary objective is to assist the Board of Directors to discharge its statutory duties and its oversight responsibilities in relation to investment activities of the Bank excluding investments in equity of subsidiaries and Government securities. The Committee intends to ensure safety of the principal of overall investments while maintaining the return at a reasonable level.
Committee for Investment in Government Securities	The primary objective of this Committee is to assist the management to in the discharge of its statutory duties and its oversight responsibilities in relation to investment activities in Government securities.
IT Steering Committee	Recommends to the Board, the annual Information Technology Plan. Assists in the implementation of initiatives, formation of teams and monitoring of processes and their progress. It also reviews policies relating to IT operations and recommends adoptions to the Board of Directors. Further it monitors and controls the progress of IT Projects and provides necessary support from business and other support units.
Marketing Committee	Provides strategic direction to the Bank in terms of planning appropriate marketing strategies, positioning the Bank and products/ services, identifying opportunities in the market to maximize the Bank's turnover and provides the a forum to champion innovation/ novel marketing concepts, planning and executing corporate social responsibility programmes and creating an effective communication platform to build the Bank's corporate image.
Non-Performing Assets Review Committee (NPAC)	Its objective is to assist the management to minimize NPLs of the Bank by periodically reviewing the NPL status and making suitable recommendations to improve the asset quality or expedite the recovery of existing NPAs.
Operational Risk Management Executive Committee	This is the principal committee for all operational risk management matters of the Bank. This Committee reinforces the fact that governance of the risk management program is the responsibility of senior management; it provides the forum for addressing cross-functional risk issues with a view to maintaining the highest operational standards for the Bank whilst minimizing risk.
Reward and Recognition Policy Committee (RRPC)	Recognises the employees who have contributed to the enhancement of productivity and the advancement of the organisation beyond expectation and appreciating/ rewarding such employees/ teams for their contributions.
Scholarship Programme Selection Committee (Review Committee)	The overall purpose of this Committee is to select the appropriate/ suitable and required overseas programmes for the Bank.
Scholarships Committee	The overall purpose of this Committee is to select the appropriate training programmes seminar/ workshops/ visits and nominate suitable participants for overseas training/ seminar/ workshops/ visits etc.
Sustainability Committee	Assists in integrating sustainability into key business decisions, processes and initiatives to become a responsible corporate citizen by operating the business in an environmentally responsible, socially equitable and economically sound manner. The committee would is to evaluate, develop, promote, implement and monitor sustainability principles and practices through the organization which will deliver values to the stakeholders.
Technical and Operational Committee (TOC)	Assists in taking appropriate measures to mitigate losses that may arise due to disruptions to operations.

## CORPORATE GOVERNANCE

### Board of Directors

#### Board Composition

The Board of the Bank can have six (6) Non-Executive Directors. The Board composition is clearly set out in the Ordinance and relevant amendments. Independence of Directors is assessed based on the criteria set out in the Banking Act Direction No.11 of 2007 on Corporate Governance. Directors are appointed by the relevant Minister to whom state banks are assigned and a representative of the Ministry of Finance holds an Ex-officio position on the Board. Directors are appointed from luminaries in their respective fields, bringing varying perspectives to Board discussions enabling them to constructively challenge the Management team. This ensures an appropriate balance of power, enhancing the effectiveness of the decision-making process.

Presently the Bank has four Directors appointed and their details are given on pages 25 to 27. The process of appointing the balance Directors is still on-going with the change that happened in the political arena.

#### Skills and Expertise

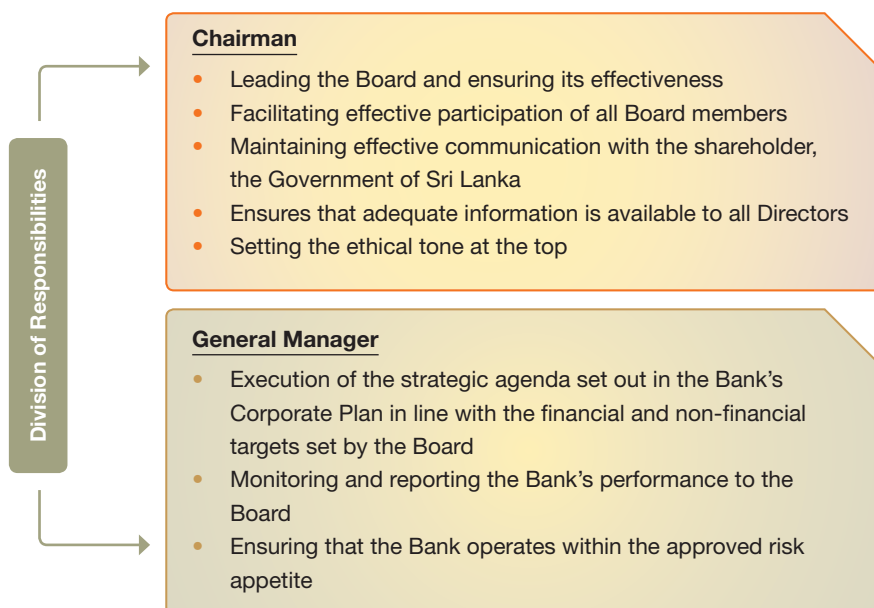
The Board was and is quantitatively and qualitatively diverse in terms of experience and skills. Their collective background provides for a well-balanced mix of attributes that enable the effective discharge of responsibilities. **There was and is sufficient financial acumen on the Board. In the year 2018 there were Directors holding memberships in professional accountancy bodies. The Directors who are on the Board have the necessary financial acumen from their professional experience. Their profiles are on pages 25 to 27. Details pertaining to Directors of 2018 are given on pages 79 to 85.**

#### Board Responsibilities

The Board Charter clearly outlines the responsibilities and the powers reserved for the Board. The mandate includes setting strategic direction, establishing robust governance and risk management practices, ensuring regulatory compliance, safeguarding the Bank's reputation and presenting a balanced and fair assessment of the Bank's financial performance and position. The Board Charter is reviewed regularly and revised to ensure relevance to strategic aspirations and value creation.

#### Role of Chairman/ General Manager

The role of the Chairman is separate from that of the Chief Executive Officer (referred to as the General Manager in the Bank of Ceylon) ensuring an appropriate balance of authority and power. As clearly defined in the Board Charter, the Chairman is an Independent Non Executive Director (INED) while the General Manager who is the Chief Executive Officer of the Bank is appointed by the Board and does not hold a Board position. The major role/ responsibilities of the Chairman and General Manager are given below;



#### Appointments and Resignations

As a state-owned bank, appointments to the Board are made by the Government of Sri Lanka through the Minister responsible for state banks. The Central Bank of Sri Lanka approves the appointments made if the required criteria for fitness and propriety are met. Director resignations and removals are also referred to the same Minister while the Central Bank of Sri Lanka and the Colombo Stock Exchange are kept duly informed of any such changes to the Board.

## Board Induction

On appointment, Directors are provided with all the information pertaining to the Bank's governance including the Bank of Ceylon Ordinance, governance structures, statutory and regulatory requirements, Board and Subcommittee Charters as well as any other relevant legislation and policies. The General Manager conducts a comprehensive presentation detailing the Bank's history, business model,

organisational structure, business verticals and support functions. One-on-one meetings and departmental visits are scheduled to familiarise Directors with the Bank's operations.

## Access to Information

Directors are provided with all information and support to effectively discharge their responsibilities. Opportunities are also provided for external input at the Bank's expense in line with the policy for Directors' Access to Independent Professional Advice. An electronic board paper system is used to provide access to board papers and relevant information is circulated via this system allowing adequate time for Directors to prepare for the meetings. Management team is on stand by at Board Meetings to provide any resources required to facilitate decision making.

## Board focus in 2018

### Policy frameworks

- New policies introduced
  - (1) Dividend Policy
  - (2) Anti-bribery and Anti-corruption Policy
- Reviewed and updated the
  - (1) Whistleblowing Policy
  - (2) Policy on Directors Access to Independent Professional Advice
  - (3) Asset and Liability Management Policy
  - (4) Marketing Policy
  - (5) Liquidity Risk Management Policy
  - (6) Group Risk Management Policy

### Technology

- Implementation of the Data Centre modernisation project.
- Establishment of a Board Information and Communication Technology Committee

### Regular updates

- Financial reports on performance and financial stability
- Recommendations and highlights from Subcommittees
- Subsidiary performance updates
- Compliance Reports

### Strategy

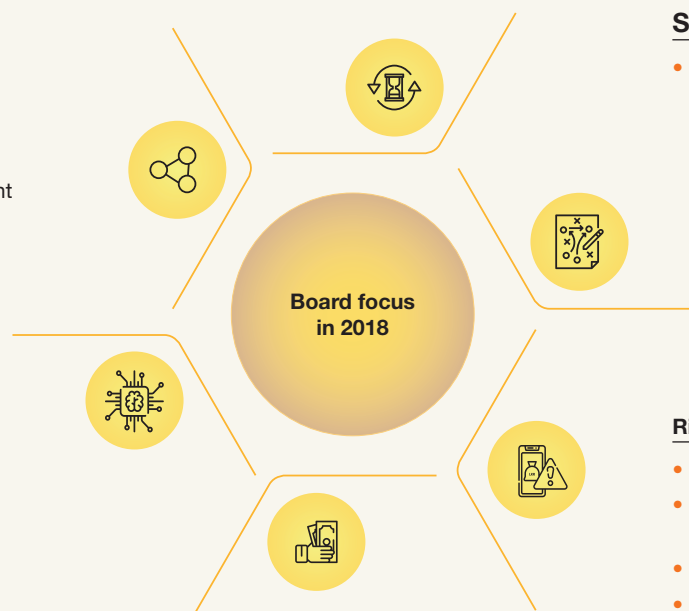
- Strategic planning session (a day away) to provide inputs on the Bank's Corporate Plan 2019-2021

### Risk Management

- Approval of risk appetite
- Review and approval of the risk management framework
- Cybersecurity
- Preserving credit quality and managing Non Performing Loans
- Compliance to BASEL III status
- Appointment of a Chief Information Security Officer
- Risk reports with dashboards

### Financial matters

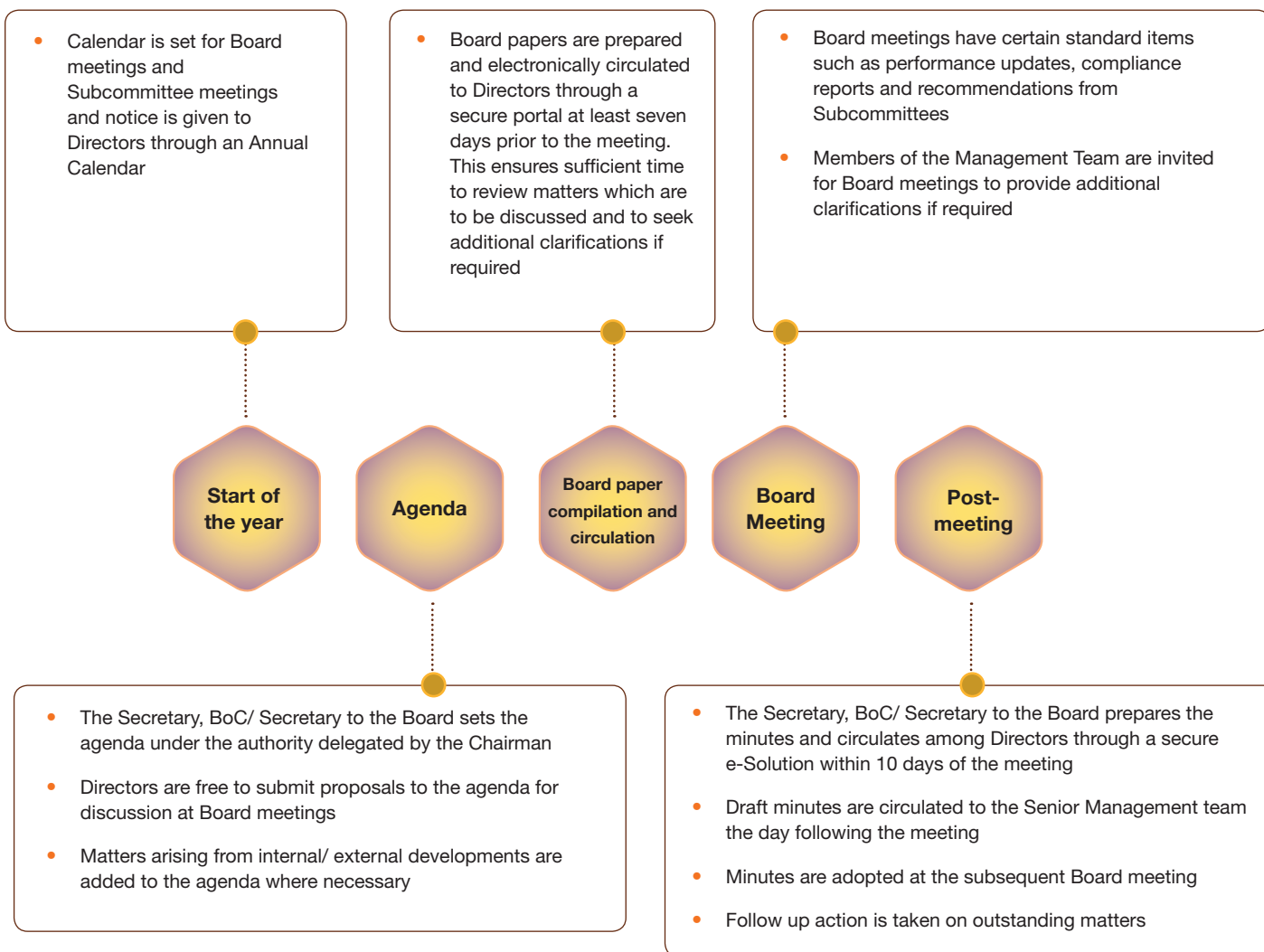
- 2019 budget
- 2018 performance review
- Dividend approval
- Funding and liquidity plans
- Capital status



# CORPORATE GOVERNANCE

## Board Activities

The Board meets around twice a month and meetings were convened 23 times in 2018. The Secretary, BoC/ Secretary to the Board ensures that all procedures are duly followed in setting meeting agendas, circulating information, conducting board meetings and maintaining minutes. Efforts are made to ensure that the Board dedicates adequate time to consider matters critical to the Bank such as corporate planning, risk management, compliance and governance matters.





## Board of Directors in 2018

The complementary skills and depth of diverse insights on our Board has enabled the Bank to effectively respond to emerging risks and opportunities in the operating landscape.

Name of Director	Date appointed and Date of Resignation	Qualification/s	Experience	Name/s of Entities in which the respective Director functioned as at the last date of their Board position in BoC	Board Subcommittees of the Bank on which they have served
<b>Mr Ronald C Perera PC</b> Chairman Independent Non-Executive Director	28 January 2015 - 18 November 2018 (Reappointed w.e.f. 12 February 2019)	<ul style="list-style-type: none"> <li>Bachelor of Laws Degree, University of Colombo, Sri Lanka.</li> <li>Master of Laws (LL.M) in International Trade Law, Northumbria University, United Kingdom.</li> <li>Attorney-at-Law (President's Counsel).</li> </ul>	<ol style="list-style-type: none"> <li>Served as a Director on the Boards of Bank of Ceylon, Mireka Capital Land (Private) Limited, Mireka Homes (Private) Limited and as the Chairman of Merchant Bank of Sri Lanka &amp; Finance PLC.</li> <li>An experienced lawyer with a wide practice in the original courts as well as in the Court of Appeal and the Supreme Court.</li> <li>Wide experience in civil and criminal litigation, negotiation, drafting of commercial and transport contracts and agreements and commercial arbitration.</li> <li>Specialised in Commercial Law, Banking Law, Industrial Law, Injunctions, Defamation, Election Petitions, Civil Appeals, Revision Applications Writ Applications and Fundamental Rights Cases.</li> </ol>	<ol style="list-style-type: none"> <li>Chairman, Bank of Ceylon (UK) Limited.</li> <li>Acting Chairman, Hotels Colombo (1963) Limited.</li> </ol>	<ol style="list-style-type: none"> <li>Chairman, Board Nomination and Corporate Governance Committee</li> <li>Member, Board Human Resources and Remuneration Committee</li> </ol>
<b>Mr S R Attygalle</b> Non-Independent Non-Executive Ex-officio Director	27 April 2016 - 25 November 2018	<ul style="list-style-type: none"> <li>Master of Science (MSc.) in Economics, Warwick University, United Kingdom.</li> <li>Bachelor of Science (BSc) in Physical Science, University of Colombo, Sri Lanka.</li> </ul>	<ol style="list-style-type: none"> <li>Director and Acting Chairman, National Savings Bank.</li> <li>Director of Bank of Ceylon, Regional Development Bank, Board of Investment of Sri Lanka, Ports Authority and Airport and Aviation Services (Sri Lanka) Limited.</li> <li>Director General, Department of Fiscal Policy and Department of Public Enterprises, Ministry of Finance.</li> <li>Contributing towards the formulation of the Annual Budget and leading the technical team for the Free Trade Agreement (FTA) with China.</li> <li>Assistant Governor – Central Bank of Sri Lanka (presently a Deputy Governor).</li> <li>Deputy Secretary to the Treasury, Ministry of Finance.</li> </ol>	<ol style="list-style-type: none"> <li>Commission Member - Securities and Exchange Commission of Sri Lanka.</li> </ol>	<ol style="list-style-type: none"> <li>Member, Board Audit Committee</li> <li>Member, Board Integrated Risk Management Committee</li> <li>Member, Board Human Resources and Remuneration Committee</li> </ol>

## CORPORATE GOVERNANCE

Name of Director	Date appointed and Date of Resignation	Qualification/s	Experience	Name/s of Entities in which the respective Director functioned as at the last date of their Board position in BoC	Board Subcommittees of the Bank on which they have served
<b>Mr Ranel T Wijesinha</b> Independent Non-Executive Director	09 February 2015 - 31 July 2018	<ul style="list-style-type: none"> <li>• Master's Degree in Business Administration, University of Pittsburgh, USA.</li> <li>• Studied Multinational Corporations and Political Risk Analysis at the University's Graduate School of Public and International affairs.</li> <li>• Fellow Member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).</li> </ul>	<ol style="list-style-type: none"> <li>1. Independent international Management Consultant, with over 36 years experience.</li> <li>2. Advisory roles for the Government of Sri Lanka over the last two and a half decades.</li> <li>3. Advisory work in the public sector for Foreign Governments on behalf of multilateral development partners such as the Asian Development Bank.</li> <li>4. Director, Business Development, John Keells Holdings Group.</li> <li>5. Director, John Keells Hotels PLC/ Chairman of the Board Audit Committee.</li> <li>6. Director, Hotels Colombo (1963) Limited.</li> <li>7. Manager, Deloitte, Bahamas.</li> <li>8. Partner and Head of Consulting and Financial Advisory Services, M/s PricewaterhouseCoopers, Chartered Accountants, Sri Lanka.</li> <li>9. Chairman, Ayojana Fund Management (Private) Limited.</li> <li>10. Director, Lanka Ventures Limited.</li> <li>11. Commission Member, Securities &amp; Exchange Commission of Sri Lanka.</li> <li>12. Chairman, Monitoring and Advisory Committee of the Ministry of Power and Energy.</li> <li>13. Member, Governing Council, National Institute of Business Management.</li> <li>14. Member, Board of Management, Post Graduate Institute of Management.</li> <li>15. Advisor, SAARC Chamber of Commerce and Industry.</li> <li>16. Member, Main Committee, Ceylon Chamber of Commerce.</li> <li>17. Advisor, Federation of Chambers of Commerce and Industry of Sri Lanka.</li> <li>18. Past President, Institute of Chartered Accountants of Sri Lanka.</li> <li>19. Past President, 23 Nation Confederation of Asian and Pacific Accountants.</li> <li>20. Member, Consumer Affairs Council under the first Consumer Affairs Authority Act.</li> <li>21. Member, Sri Lanka Accounting &amp; Auditing Standards Monitoring Board.</li> </ol>	<ol style="list-style-type: none"> <li>1. Commission Member -Securities and Exchange Commission of Sri Lanka (Presently its Chairman).</li> <li>2. Director, Koladeniya Hydropower (Private) Limited.</li> </ol>	<ol style="list-style-type: none"> <li>1. Chairman, Board Audit Committee.</li> </ol>

Name of Director	Date appointed and Date of Resignation	Qualification/s	Experience	Name/s of Entities in which the respective Director functioned as at the last date of their Board position in BoC	Board Subcommittees of the Bank on which they have served
<b>Mr H P Ajith Gunawardana</b> Independent Non-Executive Director	06 November 2015 - 20 July 2018	<ul style="list-style-type: none"> <li>• Diploma in Business Administration.</li> <li>• Chartered Financial Analyst – Part II.</li> </ul>	<ol style="list-style-type: none"> <li>1. Director/ Chief Executive Officer, Janashakthi Securities Limited.</li> <li>2. Director, Kshatriya Holdings PLC.</li> <li>3. Director, First Capital Holdings PLC.</li> <li>4. Director, Kelsey Homes PLC.</li> <li>5. Director, Merchant Bank of Sri Lanka &amp; Finance PLC.</li> <li>6. Director, Kotmale Holdings PLC.</li> <li>7. Assistant General Manager, Ceylinco Shriram Securities Limited.</li> <li>8. Executive/ Assistant General Manager, Ceylinco Shriram Capital Management Service Limited.</li> <li>9. Executive, Bartleet Stock Brokers Limited.</li> <li>10. Executive, Ceylinco Trading Company Limited.</li> </ol>	<ol style="list-style-type: none"> <li>1. Director, Lanka Securities (Private) Limited.</li> </ol>	<ol style="list-style-type: none"> <li>1. Chairman, Board Human Resources and Remuneration Committee</li> <li>2. Member, Board Integrated Risk Management Committee</li> <li>3. Member, Board Nomination and Corporate Governance Committee</li> </ol>
<b>Mr Samantha Rajapaksa</b> Independent Non-Executive Director	25 July 2017- 25 November 2018	<ul style="list-style-type: none"> <li>• Master of Business Administration, University of Sri Jayawardanapura, Sri Lanka.</li> <li>• Fellow Member of the Chartered Institute of Management Accountants, London, United Kingdom.</li> <li>• Fellow Member of the Institute of Chartered Accountants, Sri Lanka (CA Sri Lanka).</li> <li>• Member of the Chartered Institute of Marketing, United Kingdom.</li> </ul>	<ol style="list-style-type: none"> <li>1. Senior Staff Accountant/ Consultant, M/S Ernst &amp; Young, Chartered Accountants, Colombo, Sri Lanka.</li> <li>2. Director/ General Manager, Informatics International (Private) Limited, Colombo, Sri Lanka.</li> <li>3. Director/ Chief Executive Officer, CF Venture Fund Limited.</li> <li>4. Director, Central Finance Company PLC Colombo, Sri Lanka.</li> <li>5. Senior Project Manager, Global - AT &amp; T – New Jersey, USA.</li> <li>6. Group Finance and Business Development Director, Kshatriya Holdings PLC.</li> <li>7. Director/ Chief Executive Officer, Softlogic Communications Services (Private) Limited.</li> </ol>	<ol style="list-style-type: none"> <li>1. Chairman/ Director - Kitra Holdings (Private) Limited.</li> <li>2. Director - Asiri Hospital Holdings PLC.</li> <li>3. Director - Asiri Surgical Hospitals PLC.</li> <li>4. Director - Rakuen Group of Hotels.</li> <li>5. Director - Colombo Archery School (Private) Limited.</li> </ol>	<ol style="list-style-type: none"> <li>1. Chairman, Board Integrated Risk Management Committee</li> <li>2. Member (From 11 August 2017- 26 July 2018) and subsequently the Chairman, Board Audit Committee of the Bank (From 26 July 2018 - 25 November 2018)</li> </ol>

## CORPORATE GOVERNANCE

Name of Director	Date appointed and Date of Resignation	Qualification/s	Experience	Name/s of Entities in which the respective Director functioned as at the last date of their Board position in BoC	Board Subcommittees of the Bank on which they have served
Continuation of Mr Samantha Rajapaksa			<ol style="list-style-type: none"> <li>8. Director, Business Development of Softlogic Holdings PLC.</li> <li>9. Chairman, Softlogic Credit PLC.</li> <li>10. Director, Softlogic Finance PLC.</li> <li>11. Director, Central Hospitals PLC.</li> <li>12. Director, Softlogic Capital PLC.</li> <li>13. Group Managing Director, Associated Mortorways (Private) Limited (AMW).</li> <li>14. 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 and AI-Futtain Logistics (Private) Limited.</li> </ol>	<ol style="list-style-type: none"> <li>6. Director-National Apprentice and Industrial Training Authority.</li> </ol>	
<b>Mr Mohan Wijesinghe</b> Independent Non-Executive Director	24 November 2017 - 02 July 2018	<ul style="list-style-type: none"> <li>• Master's Degree in International Legal Cooperation, University of Vrije, Brussels.</li> <li>• Solicitor of the Supreme Court of England and Wales.</li> <li>• Solicitor and Barrister of the Supreme Court of the Australian Capital Territory.</li> <li>• Barrister of the High Court of Australia.</li> <li>• Attorney-at-Law of the Supreme Court of Sri Lanka.</li> </ul>	<ol style="list-style-type: none"> <li>1. Director, People's Bank.</li> <li>2. Group Personnel Manager, Maharajah Group of Companies.</li> <li>3. Assistant Director, Superannuation Commission of Australia.</li> <li>4. Director General, Sri Lanka Institute of Advance Technical Education.</li> <li>5. Executive Director, National Lotteries Board.</li> </ol>	<ol style="list-style-type: none"> <li>1. General Manager - Legal-Colombo International Container Terminals Limited.</li> <li>2. Director - Maga Neguma Consultancy and Project Management Services Company (Private) Limited.</li> <li>3. Director - Interocean Services Limited.</li> <li>4. Senior Overseas Advisor - China Merchants Ports Holdings Company Limited.</li> </ol>	

Name of Director	Date appointed and Date of Resignation	Qualification/s	Experience	Name/s of Entities in which the respective Director functioned as at the last date of their Board position in BoC	Board Subcommittees of the Bank on which they have served
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**With the reconstitution of the Board in November 2018.**

<b>Mr Neil A Umagiliya</b> Chairman Independent Non-Executive Director	19 November 2018 - 20 December 2018	<ul style="list-style-type: none"> <li>Fellow Member of the Institute of Chartered Management Accountants, United Kingdom.</li> <li>Member of the British Institute of Management.</li> </ul>	<ol style="list-style-type: none"> <li>Director, Salu Sala Limited.</li> <li>Director, Sri Lanka Export Development Board.</li> <li>Director, Information and Communication Technology Agency (ICTA) in Sri Lanka.</li> <li>Member of the Monetary Board of the Central Bank of Sri Lanka.</li> <li>Member of the Textile Quota Board.</li> <li>Member of the Board of Governors of the Sri Lanka Institute of Textile and Apparel.</li> </ol>	<ol style="list-style-type: none"> <li>Director, Dial Textile Industries (Private) Limited.</li> <li>Director, Vijaya Kumaratunge Memorial Hospital.</li> <li>Member of the Sri Lanka German Business Council.</li> </ol>	<ol style="list-style-type: none"> <li>Chairman, Board Integrated Risk Management Committee</li> <li>Chairman, Board Human Resource and Remuneration Committee</li> </ol>
<b>Ms Visakha Amarasekera</b> Non-Independent Non-Executive Ex-officio Director	26 November 2018 - 27 February 2019	<ul style="list-style-type: none"> <li>Bachelor of Science (Hons) Degree in Economics and Management, University of London, United Kingdom.</li> <li>Master of Arts Degree in Development Economics, Vanderbilt University, United States of America.</li> <li>Member of the Chartered Institute of Management Accountants, United Kingdom.</li> <li>Chartered Public Finance Accountant.</li> </ul>	<ol style="list-style-type: none"> <li>Overseeing matters related to Finance, Debt Management, Capital Markets and State-owned Enterprises at the General Treasury, Ministry of Finance and Planning since 2002 in the following capacities; <ol style="list-style-type: none"> <li>Director, Department of External Resources.</li> <li>Director/ Deputy Director, Department of Public Enterprises .</li> <li>Assistant Director, Department of Public Enterprises.</li> <li>Assistant Director, Department of Public Finance.</li> </ol> </li> <li>Director, Ceylon Electricity Board.</li> <li>Director, Ceylon Petroleum Corporation.</li> <li>Director, People's Bank.</li> </ol>	<ol style="list-style-type: none"> <li>Director, Department of External Resources of the General Treasury of the Ministry of Finance and Economic Affairs.</li> </ol>	<ol style="list-style-type: none"> <li>Member, Board Audit Committee</li> <li>Member, Board Integrated Risk Management Committee</li> <li>Member, Board Human Resource and Remuneration Committee</li> <li>Chairperson, Board Nomination and Corporate Governance Committee</li> </ol>

## CORPORATE GOVERNANCE

Name of Director	Date appointed and Date of Resignation	Qualification/s	Experience	Name/s of Entities in which the respective Director functioned as at the last date of their Board position in BoC	Board Subcommittees of the Bank on which they have served
<b>Mr P Lalith P Withana</b> Independent Non-Executive Director	26 November 2018 - 20 December 2018	<ul style="list-style-type: none"> <li>Master of Business Administration (MBA) Degree, University of Sri Jayewardenepura.</li> <li>Bachelor of Arts (BA) (Hons), University of Manchester Metropolitan, United Kingdom (UK).</li> <li>Fellow Member of the Chartered Institute of Management Accountants (FCMA), UK.</li> <li>Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA).</li> <li>Project Management Professional at the Project Management Institute (PMI), USA.</li> </ul>	<ol style="list-style-type: none"> <li>Over 25 years' experience at Senior Management positions in many organisations including Brandid Group, M/s Ernst &amp; Young, Amsterdam Rotterdam (Amro) Bank, IBM World Trade Corporation, Carson Cumberbatch PLC, MJF Group, Yamaha Corporation in United States of America and SriLankan Airlines.</li> <li>Director on the Board of Bank of Ceylon.</li> <li>Director, Dankotuwa Porcelain PLC.</li> <li>Director, Merchant Bank of Sri Lanka &amp; Finance PLC.</li> <li>Director, Ceylease Limited.</li> <li>Director, Seylan Bank PLC.</li> <li>Commissioner, Telecommunication Regulatory Commission.</li> <li>Co-Chairman, the Finance Committee of the National Olympic Committee of Sri Lanka.</li> <li>Vice President, Project Management Institute, Sri Lanka Chapter.</li> </ol>	<ol style="list-style-type: none"> <li>Chief Executive Officer, Sri Lankan Catering Limited.</li> <li>Member of the Advisory Board for the School of Apparel Merchandising and Management, California State Polytechnic University, Pomona, USA.</li> </ol>	<ol style="list-style-type: none"> <li>Chairman, Board Audit Committee</li> <li>Member, Board Information and Communication Technology Committee</li> </ol>
<b>Ms A V K Madhavie Herath</b> Independent Non-Executive Director	26 November 2018 - 20 December 2018	<ul style="list-style-type: none"> <li>Master of Philosophy (M. Phil) Degree in Economics, University of Peradeniya.</li> <li>Bachelor of Arts (Honours) Degree, University of Peradeniya.</li> </ul>	<ol style="list-style-type: none"> <li>Chairperson, Kandurata Development Bank.</li> <li>Executive Director, Regional Development Bank.</li> </ol>	<ol style="list-style-type: none"> <li>Senior Lecturer in Economics and Statistics, University of Peradeniya.</li> </ol>	<ol style="list-style-type: none"> <li>Member, Board Audit Committee</li> <li>Member, Board Integrated Risk Management Committee</li> </ol>
<b>Mr H Isuru Balapatabendi</b> Independent Non-Executive Director	26 November 2018 - 20 December 2018	<ul style="list-style-type: none"> <li>Master of Law (LL.M), University of Pittsburgh School of Law, Pittsburgh, Pennsylvania, United States of America.</li> <li>Attorney-at-Law of the Supreme Court of Sri Lanka.</li> </ul>	<ol style="list-style-type: none"> <li>State Counsel, Attorney General's Department of Sri Lanka.</li> <li>Diplomat and Head of Chancery, Embassy of Sri Lanka in The Hague, Netherlands.</li> <li>Director, Sri Lanka Insurance Corporation Limited.</li> <li>Director, Seylan Bank PLC.</li> <li>Director, Blue Diamonds Jewellery Worldwide PLC.</li> </ol>	<ol style="list-style-type: none"> <li>Member of the Board Human Resource and Remuneration Committee</li> <li>Member, Board Nomination and Corporate Governance Committee</li> <li>Member, Board Information and Communication Technology Committee</li> </ol>	

Name of Director	Date appointed and Date of Resignation	Qualification/s	Experience	Name/s of Entities in which the respective Director functioned as at the last date of their Board position in BoC	Board Subcommittees of the Bank on which they have served
<b>Mr G Harsha Wijayawardhana</b> Independent Non-Executive Director	26 November 2018 - 20 December 2018	<ul style="list-style-type: none"> <li>• Bachelor of Science Degree majoring in Biochemistry and Chemistry and Minor in Mathematics, University of Miami, United States of America.</li> <li>• Professional Fellow of the British Computer Society (FBCS).</li> </ul>	<ol style="list-style-type: none"> <li>1. Has been involved in Government ICT projects and has designed and implemented Government networks such as Ministry of Foreign Affairs and Information Department of Sri Lanka.</li> <li>2. Responsible for setting up of the Software Development Unit (SDU) of University of Colombo.</li> <li>3. Responsible for some of the major national level software projects such as the Birth, Marriage and Death Certificate issuance system and House Holder List set up at every Divisional Secretariat.</li> <li>4. ICT Consultant to the Telecommunication Regulatory Commission (TRCSL) of Sri Lanka.</li> <li>5. Director, Lanka Government Infrastructure Interchange, Information and Communication Technology Agency of Sri Lanka (ICTA).</li> <li>6. Founder President of ISOC LK Chapter.</li> <li>7. Co-Chair of Sinhala Generation Panel of ICANN.</li> <li>8. Chief Operating Officer/ Chief Technical Officer, Theekshana (an associate company of the University of Colombo School of Computing).</li> <li>9. Consultant / Head of Software Development Unit, University of Colombo School of Computing.</li> </ol>	<ol style="list-style-type: none"> <li>1. Director, LK Domain Registry.</li> <li>2. Director, Amsoft Technologies (Private) Limited.</li> </ol>	<ol style="list-style-type: none"> <li>1. Chairman, Board Information and Communication Technology Committee</li> <li>2. Member, Board Audit Committee</li> <li>3. Member, Board Integrated Risk Management Committee</li> <li>4. Member, Board Nomination and Corporate Governance Committee</li> </ol>

*(In February 2019, a new Board was constituted and their profiles are appearing on pages 25 to 27)*

## CORPORATE GOVERNANCE

### Board calendar and attendance

Quarter 1	Quarter 2	Quarter 3	Quarter 4
05 January 2018	02 April 2018	09 July 2018	04 October 2018
05 January 2018 (Spl)	17 April 2018	13 July 2018	17 October 2018
19 January 2018	02 May 2018	26 July 2018	27 November 2018
07 February 2018	06 June 2018	10 August 2018	06 December 2018
15 February 2018	29 June 2018	23 August 2018	
20 February 2018		07 September 2018	
08 March 2018		19 September 2018	

Name of Director	Board	Audit Committee	HRRC	IRMC	NGGC	*ICTC
Mr Ronald C Perera, PC - Chairman (Resigned w.e.f. 18 November 2018) (Reappointed w.e.f. February 2019)	19/21	N/A	1/1	N/A	2/2	N/A
Mr S R Attygalle - Ex-officio Director (Ceased to be a Director w.e.f. 25 November 2018)	19/21	7/9	0/1	5/6	0/2	N/A
Mr Ranel T Wijesinha - Director (Resigned w.e.f. 31 July 2018)	14/14	6/6	N/A	N/A	N/A	N/A
Mr H P Ajith Gunawardana - Director (Resigned w.e.f. 20 July 2018)	13/14	N/A	1/1	5/5	2/2	N/A
Mr Samantha Rajapaksa - Director (Ceased to be a Director w.e.f. 25 November 2018)	20/21	9/9	N/A	6/6	N/A	N/A
Mr Mohan Wijesinghe - Director (Resigned w.e.f. 02 July 2018)	12/12	N/A	N/A	N/A	N/A	N/A
Mr K A Vimalenthirarajah - Alternate Director to Ex-officio Director (Ceased to be the Alternate Director w.e.f. 25 November 2018) (Reappointed as Ex-officio Director w.e.f. February 2019)	-	1/1	-	1/1	-	N/A
Mr Neil A Umagiliya - Chairman (Appointed w.e.f. 19 November 2018 and Resigned w.e.f. 20 December 2018)	2/2	N/A	N/A	N/A	N/A	N/A
Ms Visakha Amarasekera Ex-officio Director (Appointed w.e.f. 26 November 2018 and ceased to be a Director w.e.f. 27 February 2019)	2/2	1/1	N/A	N/A	N/A	N/A
Mr P Lalith P Withana - Director*	2/2	1/1	N/A	N/A	N/A	1/1
Mr H Isuru Balapatabendi - Director*	2/2	N/A	N/A	N/A	N/A	1/1
Ms A V K Madhavi Herath - Director*	1/2	1/1	N/A	N/A	N/A	N/A
Mr G Harsha Wijayawardhana - Director*	2/2	1/1	N/A	N/A	N/A	1/1
Total No of Meetings	23	10	1	6	2	1

\*All appointed w.e.f. 26 November 2018 and resigned w.e.f. 20 December 2018.

### Assessing Board Effectiveness

The effectiveness of the Board is assessed annually through a self-appraisal, the criteria of which has been designed in line with the regulatory requirements. Each Director is required to complete a

performance evaluation form, subsequent to which responses are aggregated and presented to the Board. The Subcommittees also carry out a similar evaluation.

Since there were changes to the Board in November 2018 and the Directors

so appointed also resigned before end December 2018 except for the representative from the Ministry of Finance, the annual evaluations for the year ended 2018 were not conducted. The practice of carrying out these evaluations will be continued in the future.



## Appraisal of the General Manager (GM)

Performance of the General Manager and Key Management Personnel (KMP) are evaluated by the Board annually, based on the financial and non-financial targets outlined in the Corporate Plan. The Nomination and Corporate Governance Subcommittee supports the Board in this endeavour. The criteria are agreed with the General Manager/ KMPs at the beginning of the year, ensuring clarity in the Board's expectations. The appraisal takes into consideration dynamics in the operating landscape as well as feedback received from the appraisee.

## Director and Executive Remuneration

### Approach and Policy

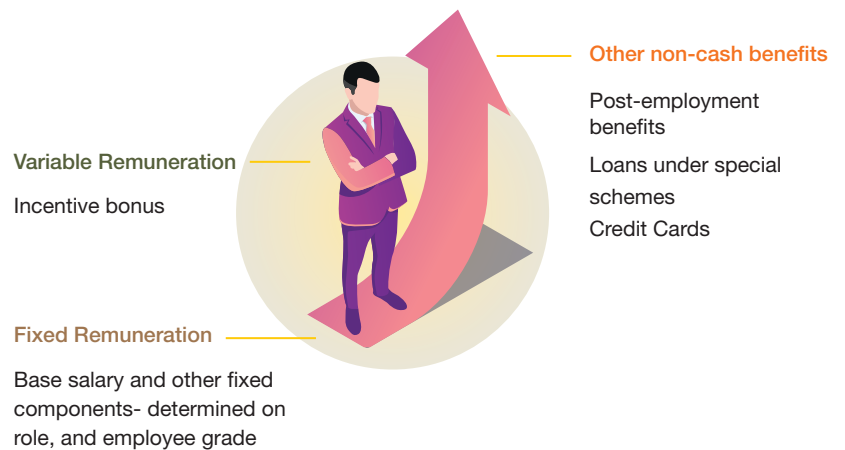
The Bank's remuneration philosophy for Directors and Key Management Personnel reflects its broader commitments to its stakeholders and strives to reward sustainable performance on a long-term basis. Directors' Remuneration is determined by the Directors' Remuneration Policy which reflects the particulars of the circulars and letters issued by the Government of Sri Lanka and the particulars of the Ordinance and its amendments. No Director is involved in determining his/ her remuneration.

Remuneration for the General Manager and KMP is based on the Board-approved Remuneration Policy for Key Management Personnel. Compensation practices consider achievement of agreed

deliverables with the aim of nurturing a performance-driven culture. The Board Human Resources and Remuneration Committee makes recommendations to the Board on the General Manager/ KMP remuneration, based on which the Board approves and provides feedback to the relevant Minister who grants final approval in accordance with the provisions of the Ordinance and its amendments. The remuneration of the General Manager and KMP are reviewed every three years.

## Remuneration Structure

BoC's reward structures are designed to offer fair and reasonable remuneration. Due consideration is given to achieving the optimal mix between fixed and variable pay depending on the role and responsibilities. Key elements of the Bank's remuneration composition are given below;



Please refer to page 236 for details on Director Remuneration and page 426 for KMP Remuneration.

Report of the Board HRRC is available on the Committee report on pages 96 to 97.

## CORPORATE GOVERNANCE

### Risk Management and Internal Controls

The Board of Directors hold apex responsibility for safeguarding the Bank's assets through effective risk management and internal control systems. BoC's risk management framework has been designed to achieve an optimal risk-reward balance given the Bank's national role, systemic importance and stakeholder expectations while ensuring compliance with applicable laws and regulations. In monitoring the Bank's risk profile and internal control systems, the Board regularly assesses the principal risks facing the Bank and the adequacy of risk mitigation tools. The Board is supported by the Integrated Risk Management Committee (IRMC) and Audit Committee in the discharge of its risk management and internal control responsibilities respectively. The scope of both Committees is clearly outlined in the respective Committee charters.

Please refer to pages 89 to 95 respectively for the IRMC and Audit Committee Reports.

### Code of Ethics

The Board of Directors led by the Chairman set the ethical tone for the Bank and are bound by the Director's Code of Ethics which propagates a strong culture of integrity, transparency and anti-corruption. Directors are thereby committed to acting in the best interests of the Bank without undue personal conflicts of interest and submit an annual confirmation on their compliance with the provisions of the Code. Directors also submit a Declaration of Assets and Liabilities annually to the relevant Ministry.

All employees are also bound by the Employee Code of Ethics which clearly sets out the Bank's expectations in dealing with internal and external stakeholders, behaviour, bribery and corruption.

An annual confirmation on compliance is obtained from employees. The Board Nomination and Corporate Governance Committee reviews these codes regularly.

### Whistleblowing

A Board-approved Whistleblowing Policy encourages employees or non-employees to report complaints pertaining to suspected theft/ fraud, corruption, misuse of Bank's assets or any other actions that are considered unethical or illegal. Complaints are directed and overseen by the Chief Internal Auditor while complaints made against employees of the Deputy General Manager grade or above are submitted to the Chairman of the Audit Committee.

### Anti-corruption

It is the Bank's policy to conduct all its operations in an honest and ethical manner. The Bank takes a zero-tolerance approach to Bribery and Corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever the Bank operates and implementing and enforcing effective systems to counter bribery. The Bank upholds all laws relevant to countering bribery and corruption in all the jurisdictions in which it operates.

### Stakeholder Communication

The Bank's Communication Policy provides guidance on maintaining effective and relevant communication with internal and external stakeholders, nurturing open and sustainable relationships. The Policy is reviewed by the Nomination and Corporate Governance Committee. Platforms through which the Bank maintains communication with its stakeholders is briefly outlined below;

**Shareholders:** The Bank's sole shareholder is the Government of Sri Lanka and ongoing engagement is maintained

through the permanent representative on the Board as the Ex-officio Director appointed from the Ministry of Finance. The Annual Report is presented to the Parliament through the relevant Ministry.

**Employees:** The Bank maintains an open-door policy with all employees while engagement is also facilitated through cordial relations with trade unions, multi-level staff meetings, grievance handling mechanisms and a year-round calendar of cultural, entertainment and sporting events.

**Customers:** Engagement with customers is maintained through branches, relationship managers and multi-faceted digital channels while customer satisfaction surveys are also conducted on a regular basis.

### Subsidiary Governance

The Bank's Subsidiary Management Charter ensures the consistent application of sound governance and risk management practices across the Bank's ten direct and indirect subsidiaries. Regular performance updates and risk dashboards are presented to the parent entity to evaluate potential losses/risks stemming from subsidiaries and recommend corrective action. The Board through IRMC reviews the subsidiary risk management dashboards on a periodic basis, ensuring that the risk profiles are maintained within the defined parameters. BoC's Compliance Officer looks after the compliance of the subsidiaries. Bank representatives also typically hold at least one Board position in the subsidiary boards, ensuring that the parent entity's interests are preserved.

Please refer to pages 401 to 427 for further information on the Bank's compliance to the Banking Act Direction No. 11 of 2007 and pages 394 to 400 for compliance to the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

# 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.

New developments relating to the functions of the Audit Committee are considered in reviewing the Audit Committee Charter which was last reviewed in 2018.

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, action taken, outcomes achieved or pending, and follow-up initiated, are clarified, discussed and Board approval obtained thereof.

#### Composition

##### In 2018

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

- **Mr Ranel T Wijesinha**  
Chairman/ Independent Non-Executive Director  
(until his resignation from the Board of Bank of Ceylon on 31 July 2018)
- **Mr S R Attygalle**  
Member/ Non-Executive Ex-officio Director
- **Mr Samantha Rajapaksa**  
Member, Independent Non-Executive Director

Pursuant to the resignation of Mr Wijesinha, from the Board of Bank of Ceylon on 31 July 2018, the Committee comprised of the following Non-Executive Directors:

- **Mr Samantha Rajapaksa**  
Chairman/ Independent Non-Executive Director  
(Until his resignation from the Board of Bank of Ceylon on 25 November 2018)
- **Mr S R Attygalle**  
Member/ Non-Executive Ex-officio Director  
(Until he ceased to be a Director w.e.f. 25 November 2018, with him assuming duties of a higher position in the Ministry of Finance)

Pursuant to the reconstitution of the Board that took place in November 2018, the Committee comprised of the following members-

- **Mr P Lalith P Withana**  
Chairman/ Independent Non-Executive Director
- **Ms Visakha Amarasekera**  
Member/ Non-Executive Ex-officio Director

- **Ms A V K Madhavi Herath**  
Member/ Independent Non-Executive Director
- **Mr G Harsha Wijayawardhana**  
Member/ Independent Non-Executive Director

Mr Withana, Ms Herath, and Mr Wijayawardhana resigned from the Board of Bank of Ceylon on 25 November 2018 and Ms Amarasekera ceased to be a Director with the appointment of a new Ex officio Director with effect from 27 February 2019.

The members of the Committee held the requisite financial acumen, experience, competencies, backgrounds and the appropriate levels of independence to be members of this Committee.

Brief profiles of the members of the Audit Committee during 2018 are given on pages 79 to 85 under the Corporate Governance Report.

##### In 2019

With the change that took place in the Government, the Board of the Bank was reconstituted in February 2019 and at the time of reporting vacancies are expected to be filled. In the interim, the Board has decided to constitute the Audit Committee with the following members-

- Mr Kumar Mayadunne**  
Chairman/ Independent Non-Executive Director
- Mr K A Vimalenthirarajah**  
Member/ Non-Executive Ex-officio Director

- Mr P A Schaffter**  
Member/ Independent Non-Executive Director

Profiles of the above members are given on pages 26 to 27.

## BOARD SUBCOMMITTEE REPORTS

### Audit Committee Report

#### 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

The Committee met on ten 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 no 86.

The quorum of the Committee is two.

The Audit for the Consolidated Financial Statements of Bank of Ceylon and its subsidiaries for the year ended 31.12.2018 was conducted by the Auditor General and the Committee has had ongoing interaction with the representative of the Auditor General who is based at the Bank on a full time basis, throughout the year.

In addition to the regular meetings, the Committee communicated with the representatives of the Auditor General (the external auditor of the Bank), as and when the need arose.

#### Participation at Meetings

The following management personnel attended each of the Audit Committee meetings on a regular basis:

- 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)
- 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 had been invited to the meetings of the Audit Committee at various times during the year in order to seek clarification where necessary.

### Activities Performed in Year 2018

#### 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 has been 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.
- Significant judgements, estimates, accounting policies and disclosures in relation to the financial reporting of the Bank have been reviewed.

- Special attention was drawn regarding the implementation of SLFRS 9 on 'Financial Instruments' which became effective from 1 January 2018. The Committee closely monitored the transition processes in consultation with Messrs. Ernst & Young, the consultant for implementation of SLFRS 9 in the Bank. The Committee also reviewed the appropriateness of impairment provision under SLFRS 9 and its impact to the Bank.

#### Regulatory Compliance

- Reviewed compliance with mandatory banking and other statutory requirements.
- Reviewed the progress of action taken in relation to the findings of the statutory examinations carried out by regulators.
- Reviewed the Internal Capital Adequacy and Capital Augmentation Plan and implementation thereof.
- Considered the report on Related Party Transactions.
- Reviewed the position in regard to implementation of Basel III.
- Reviewed the exposure to Government/ private sector and to economic sectors, sub-sectors and borrowers and followed up on the implementation of appropriate risk minimisation and mitigation measures.
- Ensured that the compliance with mandatory legal and regulatory requirements are also checked by the Internal Audit Department as part of its regular audits.

### **Internal Controls**

- Reviewed the adequacy and effectiveness of the internal control mechanism of the Bank in line with Section 3(8) (ii)(b) of the Banking Act Direction No.11 of 2007 through the Internal Control Matrix updated for 2018.
- On a regular basis and when specific events or cases warranted, conducted root cause analysis and made improvements to the systems, procedures and internal controls.
- Continuously strengthened the oversight over and monitoring of debt service by customers of concern and designed measures to prevent/ pre-empt potential loan losses.
- Continued to guide and assist the Human Resource Department to design and implement skill enhancement to ensure quality credit administration of the Branch network for the staff engaged in credit function.

The Statement by the Directors on Internal Control and the Auditor General's Report thereon are provided on pages 188 to 190. 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:
  - Province/ Branch and Credit Audit
  - Information Systems Audit
  - Head Office, Subsidiaries and Overseas Branches Audit
  - Investigations

- Reviewed the Internal Audit Charter which defines mission and scope of work, accountability, responsibility and authority of the Chief Internal Auditor to provide an independent audit function.
- Approved the Internal Audit Plan and reviewed the effectiveness of the implementation of the Plan throughout the year.
- Reviewed the Internal Audit Policy of Overseas Branches where the audits are carried out based on the policy.
- Reviewed the Internal Audit Manual for the year 2018.
- Reviewed significant internal audit findings and management's responses thereto, with a view to taking timely corrective action.
- Perused the follow up internal audit reports of Head Office Units with the Action Plan and time line for rectifying the issues identified.
- Recommended appointment of a new concurrent Auditor for the Chennai Branch.
- Recommended the adoption of Internal Audit Policy of Chennai Branch for 2018/2019.

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

- Reviewed the audits carried out on subsidiaries in terms of the policy on the internal audit of subsidiaries and this has enhanced accountability and oversight over subsidiaries and associates of the Bank.
- Reviewed the performance of subsidiaries and associates.

### **External Audit**

The Committee's role in relation to the external audit function of the Bank is as follows;

- The external audit of the Bank is carried out by the Auditor General in terms of the Constitution of the country. The Committee ensured that the external audit is carried out effectively and independently and maintained a continuous rapport with the representatives of the Auditor General in relation to the audit approach and procedure.
- The Committee has held a "Closed door" meeting during the year under review with the previous auditors, appointed by the Auditor General, M/s KPMG, Chartered Accountants pertaining to the audit of the financial year 2017. With regard to the 2018 Audit, the Committee also has offered a "closed door" meeting to the Auditor General's representatives.
- Reviewed and followed up on audit issues identified by the previous Auditors appointed by the Auditor General, Messrs KPMG, Chartered Accountants pertaining to the audit for the year 2017.
- 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 2017, the Management Letter and the Management's responses thereto and followed up on corrective measures taken by the Bank together with time bound action plan to rectify issues of concern and progress on rectification.

## BOARD SUBCOMMITTEE REPORTS

### Audit Committee Report

- Reviewed and discussed the key reports from the Auditor General's Department and action has been initiated where deemed necessary.
- Discussed all relevant matters arising from the audit with the representatives of the Auditor General.

#### Governance

The Committee has reviewed the manner in which good corporate governance practices were adopted in the Bank with particular reference to the:

- Auditor General's report of factual findings of Bank of Ceylon in terms of Section 3(8) (ii)(g) of the Banking Act Direction No.11 of 2007 on Corporate Governance issued by the Central Bank of Sri Lanka.

#### 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. This policy has been reviewed during the year under review.

The Chief Internal Auditor acts as the complaint overseer while the complaints against the employees in the grades of Deputy General Manager and above are to 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 within periods stipulated in the Policy and report to the Audit Committee where necessary.

#### Committee Evaluation

An evaluation of the effectiveness of the Committee is annually conducted and results are communicated to the Board. However, in respect of year 2018, an evaluation with regard to the Audit Committee has not been conducted consequent to the changes that took place in the Board during the latter part of year 2018 as a result of the volatile political situation of the country. The new Committee will evaluate its performance as has been the practice.

The Committee wishes to record an appreciation for the Chairmen and members of the Audit Committee who functioned in year 2018 for the valuable service that has been rendered by them.

The Committee wishes to draw attention to the fact that none of the members currently serving on the Committee were present during the period covered by this report, i.e., the year ended 31st December 2018. The report, therefore, is based on records, the authenticity of which has been verified and established beyond doubt. The present Committee, therefore, is completely convinced that this report is accurate and free of material misstatements.



**Kumar Mayadunne**  
Chairman  
Audit Committee

3 April 2019  
Colombo

# Integrated Risk Management Committee Report

## Chairman's Statement

### Role of the Committee

The main role and responsibility of the Committee is to assist the Board in fulfilling its oversight responsibilities for all aspects of risk management. In this connection the Committee focuses on and reviews risks such as credit, market, liquidity, operational, reputational 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 Samantha Rajapaksa**  
Chairman/ Independent Non-Executive Director – served on the Committee until 25 November 2018
- **Mr H P Ajith Gunawardana**  
Member/ Independent Non-Executive Director - served on the Committee until 20 July 2018
- **Mr S R Attygalle**  
Member/ Non-Executive Ex-officio Director - served on the Committee until 25 November 2018

With the reconstitution of the Board in November 2018:

- **Mr Neil A Umagiliya**  
Chairman/ Independent Non-Executive Director – From 27 November 2018 to 20 December 2018

- **Ms Visakha Amarasekera**  
Member/ Non-Executive Ex-officio Director - From 27 November 2018 to 27 February 2019
- **Ms A V K Madhavi Herath**  
Member/ Independent Non-Executive Director – From 27 November 2018 to 20 December 2018
- **Mr G Harsha Wijayawardhana**  
Member/ Independent Non-Executive Director – From 27 November 2018 to 20 December 2018

Brief profiles of the Directors who were members of this Committee in 2018 are given on pages 79 to 85 of this Annual Report.

### New Committee for 2019

Pursuant to the reconstitution of the Board in February 2019:

- **Mr Kumar Mayadunne**  
Chairman/ Independent Non-Executive Director - Appointed w.e.f. 19 March 2019
- **Mr K A Vimalenthirajah**  
Member/ Non-Executive Ex-officio Director - Appointed w.e.f. 19 March 2019
- **Mr P A Schaffter**  
Member/ Independent Non-Executive Director – Appointed w.e.f. 19 March 2019

Profiles of the new members are given on page 26 to 27.

## BOARD SUBCOMMITTEE REPORTS

### Integrated Risk Management Committee Report

#### Permanent Management representatives on the Committee

- **Mr D M Gunasekara**  
General Manager – served on the Committee until 21 February 2018
- **Mr Senarath Bandara**  
General Manager – serves on the Committee from 22 February 2018
- **Mr D N L Fernando**  
Chief Risk Officer

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 six times during the year under review. The attendance of Committee members at each of these meetings is given in the table on page 86 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. Stress Testing Policy
  - b. Liquidity Risk Management Policy
  - c. Policies on Prevention of Money Laundering (ML) and Combating Financing of Terrorism (CFT) for Seychelles Branch and Sri Lankan operations.

- d. Anti-Bribery and Anti-Corruption Policy
- e. Group Risk Management Policy
- f. Credit Policy Manual of Chennai Branch
- g. Internal Capital Adequacy Assessment Process 2018
- h. Integrated Risk Management Policy
- i. Business Continuity Management Policy and Business Continuity Plan 2017
- j. Compliance Policies for the Male' Branch and Sri Lankan operations.
- k. Cyber Risk Management Policy and Cyber Security Policy for the Chennai Branch for 2017-2018
- l. Information Technology Risk Management Policy

- The risks of the Bank were assessed on a monthly basis by the Independent Integrated Risk Management Division of the Bank and summarised reports were submitted to the Committee who reviewed them and subsequently submitted its recommendation to the Board by way of the meeting minutes and specific recommendations.
- Risk Appetite and Limit Setting for 2018 were established.
- Monitored quantitative and qualitative risks which have gone beyond their limits and made necessary recommendations.
- Reviewed the comprehensive Compliance Reports submitted by the Compliance Officer to assess the extent of compliance with the regulatory requirements.

- Reviewed the Subsidiary Risk Management Dashboards to support the subsidiaries to manage the risk functions effectively. Further, a team from the Risk Management Division has been appointed to assist subsidiaries in their risk matters.
- Monitored the Key Risk Indicators in the Branch network, critical businesses and support divisions.
- Monitored the Business Continuity Plan (BCP) drills conducted.
- Monitored the stress testing results on a quarterly basis.
- Special emphasis was placed on IT Risk and associated Cyber Security Risk and initiated follow-up on various measures to safeguard the Bank from Cyber-attacks (such as the IT Security Network Infrastructure of the Bank, the Enterprise Immune System etc.).
- Revisited the existing operational procedure and formulated a comprehensive operational manual for the Islamic Banking Unit.
- Monitored the development of a new Third Party Risk Assessment Methodology.
- Recommended and executed the appointment of a new Chief Information Security Officer to manage IT risk related issues.
- Reviewed the proposal for the Data Centre Modernization Project at the Head Office.
- Monitored the identification and implementation of the unused modules of the Core-Banking System.



- Monitored the progress of the implementation of the Anti-Money Laundering System and resolving of issues arising therein.
- Reviewed the insurance cover for risks due to the infidelity of employees which is due to be incorporated into the next review of the Insurance policies of the Bank.
- Reviewed the issues identified in the Information Security Review carried out by M/s PricewaterhouseCoopers, Chartered Accountants.
- Followed up on the implementation of the Data Loss Prevention Project.
- Monitored the progress of reviewing of the existing borrower rating models currently used by the users in the Corporate Segment and Branch network of the Bank to rate Corporate and Mid Corporate borrowers.
- Monitored the progress of the automation of the Assets and Liability Management (ALM) Module.
- Adoption of an Action Plan approved by the Credit Committee to prevent unauthorised Temporary Overdrafts.
- Monitored the progress of the procurement of the Enterprise Wide Fraud Management Software.
- Followed up on the proposed new fully-fledged Disaster Recovery site.
- Finalised a Compliance Checklist for Non-Financial Subsidiaries.
- Monitored the progress of the Vulnerability Assessment Report findings and the issues identified during the Penetration testing carried out.
- Conducted a gap analysis of the online platforms of the Bank and formulated a roadmap on the Bank's way forward to improving its online platforms.
- Reviewed and/ or recommended the IT procurements and the IT Agreements of the Bank.
- Commenced a Credit Rating Index/ Matrix in the Bank.

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

### **Conclusion**

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 is cognisant of the fact that it needs to be vigilant and attuned to its risk combat strategy with the advancement of technology, increased vulnerability with macroeconomic shocks and volatility and as banking frauds and Cybercrimes begin to pose a greater challenge.

The Committee wishes to thank the members of the Committee in the year 2018 for the valuable contributions made by them.

The Committee wishes to draw attention to the fact that none of the members currently serving on the Committee were present during the period covered by this report, i.e., the year ended 31st December 2018. The report, therefore, is based on records, the authenticity of which has been verified and established beyond doubt. The present Committee, therefore, is completely convinced that this report is accurate and free of material misstatements.

On behalf of the Integrated Risk Management Committee,



**Kumar Mayadunne**  
**Chairman**

Integrated Risk Management Committee

3 April 2019  
Colombo

## BOARD SUBCOMMITTEE REPORTS

### Human Resources and Remuneration Committee Report

#### Chairman's Statement

##### Role of the Committee

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

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

##### Composition and Quorum during the year

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

- **Mr H P Ajith Gunawardana**  
Chairman/ Independent Non-Executive Director - (Until his resignation from the Board of Bank of Ceylon on 20 July 2018)

- **Mr Ronald C Perera PC**  
Member/ Independent Non-Executive Director - From 27 February 2015 to 18 November 2018
- **Mr S R Attygalle**  
Member/ Non Independent Non-Executive Ex-officio Director - From 11 May 2016 to 18 November 2018

Pursuant to the reconstitution of the Board that took place in November 2018, the Committee comprised of the following members-

- **Mr Neil A Umagiliya**  
Chairman/ Independent Non-Executive Director
- **Ms Visakha Amarasekera**  
Member/ Non Independent Non-Executive Ex-officio Director
- **Mr H Isuru Balapatabendi**  
Member/ Independent Non-Executive Director

Mr Neil A Umagiliya and Mr Isuru Balapatabendi resigned from the Board of Bank of Ceylon on 20 December 2018 and Ms Visakha Amarasekera ceased to be Director w.e.f. 27 February 2019.

Brief profiles of the Directors who were members in the year 2018 are given on page 79 to 85 of this Annual Report.

##### New Committee for 2019

Pursuant to the reconstitution of the Board in February 2019, the following Directors were appointed to the Human Resources and Remuneration Committee w.e.f. 19 March 2019:

- **Mr K A Vimalenthirarajah**  
Chairman/ Non-Independent Non-Executive Ex-officio Director
- **Mr Kumar Mayadunne**  
Member/ Independent Non-Executive Director
- **Mr P A Schaffter**  
Member/ Independent Non-Executive Director

Profiles of the new members are given on pages 25 to 27.

The quorum of the Committee is two members. The General Manager is present at all meetings except when matters relating to the General Manager are discussed. The Deputy General Manager (Human Resource) 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 Human Resources and Remuneration Committee meets whenever it is required by the Board of Directors and/ or, when the Chairman of the Committee deems it necessary, by law or applicable rules and regulations in accordance with the Committee's Charter. The Committee has met only once during the year under review due to changes to the Board of Bank of Ceylon that took place in 2018 resulting in lesser number of members being on the Committee. The attendance of members at the meeting is given on page 86. The 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, 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. The details of the remuneration given to Directors, are disclosed in the Annual Report on a yearly basis.

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

The Committee has undertaken the following activities during the year under review-

- Performance evaluation of the Key Management Personnel (KMP) including the General Manager for the year ended 2017 based on the targets set at the commencement of the year in line with the Corporate Plan. The performance of the Assistant General Managers is evaluated through the evaluation carried out on them by their superiors, viz DGMs.
- The Committee evaluated its annual performance for the year 2017 as per the Committee's Charter.

The Board has directly undertaken the following activities due to the changes to the composition of the Committee which took place during the year, resulting in a lesser number of members on the Board and consequently on the Committee.

- Salaries of KMP which is revised once in three years were revised for the period 2018-2020, with the approval of the Ministry in charge of the Bank as per the provisions of the Bank of Ceylon Ordinance.
- Mid-year performance review of KMPs were carried out against the targets set at the beginning of the year in line with the Corporate Plan.

## **Conclusion**

The Committee wishes to record its appreciation to the previous members of the Committee.

The Committee will continue to take responsibility for making recommendations to the Board on all matters coming under its purview. It would continue to assist the Board to fulfil its oversight responsibilities as per the terms of reference of the Charter of the Human Resources and Remuneration Committee and encourage the adoption of best practices in human resource management.

The Committee wishes to draw attention to the fact that none of the members currently serving on the Committee were present during the period covered by this report, i.e., the year ended 31st December 2018. The report, therefore, is based on records, the authenticity of which has been verified and established beyond doubt. The present Committee, therefore, is completely convinced that this report is accurate and free of material misstatements.

On behalf of the Human Resources and Remuneration Committee.



**K A Vimalenthirarajah**

**Chairman**

Human Resources and  
Remuneration Committee

3 April 2019  
Colombo

## BOARD SUBCOMMITTEE REPORTS

### 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 General Manager and the key management positions.
- Ensuring that the General Manager and KMP are fit and proper persons to hold office as specified in the criteria given in Direction No. 3 (3) of the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka and as set out in the statutes.
- Considering and recommending, from time to time, the requirements of additional/ new expertise and succession arrangements for KMP.
- Determining the methods and execution of the annual evaluations of the Board and each Board Committee's effectiveness and supporting the annual performance evaluation process.
- Reviewing the Bank's Codes 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 were as follows:

- **Mr Ronald C Perera PC**  
Chairman/ Independent Non-Executive Director - served on the Committee until 18 November 2018
- **Mr H P Ajith Gunawardana**  
Member/ Independent Non-Executive Director - served on the Committee until 20 July 2018
- **Mr S R Attygalle**  
Member/ Non-Independent Non-Executive Ex-officio Director – served on the Committee until 25 November 2018

With the reconstitution of the Board in November 2018:

- **Ms Visakha Amarasekera**  
Chairman/ Non-Executive Ex-officio Director – From 27 November 2018 until 27 February 2019
- **Mr H Isuru Balapatabendi**  
Member/ Independent Non-Executive Director – From 27 November 2018 to 20 December 2018
- **Mr G Harsha Wijayawardhana**  
Member/ Independent Non-Executive Director – From 27 November 2018 to 20 December 2018

Brief profiles of the Directors who were members of this Committee in 2018 are given on pages 79 and 85 of this Annual Report.

##### New Committee for 2019

Pursuant to the reconstitution of the Board in February 2019:

- **Mr Ronald C Perera PC**  
Chairman/ Independent Non-Executive Director - Appointed w.e.f. 19 March 2019
- **Mr K A Vimalenthirarajah**  
Member/ Non-Executive Ex-officio Director - Appointed w.e.f. 19 March 2019
- **Mr P A Schaffter**  
Member/ Independent Non-Executive Director - Appointed w.e.f. 19 March 2019

Profiles of the new members are given on pages 25 to 27.

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 twice during the year under review. The attendance of the Committee members at each of these meetings is given in the table on page 86 of the 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 on a regular basis.

## **Appointments made to the Board**

According to the aforesaid Banking Act Direction No. 11 of 2007, this Committee has to implement a procedure to select/appoint new Directors. However, in the case of Bank of Ceylon, which is fully-owned by the Government of Sri Lanka, the appointment of Directors 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:
  - o The Policy on Director's Access to Independent Professional Advice.
  - o The Succession Plan for Corporate Management and Executive Management (KMP).
- Ensured that KMP are fit and proper persons to hold their offices when officers were promoted or appointed as KMP.
- Evaluated the performance of the Committee for the previous year.

## **Conclusion**

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

The Committee wishes to thank the Directors who functioned as members of the Committee during the year 2018.

The Committee wishes to draw attention to the fact that only one of the members currently serving on the Committee (i.e., Director/Chairman Ronald C Perera who served from 01.01.2018 to 18.11.2018) was present during the period covered by this report, i.e., the year ended 31st December 2018. The report, therefore, is based on records, the authenticity of which has been verified and established beyond doubt. The present Committee, therefore, is completely convinced that this report is accurate and free of material misstatements.

On behalf of the Nomination and Corporate Governance Committee.



**Ronald C Perera**

**Chairman**

Nomination and Corporate Governance  
Committee

3 April 2019  
Colombo

## BOARD SUBCOMMITTEE REPORTS

# Information and Communication Technology Committee Report

### Chairman's Statement

#### Role of the Committee

The Information and Communication Technology (ICT) Committee is mainly responsible for the following:

- Monitoring key IT products and services of the Bank, evaluating the manner in which they are being assessed and managed and reviewing benchmarks set and major functional exposures for such IT products and services.
- Ensuring that appropriate policies and procedures are in place for the smooth and uninterrupted functioning of existing and future IT products and services.
- Monitoring and evaluating checks and balances to manage the Bank's IT exposures.
- Reviewing and making recommendations to the Board for its final approval for IT Procurements.
- Ensuring that the Bank's IT products, services and infrastructure are aligned with the Bank's IT Road map.
- Providing a critical assessment of the Bank's business strategies and plans from an enterprise IT perspective.
- Reviewing and monitoring the Bank's IT products and services with key statutory and regulatory requirements.
- Reviewing and making recommendations to the Board on Disaster Recovery facilities of the Bank.

- Reviewing and making recommendations on all IT security related strategies and implementations.

#### The Composition of the Committee

The first members of the Committee were as follows:

- **Mr G Harsha Wijayawardhana**  
Chairman/ Independent Non-Executive Director - From 27 November 2018 to 20 December 2018
- **Mr P Lalith P Withana**  
Member/ Independent Non-Executive Director - From 27 November 2018 to 20 December 2018
- **Mr H Isuru Balapatabendi**  
Member/ Independent Non-Executive Director - From 27 November 2018 to 20 December 2018

Brief profiles of the Directors who were members of this Committee are given on pages 79 and 85 of this Annual Report.

#### New Committee for 2019

Pursuant to the reconstitution of the Board in February 2019:

- **Mr P A Schaffter**  
Chairman/ Independent Non-Executive Director - Appointed w.e.f. 19 March 2019
- **Mr Kumar Mayadunne**  
Member/ Independent Non-Executive Director - Appointed w.e.f. 19 March 2019

- **Mr K A Vimalenthirarajah**  
Member/ Non-Executive Ex-officio Director - Appointed w.e.f. 19 March 2019

Profiles of the new members are given on pages 25 to 27.

The General Manager, Head of Information Technology, Deputy General Manager (Product and Banking Development) and Chief Risk Officer attend 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 decision to establish this Committee was taken on 09 July 2018. However, the members were appointed to the Committee on 27 November 2018 and it met once during the year under review. The attendance of the Committee members at this meeting is given in the table on page 86 of the Annual Report.

#### Reporting to the Board

The 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 will be taken on outstanding matters on a regular basis.

Activities performed during the year under review

- Reviewed the adequacy of the Charter for the Information and Communication Technology Committee and recommended changes.
- Reviewed the time bound IT Plan of the Bank setting out the Strategic Plan for the Information Technology Division for the period 2019 to 2021 together with the Action Plan indicating the time lines based on the Corporate Plan for 2019 to 2021.

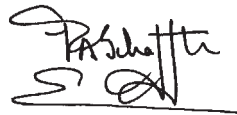
### **Conclusion**

The ICT Committee of the Bank was established by the Board of Directors in recognition of the beneficial and growing role of an ICT Committee in the current business environment. The Committee whilst recognising that its role is evolving, serves to formulate technological strategies, ensure effective and secure utilisation of technology within the Bank, evaluate, and advise with respect to the direction of the Bank's technological development and recommend technology, policies and procedures to meet the Bank's financial and regulatory obligations and assist the Board in its functions.

An appreciation is also recorded for the members who served on the ICT Committee of the Bank during 2018.

The Committee wishes to draw attention to the fact that none of the members currently serving on the Committee were present during the period covered by this report, i.e., the year ended 31st December 2018. The report, therefore, is based on records, the authenticity of which has been verified and established beyond doubt. The present Committee, therefore, is completely convinced that this report is accurate and free of material misstatements.

On behalf of the Information and Communication Technology Committee.



**Prakash A Schaffter**

**Chairman**

Information and Communication  
Technology Committee

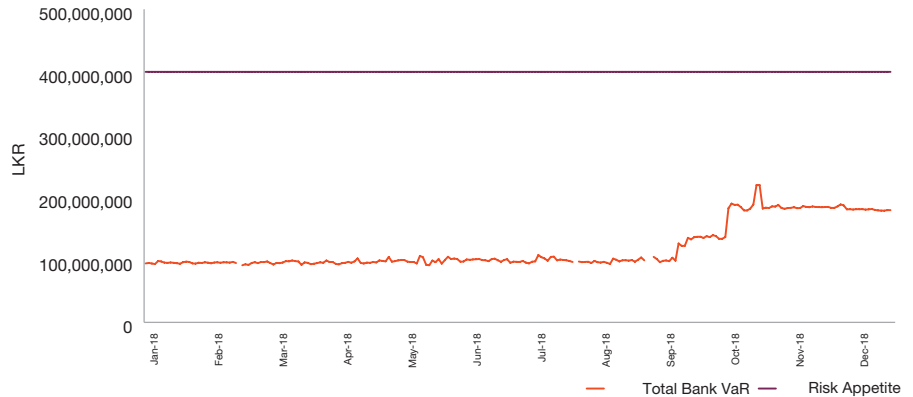
3 April 2019  
Colombo

# RISK MANAGEMENT

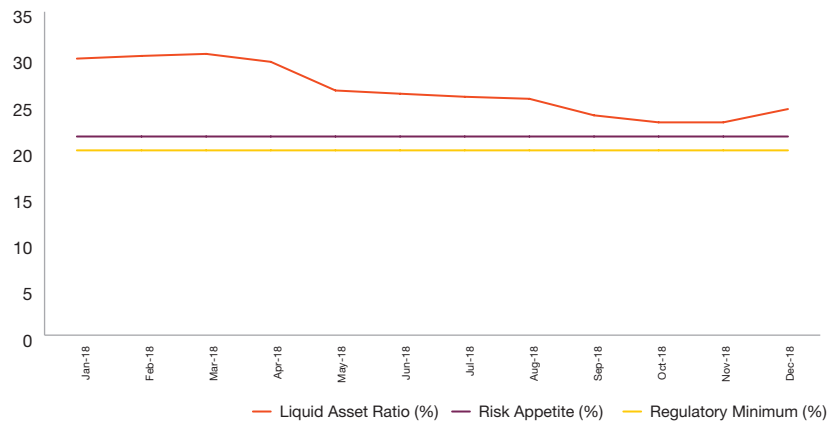
The Bank adopts a holistic and systematic approach towards the management of risk and return, with the aim of being resilient through economic cycles and internal/external challenges. BoC's comprehensive risk management framework consists of clearly defined governance structures, Board-approved policy frameworks and a culture of risk awareness which ensure the consistent management of risks across the Bank.

## Highlights of 2018

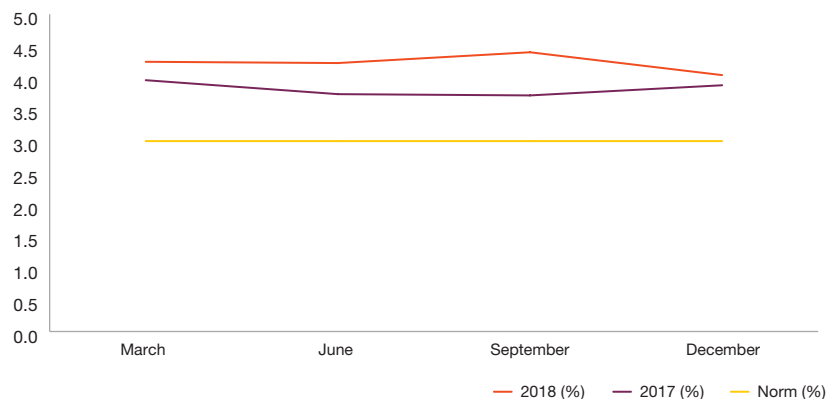
Total Bank VaR



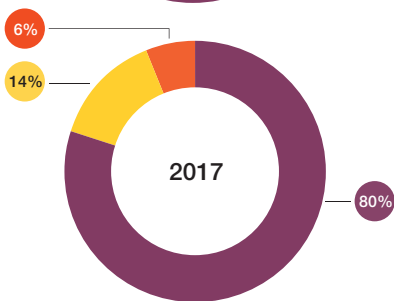
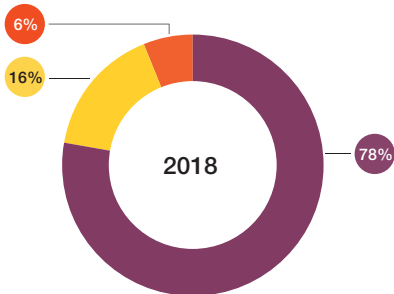
Liquid Asset Ratio



Leverage Ratio



Funding Composition



● Deposit ● Borrowings ● Equity

**14.6%**  
Capital Adequacy Ratio



## Emerging Risks

As a systemically important bank, BoC faces an assortment of external pressures that have an impact on its risk profile. We strive to proactively identify and respond to these emerging risks by consistently monitoring our risk landscape to navigate uncertainty and empower conscious risk taking. A brief overview of these risks is listed below and should be read in conjunction with the chapter on Market Opportunities and Risks on page 52 of this Report. The risks presented below are those that arise from the increasingly uncertain operating landscape given unprecedented advances in technology, increasing customer sophistication, demographic changes as well as social and environmental challenges. Traditional risks arising from the Bank's business model and internal causal factors are discussed in detail in subsequent sections of this Report.

### IT and Cyber Risks

Risks arising from the inability to acquire and maintain robust and secure technology in line with customer expectations and competition. Cyber risks stem from cyber attacks or breaches to systems, networks or databases resulting in loss of customer data, disruption to operations or reputational damages.

#### Mitigating factors

- Strong IT governance including a robust IT Security policy and clearly defined responsibilities
- Regular IT vulnerability assessments
- Ongoing investments in upgrading hardware and software
- IT audits by independent parties



### People Related

Difficulties in acquiring and retaining the right talent to the organisation and risks arising from employees' inability to deliver customer expectations and drive the Bank's strategy.

#### Mitigating factors

- Substantial investments in developing skills and competencies
- Organisational culture which encourages mentoring and knowledge sharing
- Recognition Programmes which value employee contributions

### Information Risks

Reputational damages or disruptions to operations arising from inaccurate data and inability to preserve customer information.

#### Mitigating factors

- Framework of robust IT controls
- Ongoing employee training on information protection

# RISK MANAGEMENT

## Changing Customer Expectations

Unprecedented advances in technology are transforming customer expectations with customers increasingly demanding instant solutions through platforms which suit their needs. Inability to effectively respond to these dynamics will lead to an erosion of competitive position, particularly among the younger/millennial customer base.

### Mitigating factors

- Digital strategy driving self-service and multi-channel model
- Innovative solutions targeting the younger customer segment
- Communication strategy centred on digitalisation



## Competitive Pressures

Smaller, more agile competitors are adept at embracing market changes at a faster pace. Intensifying competition from non-traditional operators such as fintech companies which offer flexible, speedy and accessible solutions can lead to an erosion of the Bank's competitive edge.

### Mitigating factors

- Unique competitive advantage based on trust, stability, state-ownership and established track record
- Digitisation strategy to drive improved customer convenience and accessibility

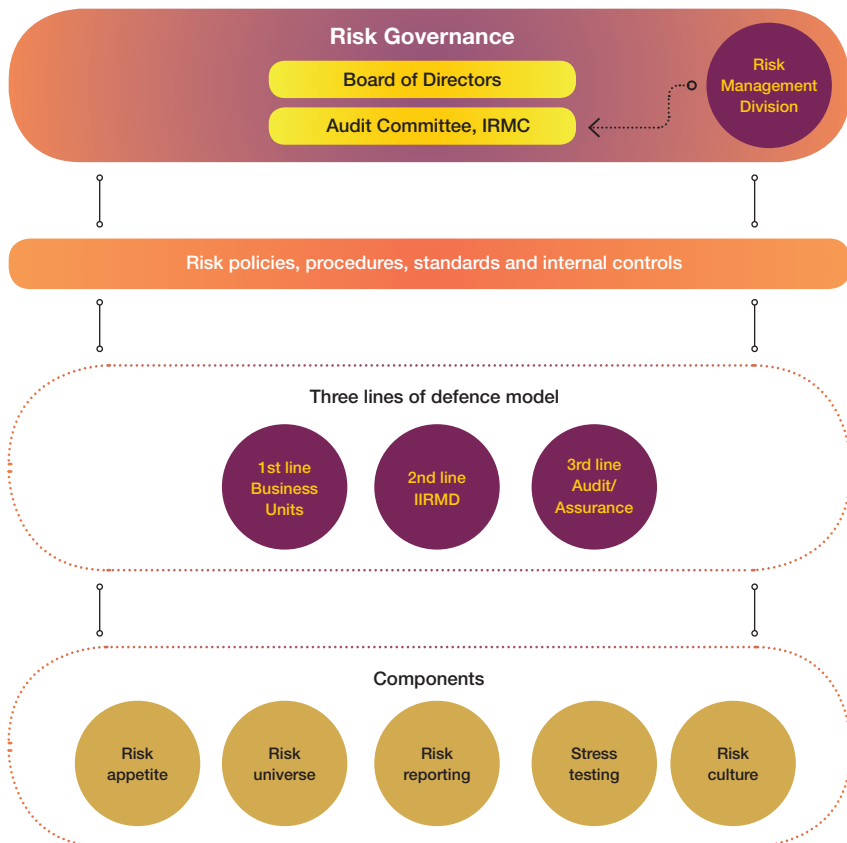
## Government Policy

Implications of Government policy such as changes to the tax regime, import restrictions, monetary policy revisions and concessionary loan schemes have a direct impact on the Bank's operations and its risk profile.

### Mitigating factors

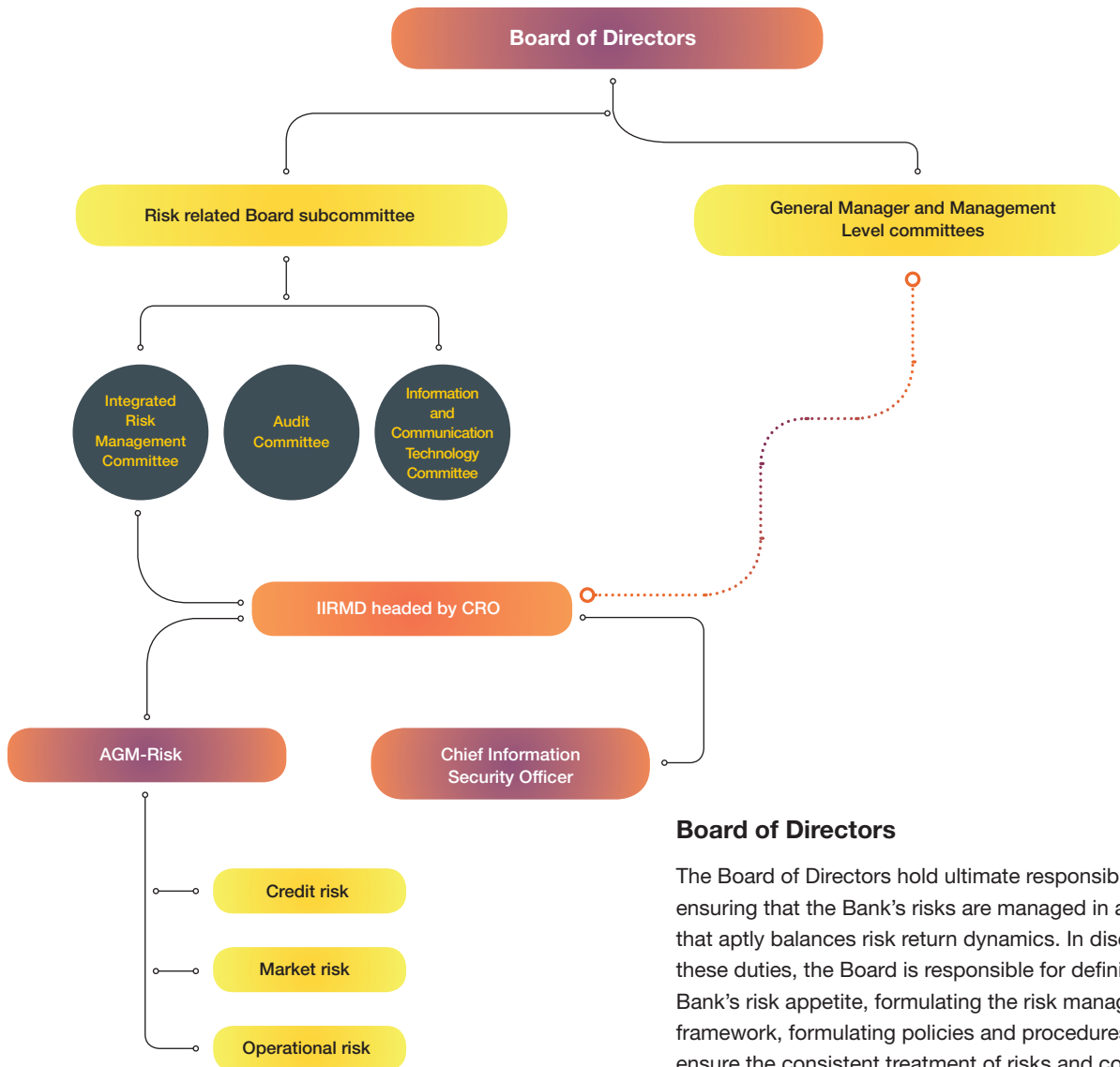
- Benchmark banking practices with international best practices
- Identify plausible events through Stress Testing and Scenario Analysis

## Risk Management Framework



## Risk Management Governance Structure

The Bank's risk governance structure clearly defines responsibilities for the identification, measurement, management, monitoring and reporting of risks. The mandates of risk-related governance committees at both Board and executive level ensure accountability for all types of risk across the organisation, facilitating a holistic and systematic approach to risk management. The risk governance structure comprising Board and executive functions is graphically illustrated below;



### Board of Directors

The Board of Directors hold ultimate responsibility for ensuring that the Bank's risks are managed in a manner that aptly balances risk return dynamics. In discharging these duties, the Board is responsible for defining the Bank's risk appetite, formulating the risk management framework, formulating policies and procedures to ensure the consistent treatment of risks and consistently monitoring the risk profile against the defined risk appetite. IRMC, Audit Committee and the recently formed Board Information and Communication Technology Committee (ICTC) support the Board in the discharge of its risk related responsibilities.

# RISK MANAGEMENT

## Integrated Risk Management Committee (IRMC)

The IRMC assists the Board in fulfilling its oversight responsibilities for all aspects of risk management including the following;

- Reviewing policies, programmes and committee charters relating to risk management
- Set risk limits and define risk appetite for all key risk exposures
- Review the effectiveness of risk-related management level committees
- Review the adequacy and effectiveness of risk identification, measurement, monitoring and mitigation tools
- Review Capital requirement of the Bank in line with the Internal Capital Adequacy Assessment Process (ICAAP)
- Review periodical stress testing to identify vulnerabilities and propose risk mitigants
- Review the Bank’s Business Continuity Plan (BCP)

## Independent Integrated Risk Management Division (IIRMD)

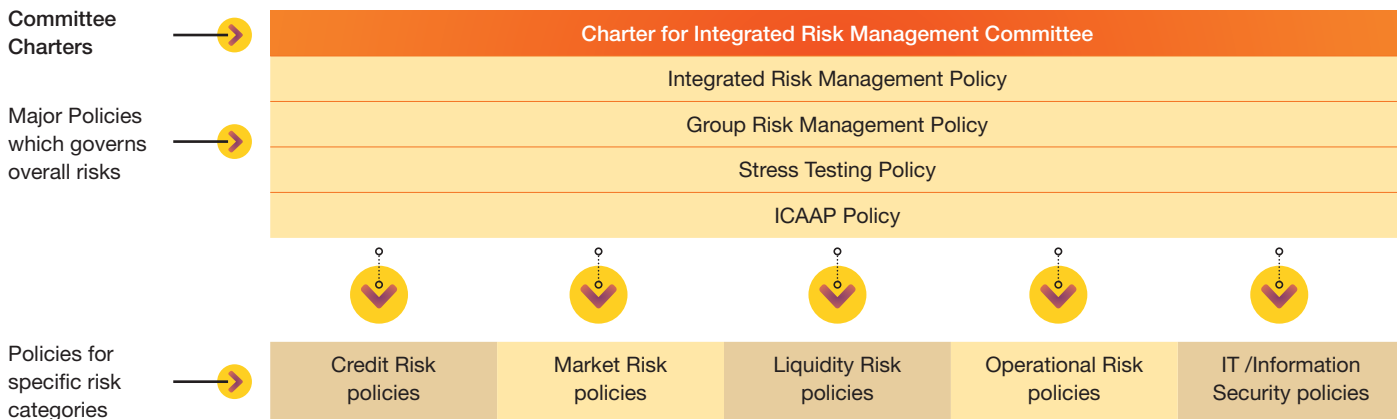
The IIRMD is headed by the Chief Risk Officer (CRO) and operates independently of the revenue generating Strategic Business Units. The Division carry out independent risk assessments and assists the IRMC in fulfilling its mandate. Key responsibilities of the IIRMD include,

- Regular stress testing using a range of stressed scenarios to gauge the potential impact on capital and earnings
- Preparation of a comprehensive ICAAP
- Formulation of the risk appetite with specific key risk indicators, range and limits for approval by the Board of Directors
- Support the identification, monitoring and reporting of risks by the first line of defence
- Introduce and implement risk mitigants
- Ensuring the effective implementation of the Business Continuity Plan
- Risk assessments of the Bank’s new products and processes

- Nurture a culture of risk awareness and risk consciousness through internal engagement, communication and training programmes

## Policy Framework

A comprehensive suite of Board-approved policies ensure that risks are identified, measured, mitigated and reported in a consistent and systematic manner across all levels of the organisation. The policies are regularly reviewed and revised to ensure alignment with industry best practices and relevance in addressing emerging risks. During the year the Bank introduced an Anti-Bribery and Anti-Corruption Policy, clearly setting out guidelines on preventing and combating any form of bribery. Key risk-related policies in place are listed alongside;



## Three Lines of Defence Model

The Bank adopts the globally accepted three lines of defence model which provides a clear division of responsibilities thereby ensuring transparency and accountability in the identification and management of risks. The model also allows for the nurturing of specialised skills through segregation of roles.



### 1<sup>st</sup> line of defence

#### Risk ownership by business units

- ♥ Risk taking and risk ownership
- ♥ Day to day management of risk
- ♥ Act in accordance with risk policies
- ♥ Application of internal controls and risk responses

### 2<sup>nd</sup> line of defence

#### Risk management by IIRMD

- ♥ Develop risk management framework
- ♥ Provide guidance
- ♥ Monitoring, reporting and risk control
- ♥ Ensuring 1st line (business units) takes risk ownership

### 3<sup>rd</sup> line of defence

#### Assurance by the audit function

- ♥ Independent and objective assurance to the Board on the effectiveness of the 1st and 2nd lines of defence

## Risk Culture

The Bank promotes a culture of risk awareness where all employees are responsible for the identification, management and escalation of risks. Employees are also expected to demonstrate behaviour which is in line with the Bank's Code of Ethics with emphasis on doing the right business, the right way. The three lines of defence model has also facilitated the propagation of a strong risk culture through clear allocation of risk related responsibilities. Regular training programmes, awareness on whistle-blowing procedures and reinforcing the Bank's values and ethics through employee engagement platforms has also contributed towards nurturing a risk culture.

## Stress Testing

Stress testing is used to evaluate the sensitivity of the Bank's risk profile to macro-economic trends or other plausible events. It supports several business processes including corporate planning, capital planning and management, defining the risk appetite, risk mitigating actions such as changing limits and revising

exposures and supporting stakeholder communication on risk related issues. Routine stress testing is carried out in accordance with the Board approved stress testing policy and potential impacts are assessed on capital, liquidity and profitability.

## Risk Reporting

Regular risk reporting is an integral part of the Bank's risk management framework and dedicated teams are in place to proactively communicate material financial and non-financial risks. The risk exposures and risk profile against the defined appetite is reported to the Board on a regular basis classified at various levels across the Bank such as product lines, geographical regions and business units. The IRMC receives a comprehensive risk report including a risk indicator dashboard on a monthly basis and as and when required .

## Risk Profile in 2018

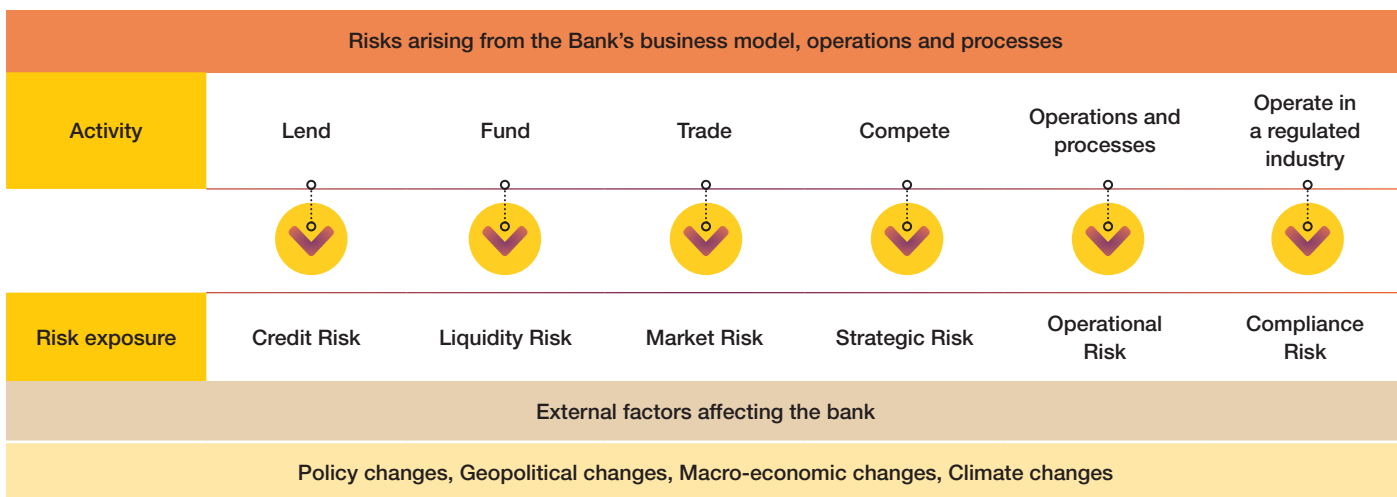
### Risk Appetite

The Risk appetite demonstrates the quantum of risk the Bank is willing to take in the pursuit of its strategic agenda and is expressed in the form of a Risk Appetite Statement (RAS), approved by the Board. In formulating the RAS due consideration is given to the Bank's Corporate Plan and the desired balance between risk and return. The statement typically includes risk appetite triggers and tolerance limits ensuring that corrective management action is taken. The RAS is reviewed and revised by the Board on an annual basis or as and when required.

# RISK MANAGEMENT

## Risk Universe

The Bank's key risk exposures are summarised in the diagram below;



## Credit Risk

Credit risk is defined as potential losses arising due to a counterparty to a credit transaction failing to meet his/her obligations in accordance with agreed terms. Credit risk can take the form of default risk, concentration of counterparties, geographical regions or industry sectors.

With approximately accounting for 91% of risk weighted assets, credit risk is one of the Bank's key risk exposures. In addition to direct lending activities reflected on the balance sheet, off-balance sheet transactions such as financial guarantees, letters of credit and acceptances issued give rise to credit risk.

### Credit Risk Governance

The Bank's credit risk management is governed in accordance with its Credit Risk Management Policy and relies on individual responsibility and collective oversight. The policy clearly sets out the principles under which the credit risk is to be assumed and defines the framework for the consistent identification, management and reporting of credit risk across the

organisation. Credit risk is managed through the Credit Committee headed by the General Manager and the IRMC at Board level. The responsibilities of the Credit Committee include formulating, reviewing and implementing credit risk appetite limits, approving credit up to authorised limits, ensuring regulatory compliance in the Bank's risk policies and guidelines and monitoring risk concentrations. The primary responsibility for credit risk management lies with the business units, supported by independent review by the Credit Risk Unit of the IIRMD.

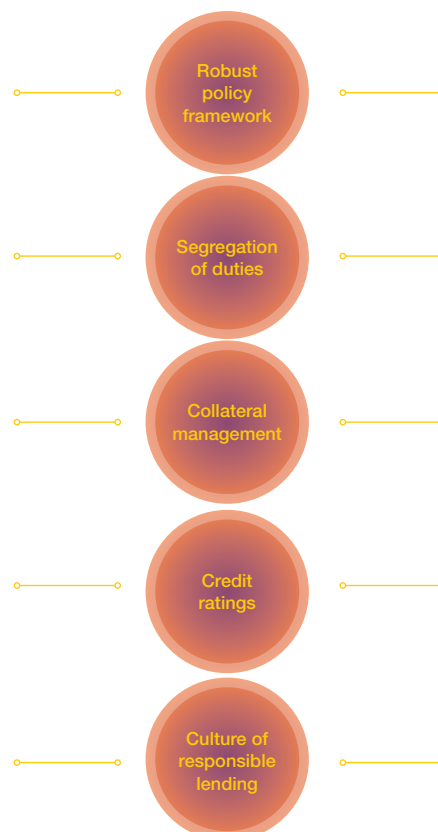
### Credit Risk Management Framework

Key elements of the Bank's credit risk management framework are presented alongside;

#### Policy framework

The Bank's credit risk policy framework comprises a suite of Board-approved policies relating to risk rating, portfolio management and loan review among others. Key aspects include segregation of duties, comprehensive credit appraisal mechanisms, delegated authority limits

and prudential limits. Policies are reviewed and regularly updated by the Board of Directors to ensure relevance to market conditions and alignment to evolving best practices.



### ✓ Segregation of duties

The responsibility for pre-disbursement appraisal and post-sanction monitoring is clearly segregated, allowing for effective and objective implementation of appraisal guidelines. New credit, extension of existing credit and material changes to existing facilities are subject to the approval of the appropriate delegated authority. Meanwhile, facilities above a certain threshold are reviewed independently by the Chief Risk Officer.

### ✓ Collateral management

Collateral is obtained as a secondary way out against a possible default and usually takes the form of cash, gold, properties, fixed assets, letters of credit, debtors and receivables among others. Collateral is valued regularly to ensure adequate coverage against the facility provided. Non-financial collateral is valued by independent third-party valuers.

### ✓ Credit ratings

Risk rating models which use transaction and borrower specific factors are used in evaluating corporate exposures and estimating the probability of default. The borrower risk rating system categorises all performing corporate credits into eight grades depending on the underlying credit quality. Tailor-made credit scorecards are used in evaluating retail exposures. We have been progressing towards implementation of the Internal Rating Based Approach under Basel II.

### ✓ Culture of responsible lending

Ongoing training programmes, workshops and web-based learning modules on credit evaluation as well as a mentoring and knowledge sharing culture have contributed towards nurturing a culture of risk awareness and responsible lending. During the year, we focused on enhancing the credit evaluation skills of the operational level staff through a range of training initiatives.

## Credit Risk Management Process

### Pre-credit sanctioning

- Structured credit appraisal mechanisms and defined credit criteria
- Multiple levels of approval authority
- Risk rating and scoring systems
- Prudential limits for concentration risk
- Independent review by CRO

### Post-credit monitoring

- Robust credit review mechanism
- Portfolio evaluation
- Review of selected exposures
- Identifying customers of concerns
- Stress testing and scenario analyses

Risk monitoring and Reporting

Policy Framework/ Procedures, Model development and Validation

Credit risk governance

### Key Areas of focus/ Development in 2018

- Developed industry-specific credit policy guidelines
- Refined and enhanced credit score cards for retail lending to reflect industry best practice and emerging market conditions
- Widened the scope of the Credit Quality Assurance Unit
- Implementation of rating-based lending
- Introducing risk based pricing
- Training programmes and workshops aimed at strengthening the credit evaluation skills of our operational staff
- Develop web portal for all credit-related procedure manuals

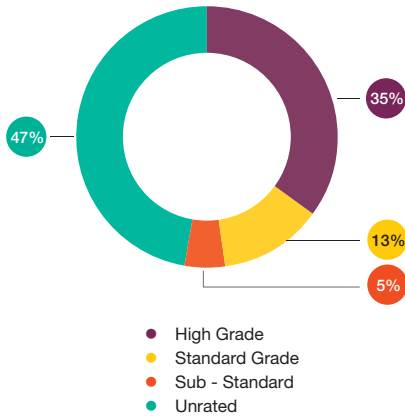
## Credit Risk Review 2018

### Default Risk

The tightening economic conditions during the year had an industry-wide impact on portfolio quality with an increase in impairments seen across the industry. While the bank's loans and advances grew by 24%, the Bank's impairment charges increased by 48% during the year. Having identified the weakening trend in industry credit quality, the Bank took immediate and long-term measures to curtail the influx of NPLs as listed alongside. The Bank adopted a cautious approach in lending to certain industries, customers and market segments while ongoing focus was placed on monitoring the loan aging analysis and movements.

# RISK MANAGEMENT

**Loan Portfolio Classified by Risk Rating**



**Preserving portfolio quality**

» **Short-term:** Island-wide dedicated recovery drives.

Reviewed and tightened credit risk appetite.

»» **Long-term:** Strengthen credit policy guidelines and underwriting standards.

Enhanced the credit culture through training on credit evaluation.

**Concentration Risk**

Concentration risk arises from high lending exposure to a counterparty/group, sector, product or region. Herfindahl-Hirschman Index (HHI) is used in measuring concentration risk. The IIRMD, Credit Committee and IRMC consistently monitors this risk against exposure limits defined in the risk appetite statement such as name, geographical, sectors and products. These limits are reviewed and modified regularly to ensure relevance to emerging trends in the operating landscape.

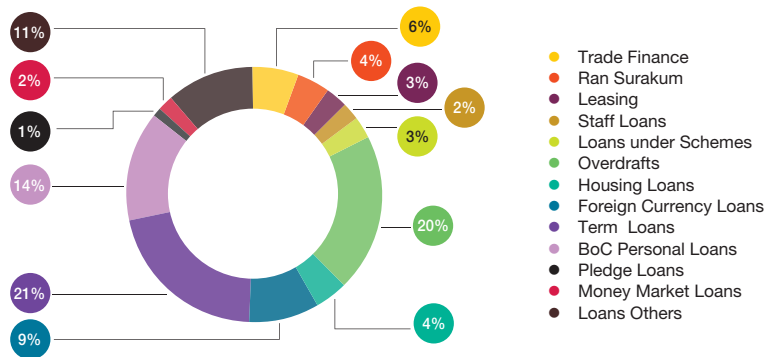
**Name Concentration:** Large exposures to specific individual borrowers give rise to ‘Name Concentration’ risk and is monitored through the single borrower limit and the HHI. There is no significant name concentration in private sector lending activities.

As a state bank which is strategically aligned to the national development agenda BoC is one of the key lenders to the Government and State Owned Enterprises (SOEs). However, these facilities generally do not expose the Bank to significant credit risk as they carry an explicit guarantee from the Government Treasury.

**Product Concentration**

In terms of product-wise exposures, the Bank maintains a well-diversified portfolio with the largest exposure of term loans accounting for 21% of total advances, followed by overdrafts and personal loans.

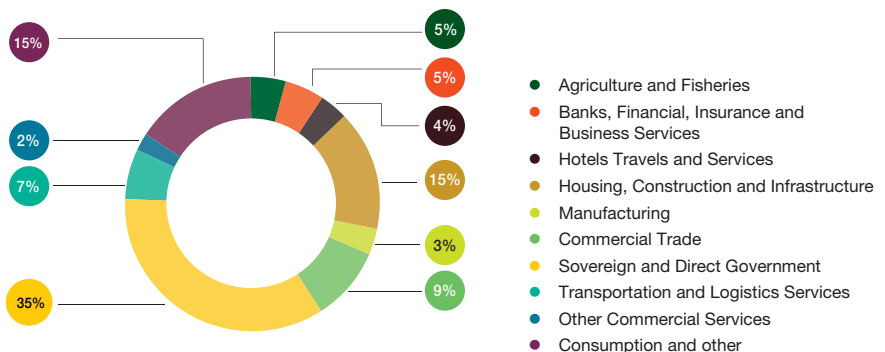
**Product wise Concentration**



**Sector Concentration**

The industry classification of BoC’s total assets exposure also reflects its tilt towards Government lending, with Sovereign and Direct Government exposure amounting to 35% of the total loan book. Excluding this sector (which does not entail credit risk), the Bank’s portfolio is well diversified with the highest exposure stemming from Housing, Construction and Infrastructure (15%), Consumption (15%) and Commercial Trade (9%) in 2018. All exposures were maintained within the risk appetite limits during the year.

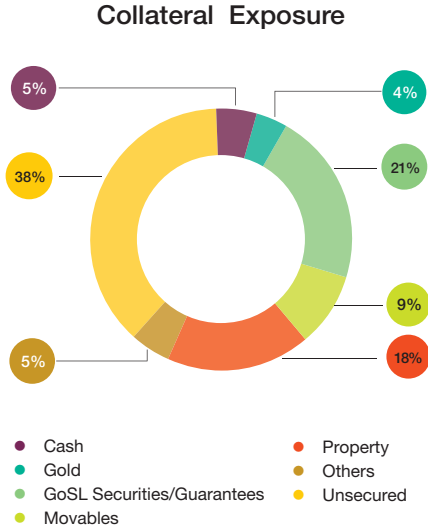
**Sector Concentration**





**Collateral Exposure**

In 2018, 62% of the Bank’s lending was secured by collateral- mainly by Government securities/guarantees and properties.



**Cross Border Exposure**

Cross-border risks arise from actions by foreign Governments which restrict the Bank’s ability to obtain payment from customers. BoC’s cross-border exposure stems from its overseas operations in India, Maldives, Seychelles and the United Kingdom and accounted for 5% of the Bank’s total assets as at end-December 2018. All overseas branches operate with pre-defined credit limits and country limits which are monitored regularly by the Board.

**Market Risk**

Market risk can be defined as the potential losses arising from changes in earnings, market or future cash flows of a portfolio of financial instruments resultant from adverse movements in market variables such as interest rates, foreign exchange rates, share prices and commodity prices.

The Bank is exposed to 3 different types of market risks;

- Interest rate risk arising from the Bank’s trading and non-trading books
- Foreign exchange risk stemming from foreign currency denoted transactions
- Equity risk- losses from volatilities in equity prices

**Market Risk Exposure**

The Bank’s main market risk exposure stems from the interest rate risk of its trading and banking books which collectively accounted for 90% of total assets. Foreign exchange risk exposure is moderate as total forex exposure and gold position as a proportion of capital funds amounted to 0.02% during the year. The Bank’s exposure to equity risk is limited, as the proprietary trading portfolio amounted to just 0.2% of the balance sheet.

**Market Risk Governance**

The IRMC is responsible for providing recommendations to the Board on the Bank’s Market Risk Management Policy as well as other policies related to market risk. At an executive level, the Asset and Liability Management Committee (ALCO) is vested with the responsibility of implementing the market risk management framework and monitoring maturity mismatches, advances and deposits to ensure that the market risk exposure is within the defined risk appetite.

The treasury middle office operates independently from the Treasury Unit and monitors treasury transactions which can generally give rise to significant market risks. The middle office operates in accordance with the Middle Office Operations Manual approved by the Board.

**Approach to Market Risk Management**

The Bank’s market risk management framework is underpinned on the following;

- ✓ **Comprehensive framework of policies**

In addition to the holistic Market Risk Management Policy, the Bank’s market risk management is governed by the Asset and Liability Management Policy, Limit Management Framework, Foreign Exchange Risk Management Policy and Middle Office Operations Manual. These policies and procedures collectively provide guidance for the effective monitoring of treasury operations, setting risk limiting thresholds on treasury operations and managing potential impacts stemming from market dynamics. The policies are reviewed and updated regularly in view of emerging market risks.

- ✓ **Risk limits**

Based on the recommendations of the ALCO, the Board defines risk limits for a range of treasury and investment related activities which can give rise to market risk; these include foreign currency open position limits, counterparty limits, stop loss limits and dealer limits. Actual performance against these limits is monitored on a regular basis and reported to the Board. The limits are regularly reviewed and revised by IIRMD with the recommendation of ALCO in line with market dynamics.

# RISK MANAGEMENT

## Risk monitoring

IIRMD consistently monitors maturity mismatches, interest margins and funding requirements in line with the Bank's lending and funding strategies. Tools such as Value at Risk (VaR), Price Value for Basis Point (PVBP), duration gap analysis, stress testing and sensitivity analysis are utilised to monitor interest rate risk of the Bank's balance sheet. Exchange rate risk is monitored through VaR, limits and net open positions.

## Market Risk Review 2018

### Interest Rate Risk

The Bank's exposure to interest rate risk (IRR) arises from its lending portfolio, trading securities and deposit liabilities, the values of which fluctuate in interest rate volatilities and credit spreads.

### Interest Rate Risk Management

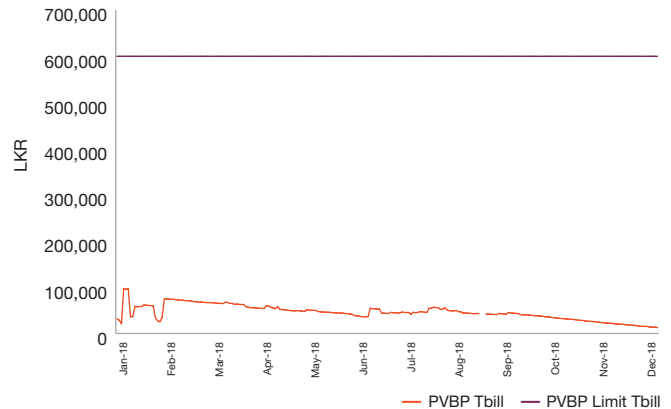
The Board approved policy framework is in place to manage IRR, which clearly sets out prudential limits, interest gaps and VaR. Given the inherent mismatch between the Bank's asset and liability maturities, IIRMD consistently monitor maturities in time buckets in order to assess the duration gap and overall exposure to IRR. Regular stress testing on the IRR exposures of the banking and trading book ensures that we remain aware of the potential impact of changing economic indicators on the Bank's profitability and capital position.

The Bank also conducts VaR calculations and stress testing on the portfolios subject to forex risk.

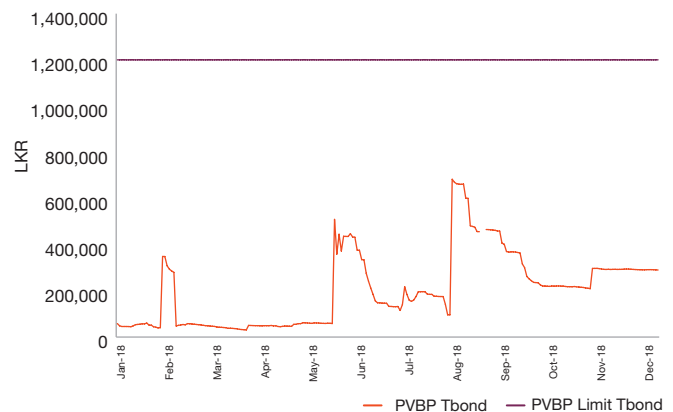
### Key Areas of focus/ Development in 2018

- Strengthened monitoring through widening the scope of market risk indicators
- Enhanced the limit monitoring mechanism
- Widened the scope of the stress testing mechanism to include a broader range of variables
- Enhanced reporting components in the daily and monthly risk reports

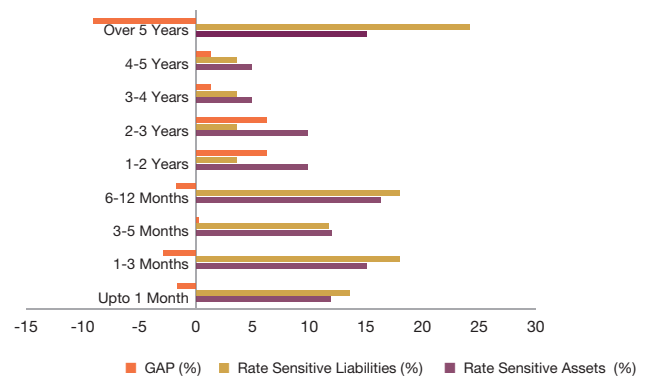
### PVBP Tbill



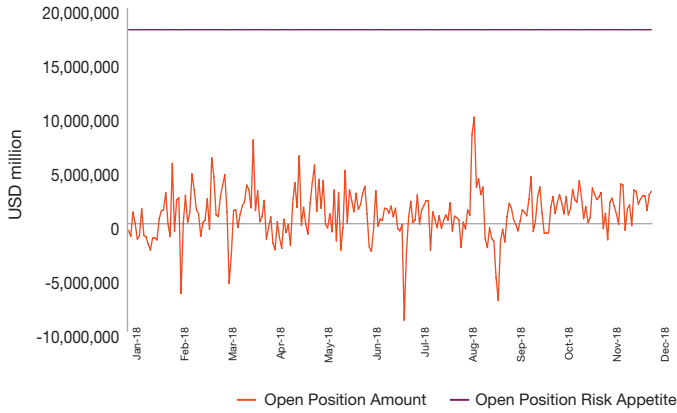
### PVBP Tbond



### Sensitivity Analysis of Assets and Liabilities



### Open Position



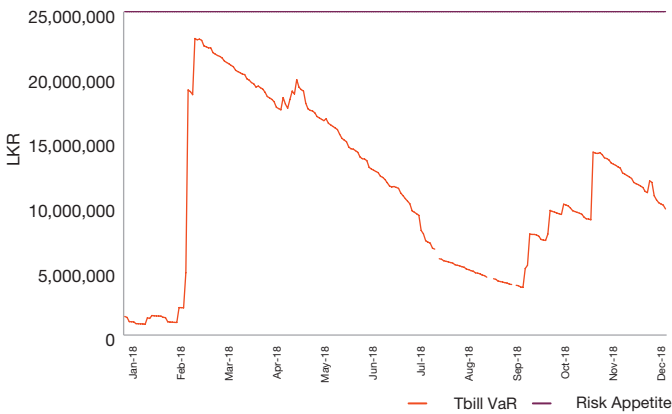
### Equity Risk

Equity risks are losses arising from price fluctuations in equity investments held by the Bank. BoC's equity exposure stem from its trading portfolios and excludes strategic investments. The Bank's exposure to equity risk is relatively limited as investments in equity shares amounted to just 0.3% of the Bank's total assets as at end-December 2018.

### Equity Risk Management

At executive level, the Investment Committee is responsible for ensuring that the Bank's investment risks are managed in line with the Board's defined risk appetite. Meanwhile, trends that could potentially impact share market prices, including broad macro-economic conditions are monitored by the Investment Committee on a regular basis.

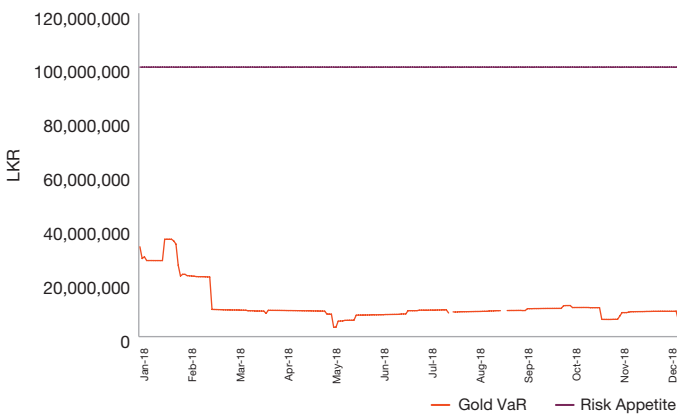
### Tbill VaR



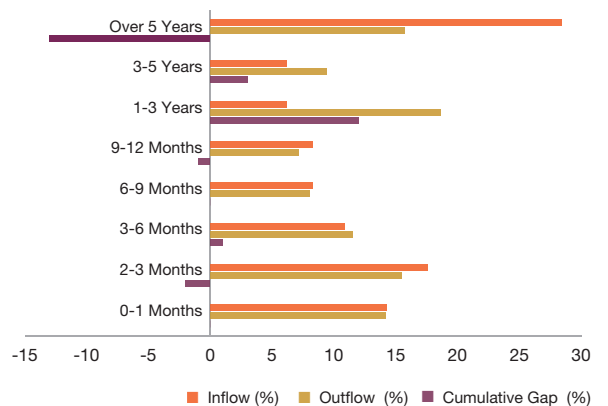
### Equity VaR



### Gold VaR



### Maturity Analysis of Assets and Liabilities



## RISK MANAGEMENT

### Liquidity Risk

Liquidity risk is the potential loss to earnings and/or capital due to the inability to meet the Bank's contractual obligations as and when they are due.

Given the short-term maturities of the Bank's deposit liabilities and the longer-term maturities of its lending portfolio, banks are inevitably vulnerable to liquidity risks and the management of such risks critical to preserving financial stability.

### Liquidity Risk Management

The Board approved Liquidity Risk Management Framework provides clear guidance on the maintenance of an adequate liquidity buffer to meet the Bank's contractual obligations as and when they fall due. The ALCO is responsible for overseeing the management of liquidity risks and continuously monitors the Bank's liquidity position to ensure compliance to regulatory requirements and internal targets. Regular reporting to the IRMC and the Board ensures that liquidity indicators are maintained within the parameters defined in the risk appetite.

### Approach to Liquidity Risk Management

#### Policy framework

The Liquidity Risk Management Policy and Asset Liability Management Policy provide guidance on the management of liquidity risks across the organisation. These policies also clearly define the measurement methods, stress testing methodologies, contingency funding arrangements and mitigation measures to ensure that liquidity indicators are maintained at comfortable levels.

#### Liquidity measurement

In evaluation of liquidity risk, the Bank adopts both flow and fund approaches. Under flow approach bank measures liquidity risk through analysing the mismatch between inflows and outflows in various time bands based on the maturity of assets and liabilities. Set of key indicators/ ratios such as liquid assets ratio, liquidity coverage ratio, net stable funding ratio and loans to deposit ratio are the measures used under fund approach.

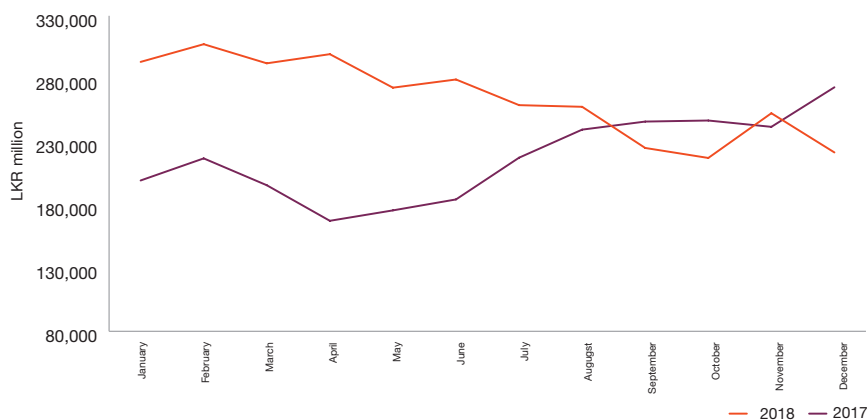
#### Contingency funding plan

The Contingency Funding Plan (CFP) is in place to protect stakeholder interests and maintain public confidence in the event of liquidity stress. The plan defines specific trigger points and action plans with specific responsibilities allocated to the relevant authorities.

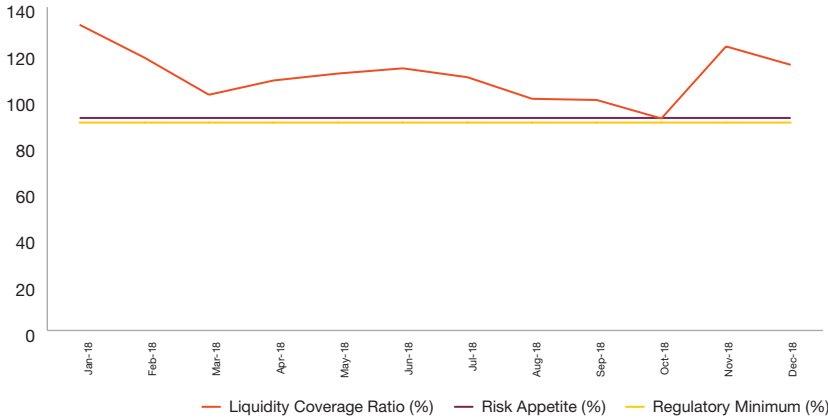
### Liquidity Risk Review 2018

The Bank maintained a comfortable liquidity buffer during the year with indicators well within the limits defined by the risk appetite statement and in compliance with all relevant regulatory requirements. The liquidity position is also upheld by the Bank's diversified funding portfolio which allows the Bank to source from a range of sources depending on market conditions and liquidity requirements. Deposits account for 78% for the Bank's funding portfolio, followed by borrowings 16% and shareholders funds 6%. Meanwhile, unencumbered securities available for funding amounted to LKR 221,723 million as at end-December 2018.

### Unencumbered Securities



### Liquidity Coverage Ratio

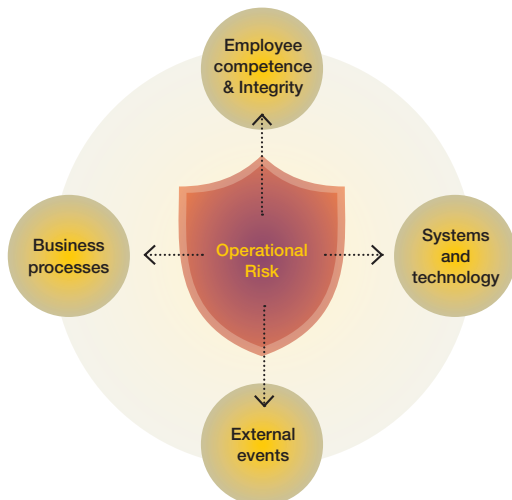


	31 March 2018	30 June 2018	30 September 2018	31 December 2018
Credit Deposit Ratio	75.0%	76.5%	80.5%	83.3%
Statutory Liquid Asset Ratio	30.44%	26.13%	23.79%	24.47%
Net Stable Funding Ratio	140.41%	138.29%	127.37%	128.68%
Liquidity Coverage Ratio	102.04%	113.48%	99.77%	114.99%

### Operational Risk

Operational risk is the 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 originates from both the Bank’s business and support units and is an inevitable element of the natural course of business activities, products and processes.



### Operational Risk Governance

The Board of Directors supported by the IRMC hold oversight responsibility for managing the Bank’s operational risk exposures and ensuring the robustness of the operational risk management framework. At an executive level, the Operational Risk Management Executive Committee (ORMEC) and the Fraud Risk Management Committee (FRMC), together with the IIRMD is responsible for the implementation of the framework. The pervasive nature of operational risk renders the identification and management of it, an organisation-wide responsibility. The branches and business units, which are the ‘First line of Defence’ are responsible for the identification of risks at the point of origination. The IIRMD (the second line) is responsible for implementing the framework and monitoring risk performance against the defined appetite. Meanwhile, audit and compliance provides assurance to the Board on the effectiveness on the operational risk management processes in place.

### Approach to Operational Risk Management

#### Policy framework

The Board approved Operational Risk Management Policy provides clear direction on the identification, assessment, mitigation and monitoring of operational risks. In addition, the Fraud Risk Management Policy and the IT Risk Management Policy support the Bank’s operational risk management objectives. The policy framework also defines obligations and responsibilities of the Board, executive committees, management teams and risk owners in implementing the Bank’s operational risk management framework.

## RISK MANAGEMENT

### Risk identification and measurement

Identification of operational risks occurs at the First Line of Defence level through Risk and Control Self-Assessments (RCSA) which are administered to all key business units by the IIRMD. Tools such as Key Risk Indicators, internal loss data and root cause analysis are also used across the organisation to evaluate the exposure to operational risk. These findings are inputs in devising actions plans for identified gaps and are reported by the IIRMD to the ORMEC, IRMC and ultimately the Board.

### Risk mitigation

The following risk mitigation tools ensure that the severity of the impact or the probability of occurrence is reduced.

- (1) Re-engineering processes to address the identified operational lacunas
- (2) Alerting relevant business and support units regarding emerging operational vulnerabilities
- (3) Advocating to avoid risks which are unacceptable to the Bank's risk appetite
- (4) Business Continuity Plans: All critical business units and support functions have developed business continuity plans; these plans are tested regularly to ensure effectiveness
- (5) Disaster Recovery Centre established outside the Colombo city limits
- (6) Obtaining Insurance to mitigate high severity non-controllable risks

### Reporting and monitoring

The IIRMD provides regular updates to the IRMC and the Board on operational risk events/ losses and control failures. A database of operational losses and near misses are also maintained, allowing the identification of trends and root causes. Meanwhile the IIRMD plays a proactive

role in propagating lessons learnt through a timely alert to all employees in the event of a substantial operational risk exposure.

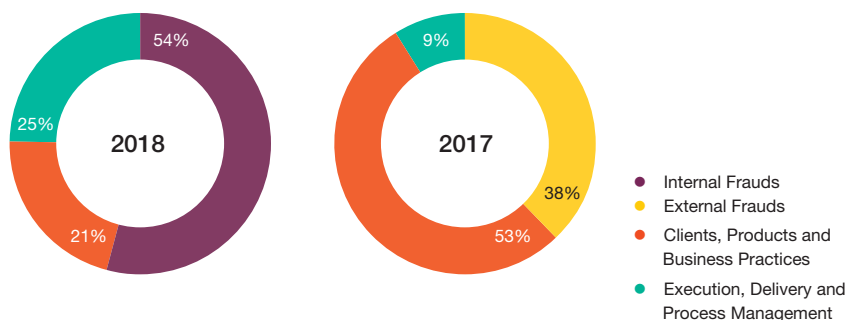
#### Key Areas of focus/ Development in 2018

- Streamlined the Bank's cash management system
- Enhanced the risk transferring strategy through revisiting Bank's Insurance Policy
- Strengthened the security of the SWIFT operations and streamlined the electronic payment balancing mechanism
- Strengthened IT risk management by investing in employee development
- Strengthened disaster recovery ability

### Operational Risk Review 2018

The Bank's operational losses continued to be below the defined internal limits. Vulnerabilities have been identified through root cause analysis and appropriate strategies have been deployed to address the lacunas during the year. Operational losses for two consecutive years are presented alongside.

#### Loss Data Analysis



### Technology Risk

Technology risk is the risks associated with the ownership, use, operation, involvement and adoption of IT within the Bank. This includes breakdowns and failures in IT systems, cyber-attacks, technological obsolescence, erosion of competitive position due to falling behind competitors and inadequate infrastructure to support business volumes among others.

Technology has transformed the banking sector's operations and business models in recent years with organisations relying heavily on technology to drive operational efficiencies, handle customer information and strengthen the customer value proposition. For BoC, given its strategic focus on digitalisation and ongoing investments in enhancing IT infrastructure, technology risks have emerged as a key exposure. Having recognised the vital importance of effective IT risk management, the Board set up a dedicated Information and Communication Technology Committee (ICTC) during the year to ensure the effective implementation of the Board's IT strategy.

## Technology Risk Review 2018

- Created the position of 'Chief Information Security Officer' (CISO)
- Embarked on setting up a Security Operations Centre
- Conducted vulnerability assessments
- Initiated the process to obtain the ISO 27001 certification
- Strengthening network security
- Improve system availability and reduced the downtime of critical systems

## Legal Risk

Legal risks are the potential losses to earnings and reputational damage arising from non-compliance with regulatory/statutory provisions, uncertainty due to legal actions or uncertainty in the applicability or interpretation of relevant laws or regulation applicable to the bank.

The Bank's operations are guided by a comprehensive suite of policies, standards and internal procedures ensuring that legal risk exposures are mitigated as much as possible. Clearly defined processes are also in place to ensure that all legally binding agreements are reviewed and approved by the compliance and legal functions of the Bank. Periodic assessments are carried out by IIRMD to evaluate the legal risk of the bank.

## Compliance Risk

Compliance risk is the potential loss in earnings and/or impact on the Bank's reputation due to non-compliance with applicable laws, regulations, codes of conduct and standards of good practice.

A dedicated Compliance unit headed by the Compliance Officer, reporting directly to the Board, ensures that the Bank is compliant with all relevant external regulations and internal guidelines. Meanwhile, a Board-approved Compliance Policy is in place, specifying how compliance risks are identified, monitored and managed by the Bank in a systematic and holistic manner.

### Key responsibilities of the Compliance function;

- Advise the Board of Directors and Senior Management team on changes to the regulatory landscape and provide recommendations on implementing such changes
- Raise employee awareness on compliance
- Assessment of new products, business practices and/or relationships for potential compliance risks
- Liaise with the regulator on all compliance related matters

During the year, there were no material instances of non-compliance pertaining to guidelines and/or any social environmental regulations.

## Strategic Risk

Strategic risk is the potential losses arising from the possible flaws in the Bank's future business plans and the possibilities of strategies being inadequate.

The Bank adopts a systematic and thorough approach towards strategy formulation with a revolving three year corporate plan designed, based on the inputs of corporate and executive management. The Board approves the corporate plan subsequent to extensive discussions with the management team. Objectives and action plans are

cascaded to all business units and branches and implementation of the plan is monitored against defined targets. The Bank's dedicated Research Department consistently provides economic and political developments, customer feedback and industry outlook. IIRMD based on these reports, assess the strategic risk and cascade them to relevant business units. A comprehensive score card is used to measure and monitor the Bank's strategic risk and is included in the annual ICAAP.

## Reputational Risk

Reputational risks arise from the loss of confidence and negative perception of the Bank which can adversely impact earnings, assets, capital position and/or brand value.

- As a financial institution, public trust is pivotal, hence IIRMD continuously monitors and manages events related to reputational risk. The bank maintains its reputational risk at minimum level, evidenced by the following: Strength of the BoC brand: BoC has consistently been ranked as the country's No.1 brand by local and international independent branding organisations.
- Brand attributes of trust and stability
- Established track record of nearly eight decades
- Numerous awards and accolades

A comprehensive score card is used to measure and monitor the Bank's reputational risk and is included in the annual ICAAP.

## RISK MANAGEMENT

### Internal Capital Adequacy Assessment Process (ICAAP)

The ICAAP allows the Bank to assess its capital requirement based on its risk profile, ensuring that adequate capital is maintained to deliver its strategic agenda. Aligned with the Pillar II requirements, the Bank's ICAAP takes into consideration the key risks of credit, market, operational, liquidity, Interest Rate Risk in the banking book, reputational, compliance and strategic risk. The ICAAP Steering Committee which is headed by the General Manager is responsible for identifying these material risks as well as designing and implementing stress testing scenarios.

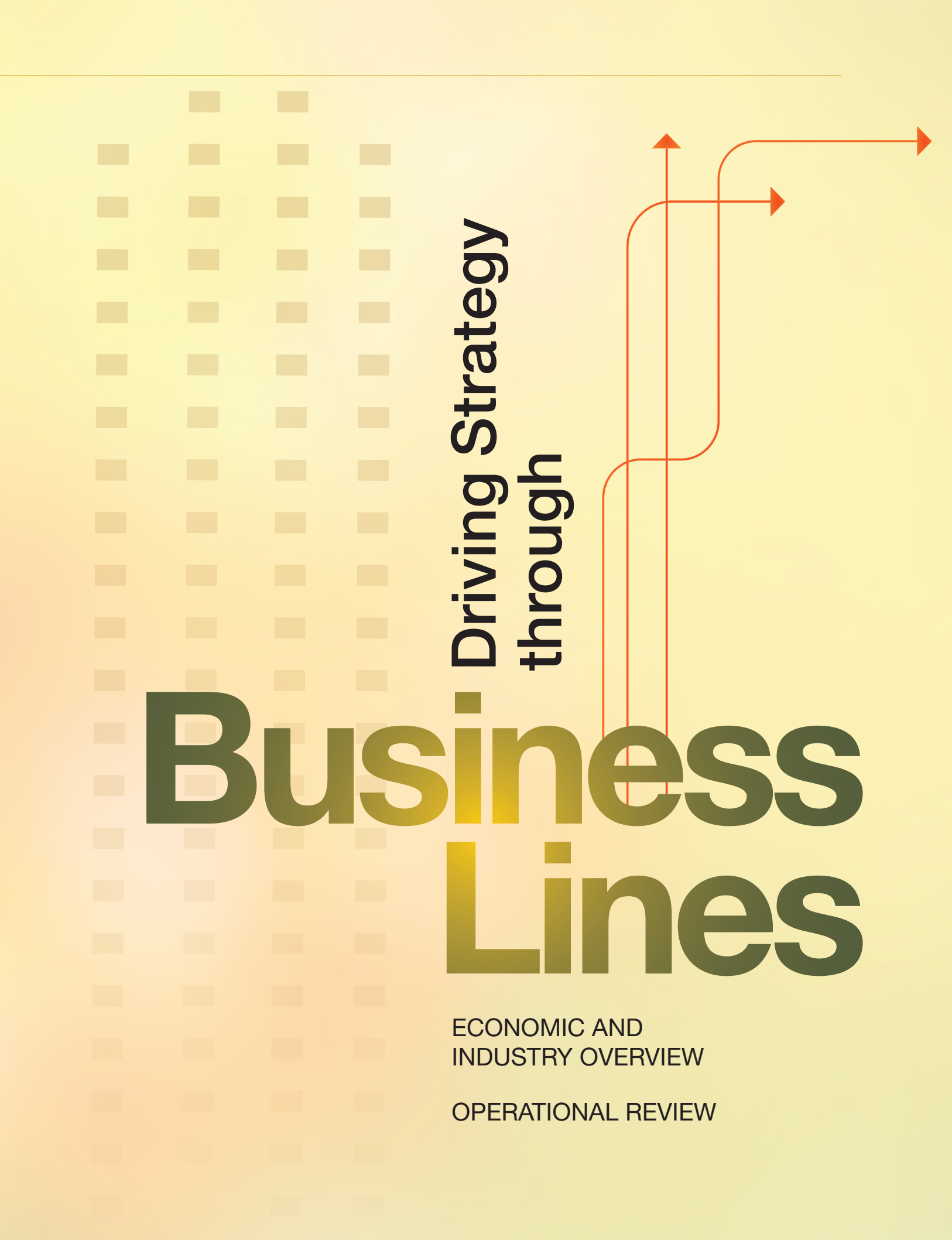
Stress testing is an important element of Pillar II (Supervisory Review Process) and showcases the sensitivity of the Bank's risk profile to a range of variables. The Board of Directors is responsible for ensuring that stress testing is conducted regularly and effectively in line with the Board-approved Stress Testing Policy. In addition to providing direction on capital allocation, the stress testing exercise facilitates the setting of risk appetite triggers, tolerance limits and formulation of contingency plans. During the year, we further strengthened our stress testing process in view of the challenging macro-economic front; accordingly, new stress scenarios and stress limits were introduced.

### Capital Position

An equity injection of LKR 5.0 billion by the GoSL in 2018 further strengthened BoC's balance sheet, bringing the share capital to LKR 25.0 billion by end-December 2018. Frequent equity infusions by the principal shareholder in recent years have strengthened the Bank's capital base in line with the increased capital requirements for licensed commercial banks under Basel III. The Banking Act Direction No. 1 of 2016 introduced minimum capital requirements for licensed commercial banks, with time lines provided to gradually increase minimum capital ratios to be implemented in by January 2019. As demonstrated in the table below, the Bank is currently on track to meet the minimum capital requirement targets set by the CBSL.

	Minimum capital requirement prescribed by CBSL (January 2019)	BoC as at end-December 2018
Tier 1 CAR	10%	10.31%
Total CAR	14%	14.58%





# Driving Strategy through Business Lines

ECONOMIC AND  
INDUSTRY OVERVIEW

OPERATIONAL REVIEW

# ECONOMIC AND INDUSTRY OVERVIEW

## Economic Review

### Global Economy

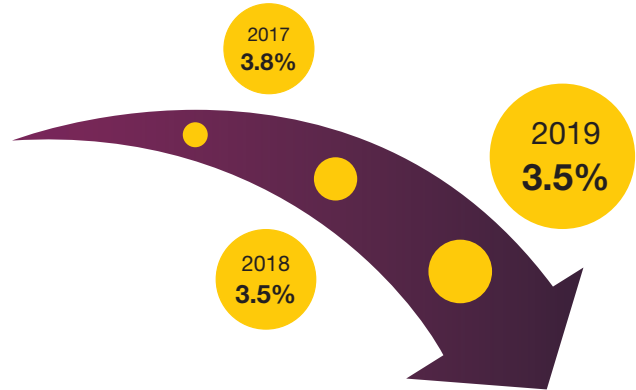
The International Monetary Fund estimates global growth to be 3.5% in 2018 (2017:3.8%). Activity slowed during the second half of the year and was less synchronized across regions and countries. Economic activity in several advanced economies moderated due to global trade tensions, policy uncertainty and tighter financial conditions while the growth in emerging markets remained relatively unchanged over the previous year.

- Euro area - slower export growth
- UK - weather related disruptions and uncertainty arising from BREXIT
- US - robust growth buoyed by a sizable fiscal stimulus
- India - domestic demand-led pick up
- China - activity moderated but growth remains robust
- Fuel exporting economies - higher oil prices led to buoyant growth
- Latin America - subdued recovery

Global trade tensions have escalated with the US imposing global and country specific tariffs on several trading partners, resulting in retaliatory actions and leading to a slowdown in trade growth. The US, with a large trade deficit with China, is seeking to reduce the imbalance of trade, and has imposed tariffs on imports of USD 250 billion with further tariffs on USD 267 billion pending negotiations. China has also retaliated with tariffs on USD 110 billion of US imports. The increase in oil prices contributed to higher growth for oil exporting countries, other than those experiencing domestic strife, geopolitical tensions or macroeconomic collapse, while oil importers were negatively affected. Global financial conditions also tightened and the growth differential between the US and other advanced economies have contributed to a US dollar appreciation. Increasing US interest rates have led to reversal of capital flows from emerging markets and the resultant depreciation of emerging market currencies.

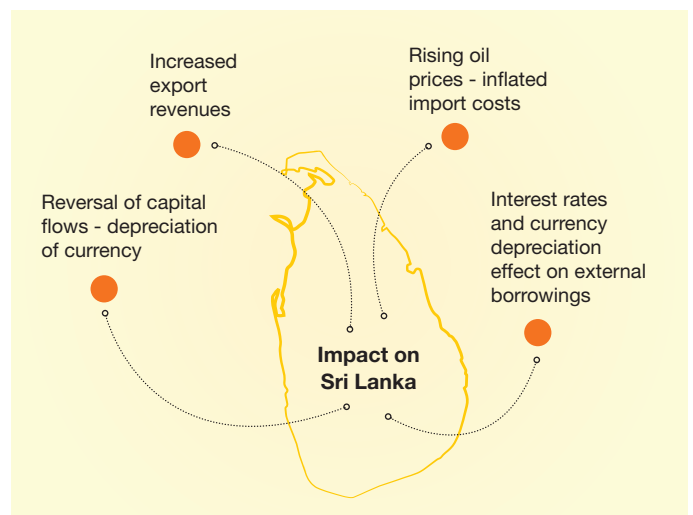
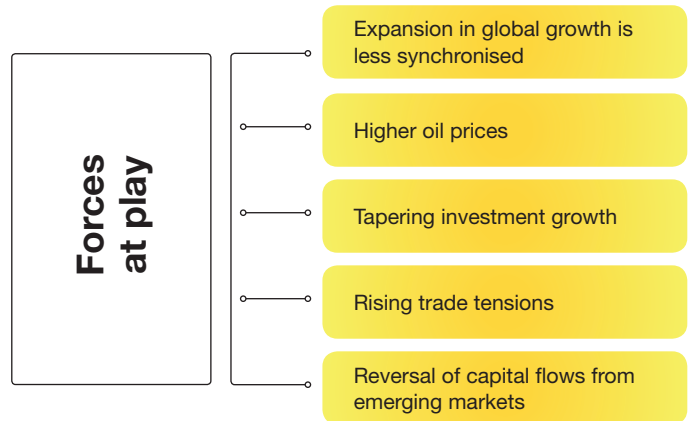
Pace of expansion in investment is projected to ease in 2018 and 2019 compared with 2017, with a more notable decline in trade growth. Meanwhile, rising trade tensions and policy uncertainty raise concerns about global economic prospects and weaker trade growth. Accordingly, the IMF revised its growth forecast for the year downwards to 3.5% in 2019 and 3.6% in 2020.

### Global GDP Growth



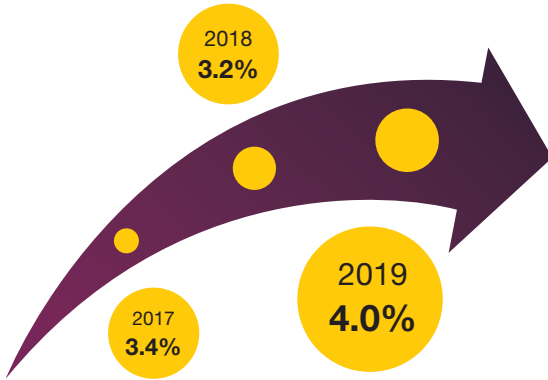
GDP Growth 2018	
Advanced economies	2.3%
Emerging market and developing economies	4.6%

IMF

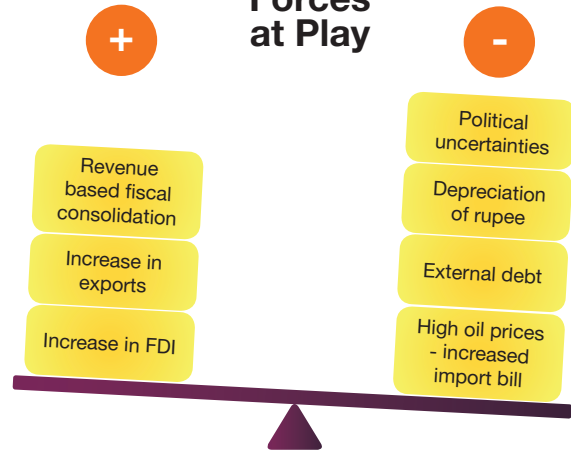


## Sri Lankan Economy

### GDP Growth



### Forces at Play



Downgrading of sovereign rating

Sri Lanka faced a challenging economic environment in 2018 reflecting cascading effects of global dynamics, rising oil prices, subdued investor and consumer sentiments and political instability towards the latter part of the year. Accordingly, GDP growth for the year amounted to 3.2%, upheld by a rebound in the agricultural sector 4.8% and broad-based expansion of the services sector 4.7%. Industrial Sector growth however slowed to 0.9% mainly due to contraction in the construction sub-sector.

### Financial Services Sector - 2018

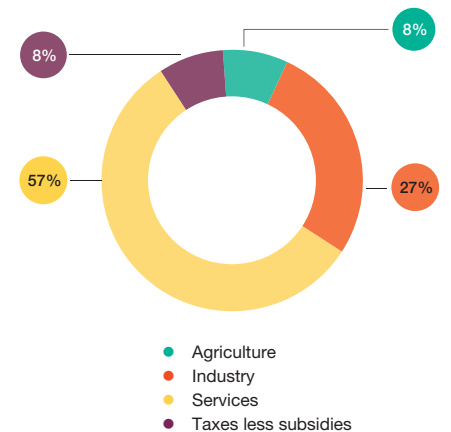
Contribution to GDP	Sector growth
<b>7.3%</b>	<b>11.8%</b>

### Fiscal Policy

Over the past 2 years the Government implemented a series of tax reforms with the objective of driving fiscal consolidation. Accordingly, a new Inland Revenue Act came into effect from 1 April 2018 introducing broad based reforms aimed at broadening the direct tax. The rise in international oil prices resulted in weaker financial performance of state-owned energy affiliates in 2017 compelling the Government to implement a strategic pricing mechanism for fuel pricing in May 2018 in line with global trend.

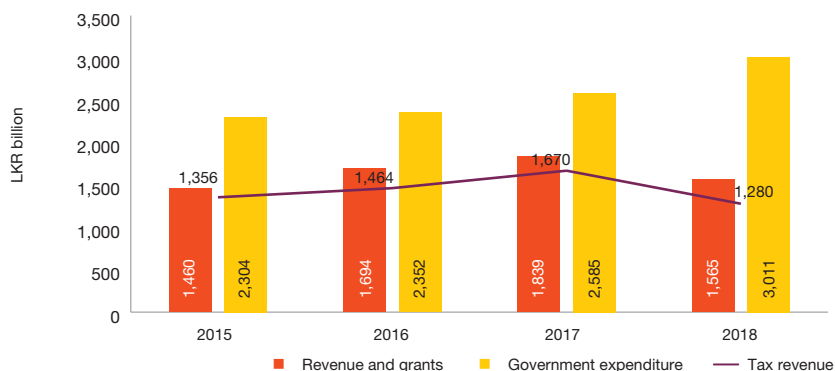
The outcome of the Government’s fiscal consolidation efforts has been mixed. Lower than expected revenue collection is likely to challenge the achievement of the targeted budget deficit for 2018. However, the primary balance, which excludes expenditure on interest, is expected to record a surplus for the second consecutive year in 2018; the third time since 1955.

### Composition of GDP - 2018

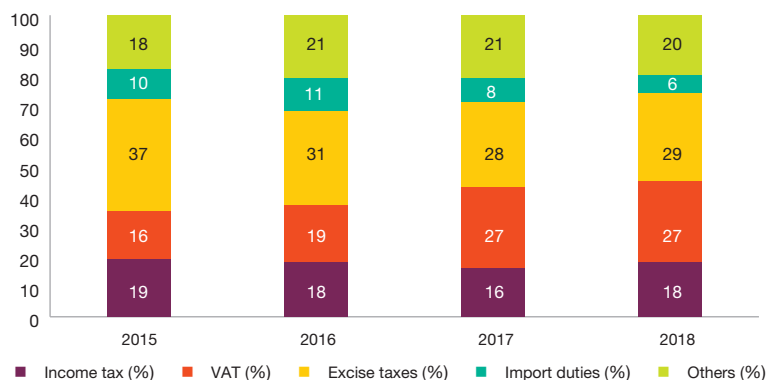


# ECONOMIC AND INDUSTRY OVERVIEW

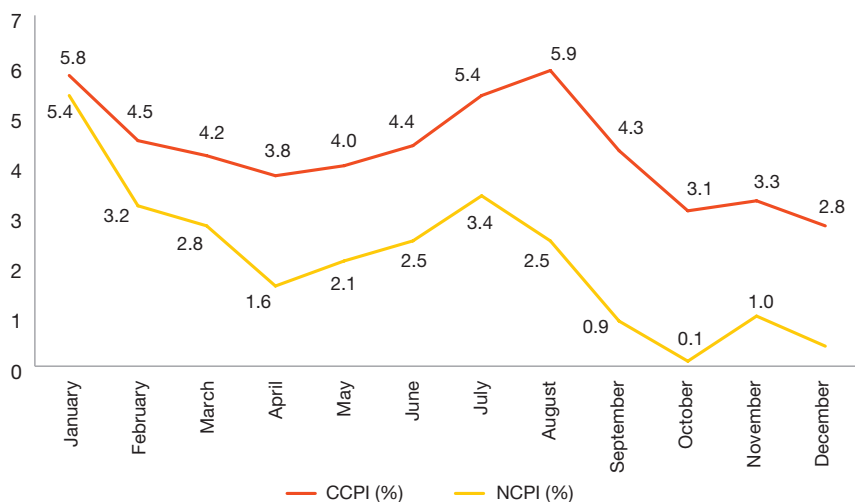
## Total Revenue and Government Expenditure



## Composition of Tax Revenue



## Inflation - 2018



## Monetary Policy

The Central Bank navigated its monetary policy in a challenging global and domestic environment. Manageable inflation levels and subpar growth signaled the end of the tight monetary policy stance taken by the Central Bank since end 2015 and in early April 2018, the upper bounds of policy interest rates were reduced. The sustained high deficits of rupee liquidity in the domestic money market compelled the Central Bank to reduce the Statutory Reserve Ratio (SRR) applicable on all rupee deposits of commercial banks by 150 bps up to 6% in November 2018, while increasing policy interest rates by 75 bps up to 8% to neutralise the impact on interest rates. This cautious approach was followed with the broad aim of stabilising inflation at mid-single digit levels and anchoring inflation expectations to enable the economy to reach its potential in the medium term.

## Exchange Rate

The rupee depreciated sharply by 16.4% (2017 – 2.87%), especially during the latter part of the year, to end at a USD/LKR exchange rate of LKR 182.75 as at 31 December 2018. Continued tightening of monetary policy in the US with several rate hikes during the year, together with a strengthening US dollar, saw a surge in capital outflows, increasing pressure on Sri Lanka's current account. A widening trade deficit added to the rupee's woes. The Central Bank largely allowed demand and supply forces to determine the level and direction of the exchange rate of the rupee in the foreign exchange market, intervening only to prevent disorderly adjustments.

## External Sector

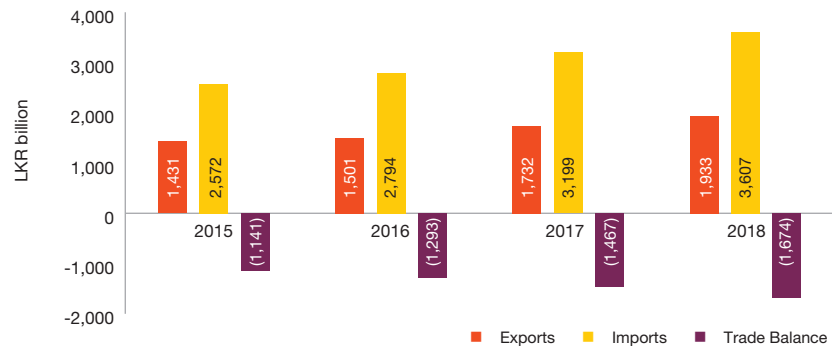
Growth in exports was outpaced by higher than expected imports resulting in a considerable widening of the trade deficit. The trade deficit reached 11.9% of GDP in September 2018 (2017-11% of GDP). Export growth of 4.7% (January-November 2018) was helped by the restoration of the EU's GSP+ facility, higher commodity prices, conducive external trade policies and the flexible exchange rate policy followed by the Central Bank. Import expenditure which increased by 6% during the same period was driven by a surge in fuel imports due to both volume and higher international oil prices, vehicle imports and textile imports.

The balance of payments which experienced immense pressure on account of foreign exchange outflows, caused by tightening global financial conditions and the strengthening of the US dollar, was cushioned to an extent through earnings from tourism and debt related inflows.

Sri Lanka's external debt position remains high and the real challenge in debt settlements will begin in 2019, with several international sovereign bonds

(ISBs) and syndicate loan settlements coming together. The Active Liability Management Act was enacted in March 2018 to help manage medium term external debt settlements. Under this Act, the Government is permitted to raise funds over and above the Parliament approved annual borrowing limit. The funds raised can be kept aside for future debt settlements in order to lower refinancing risks.

## Exports, Imports and the Trade Balance



## Outlook

The Government's continued commitment towards fiscal consolidation, such as measures to improve revenue generation, rationalize expenditure and streamline debt management is important on several footings. It will help in an overall improvement to the fiscal sector in the medium term and be essential for the success of Central Bank's move to adopt Flexible Inflation Targeting. The widened trade deficit is likely to weaken the performance of the external current account in 2018. However, policy measures initiated to curtail the expansion in import expenditure complemented by the adjustment of the exchange rate and expected to improve the external current account performance in 2019. The successful implementation of growth strategies already laid out by the Government in a consistent and coordinated manner with active private sector participation will gradually support improvement in growth in the medium term. In the backdrop of tightening policy spaces in the monetary, fiscal and external fronts amidst subdued economic performance, it is important to facilitate private sector led growth with prudent, consistent and far reaching reforms that support increased productivity in the economy.

## ECONOMIC AND INDUSTRY OVERVIEW

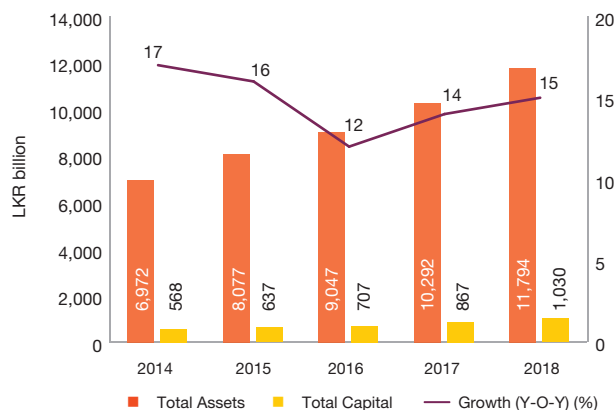
### Industry Overview

The Banking sector experienced a year of mixed fortunes in 2018; loan growth was healthy for most part of the year and the rising interest rate scenario allowed for a widening of interest margins. On the other hand, a sharp escalation in impairment charges given weakening macro-economic conditions and the implementation of SLFRS-9 affected the Sector's profitability.

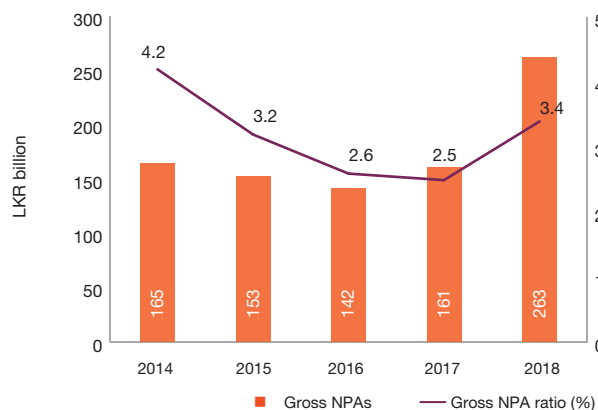
**Growth:** The sector's total assets grew by 15% in 2018 led by 20% expansion in loans and advances given relatively strong credit demand during the first half of the year. However, macroprudential measures including import restrictions, a slowdown in the construction sector and political instability towards the latter part of the year led to moderating credit growth. In terms of products, growth was driven by strong expansion of overdraft facilities as well as term loans, pawning and leasing to a lesser extent. Investments and cash and cash equivalent grew by a respective 5% and 4% resulting in the Sector's asset composition tilting more towards credit assets which accounted for 64% of total assets by end- December 2018 (compared to 62% the year before)

**Sector Performance:** The Sector's interest income increased by 14% supported by loan growth and the prevalent high interest rate scenario while the expansion in net interest income (NII) amounted to 16% reflecting a broadening of net interest margins (NIM). Operating expenses increased by 24% during the year driven mainly by staff costs while the Sector's cost-to-income ratio clocked in at 48.5% compared to 45.2% the year before. Sector profitability was also affected by a sharp escalation in impairment charges by 104% due to the broad-based weakening of portfolio quality as well as the implementation of SLFRS-9 which necessitated an increase in provisioning. Resultantly, the Sector's pre-tax profit remained relatively unchanged at LKR 194.7 billion during the year. Sector corporate tax increased by 23% resulting in profit after tax declining by 9% during the year. Return on equity (ROE) and Return on Assets (ROA) resultantly declined to 13.2% (from 17.6%) and 1.8% (from 2.0%) by end-December 2018.

### Banking Sector-Growth



### Trends in Portfolio Quality



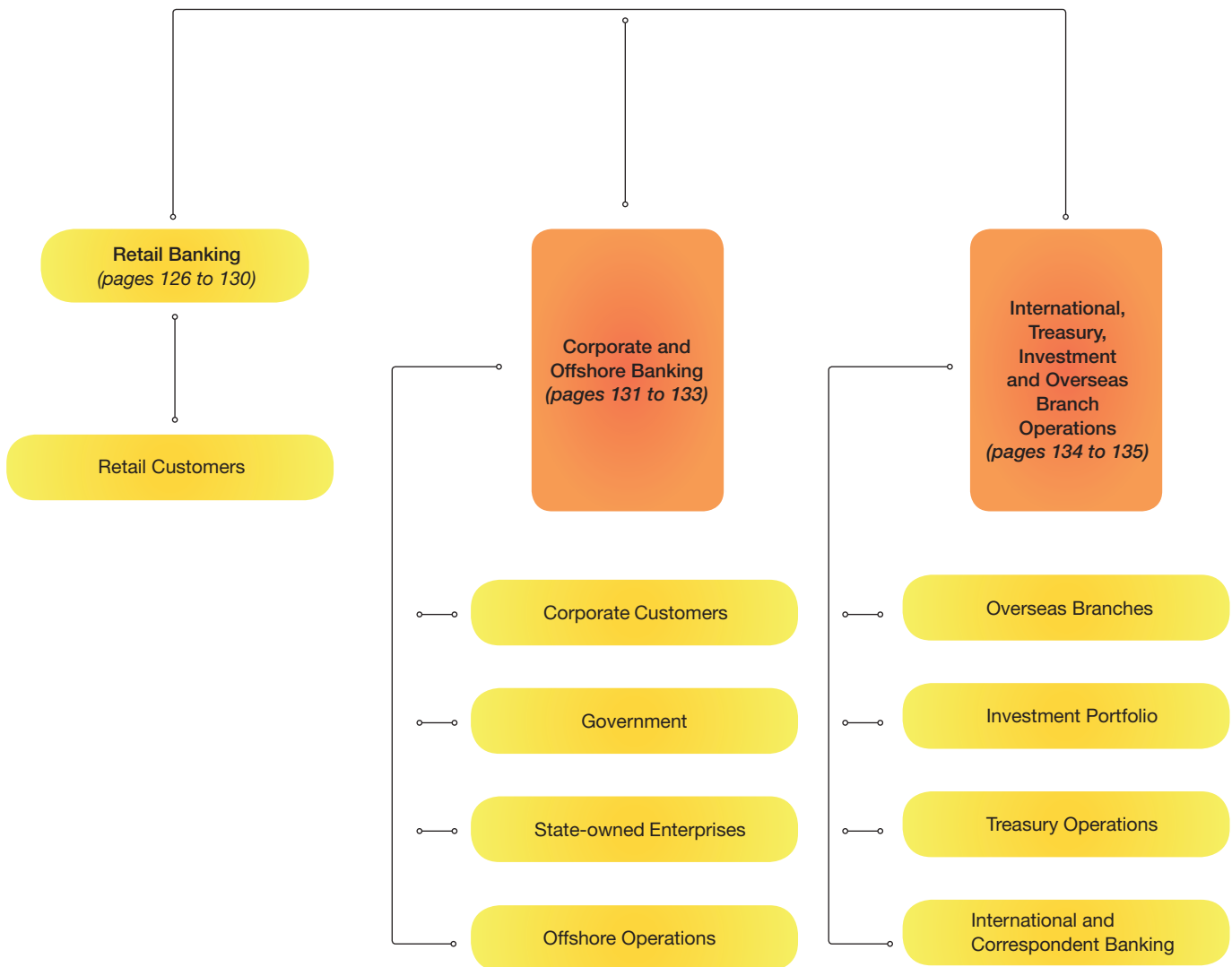
**Asset quality:** There was a broad-based deterioration in portfolio quality during the year with the sector NPAs increasing by 64% while the gross NPA ratio rose to 3.4% from 2.5% in 2017. Most players sought preserve portfolio quality by adopting a cautious approach to lending and strengthening collection and recovery efforts. Provision coverage declined to 57.4% from 69.9% in 2017.

**Capital and funding:** Customer deposits grew by 15% during the year supported by the relatively high interest rate scenario; deposits were the main source for funding. Loans growth accounting for 64% of the Sector's total assets. Banks sought to strengthen capital in line with BASEL III regulations and borrowings increased by 10% following the issue of BASEL III compliant debentures. The common equity ratio and total capital ratio amounted to 12.0% and 15.1% respectively by December 2018; however, given market conditions and the higher tax requirements banks are likely to face challenges in raising funds to meet enhanced capital needs under the Basel III requirements.

# Operational Review

The Bank's operations are broadly classified into three business lines as illustrated below; the subsequent section of this Report provides a high-level overview of strategy and factors that shaped performance of each business cluster during the year.

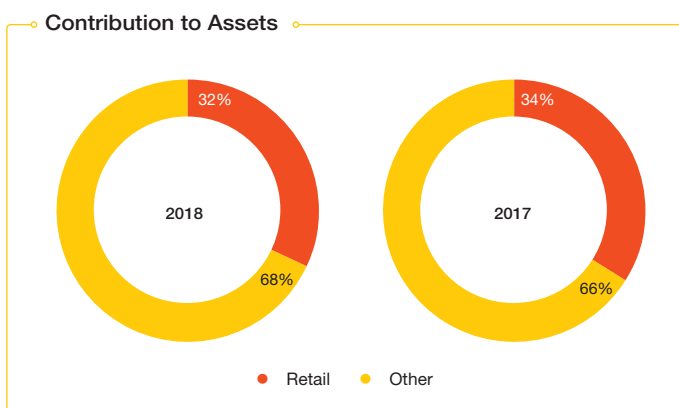
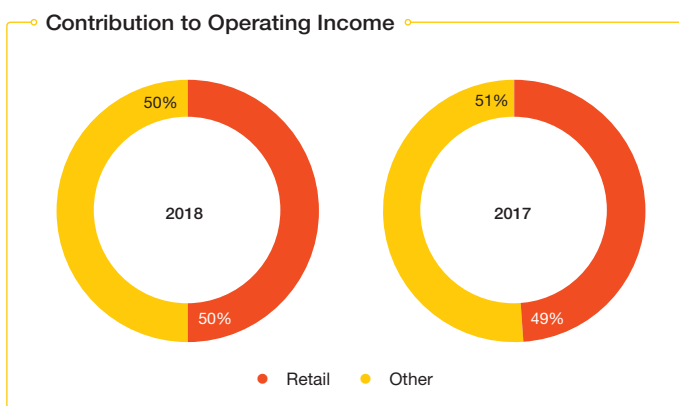
## Business Clusters



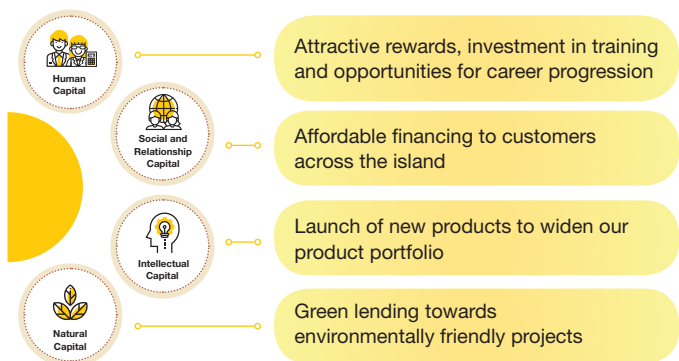
# RETAIL BANKING

## Performance Highlights 2018

LKR million	2018	2017	Change y-o-y
Net interest income	37,158	28,650	30%
Operating income	44,472	36,075	23%
Impairment charges	6,134	1,831	235%
Operating profit	16,486	15,415	7%
Total assets	690,007	632,146	9%
Total liabilities	653,062	596,145	10%



## Capital Value Creation



Through the Retail cluster, the Bank provides a range of investment, lending and transactional banking solutions to the diverse customer base including individuals, start-up ventures and SMEs. The cluster’s competitive edge is underpinned on its extensive range of affordable products, unmatched geographical reach and superior customer service.

## Operating Environment

The operating environment presented numerous challenges for the cluster due to the following;

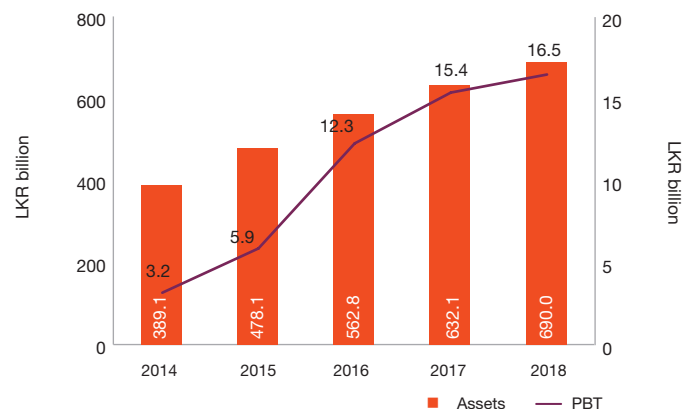
- Moderating macro-economic growth and cautious investor sentiments
- Political instability towards the latter part of the year
- Slowdown in the construction sector
- Import restrictions imposed by the Government
- Increased indebtedness in the micro-financing sector
- Adverse weather condition

Refer to pages 120 to 125 for more detailed information on the Operating Environment

## Strategy and Performance

The Retail cluster delivered a year of strong performance, maintaining its growth momentum and profitability despite challenges in the operating landscape. Net interest income grew by 30.0% supported by a loan expansion of 13.0% upheld by strong growth in development loans (primarily through scheme loans,) over draft and pawning. Understandability credit quality was pressured during the year resulting in a near tripling of impairment charges to LKR 6.1 billion. Resultantly, the cluster’s operating profit growth was contained to 7.0%, amounting to LKR 16.5 billion during the year.

## Retail Segment Performance





**Product map**

<b>Lending products</b>	Personal loans
	Housing loans
	Commercial loans
	Development loans
	Micro-credit
	Pawning
	Leasing facilities

<b>Investment products</b>	Retirement schemes
	Time deposits
	Senior citizens savings
	Minor savings
	Youth savings
	Savings for ladies

<b>Transactional products</b>	Current accounts
	Credit cards
	Debit cards
	ATM cards
	Internet banking
	Mobile banking
	Travel cards

**Loans and Advances**

The cluster’s credit portfolio mainly comprises of personal loans, housing loans, commercial/development lending, leasing, overdrafts and pawning. Supporting the SME sector was a key focus during the year and BoC sought to acquire a new base of customers through the Enterprise Sri Lanka loan scheme. The Bank disbursed around LKR 13.6 billion through this scheme, constituting more than 45% of total facilities granted through Enterprise Sri Lanka by the Banking sector. The Pawning portfolio also saw strong expansion, growing by 12.5% during the year supported by conducive gold prices. Housing and Personal loans grew by a respective 17% and 18.4% during the year.

**Portfolio Quality**

Preserving portfolio quality was a key challenge during the year as the entire industry witnessed an influx of NPLs due to moderating macro-economic conditions, liquidity crunch in the construction sector and adverse weather conditions in the Eastern and North Eastern provinces. The cluster took proactive measures to stem the influx of new NPLs while placing parallel importance on strengthening monitoring and collection mechanisms. These initiatives are listed below;

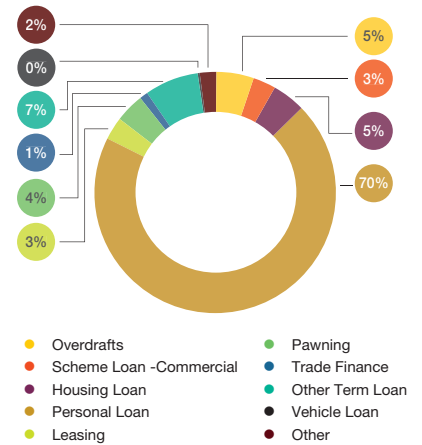
- Introduced a work-flow for recoveries thereby enhancing efficiency and accuracy
- Introduced collection efficiency KPIs to the performance management framework
- Automated NPA alerts systems
- Capacity building programmes for new recruits on recoveries

As a result of these measures, the cluster was able to curtail the weakening of portfolio quality to a certain degree; the cluster NPA ratio clocked in at 3.8%, compared to 3.2% the year before.

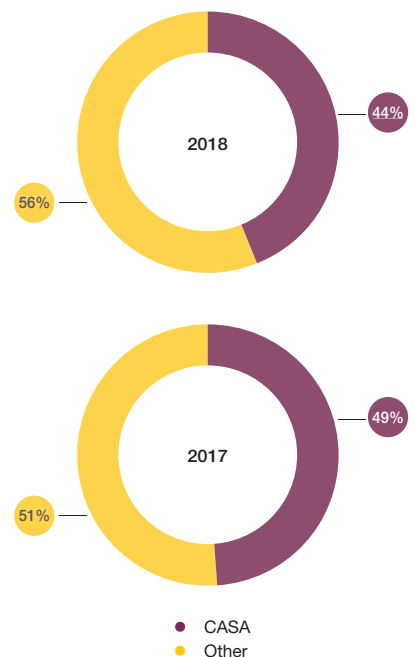
**Deposits**

The Retail cluster is the main deposit mobiliser for the Bank, contributing 68% to the total deposit base. Our deposit proposition is underpinned by our unparalleled network of customer contact points, trust and stability associated with the brand and convenience offered through our enhanced digital platforms. During the year the deposit base grew by 14% to LKR 1.2 trillion supported by the relatively high interest rate environment. Deposit expansion during the year was supported by several innovative deposit mobilisation campaigns, the Bank’s branch-on-wheels initiative and the expanding network of CRMs across the island. However, due to given high interest rate scenario CASA ratio decline to 44%.

**Composition of Loan Portfolio**



**Deposit Composition**



## RETAIL BANKING

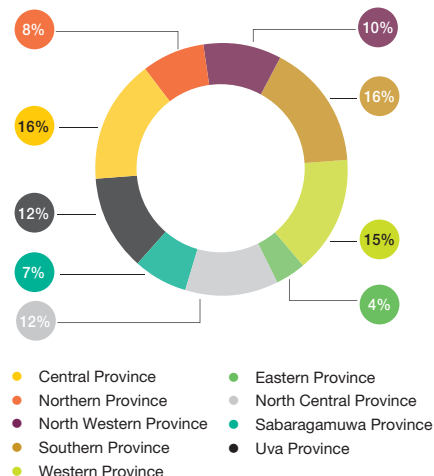
### Nurturing a savings culture

The Bank operates an extensive, island-wide network of school saving units which enables it to enhance its presence while nurturing a savings culture among the next generation. By end-December 2018, BoC operated 1,373 Sansada units and 628 mobile school units across the island, the provincial breakdown of which is presented alongside;

We also launched several innovative deposit campaigns during the year in a bid to further strengthen our CASA ratio.

- Children’s Account Opening Campaign for Grade one entrants/ pre-school entrants
- Minor account opening campaign in line with the Little Picasso competition
- Account opening campaign under World Women’s Day
- Children’s Account opening campaign in line with Sinhala and Hindu New Year
- Upadina Samata Ginumak campaign

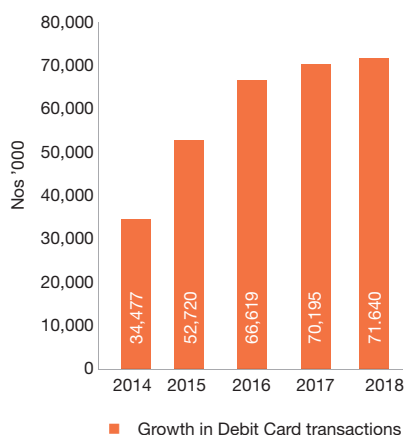
Province Distribution of School Sansada



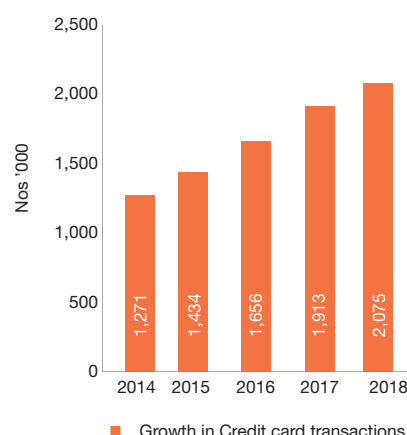
### Transactional Banking Products

In line with the Bank’s digitisation strategy we have continued to drive the use of debit and credit cards. During the year we issued a further 852,401 debits cards, bringing the total to 4.5 million by end-December 2018. Meanwhile credit and debit cards in issue also increased by 9% and 15% respectively during the year. The growth of the value of the debit cards transactions increased by 3% during the year up to LKR 65 billion and value of credit card transactions increased by 5% up to LKR 10.4 billion. Digital adoption of the Bank is 65.5% and we hope to increase this to 90% by 2020. Cashless transactions accounts to 4.6% of the total transactions and the digital drive is aim towards increased in this precantage

Growth in Debit Card Transactions



Growth in Credit Card Transactions

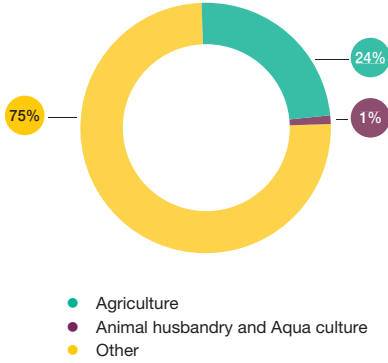


### Development Lending

The SME sector has been long-since been identified as Sri Lanka’s engine of economic growth and vehicle of socio-economic empowerment. The Bank is a key lender to the SME sector, facilitating affordable financing through an array of

schemes catering to the economy’s most vital industry sectors. As at end-December 2018, the Bank’s outstanding SME loan portfolio (including micro-financing lending) amounted to LKR 64.4 billion constituting over 550,000 facilities. As a state-bank we are also aligned with the Government’s national development agenda and are an active participant of the Enterprise Sri Lanka loan scheme which aims to empower aspiring entrepreneurs through concessionary funding schemes. In 2018 BoC disbursed over 10,507 facilities under Enterprise Sri Lanka, with a total value of LKR 13.6 billion by end-December 2018.

**Development Lending Portfolio**

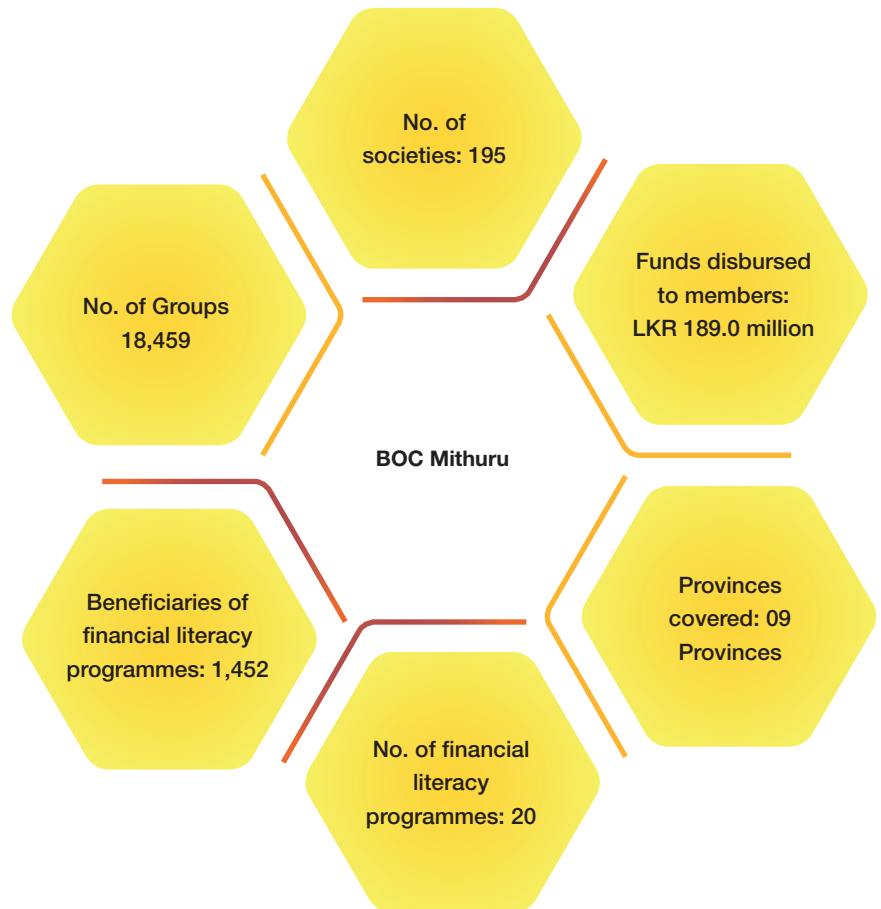


**Enterprise Sri Lanka**

<b>10,507 Facilities</b>	<b>LKR 13.6 billion outstanding Portfolio</b>
<b>Largest lender under Enterprises Sri Lanka</b>	<b>Less than 1% NPL Ratio</b>

**Micro Financing**

The Bank’s micro-financing initiative is aimed at fulfilling both its commercial and social sustainability objectives through channeling funds to the grassroots of the economy which often lacks access to affordable funding. The ‘Mithuru’ micro financing programme is a group lending initiative through which funds are disbursed to ‘Mithuru’ Groups and Societies; the initiative is targeted towards fostering entrepreneurship and driving socio-economic empowerment in rural Sri Lanka. As at end-December 2018, the Bank’s micro-finance loan portfolio amounted to LKR 8.7 billion, constituting over 496,000 facilities. The Bank also conducts financial literacy programmes for its micro-finance customers with the aim of nurturing financial discipline.



## RETAIL BANKING

During the year the Bank launched three new loan schemes targeting the SME/ Micro sectors;

To extend financial assistance to young graduates for business start-ups.

### **Erambuma**

Financial assistance for manufacturing bags/ packaging material using biodegradable material and assistance for tourism related small scale homestay owners.

### **Green Loan**

To purchase farm equipment, machinery and working capital requirements of agricultural projects

### **Smallholder Agribusiness Partnerships**

### **Way Forward**

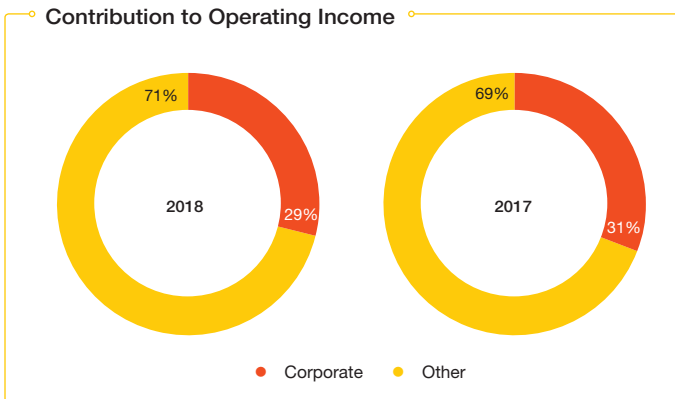
The Retail cluster will continue to pursue growth in key lending products with focus on development lending and pawning. We see numerous opportunities for supporting the country's SME sector and driving entrepreneurial activity through development lending and we hope to drive increased penetration in this segment. Preserving portfolio quality will also be key priority in 2019 as we maintain focus on the initiatives that were launched in 2018 to curtail NPLs and strengthen collections. While challenges may persist in the short-term, the medium to long-term outlook remains positive and the cluster is positioned to directly contribute to the country's economic prosperity by aligning with the Government's development agenda.

# CORPORATE AND OFFSHORE BANKING

## Performance Highlights 2018

LKR million	2018	2017	Change y-o-y
Net interest income	17,327	19,819	(13%)
Operating income	25,426	22,871	11%
Impairment charges	8,231	7,781	6%
Operating expenses	5,219	4,110	20%
Operating profit	11,975	10,980	9%
Total assets	833,652	601,742	39%
Total liabilities	789,016	567,473	39%

The cluster is engaged in providing long-term, medium and short term financing to corporate clients, the Government, state-owned enterprises and large-scale projects, playing a key role in facilitating economic activity across the country. Expanding the private sector corporate clientele by offering better pricing, and superior customer service has been a key focus, enabling the Bank to build a competitive edge in this rival market segment.

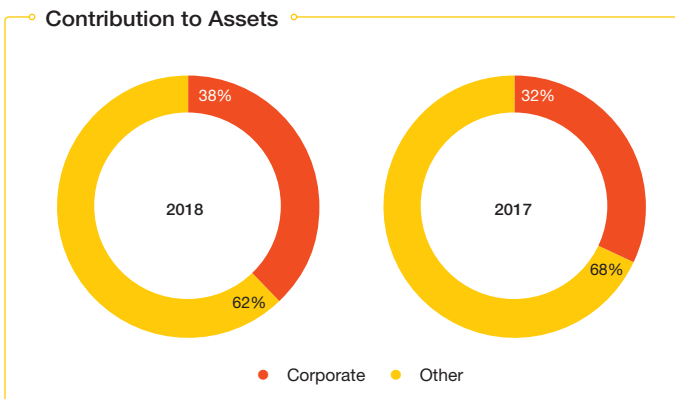


## Operating Environment

Macro-economic conditions remained challenging for most part of the year characterized by,

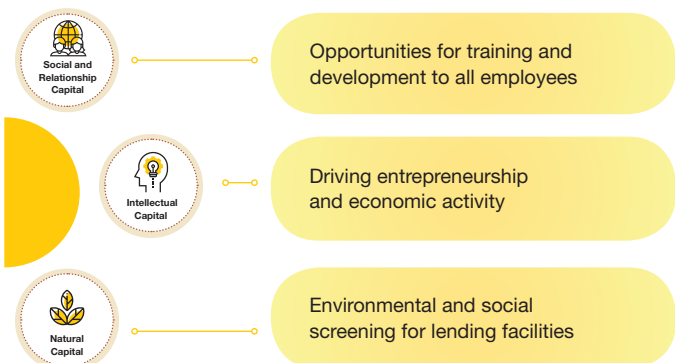
- Subdued investor sentiments
- Increase in net foreign assets of Offshore Banking Units (OBUs) during the first nine months of the year
- Moderate credit growth in credit to private sector due to moderately high interest rate scenario and slow consumption due to weakening of rupee
- Rising non-performing loans
- New tax regulations

(Further details on the Operating Environment available on pages 120 to 125)



## Strategy and Performance

Corporate loans and advances grew by 35% during the year upheld by new client acquisition, expansion of syndicated loans and improving service quality. The cluster adopted a volume-driven strategy with a view to growing market share offering competitive rates to attract new customers; accordingly, the NIM contracted during the year with NII decreasing by 13%. Meanwhile focus on a relatively more credit-worthy customer segment enabled the cluster to curtail the increase in impairment charges to 6% during the year. Overall the Sector's operating profit halved to LKR 11.8 billion during the year. Meanwhile total assets grew by 39%, reflecting continued expansion of the loan portfolio.



# CORPORATE AND OFFSHORE BANKING

## Corporate Banking

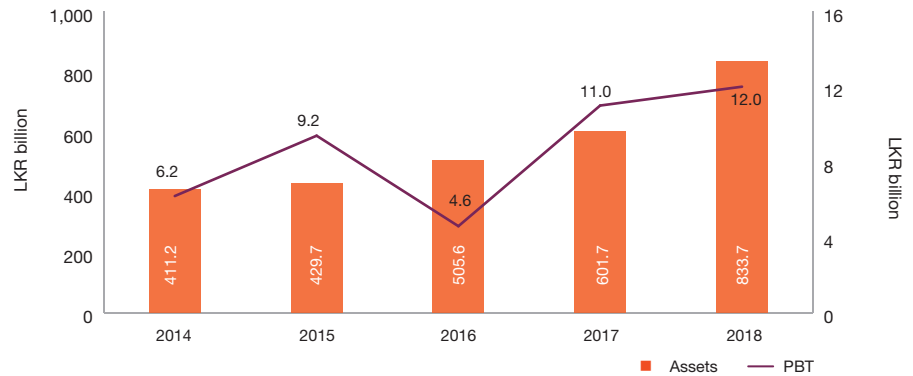
The Bank continued to make inroads in growing its' expanding its presence in the private sector with lending to private corporates increasing by 23% during the year. New private sector clients were added to the Bank's corporate client base at relatively lower margins; however, this enabled the optimisation of the cluster's risk-return dynamics as credit quality was preserved given the good credit profile of customers. Continuously strengthening our relationships with customers, improving service quality and standards were key components of our overall strategy. Engagement initiatives such as customer felicitation events, provision of advisory services and rescheduling loans and advances to revitalise troubled businesses enabled the nurturing of strong relationships creating additional value to customers during the year.

BoC is a key lender to the Government of Sri Lanka. Lending to state-owned-enterprises and the GOSL increased by 45% during the year comprising 60% of the total corporate loan book.

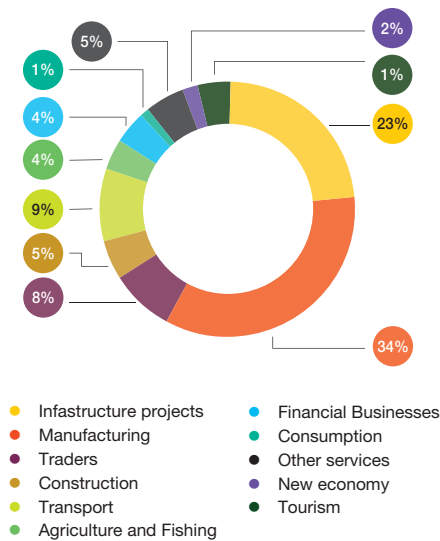
## Project Lending

BoC has directly contributed to the country's infrastructure development financing numerous Government and private sector projects in recent years. During the year the Bank finance several large-scale projects in renewable energy, waste-to-energy and hotel projects in Male. Government sector projects financed during the year included water projects via Waters Supply and Drainage Board, Highway construction projects, Harbour development projects etc.

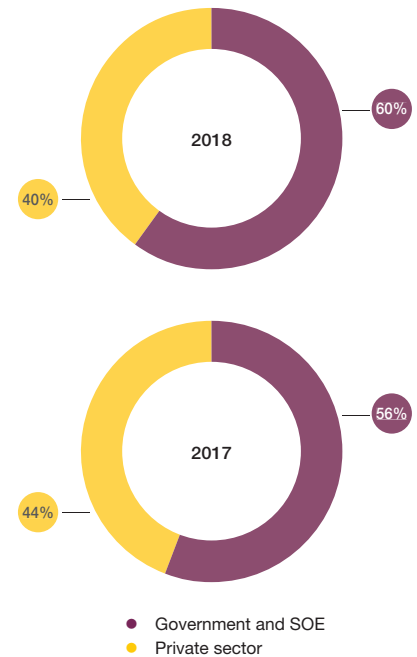
## Corporate Segment Performance



## Corporate Loan Portfolio



## Sector Exposure of the Corporate Segment



**Trade Finance Division**

The trade finance division offers a wide range of products to facilitate imports and exports and provides consultancy services to the Government, corporate clients and industry associations. This division maintains close engagement with the Export Development Board (EDB), Sri Lanka Export Credit Insurance Corporation (SLECIC) and the Ministry of Commerce and identifies new export markets and exporters and providing advisory services that includes banking procedures related to export markets. Trade finance workshops are conducted by the division for branch staff periodically and external workshops are also conducted at the EDB to educate/raise awareness of trade finance procedures. Trade finance lending increased by 18% to LKR 54.3 billion during the year.

With the largest network of correspondent relationships and its strong brand recognition the reputation of the Trade Finance division of very strong.

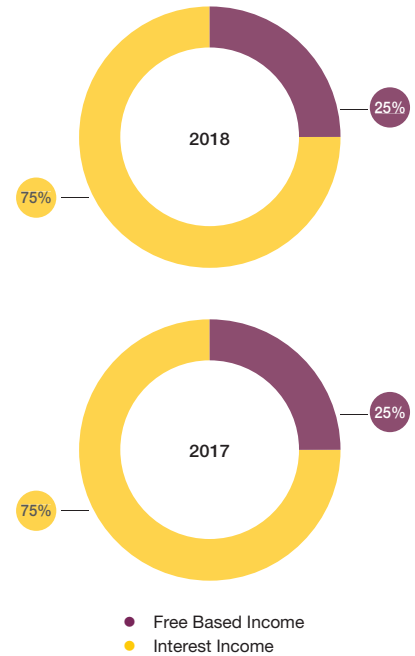
**Offshore Banking Division**

The Bank has continued to strengthen its position in syndicated lending, financing USD 38.8 million worth projects in partnership with other commercial banks for several projects in India and Singapore during the year. BoC was also the lead arranger for a USD 22 million syndicated loan in Maldives for a Hotel project. The division has financed LKR 10.3 billion worth export oriented projects of national importance and LKR 27.0 billion to Government of Sri Lanka.

**Way Forward**

Our focus in the coming year will be on project lending with a specialised unit created to cater to the specific requirements of this segment. We will continue to strengthen our relationships and grow our private sector corporate portfolio to achieve balance as we serve our nation by funding the Government and state-owned enterprises. Success of partnering in syndicated loan facilities will have BoC pursuing further opportunities in syndicated loan facilities either as a lead or as a partner. Trade finance will be looking at niche markets to canvass its products while adding value to its customers by investing in digital solutions enabling processing of Letters of Credit online.

**Composition of Trade Related Income**

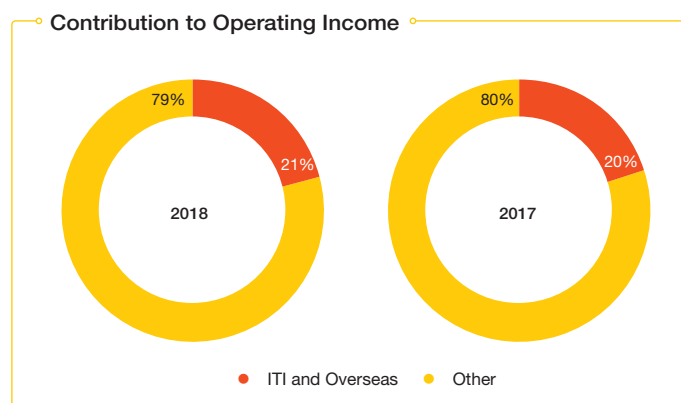


# INTERNATIONAL, TREASURY, INVESTMENT AND OVERSEAS OPERATIONS

## Performance Highlights 2018

LKR million	2018	2017	Change y-o-y
Net interest income	10,914	9,657	13%
Operating income	18,077	14,340	26%
Operating expenses	4,953	4,216	17%
Operating profit	12,737	10,424	22%
Total assets	643,024	621,866	3%
Total liabilities	608,595	586,451	4%

The Division plays a vital role in facilitating diverse activities across the Bank through the International, Treasury, Investment Overseas Division. The International Division mainly engages in foreign currency related transactions, facilitating remittances, issuing foreign currency travel cards and offering foreign currency deposit products among others. The Treasury plays a vital role in managing the Bank's liquidity position in Rupee and Foreign Currency, asset and liability management and exposure to forex and interest rate risks. Investment division provides portfolio management services, trustee and custodian services and is involved in the structuring of investments such as debentures, Securitised Papers.

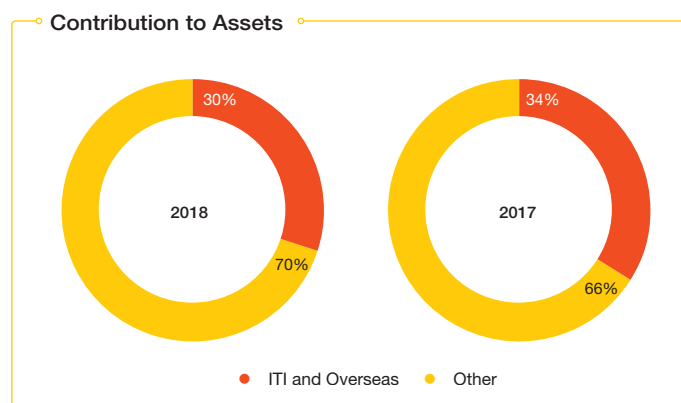


## Operating Environment

Key trends in the operating landscape which affected the Division's performance in 2018 were;

- Monetary policy direction: Reduction of the upbound of the policy interest rate corridor in 2018 followed by the reduction in the SRR by 150 bps in November 2018.
- Interest rates: Deposit and lending rates recorded an increasing trend towards the latter part of the year
- Exchange rate: The Rupee depreciated sharply by 20% against the US Dollar in 2018

(Refer to pages 120 to 125 for further information on the Operating Environment)

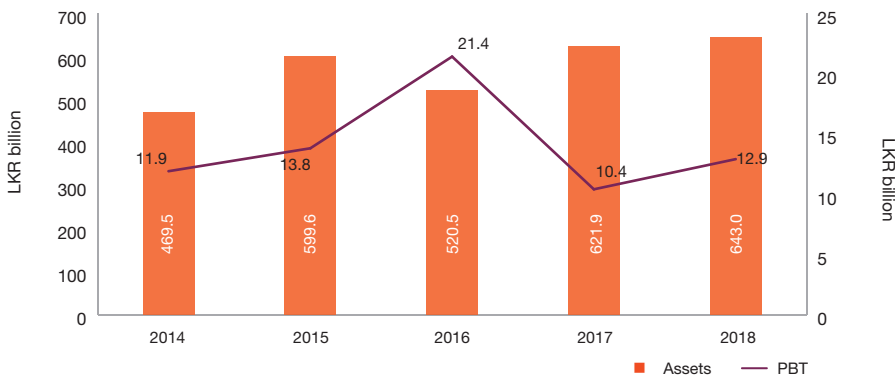


## Strategy and Performance

The Division delivered another year of strong performance recording 26% operating income of increase in 2018. Performance was upheld by strong expansion in foreign exchange income, investment income and healthy profit generation from the Bank's overseas branches. The Division generated 21% of the Bank's total operating income in 2018.



### International, Treasury and Investment and Overseas Segment Performance



### International Division

The International Division marked several important milestones in 2018, maintaining its market leadership position in inward remittances. Strategic emphasis was placed on maintaining market share of over 40% in this competitive segment through expanding our network, deepening relationships with existing exchange houses/ banks, streamlining and simplifying processes and acquiring new customers. We will also aim to enhance commission income by launching a digital remittance platform linked to the Bank's website to attract untapped customer segments in Europe, USA, Canada and UK. The Division also strengthened its offering at the BIA counters by driving process efficiencies and staff productivity with a view to providing an excellent customer service. The Division continues to broaden its product portfolio.

### Treasury Division

The Treasury Division generated significant contributions to the Division's profitability through enhancing its forex income and optimising the Government securities portfolio to maximise investment returns. The Division strengthened relationships with exchange houses and expanded its treasury business through dealing operations to drive increased forex income. The Division also plays a vital

role in optimising the Bank's NIM by astutely managing lending rates and the funding structure, based on economic and market dynamics. Treasury ensures that the Bank maintains adequate liquidity levels while delivering its strategic growth agenda through implementing a comprehensive liquidity management framework. The Division also consistently monitors the asset and liability maturity mismatches to ensure that sufficient liquidity levels are maintained at all times. During the year strategic focus was also placed on increasing interest income and capital gains generated from the Government securities portfolio through timely investment decisions. Among the division's key achievements for the year was the successful settlement of the 2nd International Bond of USD 500 million in April 2018.

### Investment Banking Division

The Bank sought to strengthen its position in Investment Banking by expanding its investment offering, nurturing stronger relationships with financial intermediaries and increasing penetration in the structuring/ managing of corporate debt and equity issuances. We also expanded discretionary portfolio management services to high net worth individuals, institutional investors and funds. During the year, the Division successfully arranged an unlisted debenture of LKR 12.0 billion attesting to our capabilities in this line of business.

### Overseas Operations

In 2018 the Bank widened its international presence further by opening its 2nd branch in Maldives in order to capitalise on opportunities presented by a growing tourism industry. We continue to pursue expansion of regional touch points, particularly in emerging markets through forming partnerships with established financial institutions and enhancing the BoC brand. Driving improved profitability and growth of the overseas branches was a key priority during the year and we sought to refine our product offering, streamline performance management frameworks and incentive schemes and improve delivery channels to enhance the customer experience through digitisation. As a result of these initiatives, overseas branches contributed LKR 2.3 billion in earnings during the year. We also placed emphasis on streamlining the credit administration functions of the overseas branches and nurturing a credit-risk conscious culture.

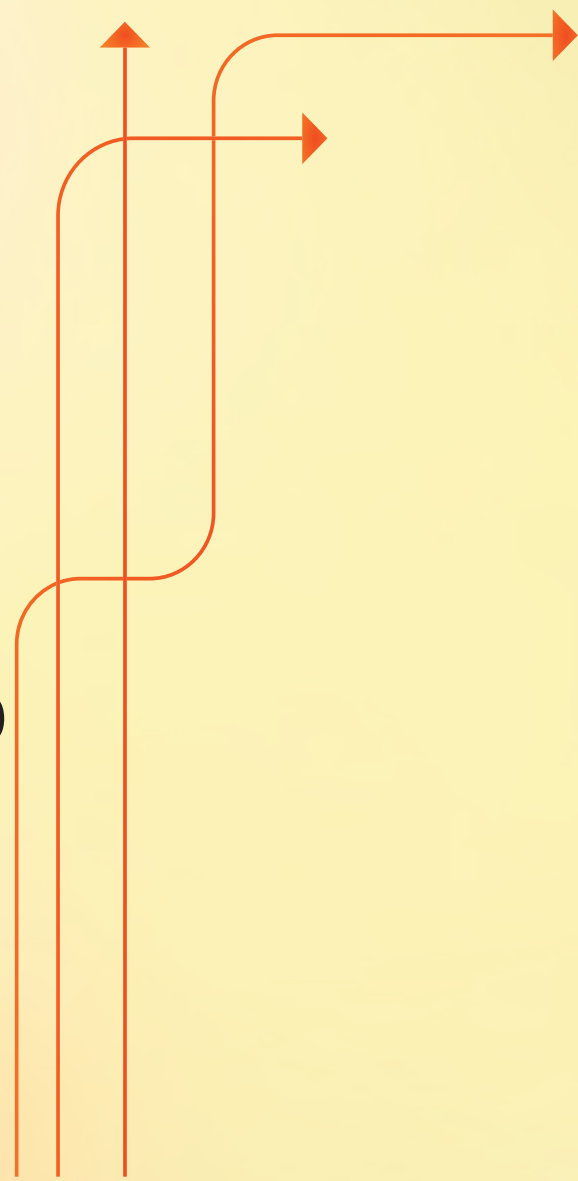
### Way Forward

As the macro-economic conditions are expected to be more conducive the cluster will maintain focus on its strategic priorities in 2019. The International Division will strive to maintain its market leadership position while strengthening engagement with correspondent banks. Development of employee competencies and a wider product portfolio is expected to support the profitability of the Investment Banking Division while Treasury will maintain focus on managing the Bank's liquidity, NIM and ensure the effective management of market risk exposures.

Creating value  
through

# Our Capitals

CAPITAL MANAGEMENT REPORTS



# CAPITAL MANAGEMENT REPORTS



## Financial Capital

The Bank's financial capital is vital in ensuring the Bank's ability to sustain its market position, drive its strategic aspirations and generate sustainable stakeholder value. As a systemically important financial institution, we source and utilise financial capital in a manner that balances diverse stakeholder interests while aptly managing risk considerations.



### Strategic Priorities in 2018

Increasing exposure to development and SME lending

Balancing growth aspirations with capital requirements

Managing interest margin at optimum level

Focus on preserving portfolio quality

### Initiatives in 2018

### How we Performed in 2018

### Priorities for 2019

- Increased SME lending under the Enterprise Sri Lanka Loan scheme
- Strengthening collection and monitoring mechanisms to preserve portfolio quality
- Timely repricing decisions
- Automating financial reporting in-line with SLFRS 9 requirements
- Crossed LKR 2.0 trillion milestone in assets
- Achieved all set targets for the year 2018 (except NPL)
- Net interest income growth of 12%
- Total operating income growth of 20%
- Cost to income ratio of 38%
- Pre-tax profit growth of 5%
- Loan portfolio growth of 24%
- Gross NPL ratio maintained at 3.6%
- Duly complied with newly introduced capital and financial reporting regulatory requirements
- Ensuring that strategic growth targets are met while maintaining capital requirements
- Preserving portfolio quality
- Process automation

## CAPITAL MANAGEMENT REPORTS

### Financial Capital

BoC delivered another year of strong performance, demonstrating resilience against numerous external challenges to deliver pre-tax profit and asset growth of 5% and 16% respectively in 2018. In a year symptomatic of weakening portfolio quality and tapering credit growth, the Bank continued to deliver on its shareholder commitments while preserving portfolio quality and achieving above average loan growth.

### Financial Performance

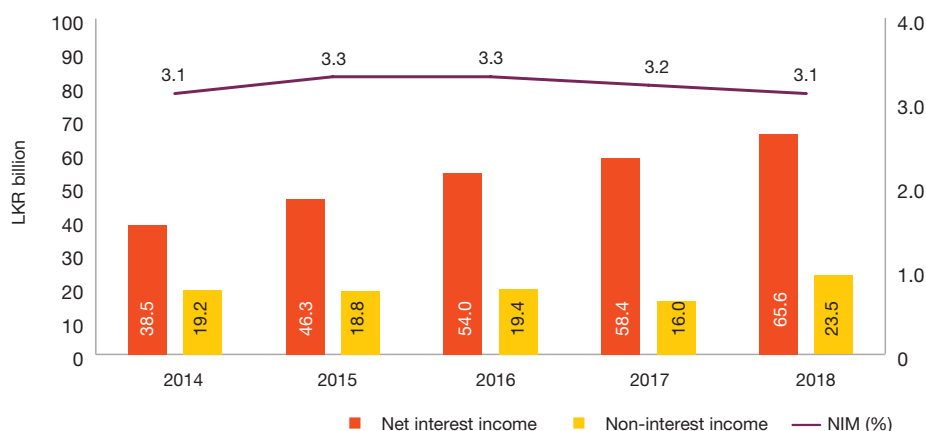
#### Net Interest Income

Healthy loan growth of 24% together with the relatively high interest rate scenario which prevailed for most part of the year, enabled the Bank to record a 14% increase in interest income to LKR 195.4 billion in 2018. Interest income generated from loans and advances accounted for 74% of the Bank's interest income, followed by income on debt and other instruments. Meanwhile, the Bank's interest expenses increased by 15% to LKR 129.8 billion stemming primarily from customer deposits; despite the wider interest rate differential between time and savings deposits the Bank successfully grew its CASA base by 4% attesting to the strength of its deposit franchise. Overall the Bank's Net Interest Income (NII) grew by 12% to LKR 65.6 billion in 2018. The Net Interest Margin (NIM) narrowed marginally to 3.1% from 3.2% the year before as the Bank sought to maintain its lending rates despite the uptick in market rates. At consolidated level, the Group's NII increased by 12% to LKR 68.7 billion during the year.

#### Non-Interest Income

Non-Interest Income comprises primarily of net fee and commission income, trading gains and other operating income. During the year, net fee and commission increased by 11% to LKR 8.4 billion upheld by growth in credit and debit card related income 23% and guarantees and related services 21% among others. The key driver of non-interest income during the year was other operating income which nearly tripled to LKR 12.1 billion due to exchange gains generated on the Bank's foreign currency balances. Overall, the Bank's non-interest income widened by 47% to LKR 23.5 billion during the year.

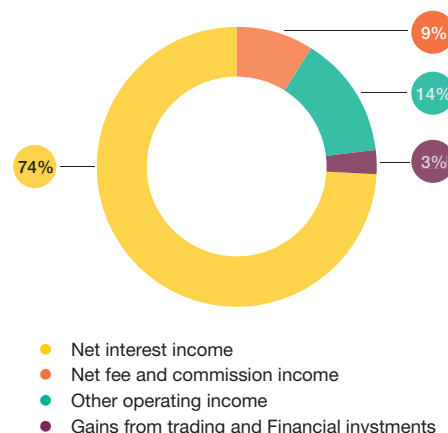
#### Trends NII



#### Total Operating Income

Healthy growth in NII together with the strong expansion in other operating income enabled the Bank to record a 20% growth in total Operating Income to LKR 89.0 billion in 2018. Fund and fee-based sources contributed a respective 74% and 26% to total operating income during the year. The Group's total operating income increased by 19% to LKR 94.0 billion.

#### Composition of Operating Income



#### Impairment Charges

The moderating economic conditions during the year led to an industry wide escalation in impairment charges for loans and advances. The Bank's impairment charges increased by 48% to LKR 14.3 billion in 2018, although at a relatively slower pace than the industry's 104% growth given ongoing focus on enhancing collection and monitoring mechanisms. The increase in impairment charges also reflect compliance to SLFRS 9 and the resultant adoption of the Expected Credit Loss method to compute loan loss provisioning; however, in preparation for full implementation of SLFRS-9 the Bank had adopted a phased approach resulting in the gradual increase of the impairment provision over the last few years.

The Bank's gross NPL ratio (computed as per regulatory norms) increased to 3.6% from 2.8% the year before. The industry NPL ratio stood at 3.4%.

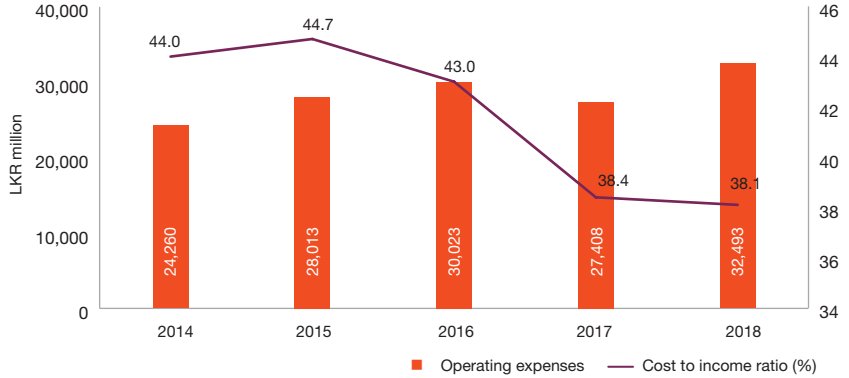
**Cost Management**

Total operating expenses increased by 19% to LKR 32.5 billion during the year mainly due to an escalation in personnel cost 11% and other expenses 35%. The increase in personnel cost reflect the recruitment of 1,622 new employees to the Bank and revisions to remuneration scales based on collective agreement. Meanwhile growth in other expenses stemmed primarily from fixed assets maintenance expenses and office administration and establishment expenses. The Bank's cost-to-income ratio clocked in at 38% during the year, significantly lower than the industry average of 47% and attesting to the Bank's ongoing focus on driving cost efficiencies and productivity improvements.

**Taxation**

The Bank's value creation to the Government in the form of taxes consists of VAT and NBT on financial services, Debt Repayment Levy (DRL) and income tax. In 2018, the Bank's tax contribution increased by 19% to LKR 19.3 billion mainly due to the introduction of the DRL which amounted to LKR 1.4 billion in 2018 and a 9% increase in income tax. Income tax expenses amounted to LKR 9.7 billion translating to an effective tax rate of 39% in 2018 compared to 30% the year before.

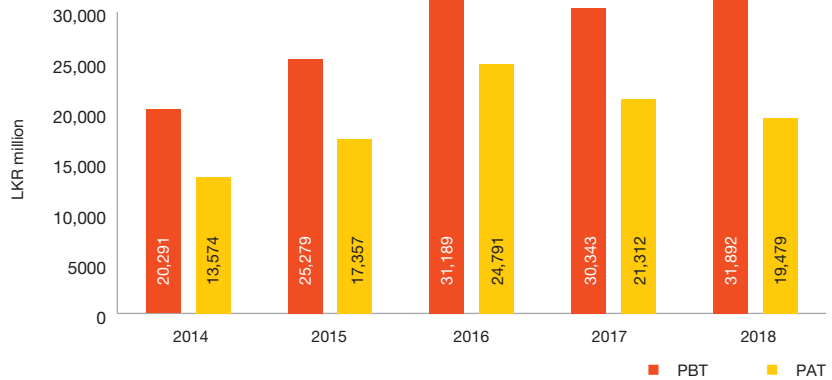
**Trends in Operating Costs**



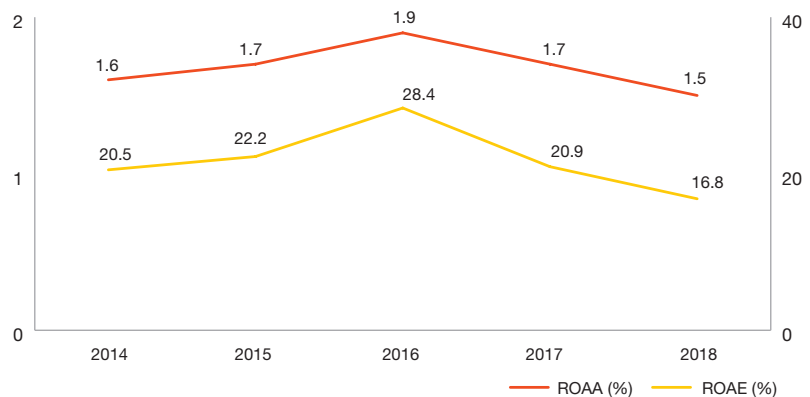
**Profitability**

Despite numerous challenges presented by the operating landscape, the Bank delivered a pre-tax profit of LKR 31.9 billion in 2018 an increase of 5% compared to the previous year. Meanwhile profit attributable to equity shareholders recorded a decline of 9% to LKR 19.5 billion due to the increase in income tax expenses during the year. The Bank maintained its position as the single largest profit-making entity in the country, cementing its position as the leading financial services provider. At a Group level, attributable profit declined by 9% to LKR 19.5 billion during the year. Meanwhile Return on Average Assets (ROAA) declined marginally to 1.5% (from 1.7% the year before).

**Profitability**



**ROAA and ROAE**



# CAPITAL MANAGEMENT REPORTS

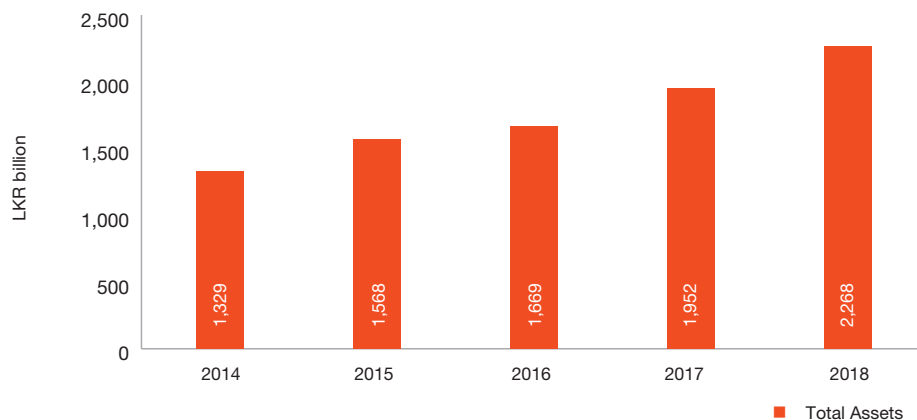
## Financial Capital

### Financial Stability

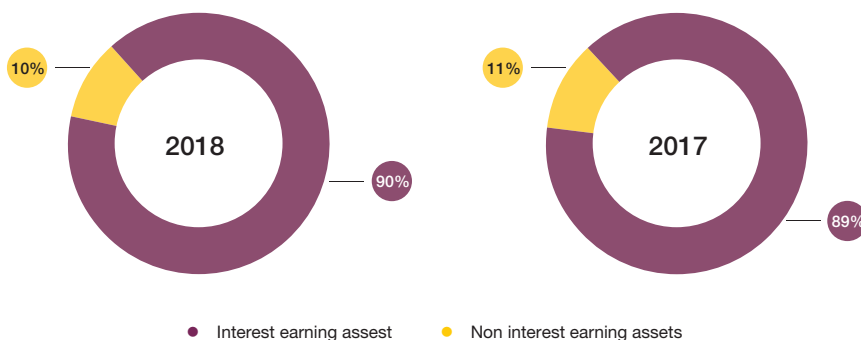
#### Asset Growth

In 2018, the Bank marked a key achievement in its journey of growth surpassing the LKR 2.0 trillion milestone in assets. Total assets grew by 16% to LKR 2.3 trillion by end-December 2018 fuelled primarily by healthy growth in loans and advances 24% as the Bank pursued broad-based expansion across all business lines. Key lending products which drove growth included overdraft facilities 64%, scheme loan 16% and term loans 25% which reflect the Bank's focus on SME and development lending during the year. In terms of business lines, both Retail and Corporate grew by a respective 9% and 39% during the year. (Please refer to Business line reviews from pages 126 to 135 for more detailed information). Lending to the Government sector also increased by 36% during the year primarily for infrastructure development projects such as road construction and water projects among others. The Bank's investment portfolio comprises primarily of Government securities, quoted equities, unquoted equities and debt securities. Following the healthy loan growth during the year, the Bank's asset composition tilted more towards credit assets, accounting for 63% of total assets compared to 60% the year before.

Total Assets



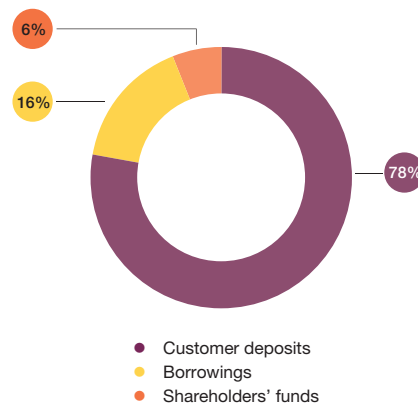
Asset Composition



#### Funding position

The Bank's funding profile strengthened during the year following an equity infusion of LKR 5.0 billion and relatively healthy deposit growth. Total liabilities grew by 17%, led by deposit growth of 14% as well as increased exposure to REPO borrowings 119% and foreign currency borrowings 7%. BoC continues to lead the industry in deposit mobilisation supported by the strength of its brand and extensive geographical reach. Deposits continue to be the Bank's main funding source, accounting for 78% of total assets as at end-December 2018.

Funding Profile



As the cost of deposits increased in line with the uptick in market interest rates

during the year, the Bank sought to fund its loan growth through increased exposure to other borrowings. Accordingly, borrowings increased by 32% to LKR 350.0 billion reflecting a near doubling of REPO borrowings, the issue of an LKR 12.0 billion unlisted debenture and an increase in foreign currency borrowings. Overall, borrowings funded 15% of the Bank's balance sheet.

### Shareholders' Funds

The Bank also augmented its capital position during the year following an equity infusion of LKR 5.0 billion by the Government. Given the limited avenues available for the Bank to enhance its capital base, we were compelled to curtail the dividend pay out to 25%, thereby allowing the shoring up of internally generated funds during the year. Resultantly, the Bank's shareholders' funds widened by 9% to LKR 121.4 billion as at end-December 2018. The Bank's Common Equity Tier 1 Capital ratio clocked in at 10.3% (compared to the minimum requirement of 8.875%) while the total capital ratio stood at 14.6% (minimum requirement of 12.875%) as at end-2018. Following the implementation of the BASEL III guidelines and SLFRS-9 the Bank will be required to carefully balance its growth aspirations with the regulatory capital requirements while pursuing alternative avenues to further strengthen its capital position.

### Liquidity

Despite achieving strong portfolio growth BoC maintained a comfortable liquidity position during the year. Strong loan growth during the year resulted in a slight moderation of the Bank's liquidity position, although it remained well within the regulatory requirements. Accordingly, the Bank's loans to deposit ratio increased to 86% from 79% the year before. Meanwhile the Statutory liquid asset ratio clocked in at 24.47% by end-December 2018, comfortably above the regulatory requirement of 20% and in line with the industry level of 24.5%.

Key liquidity ratios are given below;

	2018	2017
Liquid asset ratio (domestic)	24.47	27.22
Liquidity coverage ratio (LKR)	143.51	141.46
Liquidity coverage ratio (All currency)	114.99	105.04

### Group Performance

The Bank has 10 subsidiaries and four associate companies which are involved in diverse operations ranging from financial services, property management services and hydropower generation among others. The Bank is the largest entity within the Group, accounting for 98% of consolidated assets.

Despite the relatively minute contribution of the Group companies, the subsidiaries are managed under a subsidiary management charter that includes an annual comprehensive subsidiary performance review. The financial and operational performance of the subsidiaries are monitored by the Bank on a regular basis while risk dashboards are shared with the Bank's Chief Risk Officer to ensure that risks are managed within acceptable levels in line with the Group's overall risk appetite. Meanwhile a representative from the Bank typically holds a Board position to ensure that subsidiary and associate operations are conducted in line with the expectations of the parent entity.

# CAPITAL MANAGEMENT REPORTS



## Manufactured Capital

The Bank operates the industry’s most extensive network of customer contact points across the island and in several international locations providing access to financial services and facilitating financial inclusion. In recent years, BoC has also placed strategic emphasis on widening its digital self-service channels with increased investments in CRMs, self-banking kiosks, DIGI-Centres and online and mobile applications.



### Strategic Priorities in 2018

Enhancing our digital proposition to attract and retain the millennial customers

Streamlining and innovating processes and systems to drive increased efficiency and productivity

Reduce the carbon footprint of the Bank’s direct operations through reducing electricity consumption and construction of Green branches

**Initiatives in 2018**

**How we performed in 2018**

**Priorities for 2019**

- DIGI Centres featuring automated and self-serving touch points
- NFC enabled ATMs
- NFC cards and MPOS payment facilities enabled
- Introduced new digital banking solutions
- Reviewed our digital offerings and re-launched with new product frills
- Ongoing workflow automations via DMS
- IT infrastructure developments- major upgrade in the network infrastructure
- Branch density: 2.93 BoC branches per 100,000 persons
- ATM density: 4.17 ATM machines per 100,000 persons
- 65% of digital adoption (2017: 60%)
- 885,238 kWh Renewable energy generated by branches
- Another branch recognised as a green certified branch
- Re-launched SMART online banking platforms
- Launched IOS version of the SMART Passbook
- Introduce new Fintec products
- Expanding the Bank’s physical presence - 10 branches in the pipeline
- Re-branding branches with SMART zones
- A branch on wheels for each province
- Increase digital adoption up to 75% of the total transaction

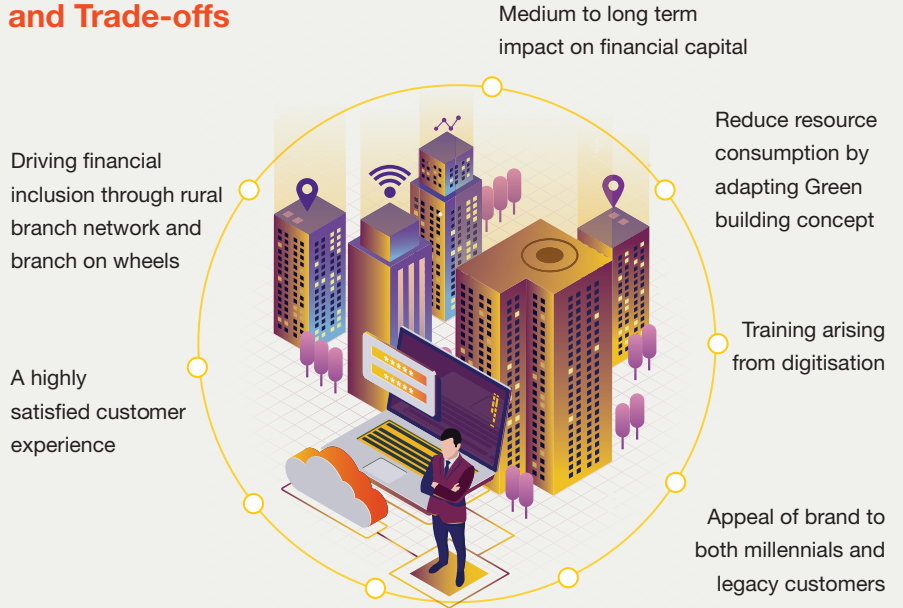


### Digital Infrastructure

The digital revolution in financial services is transforming the way customers interact with banks and the overall customer experience. Customers are increasingly demanding ubiquitous channels such as online and mobile banking channels which allows them to conduct their transactions where and when they want. In Sri Lanka widening computer and digital literacy rates along with the increased sophistication of customers has driven the demand for digital, self service channels and banks which are unable to respond to these dynamics are likely to see an erosion of competitive edge over time.

At BoC, a key element of our strategy focuses on acquiring and retaining the millennial customer- those who have grown up in an evolving world of digital technology, and social media. To capture and retain the ‘digital’ customer, BoC has embarked on a journey of digital transformation which encompasses transforming the customer experience and brand attributes. By leveraging technology to build new channels, BoC has strived to enhance customer experience while improving accessibility and convenience.

### Capital Linkages and Trade-offs



### Resources allocated to develop Manufactured Capital in 2018

Investment in physical infrastructure: **LKR 1.5 billion**      Investment in digitisation infrastructure: **LKR 2.0 billion**

	Computer Literacy	Digital Literacy	Internet Usage
<b>Sri Lanka</b>			
2017	28.6	40.1	22.7
2016	27.6	33.8	16.4
<b>By Age Group in 2017</b>			
15 to 19	63.0	73.4	38.7
20 to 24	56.9	74.5	55.4
25 to 29	46.7	67.1	49.2
30 to 34	35.2	55.1	37.0
35 to 39	26.6	44.1	28.1
40 to 49	19.8	32.7	18.9
50 to 59	11.0	17.5	9.5

Source: Computer Literacy Statistics-2017, Department of Census and Statistics

# CAPITAL MANAGEMENT REPORTS

## Manufactured Capital



### Significant Investments in Our Journey of Digital Transformation

PROCESS EFFICIENCIES

CUSTOMER OFFERINGS



Mobile banking applications such as **BApp** and **SMART passbook**

**BoC DIGI Centres** featuring automated and **self-serving touch points**

**SMART zones** that feature **ATM, CDM** and **CRM** machines

**SMART** online banking

**NFC cards** and **MPOS** payment facilities

**Value created:**  
Widening access, minimum branch visits, 24/7 cash deposits and withdrawals, increased convenience

INTERNAL PROCESSES

Ongoing process automations such as the Human Capital Management (HCM) system

Automation of the Central Back Office functions including state of art inward clearing mechanism

Encouraging a paperless environment through the work flow automation by Document Management System (DMS), e-audit, BoardPAC etc.

Online banking and self-serving kiosks can be used to apply for new account openings and initial loan applications

Use of data analytics in performance dashboards

**Value created:**  
Time and cost savings, reduced human error due to automation, less customers and queuing at branches, quicker customer turnover time at branches

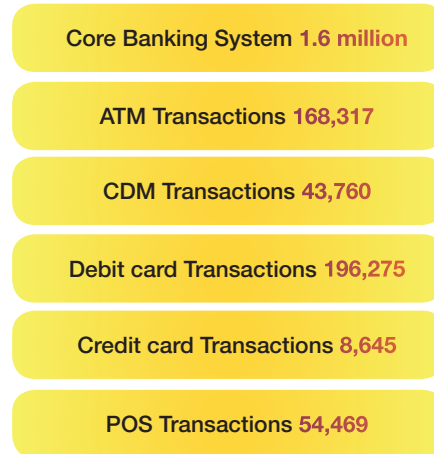
A successful digital transformation requires strong leadership and a cultural shift in the organisation. A dedicated IT Steering Committee provides broad oversight and guidance in achieving the strategic priorities in our digitisation journey. Developing employee IT skills has been a key area of focus and numerous training programmes on information systems, break through technological advancement and IT risk management and cyber security were carried out during the year. Our research department has also contributed by carrying out research that assisted us in resolving initial teething problems of B-App post its launch in January 2018. Parallel to these investments we have also deployed resources towards ensuring the robustness, security and stability of the technology we use. Further information on the Bank’s IT and Cyber security risk management framework is given on pages 116 to 117 of this Report.

### Leveraging on Our Digital Reach

The Bank currently operates 776 ATMs, 163 CDMs and 118 CRMs across the island, which is the largest digital network in the banking industry. Out of our total ATM net work 67% are installed outside the Western province. Our strategic emphasis on shifting customers towards digital self service channels has begun to bear fruit in 2018, there were around 65% in digital adoption.



#### Average per day transaction volumes



### Digital adoption

	2018	2017	2016
Percentage (%)	65.5	60.5	51.2

### Physical Infrastructure

With a total of 1,721 direct customer contact points across the island, BoC operates the country’s most extensive banking network. This geographical footprint has enabled the Bank to achieve a 62% penetration, facilitating access to finance to all Sri Lankans. During the year we opened one new branch and modernised 80 branches. In addition, the Bank also has a presence in 111 Government offices and 2,001 schools across the island.

### Document Management System – Achievements in 2018

- ★ Automation of several workflows including personal, home loan and business loan processing
- ★ Online loan applications – significant utilisation by professionals
- ★ Automated and centralised customer experience management module which handle customer complaints and correspondence. Also includes a “Tell us online” feature in the Bank’s website
- ★ CASA account openings automation with modifications in the Bank website
- ★ Monitoring of NPL – early warning system for vulnerable loans
- ★ 127,404 A4 sheets of paper savings from DMS

## CAPITAL MANAGEMENT REPORTS

### Manufactured Capital

#### Driving Financial Inclusion

The Bank plays a critical role in facilitating the Government’s financial inclusion agenda, through offering lending, investment and transactional products to the country’s most underserved segments. Of the total branches 77% are in areas outside the Western Province with 27% in economically vulnerable provinces. The Bank also operates 06 mobile units (Branch on Wheels) offering all major banking services to the marginalized communities living in the areas which are difficult to reach by conventional modes of banking. *(Refer page 22 for further information)*

#### Greening Our Network

Since 2015, BoC has converted 27 of its branches to solar power thereby reducing the direct environmental impact of its operations while contributing 1000kw (1MW) of renewable energy to the national grid. Meanwhile two of our branches, Trincomalee and Kekirawa have also respectively been awarded the Platinum and Gold status of Green Building by the Green Building Council of Sri Lanka *(Refer page 173 for further information)*

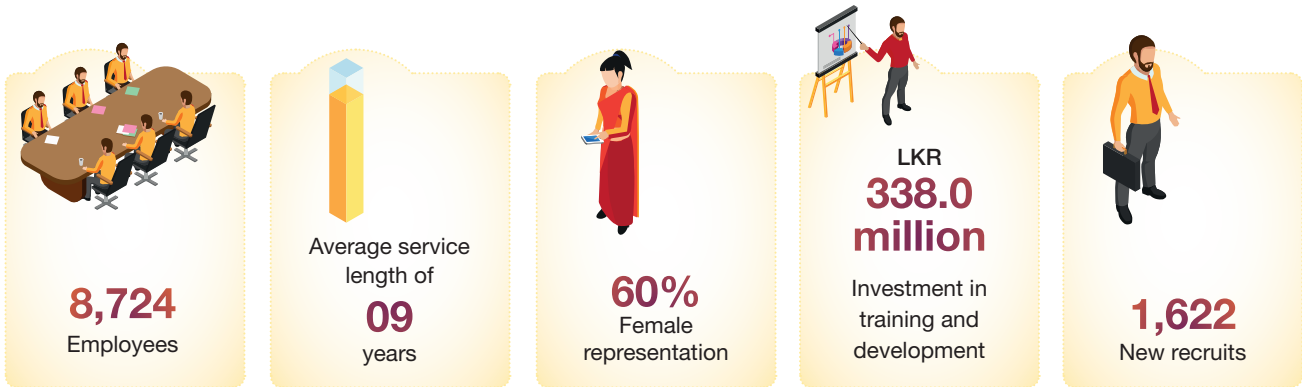
#### Contribution to Sustainable Development

Areas of focus	Progress in 2018	
Customer contact points in underserved communities	Added four new “Branch on Wheels” during the year	
Green buildings, branches converted to solar power	No. of solar installed branches: 27 Investment in solar: LKR 146.0 million Renewable energy generated to the national grid: 1,000 kW No. of Green Building certified branches: Two	 
Saving paper through digitalisation	Customers using e-statements: 382,188 Paper savings via digital initiatives: 7 million A4 sheets	



## Human Capital

BoC's human capital is represented by 8,724 diverse and committed employees who are a key source of competitive edge and are vital in driving the Bank's strategic aspirations.



### Strategic Priorities in 2018

Capacity building – to enhance the skills, and knowledge to sustain and thrive in a fast-changing business environment

Build multi-disciplinary exposure

Attitude, orientation and Organisational culture

Specialisation and continues professional development

Strengthen supportive physical infrastructure

Fully fledged Human Capital Management System

#### Initiatives in 2018

- Introduce employee pledge
- Comprehensive training to improve IT skills and knowledge of new era technologies in line with the Bank's digital transformation
- Special outbound training to enhance leadership qualities among the staff
- New programmes introduced for the training prospect on the annual training schedule

#### How we performed in 2018

- Value created to employees: LKR 18.9 billion
- Retention rate: 98%
- Number of new recruits: 1,622
- 98% received performance appraisals
- 174 employees were promoted
- Investment in training per employee: LKR 38,071.0
- Zero work stoppage due to industrial disputes
- Reward 219 employees from the best branch competition.
- Reward 4,689 employees via century score card rewarding scheme
- 145 employees were recognised by commendation letters
- 20 employee were recognise by appreciation letters
- No of working days for the year: 239

#### Priorities for 2019

- Introducing new courses for the training prospects on the annual training schedule.
- Upgrading holiday home facilities
- Focusing on continuous professional development of our employees
- Transforming intrinsic values
- Continuous automation of HR workflows through the HCM system.

# CAPITAL MANAGEMENT REPORTS

## Human Capital



### Our Team

The Bank is powered by a diverse team of 8,724 employees who facilitate our customer experience, live the Bank’s corporate values and are the catalyst in driving our strategic agenda. A strong reputation for employee development, opportunities for career progression and a conducive work environment has enabled the Bank to emerge as one of the sector’s most preferred employers.

### Resources allocated to develop Human Capital in 2018

Total payments to employees  
LKR 18.9 billion

Investment in training and development  
LKR 338.0 million

Investment in HCM system  
LKR 17.2 million



### Capital Linkages and Trade-offs

Staff training that relates to all other capitals - IT related knowledge and skills, ESMS guidelines, customer service and others

Investment in HCM system automation and other HR infrastructure

Nurturing a unique base of organizational capital



### Sudarshana Kelum Gajanayaka

Chief Manager-  
Kandy Super Grade Branch

I joined Bank of Ceylon as a Management Trainee in 2003 and my first appointment was to the Pemaduwa Branch in the Anuradhapura District. My commitment to BoC was rewarded as I gradually progressed in the Bank, being promoted to Manager, Senior Manager and Chief Manager grades over the last 15 years. It has been

Employees by Employment Contract - Gender GRI 102-8 (a)

	Male		Female		Total	
	2018	2017	2018	2017	2018	2017
Permanent	3,467	3,237	5,257	4,350	8,724	7,587
Outsourced	1,356	1,363	42	36	1,398	1,399
Contract	152	151	2	7	154	158
<b>Total</b>	<b>4,975</b>	<b>4,751</b>	<b>5,301</b>	<b>4,393</b>	<b>10,276</b>	<b>9,144</b>

a great privilege to serve the Bank and I am extremely grateful for all the training and career development opportunities that have been given to me. In addition to ensuring the financial stability of my family, my career at BoC has allowed me to grow as a person, widening my social networks and improving my skills.

#### Employees by Employment Contract – Regional GRI 102-8 (b)

Province	Permanent		Contract	
	2018	2017	2018	2017
Western	3,902	3,459	71	75
Southern	746	631	18	18
Sabaragamuwa	571	481	11	11
Uva	480	401	6	6
North Western	708	606	6	7
Central	728	583	16	17
North Central	588	542	10	9
Eastern	470	412	7	7
Northern	531	472	9	8
<b>Total</b>	<b>8,724</b>	<b>7,587</b>	<b>154</b>	<b>158</b>

#### Employees by Employment Type - Gender GRI 102-8 (c)

	Male		Female	
	2018	2017	2018	2017
Corporate Management	12	14	3	2
Executive Management	29	35	17	13
Chief Managers	56	65	43	39
Senior Managers	90	98	86	86
Branch Managers and Assistant Managers	409	475	658	620
Management Trainees and other Officer Grades	929	715	1,853	1,537
Staff Assistants and Allied Grades	1,520	1,312	2,581	2,037
Office Assistants and Allied Grades	422	523	16	16
<b>Total</b>	<b>3,467</b>	<b>3,237</b>	<b>5,257</b>	<b>4,350</b>



**CASE IN POINT**

#### **E Premarajan** Senior Manager- Jaffna Super Grade Branch

My career at BoC began in November 1982 when I joined the Bank as a Development Assistant. Since then I was promoted numerous times and received the opportunity to work in several branches specially served as manager at Thirunelvely, Jaffna second Point Pedro, Manipay branches and as Area Manager at Wannai Area office and Jaffna Area office. In November 2018 I was appointed as acting Chief Manager of the Jaffna Supra Grade branch. Serving BoC for over 37 years has been a great honour and I'm proud to say that the Bank has nurtured every aspect of my personal and professional life and moulded me to what I am today. The Bank has played a key role in overcoming all the financial hardships faced by my family to achieve the living standards we enjoy today.



**CASE IN POINT**

#### **Shakeela Nashaat** Senior Manager- Wellawatta Super Grade Branch

I joined the Bank as a Junior Clerk/ Assistant Cashier in 1991 and after several promotions currently hold the position of Senior Manager.

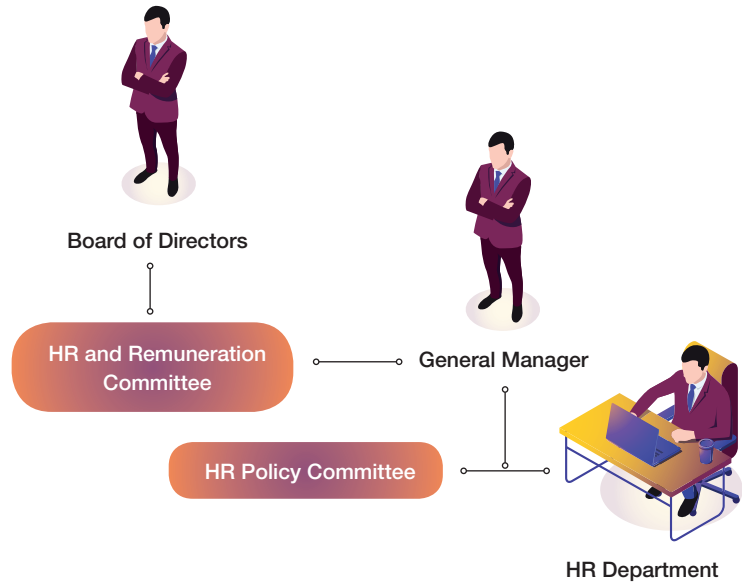
My journey with the Bank has allowed me to improve both professionally and personally with the support of my colleagues and superiors. I am thankful to the Bank and all the wonderful people I have met, as I have achieved almost all my career goals and am leading a successful and happy life with my family. I also had the opportunity of serving as a faculty member in the Bank's central training institute and I'm happy I could contribute to the development of the Bank's human capital. I look forward to many more fulfilling years in the Bank.

# CAPITAL MANAGEMENT REPORTS

## Human Capital

### HR Governance and Management Approach

The Bank's approach to managing talent is clearly articulated through a comprehensive suite of policies covering all Human Resource (HR) related aspects. A dedicated HR Policy Committee chaired by the General Manager is responsible for formulating and recommending policies for Board approval. HR Policy committee has held 48 meetings during the year. The Board is assisted by the Human Resource and Remuneration Subcommittee in governing the Bank's Human Resource. Bank's HR strategy is developed via the Corporate Plan and implemented and driven by the HR department. HR policy covers; recruitments, cessation, leave entitlements, salaries and other emoluments offered to employees. Shop and office ordinance controls the Bank in terms of the labour practice and decent work. Agreements and contracts includes human rights. Also each employee is entitle to receive equal treatments under equal opportunity irrespective of cast, gender or race.



**Attraction**

- Recruitment Policy
- Equal Opportunity Policy

**Retention**

- Training and Development
- Employee benefits (Salary and non-salary)
- Promotion

**Administration**

- HR Policy
- Leave
- Code of conduct and the Disciplinary procedure
- Staff welfare

### Talent Attraction and Retention

As the country's leading brand and the financial sector's market leader, the Bank is in a strong position to attract employees. Job applications by the thousands are common for BoC for entry level positions such as staff trainees and management trainees. The Bank follows a structured and clearly defined recruitment process. Divisional requirements for staff

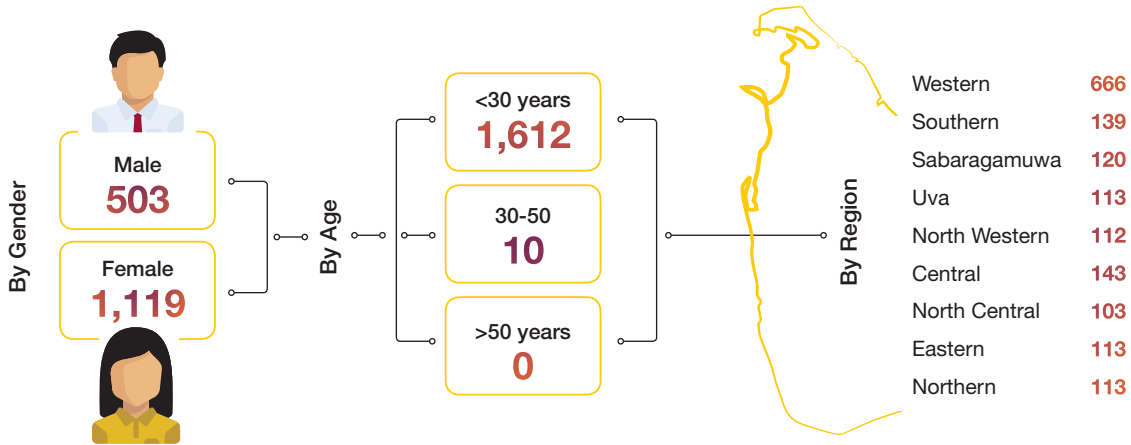
are recommended by the HR Policy Committee to the Board of Directors to approve. Once approved, vacancies are advertised to the public through newspapers in all three languages and on the Bank's website. Candidates are selected based on their performance at a written examination and an interview with an interview panel determined by the General Manager. All new employees undergo a comprehensive induction programme. In 2018/ 2017 a major

recruitment process took place after four years. The recruitment process is usually bit prolonged as we as a state enterprise are compelled to follow the above mentioned structured procedure in recruitments. However, it improved transparency. Although the recruitment process is prolonged, the Bank always ensures smooth operations of Bank by efficient management and optimum use of its human resources.





**Recruitments in 2018 - GRI 401-1**

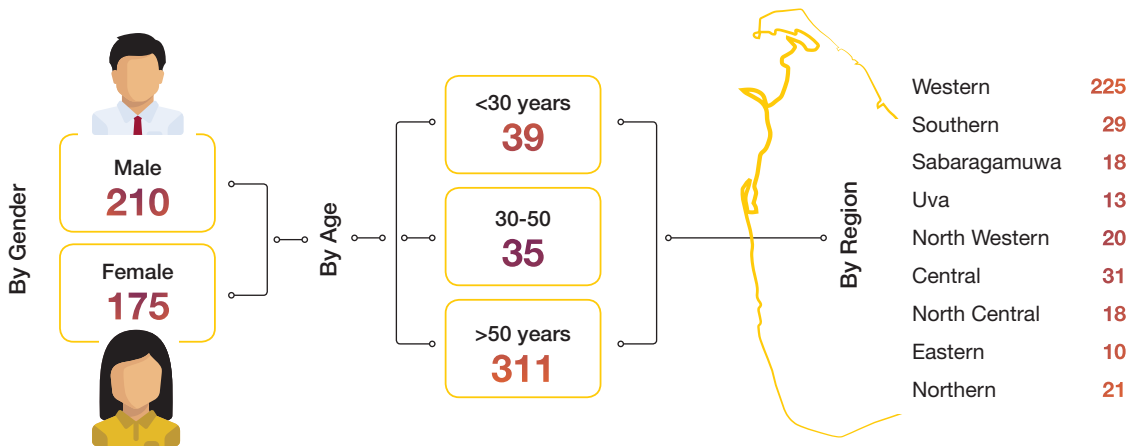


**Employee Retention**

The Bank's employee turnover rates have been consistently low over the years and was 0.9% (excluding retirement) in 2018. This attests to our unique employee value proposition, characterised by significant investment in training and development, opportunities for career progression, cordial union relations, a robust grievance mechanism and a high level of employee engagement (including a range of welfare activities such as holiday homes, lunch

time seminars on work-life balance etc)- all of which have contributed towards building an organisational culture that employees value. During the year also special lectures on common health issues and a medical camp on breast cancer were conducted. Total participation to those events were around 500 employees during the year.

**Employee Turnover 2018 - GRI 401-1**



## CAPITAL MANAGEMENT REPORTS

### Human Capital

#### Reasons for Turnover

Reason	No. of Employees
New Opportunity	25
Personal Reason	17
Migration	14
Higher Education	5
Due to bad health	3
Other	10
Retirement	311
<b>Total</b>	<b>385</b>

#### Rewards and Recognition

The Bank offers an attractive compensation plan that includes gross salary, employer provident and trust fund contributions, medical assistance schemes, pension scheme, Widow, widower and orphanage fund (eligibility criteria apply), discretionary bonus and incentives. The Bank contributes 12% and 3% to BoC Provident Fund and ETF respectively, Employees also qualify for housing loans, vehicle loans, also they get computer loans, solar power loans, investment loans and unified general loans at concessionary rates, education assistance and professional subscription re-imbursements (eligibility criteria apply). Compensation which includes salary and non-salary benefits is based on collective agreement between state sector Bank management with unions which are negotiated every three years.

A structured performance management system is in place ensuring the equitable treatment of all employees in determining increments and promotions. KPIs are cascaded from the Bank's corporate strategy and around 97% of permanent employees are under performance appraisals at least on an annual basis. Career progression is guided by a transparent and clearly communicated promotions policy. Employees are eligible to apply for a promotion once they have completed the required service in the current position. During the year, 174 employees were promoted while all vacancies were filled internally except for the entry level position. Written succession plans for Key Management Personnel (AGMs/ DGMs) has also been carried out. The success of BoC's development of its employees is demonstrated through 100% of all positions being filled through internal

#### Staff Welfare

- Holiday homes made available to staff 11
- No. of staff who has availed the facility 7,305.
- No. of staff who has used welfare vehicles 6,000
- No. of staff who has membership in Gym, Yoga etc. 55 per month
- Staff loans offered at concessionary rates, LKR 29.9 million

promotions or transfers except for three positions in senior management. External recruitments are carried out only for specialist roles for which the skills are not available within the organisation.

The BoC Spirit awards are conducted annually to recognise outstanding performance by employees. High-performing branches and employees are recognised through cash and non-cash rewards such as foreign tours, local trips, commendation marks etc.

#### Diversity

BoC is an equal opportunity employer and does not discriminate on gender, age or ethnicity in recruitments, promotions or when determining remuneration. The Bank's overall female representation of 60% is amongst the highest in the industry while the age profile ranges from 21 to 60 years. The Bank offers a conducive work environment for women, as reflected in the Bank's high return-to-work ratios. Meanwhile, the ratio of basic salary between women and men is 1:1. Our recruitment policy also mandates a quota of up to 1% for differently-abled employees.

#### Parental Leave 2018 - GRI 401 - 3

	Male	Female
<b>Employees:</b>		
Entitled to parental leave		5,257
Took parental leave		383
Returned to work after leave		358
Number of employees still employed after 12 months of their return to work after parental leave		242
Return to work rate of employees taking parental leave		93.2%
Retention rate of employees taking parental leave		99.4%

## Employee Diversity 2018

	Age Group			Total
	<30 years	30-50 years	>50 years	
Corporate Management	-		15	15
Executive Management	-	18	28	46
Chief Managers	-	53	46	99
Senior Managers	-	125	51	176
Branch Managers and Assistant Managers	-	875	192	1,067
Management Trainees and other Officer Grades	510	2,083	189	2,782
Staff Assistants and Allied Grades	3,027	919	155	4,101
Office Assistants and Allied Grades	75	288	75	438
<b>Total</b>				<b>8,724</b>

## Special Training Programmes Conducted with the third Party Institutions.

Training program	Participants
Asia Pacific Regional Rural Credit Programme	10
PIM Glo-Bus Simulation	24
Outbound training with SL Army	1,847

## Training and Development

Ongoing opportunities for training and development is a key aspect of the Bank's employee value proposition and we continue to invest in nurturing the technical and soft skills of our team. All new recruits undergo a comprehensive induction programme while a dedicated training centre located in Maharagama offers in-house training and ensures that organizational knowledge is passed on. We also supported employees' life-long learning through providing opportunities for Toastmaster/ Speech craft programmes. The Bank also has a management development programme structured to cater to the different managerial levels.

Bank has in-house training centre with seven faculty members and 132 associate faculty members. This centre also has facilities for residential training up to 315 participants.

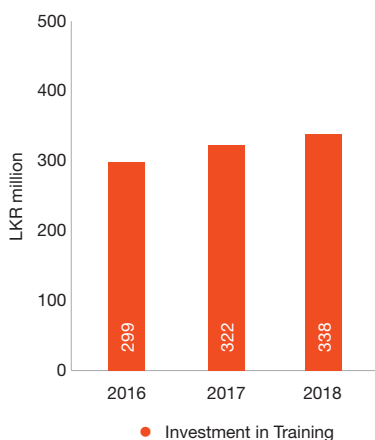


Out bound Training for Trainee Staff Assistants

# CAPITAL MANAGEMENT REPORTS

## Human Capital

Investment in Training



Total Training Hours				
Programme Hours				
	In-house	Local Training	Overseas Training	Total
2018	6,218	2,134	3,416	11,768
2017	4,087	2,997	4,800	11,884

Average Training Hours		
	Male	Female
Corporate Management	13	11
Executive Management	10	8
Senior Management (CM/ SM/ BM)	3	3
Executives (AM/EO/ Officer Trainee/ JEO)	2	1
Banking Trainees and other	1	1

## Employee Engagement

A year-round activity calendar consisting of sports, cultural and religious activities are conducted to drive employee motivation and nurture a sense of camaraderie. An overview of some of the engagements conducted during the year are listed below.



One day 'Sil observing' programme organised by the Buddhist society of the Bank



Ceremonies in celebration of Wesak festival

## Industrial Relations

BoC is cognisant of its employees' rights to freedom of association and does not in any way restrict its employees from joining trade unions. Almost 92% of the Bank's employees are represented by one of the seven trade unions, and seven employees are permanently released for union work. Accredited employee representatives of the different trade unions are given the opportunity to engage in union activities and are supported with facilities and funding for such initiatives. We maintain cordial and co-operative relationships with trade union representatives, ensuring that only significant issues are raised to the Bank's management.

In 2018 collective agreements with all the trade unions were reviewed and signed off. 77% of total workforce is covered by the collective agreement. There were also no disruptions to work during the year due to industrial disputes. 06 months' notice is provided to employees prior to the implementation of any significant operational changes that could affect them. The notice period and provisions for consultation and negotiation are specified in the relevant collective agreements.



Christmas carols by staff in celebration of Christmas



A special Hindu Pooja ceremony to mark the 79th Anniversary of the Bank

### Health and Safety

Although the work environment within the Bank does not give rise to major health and safety risks, we give priority to employee wellness and safety. Health and safety topics covered in collective agreements include, employee entitlements under the medical assistance scheme. Initiatives in place to deliver the Bank’s health and safety goals are given below;

- Comprehensive medical insurance schemes for all confirmed employees and their close families
- Availability of an in-house doctor, nurse and a pharmacy for any medical emergencies at the Head Office
- Gymnasium, yoga and aerobics facilities at the Head Office
- Specialised training and security for employees engaged in the transportation of cash
- Annually fire drill is conducted at Head Office



Iftar ceremony during the Ramadan fasting period 2018

### Employee value creation in 2018

Areas of focus	Progress in 2018	SDG Icon
Total payments to employees	LKR 18.9 billion	8 DECENT WORK AND ECONOMIC GROWTH
Investment in training including IT related skills and knowledge	LKR 338.0 million	4 QUALITY EDUCATION
Female representation: Managerial level Overall Return to work after parental leave	58% 60% 358	5 GENDER EQUALITY
Non-contributory pension on retirement provided 10 years of service had been completed	LKR 6.8 billion (provision for the year)	1 NO POVERTY

## CAPITAL MANAGEMENT REPORTS



### Intellectual Capital

BoC's Intellectual Capital represents one of its most important strategic assets, enabling the Bank to sustain its competitive edge, drive customer acquisition, enhance brand equity and remain relevant in a rapidly changing environment.



### Strategic Priorities in 2018

Enhancing digital proposition to attract and retain the millennial customers

Emphasis on good governance, ethics and robust risk management

Branding initiatives aimed at attracting the next generation customers while retaining our legacy customers

#### Initiatives in 2018

#### How we performed in 2018

#### Priorities for 2019

- Developing innovative digital products
- Focused training on ethics, integrity and governance
- Automation and process improvements
- Brand promotions for digital offerings
- Maintained position as Sri Lanka's No.1 brand for the 10th consecutive year- Brand Finance
- 6% growth in brand value to LKR 42.9 billion as recognised by Brand Finance Lanka
- Sri Lanka's Strongest Bank: The Asian Banker Magazine
- Among the top 1000 banks in the Banker Magazine UK
- Maintained market leadership position
- Recognised as the 'People's Service Brand of the Year' by SLIM – Nielsen Peoples Awards 2018
- 272,975 customers on boarded to mobile banking applications during the year
- Development of brand policy
- Continued investment in brand development
- Materialise virtual banking concept
- Enhance data analytic capabilities through Big data analytics
- Innovation lab to enhance capabilities for innovation

## Corporate Values

The Bank's corporate values reflect the essence of its identity, shaping its culture and providing clarity to both internal and external stakeholders regarding what the organisation values. As a Bank whose mission extends beyond profit generation to encompass social and public interest objectives, BoC's corporate values act to clearly define the philosophies, beliefs and principles which underpin its value creation. The corporate values are introduced to all employees at the induction programme and regularly reaffirmed through engagement and communication. Our values have also enabled the Bank to nurture and reinforce strong business relationships while guiding employees to conduct themselves in a responsible and ethical manner.



## Our Brand

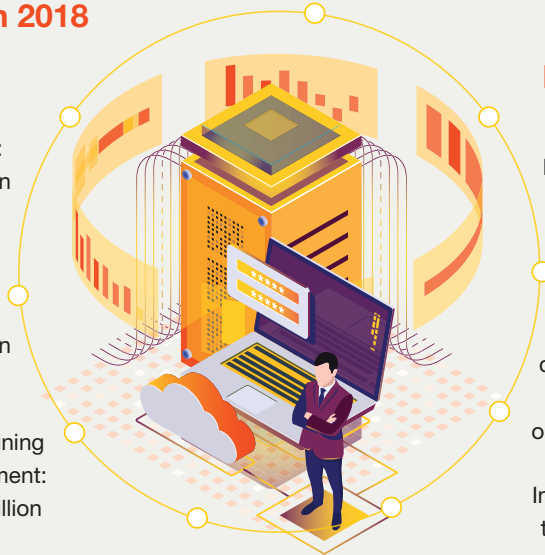
The BoC brand has consistently been ranked as Sri Lanka's No.1 brand by independent domestic and international branding agencies. The brand is associated with attributes of stability, trust and confidence which have supported lower customer acquisition costs and high retention. In 2018, the Bank placed strategic emphasis on strengthening the branding of its digital offerings such as BoC DIGI, Smart Zones, B App, Smart Passbook and Smart Online Banking among others.

## Resources allocated to develop Intellectual Capital in 2018

Investment in brand development: LKR 1.2 billion

Investment in digital solutions: LKR 2.0 billion

Investment in employee training and development: LKR 338.0 million

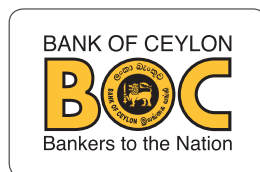


## Capital Linkages and Trade-offs

Enhanced customer value proposition through digital offerings

Quality of human capital strengthened through nurturing organisational capital

Investments in digital technology will have short term as well as long term implications on financial capital



### No. 1 brand

in Sri Lanka for the 10th Consecutive year  
Brand Finance Sri Lanka

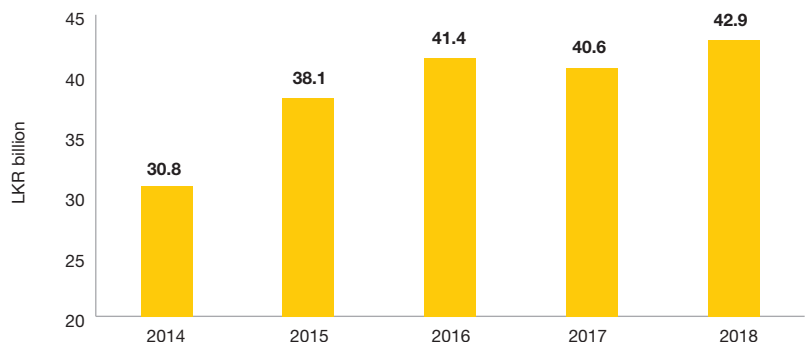
### Strongest bank in Sri Lanka

The Asian Banker

### Among the World's top 1000 banks since 2012

The Banker Magazine UK

BoC Brand Value

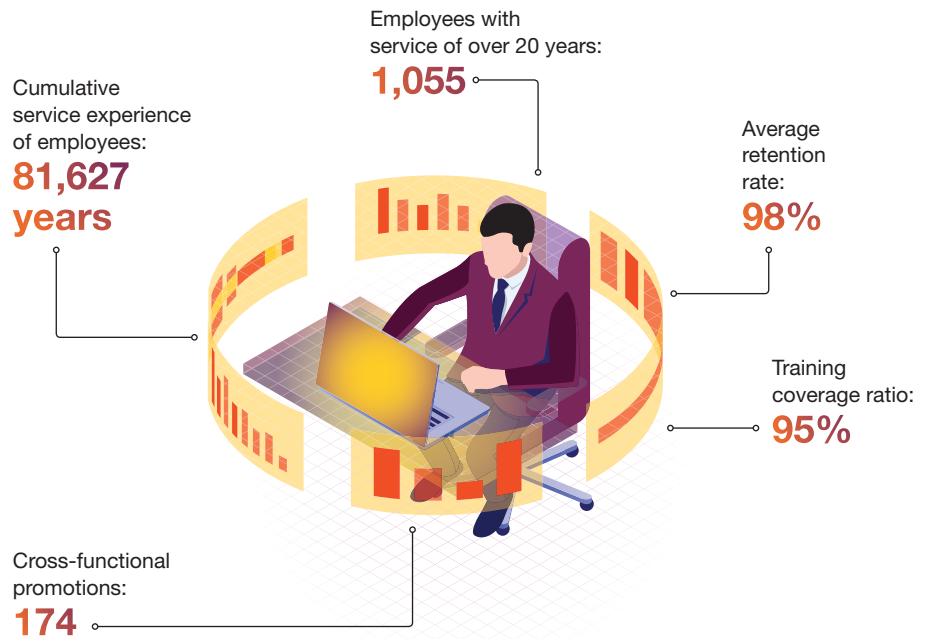


## CAPITAL MANAGEMENT REPORTS

### Intellectual Capital

#### Tacit Knowledge

A 79-year heritage of working with an unparalleled base of customers across market segments and managing the industry’s largest portfolios has allowed BoC to nurture a unique base of organisational capital. This tacit knowledge is shared across divisions and generations of employees through defined learning structures, supportive leadership teams and learning processes which are embedded into work-flows. An average retention rate of over 98% combined with the addition of young recruits mainly via Management Trainees and Trainee Banking Assistants in general has enabled BoC to build one of the industry’s most widely represented, experienced and talented teams.



#### Capacity for Innovation

The Bank is cognisant of the need to continuously innovate its offering to compete effectively in today’s dynamic banking environment. Adopting technology to reduce complexity and drive increased agility for both customers and employees has been a key focus for the Bank and we have made significant investments in modifying processes, simplifying workflows and expanding self-service channels.

#### Major focus for future

Customers	Internal processes	Employees
<ul style="list-style-type: none"> <li>Enhancing virtual banking proposition with new fintec products.</li> <li>Products to facilitate cashless banking</li> </ul>	<ul style="list-style-type: none"> <li>New virtual banking back-end</li> <li>Centralised data warehouse with a Big data analytics tool</li> <li>Continue work flow automation target at paperless banking culture</li> <li>Innovation lab for the bank</li> </ul>	<ul style="list-style-type: none"> <li>Complete HCM system allowing fully automated HR management System.</li> <li>BoC 360: Performance management app</li> </ul>



## Awards and Accolades



### No 01 Brand in Sri Lanka

- No. 01 Best Banking Brand - Brand Finance
- No. 01 Most Valuable Consumer Brand - Brand Finance  
*(No. 01 Brand for the 10th consecutive year)*
- People's Service Brand of the Year - SLIM – NIELSEN People's Awards



### Human Resources Awards

- Best HR Organization to work for - Global HR Excellence Awards 2018
- The Asia's Best Employer Brand 2018 - Employer Branding Institute India
- Sri Lanka's Best Employer Brand 2018 - Employer Branding Institute India



### Annual Report Awards

- Gold Award for State Bank Category  
CA Sri Lanka Annual Report Awards
- Winner- Public sector Banking SAFA Award 2017
- ARC Awards (International Bank Category)
  - Financial Data – Gold
  - Written Text – Gold
  - Traditional Annual Report - Gold



### Excellence in Performance

- Strongest Bank in Sri Lanka - The Asian Banker
- Top 1000 Banks in the World - The Bankers Magazine (UK)
- Swabhimani Honours Award - Service Excellence Awards Ceremony (Seychelles)



### Awards for Sustainability/ CSR

- Top Ten Best Corporate Citizens – Best Corporate Citizen Sustainability Awards – 2018 by Ceylon Chamber of Commerce
- Green Building Platinum Award – Trincomalee Super Grade Branch – Annual Green Building Awards by Green Building Council of Sri Lanka (GBCSL)



### Awards for Technological and Digital Initiatives

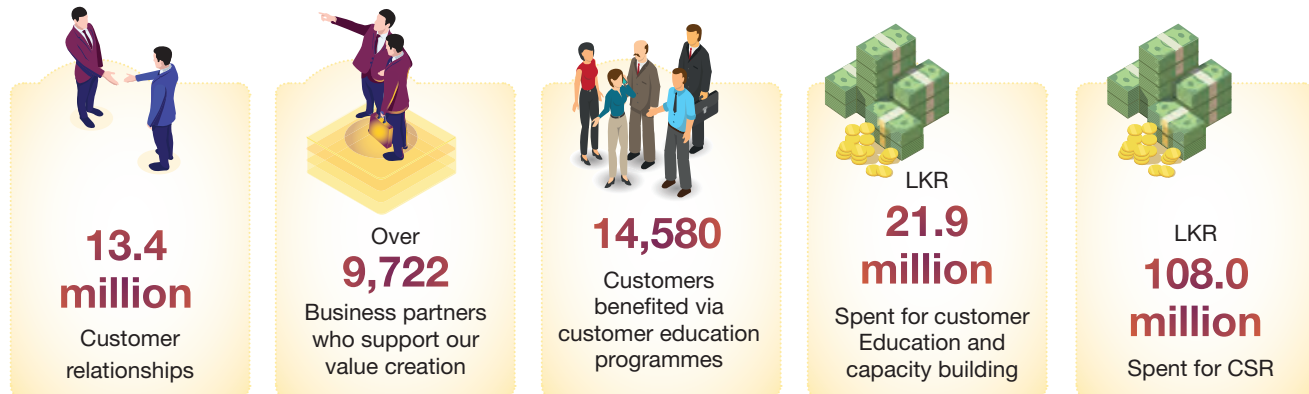
- Best Use of Mobile in Financial Sector SLT ZERO One Award
- Technovation Awards for
  - Overall Winner in Excellence in interbank payments
  - Winner - Most Popular Electronic Payment Product (B App)
  - Winner - Best Common ATM Acquirer (A) for the year
  - Winner - Best Acquirer for US Dollar Online Payments
  - Winner - Bank of the Year for Financial Inclusivity (A)
  - Runner Up – Best Bank for Retail Payments

# CAPITAL MANAGEMENT REPORTS



## Social and Relationship Capital

We believe that strong and mutually beneficial relationships with our core stakeholders are key to our continued commercial success and social relevance. The Bank is therefore committed to systematically identifying and addressing the concerns of its stakeholders through strategic action.



### Strategic Priorities in 2018

Speedy service via Multi-channel delivery

Financial inclusion via digitisation

Youth penetration supported by BoC's digitisation strategy

Customer community engagement

Enhancing Service Standards

### Initiatives in 2018

### How we Performed in 2018

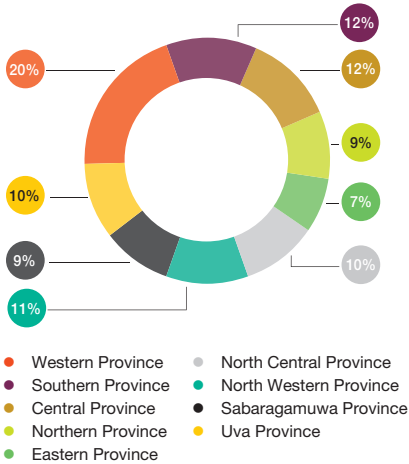
### Priorities for 2019

- Conducted customer satisfaction surveys covering all provinces to gauge customer perception on service and comparative service levels
- Strengthened digital proposition to customers
- Ongoing investment in financial literacy and capacity building
- Streamlined CSR projects to drive strategic sustainability objectives
- 113 financial literacy and capacity building sessions for customers
- 24% growth in lending
- 21% increase in interest paid to depositors
- 2 new relationship tie-ups with global money transfer agencies (Western Union, G S Cash Line)
- LKR 6,670.3 million payments to suppliers
- LKR 30.4 million investment in community via CSR and sponsorships
- LKR 89.2 million spent for child education
- Revise communication strategy to enhance customer perception on efficiency, innovation and digital solutions
- Formulating supplier guidelines to conduct supplier audits
- Engage in strategic CSR projects aligned to the SDGs
- Further enhance the digital and cashless banking service channels to customers.
- Expanding our presence to new geographies aiming to serve more expatriates.

## Customers

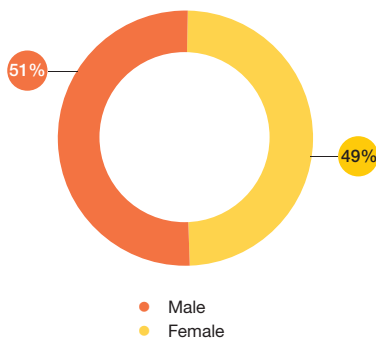
The Bank serves 62% of the country's population with deep penetration across customer segments, industry sectors and geographies. In order to maintain our market position, we recognise the need to offer a unique customer value proposition founded on our fundamental strengths of trust and stability while adapting to emerging customer preferences and technology-driven competition. In 2018, we also placed emphasis on increasing penetration among the youth, supported by several specific products and digital solutions.

### Customers Province Wise Distribution- 2018



**13.4 million** customers  
**80%** outside the Western Province

### Customer Gender Wise Distribution - 2018



CASE IN POINT

#### Sri Rahula College Anuradhapura

Sri Rahula College Anuradhapura is one of the most popular private schools in the Anuradhapura District, consistently recording above average pass rates and building a strong reputation for high quality education. BoC has been a vital partner in the school's success, providing several facilities at favourable rates at a time the school was seeking to expand its infrastructure and facilities. Through these facilities, BoC has directly contributed towards providing opportunities for quality education in the Anuradhapura district. The Bank committed its support to the proprietor of the school, Mr Roshan who had initially found it challenging to obtain funding for expansion. Following the school's strong track record, the Government has come forward in providing text books free of charge and contributing towards paying teachers' salaries. The proprietor of the school, Mr Roshan aspires to further enhance the standards of the school in developing it to be in par with Sri Lanka's leading private schools. An indoor swimming and a sports stadium are to be constructed for which BoC has already committed its support. Funding this project has enabled the Bank to meet both its commercial and social sustainability by supporting the provision of high quality, affordable education to a community which typically lacks access to services of that nature.



CASE IN POINT

#### Vaakarai Community Project

In the war affected community of Vakarai, Batticaloa, BoC partnered a group of young farmers to provide funding to commence the cultivation of cucumber. These communities had previously engaged in fishing, however following the Tsunami and subsequent natural disasters their livelihoods were threatened due to long-term impacts on marine life. The cucumber project commenced in partnership with a leading agricultural exporting company, which provided the required seeds, fertilizer and technical knowledge to engage in cultivation with clearly defined buyback arrangements in place. Following the granting of these facilities by BoC, the project has been expanded to over 150 farmers who now generate a secure source of income from the sale of cucumbers for export. BoC also supported these individuals by providing financial literacy training and inculcating savings habits. This project is an extremely successful example of a public/private partnership which has fostered socio-economics empowerment enabling communities to gradually lift themselves out of poverty while generating foreign exchange income to the country.



CASE IN POINT

#### CANE Project

Ms Gnanawathi from the Monaragela district owns and operates a successful cane based product manufacturing business. She commenced this venture in the year 2000 after providing training to 12 neighbouring women who started producing a range of cane items. BoC approached her during the initial stages of her business, offering

LKR 100,000 to purchase equipment needed to expand her business. She subsequently obtained several more facilities from BoC which allowed her to increase production, generate more employment and even purchase a three-wheeler to transport her goods. Recently, Ms Gnanawathi received the opportunity to obtain LKR 1.5 million under the Enterprise Sri Lanka loan scheme which has allowed her to employ nearly 60 women and expand production significantly. She has obtained international training on manufacturing cane items and now produces a range of high-quality products. She has maintained close relations with the officials of BoC and is extremely grateful for the Bank for partnering her success over the years. Through this project, the Bank has demonstrated its commitment towards fostering female entrepreneurship and empowerment, a critical social sustainability issue of recent times.

# CAPITAL MANAGEMENT REPORTS

## Social and Relationship Capital

### Resources allocated to develop Social and Relationship Capital in 2018

Total payments to suppliers  
LKR 6.7 billion

Investment in customer engagement: LKR 325.5 million

CSR investments: LKR 107.9 million

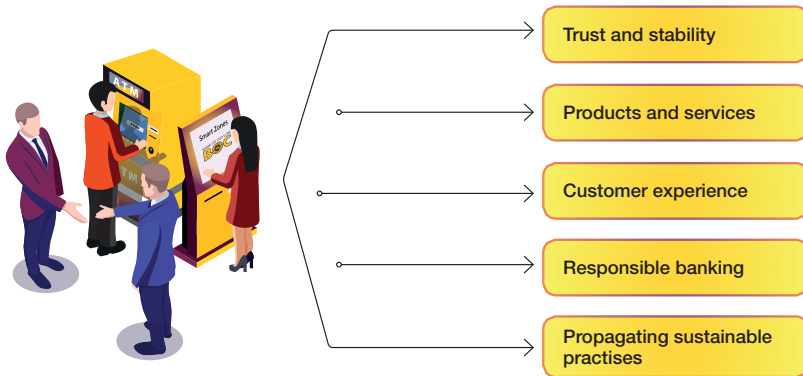


### Capital Linkages and Trade-offs

Driving increased penetration of digital platforms require corresponding investments in IT security and development.

We support our clients through periods of financial stress by rescheduling/ restructuring facilities. Despite delays in repayment, this leads to stronger customer relationships and eliminates the need for costly legal action.

The Bank has build its relationship with the customers, based on the following fundamentals. All our strategies are directed towards improving performance under following areas.

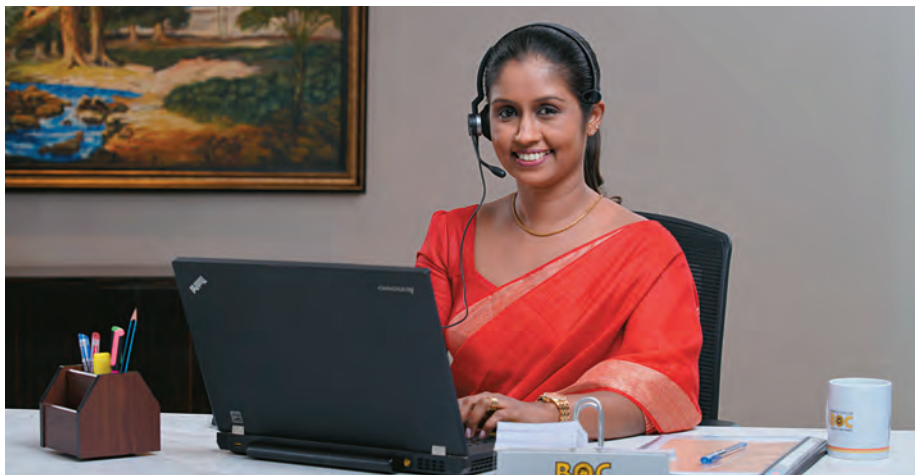


### Trust and Stability

Market dominance along with the state ownership and an established track record of over seven decades has enabled the Bank to build a strong brand founded on trust and stability. This is a key source of competitive edge for the Bank, enabling it to attract and retain customers at a relatively low acquisition cost. Our new customer acquisition average is around 600,000 per year.

### Products and Services

BoC offers a wide array of deposit, investment and lending products targeting the diverse needs of its large customer base. Our deep understanding of customer behaviour garnered through extensive customer relationships enable us to design products, services and solutions which help customers fulfil their goals.



Purpose	Individuals	SMEs	Corporates and Financial institutions	Government institutions
Invest and save excess funds	Time deposits, other investment products and debentures			
	Savings Accounts			
Transact with and manage funds	Current accounts for the payment of daily transactions			
		Cash management solutions		
Lending solutions	Personal loans			
	Home loans			
	Education Loan			
	Overdrafts and leasing facilities			
	Commercial loans including Project loans			
		Syndicate funding		
	Term loans and trade finance			
Payment solutions	Debit/ Credit/ Travel Cards			
	Mobile Banking, Online Banking facilities			
International services	Inward and outward remittances			
	Correspondent banking			

## Customer Experience

In order to retain and strengthen our market position, we understand that the Bank's customer proposition should address heightened customer expectations for ease of access, convenience and personalisation. BoC's branch infrastructure is the most extensive in the industry, with 1,721 customer contact points. Expanding the digital self-service channels has been a key priority in recent years and the Bank expanded Smart Zones in 2018, bringing the total count to 284 by end-2018. Smart Zones consist of ATMs, CDMs, CRMs and bill payment kiosks allowing customers to perform a range of transactions instantly without queuing in branches. Omni-channels include the Bank's mobile and online banking platforms.

## Our Network

	2018	2017
Branches	577	578
Limited service branches	52	48
Mobile branches	6	2
ATMs	776	764
CDMs	163	168
CRMs	118	-
SME Centres	15	15
Regional Loan Centres	14	14

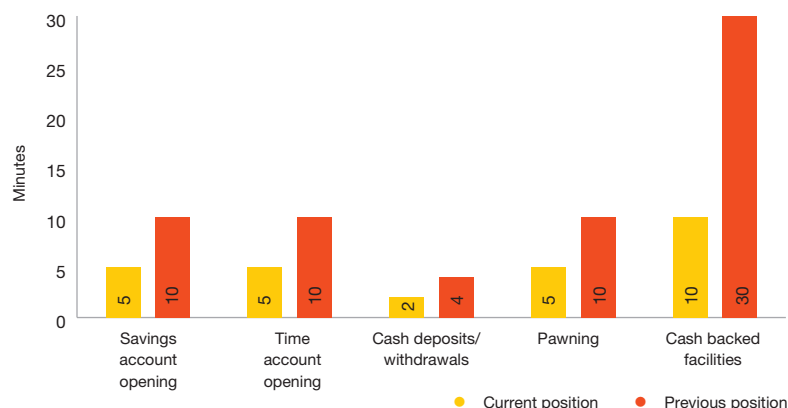
We have seen accelerated adoption of self-service channels among our customers; in 2018 total digital adoption of the Bank accounted for 65% of the Bank's total allowable digital transactions, compared to 60% the year before. Among total transactions value of the Bank 13% are digital transactions. The Smart Zone concept has also contributed towards taking digital banking to the country's peripheries driving increased use of technology among the grass-root communities. Nearly 200 (70%) BoC Smart Zones are located outside the Western Province.

We are also working towards driving service excellence by empowering employees to provide a consistent and personalised experience across all branches. Time taken to perform over the counter transactions at branches are monitored allowing for the identification of process bottlenecks and remedial action taken to improve turnaround times. Meanwhile, the conversion of all branches to 5S has led to a reduction in wastage and better management of workspaces.

## CAPITAL MANAGEMENT REPORTS

### Social and Relationship Capital

#### Time Taken for over the Counter Transactions



#### Migration to e-statements:

**382,188** Customers

#### Migrated to SmartGen

**Accounts 309,624**

#### Facilities screened for ESMS

**criteria 508**

#### Efficiency Improvement via DMS

	Manual Process	Automated Process
Loan Account Creation	10 minutes	1 Minute
Data retrieval from Core Banking System for Loan appraisal	1 Minute	15 seconds
Debit Card issuance	1 Minute	15 seconds
Mobile Alert Registration	1 Minute	15 seconds
Memo creation for accounts	1 Minute	15 seconds

#### Responsible Banking

The Bank adopts the CBSL Customer Charter which clearly defines customer obligations and standards for fair banking practices. Relevant information such as interest rates, maturity periods and other terms and conditions are clearly communicated to customers in the language of their preference. During the year there were no incidences of non-compliance to regulations/ voluntary codes pertaining to marketing and product labelling.

We continue to invest in strengthening our IT and cyber security framework to ensure that confidential customer data is safeguarded. Controls in place include regular IT vulnerability assessments, network upgrades, IT audits by third parties and ongoing employee training on IT security aspects. In 2018, there were no complaints concerning losses of customer data. 1.2 million customers have registered for in stand SMS facility in their transactions and the Bank keeps on promoting this among customers as a security feature.

#### Propagating Sustainable Practices

We work closely with our customers to encourage sustainable practices and facilitate economic activities that drive shared prosperity. We have introduced processes which allow us to systematically identify how the Bank can support customers in reducing their negative economic, social and environmental impacts by adopting new business models and technology, thereby propagating sustainable practices. A few highlights of the year are presented alongside.

#### Financial inclusion and capacity building

As a state-owned bank we have a responsibility towards partnering the Government's national economic agenda. Driving socio-economic growth through financial inclusion has been a priority of successive Governments and given its geographical reach and strong funding profile, BoC has played a vital role in facilitating affordable funding across the island. The Bank adopts multiple platforms and products to drive financial inclusion as summarised below;

#### Participatory Financial Institution (PFI) in numerous credit schemes

BoC is a PFI in over 50 credit schemes which channel funds to underserved segments of society. These include schemes catering to SMEs that have previously not borrowed from a bank (SMELoC), women-led SMEs, agriculture, fishery and dairy sector SMEs.

#### LKR 12,477.6 million

Disbursements through participatory funding schemes

**32,460** Total beneficiaries

## Customer contact points in economically disadvantaged areas

The Bank's well spread network of branches places it in a unique position to support the unbanked segments of the market through lending and deposits products. The Branch on Wheels concept features a mobile banking unit which allows rural customers to perform a range of banking transactions without visiting a branch.

**06 Branch on Wheels** to serve marginalised communities

**99 Branches** in economically disadvantaged areas

**112 Customer contact points** in economically disadvantaged areas

## Micro-finance lending

The Bank has partnered with several Government institutions and other agencies in channelling funds to the country's micro sector through credit schemes. The Mithuru micro-financing programmes is the Bank's own initiative, through which Mithuru groups and societies are formed for mutually guaranteed lending. Funds are disbursed primarily for entrepreneurial ventures and are aimed towards communities which otherwise do not have access to formal funding. The Bank also supports these enterprises through facilitating market linkages to sell their products through organising 'Mithuru pola' markets.

**Total Microfinance Portfolio :**  
**LKR 8.7 billion**

**LKR 189.0 million disbursed to 18,459 Groups and 195 Societies** through the Mithuru Scheme

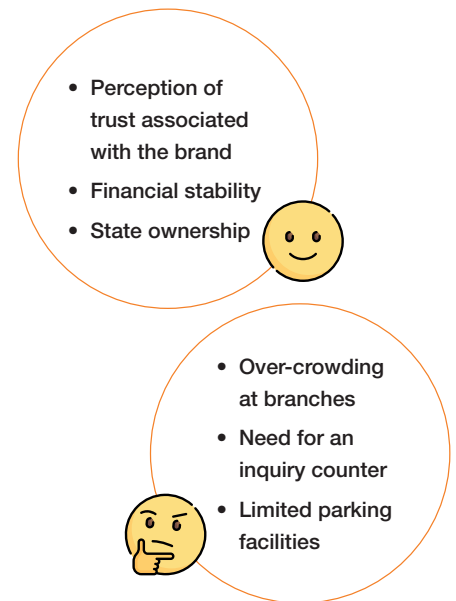
## Financial literacy and capacity building

As industry leader and an organisation committed to responsible banking, we believe we have a role to play in nurturing financial discipline and literacy in communities. BoC conducts several ongoing financial literacy Programmes and progress made in 2018 is given below;

- 150 (75 for students and 75 for parents) seminars conducted in outstations under the Hapana seminar series for 27,662 students sitting the Grade five Scholarship examination and 20,830 parents
- 74 workshops for individuals pursuing foreign employment (particularly housemaids) on topics such as foreign currency and remittances- 10,790 beneficiaries.
- Six 'You are a Leader' programmes for school students conducted in partnership with Neth FM aims to inculcate leadership skills through residential programmes held across the island
- Three "Vyaaparika Hamuwa" sessions for the SME sector facilitating networking and knowledge sharing- 600 beneficiaries
- 20 "BoC Mithuru" Financial Literacy Awareness Programmes on SME Customers – 1,452 beneficiaries
- 10 Regional programmes to uplift SMEs in the country- 409 beneficiaries

## Listening and Responding to Our Customers

The Bank's dedicated Research Unit conducted a comprehensive customer survey during the year, with an island-wide coverage of over 10,000 customers to identify customer perceptions and satisfaction levels. We also conducted surveys to assess the effectiveness of the Bank's marketing communications and a competitor analysis on comparative service levels. Findings of these engagements (summarised below) formed an important input to the Bank's Corporate planning exercise.



### Our Response:

Revised communication strategy to focus on Bank's self-service/digital solutions, Introduced a dedicated meeter greeter at each branch, consider finding in strategic decision making

## CAPITAL MANAGEMENT REPORTS

### Social and Relationship Capital

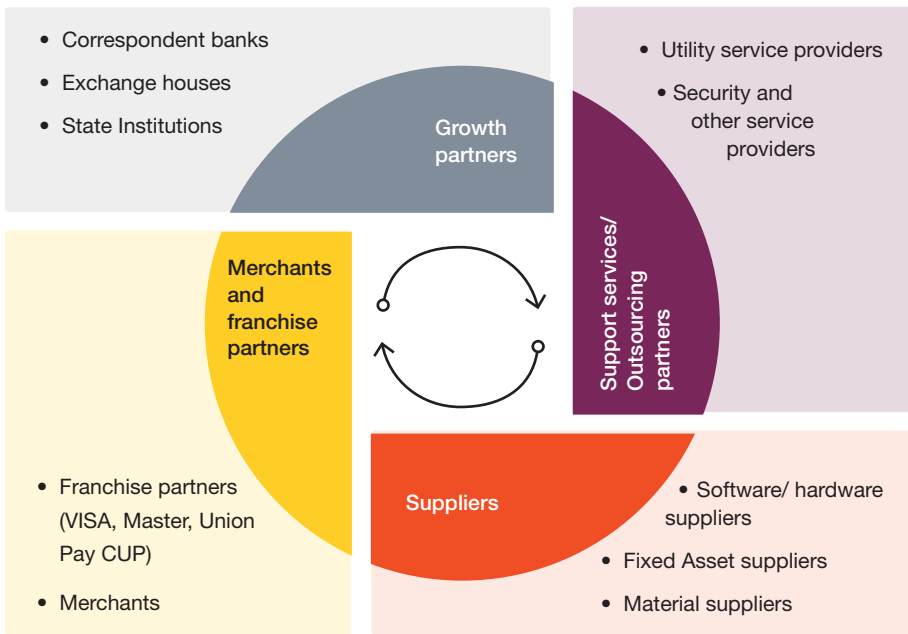
#### Customer value creation in 2018

Areas of focus	Progress in 2018	
<p>Disbursements for starting/ expanding entrepreneurial ventures 2018</p> <p>Dedicated savings products for female customers</p>	<p>LKR 3.2 billion</p> <p>Kantha Ran Ginum (with 0.5% additional interest)</p>	
<p>Lending committed to support people in buying/ constructing houses</p>	<p>LKR. 66.8 billion</p>	
<p>Supporting the country's agriculture and fisheries sector</p>	<p>LKR. 68.0 billion</p>	
<p>Nurturing a culture of savings</p> <p>Deposits we hold on behalf of customers</p>	<p>LKR 1,627.0 billion</p>	



### Business Partners

The Bank values the mutually-beneficial relationships it has nurtured with its business partners and strives to create shared value through ethical conduct, transparent operating procedures and fair and timely pricing. These relationships ensure the smooth continuity of operations and are a vital part of our supply chain. BoC's ecosystem of business partners are graphically illustrated below;

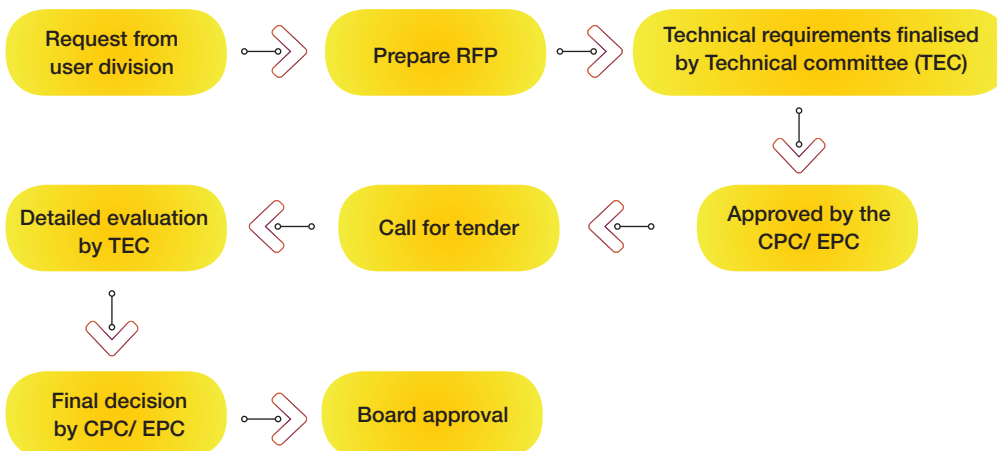


### Supplier Screening

In addition to price and product quality considerations the Bank's evaluation criteria includes social and environmental considerations. These include compliance to environmental certifications and Central Environmental Authority (CEA) regulations, risks of child labour and forced labour among others. During the year, we did not identify any supplier/ operation which had a significant risk of child/ forced or compulsory labour.

### Procurement Approach and Governance

The Bank's procurement processes are governed by the National Procurement Guidelines. A Central Procurement Committee and an Executive Procurement Committee are in place to ensure that the relevant guidelines are followed when selecting suppliers. (The process adopted when selecting suppliers is illustrated alongside).



# CAPITAL MANAGEMENT REPORTS

## Social and Relationship Capital

### Correspondent Banks

With over 758 correspondent relationships, BoC has the largest correspondent banking network. Through these relationships, the Bank facilitates a range of international transactions including wire transfers, trade transactions and acceptance of deposits on behalf of its clients.

### Participation in Industry Forums

As the country's largest bank, the Bank's representatives play an active role in industry associations and forums, contributing towards creating a conducive operating environment and resolving industry challenges.



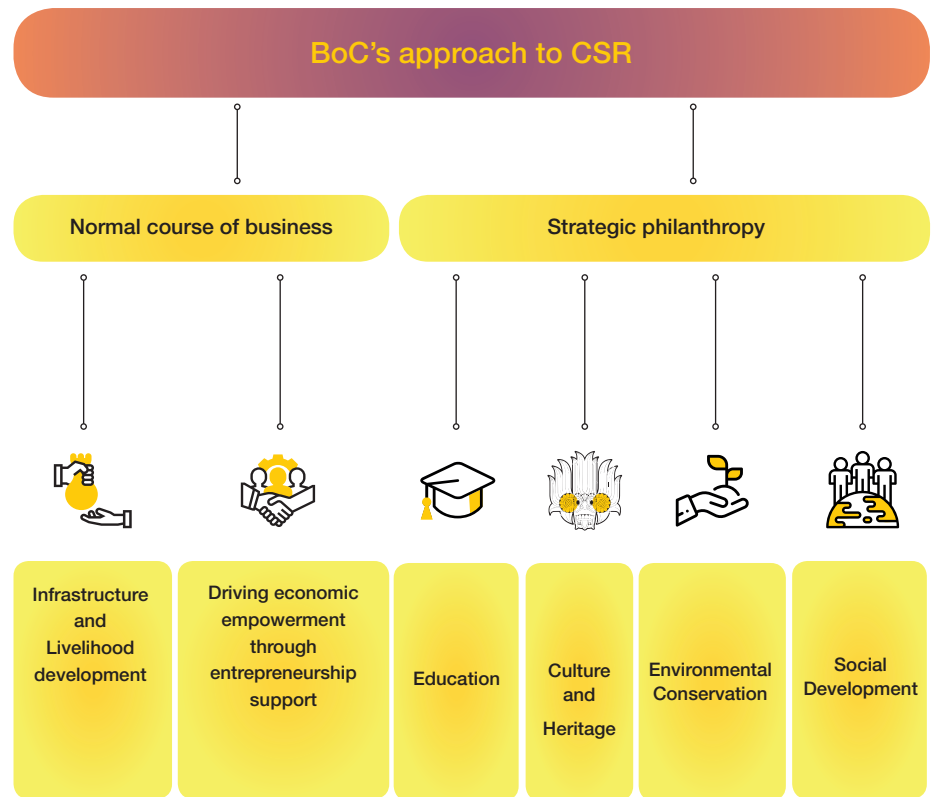
- ★ Asia Pacific Rural and Agricultural Credit Association (APRACA)
- ★ Association of Banking Sector Risk Professionals, Sri Lanka
- ★ Institute of Bankers of Sri Lanka
- ★ International Chamber of Commerce, Sri Lanka
- ★ The National Chamber of Commerce, Sri Lanka
- ★ Sri Lanka Banks Association (Guarantee) Limited
- ★ Sri Lanka Law Library
- ★ The Ceylon Chamber of Commerce
- ★ Bio Diversity Sri Lanka
- ★ The Financial Ombudsman of Sri Lanka (Guarantee) Limited
- ★ Association of Compliance Officers of Banks, Sri Lanka
- ★ Bar Association of Sri Lanka



### Community Engagement

#### Management Approach

In 2018 the Bank refined its approach to Corporate Social Responsibility (CSR), implementing a branch-wide CSR evaluation model in which all 10 administrative provinces were guided to initiate projects that are broadly aligned to the Sustainable Development Goals. Commencing from 2019, the Bank will engage in long-term, strategic CSR projects that will drive meaningful change in the communities it operates in. In 2018, the Bank's approach to CSR was as follows;





## Education

### You're a Leader Programme

Is an ongoing programme, aimed at nurturing future leaders BoC partnered with the Asset Radio Broadcasting (Private) Limited (Neth FM Radio station) for a comprehensive leadership development programme named 'You are a Leader'. The Programme was conducted in six schools across several provinces during the year. Total programme consist of four separate segments:

- One-day general programme for around 300 children from the selected school
- 2-day special residential workshops for 100 selected students from the same school
- Separate training programme for parents
- Special teacher training programme for all teachers in the school

### Nanajaya Scholarships 2017

The BoC Nana Jaya Scholarships aim to support high-performing Sri Lankan youth in pursuing their higher education through a monthly endowment. In 2018, 562 such scholarships were awarded to 18+ account holders who obtained highest markets in the 2016 and 2017 A/L examination in the streams of Science, Mathematics, Commerce, Arts, Engineering technology, Bio-technology and Common. 150 Students who received island ranks were awarded merit scholarships worth LKR 48,000 while the other 412 students were selected based on their district rank were awarded scholarships worth LKR 36,000.

Progress in 2018

6 Programmes

8,421 Beneficiaries



Beneficiary schools in 2018 were Udawalawa Maha Vidyalaya – Udawalawa, Basthiyan Silva Maha Vidyalaya – Kekirawa, Akuressa Maha Vidyalaya – Akuressa, Sri Pada College – Hatton, Badulla Central College- Badulla and Mahinda Rajapaksha College - Homagama.

Progress in 2018

562 Beneficiaries

Total funds disbursed:  
LKR 22.0 million



Conducted similar to the Mahapola Scheme, the Bank has engaged in this initiative since 2003 providing assistance to cover higher educational expenses up to four years (for merit scholarships) and up to three years (for regular scholarships) to A/L completed students. To date, the Bank has granted 1,894 such scholarships worth LKR 61.8 million.

## CAPITAL MANAGEMENT REPORTS

### Social and Relationship Capital

#### Grade Five Scholarships 2018

Conducted as an ongoing initiative since 2002, the Bank offers 2,000 scholarships annually to high-performers at the Grade five scholarship examination. Each eligible student receives a scholarship worth LKR 15,000, a certificate of recognition, a gold medal and a valuable gift pack. Meanwhile students who obtain the top three ranks at national level are awarded special cash prizes. Meanwhile all eligible Ran Kekulu account (RKG) holders who pass the scholarship examination also receive a valuable complementary gift pack with a certificate. The Bank also commenced a programme to support differently abled students through which 25 students receive a scholarship of LKR 15,000 and a monthly allowance of LKR 1,000 until he/she faces O/L examination.

Progress in 2018	2,000 Beneficiaries	Total funds disbursed: LKR 30.0 million
------------------	---------------------	--



The students who have obtained national 1st, 2nd and 3rd places were specially recognised via offering LKR 150,000, LKR 100,000 and LKR 75,000 cash prizes respectively. The Bank has been continuing this programme since 2002.

Progress in 2018	No. of Schools rewarded 64	No. of students rewarded 780
------------------	----------------------------	------------------------------

#### Little Picasso Art Competition

BoC in partnership with the Ministry of Education organised the Little Picasso art competition for the 2nd successful year. The exhibition took place at the Bandaranaike Memorial International Conference Hall on the 12th and 13th of October 2018. Over 300,000 students took part in the competition and 64 schools were awarded a total of LKR 1.3 million while the winning students obtained rewards amounting to LKR 6.5 million.



This project aims at developing the aesthetic skills of school children and providing a platform for the talented students to be recognised and showcase their talents.



## Natural Capital

The Bank's impact on natural capital is primarily through energy and water usage, materials, waste disposal and generation of emissions as well as through our lending portfolio; as the country's largest lender, we are cognisant of the role we can play in propagating sustainable businesses through responsible lending practices.



### Strategic Priorities in 2018

Reducing dependence on fossil fuels by shifting to renewable energy sources such as solar power

Engage in organisation-wide greenhouse gas assessment

Enhancing employee engagement towards environmental sustainability

#### Initiatives in 2018

- Initiated operationalisation of ESMS
- Awareness creation among employees on sustainability and CSR
- Further expand the solar installation project
- Policy decision to construct all new branches as per the green building concept

#### How we performed in 2018

- Total GHG emission 13,255.6 tCO<sub>2</sub>e
- Renewable energy generated: 885,238 Kwh
- 7 million A4 sheets of paper saved through digital initiatives
- Trincomalee branch awarded the GREENS platinum rating
- 508 Customers screened for environmental criteria
- LKR 6.3 billion green lending
- Introduced employee pledge

#### Priorities for 2019

- Reduction in energy and water consumption by further investments on Green Building
- Reach up to 2 MW of total renewable electricity supplied to the national grid via solar installation
- Continue facilitating environmental sustainability through the lending portfolio
- Expand our commitment towards improving environmental conservation via CSR initiatives

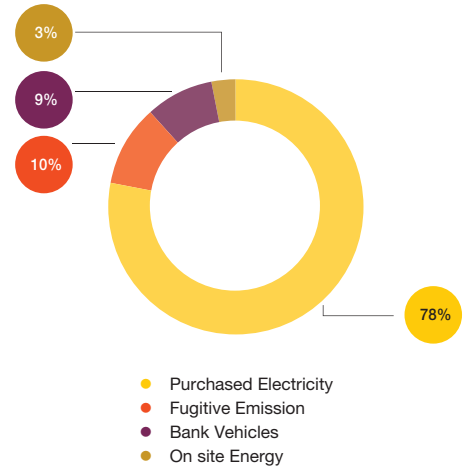
# CAPITAL MANAGEMENT REPORTS

## Natural Capital

### Management Approach

The Bank's approach for managing its natural capital impacts is clearly set out in its Sustainability Policy, which has been aligned to the United Nation's Sustainable Development Goals (please refer page 58 to 62 for further details). The approach is centred on minimising the environmental impact of our direct operations while contributing towards the preservation of natural resources through responsible lending practices and supplier evaluations. In minimising the direct environmental footprint, our areas of focus include increasing reliance on renewable energy, water and paper savings and the responsible disposal of waste. The Bank has also obtained the ISO 14064 - 1 certification demonstrating its commitment towards GHG emission management. BoC is the first state Bank to receive this certification. Compliance to all environmental laws and regulations are assessed through the support services division and during the year there were no incidents of non-compliance pertaining to any such regulations.

Scope 1 and Scope 2 GHG Emission source Breakdown of Bank of Ceylon



THE SUSTAINABLE FUTURE GROUP

# VERIFICATION STATEMENT

NAME OF CLIENT  
**Bank of Ceylon**

has been verified in accordance with ISO14064-3: 2006 as meeting the requirements of

## ISO 14064-1:2006

CERTIFICATION PERIOD  
01<sup>st</sup> April 2019 to 31<sup>st</sup> March 2021

SCOPE OF THE ASSERTION  
Operational Activities (Scope 1 & 2 emissions sources only)

**Direct Emissions**  
2,901.73 tonnes of CO<sub>2</sub>e

**Indirect Emissions**  
10,353.83 tonnes of CO<sub>2</sub>e

**Total Direct & Indirect Emissions**  
13,255.57 tonnes of CO<sub>2</sub>e

**ISO 14064 - 1: 2006**  
GHG INVENTORY VERIFICATION

STATEMENT NUMBER  
SFG/GHG/ISO14064/014

This certificate and brand marks (SFG) and its associated logos and brand names remain the property of The Sustainable Future Group (Pvt) Ltd (SFG), and is bound by the conditions of contract. The certification is maintained and held in force through annual review and verification.

SFG is accredited for ISO 14064:2013 and ISO 14064:2011 by the Sri Lanka Accreditation Board, which is a member of the International Accreditation Forum (Accreditation Number GHG 003 01).

## Resources allocated to develop Natural Capital in 2018

Investment in solar power:  
LKR 146.0 million

Investment in green buildings:  
LKR 1.5 billion

Expanding the capacity of the sustainability unit:



## Capital Linkages and Trade-offs

Key staff trained on ESMS guidelines strengthens our human capital

Upholding the employee pledge to the environment

Stakeholders' perception of the Bank as an environmentally conscious corporate strengthens social and relationship capital

Investment in green buildings and renewable energy impact on financial capital

## Efficient use of Energy

The Bank's direct energy consumption is significant given its extensive branch reach. Our primary energy sources are purchased electricity, fuel and renewable energy generated through our solar-powered branches. Our approach to managing energy consumption centers on reducing dependence on fossil fuel-based energy sources and inculcating energy-conscious behaviour among employees. For instance, the Bank's employees are consciously reminded and encouraged to adopt basic energy saving habits such as switching off lights and computers when not in use.

At head office, energy managers have been assigned to each floor who hold responsibility for minimising unnecessary wastage. Notices throughout the Bank's network on reducing water and energy usage serves as a reminder to employees. Conventional lighting in the Bank's head office is gradually being converted to energy-efficient LED lighting with motion sensors in its conference rooms and wash rooms.

The Bank further widened its green building concept and the solar conversion project during the year as special initiatives aimed at reducing the environmental impacts of its operations.

### Solar Power

In 2015, the Bank launched an ambitious project to convert its branches to solar power and since then it has made steady progress in reducing its dependence on fossil fuels across its network. The first two branches converted were Tissamaharama and Kilinochchi following which we have steadily progressed to converting 27 branches to solar energy by end-December 2018. Total investment in solar during 2018 were LKR 146.0 million. This initiative has resulted in Bank supplying 1 MW electricity to national grid generated via renewable sources. This conversion is estimated to have off-set the Bank's carbon footprint by 756.8 tCO<sub>2</sub>e.

### Green Buildings

The Bank's Trincomalee branch was awarded the GREENS Platinum rating in 2018 by Green Building Council Sri Lanka. A special features of this branch includes vertical green garden that helps to maintain a comfortable internal temperature, structures which improves air quality and green gardens which are maintained by rain water obtained through a rain water harvesting system. The Kekirawa branch was awarded the GREENS Gold rating in 2017. This branch was refurbished using environmentally sustainable materials. There are two other branches which are under construction according to the Green Building guidelines.

Several branches built on the principles of green building use green walls that help to reduce the thermal impact. The Beliatta branch relies entirely on solar tubes for its lighting requirements and does not utilise artificial lighting of any sort.

# CAPITAL MANAGEMENT REPORTS

## Natural Capital

### GREENSL® RATING SYSTEM

Green rating system is developed through an open, consensus-based process under the supervision of the Green Environmental Rating and Life Cycle Assessment Committee which is composed of a diverse group of practitioners and experts representing a cross-section of the construction industry and addresses the following aspects for built environments.

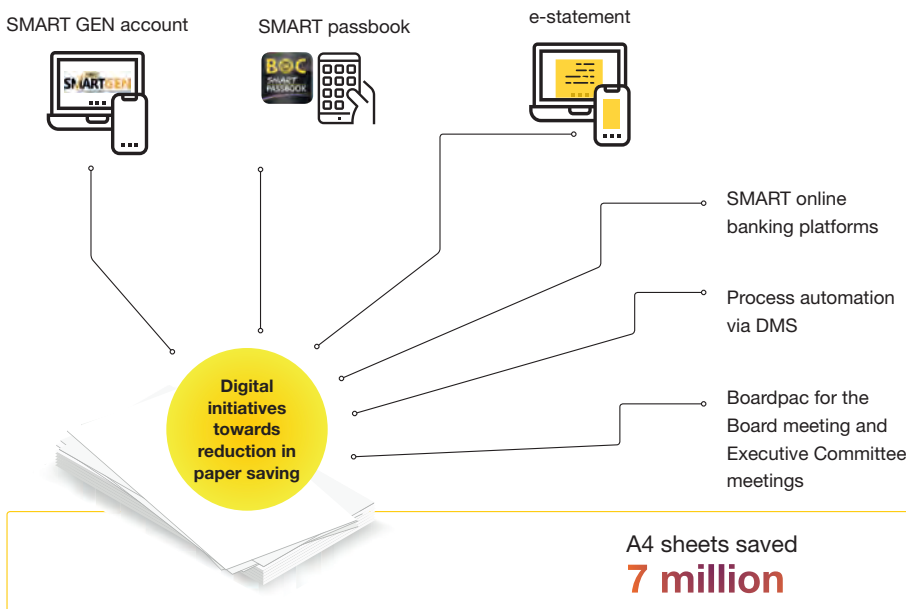
- Management
- Sustainable Sites
- Energy and Atmosphere
- Materials and Resources
- Indoor Environmental Quality
- Innovation and Design Process
- Social and Cultural Awareness

The Bank also strives to reduce its fuel consumption by optimising its vehicle fleet and suitably timing the purchase and disposal of new vehicles. The use of Document Management System, video conferencing facilities and training delivered via e learning has significantly reduced travelling requirements of branch personnel to head office and the central training institute and thereby contributing towards reducing the fuel usage.

### Other Environmental Initiatives

#### Saving Paper

The Bank's digitisation strategy and resultant customer thrust towards digital channels have contributed towards a reduction in its paper consumption. Also many internal process efficiencies carried out during the year have resulted in significant reduction in paper use.



### Waste Disposal

Key types of waste generated by the Bank's operations are used paper and e-waste. Paper savings are encouraged throughout the organisation and used paper is collected and disposed through registered recyclers. E-waste is also disposed responsibly through third party recyclers approved by the Central Environmental Authority. During the year the Bank has disposal 447 units of e-waste via such approved recyclers and have recycled 43,118 Kg's of waste paper.

### Sustainable Lending Practices

Given the breadth and depth of the Bank's operations, we believe our most significant environmental impacts are to be accrued through our lending portfolio. This includes direct lending for environmentally-friendly projects as well as the inclusion of environmental considerations as part of our credit appraisal criteria. The Bank jointly with the Ministry of Finance offers dedicated credit products for the installation of solar panels and developing environmental friendly packing materials using biodegradable products waste-to-energy projects and lends to wind power projects and the construction of green buildings. During the year, total lending towards such 'green' purposes amounted to LKR 6.3 billion. The Bank has also funded two large waste to energy projects during the year. We also seek to propagate environmentally friendly business practices among our clients by encouraging them to pursue sustainable practices such as energy conservation, waste management and recycling.

### Environmental Screening

Environmental and Social Management system (ESMS) of the Bank came into operationalisation since 2018 and since then Bank has been screening all development lending via ADB special credit



line based on the ESMS guidelines. However, Bank-wide training has been conducted for Branch Managers and Credit Officers on the ESMS and the Bank is in the process of full implementation of ESMS for its entire loan portfolio.

## Environmental Assessments of Suppliers

The Bank assesses whether the suppliers adhere to National Environmental Laws and labour regulations when supplier contracts are offered. Compliance to labour regulations are also assessed and included to the service contracts of the suppliers of outsource staff.

## Green CSR

### 'Kumbuk Arana' Project

'Kumbuk Arana' Project is a special project implemented as a Flood mitigation solution for low elevation areas in the Sabaragamuwa Province. Under this project Bank aims to plant 10,000 Kumbuk trees in scientifically identified locations. The project has wider stakeholder participation including Forest Department, Agrarian Department, farmer societies, school children, Survey Department, Divisional secretariat, etc. The forest Department is in the process of nurturing 4,000 Kumbuk plants which to be planted in identified locations early 2019.



### Twin Tree Project

This project aims to promote tree planting among the general public through a concept, linking tree planting with the child birth. Joining hands with relevance stakeholders in health sector the Bank has distributed 6,240 trees among new parents in the North western Province. The project is connected to two base hospitals in Kurunegala and Puttalam Districts.



### Green Net

Green Net CSR project is done in the Southern Province of the country to connect the entire province through a 'Green Net' by planting trees in identified locations. So far with the help of school children Bank has planted 2,394 trees. At present four plant nurseries are functioning to develop more sapling to be planted.








# CAPITAL MANAGEMENT REPORTS

## Natural Capital

### Environmental Impact Report

	Unit	2018	2017	GRI References
<b>Energy</b>				<b>302</b>
Energy Consumption within the organisation				302-1
Non-renewable sources				
Electricity consumed	Mwh	21,135	22,325	
Fuel consumed	Litre	732,101	444,180	
Renewable sources	Mwh	885	493	
Total energy				
<b>Water</b>				<b>303</b>
Water withdrawal by source		N/A	N/A	303-1
Municipal water supplies	m3	501,229	489,560	
Rainwater harvested directly		N/A	N/A	
Groundwater		N/A	N/A	
Total water	m3	501,229	489,560	
<b>Emissions</b>				<b>305</b>
Direct CO2 emissions (GHG Scope 1) (Gas, Fuel oil)	tCo2e	2,902	N/A	305-1
Indirect CO2 emissions (GHG Scope 2) (Electricity, Steam)	tCo2e	10,354	N/A	305-2
GHG emissions intensity ratio	tCo2e/Total employee	1.5	N/A	305-4
CO2 emissions reduced (direct result of reduction initiatives)	tCo2e	757	422	305-5
<b>Waste by type and disposal method</b>				<b>306-2</b>
Recycle				
Paper	Kg	43,118	-	
Electronic equipment	Units	447	-	

Areas of focus	Progress in 2018	
Lending towards renewable energy No. of branches converted to Solar power	LKR 3.6 billion 27 branches	 
Lending towards water/ irrigation projects during the year	LKR 4.7 billion	
Ongoing focus towards reducing the Bank's energy and water footprints Recycled waste paper	Reduction in Electricity usage 5% 43,118 Kg's	
Partnering with customers and suppliers in propagating environmentally - friendly practices	508 customers screened under ESMS criteria	



# Financial Reports

- Annual Report of the Directors  
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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 2018 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 19 March 2019.

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. The Bank is wholly owned by the Government of Sri Lanka. The unsecured subordinated redeemable debentures issued by the Bank are listed on the Colombo Stock Exchange.

## 2. Review of the Business

### 2.1 Principal Activities of the Bank

The principal activities of the Bank during the year were personal banking, corporate banking, development banking, off-shore banking, trade financing, lease financing, primary dealing, investment banking and treasury operations, correspondence banking and money remittances, islamic banking, bancassurance, pawning, credit

card facilities, foreign currency operations and other financial services.

### 2.2 Subsidiaries and Associates

The principal activities of subsidiaries and associates are given under Notes to the Financial Statements on page 206 and 207. 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

During the year, the structure of the Group has not undergone any change and, notes to the Financial Statements No. 30 and 31 on pages from 287 to 294 of this Annual Report give details about the Group.

### 2.4 Vision, Mission and Corporate Conduct

The Bank's Vision and Mission are given on Inner Front Cover of this Annual Report. The Bank maintains high ethical standards in its activities whilst pursuing the objectives stated under 'Vision', 'Mission' and 'Value Statements'.

### 2.5 Review of the Year's Performance

The Chairman's Message on pages 10 to 13 deals with the year's performance of the Bank/ Group and on the Sri Lankan economy. The General Manager's Review on pages 14 to 17 provides a detailed description of the operations of the Bank during the year under review. The section titled "Financial Capital" on pages 137 to 141 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 one new local branch and one new BoC DIGI branch opened during the period under review. The network was further expanded enhancing customer convenience. The Bank installed 12 ATMs, 9 CDMs, 104 CRMs and 150 School Service Units during the year across the island bringing out the totals to 776, 163, 118 and 1,373 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 2018 but the Bank has contributed LKR 107.9 million to facilitate Corporate Social Responsibility (CSR) activities during the period under review.

### 2.8 Directors' Responsibilities for Financial Reporting

The Directors are responsible for the preparation of Financial Statements that will reflect a true and fair view of the state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Banking Act No. 30 of 1988 and its amendments, Bank of Ceylon Ordinance No. 53 of 1938 and its amendments and the Listing Rules of the Colombo Stock Exchange. In the case of subsidiaries, the Financial Statements are prepared also in accordance with the provisions of the Companies Act No. 07 of 2007. The Statement of Directors' Responsibility for Financial Reporting is given on page 191 of this Annual Report and forms an integral part of this Report of the Directors.

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## 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 2018 is given on pages 192 to 195 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 206 to 392. The Bank has prepared its Financial Statements for the year ended 31 December 2018 in accordance with the SLFRS 9. The net impact due to the transition to the Bank is Rs. 7,393.5 million (Group Rs. 8,174.0 million) of which more details are given on pages 370 to 375 of this Annual Report.

## 3. Planned Developments

An overview of the developments planned by the Bank for the future is presented in the Chairman's Message on pages 10 to 13 and General Manager's Review on pages 14 to 17 of this Annual Report.

## 4. Total Income

The total income of the Group for the year 2018 was LKR 229,461.6 million as against LKR 197,013.0 million in the previous year. The Bank's total income accounted for 96.4% (2017 – 96.0%) of the total income of the Group. The main income of the Group is interest income, which comprises 87.9% of the total income.

## 5. Dividends and Reserves

### 5.1 Profit and Appropriations

The Bank has recorded a profit before tax of LKR 31,892.2 million in 2018 reflecting an increase of 5.1%, compared to LKR 30,343.0 million recorded for the previous year. After deducting LKR 12,413.4 million (2017 – LKR 9,030.7 million) for income tax, the profit after tax (PAT) for the year 2018 amounted to LKR 19,478.7 million, which is a 8.6% decrease compared to LKR 21,312.3 million PAT reported in 2017.

The decrease is due to interest income earned from Sri Lanka Development Bond investment is taxed at normal tax rate with effect from 1 April 2018. The total Impact on PAT was approximately LKR 1,479 million.

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	
	2018 LKR million	2017 LKR million	2018 LKR million	2017 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	41,480	37,592	42,246	38,195
Taxes on financial services	(9,588)	(7,249)	(9,818)	(7,431)
Share of profits/ (losses) of associate companies net of tax	-	-	9	52
Profit before income tax	31,892	30,343	32,437	30,816
Income tax expense	(12,413)	(9,031)	(12,922)	(9,329)
Profit for the year	19,479	21,312	19,515	21,487
Other comprehensive income for the year, net of tax	(1,952)	4,340	(1,669)	4,833
<b>Total comprehensive income for the year</b>	<b>17,527</b>	<b>25,652</b>	<b>17,846</b>	<b>26,320</b>
<b>Appropriations</b>				
Transfers to permanent reserve fund	(2,463)	(2,431)	(2,463)	(2,431)
Transfers to statutory reserve – Other	-	-	-	(22)
Dividends	(4,846)	(12,346)	(4,846)	(12,346)

The profit before tax of the Group also increased from LKR 30,815.6 million to LKR 32,437.2 million, an increase of 5.3% in comparison to the previous year. After deducting LKR 12,922.0 million for income tax (2017 – LKR 9,328.9 million) the profit after tax for the year of the Group is LKR 19,515.2 million in (2017- LKR 21,486.6 million.)

### 5.2 Dividends

The Bank pays dividends to its sole shareholder the Government of Sri Lanka, as per the Dividend Policy of the Bank in consultation with the Government, prudently based on profits after deduction of tax, loan loss provision and any such portion for reserves. Accordingly, a sum of LKR 4,846.4 million has been paid out by the Bank as dividends for the year 2018 (2017 – LKR 12,346.4 million).

### 5.3 Reserves

The total reserves of the Group stood at LKR 106,445.5 million as at 31 December 2018 (2017 – LKR 101,399.1 million). The Group reserves consist of the following:

As at 31 December	2018	2017
	LKR million	LKR million
Permanent reserve fund	12,890	10,427
Revaluation reserve	18,747	18,681
Free reserve	367	367
Exchange translation reserve	3,157	1,703
Available-for-sale reserve	-	4,761
FVTOCI reserve	2,474	-
Statutory reserve	359	359
Retained earnings	68,452	65,101
<b>Total</b>	<b>106,446</b>	<b>101,399</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 4,360.3 million (2017 – LKR 3,963.8 million) the details of which are given in Notes 33 to 35 of Financial Statements on pages 297 to 315 of this Annual Report.

## 7. Value of Freehold Properties

The value of freehold properties owned by the Group as at 31 December 2018 is included in Note 33 of the Financial Statements at LKR 21,655.1 million (2017 – LKR 21,470.2 million).

## 8. Stated Capital and Shareholding

### 8.1 Stated Capital

The total issued and fully paid up capital of the Bank as at 31 December 2018 was LKR 20,000 million (2017 – LKR 15,000 million).

During the year 2018, the Bank received LKR 5,000 million from the Government of Sri Lanka, the second 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 2018. 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 2019.

### 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 12,000 million during the year ended 31 December 2018 (2017 – LKR 10,000 million). The proceeds of these debentures were utilised to expand the Bank's loan book in the ordinary course of business. This would enable the Bank to achieve the following, on allotment:

- ▶ Increase the Tier 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 48 of the Financial Statements on pages 335 to 337.

## 10. Share Information

The basic earnings per share and net assets value per share of the Group were LKR 1,047.68 and LKR 6,574.13 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 58 to 62 under the section titled 'Sustainability at BoC'.

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## 12. Directors

Details of Directors who held the office during the year 2018 and Directors who are holding the office as of the sign-off date of this Annual Report is given in the table below. As at year end date, viz 31 December 2018 there was no Board due to the change of Government that took place (The Government being the major shareholder, appoints the Directors through the Ministry in charge of the Bank). However, a Board was appointed during February 2019 and as of the Annual Report sign-off date, the number of Directors holding office is four (4).

During the year 2018 the Board consisted of the following members-

### 12.1 List of Directors

#### Mr Ronald C Perera, PC

*Independent Non-Executive Director/ Chairman*  
(Resigned w.e.f. 18 November 2018 and Re-appointed w.e.f. 12 February 2019 and assumed duties on 14 February 2019)

#### Mr Sajith R Attygalle

*Non-Executive Ex-officio Director*  
(Ceased to be a Director w.e.f. 25 November 2018)

#### Mr Ranel T Wijesinha

*Independent Non-Executive Director*  
(Resigned w.e.f. 31 July 2018)

#### Mr H P Ajith Gunawardana

*Independent Non-Executive Director*  
(Resigned w.e.f. 20 July 2018)

#### Mr Samantha Rajapaksa

*Independent Non-Executive Director*  
(Resigned w.e.f. 25 November 2018)

#### Mr Mohan Wijesinghe

*Independent Non-Executive Director*  
(Resigned w.e.f. 02 July 2018)

#### Mr Neil A Umagiliya

*Independent Non-Executive Director/Chairman*  
(Appointed w.e.f. 19 November 2018 and Resigned w.e.f. 20 December 2018)

#### Ms M T I V Amarasekera

*Non-Executive Ex-Officio Director*  
(Appointed w.e.f. 26 November 2018 and Ceased to be a Director w.e.f. 27 February 2019)

#### Mr P Lalith P Withana

*Independent Non-Executive Director*  
(Appointed w.e.f. 26 November 2018 and Resigned w.e.f. 20 December 2018)

#### Mr H I Balapatabendi

*Independent Non-Executive Director*  
(Appointed w.e.f. 26 November 2018 and Resigned w.e.f. 20 December 2018)

#### Ms A V K M Herath

*Independent Non-Executive Director*  
(Appointed w.e.f. 26 November 2018 and Resigned w.e.f. 20 December 2018)

#### Mr G H Wijayawardhana

*Independent Non-Executive Director*  
(Appointed w.e.f. 26 November 2018 and Resigned w.e.f. 20 December 2018)

The Board Composition as of the date of Financial Statement sign-off is as follows;

Name of the Director	Executive/Non-Executive Status	Status of Independence
Mr Ronald C Perera	Non-Executive	Independent
Mr K A Vimalenthirarajah	Non-Executive Ex-officio	Non-Independent
Mr D W K Mayadunne	Non-Executive	Independent
Mr Prakash Anand Schaffter	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 five subcommittees complying with the aforesaid Banking Act Direction No. 11 of 2007 to ensure oversight control over affairs of the Bank. During the year a new Board subcommittee named "Information and Communication Technology Committee" was formed to oversee the information technology aspect of the Bank. The subcommittee composition is given under Subcommittee Reports on pages 89 to 101 of this Annual Report.



### 12.3 Directors' Meetings

Attendance of Directors at Board and subcommittee meetings are given on page 86 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 185 to 187. These interests have been declared at meetings of the Board of Directors. Except for the contracts given therein the Directors do not have any direct or indirect interest in other contracts or proposed contracts with the Bank.

### 12.5 Directors' Interests in Debentures Issued by the Bank/ Group

There were no debentures registered in the name of any Director.

### 12.6 Directors' Allowances/ Fees

The allowances/ fees payable to the Board of Directors are made in terms of the provisions/ contents in the Public Enterprises Circular No. PED 3/2015 dated 17 June 2015, issued by the Department of Public Enterprises of the Ministry of Finance and Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Directors' remuneration in respect of the Group and the Bank for the financial year ended 31 December 2018 are given in Note 16 on page 236.

## 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 102 to 118 of this Annual Report.

### 13.2 Internal Control

The Board of Directors has ensured the implementation of an effective and comprehensive system of internal controls in the Bank through the Audit Committee. The Audit Committee helps the Board of Directors to discharge their fiduciary responsibilities. The Report of the Chairman of the Audit Committee is contained on pages 89 to 92 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 188 and 189 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 190 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 by the Institute of Chartered Accountants of Sri Lanka, are described in the section titled "Corporate Governance" appearing on pages 71 to 88 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 "Human Capital" on pages 147 to 155 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 394 to 447 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

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the Inland Revenue Act No. 10 of 2006. Certificate of the Directors on Transfer Pricing is given in page 448.

### 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 "Natural Capital" on pages 171 to 176.

### 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*

19 March 2019  
Colombo.

## DIRECTORS' INTEREST IN CONTRACTS

Related party disclosures as required by the Sri Lanka Accounting Standard - LKAS 24 on "Related Party Disclosures" are detailed in Note 59 to the Financial Statements on pages 351 to 357.

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:

As at the year end date, 31 December 2018, there was no Board. However, a Director Board was appointed during February 2019 and for the better disclosure purpose, Directors' interest in contracts are disclosed as follows,

- for the Directors who held the office during the year 2018, interest in contracts have been shown as of the year end 2018/ resigned date.
- for the current Directors, interest in contracts have been shown as of sign-off date of these Financial Statements.

Company	Relationship	Nature of Transactions	Limit '000	Balance/ Amount outstanding '000**	Balance/ Amount outstanding as at 31.12.2017 '000
<b>Directors' Interest In Contracts - Current Board</b>					
<b>Mr Ronald C Perera PC</b>					
(Mr Ronald C Perera resigned during 2018 and re-appointed as the Chairman of Bank of Ceylon w.e.f. 12 February 2019)					
**(Exposures as at 31 December 2018)					
Bank of Ceylon (UK) Limited	Chairman	Current accounts (Nostro accounts)		USD 602 *110,015	USD 4,881 *746,084
				GBP 66 *15,303	GBP 232 *47,684
				EURO 687 *143,578	EURO 1,017 *185,588
		Placements		USD 8,000 *1,461,999	USD 8,000 *1,222,838
				GBP 127,900 *29,665,393	GBP 55,300 *11,366,152
				EURO 1,000 *208,993	EURO 1,000 *182,486
Hotels Colombo (1963) Limited	Acting Chairman	Savings accounts		-	6,046
		Current accounts		5,338	12,563
		Time deposits		166,896	152,278
		Loans		-	5,243
		Other receivables		81,126	47,050
<b>Mr Prakash Anand Schaffter</b>					
(Mr Prakash Anand Schaffter appointed as a Director of Bank of Ceylon w.e.f. 26 February 2019)					
**(Exposures as at 19 March 2019)					
Janashakthi Insurance PLC	Chairman	Current accounts		12	
Janashakthi PLC	Director	Current accounts		4,544	
		Loans		107,604	

## DIRECTORS' INTEREST IN CONTRACTS

Company	Relationship	Nature of Transactions	Limit '000	Balance/ Amount outstanding '000**	Balance/ Amount outstanding as at 31.12.2017 '000
Orient Finance PLC	Director	Overdrafts	50,000	10,941	
		Loans		794,222	
Pan Nippon Development (Private) Ltd	Director	Current accounts		47	
<b>Directors' Interest In Contracts - Previous Boards</b>					
<b>Mr Ranel T Wijesinha</b>					
(Mr Ranel T Wijesinghe resigned on 31 July 2018)					
**(Exposures as at 31 December 2018)					
Koladeniya Hydropower (Private) Limited	Director	Current accounts		1,271	2,551
		Time Deposits		221,715	237,165
		Repo		5,020	6,103
<b>Mr H P Ajith Gunawardana</b>					
(Mr H P Ajith Gunawardana resigned on 20 July 2018)					
**(Exposures as at 31 December 2018)					
Lanka Securities (Private) Limited	Director	Current accounts		9,902	10,835
		Time Deposits		233,334	231,400
		Overdrafts	50,000	-	-
		Repo		26,005	77,037
<b>Mr Samantha Rajapaksa</b>					
(Mr Samantha Rajapaksha resigned on 25 November 2018)					
Associated Motorways (Private) Limited (As at the date of retirement, Mr Samantha Rajapaksha was not a Director of Associated Motorways (Private) Limited)	Director	Savings accounts			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			9,960
		Letter of Guarantee	100,000		36,267
		Export Collections			15,124
Import Bills			234		
Associated Autoways (Private) Limited (As at the date of retirement, Mr Samantha Rajapaksha was not a Director of 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		-

Company	Relationship	Nature of Transactions	Limit '000	Balance/ Amount outstanding '000**	Balance/ Amount outstanding as at 31.12.2017 '000
Associated Motor (Lanka) Company Limited	Director	Current accounts			249
(As at the date of retirement, Mr Samantha Rajapaksha was not a Director of Associated Motor (Lanka) Company Limited)		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
(As at the date of retirement, Mr Samantha Rajapaksha was not a Director of AMW Capital Leasing and Finance PLC)		Current accounts			15,523
** (Exposures as at 30 November 2018)					
National Apprentice and Industrial Training Authority	Director	Current accounts		9	
<b>Mr. Mohan Wijesinghe</b>					
(Mr Mohan Wijesinghe resigned on 2 July 2018)					
Lanka Hospitals PLC	Director	Savings accounts			USD 235
(As at the date of retirement, Mr Mohan Wijesinghe was not a Director of Lanka Hospitals PLC)					*35,944
		Current accounts			53,555
		Time deposits			USD 6,301
					*963,159
** (Exposures as at 31 July 2018)					
Maga Naguma Consultancy and Project Management Services Company (Pvt) Limited	Director	Current accounts		2,172	2,864
<b>Mr.G H Wijayawardhana</b>					
(Mr G H Wijayawardhana resigned on 20 December 2018)					
** (Exposures as at 31 December 2018)					
LK Domain Registry	Director	Current accounts		122	
		Time Deposits		70,000	

\* 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 noncompliance. 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 89 to 92.
- 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 adopted the Sri Lanka Accounting Standard – SLFRS 9 on ‘Financial Instruments’ with effect from 1 January 2018 for the calculation of impairment of loans and advances. The transition from previously used LKAS 39 (Financial Instruments – Recognition and Measurement) to SLFRS 9 was carefully monitored, in particular the introduction of a forward looking expected credit loss model rather than the incurred loss model used under LKAS 39. A consultant (Messrs. Ernst & Young) was appointed to facilitate the transition whereas the inputs of the external auditors, regulators and the Board Audit Committee were also considered.
- The preliminary assessment of Day 1 impact from the application of SLFRS 9 has been calculated and necessary procedural changes have been made in order to successfully adopt the SLFRS 9. A steering committee composing various disciplines of the Bank monitored and coordinated the entire transition process.
- The Bank is continuously updating procedures inter-alia relating to impairment of loans and advances of the Bank and foreign branches, financial statement disclosures, risk management, related party transactions and all other significant banking activities based on the changing regulatory and market conditions. The Bank has taken initiatives 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 subsidiaries of the Bank.

- The comments made by the external auditors in connection with internal control system over financial reporting in previous years were reviewed during the year and appropriate steps have been taken to rectify them. The recommendations made by the external auditors in 2018 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

Colombo, Sri Lanka  
27 March 2019

# INDEPENDENT ASSURANCE REPORT



## ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல. } BAF/B/BOC/IC/2018  
My No. }

ඔබේ අංකය  
உமது இல. }  
Your No. }

දිනය  
திகதி } 09 April 2019  
Date }

The Chairman  
Bank of Ceylon

### Independent Assurance Report of the Auditor General to the Board of Directors on the Directors' Statement on Internal Control of Bank of Ceylon.

#### Introduction

This report is to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("Statement") of Bank of Ceylon included in the annual report for the year ended 31 December 2018.

#### Management's Responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with section 3(8) (ii)(b) of the Banking Act Direction No. 11 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

### My Responsibility and Compliance with SLSAE 3050

My responsibility is to issue a report to the Board of Directors on the Statement based on the work performed. I conducted my engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Report for Banks on Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka.

#### Summary of work performed

My engagement has been conducted to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

The procedures performed were limited primarily to inquiries of bank personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3050 does not require me to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 also does not require me to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

#### Conclusion

Based on the procedures performed, nothing has come to my attention that causes me to believe that the Statement included in the annual report is inconsistent with my understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Bank.

**H M Gamini Wijesinghe**

Auditor General





# DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

## 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 2018 presented in this Annual Report, the most appropriate accounting policies have been used and applied consistently supported by judgments and estimates that are reasonable and prudent. Material departures, if any, have been disclosed and explained.

The Financial Statements for the year 2018 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 2018.

## 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 page 188 and 189 of this Annual Report.

The Directors and Management have put in place, risk management policies and guidelines. Management committees have been established to monitor and manage material risks. Arrangements are in place to ensure that reports on risk are submitted to the Integrated Risk Management Committee on a quarterly basis for discussion. Compliance with applicable laws, regulations, rules, directives and guidelines are monitored by the Independent Integrated Risk Management Division and reported to the Board.

The Audit Committee and Integrated Risk Management Committee, on an ongoing basis, have acted to strengthen the effectiveness of internal controls and risk management procedures. The reports of the Audit Committee and Integrated Risk Management Committee are included on page 89 to 95 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 pages 192 to 195 of this Annual Report. The Auditor General's certification on the effectiveness of the Bank's internal control mechanism is given on page 190 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

19 March 2019  
Colombo

# REPORT OF THE AUDITOR GENERAL



## ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



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Your No. }

දිනය  
திகதி } 29 March 2019  
Date }

The Chairman  
Bank of Ceylon

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Bank of Ceylon and its subsidiaries for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

## 1. Financial Statements

### 1.1 Opinion

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 2018 comprising the statement of financial position as at 31 December 2018 and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies, 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 read in conjunction with provisions of the National Audit Act No. 19 of 2018.

The Bank has been exempted from the provisions of Part II of the Finance Act, No. 38 of 1971 by an Order of the Minister of Finance published in the Government Gazette No. 715 of 14 May 1992 by virtue of powers vested in him by Sections 5(1) of the said Finance Act. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying Financial Statements of the Bank and the Group give a true and fair view of the financial position of the Bank and the Group as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### 1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### 1.3 Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the Financial Statements of the Bank and the Consolidated Financial Statements of the Group of the current period. These matters were addressed in the context of my audit of the Financial Statements of the Bank and the Consolidated Financial Statements of the Group as a whole, and in forming my audit opinion thereon, and I do not provide a separate opinion on these matters.





## Key Audit Matter

### a. Bank's Complex Information Technology related applications, controls and impact of those on the financial reporting process

Bank's operations have been automated using complex and multiple IT Systems and applications. Such IT infrastructure has provided platform for various internal and external reporting in terms of providing required information. Impact of IT over the financial reporting process considered to be high. As a result, preparation of Financial Statements inclusive of required disclosures are heavily dependent on the output of such IT applications. Ensuring the integrity of information generated through these applications is significant, since it provides the platform for the purpose of audit.

Therefore, I considered automated and manual controls surrounding the preparation and presentation of Financial Statements as a significant area of my audit and accordingly considered as key audit matter.

### b. Impairment allowance for loans and advances including Group's transition to SLFRS 9:

My audit considered impairment allowance for loans and advances as a key audit matter. The materiality of the reported amounts for loans and advances (and impairment allowance thereof), the subjectivity associated with management's impairment estimation and transition to Sri Lanka Financial Reporting Standard 9: Financial Instruments (SLFRS 9) underpinned my basis for considering it as a Key Audit Matter.

As at 31 December 2018, 63% of its total assets of the Group consisted of loans and advances amounting to LKR 1,460 Billion (Note 27.1), net of impairment allowance of LKR 84 Billion (Note 27.2). The impact on transition to SLFRS 9 on the Group's Financial statements has been quantified and presented in Note 62 of the Financial statements.

The estimation of impairment allowance for loans and advances involved complex manual calculations.

## How my audit addressed the key audit matter

My audit procedures on this area included the following among the others,

- I have identified the main business processes in the bank and the key manual and automated controls exerted on such processes, which would have an impact on the financial reporting process.
- I have involved specialists to obtain comfort over the Information Technology general computer controls and to understand and evaluate design and operating effectiveness of such other automated IT application controls. This includes performing walkthroughs, test of controls, test checking of reports generating functionalities and other required validation checks.
- Based on the outcome of the above procedures we have also performed additional substantive audit procedures wherever necessary.

To assess the reasonableness of the impairment allowance, my audit procedures (among others) were designed to obtain sufficient and appropriate audit evidences, included the following,

- I evaluated design, implementation and operative effectiveness of controls over estimation of impairment of loans and advances, which included assessing the level of oversight, review and approval of impairment policies by the Board Audit Committees and management.
- I test-checked the underlying calculations and data.
- In addition to the above, following focused procedures were performed:

For loans and advances - individually assessed for impairment:

- I assessed the main criteria used by the management for determining whether an impairment event had occurred, including the management estimation of impairment of loans and advances in industries with elevated risk of credit loss;
- Where impairment indicators existed, I assessed the reasonableness of management's estimated future recoveries including the expected future cash flows, discount rates and the valuation of collateral held. I also compared the actual recoveries against previously estimated amounts of future recoveries.

## REPORT OF THE AUDITOR GENERAL



Key Audit Matter	How my audit addressed the key audit matter
<p>Significant estimates and assumptions used by the management in such calculations, its sensitivities and the basis for impairment allowance are disclosed in Note 27.</p>	<ul style="list-style-type: none"> <li>Where loans and advances granted to customers with a higher risk of credit loss, I assessed the main criteria used by the management for determining whether an impairment event had occurred and the reasonableness of management estimation of such additional impairment.</li> </ul> <p>For loans and advances- collectively assessed for impairment:</p> <ul style="list-style-type: none"> <li>I tested the completeness, relevance and accuracy of the underlying information in loans and advances used in the impairment calculations by agreeing details to the Group's source documents and information in IT systems and re-performing the calculations.</li> <li>I also considered reasonableness of macro-economic and other factors used by management in their judgemental overlays for various types of loan portfolios, by comparing them with publicly available data and information sources.</li> <li>I assessed the adequacy of the related Financial Statement disclosures as set out in Note 27.</li> <li>I also assessed the adequacy of the Group's disclosure on the impact of the initial adoption of SLFRS 9 as set out in Note 62. This included testing of the quantitative impact of the transition.</li> </ul>

### 1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and the Group's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Group is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic Financial Statements to be prepared of the Group.

### 1.5 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance

with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement



resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the

Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## 2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Bank as per the requirement of section 12 (a) of National Audit Act, No. 19 of 2018.
- The Financial Statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The Financial Statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

- to state that any member of the governing body of the Bank has any direct or indirect interest in any contract entered into by the Bank which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018;
- to state that the Bank has not complied with any applicable written law, general and special directions issued by the governing body of the Bank as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018;
- to state that the Bank has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018;
- to state that the resources of the Bank had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

H.M. Gamini Wijesinghe  
Auditor General

## STATEMENT OF PROFIT OR LOSS

For the year ended 31 December	Note	Bank			Group		
		2018	2017	Change	2018	2017	Change
		LKR '000	LKR '000	%	LKR '000	LKR '000	%
<b>Total income</b>	7	221,131,178	189,211,395	16.9	229,461,622	197,012,961	16.5
Interest income		195,393,970	171,343,888	14.0	201,809,401	177,746,357	13.5
Less : Interest expenses		129,835,996	112,987,696	14.9	133,119,922	116,256,255	14.5
<b>Net interest income</b>	8	65,557,974	58,356,192	12.3	68,689,479	61,490,102	11.7
Fee and commission income		10,699,565	9,465,330	13.0	11,088,043	9,723,455	14.0
Less : Fee and commission expenses		2,280,728	1,883,302	21.1	2,294,839	1,972,374	16.3
<b>Net fee and commission income</b>	9	8,418,837	7,582,028	11.0	8,793,204	7,751,081	13.4
Net gains/ (losses) from trading	10	3,431,822	2,802,048	22.5	3,468,191	2,822,168	22.9
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss	11	(681,365)	-	-	(717,194)	-	-
Net gains/ (losses) from financial investments	11.1	-	905,527	(100.0)	-	925,733	(100.0)
Net gains/ (losses) from derecognition of financial assets	12	152,029	-	-	153,240	-	-
Net other operating income	13	12,135,157	4,694,602	158.5	13,659,941	5,795,248	135.7
<b>Total operating income</b>		89,014,454	74,340,397	19.7	94,046,861	78,784,332	19.4
Less : Impairment charge/ (reversal) for loans and other losses	14	15,040,961	9,340,658	61.0	15,176,472	9,884,889	53.5
<b>Net operating income</b>		73,973,493	64,999,739	13.8	78,870,389	68,899,443	14.5
<b>Less : Operating expenses</b>							
Personnel expenses	15	18,875,397	16,996,176	11.1	20,600,778	18,723,550	10.0
Depreciation and amortisation expenses		2,200,294	1,925,002	14.3	2,813,469	2,542,480	10.7
Other expenses	16	11,417,336	8,486,795	34.5	13,210,221	9,438,372	40.0
<b>Total operating expenses</b>		32,493,027	27,407,973	18.6	36,624,468	30,704,402	19.3
<b>Operating profit before taxes on financial services</b>		41,480,466	37,591,766	10.3	42,245,921	38,195,041	10.6
Less : Taxes on financial services	17.1	9,588,312	7,248,786	32.3	9,818,020	7,431,502	32.1
<b>Operating profit after taxes on financial services</b>		31,892,154	30,342,980	5.1	32,427,901	30,763,539	5.4
Share of profits/ (losses) of associate companies, net of tax	18	-	-	-	9,269	52,024	(82.2)
<b>Profit before income tax</b>		31,892,154	30,342,980	5.1	32,437,170	30,815,563	5.3
Less : Income tax expense	17.2	12,413,425	9,030,696	37.5	12,922,017	9,328,918	38.5
<b>Profit for the year</b>		19,478,729	21,312,284	(8.6)	19,515,153	21,486,645	(9.2)
<b>Profit attributable to :</b>							
Equity holder of the Bank		19,478,729	21,312,284	(8.6)	19,532,862	21,470,163	(9.0)
Non-controlling interest		-	-	-	(17,709)	16,482	207.4
<b>Profit for the year</b>		19,478,729	21,312,284	(8.6)	19,515,153	21,486,645	(9.2)
<b>Earnings per share:</b>							
Basic earnings per share (LKR)	19.1	1,044.78	1,856.56	(43.7)	1,047.68	1,870.31	(44.0)
Diluted earnings per share (LKR)	19.2	915.02	1,414.36	(35.3)	917.57	1,424.84	(35.6)
Dividend per share (LKR)	19.3	259.95	1,075.52	(75.8)	259.95	1,075.52	(75.8)

The Notes to the Financial Statements from pages 206 to 392 form an integral part of these Financial Statements.

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Bank			Group		
	2018	2017	Change	2018	2017	Change
	LKR '000	LKR '000	%	LKR '000	LKR '000	%
<b>Profit for the year</b>	<b>19,478,729</b>	<b>21,312,284</b>	<b>(8.6)</b>	<b>19,515,153</b>	<b>21,486,645</b>	<b>(9.2)</b>
<b>Other Comprehensive income, net of tax Items that will be reclassified to the profit or loss</b>						
Exchange differences on translation of foreign operations	1,110,869	361,375	207.4	1,453,215	643,365	125.9
Net gains/ (losses) on investments in debt instruments measured at fair value through other comprehensive income	(271,351)	-	-	(285,389)	-	-
Net gains/ (losses) on remeasuring available for sale financial investments	-	(595,034)	(100.0)	-	(619,591)	(100.0)
Deferred tax effect on gains/ (losses) on remeasuring available for sale financial investments	-	(177,006)	(100.0)	-	(177,006)	(100.0)
Net (gains)/ losses on investment in financial assets at fair value through other comprehensive income/ available for sale reclassification to profit or loss	(15,232)	3,385	(550.0)	(15,232)	3,385	(550.0)
Share of other comprehensive income of Associate companies, net of tax	-	-	-	3,464	(6,600)	(152.5)
<b>Total items that will be reclassified to the profit or loss</b>	<b>824,286</b>	<b>(407,280)</b>	<b>(302.4)</b>	<b>1,156,058</b>	<b>(156,447)</b>	<b>(838.9)</b>
<b>Items that will not be reclassified to profit or loss</b>						
Change in fair value on investments in equity instruments designated at fair value through other comprehensive income	(410,168)	-	-	(823,954)	-	-
Deferred tax effect on change in fair value on investments in equity instruments designated at fair value through other comprehensive income	(6,711)	-	-	(6,711)	-	-
Changes in revaluation surplus/ (deficit)	(337,522)	6,059,715	(105.6)	147,397	6,406,248	(97.7)
Deferred tax effect on changes in revaluation surplus/ (deficit)	94,506	(4,094,358)	(102.3)	(41,271)	(4,191,387)	(99.0)
Net actuarial gains/ (losses) on defined benefit plans	(2,119,340)	2,789,929	(176.0)	(2,090,789)	2,766,683	(175.6)
Deferred tax effect on net actuarial gains/ (losses) on defined benefit plans	3,050	(8,400)	(136.3)	(9,530)	8,363	(214.0)
<b>Total items that will not be reclassified to the profit or loss</b>	<b>(2,776,185)</b>	<b>4,746,886</b>	<b>(158.5)</b>	<b>(2,824,858)</b>	<b>4,989,907</b>	<b>(156.6)</b>
<b>Total other comprehensive income for the year, net of tax</b>	<b>(1,951,899)</b>	<b>4,339,606</b>	<b>(145.0)</b>	<b>(1,668,800)</b>	<b>4,833,460</b>	<b>(134.5)</b>
<b>Total comprehensive income for the year</b>	<b>17,526,830</b>	<b>25,651,890</b>	<b>(31.7)</b>	<b>17,846,353</b>	<b>26,320,105</b>	<b>(32.2)</b>
<b>Attributable to:</b>						
Equity holder of the Bank	17,526,830	25,651,890	(31.7)	17,866,780	26,270,244	(32.0)
Non-controlling interest	-	-	-	(20,427)	49,861	(141.0)
<b>Total comprehensive income for the year</b>	<b>17,526,830</b>	<b>25,651,890</b>	<b>(31.7)</b>	<b>17,846,353</b>	<b>26,320,105</b>	<b>(32.2)</b>

The Notes to the Financial Statements from pages 206 to 392 form an integral part of these Financial Statements.

## STATEMENT OF FINANCIAL POSITION

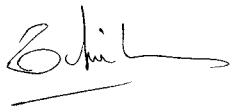
As at 31 December	Note	Bank			Group		
		2018 LKR '000	2017 LKR '000	Change %	2018 LKR '000	2017 LKR '000	Change %
<b>Assets</b>							
Cash and cash equivalents	21	78,447,577	72,843,108	7.7	78,558,031	78,005,362	0.7
Balances with Central Banks	22	65,680,371	68,689,012	(4.4)	65,680,371	68,689,012	(4.4)
Placements with banks	23	40,450,089	8,067,490	401.4	41,681,910	5,319,602	683.6
Securities purchased under resale agreements	24	-	18,455,555	(100.0)	1,436,068	19,872,247	(92.8)
Derivative financial instruments	25	1,205,657	1,618,823	(25.5)	1,205,657	1,618,823	(25.5)
Financial assets recognised through profit or loss measured at fair value/ Held for trading	26	9,277,298	8,359,274	11.0	9,583,327	8,596,548	11.5
Financial assets at amortised cost							
Loans and advances	27	1,429,107,181	1,163,160,914	22.9	1,460,618,588	1,194,294,394	22.3
Debt and other instruments	28	551,839,449	-	-	551,956,734	-	-
Financial investments - Loans and receivables	28.3	-	213,167,048	(100.0)	-	214,349,624	(100.0)
Financial investments - Held to maturity	28.4	-	308,256,082	(100.0)	-	308,750,317	(100.0)
Financial assets measured at fair value through OCI/ Available for sale	29	16,699,582	17,921,170	(6.8)	20,415,199	22,552,292	(9.5)
Investment in subsidiary companies	30	6,513,048	6,513,048	-	-	-	-
Investment in associate companies	31	92,988	92,988	-	441,226	446,793	(1.2)
Investment properties	32	2,765,856	2,882,928	(4.1)	120,182	123,773	(2.9)
Property, Plant and Equipment	33	24,178,155	23,046,114	4.9	37,762,509	36,608,919	3.2
Leasehold properties	34	98,899	101,481	(2.5)	130,500	134,441	(2.9)
Intangible assets	35	1,238,186	810,730	52.7	1,456,630	1,074,436	35.6
Deferred tax assets	36	-	-	-	3,052	8,621	(64.6)
Other assets	37	40,560,058	37,818,188	7.3	41,872,891	38,964,979	7.5
<b>Total assets</b>		<b>2,268,154,394</b>	<b>1,951,803,953</b>	<b>16.2</b>	<b>2,312,922,875</b>	<b>1,999,410,183</b>	<b>15.7</b>
<b>Liabilities</b>							
Due to banks	38	2,402,468	2,203,199	9.0	2,515,998	2,194,266	14.7
Securities sold under repurchase agreements	39	97,399,359	44,487,462	118.9	97,423,302	44,628,686	118.3
Derivative financial instruments	40	509,018	70,715	619.8	509,018	70,715	619.8
Financial liabilities at amortised cost							
Due to depositors	41	1,765,025,970	1,546,832,036	14.1	1,783,975,493	1,566,376,418	13.9
Other borrowings	42	201,792,174	178,191,089	13.2	207,053,674	184,330,181	12.3
Debt securities issued	43	-	-	-	4,105,681	5,667,514	(27.6)
Current tax liabilities	44	3,922,189	1,877,342	108.9	4,039,380	2,051,020	96.9
Deferred tax liabilities	36	5,073,526	5,820,329	(12.8)	7,762,214	8,625,219	(10.0)
Insurance provision - Life	45.1	-	-	-	575,625	547,026	5.2
Insurance provision - Non-life	45.2	-	-	-	366,618	430,093	(14.8)
Other liabilities	46	19,760,429	18,596,249	6.3	21,970,739	19,936,478	10.2
Subordinated liabilities	48	50,827,239	42,570,457	19.4	50,484,487	42,226,067	19.6
<b>Total liabilities</b>		<b>2,146,712,372</b>	<b>1,840,648,878</b>	<b>16.6</b>	<b>2,180,782,229</b>	<b>1,877,083,683</b>	<b>16.2</b>



As at 31 December	Note	Bank			Group		
		2018 LKR '000	2017 LKR '000	Change %	2018 LKR '000	2017 LKR '000	Change %
<b>Equity</b>							
Share capital	49	25,000,000	20,000,000	25.0	25,000,000	20,000,000	25.0
Permanent reserve fund	50	12,890,000	10,427,000	23.6	12,890,000	10,427,000	23.6
Retained earnings	51	67,333,879	63,472,250	6.1	68,451,746	65,100,871	5.1
Other reserves	52	16,218,143	17,255,825	(6.0)	25,103,751	25,871,254	(3.0)
<b>Total equity attributable to equity holder of the Bank</b>		<b>121,442,022</b>	<b>111,155,075</b>	<b>9.3</b>	<b>131,445,497</b>	<b>121,399,125</b>	<b>8.3</b>
Non-controlling interest	53	-	-	-	695,149	927,375	(25.0)
<b>Total equity</b>		<b>121,442,022</b>	<b>111,155,075</b>	<b>9.3</b>	<b>132,140,646</b>	<b>122,326,500</b>	<b>8.0</b>
<b>Total liabilities and equity</b>		<b>2,268,154,394</b>	<b>1,951,803,953</b>	<b>16.2</b>	<b>2,312,922,875</b>	<b>1,999,410,183</b>	<b>15.7</b>
Contingent liabilities and commitments	55	508,306,808	496,477,278	2.4	513,192,419	497,617,834	3.1
Net assets value per share (LKR)	49	6,072.10	7,410.34	(18.1)	6,574.13	8,093.28	(18.8)

The Notes to the Financial Statements from pages 206 to 392 form an integral part of these Financial Statements.

These Financial Statements give a true and fair view of the state of affairs of Bank of Ceylon and the Group as at 31 December 2018 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



**K A Vimalenthirarajah**  
Director



**Senarath Bandara**  
General Manager

19 March 2019  
Colombo

## STATEMENT OF CHANGES IN EQUITY

### Bank

	Note	Share Capital LKR '000	Capital Pending Allotment LKR '000	Permanent Reserve Fund LKR '000	Available for Sale Reserve LKR '000
<b>Balance as at 1 January 2017</b>		<b>10,000,000</b>	<b>5,000,000</b>	<b>7,996,000</b>	<b>4,487,181</b>
Total comprehensive income for the year					
Profit for the year		-	-	-	-
Other comprehensive income, net of tax		-	-	-	(768,655)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(768,655)</b>
<b>Transactions with equity holder, recognised directly in equity</b>					
Dividends for 2017	19.3	-	-	-	-
Transfers to share capital	49.1	5,000,000	(5,000,000)	-	-
Capital infusion during the year	49.1	-	5,000,000	-	-
Transfers to permanent reserve fund	50	-	-	2,431,000	-
Revaluation surplus of disposed property		-	-	-	-
<b>Total transactions with equity holder</b>		<b>5,000,000</b>	<b>-</b>	<b>2,431,000</b>	<b>-</b>
<b>Balance as at 31 December 2017</b>		<b>15,000,000</b>	<b>5,000,000</b>	<b>10,427,000</b>	<b>3,718,526</b>
<b>Balance as at 1 January 2018</b>		<b>15,000,000</b>	<b>5,000,000</b>	<b>10,427,000</b>	<b>3,718,526</b>
Impact of adopting SLFRS 9 as at 1 January 2018		-	-	-	(3,718,526)
Deferred tax on transitional adjustment		-	-	-	-
<b>Restated opening balance as at 1 January 2018</b>		<b>15,000,000</b>	<b>5,000,000</b>	<b>10,427,000</b>	<b>-</b>
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>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transactions with equity holder, recognised directly in equity</b>					
Dividends for 2018	19.3	-	-	-	-
Transfers to share capital	49.1	5,000,000	(5,000,000)	-	-
Capital infusion during the year	49.1	-	5,000,000	-	-
Transfers to permanent reserve fund	50	-	-	2,463,000	-
Revaluation surplus of disposed property		-	-	-	-
<b>Total transactions with equity holder</b>		<b>5,000,000</b>	<b>-</b>	<b>2,463,000</b>	<b>-</b>
<b>Balance as at 31 December 2018</b>		<b>20,000,000</b>	<b>5,000,000</b>	<b>12,890,000</b>	<b>-</b>

The Notes to the Financial Statements from pages 206 to 392 form an integral part of these Financial Statements.

Other Reserves				
FVTOCI reserve LKR '000	Other Reserves LKR '000	Revaluation Reserve LKR '000	Retained Earnings LKR '000	Total Equity LKR '000
-	1,209,435	10,002,294	54,154,685	92,849,595
-	-	-	21,312,284	21,312,284
-	361,375	1,965,357	2,781,529	4,339,606
-	361,375	1,965,357	24,093,813	25,651,890
-	-	-	(12,346,410)	(12,346,410)
-	-	-	-	-
-	-	-	-	5,000,000
-	-	-	(2,431,000)	-
-	-	(1,162)	1,162	-
-	-	(1,162)	(14,776,248)	(7,346,410)
-	1,570,810	11,966,489	63,472,250	111,155,075
-	1,570,810	11,966,489	63,472,250	111,155,075
2,541,656	-	-	(9,562,471)	(10,739,341)
-	-	-	3,345,868	3,345,868
2,541,656	1,570,810	11,966,489	57,255,647	103,761,602
-	-	-	19,478,729	19,478,729
(703,462)	1,110,869	(243,016)	(2,116,290)	(1,951,899)
(703,462)	1,110,869	(243,016)	17,362,439	17,526,830
-	-	-	(4,846,410)	(4,846,410)
-	-	-	-	-
-	-	-	-	5,000,000
-	-	-	(2,463,000)	-
-	-	(25,203)	25,203	-
-	-	(25,203)	(7,284,207)	153,590
1,838,194	2,681,679	11,698,270	67,333,879	121,442,022

## STATEMENT OF CHANGES IN EQUITY

### Group

	Note	Share Capital	Pending Allotment	Permanent Reserve Fund	Available for Sale Reserve
		LKR '000	LKR '000	LKR '000	LKR '000
<b>Balance as at 1 January 2017</b>		10,000,000	5,000,000	7,996,000	5,562,266
<b>Total comprehensive income for the year</b>					
Profit for the year		-	-	-	-
Other comprehensive income, net of tax		-	-	-	(801,650)
<b>Total comprehensive income for the year</b>		-	-	-	(801,650)
<b>Transactions with equity holders, recognised directly in equity</b>					
Dividends for 2017	19.3	-	-	-	-
Subsidiary dividends to non controlling interest		-	-	-	-
Transfer to share capital	49.1	5,000,000	(5,000,000)	-	-
Capital infusion during the year	49.1	-	5,000,000	-	-
Transfers to permanent reserve fund	50	-	-	2,431,000	-
Revaluation surplus of disposed property		-	-	-	-
Transfer to other reserves		-	-	-	-
<b>Total transactions with equity holders</b>		5,000,000	-	2,431,000	-
<b>Balance as at 31 December 2017</b>		15,000,000	5,000,000	10,427,000	4,760,616
<b>Balance as at 1 January 2018</b>		15,000,000	5,000,000	10,427,000	4,760,616
Impact of adopting SLFRS 9 as at 1 January 2018		-	-	-	(4,760,616)
Deferred tax on transitional adjustments		-	-	-	-
<b>Balance as at 1 January 2018</b>		15,000,000	5,000,000	10,427,000	-
<b>Total comprehensive income for the year</b>					
Profit for the year		-	-	-	-
Other comprehensive income, net of tax		-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	-	-
<b>Transactions with equity holders, recognised directly in equity</b>					
Dividends for 2018	19.3	-	-	-	-
Subsidiary dividends to non controlling interest		-	-	-	-
Transfer to share capital	49.1	5,000,000	(5,000,000)	-	-
Capital infusion during the year	49.1	-	5,000,000	-	-
Transfers to permanent reserve fund	50	-	-	2,463,000	-
Revaluation surplus of disposed property		-	-	-	-
Reversal of unclaimed dividend		-	-	-	-
<b>Total transactions with equity holders</b>		5,000,000	-	2,463,000	-
<b>Balance as at 31 December 2018</b>		20,000,000	5,000,000	12,890,000	-

The Notes to the Financial Statements from pages 206 to 392 form an integral part of these Financial Statements.

Attributable to Equity Holder of the Bank					
Other Reserves					
FVTOCI reserve LKR '000	Other Reserves LKR '000	Revaluation Reserve LKR '000	Retained Earnings LKR '000	Non Controlling Interest LKR '000	Total Equity LKR '000
-	1,763,963	16,494,059	55,659,003	879,445	103,354,736
-	-	-	21,470,163	16,482	21,486,645
-	643,365	2,188,368	2,769,998	33,379	4,833,460
-	643,365	2,188,368	24,240,161	49,861	26,320,105
-	-	-	(12,346,410)	-	(12,346,410)
-	-	-	-	(1,931)	(1,931)
-	-	-	-	-	-
-	-	-	-	-	5,000,000
-	-	-	(2,431,000)	-	-
-	-	(1,162)	1,162	-	-
-	22,045	-	(22,045)	-	-
-	22,045	(1,162)	(14,798,293)	(1,931)	(7,348,341)
-	2,429,373	18,681,265	65,100,871	927,375	122,326,500
-	2,429,373	18,681,265	65,100,871	927,375	122,326,500
3,583,746	-	-	(10,369,633)	(276,422)	(11,822,925)
-	-	-	3,571,637	77,317	3,648,954
3,583,746	2,429,373	18,681,265	58,302,875	728,270	114,152,529
-	-	-	19,532,862	(17,709)	19,515,153
(1,109,292)	1,453,215	90,647	(2,100,652)	(2,718)	(1,668,800)
(1,109,292)	1,453,215	90,647	17,432,210	(20,427)	17,846,353
-	-	-	(4,846,410)	-	(4,846,410)
-	-	-	-	(12,694)	(12,694)
-	-	-	-	-	-
-	-	-	-	-	5,000,000
-	-	-	(2,463,000)	-	-
-	-	(25,203)	25,203	-	-
-	-	-	868	-	868
-	-	(25,203)	(7,283,339)	(12,694)	141,764
2,474,454	3,882,588	18,746,709	68,451,746	695,149	132,140,646

## STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Bank		Group	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
<b>Cash Flows from Operating Activities</b>					
Profit before income tax		31,892,154	30,342,980	32,437,170	30,815,563
<b>Adjustments for:</b>					
Net interest income	8	(65,557,974)	(58,356,192)	(68,689,479)	(61,490,102)
Dividend income on trading securities	10	(101,877)	(111,783)	(113,255)	(120,214)
Dividends from subsidiaries and associates	13	(309,685)	(76,680)	-	-
Share of (profits)/ losses of associate companies, net of tax	18	-	-	(9,269)	(52,024)
Change in operating assets	54.1	(279,608,836)	(176,623,016)	(285,248,074)	(177,474,266)
Change in operating liabilities	54.2	276,164,812	304,162,970	282,302,977	306,329,345
Other non-cash items included in profit before tax	54.3	6,773,377	10,872,287	7,494,037	12,102,838
Other net gains from investing activities		529,336	(905,527)	563,954	(925,733)
		<b>(30,218,693)</b>	<b>109,305,039</b>	<b>(31,261,939)</b>	<b>109,185,407</b>
Contribution paid from defined benefit plans		(7,667,801)	(6,976,625)	(7,715,221)	(6,994,516)
Interest received		133,563,506	120,744,703	140,171,940	126,994,502
Interest paid		(116,192,643)	(85,565,050)	(118,562,407)	(88,311,449)
Dividends received		101,877	111,783	113,255	120,214
<b>Net cash from/ (used in) operating activities before income tax</b>		<b>(20,413,754)</b>	<b>137,619,850</b>	<b>(17,254,372)</b>	<b>140,994,158</b>
Income tax paid		(5,376,538)	(2,580,454)	(5,703,009)	(2,683,837)
<b>Net cash from/ (used in) operating activities</b>		<b>(25,790,292)</b>	<b>135,039,396</b>	<b>(22,957,381)</b>	<b>138,310,321</b>
<b>Cash Flows from Investing Activities</b>					
Net increase in financial investments at amortised cost		(30,883,224)	-	(29,323,684)	-
Net increase in financial investments - Held to maturity		-	(65,055,871)	-	(65,470,538)
Net (increase)/ decrease in financial investments recognised fair value through OCI		(292,866)	-	(4,151,530)	-
Net increase in financial investments - Available for sale		-	(7,716,838)	-	(6,571,920)
Net increase in financial investments - Loans and receivables		-	(21,292,409)	-	(22,365,555)
Purchase of Property, Plant and Equipment and leasehold properties		(3,399,832)	(3,080,752)	(3,569,916)	(3,199,778)
Purchase of intangible assets		(783,598)	(528,565)	(790,386)	(764,014)
Proceeds from sale of Property, Plant and Equipment		101,050	62,457	216,988	69,101
Dividends received		598,053	649,270	325,908	592,796
Interest received		46,327,625	40,578,598	46,696,256	41,088,070
<b>Net cash from/ (used in) investing activities</b>		<b>11,667,208</b>	<b>(56,384,110)</b>	<b>9,403,636</b>	<b>(56,621,838)</b>

For the year ended 31 December	Note	Bank		Group	
		2018	2017	2018	2017
		LKR '000	LKR '000	LKR '000	LKR '000
<b>Cash Flows from Financing Activities</b>					
Net increase/ (decrease) in other borrowings		24,715,392	(49,653,199)	21,670,556	(52,901,368)
Proceeds from issue of shares		5,000,000	5,000,000	5,000,000	5,000,000
Proceeds from issue of debentures		12,000,000	10,000,000	12,000,000	12,000,000
Payments on redemption of debentures		(4,090,400)	(9,501,723)	(5,650,894)	(10,867,381)
Dividends paid to equity holder of the Bank		(4,846,410)	(12,346,410)	(4,846,410)	(12,346,410)
Dividends paid to non-controlling interest		-	-	(12,694)	(1,931)
Interest payments on borrowings and debt securities		(12,795,159)	(17,320,884)	(13,920,739)	(18,093,765)
<b>Net cash from/ (used in) financing activities</b>		<b>19,983,423</b>	<b>(73,822,216)</b>	<b>14,239,819</b>	<b>(77,210,855)</b>
Net increase/ (decrease) in cash and cash equivalents during the year		5,860,338	4,833,070	686,075	4,477,628
Cash and cash equivalents at the beginning of the year		71,731,508	66,898,438	76,902,695	72,425,067
<b>Cash and cash equivalents at the end of the year</b>		<b>77,591,846</b>	<b>71,731,508</b>	<b>77,588,770</b>	<b>76,902,695</b>
<b>Analysis of Cash and Cash Equivalents</b>					
Cash and cash equivalents	21	78,447,577	72,843,108	78,558,031	78,005,362
Bank overdrafts	38	(855,731)	(1,111,600)	(969,261)	(1,102,667)
<b>Cash and cash equivalents at the end of the year</b>		<b>77,591,846</b>	<b>71,731,508</b>	<b>77,588,770</b>	<b>76,902,695</b>

The Notes to the Financial Statements from pages 206 to 392 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 No. 01, “BOC Square”, Bank of Ceylon Mawatha, Colombo 01, Sri Lanka. The debentures issued by the Bank are listed on the Colombo Stock Exchange. The staff strength of the Bank as at 31 December 2018 was 8,724 (2017 – 7,587).

### 1.2 Consolidated Financial Statements

The Consolidated Financial Statements are prepared as at and for the year ended 31 December 2018 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, off-shore banking, trade financing, lease financing, primary dealing, investment banking and wealth management, 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, develop and sustain the utility and value of 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, micro-financing, agricultural credit facilities, real estate, pawning, Islamic finance 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	Managing, operating and maintaining of travel rests/ hotels/ rest houses/ guest houses.
MBSL Insurance Company Limited	Carrying on insurance business, both life and non-life insurance.
Koladeniya Hydropower (Private) Limited	Hydropower generation.
Bank of Ceylon (UK) Limited	Authorised commercial bank by the Prudential Regulation Authority and regulated by the Financial Conduct Authority in England and Wales, engages in retail and corporate banking, treasury operations, correspondent banking services and trade financing activities.



### 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 institutional and private portfolios.
Lanka Securities (Private) Limited	Registered stock broker, trading in equity and debt securities, equity debt security brokering and undertaking placement of equity and debt securities.
Transnational Lanka Records Solutions (Private) Limited	Renting buildings and hiring other assets.
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 Directors 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 it 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 comprise

- 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 2018 were authorised for issue on 19 March 2019 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 No. 53 of 1938, 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 2018, together with the comparative year data as at and for the year ended 31 December 2017, as described in the accounting policies.

The formats used in the preparation and presentation of the Financial Statements and the disclosures made therein also comply with the specified formats prescribed by the Central Bank of Sri Lanka (CBSL) in the Circular No. 02 of 2019 on "Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks".

### 3.2 Basis of Measurement

The Financial Statements have been prepared on the basis of historical cost convention and no

## NOTES TO THE FINANCIAL STATEMENTS

adjustments have been made for inflationary factors which has been applied on a consistent basis, except for the following:

- Derivative financial instruments are measured at fair value (Notes 25 and 40)
- Financial assets recognised through profit or loss - measured at fair value/ Held for trading (Note 26)
- Financial assets at amortised cost - Loans and Advances/ Financial assets at amortised cost - Debt and Other Instruments/ Financial Investments - Loans and receivables/ Financial Investments - Held to maturity (Note 27 and 28)
- Financial assets measured at fair value through OCI / Available for sale (Note 29)
- 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)
- Financial liabilities at amortised cost (Note 41, 42,43 and 48)
- 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 47)

### 3.3 Presentation of Financial Statements

Items in the Statement of 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 58 - "Maturity Analysis of Assets and Liabilities".

#### 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/ Group 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.

#### 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. However, the Group has not restated comparative information for 2017 for financial instruments within the scope of SLFRS 9- "Financial Instruments". Therefore, the comparative information for 2017 is reported under LKAS 39- "Financial Instruments: Recognition and Measurement" and is not comparable to the information presented for 2018. Differences arising from the adoption of SLFRS 9 have been recognised directly in equity as at 1 January 2018 and are disclosed in Transition disclosures (Note 62).

#### 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 LKAS 1- “Presentation of Financial Statements”.

### 3.3.7 Statement of Cash Flow

The Statement of Cash Flow is prepared by using the “Indirect Method” in accordance with the 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.

### 3.3.8 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. The accounting policies which are most sensitive to the use of judgements, estimates and assumptions are specified below.

#### 3.3.8.1 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.

#### 3.3.8.2 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.

#### 3.3.8.3 Fair Value of Financial Instruments

Fair value is the price that would

be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where the classification of a financial asset or liability results in it being measured at fair value, wherever possible, the fair value is determined by reference to the quoted bid or offer price in the most advantageous active market to which the Group has immediate access. An adjustment for credit risk is also incorporated into the fair value as appropriate.

Fair value for a net open position that is a financial liability quoted in an active market is the current offer price, and for a financial asset the bid price, multiplied by the number of units of the instrument held or issued.

Where no active market exists for a particular asset or liability, the Group uses a valuation technique that include the use of mathematical models to arrive at the fair value, including the use of transaction prices obtained in recent arm’s length transactions, discounted cash flow analysis, option pricing models and other valuation techniques based on market conditions and risks existing at Reporting date. In doing so, fair value is estimated using a valuation technique that makes maximum use of observable market inputs and places minimal reliance upon entity-specific inputs.

The best evidence of the fair value of a financial instrument at initial recognition is the

## NOTES TO THE FINANCIAL STATEMENTS

transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises the difference between the transaction price and the fair value in Profit or Loss on initial recognition (i.e. on day one). The valuations of financial instruments are described comprehensively in Note 61.

### 3.3.8.4 Impairment Charge for Loans and Advances

The measurement of impairment charge both under SLFRS 9 and LKAS 39 requires judgement by management in identification and estimation of the amount and timing of future cash flows when determining an impairment charge for loans and advances.

Accordingly, the Group reviews its individually significant loans and advances at each Reporting date to assess whether an impairment charge should be provided in the Statement of Profit or Loss. In particular, the Management's judgement is required in identification and estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgements about the borrower's financial position, the net realisable value of

collateral and other related factors. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

A collective impairment provision is established for the groups of homogeneous loans and advances that are not considered individually significant and groups of loans that are individually significant but that were not found to be individually impaired. A collective assessment of impairment takes into account the data from loan portfolio (such as credit quality, levels of arrears, credit utilization, etc.), concentrations of risk and economic data (including levels of Unemployment, Inflation, GDP growth rate and Country rating) and the Performance of different individual group.

The new impairment requirements in SLFRS 9 are based on an Expected Credit Loss (ECL) model and it is reflected the general pattern of deterioration, or improvement, in the credit quality of financial instruments. The Group calculates ECLs either on a collective or an individual basis. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition and measured under following bases:

- 12-month ECLs (stage 1), which apply to all items as long as there is no significant deterioration in credit risk.

- Lifetime ECLs (stages 2 and 3), which apply when a significant increase in credit risk has occurred on an individual or collective basis.

Further, the Group makes additional judgements and estimates with regard to the following under ECL model.

- The Group's criteria for assessing if there has been a significant increase in credit risk and so impairment for financial assets should be measured on a Lifetime ECL basis.
- Development of ECL models, including various formula and the choice of inputs.
- Determination of association between macro-economic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment with the effect on Probability of Default (PDs), Exposure At Default (EAD) and Loss Given Default (LGD).
- Selection of forward-looking macro-economic scenarios and their probability weightings to derive the economic inputs into the ECL model.

As per LKAS 39, the collective provision for groups of homogeneous loans is established using statistical methods (such as, net flow rate methodology) or, a formula approach based on historical loss rate experience, using the statistical analysis of historical data on delinquency to estimate the amount of loss. Management applies judgement

to ensure that the estimate of loss arrived at, on the basis of historical information is appropriately adjusted to reflect the economic conditions and portfolio factors as at the Reporting date. The loss rates are regularly reviewed against actual loss experience.

It has been the Group's policy to regularly review its model in the context of actual loss experience and adjust when necessary. The accuracy of the provision depends on the model assumptions and parameters used in determining the impairment. Details of impairment losses on loans and advances are given in Note 14.

### **3.3.8.5 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 SLFRS 9 - "Financial Instruments" 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.

### **3.3.8.6 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.

In determining the appropriate discount rate, the Group considers the interest rates of Sri Lanka Government Bonds with maturities corresponding to the expected duration of the Defined Benefit Obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rate and expected future salary increase rates of the Group.

All assumptions are reviewed at each Reporting date and assumptions used in the year are given in Note 47.

### **3.3.8.7 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.

### **3.3.8.8 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.

### **3.3.8.9 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.

### **3.3.8.10 Determination of control over investees**

The Management applies its judgements to determine whether the control indicators set out in

## NOTES TO THE FINANCIAL STATEMENTS

Notes 30 and 31 indicates that the Bank controls over its investees.

### 3.3.8.11 Taxation

The Group is subject to income tax, Value Added Tax (VAT), Nation Building Tax (NBT), Debt Repayment Levy (DRL) 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 4.9, 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 variances between Management's interpretation and application of tax 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 New/ Amendments to Accounting Standards effective from 1 January 2018

In these financial statements, the Group has applied SLFRS 9 - "Financial Instruments", SLFRS 7 - "(Revised) Financial Instruments: Disclosure" and SLFRS 15- "Revenue from Contracts with Customers", which are effective for the annual Reporting periods beginning on or after 1 January, 2018, for the first time. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not effective.

#### 4.1.1 SLFRS 9 – "Financial Instruments"

SLFRS 9 issued in December 2014 replaced LKAS 39 and is applicable for annual Reporting periods beginning on or after 1 January 2018. SLFRS 9 brought about significant changes to the classification and measurement of financial instruments and

impairment assessment pertaining to such instruments. These changes are discussed in Notes 4.1.1.1 and 4.1.1.2 to the financial statements.

#### 4.1.1.1 Changes to Classification and Measurement

To determine their classification and measurement category, SLFRS 9 requires 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' cash flow characteristics.

Classification and measurement categories of financial assets, as specified in LKAS 39 (fair value through profit or loss (FVTPL), available for sale (AFS), Held to maturity (HTM) and Loans and receivables - amortised cost) have been replaced by;

- Financial assets at amortised cost
- Financial assets measured at Fair value through other comprehensive income (FVTOCI)
- Financial assets measured at Fair value through profit or loss (FVTPL)

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, under LKAS 39, all fair value changes of liabilities designated under the fair value option were recognised in Profit or Loss. Under SLFRS 9,

fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income (OCI); and
- The remaining amount of change in the fair value is presented in profit or loss.

Note 4.5.2.2 provides an explanation on how the Bank classifies financial liabilities under SLFRS 9.

Under SLFRS 9, derivatives embedded in a host financial asset are no longer treated as separate derivatives. Instead such financial instruments are classified based on the business model and their contractual terms, as explained in Notes 4.5.5 and 4.5.6. The accounting treatment for derivatives embedded in financial liabilities and non-financial host contracts has not changed. The Group's accounting policies for embedded derivatives are set out in Notes 25 and 40.

The classification and measurement of financial assets are made on the basis of the facts and circumstances given below.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial

liabilities as measured at FVTPL.

- The designation of certain investments in equity instruments not held for trading as at FVTOCI.
- For financial liabilities designated at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

The Group's classification of its financial assets and liabilities is given in Notes 4.5.2.1 and 4.5.2.2. The quantitative impact of applying SLFRS 9 as at 1 January 2018 is disclosed in Note 62.

#### 4.1.1.2 Changes to the Impairment calculation

The adoption of SLFRS 9 has fundamentally changed the Group's accounting for loan impairment charge by replacing the incurred loss approach under LKAS 39 with a forward looking expected credit loss (ECL) approach. SLFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts but not to equity investments. Under SLFRS 9 credit impairment charge are recognised earlier than under LKAS 39.

The allowance is based on the ECLs associated with the Probability of Default (PD) in the next twelve months unless there

has been a significant increase in credit risk since origination. Lifetime ECL is provided for financial assets for which the credit risk has increased significantly from initial recognition and the credit impaired assets subsequent to initial recognition. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

If a debt security had low credit risk at the date of initial application of SLFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

Details of the Group's credit impairment method are disclosed in Note 27.

#### 4.1.2 SLFRS 7 (Revised) – Financial Instruments: Disclosures

The Group adopted SLFRS 7 together with SLFRS 9, effective from 1 January 2018 to reflect the differences between SLFRS 9 and LKAS 39. Changes including transition disclosures as shown in Note 62 together with detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are disclosed as per the requirements of the Standards in Note 27. Movements during the year in the ECL allowances are presented in Note 27.

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### 4.1.3 SLFRS 15 – “Revenue from Contracts with Customers”

SLFRS 15 became effective for financial periods beginning on or after 1 January 2018. The core principle of SLFRS 15 is that an entity has to recognise revenue to depict the transfer of promised goods or services to customers. This core principle is delivered in a five-step model framework as disclosed below.

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when the entity satisfies a performance obligation

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment. The Group did not have any material impact on its fee and commission income with the adoption of SLFRS 15 for the year beginning 1 January 2018.

### 4.2 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 – “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 Off-shore 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.

### 4.2.1 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, 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.

### 4.2.2 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.

### 4.3 Foreign Currency Translations

#### 4.3.1 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 "Net other operating income" (Note 13) 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. 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.

#### 4.3.2 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 .

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.

### 4.4 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

### 4.5 Financial Assets and Financial Liabilities

#### 4.5.1 Recognition and de-recognition of financial instruments

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. Loans and receivables are recognised when cash is advanced (or settled) to the borrowers. Financial assets at fair value through profit or loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs.

The Group derecognises a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of

## NOTES TO THE FINANCIAL STATEMENTS

ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

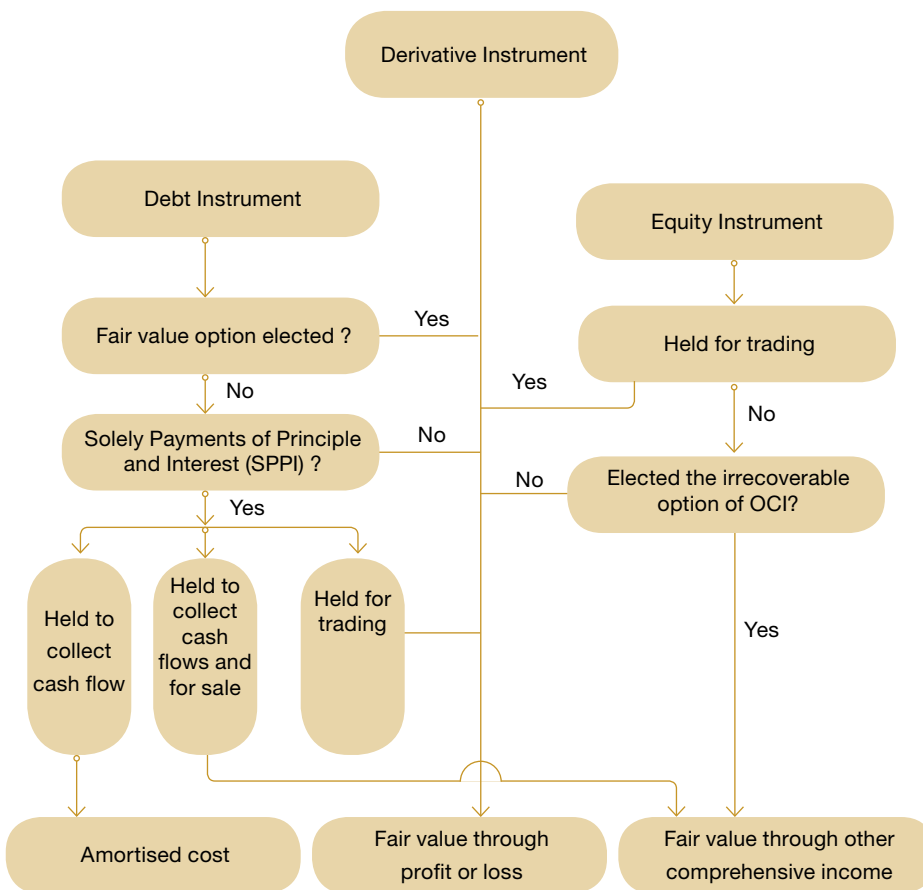
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as 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.

### 4.5.2 Classification of Financial Assets and Financial Liabilities

As per SLFRS 9, the classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets' cash flows. The following diagram depicts how the Bank classifies the financial assets.

#### 4.5.2.1 At the Inception, the Financial Assets are classified in one of the following categories:

- Financial assets measured at fair value through profit or loss (Note 4.5.7 and 26)
- Financial assets at amortised cost
  - Financial assets at amortised cost - loans and advances (Note 27)



- Financial assets at amortised cost - debt and other instruments (Note 4.5.8 and 28)

- Financial assets measured at fair value through Other Comprehensive Income (Note 4.5.9 and 29)

- Financial liabilities at amortised cost - other borrowings and subordinated instruments (Note 42 and 48)

#### 4.5.2.2 At the Inception, the Financial Liabilities are classified in one of the following categories:

- Financial liabilities at amortised cost
  - Financial liabilities at amortised cost - due to depositors (Note 41)

### 4.5.3 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.

#### 4.5.4 “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.

#### 4.5.5 Business model assessment

With effect from 1 January 2018, as per SLFRS 9, the Group classifies all of its financial assets based on the business model and makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by-instrument basis because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching

the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Bank’s management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank’s stated objective for managing the financial assets is achieved and how cash flows are realised.

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 expectations, 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 going forward.

#### 4.5.6 Assessment of whether contractual cash flow characteristics are met the Solely Payments of Principal and Interest (SPPI test)

As a second step of assets classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

“Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In contrast, contractual terms that introduce a more than de minimis exposure to risks 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 payments of principal and interest on the principal amount

## NOTES TO THE FINANCIAL STATEMENTS

outstanding. In such cases, the financial asset is required to be measured at fair value through profit and loss.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money

### 4.5.7 Financial assets measured at fair value through profit or loss

Items at fair value through profit or loss comprise:

- Items held for trading purpose;
- Items specifically designated as fair value through profit or loss on initial recognition; and
- Debt instruments with contractual terms that do not

represent solely payments of principal and interest.

Financial instruments held at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the Statement of Profit or Loss as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the Statement of Profit or Loss as they arise.

Where a financial asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

#### 4.5.7.1 Financial instruments held for trading purpose

A financial instrument is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship.

Trading derivatives and trading securities are classified as held for trading and recognised at fair value in the Statement of Financial Position. Changes in fair value are recognised in "Net gains/ (losses) from trading" (Note 10) and "Net fair value gains/ (losses) from financial instruments at fair value through profit or loss" (Note 11). Interest income from financial instruments held for trading is recorded under net interest income (Note 8) while dividend

income is recorded in net gains/ (losses) from trading (Note 10) when the right to payment has been established.

#### 4.5.7.2 Financial instruments designated and measured at fair value through profit or loss

Upon initial recognition, financial instruments may be designated and measured at fair value through profit or loss. A financial asset may only be designated at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch or:

- If a host contract contains one or more embedded derivatives; or
- If financial assets and liabilities are both managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates

and is presented separately in other comprehensive income.

#### **4.5.7.3 Debt instruments with contractual terms that do not represent the solely payments of principal and interest**

Financial debt instruments which are not meet solely payments of principal and interest test will be classified as fair value through profit or loss.

#### **4.5.8 Financial assets measured at amortised cost-debt instruments**

Investments in debt instruments are measured at amortised cost where they have:

- Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- Are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using Effective Interest Rate (EIR). The measurement of credit impairment is based on the three-stage expected credit loss model described below in Note 4.5.11 Impairment of financial assets.

#### **4.5.9 Financial assets measured at fair value through Other Comprehensive Income**

#### **4.5.9.1 Debt instruments**

Investments in debt instruments are measured at fair value through Other Comprehensive Income where they have:

- Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- Are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in Other Comprehensive Income within a separate component of equity. Impairment losses or reversals, interest revenue and foreign exchange gains and losses are recognised in Profit or Loss. Upon disposal, the cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified from Other Comprehensive Income to Profit or Loss.

The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortised cost. The expected credit loss model is described below in Note 4.5.11 Impairment of financial assets.

#### **4.5.9.2 Equity instruments**

Investment in equity instruments that are neither held for trading

nor contingent consideration recognised by the Group in a business combination to which SLFRS 3- "Business Combination" applies, are measured at fair value through Other Comprehensive Income, where an irrevocable election has been made by management. For portfolios where management does not consider an irrevocable election of adopting fair value through other comprehensive income, by default such investments shall be measured at fair value through profit or loss.

Upon de-recognition, the cumulative gain or loss recognised in Other Comprehensive Income are not transferred to Profit or Loss. However, cumulative gain or loss recognised full derecognition will be transferred from Other Comprehensive Income reserve to retained earnings within the equity. Dividends on such investments are recognised in "Net other operating income" (Note 13) in the Profit or Loss.

#### **4.5.10 Reclassification of Financial Assets**

The Group reclassifies its financial assets when, and only when, the Group changes its business model for managing financial assets. If the Group reclassifies financial assets which were measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, the Group applies the reclassification prospectively from the reclassification date. The Group does not re-state any previously recognised gains, losses (including impairment losses) or interest.

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The table below summarises the treatment of gains and losses on reclassification.

Initial Measurement	Measurement after reclassification	Treatment on reclassification
Fair value through profit or loss	Amortised cost	Fair value at the reclassification date becomes its new gross carrying amount. The effective interest rate is calculated on the basis of that amount. For the purpose of applying the impairment requirements, the reclassification date is treated as the date of initial application.
Fair value through profit or loss	Fair value through other comprehensive income	The fair value of the financial asset at the reclassification date becomes its new carrying amount and the effective interest rate is determined on the basis of the fair value of the asset at the reclassification date.
Fair value through other comprehensive income	Amortised cost	The cumulative gain or loss previously recognised in Other Comprehensive Income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.
Fair value through other comprehensive income	Fair value through profit or loss	The fair value of the financial asset at the reclassification date becomes its new carrying amount. The cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified from equity to Profit or Loss as a reclassification adjustment at the reclassification date.
Amortised cost	Fair value through profit or loss	Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value at the reclassification date is recognised in Profit or Loss.
Amortised cost	Fair value through other comprehensive income	Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value at the reclassification date is recognised in Other Comprehensive Income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

### 4.5.11 Impairment of Financial Assets

The Group applies a three-stage approach in measuring Expected Credit Loss (ECL) for the following categories of financial assets that are not measured at fair value through profit or loss:

- Debt instruments measured at amortised cost and fair value through other comprehensive income;
- Loan commitments; and
- Financial guarantee contracts.

No ECL is recognised on equity investments.

The Group performs an assessment at the end of each Reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on this process financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

#### 4.5.11.1 Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised. The Bank determines 12 months ECL from customers whom are not significantly credit deteriorated.

#### 4.5.11.2 Stage 2: Lifetime ECL

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

#### 4.5.11.3 Stage 3: Lifetime ECL

Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

#### 4.5.11.4 Calculation of ECL

The Group calculates ECL based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the Effective Interest Rate (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 calculations of the Group are outlined below and the key elements are, as follows:

- **Probability of Default (PD)**  
PD 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 recognised and is still in the portfolio. The concept of PDs is further explained in Note 27.

- **Exposure At Default (EAD)**

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the Reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 27.

- **Loss Given Default (LGD)**

LGD 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 lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 27.

#### 4.5.11.5 Determining the stage for impairment

At each Reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the Reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is

relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria, or which are less than 30 days past due, are considered to have a low credit risk. The impairment provision for these financial assets is based on a 12-months ECL.

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account of instrument type, credit risk ratings, collateral type, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

#### 4.5.11.6 Measurement of ECL

ECL is derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

## NOTES TO THE FINANCIAL STATEMENTS

- Financial assets that are not credit-impaired at the Reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- Financial assets that are credit-impaired at the Reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.
- Financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

ECL is recognised in the Statement of Profit or Loss. In the case of debt instruments measured at fair value through Other Comprehensive Income, the measurement of ECL is based on the three-stage approach as applied to financial assets at amortised cost.

### 4.6 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.

### 4.7 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.

### 4.8 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.

### 4.9 Income Tax Expense and Other Taxes

#### 4.9.1 Income Tax Expense

Income tax expense comprises current and deferred tax. More details are given in Note 17.

#### 4.9.2 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% (2017– 15%) VAT as per 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.

#### 4.9.3 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 14% deduction at source after 1 April 2018. (10% up to 31 March 2018)

#### 4.9.4 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.

#### 4.9.5 Crop Insurance Levy (CIL)

As per the provisions 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.

#### 4.9.6 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.

#### 4.9.7. Debt Repayment Levy (DRL) on Financial Services

As per the Finance Act No. 35 of 2018, DRL shall be charged from every financial institution with effect from 1 October 2018. DRL is calculated at the rate of 7% on the value addition attributable to the 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

## NOTES TO THE FINANCIAL STATEMENTS

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 unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit linked fund multiplied by the unit price of those funds at the Reporting date. The fund assets and fund liabilities used to determine the unit prices at the Reporting date are valued on a basis consistent with their measurement basis in the Statement of Financial Position adjusted to take account of the effect on the liabilities of the deferred tax on unrealised gains on assets in the fund. Non-utilised contracts are subsequently carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic 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 Standard was issued by the Institute of Chartered Accountants of Sri Lanka which is not yet effective as at 31 December 2018. Accordingly, these Accounting Standard has not been applied in the preparation of the Financial Statements for the year ended 31 December 2018.

We have identified following Standard where this applies to the Group and further details are set out below:

### 6.1 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Interest income [Note 8.1]	195,393,970	171,343,888	201,809,401	177,746,357
Fee and commission income [Note 9.1]	10,699,565	9,465,330	11,088,043	9,723,455
Net gains/ (losses) from trading [Note 10]	3,431,822	2,802,048	3,468,191	2,822,168
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss [Note 11]	(681,365)	-	(717,194)	-
Net gains/ (losses) from financial investments [Note 11.1]	-	905,527	-	925,733
Net gains/ (losses) from derecognition of financial assets [Note 12]	152,029	-	153,240	-
Net other operating income [Note 13]	12,135,157	4,694,602	13,659,941	5,795,248
<b>Total income</b>	<b>221,131,178</b>	<b>189,211,395</b>	<b>229,461,622</b>	<b>197,012,961</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 at Amortised Cost (AC)
- Financial assets recognised through Profit or Loss (FVTPL)
- Financial assets measured at Fair Value Through Other Comprehensive Income (FVTOCI)

#### 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 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 impaired financial assets, adjusted EIR is calculated using estimated future cash flows.

## 8.1 Interest Income

For the year ended 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	637,183	716,983	729,559	794,400
Placements with banks	735,748	623,881	910,847	688,805
Securities purchased under resale agreements	1,277,297	1,082,293	1,275,316	1,059,185
Financial assets recognised through profit or loss measured at fair value/ Held for trading	575,655	585,342	575,809	586,073
Financial assets at amortised cost	190,735,241	167,580,587	196,834,925	173,620,948
Loans and advances	145,549,687	124,890,681	151,330,837	130,663,714
Debt and other instruments	45,185,554	-	45,504,088	-
Financial investments - Loans and receivable	-	11,540,713	-	11,661,827
Financial investments - Held to maturity	-	31,149,193	-	31,295,407
Financial assets measured at fair value through OCI/ Available for sale	1,432,846	754,802	1,482,945	996,946
<b>Total interest income</b>	<b>195,393,970</b>	<b>171,343,888</b>	<b>201,809,401</b>	<b>177,746,357</b>

Interest income on loans and advances includes interest on credit impaired assets LKR 1,052.6 million for the year 2018 (2017 : LKR 1,258.7 million).

## 8.2 Interest Expenses

For the year ended 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Due to banks	113,325	30,262	115,735	33,853
Securities sold under repurchase agreements	5,379,122	5,464,801	5,414,844	5,495,603
Financial liabilities at amortised cost				
Due to depositors	112,056,160	92,229,110	114,352,230	94,518,371
Other borrowings	7,132,964	10,249,478	7,673,665	10,510,630
Debt securities issued	-	399,087	531,478	1,147,939
Subordinated liabilities	5,154,425	4,614,958	5,031,970	4,549,859
<b>Total interest expenses</b>	<b>129,835,996</b>	<b>112,987,696</b>	<b>133,119,922</b>	<b>116,256,255</b>
<b>Net interest income</b>	<b>65,557,974</b>	<b>58,356,192</b>	<b>68,689,479</b>	<b>61,490,102</b>

## 8.3 Net Interest Income from Sri Lanka Government Securities

For the year ended 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Interest income	35,393,676	32,623,129	35,544,149	32,823,130
Less : Interest expenses	5,379,122	5,464,801	5,414,844	5,495,603
<b>Net interest income from Sri Lanka Government securities</b>	<b>30,014,554</b>	<b>27,158,328</b>	<b>30,129,305</b>	<b>27,327,527</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 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 3 months ended 31 March 2018 has been grossed up in the Financial Statements and the resulting notional tax credit amounted to a sum of LKR 793.5 million (2017 : LKR 2,165.0 million) for the Bank and LKR 804.6 million (2017 : LKR 2,206.4 million) for the Group. The Bank discontinued this practice after 31 March 2018, since similar provision is not available under the new Inland Revenue Act No. 24 of 2017. According to provisions of the Inland Revenue Act No. 24 of 2017 effect from 1 April 2018, Government Securities are excluded from WHT and the Bank was discontinued claim of notional tax credit with implementation of new Inland Revenue Act No. 24 of 2017.

## 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 specific 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	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Trade services	1,958,791	2,017,427	2,117,990	2,157,147
Debit and credit cards	3,244,546	2,646,648	3,244,546	2,646,648
Travel and remittances services	1,337,082	1,182,437	1,337,082	1,182,437
Custodial services	118,866	65,514	118,866	65,514
Retail banking services	2,290,705	2,128,212	2,299,838	2,137,580
Guarantees and related services	1,477,438	1,220,235	1,478,440	1,221,301
Other financial services	272,137	204,857	491,281	312,828
<b>Total fee and commission income</b>	<b>10,699,565</b>	<b>9,465,330</b>	<b>11,088,043</b>	<b>9,723,455</b>

## 9.2 Fee and Commission Expenses

For the year ended 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Trade services	94,307	95,306	94,307	95,306
Debit and credit cards	1,817,643	1,448,287	1,817,643	1,448,287
Travel and remittances services	97,898	105,762	97,898	105,762
Retail banking services	247,327	216,860	248,858	227,999
Guarantees and related services	10,275	8,562	10,275	8,562
Other financial services	13,278	8,525	25,858	86,458
<b>Total fee and commission expenses</b>	<b>2,280,728</b>	<b>1,883,302</b>	<b>2,294,839</b>	<b>1,972,374</b>
<b>Net fee and commission income</b>	<b>8,418,837</b>	<b>7,582,028</b>	<b>8,793,204</b>	<b>7,751,081</b>

## 10 Net Gains/ (Losses) from Trading

### Accounting Policy

Net gains/ (losses) from trading comprise foreign exchange gain or losses arising from trading activities, gains or losses arising from changes in fair value of derivative financial instruments and dividend income from trading equities.

Dividend income is recognised when the Group's right to receive the dividend is established.

For the year ended 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Foreign exchange				
From banks	4,291	1,479	19,168	20,403
From other customers	3,325,654	2,709,355	3,335,768	2,721,536
Government Securities				
Gains/ (Losses) on marked to market valuation	-	75,448	-	75,448
Gains/ (Losses) on sale	-	48,276	-	48,276
Equities				
Gains/ (Losses) on marked to market valuation	-	(174,510)	-	(170,717)
Gains/ (Losses) on sale	-	30,217	-	7,008
Dividend income	101,877	111,783	113,255	120,214
<b>Net gains/ (losses) from trading</b>	<b>3,431,822</b>	<b>2,802,048</b>	<b>3,468,191</b>	<b>2,822,168</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 11 Net Fair Value Gains/ (Losses) from Financial Instruments at Fair Value through Profit or Loss

#### Accounting Policy

Net gains/ (losses) on financial assets at fair value through profit or loss includes unrealised gains or losses from investment in equities and debt instruments classified as fair value through profit or loss due to changes in fair value of such instruments.

For the year ended 31 December	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Gains/ (Losses) on marked to market valuation of				
Fixed income securities	(10,268)	-	(10,268)	-
Equities	(226,795)	-	(259,736)	-
Unit Trust	(444,302)	-	(447,190)	-
<b>Net fair value gains/ (losses) on financial instruments at fair value through profit or loss</b>	<b>(681,365)</b>	<b>-</b>	<b>(717,194)</b>	<b>-</b>

### 11.1 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	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Financial investments - Available for sale				
Gains/ (Losses) on sale of Government securities	-	332,937	-	332,937
Dividend income	-	572,590	-	592,796
<b>Net gains/ (losses) from financial investments</b>	<b>-</b>	<b>905,527</b>	<b>-</b>	<b>925,733</b>

### 12 Net Gains/ (Losses) From Derecognition of Financial Assets

Net gains/ (losses) from derecognition of financial assets include profit or loss on sale of debt instruments classified as fair value through profit or loss, amortised cost and fair value through other comprehensive income.

For the year ended 31 December	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Recognised at:				
Fair value through profit or loss	56,612	-	57,823	-
Amortised cost	-	-	-	-
Fair value through other comprehensive income	95,417	-	95,417	-
<b>Net gains/ (losses) from derecognition of financial assets</b>	<b>152,029</b>	<b>-</b>	<b>153,240</b>	<b>-</b>



## 13 Net Other Operating Income

### Accounting Policy

#### Dividend Income

Dividend income is recognised when the Bank's right to receive the dividend is established.

#### Gains/ (Losses) from Disposal of Non-Financial Assets

Net gains or losses arising from the disposal of Property, Plant and Equipment and other non current assets including investments in subsidiaries and associates are accounted for in the Statement of Profit or Loss after deducting the carrying amount of such assets and the related selling expenses from the proceeds on disposal.

#### Foreign Exchange Income

Foreign currency positions are revalued at each Reporting date. Gains/ (Losses) arising from changes in fair value are included in the Statement of Profit or Loss in the period in which they arise.

#### Rental Income

Rental income is recognised on an accrual basis. This includes rent recovered from the Bank's premises, quarters, safety lockers and lease rent recovered 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 in to during the accounting period and are recognised on the date on which the policy commences.

For the year ended 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Dividend income from Financial assets measured at fair value through OCI	284,383	-	321,923	-
Dividend income from subsidiaries and associates	309,685	76,680	-	-
Dividend income from units in unit trust	3,985	-	3,985	-
Gains/ (Losses) on revaluation of foreign exchange	7,622,372	701,621	7,622,372	701,621
Gains/ (Losses) on sale of Property, Plant and Equipment	31,014	55,105	121,350	59,399
Gains/ (Losses) on sale of foreclosed properties	73,605	70,866	73,605	70,866
Rental income	284,632	250,454	352,529	329,905
Service income	1,864,650	1,627,798	2,098,355	1,987,792
Profit from sale of gold bullion	8,951	15,342	8,951	15,342
Miscellaneous income	1,427,447	1,683,766	2,735,465	1,785,250
Gross insurance premium	-	-	96,973	632,103
Net income from Islamic banking [Note 13.1]	224,433	212,970	224,433	212,970
<b>Net other operating income</b>	<b>12,135,157</b>	<b>4,694,602</b>	<b>13,659,941</b>	<b>5,795,248</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 13.1 Net Income from Islamic Banking

For the year ended 31 December	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Income from Islamic banking operations	393,762	364,126
Less : Profit paid to investors	169,329	151,156
<b>Net income from Islamic banking</b>	<b>224,433</b>	<b>212,970</b>

### 14 Impairment Charge/ (Reversal) for Loans and Other Losses

#### Accounting Policy

The Bank and Group recognise the changes in the impairment provisions for financial instruments, which are assessed as per Sri Lanka Accounting Standard - SLFRS 9 - "Financial Instruments". Details are given under Financial assets at amortised cost - loans and advances (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".

The table below shows the provision made during the year on identified Expected Credit Losses (ECL) on financial instruments for the year recorded in the Statement of Profit or Loss.

For the year ended 31 December	Bank				Group			
	2018				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	(3,793)	-	-	(3,793)	(3,795)	-	-	(3,795)
Placements with banks	22,720	-	-	22,720	22,452	-	-	22,452
Financial assets measured at amortised cost - loans and advances	2,010,203	(2,123,633)	14,377,860	14,264,430	2,038,648	(2,116,443)	14,476,548	14,398,753
Financial assets measured at amortised cost - debt instruments	731,392	-	26,212	757,604	732,850	-	26,212	759,062
Other Investments	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,760,522</b>	<b>(2,123,633)</b>	<b>14,404,072</b>	<b>15,040,961</b>	<b>2,790,155</b>	<b>(2,116,443)</b>	<b>14,502,760</b>	<b>15,176,472</b>

The table below shows the impairment charges recorded in the Statement of Profit or Loss under Sri Lanka accounting Standard LKAS 39 "Financial instruments: Recognition and Measurement" during the year 2017:

For the year ended 31 December	Bank			Group		
	2017			2017		
	Individual impairment and other provision LKR '000	Collective impairment LKR '000	Total LKR '000	Individual impairment and other provision LKR '000	Collective impairment LKR '000	Total LKR '000
Individually Significant Loans	9,631,746	-	9,631,746	9,676,575	-	9,676,575
Retail Loans	-	8,912	8,912	-	208,314	208,314
Other investments	(300,000)	-	(300,000)	-	-	-
Total on balance sheet items	9,331,746	8,912	9,340,658	9,676,575	208,314	9,884,889
Off balance sheet items	-	-	-	-	-	-
<b>Total</b>	<b>9,331,746</b>	<b>8,912</b>	<b>9,340,658</b>	<b>9,676,575</b>	<b>208,314</b>	<b>9,884,889</b>

## 15 Personnel Expenses

### Accounting Policy

Personnel expenses include staff emoluments, contribution to defined contribution/ benefits plans and other related expenses. Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Employees are eligible for contribution to defined contribution/ benefit plans in accordance with the respective internal and external statutes and regulations.

Defined benefit plan contributions and provisions for accumulated leave are recognised in the Statement of Profit or Loss based on actuarial valuations carried out in accordance with Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits".

For the year ended 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Staff emoluments	15,153,102	13,142,117	16,593,168	14,335,669
Contributions to defined contribution plans [Note 15.1]	1,293,232	1,032,383	1,432,572	1,167,164
Contributions to defined benefit plans [Note 15.2]	(132,434)	495,125	(24,931)	562,159
Other personnel expenses	2,561,497	2,326,551	2,599,969	2,658,558
<b>Total personnel expenses</b>	<b>18,875,397</b>	<b>16,996,176</b>	<b>20,600,778</b>	<b>18,723,550</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 15.1 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 employee’s 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	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
<b>Employers' contribution to:</b>				
Bank of Ceylon/ Employees' Provident Fund	1,036,063	827,212	1,148,216	938,876
Employees' Trust Fund	257,169	205,171	284,356	228,288
<b>Total contributions to defined contribution plans</b>	<b>1,293,232</b>	<b>1,032,383</b>	<b>1,432,572</b>	<b>1,167,164</b>

### 15.2 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 47).

For the year ended 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Net expenses recognised in the profit or loss</b>				
Bank of Ceylon Pension Trust Fund [Note 47.1.1]	539,185	936,596	539,185	936,596
Bank of Ceylon Widows'/ Widowers' and Orphans' Pension Fund [Note 47.2.1]	(955,403)	(830,309)	(955,403)	(830,309)
Terminal gratuity [Note 47.3]	47,536	41,964	107,503	101,498
Bank of Ceylon Pension Fund - 2014 [Note 47.4.1]	188,251	137,767	188,251	137,767
Provision for encashment of medical leave	47,997	209,107	47,997	209,107
Pension fund - Bank of Ceylon (UK) Limited	-	-	47,536	7,500
<b>Total contributions to defined benefit plans</b>	<b>(132,434)</b>	<b>495,125</b>	<b>(24,931)</b>	<b>562,159</b>

## 16 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.

## NOTES TO THE FINANCIAL STATEMENTS

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	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Directors' emoluments	4,700	6,255	72,380	14,229
Auditors' remuneration				
Audit fees	21,657	15,145	40,264	28,220
Non-audit fees	-	-	774	127
Deposit insurance premium	1,482,361	1,615,314	1,511,220	1,643,869
Professional and legal expenses	179,349	136,301	256,187	197,102
Net revaluation loss on buildings	-	44,661	10,515	52,820
Fixed assets maintenance expenses	4,862,972	4,588,624	4,022,345	4,061,002
Fair value adjustment on gold in hand	(317,972)	(3,306,545)	(317,972)	(3,306,545)
Reinsurance premium, claims and other benefits	-	-	247,424	446,723
Office administration and establishment expenses	5,184,269	5,387,040	7,367,084	6,300,825
<b>Total other expenses</b>	<b>11,417,336</b>	<b>8,486,795</b>	<b>13,210,221</b>	<b>9,438,372</b>

## 17 Taxes

### 17.1 Taxes on Financial Services

Taxes on financial services includes Value Added Tax (VAT), Nation Building Tax (NBT) and Debt Repayment Levy (DRL) calculated based on the value addition made on financial services.

For the year ended 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Value Added Tax	7,254,211	6,395,758	7,456,591	6,554,377
Nation Building Tax	967,206	853,028	994,534	877,125
Debt Repayment Levy*	1,366,895	-	1,366,895	-
<b>Total taxes on financial services</b>	<b>9,588,312</b>	<b>7,248,786</b>	<b>9,818,020</b>	<b>7,431,502</b>

\* In accordance with Section 36 of Finance Act No. 35 of 2018, Debt Repayment Levy is charged and levied for every month commencing from October 2018 till December 2021 from every financial institution at the rate of 7% on the value addition attributable to the supply of financial services.

### 17.2 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 up to 31 March 2018 and with effect from 1 April 2018 Inland Revenue Act No. 24 of 2017.

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”.

## NOTES TO THE FINANCIAL STATEMENTS

### 17.2.1 Components of Income Tax Expense

For the year ended 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Current Tax Expense</b>				
Income tax on profits for the year	8,626,425	8,068,543	8,858,379	8,268,754
Adjustments in respect of prior years	1,097,090	860,873	1,329,632	876,874
<b>Deferred Tax Expense</b>				
Charge/ (Reversal) of deferred tax expense [Note 36]	2,689,910	101,280	2,734,006	183,290
<b>Income tax expense for the year</b>	<b>12,413,425</b>	<b>9,030,696</b>	<b>12,922,017</b>	<b>9,328,918</b>

### 17.2.2 Reconciliation of Accounting Profit and Income Tax Expense

For the year ended 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Accounting profit before income tax	31,892,154	30,342,980	32,437,170	30,815,563
Add : Dividend income from subsidiaries and associates	-	-	309,685	76,680
	<b>31,892,154</b>	<b>30,342,980</b>	<b>32,746,855</b>	<b>30,892,243</b>
Add : Disallowable expenses	25,111,053	24,093,557	26,423,772	27,755,668
	<b>57,003,207</b>	<b>54,436,537</b>	<b>59,170,627</b>	<b>58,647,911</b>
Less: Allowable expenses	14,134,254	9,198,542	15,593,182	12,690,036
Less: Tax exempt income	12,395,215	19,405,951	12,413,645	19,463,696
<b>Taxable income</b>	<b>30,473,738</b>	<b>25,832,044</b>	<b>31,163,800</b>	<b>26,494,179</b>
Current tax at rate of 28% (2017- 28%)	8,532,647	7,232,972	8,725,864	7,418,370
Effect of different tax rates in the Group	-	-	858	7,694
Effect of different tax rates in other countries	93,778	835,571	93,778	835,571
10% withholding tax on inter company dividends	-	-	37,879	7,120
Adjustment in respect of prior years	1,097,090	860,873	1,329,632	876,873
Charge/ (Reversal) of deferred tax [Note 36]	2,689,910	101,280	2,734,006	183,290
<b>Total Income tax expense</b>	<b>12,413,425</b>	<b>9,030,696</b>	<b>12,922,017</b>	<b>9,328,918</b>
The effective income tax rate (%)	38.9	29.8	39.8	30.3



**17.2.3 The Tax Liabilities of resident companies are computed at the standard rate of 28% (2017 : 28%) except following Bank operations and companies which enjoy full or partial exemptions and concessions.**

For the year ended 31 December	2018		2017
	From	Up to	
	01.04.2018	31.03.2018	
	%	%	%
<b>Tax rates applicable on local operations</b>			
BOC Travels (Private) Limited	28.0	12.0	12.0
Hotels Colombo (1963) Limited*	14.0	12.0	12.0
Ceybank Holiday Homes (Private) Limited	28.0	12.0	12.0
Koladeniya Hydropower (Private) Limited**	10.0	10.0	10.0

For the year ended 31 December	2018	2017
	%	%
<b>Tax rates applicable on foreign operations</b>		
Banking operations in Male	25.0	25.0
Banking operations in Chennai	43.0	43.0
Banking operation in Seychelles		
Up to SCR 1,000,000	25.0	25.0
Balance	33.3	33.3
Bank of Ceylon (UK) Limited	20.0	19.0

\* Investment income of the Hotels Colombo (1963) Limited and Koladeniya Hydropower (Private) Limited is subject to 28%.

\*\* 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 Board of Investment. The tax holiday ended on 31 December 2016.

After the tax exemption period, the company is liable to tax on its trading profit at a concessionary rate of 10% for 2 years and at 20% thereafter.

## NOTES TO THE FINANCIAL STATEMENTS

### 18 Share of Profits/ (Losses) of Associate Companies, Net of Tax

The aggregate of the Group's share of profit 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	
	2018 LKR '000	2017 LKR '000
Ceybank Asset Management Limited	4,920	26,600
Lanka Securities (Private) Limited	(14,602)	1,362
Transnational Lanka Records Solutions (Private) Limited	18,951	24,062
<b>Total share of profits/ (losses) of associate companies, net of tax</b>	<b>9,269</b>	<b>52,024</b>

### 19 Earnings Per Share and Dividend Per Share

#### 19.1 Basic Earnings Per Share

In accordance with the Sri Lanka Accounting Standard - LKAS 33 "Earnings Per Share", basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholder of the Bank (the numerator) by the weighted average number of ordinary shares in issue (the denominator) during the year.

For the year ended 31 December	Bank		Group	
	2018	2017	2018	2017
Profit attributable to ordinary shareholder of the Bank (LKR '000)	19,478,729	21,312,284	19,532,862	21,470,163
Weighted average number of ordinary shares in issue [Note 19.1.1]	18,643,836	11,479,452	18,643,836	11,479,452
<b>Basic earnings per share (LKR)</b>	<b>1,044.78</b>	<b>1,856.56</b>	<b>1,047.68</b>	<b>1,870.31</b>

#### 19.1.1 Weighted Average Number of Ordinary Shares in Issue

	Bank		Group	
	2018	2017	2018	2017
Number of ordinary shares in issue as at 1 January	15,000,000	10,000,000	15,000,000	10,000,000
Weighted average number of ordinary shares issued during the year	3,643,836	1,479,452	3,643,836	1,479,452
<b>Weighted average number of ordinary shares in issue as at 31 December</b>	<b>18,643,836</b>	<b>11,479,452</b>	<b>18,643,836</b>	<b>11,479,452</b>

## 19.2 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	
	2018	2017	2018	2017
Profit attributable to ordinary shareholders of the Bank (LKR '000)	19,478,729	21,312,284	19,532,862	21,470,163
Weighted average number of ordinary shares after adjusting for dilution [Note 19.2.1]	21,287,672	15,068,493	21,287,672	15,068,493
Diluted earnings per share (LKR)	915.02	1,414.36	917.57	1,424.84

### 19.2.1 Weighted Average Number of Ordinary Shares After Adjusting for Dilution

For the year ended 31 December	Bank		Group	
	2018	2017	2018	2017
Weighted average number of ordinary shares in issue [Note 19.1.1]	18,643,836	11,479,452	18,643,836	11,479,452
Weighted average number of potential ordinary shares under pending allotment during the year	2,643,836	3,589,041	2,643,836	3,589,041
Weighted average number of ordinary shares after adjusting for dilution	21,287,672	15,068,493	21,287,672	15,068,493

## 19.3 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	
	2018	2017	2018	2017
Total dividend allocated to shareholder during the year (LKR '000)	4,846,410	12,346,410	4,846,410	12,346,410
Weighted average number of ordinary shares in issue [Note 19.1.1]	18,643,836	11,479,452	18,643,836	11,479,452
Dividend per share (LKR)	259.95	1,075.52	259.95	1,075.52

## NOTES TO THE FINANCIAL STATEMENTS

### 20 Analysis of Financial Instruments by Measurement Basis

All financial assets and liabilities are measured under the following headings as per the SLFRS 9 - "Financial Instruments"

#### 20.1 Bank

As at 31 December	2018			
	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Financial Assets</b>				
Cash and cash equivalents	-	-	78,447,577	78,447,577
Balances with Central Banks	-	-	65,680,371	65,680,371
Placements with banks	-	-	40,450,089	40,450,089
Securities purchased under resale agreements	-	-	-	-
Derivative financial instruments	1,205,657	-	-	1,205,657
Loans and advances	-	-	1,429,107,181	1,429,107,181
Debt instruments	6,769,790	12,315,777	551,839,449	570,925,016
Equity instruments	2,507,508	4,383,805	-	6,891,313
<b>Total financial assets</b>	<b>10,482,955</b>	<b>16,699,582</b>	<b>2,165,524,667</b>	<b>2,192,707,204</b>

As at 31 December	2018		
	Fair value through profit or loss	Amortised cost	Total
	LKR '000	LKR '000	LKR '000
<b>Financial Liabilities</b>			
Due to banks	-	2,402,468	2,402,468
Securities sold under repurchase agreements	-	97,399,359	97,399,359
Derivative financial instruments	509,018	-	509,018
Financial liabilities at amortised cost			
Due to depositors	-	1,765,025,970	1,765,025,970
Other borrowings	-	201,792,174	201,792,174
Subordinated liabilities	-	50,827,239	50,827,239
<b>Total financial liabilities</b>	<b>509,018</b>	<b>2,117,447,210</b>	<b>2,117,956,228</b>

All financial assets and liabilities are measured under the following headings as per the LKAS 39 - "Financial Instruments: Recognition and Measurement"

As at 31 December	2017			
	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
	LKR '000	LKR '000	LKR '000	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
Loans and advances to customers	-	-	1,163,160,914	1,163,160,914
Financial investments - Loans and receivables	-	-	213,167,048	213,167,048
Financial investments - Held to maturity	-	-	308,256,082	308,256,082
Financial investments - Available for sale	-	17,921,170	-	17,921,170
<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	Amortised cost	Total
	LKR '000	LKR '000	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 depositors	-	1,546,832,036	1,546,832,036
Other borrowings	-	178,191,089	178,191,089
Subordinated liabilities	-	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>

## NOTES TO THE FINANCIAL STATEMENTS

All financial assets and liabilities are measured under the following headings as per the SLFRS 9 “Financial Instruments”

### 20.2 Group

As at 31 December	2018			
	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Financial Assets</b>				
Cash and cash equivalents	-	-	78,558,031	78,558,031
Balances with Central Banks	-	-	65,680,371	65,680,371
Placements with banks	-	-	41,681,910	41,681,910
Securities purchased under resale agreements	-	-	1,436,068	1,436,068
Derivative financial instruments	1,205,657	-	-	1,205,657
Loans and advances	-	-	1,460,618,588	1,460,618,588
Debt instruments	6,802,836	15,077,415	551,956,734	573,836,985
Equity instruments	2,780,491	5,337,784	-	8,118,275
<b>Total financial assets</b>	<b>10,788,984</b>	<b>20,415,199</b>	<b>2,199,931,702</b>	<b>2,231,135,885</b>

As at 31 December	2018		
	Fair value through profit or loss	Amortised cost	Total
	LKR '000	LKR '000	LKR '000
<b>Financial Liabilities</b>			
Due to banks	-	2,515,998	2,515,998
Securities sold under repurchase agreements		97,423,302	97,423,302
Derivative financial instruments	509,018	-	509,018
Financial liabilities at amortised cost			
Due to depositors	-	1,783,975,493	1,783,975,493
Other borrowings	-	207,053,674	207,053,674
Debt securities issued	-	4,105,681	4,105,681
Subordinated liabilities	-	50,484,487	50,484,487
<b>Total financial liabilities</b>	<b>509,018</b>	<b>2,145,558,635</b>	<b>2,146,067,653</b>

All financial assets and liabilities are measured under the following headings as per the LKAS 39 - "Financial Instruments: Recognition and Measurement".

As at 31 December	2017			
	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
	LKR '000	LKR '000	LKR '000	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
Loans and advances to customers	-	-	1,194,294,394	1,194,294,394
Financial investments - Loans and receivables	-	-	214,349,624	214,349,624
Financial investments - Held to maturity	-	-	308,750,317	308,750,317
Financial investments - Available for sale	-	22,552,292	-	22,552,292
<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	Amortised cost	Total
	LKR '000	LKR '000	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 depositors	-	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 liabilities	-	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>

## NOTES TO THE FINANCIAL STATEMENTS

### 21 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. Cash and cash equivalents are carried at amortised cost. The losses arising from impairment are recognised in “Impairment charge/ (reversal) for loans and other losses” (Note 14) in the Statement of Profit or Loss.

There were no cash and cash equivalents held by the Group that were not available for use by the Group.

As at 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Local currency in hand	35,957,753	40,267,119	36,143,018	40,459,621
Foreign currency in hand	2,425,261	1,507,867	2,432,289	1,516,294
Balances with banks	12,137,568	12,429,737	12,286,500	11,798,422
Money at call and short notice	27,934,107	18,638,385	27,703,345	24,231,025
Gross cash and cash equivalents	78,454,689	72,843,108	78,565,152	78,005,362
Less: Accumulated impairment [Note 21.1]	7,112	-	7,121	-
<b>Total cash and cash equivalents</b>	<b>78,447,577</b>	<b>72,843,108</b>	<b>78,558,031</b>	<b>78,005,362</b>

#### 21.1 Movement of Impairment During the Period

	Bank	Group
	2018	2018
	LKR '000	LKR '000
<b>Stage 1</b>		
Opening balance as at 1 January	10,905	10,916
Charge/ (Reversal) during the year	(3,793)	(3,795)
<b>Closing balance as at 31 December</b>	<b>7,112</b>	<b>7,121</b>



## 22 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	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Statutory balances with Central Banks				
Central Bank of Sri Lanka [Note 22.1]	59,405,543	64,800,808	59,405,543	64,800,808
Other Central Banks [Note 22.2]	6,274,828	3,888,204	6,274,828	3,888,204
<b>Total balances with central banks</b>	<b>65,680,371</b>	<b>68,689,012</b>	<b>65,680,371</b>	<b>68,689,012</b>

### 22.1 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 2018 was 6% (2017 : 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 Off-shore Banking Division in Sri Lanka (2017 : Nil).

### 22.2 Balances with other Central Banks

#### 22.2.1 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 2018 was 4% on its demand and term deposit liabilities (2017 : 4%).

#### 22.2.2 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 (2017 : 10%).

#### 22.2.3 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 (2017 : 13%).

## NOTES TO THE FINANCIAL STATEMENTS

### 23 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 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 upon initial recognition, designates as fair value through other comprehensive income
- Those for which may not recover substantially all of its initial investment, other than due to credit deterioration

Placement with banks are initially measured at fair value. After initial measurement, they are subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Interest income from placement 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 14) in the Statement of Profit or Loss. Certain placements with banks are written off when they are determined to be uncollectible.

As at 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Within Sri Lanka	1,108,583	4,399,062	1,781,548	4,399,062
Outside Sri Lanka	39,364,814	3,668,428	39,923,748	920,540
Gross placements with banks	40,473,397	8,067,490	41,705,296	5,319,602
Accumulated impairment [Note 23.1]	23,308	-	23,386	-
<b>Total placements with banks</b>	<b>40,450,089</b>	<b>8,067,490</b>	<b>41,681,910</b>	<b>5,319,602</b>

#### 23.1 Movement in Impairment During the Year

	Bank	Group
	2018	2018
	LKR '000	LKR '000
<b>Stage 1</b>		
Opening balance as at 1 January	588	934
Charge/ (Reversal) during the year	22,720	22,452
<b>Closing balance at 31 December</b>	<b>23,308</b>	<b>23,386</b>

## 24 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 price and resale price is recognised as "Interest income" (Note 8.1) and amortise over the life of the agreement.

As at 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
With Banks	-	15,157,328	143,398	15,195,040
With Customers	-	3,298,227	1,292,670	4,677,207
<b>Total securities purchased under resale agreements</b>	<b>-</b>	<b>18,455,555</b>	<b>1,436,068</b>	<b>19,872,247</b>

## 25 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	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Foreign Currency Derivatives</b>				
Forward exchange contracts	28,897	4,288	28,897	4,288
Currency SWAPs	1,176,760	1,614,535	1,176,760	1,614,535
<b>Total derivative financial instruments</b>	<b>1,205,657</b>	<b>1,618,823</b>	<b>1,205,657</b>	<b>1,618,823</b>

## 26 Financial Assets Recognised Through Profit or Loss - Measured at Fair Value/ Held for Trading

### Accounting Policy

Financial instruments are classified as financial assets measured at fair value through profit or loss 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. Further as per SLFRS 9, financial assets recognised through profit or loss includes all financial assets other than those classified under FVTOCI and amortised cost.

## NOTES TO THE FINANCIAL STATEMENTS

All financial assets under this category are initially and subsequently measured at fair value. Upon initial recognition, transaction cost are directly attributable to the acquisition are recognised in the Statement of Profit or Loss. Changes in fair value are recognised in “Net fair value gains/ (losses) from financial instruments at fair value through profit or loss” (Note 11) 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	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
<b>Measured at fair value</b>				
Sri Lanka Government Securities				
Treasury bills	3,533,195	4,749,058	3,533,195	4,749,058
Treasury bonds	632,810	682,169	632,810	682,169
Sri Lanka sovereign bonds*	-	166,863	-	166,863
Quoted equities [Note 26.2]	2,507,508	2,761,184	2,780,491	2,993,845
Quoted Debt Securities [Note 26.3]	-	-	1,715	4,613
Units in unit trusts** [Note 26.4]	2,603,785	-	2,635,116	-
<b>Total financial assets recognised through profit or loss - measured at fair value/ Held for trading</b>	<b>9,277,298</b>	<b>8,359,274</b>	<b>9,583,327</b>	<b>8,596,548</b>

\* Sri Lanka sovereign bonds previously classified under held for trading and measured at fair value, now classified under Financial Assets at Amortised Cost - Debt and Other Instruments in line with change of business model and meeting the criteria in SPPI test.

\*\* Units in unit trust were classified under Financial investments - Available for sale in previous years and with the implementation of SLFRS 9-“Financial Instruments”, units in unit trust are classified under Financial assets recognised through profit or loss as these investments do not meet the criteria of being classified as Financial assets measured at fair value through OCI.

### 26.1 By Currency

As at 31 December	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Sri Lankan Rupee	9,277,298	8,192,411	9,583,327	8,429,685
United State Dollar	-	166,863	-	166,863
<b>Total</b>	<b>9,277,298</b>	<b>8,359,274</b>	<b>9,583,327</b>	<b>8,596,548</b>

## 26.2 Quoted Equities

### 26.2.1 Sector Wise Composition of Quoted Equities

As at 31 December	2018			2017		
	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 26.2.2]</b>						
Bank, Finance and Insurance	13,982	13,152	0.5	13,872	15,190	0.6
Beverage, Food and Tobacco	443,337	515,638	20.6	443,439	423,214	15.3
Chemical and Pharmaceuticals	261,945	82,403	3.3	261,945	112,586	4.1
Construction and Engineering	205,814	52,192	2.1	205,814	83,247	3.0
Diversified Holdings	1,301,219	846,374	33.8	1,334,634	877,614	31.7
Footwear and Textiles	23,668	12,713	0.5	23,668	16,141	0.6
Health Care	30,545	18,804	0.7	30,545	26,017	0.9
Hotels and Travels	719,579	280,829	11.2	718,505	319,581	11.6
Investment Trusts	168,781	48,921	2.0	168,781	62,854	2.3
Land and Property	24,815	15,804	0.6	24,815	16,857	0.6
Manufacturing	647,413	301,685	12.0	647,413	446,308	16.2
Motors	148,098	67,662	2.7	149,185	78,812	2.9
Oil Palms	83,965	24,460	1.0	83,965	25,104	0.9
Plantations	142,052	51,714	2.1	142,099	61,102	2.2
Power and Energy	213,036	92,994	3.7	206,555	101,505	3.7
Services	22,759	13,136	0.5	22,759	13,486	0.5
Stores and Supplies	21,923	10,840	0.4	21,923	12,054	0.4
Telecommunications	7,496	5,008	0.2	7,496	6,099	0.2
Trading	142,914	53,179	2.1	142,914	63,413	2.3
<b>Total</b>	<b>4,623,341</b>	<b>2,507,508</b>	<b>100.0</b>	<b>4,650,327</b>	<b>2,761,184</b>	<b>100.0</b>
<b>Group [Note 26.2.3]</b>						
Bank, Finance and Insurance	161,708	121,513	4.4	145,778	117,828	3.9
Beverage, Food and Tobacco	482,259	538,583	19.4	471,658	438,292	14.6
Chemical and Pharmaceuticals	265,958	85,016	3.1	263,571	113,903	3.8
Construction and Engineering	215,351	55,906	2.0	213,559	86,250	2.9
Diversified Holdings	1,334,509	870,513	31.3	1,359,384	895,941	29.9
Footwear and Textiles	32,812	18,905	0.7	25,983	17,974	0.6
Health Care	31,045	19,160	0.7	31,045	26,432	0.9
Hotels and Travels	784,857	319,023	11.5	782,318	354,199	11.8
Information Technology	-	-	-	120	89	0.0
Investment Trusts	185,811	59,903	2.1	183,093	72,399	2.4
Land and Property	29,944	19,839	0.7	27,706	19,365	0.6
Manufacturing	696,607	337,142	12.1	688,467	477,670	16.1
Motors	148,098	67,662	2.4	151,210	80,762	2.7
Oil Palms	83,965	24,460	0.9	83,965	25,104	0.8
Plantations	144,478	53,341	1.9	143,595	62,512	2.1
Power and Energy	222,425	101,460	3.6	213,851	107,853	3.6
Services	24,015	13,888	0.5	23,775	14,265	0.5
Stores and Supplies	21,923	10,840	0.4	21,923	12,054	0.4
Telecommunications	8,246	5,766	0.2	7,496	6,099	0.2
Trading	148,251	57,571	2.1	144,655	64,854	2.2
<b>Total</b>	<b>5,022,262</b>	<b>2,780,491</b>	<b>100.0</b>	<b>4,983,152</b>	<b>2,993,845</b>	<b>100.0</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 26.2.2 Quoted Equities - Bank

As at 31 December	Bank							
	2018				2017			
	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>Bank, Finance and Insurance</b>								
Hatton National Bank PLC	61,459	13,982	214.00	13,152	61,005	13,872	249.00	15,190
		13,982		13,152		13,872		15,190
<b>Beverage, Food and Tobacco</b>								
Bairaha Farms PLC	119,942	31,789	124.70	14,957	119,942	31,789	147.30	17,667
Cargills (Ceylon) PLC	1,484,120	267,267	200.00	296,824	1,298,613	267,368	199.90	259,593
Ceylon Tobacco Company PLC	143,177	137,100	1,415.00	202,595	143,178	137,101	1,004.50	143,822
HVA Foods PLC	20,000	905	4.40	88	20,000	905	6.10	122
Lucky Lanka Milk Processing PLC - Voting	1,000,000	6,000	1.10	1,100	1,000,000	6,000	1.90	1,900
Lucky Lanka Milk Processing PLC - Non-voting	91,900	276	0.80	74	91,900	276	1.20	110
		443,337		515,638		443,439		423,214
<b>Chemical and Pharmaceuticals</b>								
Chemanax PLC	100,000	16,685	49.50	4,950	100,000	16,685	51.50	5,150
CIC Holdings PLC - Voting	770,657	124,284	39.60	30,518	770,657	124,284	62.00	47,781
CIC Holdings PLC - Non voting	416,189	40,011	30.00	12,486	416,189	40,011	47.40	19,727
Haycarb PLC	251,067	48,262	130.00	32,639	251,067	48,262	147.50	37,032
Lankem Ceylon PLC	72,400	32,703	25.00	1,810	72,400	32,703	40.00	2,896
		261,945		82,403		261,945		112,586
<b>Construction and Engineering</b>								
Access Engineering PLC	162,000	3,859	14.10	2,284	162,000	3,859	23.50	3,807
Colombo Dockyard PLC	897,622	201,955	55.60	49,908	897,622	201,955	88.50	79,440
		205,814		52,192		205,814		83,247
<b>Diversified Holdings</b>								
Aitken Spence PLC	2,596,230	360,512	47.80	124,100	2,596,230	360,512	54.60	141,754
Browns Capital PLC	200,000	991	3.50	700	200,000	991	3.20	640
Browns Investments PLC	3,073,412	13,317	1.90	5,839	3,073,412	13,317	2.60	7,991
Carson Cumberbatch PLC	313,352	141,328	170.20	53,333	313,352	141,328	176.00	55,150
Expolanka Holdings PLC	1,716,193	15,964	4.00	6,865	1,716,193	15,964	5.30	9,096
Hayleys PLC	68,097	21,556	187.00	12,734	68,097	21,556	241.00	16,411
John Keells Holdings PLC	3,299,637	575,620	159.70	526,952	3,299,657	575,620	148.50	489,999
Richard Pieris and Company PLC	6,889,225	90,662	10.50	72,337	6,889,225	90,662	13.00	89,560
Softlogic Holdings PLC	-	-	-	-	1,696,191	33,415	12.50	21,202
The Colombo Fort Land & Building PLC	149,500	10,307	15.00	2,243	149,500	10,307	19.00	2,841
Vallibel One PLC	2,427,704	70,962	17.00	41,271	2,427,704	70,962	17.70	42,970
		1,301,219		846,374		1,334,634		877,614

As at 31 December	Bank							
	2018				2017			
	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>Footwear and Textiles</b>								
Hayleys Fabric PLC	774,098	14,343	9.10	7,044	774,098	14,343	13.50	10,450
ODEL PLC	222,295	9,325	25.50	5,669	222,295	9,325	25.60	5,691
		23,668		12,713		23,668		16,141
<b>Health Care</b>								
Singhe Hospitals PLC	4,000,000	10,000	1.40	5,600	4,000,000	10,000	1.70	6,800
The Lanka Hospital Corporation PLC	309,949	20,545	42.60	13,204	309,949	20,545	62.00	19,217
		30,545		18,804		30,545		26,017
<b>Hotels and Travels</b>								
Aitken Spence Hotel Holdings PLC	2,547,422	232,670	27.00	68,780	2,547,422	232,670	29.50	75,149
Amaya Leisure PLC	593,110	53,019	40.00	23,724	569,845	53,019	51.30	29,233
Asian Hotels & Properties PLC	2,367,741	225,781	42.90	101,576	2,367,741	225,781	52.80	125,017
Citrus Leisure PLC	100,000	10,112	4.80	480	100,000	10,112	7.50	750
Eden Hotel Lanka PLC	775,550	41,864	13.50	10,470	775,550	41,864	14.20	11,013
Galadari Hotels (Lanka) PLC	37,280	566	6.90	257	61,030	927	8.00	488
Jetwing Symphony PLC	179,627	2,694	12.00	2,156	-	-	-	-
John Keells Hotels PLC	893,487	14,553	7.80	6,969	893,487	14,553	8.80	7,863
Marawila Resorts PLC	100,000	782	1.80	180	100,000	782	1.90	190
Tal Lanka Hotels PLC	447,400	30,043	13.00	5,816	447,400	30,043	15.90	7,114
Tangerine Beach Hotels PLC	50,000	5,056	36.40	1,820	50,000	5,056	52.00	2,600
The Fortress Resorts PLC	1,461,100	50,506	9.10	13,296	1,461,100	50,506	9.30	13,588
The Kingsbury PLC	224,166	3,526	15.20	3,407	304,166	4,785	13.50	4,106
Trans Asia Hotels PLC	477,200	48,407	87.80	41,898	477,200	48,407	89.00	42,470
		719,579		280,829		718,505		319,581
<b>Investment Trusts</b>								
Ambeon Holdings PLC	385,000	23,271	11.10	4,274	385,000	23,271	12.10	4,659
Ceylon Guardian Investment Trust PLC	107,847	32,747	66.10	7,129	107,847	32,747	85.00	9,167
Ceylon Investment PLC	446,203	73,124	39.00	17,402	446,203	73,124	44.70	19,945
Renuka Holdings PLC	1,211,821	39,639	16.60	20,116	1,211,821	39,639	24.00	29,083
		168,781		48,921		168,781		62,854
<b>Land and Property</b>								
Overseas Realty (Ceylon) PLC	957,792	24,815	16.50	15,804	957,792	24,815	17.60	16,857
		24,815		15,804		24,815		16,857

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Bank							
	2018				2017			
	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	196,303	26,807	57.70	11,327	196,303	26,807	84.50	16,588
ACL Cables PLC	1,005,246	45,924	37.00	37,194	1,005,246	45,924	42.40	42,622
ACME Printing & Packaging PLC	1,078,700	35,020	4.20	4,531	1,078,700	35,020	6.60	7,119
Central Industries PLC	62,560	2,575	28.10	1,758	62,560	2,575	41.00	2,565
Ceylon Grain Elevators PLC	612,498	60,754	59.50	36,444	612,498	60,754	66.10	40,486
Chevron Lubricants Lanka PLC	837,966	154,550	72.80	61,004	837,966	154,550	119.00	99,718
Kelani Tyres PLC	1,016,213	75,060	35.90	36,482	1,016,213	75,060	44.40	45,120
Lanka Cement PLC	7,265,828	63,576	2.50	18,165	7,265,828	63,576	5.70	41,415
Lanka Tiles PLC	973,200	130,512	73.10	71,141	973,200	130,512	115.00	111,918
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	3.80	12,497	3,288,600	32,322	5.80	19,074
Royal Ceramics Lanka PLC	1,399	165	74.60	104	1,399	165	114.50	160
Sierra Cables PLC	329,525	1,090	2.10	692	329,525	1,090	2.50	824
Swisstek (Ceylon) PLC	161,929	11,283	41.00	6,639	161,929	11,283	62.00	10,040
Tokyo Cement Company (Lanka) PLC - Voting	36,669	1,807	25.20	924	36,669	1,807	66.00	2,420
Tokyo Cement Company (Lanka) PLC - Non - voting	96,000	3,400	23.00	2,208	96,000	3,400	59.00	5,664
		647,413		301,685		647,413		446,308



As at 31 December	Bank							
	2018				2017			
	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>Motors</b>								
C M Holdings PLC	50,857	17,422	45.00	2,289	50,857	17,422	73.00	3,713
Diesel & Motor Engineering PLC	77,935	84,514	343.50	26,771	77,935	84,514	490.00	38,188
Sathosa Motors PLC	13,195	5,111	534.50	7,053	16,000	6,198	335.10	5,362
United Motors Lanka PLC	404,478	41,051	78.00	31,549	404,478	41,051	78.00	31,549
		148,098		67,662		149,185		78,812
<b>Oil Palms</b>								
Bukit Darah PLC	119,257	83,965	205.10	24,460	119,257	83,965	210.50	25,104
		83,965		24,460		83,965		25,104
<b>Plantations</b>								
Agalawatte Plantations PLC	45,600	4,608	14.00	638	45,600	4,608	20.00	912
Balangoda Plantations PLC	30,000	2,184	12.70	381	30,000	2,184	30.20	906
Horana Plantations PLC	513,000	43,752	15.00	7,695	513,000	43,752	26.00	13,338
Kahawatte Plantations PLC	757,436	30,638	39.90	30,222	758,536	30,683	38.90	29,507
Kegalle Plantations PLC	50,600	13,703	55.00	2,783	50,600	13,703	70.00	3,542
Kotagala Plantations PLC	729,997	34,709	6.70	4,891	486,665	34,711	12.20	5,937
Namunukula Plantations PLC	80,000	12,458	63.80	5,104	80,000	12,458	87.00	6,960
		142,052		51,714		142,099		61,102
<b>Power and Energy</b>								
Laugfs Gas PLC - Voting	168,727	4,688	18.70	3,155	168,727	4,688	23.50	3,965
Laugfs Gas PLC - Non-voting	3,420,538	142,754	15.40	52,676	3,420,538	142,754	20.00	68,411
Lotus Hydro Power PLC	173,194	1,427	4.50	779	173,194	1,427	5.80	1,005
LVL Energy Fund PLC	648,100	6,481	8.40	5,444	-	-	-	-
Panasian Power PLC	1,029,200	6,407	3.00	3,088	1,029,200	6,407	2.70	2,779
Resus Energy PLC	1,117,700	45,609	21.10	23,583	1,117,700	45,609	18.20	20,342
Vallibel Power Erathna PLC	667,050	5,670	6.40	4,269	667,050	5,670	7.50	5,003
		213,036		92,994		206,555		101,505
<b>Services</b>								
John Keells PLC	250,200	22,759	52.50	13,136	250,200	22,759	53.90	13,486
		22,759		13,136		22,759		13,486

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Bank							
	2018				2017			
	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>Stores and Supplies</b>								
Hunters & Company PLC	27,100	21,923	400.00	10,840	27,100	21,923	444.80	12,054
		21,923		10,840		21,923		12,054
<b>Telecommunications</b>								
Sri Lanka Telecom PLC	214,000	7,496	23.40	5,008	214,000	7,496	28.50	6,099
		7,496		5,008		7,496		6,099
<b>Trading</b>								
Brown & Company PLC	809,616	133,026	61.00	49,387	809,616	133,026	70.50	57,078
Ceylon & Foreign Trades PLC	830,100	8,533	3.20	2,656	830,100	8,533	6.20	5,147
C. W. Mackie PLC	25,812	1,355	44.00	1,136	25,812	1,355	46.00	1,188
		142,914		53,179		142,914		63,413
<b>Total quoted equities</b>		<b>4,623,341</b>		<b>2,507,508</b>		<b>4,650,327</b>		<b>2,761,184</b>

## 26.2.3 Quoted equities - Group

As at 31 December	Group							
	2018				2017			
	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>								
Amana Takaful PLC	-	-	-	-	500,000	450	0.80	400
Arpico Insurance PLC	8,900	165	18.30	163	-	-	-	-
Asia Asset Finance PLC	1,139,289	1,623	0.90	1,025	639,289	1,023	1.40	895
Central Finance Company PLC	50,970	6,291	88.70	4,521	46,331	5,842	92.30	4,276
Citizens Development Business Finance PLC - Non-voting	9,233	824	70.00	646	44,733	3,992	56.00	2,505
Commercial Bank of Ceylon PLC - Voting	15,000	1,759	115.00	1,725	-	-	-	-
Commercial Bank of Ceylon PLC - Non-voting	53,179	5,410	95.00	5,052	40,000	4,202	105.00	4,200
Commercial Credit and Finance PLC	22,500	1,498	28.50	641	22,500	1,498	43.00	968
DFCC Bank PLC	120,000	24,993	93.00	11,160	120,000	24,993	122.80	14,736
First Capital Holdings PLC	25,000	775	28.80	720	-	-	-	-
Hatton National Bank PLC - Voting	61,459	13,982	214.00	13,152	61,005	13,872	249.00	15,190
Hatton National Bank PLC - Non-voting	10,000	1,820	168.50	1,685	-	-	-	-
Janashakthi Insurance Company PLC	35,000	1,043	30.00	1,050	669,893	12,975	15.70	10,517
Lanka Orix Leasing Company PLC	32,500	3,431	89.90	2,922	-	-	-	-
LOLC Finance PLC	200,000	775	3.40	680	-	-	-	-
LB Finance PLC	12,500	1,645	123.00	1,538	12,500	1,645	122.10	1,526
Multi Finance PLC	20,000	280	13.90	278	-	-	-	-
National Development Bank PLC	99,374	18,797	106.80	10,613	74,286	16,253	136.40	10,133
Nations Trust Bank PLC	205,492	19,546	89.20	18,330	210,032	20,657	78.00	16,382
Orient Finance PLC	80,000	1,191	15.50	1,240	-	-	-	-
Pan Asia Banking Corporation PLC	80,000	1,341	14.80	1,184	30,000	516	15.70	471
People's Merchant Finance PLC	2,500	27	11.40	29	-	-	-	-
Sanasa Development Bank PLC	93,368	9,258	75.00	7,003	18,152	1,829	101.90	1,850
Seylan Bank PLC - Voting	141,233	13,846	78.00	11,016	137,789	13,846	87.20	12,015
Seylan Bank PLC - Non-voting	354,984	17,834	44.50	15,797	341,439	17,845	56.00	19,121
Softlogic Finance PLC	67,215	3,532	26.60	1,788	60,515	3,340	36.40	2,203
Sinhaputhra Finance PLC	5,000	45	8.80	44	-	-	-	-
The Finance Company PLC - Non-voting	200,000	1,000	1.10	220	200,000	1,000	2.20	440
Union Bank of Colombo PLC	662,828	8,977	11.00	7,291	-	-	-	-
		161,708		121,513		145,778		117,828

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Group							
	2018				2017			
	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>Beverage, Food and Tobacco</b>								
Bairaha Farms PLC	144,942	35,752	124.70	18,074	144,942	35,752	147.30	21,350
Cargills (Ceylon) PLC	1,495,784	269,569	200.00	299,157	1,298,613	267,368	199.90	259,593
Ceylon Tobacco Company PLC	143,177	137,100	1,415.00	202,595	143,178	137,101	1,004.50	143,822
Distilleries Company Of Sri Lanka PLC	55,000	1,048	16.10	886	-	-	-	-
HVA Foods PLC	36,850	988	4.40	162	45,000	1,060	6.10	275
Keells Food Products PLC	39,058	6,240	134.00	5,234	27,672	4,746	140.00	3,874
Lion Brewery Ceylon PLC	7,999	4,574	570.00	4,559	672	370	540.00	363
Lucky Lanka Milk Processing PLC - Voting	3,514,546	20,958	1.10	3,866	3,657,487	21,808	1.90	6,949
Lucky Lanka Milk Processing PLC - Non-voting	91,900	276	0.80	74	91,900	276	1.20	110
Renuka Agri Foods PLC	1,697,738	5,266	2.10	3,565	752,274	3,177	2.60	1,956
Renuka Foods PLC	29,535	488	13.90	411	-	-	-	-
		482,259		538,583		471,658		438,292
<b>Chemicals and Pharmaceuticals</b>								
Chemanex PLC	100,000	16,685	49.50	4,950	100,000	16,685	51.50	5,150
CIC Holdings PLC - Voting	798,657	125,814	39.60	31,627	772,657	124,427	62.00	47,905
CIC Holdings PLC - Non-voting	466,333	42,494	30.00	13,990	441,353	41,494	47.40	20,920
Haycarb PLC	251,067	48,262	130.00	32,639	251,067	48,262	147.50	37,032
Lankem Ceylon PLC	72,400	32,703	25.00	1,810	72,400	32,703	40.00	2,896
		265,958		85,016		263,571		113,903
<b>Construction and Engineering</b>								
Access Engineering PLC	196,950	4,445	14.10	2,777	162,000	3,859	23.50	3,807
Colombo Dockyard PLC	902,622	202,255	55.60	50,186	897,622	201,955	88.50	79,440
Lankem Developments PLC	275,000	1,900	4.10	1,128	-	-	-	-
MTD Walkers PLC	165,000	6,751	11.00	1,815	130,000	7,745	23.10	3,003
		215,351		55,906		213,559		86,250

As at 31 December	Group							
	2018				2017			
	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>Diversified Holdings</b>								
Aitken Spence PLC	2,706,230	371,623	47.80	129,358	2,706,230	371,623	54.60	147,760
Browns Capital PLC	200,000	991	3.50	700	200,000	991	3.20	640
Browns Investments PLC	4,373,412	17,322	1.90	8,309	3,823,412	15,799	2.60	9,941
Carson Cumberbatch PLC	313,352	141,328	170.20	53,333	313,352	141,328	176.00	55,150
Dunamis Capital PLC	-	-	-	-	27,500	719	23.40	644
Expolanka Holdings PLC	2,441,193	19,512	4.00	9,765	1,716,193	15,964	5.30	9,096
Hayleys PLC	68,097	21,556	187.00	12,734	68,597	21,697	241.00	16,532
Hemas Holdings PLC	12,500	1,176	88.80	1,110	-	-	-	-
John Keells Holdings PLC	3,331,028	580,499	159.70	531,965	3,336,028	581,139	148.50	495,400
Melstacorp PLC	7,756	465	50.30	390	5,000	305	59.50	298
Richard Pieris and Company PLC	6,919,225	90,975	10.50	72,652	6,889,225	90,662	13.00	89,560
Softlogic Holdings PLC	50,000	1,030	21.50	1,075	1,696,191	33,415	12.50	21,202
Sunshine Holdings PLC	60,712	3,531	53.80	3,266	35,211	2,119	57.00	2,007
Taprobane Holdings PLC	250,000	1,283	4.00	1,000	30,000	180	5.50	165
The Colombo Fort Land & Building PLC	194,299	11,531	15.00	2,914	194,299	11,531	19.00	3,692
Vallibel One PLC	2,467,189	71,687	17.00	41,942	2,477,704	71,912	17.70	43,854
		1,334,509		870,513		1,359,384		895,941
<b>Footwear and Textiles</b>								
Ceylon Leather Products PLC	-	-	-	-	8,000	615	60.40	483
Hayleys Fabric PLC	1,454,506	23,487	9.10	13,236	874,098	16,043	13.50	11,800
ODEL PLC	222,295	9,325	25.50	5,669	222,295	9,325	25.60	5,691
		32,812		18,905		25,983		17,974
<b>Health Care</b>								
Ceylon Hospitals PLC	5,000	500	71.10	356	5,000	500	83.00	415
Singhe Hospital PLC	4,000,000	10,000	1.40	5,600	4,000,000	10,000	1.70	6,800
The Lanka Hospital Corporation PLC	309,949	20,545	42.60	13,204	309,949	20,545	62.00	19,217
		31,045		19,160		31,045		26,432

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Group							
	2018				2017			
	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	27.00	70,487	2,610,641	238,463	29.50	77,014
Asian Hotels & Properties PLC	2,375,782	226,206	42.90	101,921	2,367,741	225,781	52.80	125,017
Amaya Leisure PLC	593,110	53,019	40.00	23,724	569,845	53,019	51.30	29,233
Bensei Royal Resorts Hikkaduwa PLC	-	-	-	-	100,000	100	0.80	80
Beruwala Resorts PLC	200,000	180	0.70	140	-	-	-	-
Citrus Leisure PLC	100,000	10,112	4.80	480	100,000	10,112	7.50	750
Eden Hotel Lanka PLC	890,888	45,184	13.50	12,027	903,293	45,541	14.20	12,827
Galadari Hotels (Lanka) PLC	37,280	566	6.90	257	61,030	927	8.00	488
Jetwing Symphony PLC	179,627	2,694	12.00	2,156	-	-	-	-
John Keells Hotels PLC	1,093,487	16,888	7.80	8,529	968,487	15,728	8.80	8,523
Marawila Resorts PLC	100,000	782	1.80	180	100,000	782	1.90	190
Palm Garden Hotels PLC	147,472	10,928	21.40	3,156	147,472	10,928	26.10	3,849
Tal Lanka Hotels PLC	447,400	30,043	13.00	5,816	447,400	30,043	15.90	7,114
Tangerine Beach Hotels PLC	50,000	5,056	36.40	1,820	50,000	5,056	52.00	2,600
The Fortress Resorts PLC	1,461,100	50,506	9.10	13,296	1,461,100	50,506	9.30	13,588
The Kingsbury PLC	2,161,893	45,359	15.20	32,861	2,241,893	46,619	13.50	30,266
Trans Asia Hotels PLC	477,200	48,407	87.80	41,898	477,200	48,407	89.00	42,470
Waskaduwa Beach Resort PLC	110,000	464	2.50	275	50,000	306	3.80	190
		784,857		319,023		782,318		354,199
<b>Information Technology</b>								
E-Channelling PLC	-	-	-	-	15,000	120	5.90	89
		-		-		120		89

As at 31 December	Group							
	2018				2017			
	No. of ordinary shares	Cost of investment	Market price per share	Market value	No. of ordinary shares	Cost of investment	Market price per share	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
<b>Investment Trusts</b>								
Ambeon Holdings PLC	1,085,000	32,634	11.10	12,044	885,000	30,165	12.10	10,709
Ceylon Guardian Investment Trust PLC	107,847	32,747	66.10	7,129	107,847	32,747	85.00	9,167
Ceylon Investment PLC	511,930	79,535	39.00	19,965	511,933	79,536	44.70	22,883
Guardian Capital Partners PLC	18,472	1,006	24.00	443	18,472	1,006	30.10	556
Lanka Realty Investments PLC	10,000	250	20.60	206	-	-	-	-
Renuka Holdings PLC	1,211,821	39,639	16.60	20,116	1,211,821	39,639	24.00	29,084
		185,811		59,903		183,093		72,399
<b>Land and Property</b>								
Cargo Boat Development Company PLC	9,984	899	73.00	729	9,984	899	84.00	839
City Housing & Real Estate CO. PLC	35,935	178	4.90	176	-	-	-	-
Colombo Land & Development Company PLC	2,700	96	15.00	41	2,700	96	19.80	53
Commercial Development Company PLC	4,649	451	70.10	326	4,649	451	70.00	325
East West Properties PLC	45,000	768	13.00	585	8,000	120	11.30	90
Kelsey Developments PLC	2,000	70	30.40	61	-	-	-	-
Overseas Realty (Ceylon) PLC	957,792	24,815	16.50	15,804	957,792	24,815	17.60	16,858
Property Development PLC	8,532	1,057	119.20	1,017	-	-	-	-
R I L Property PLC	-	-	-	-	25,000	200	7.20	180
Seylan Developments PLC	100,000	1,610	11.00	1,100	-	-	-	-
Serendib Land PLC	-	-	-	-	75,000	1,125	13.60	1,020
		29,944		19,839		27,706		19,365
<b>Manufacturing</b>								
Abans Electricals PLC	202,720	27,449	57.70	11,697	201,303	27,327	84.50	17,010
ACL Cables PLC	1,065,246	45,924	37.00	39,414	1,055,246	48,791	42.40	44,742
ACME Printing & Packaging PLC	1,078,700	35,020	4.20	4,531	1,078,700	35,020	6.60	7,119
Alufab PLC	60,000	1,660	16.50	990	60,000	1,660	23.00	1,380
Alumex PLC	80,000	1,386	13.50	1,080	-	-	-	-
Central Industries PLC	62,560	2,575	28.10	1,758	62,560	2,575	41.00	2,565
Ceylon Grain Elevators PLC	672,498	64,940	59.50	40,014	672,498	64,940	66.10	44,452
Chevron Lubricants Lanka PLC	875,394	158,380	72.80	63,729	872,966	159,206	119.00	103,883
Dankotuwa Porcelain PLC	9,100	64	6.50	59	-	-	-	-
Kelani Tyres PLC	1,131,213	84,083	35.90	40,611	1,131,213	84,083	44.40	50,226
Lanka Cement PLC	7,265,828	63,576	2.50	18,165	7,265,828	63,576	5.70	41,415
Lanka Tiles PLC	973,200	130,512	73.10	71,141	973,200	130,512	115.00	111,918

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Group							
	2018				2017			
	No. of ordinary shares	Cost of investment	Market price per share	Market value	No. of ordinary shares	Cost of investment	Market price per share	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
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	3.80	12,497	3,288,600	32,322	5.80	19,074
Richard Pieris Exports PLC	2,000	470	214.90	430	2,000	470	177.00	354
Royal Ceramics Lanka PLC	88,399	10,722	74.60	6,595	69,722	8,905	114.50	7,983
Sierra Cables PLC	1,719,525	7,247	2.10	3,611	1,719,525	7,247	2.50	4,299
Swisstek (Ceylon) PLC	176,674	11,924	41.00	7,244	161,929	11,283	62.00	10,040
Teejay Lanka PLC	250,000	8,343	32.50	8,125	75,000	2,775	34.00	2,550
Tokyo Cement Company (Lanka) PLC - Voting	36,669	1,807	25.20	924	36,669	1,807	66.00	2,420
Tokyo Cement Company (Lanka) PLC - Non voting	171,833	5,635	23.00	3,952	96,000	3,400	59.00	5,665
		696,607		337,142		688,467		477,670
<b>Motors</b>								
C M Holdings PLC	50,857	17,422	45.00	2,289	50,857	17,422	73.00	3,713
Diesel & Motor Engineering PLC	77,935	84,514	343.50	26,771	77,935	84,514	490.00	38,188
Sathosa Motors PLC	13,195	5,111	534.50	7,053	16,000	6,198	335.10	5,362
United Motors Lanka PLC	404,478	41,051	78.00	31,549	429,478	43,076	78.00	33,499
		148,098		67,662		151,210		80,762
<b>Oil Palms</b>								
Bukit Darah PLC	119,257	83,965	205.10	24,460	119,257	83,965	210.50	25,104
		83,965		24,460		83,965		25,104



As at 31 December	Group							
	2018				2017			
	No. of ordinary shares	Cost of investment	Market price per share	Market value	No. of ordinary shares	Cost of investment	Market price per share	Market value
		LKR '000	LKR	LKR '000		LKR '000	LKR	LKR '000
<b>Plantations</b>								
Agalawatte Plantations PLC	45,600	4,608	14.00	638	45,600	4,608	20.00	912
Balangoda Plantations PLC	30,000	2,184	12.70	381	30,000	2,184	30.20	906
Elpitiya Plantations PLC	50,000	1,496	19.80	990	50,000	1,496	28.20	1,410
Horana Plantations PLC	513,000	43,752	15.00	7,695	513,000	43,752	26.00	13,338
Kahawatte Plantations PLC	757,436	30,638	39.90	30,222	758,536	30,683	38.90	29,507
Kegalle Plantations PLC	50,600	13,703	55.00	2,783	50,600	13,703	70.00	3,542
Kotagala Plantations PLC	729,997	34,709	6.70	4,891	486,665	34,711	12.20	5,937
Malwatte Valley Plantations PLC	64,634	353	4.10	265	-	-	-	-
Namunukula Plantations PLC	80,000	12,458	63.80	5,104	80,000	12,458	87.00	6,960
Watawala Plantations PLC	19,498	577	19.10	372	-	-	-	-
		144,478		53,341		143,595		62,512
<b>Power and Energy</b>								
Laugfs Gas PLC - Voting	240,171	6,256	18.70	4,491	243,727	6,650	23.50	5,728
Laugfs Gas PLC - Non voting	3,445,538	143,705	15.40	53,061	3,445,538	143,705	20.00	68,911
Lotus Hydro Power PLC	173,194	1,427	4.50	779	173,194	1,427	5.80	1,005
LVL Energy Fund PLC	648,100	6,481	8.40	5,444	-	-	-	-
Panasian Power PLC	1,529,200	7,957	3.00	4,588	1,029,200	6,407	2.70	2,779
Resus Energy PLC	1,290,437	49,016	21.10	27,228	1,290,737	49,020	18.20	23,490
Vallibel Power Erathna PLC	917,050	7,583	6.40	5,869	792,050	6,642	7.50	5,940
		222,425		101,460		213,851		107,853
<b>Services</b>								
Ceylon Tea Brokers PLC	114,778	556	2.80	321	114,778	556	4.30	494
John Keells PLC	250,200	22,759	52.50	13,136	250,200	22,759	53.90	13,486
Paragon Ceylon PLC	-	-	-	-	50,000	288	4.50	225
Renuka Capital PLC	113,500	700	3.80	431	13,500	172	4.50	60
		24,015		13,888		23,775		14,265
<b>Stores and Supplies</b>								
Hunters & Company PLC	27,100	21,923	400.00	10,840	27,100	21,923	444.80	12,054
		21,923		10,840		21,923		12,054

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Group							
	2018				2017			
	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>Telecommunications</b>								
Dialog Axiata PLC	75,000	750	10.10	758	-	-	-	-
Sri Lanka Telecom PLC	214,000	7,496	23.40	5,008	214,000	7,496	28.50	6,099
		8,246		5,766		7,496		6,099
<b>Trading</b>								
Brown & Company PLC	881,625	138,363	61.00	53,779	828,677	134,637	70.50	58,422
Ceylon & Foreign Trades PLC	830,100	8,533	3.20	2,656	830,100	8,533	6.20	5,146
C. W. Mackie PLC	25,812	1,355	44.00	1,136	25,812	1,355	46.00	1,186
Tess Agro PLC	-	-	-	-	100,000	130	1.00	100
		148,251		57,571		144,655		64,854
<b>Total quoted equities</b>		<b>5,021,880</b>		<b>2,780,491</b>		<b>4,983,152</b>		<b>2,993,845</b>

### 26.3 Quoted Debt Securities

As at 31 December	Group							
	2018				2017			
	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>Listed Debentures</b>								
Commercial Credit and Finance PLC	-	-	-	-	20,000	2,141	116.25	2,325
Hatton National Bank PLC	17,500	1,600	98.00	1,715	26,000	2,377	88.00	2,288
<b>Total quoted debt securities</b>		<b>1,600</b>		<b>1,715</b>		<b>4,518</b>		<b>4,613</b>

## 26.4 Units in Unit Trusts

As at 31 December	2018			2017*		
	No. of units	Cost of investment	Market value	No. of units	Cost of investment	Market value
		LKR '000	LKR '000		LKR '000	LKR '000
<b>Bank</b>						
Ceybank Unit Trust	111,307,627	1,738,215	2,159,368	120,986,551	1,889,364	2,650,815
Ceybank Century Growth Fund	7,539,256	132,952	444,364	8,284,896	146,101	554,839
Ceybank High Yield Fund	-	-	-	29,763,086	300,000	300,164
Ceybank Surekum Gilt Edged Fund	4,921	50	53	11,389,982	114,148	120,666
<b>Total units in unit trusts</b>		<b>1,871,217</b>	<b>2,603,785</b>		<b>2,449,613</b>	<b>3,626,484</b>
<b>Group</b>						
Ceybank Unit Trust	111,307,627	1,738,215	2,159,368	120,986,551	1,889,364	2,650,815
Ceybank Century Growth Fund	7,539,256	132,952	444,364	8,284,896	146,101	554,839
Ceybank High Yield Fund	-	-	-	29,763,086	300,000	300,164
Ceybank Surekum Gilt Edged Fund	4,921	50	53	11,389,982	114,148	120,666
Comtrust Money Market Fund	163,821	1,500	1,225	163,821	1,500	2,458
First Capital Asset Management Limited	25,932	29,350	30,106	25,932	29,350	31,760
<b>Total units in unit trusts</b>		<b>1,902,067</b>	<b>2,635,116</b>		<b>2,480,463</b>	<b>3,660,702</b>

\* In the year 2017, Units in Unit Trusts have been presented under 'Financial Investments - Available for Sale' (Note 29).

## 27 Financial Assets at Amortised Cost - Loans and Advances

### Accounting Policy

"Loans and advances" include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss
- Those that the Bank, upon initial recognition, designates as fair value through OCI
- Those for which the Bank may not recover substantially all of its initial investment, other than due to credit deterioration

"Loans and advances" 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/ (reversal) for loans and other losses" (Note 14) in the Statement of Profit or Loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 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. If a write-off is later recovered, the recovery is recognised in the “Net other operating income” (Note 13).

### 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, there on.

Non-financial collaterals, including immovable and movables, are valued based on data provided by the independent professional valuers and Audited Financial Statements.

### Collaterals Repossessed

The Group’s policy is to dispose of repossessed properties through parate execution or fiscal conveys (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 renegotiate 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. The management continuously 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.

### Expected Credit Loss (ECL)

The Bank’s impairment provisioning method has fundamentally changed due to the adoption of SLFRS 9 by replacing LKAS 39 incurred loss approach with forward looking expected loss approach as mentioned in Note 4.1.1.2 to this Financial Statements. Accordingly, the Bank has recorded an expected credit loss allowance in 2018 for all loans and other debt financial assets except which are held for FVTPL, together with loan commitments and financial guarantee contracts which are commonly referred to as “financial instruments”.

The ECL allowance is based on the credit losses expected to arise over the life of the asset, the Lifetime Expected Credit Loss (LTECL) as outline in Notes 4.5.11.2 and 4.5.11.3, if there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit loss (12mECL) as outlined in Note 4.5.11.1 to the financial statements. The Bank’s policies for determining whether there has been a significant increase in credit risk are set out in this note.

Both LTECLs and 12mECLs are calculated either on an individual basis or on collective basis, depending on the nature and size of the underlying portfolio of financial instruments. The Bank’s policy for grouping financial instruments measured on a collective basis is explained in Note 4.5.11.5.

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, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank grouped its loans into Stage 1, Stage 2, Stage 3 as described in Notes 4.5.11.1 to 4.5.11.3 to this Financial Statements.

For financial assets in respect of which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced.

The components of the ECL calculation is outlined under Note 4.5.11.4 to this Financial Statements and when estimating the ECLs, the Bank considers three economic scenarios (base - case, best - case and worst - case). Each of these scenarios are associated with different loss rates.

For all products, the Bank considers the maximum period over which the credit losses are determined is the contractual life of the financial instrument.

Impairment losses and reversals are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The methodology of the ECL are summarised below:

**Stage 1** The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the Reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the Reporting date. These expected 12-month default probabilities are applied to a forecasted EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

**Stage 2** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are based over the lifetime of the facility.

**Stage 3** For loans considered credit-impaired, the Bank recognises LTECLs. The method is similar to that of Stage 2, but PD is considered as 100%.

### **Loan Commitments and Letters of Credit**

When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities, that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan, loan commitments, letters of credit, guarantees and acceptances.

### **Financial Guarantee Contracts**

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Statement of Profit or Loss, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios.

## NOTES TO THE FINANCIAL STATEMENTS

### Debt Instruments Measured at Fair Value Through OCI

The ECLs for debt instruments measured at FVTOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to Profit or Loss. The accumulated loss recognised in OCI is recycled to the Profit or Loss upon derecognition of the assets.

### Revolving Facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit card facilities, in which the Bank has the right to cancel and/ or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or canceling the facilities.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's delinquency.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made on an individual basis for individually significant loans and on a collective basis for other loans. The collective assessments are made separately for portfolios of facilities with similar homogeneous characteristics.

### Forward Looking Information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Interest rate
- Inflation
- Exchange rate
- Unemployment rates
- Average Loan to Value
- Government policies, status of the industry and impact of regulatory changes etc.

### Impairment Assessment

#### Definition of Default upgrade

The Bank considers a financial instrument defaulted and therefore assessed in Stage 3 (as credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments or the credit facility/ customer is classified as a non performing advance in accordance with Central Bank of Sri Lanka (CBSL) directions.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Reduction/ downgrading of internal rating of the borrower indicating default or near-default
- Modifications of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants etc. (restructuring)
- The borrower having past due liabilities to other financial institutions
- Existing or forecast adverse changes in business operations including geographical locations or natural catastrophes, financial or economic condition that are expected to cause significant change in the borrower's ability to meet its obligation
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's operating results or the loss of a major customer
- Customer is significantly subject to litigation, that severely affects the performance of the credit facility
- 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
- Significant changes such as reduction in financial support from a parent entity or other affiliate or an actual or expected reductions in borrowers economic incentives to make scheduled contractual payments
- Delay in the commencement of business operations/ projects by more than two years from the originally agreed date deteriorating the credit worthiness of the customer

It is the Bank's policy to consider a financial instrument as "upgraded" and therefore re-classified out of Stage 3 when none of the default criteria is no longer present. The decision whether to classify an asset as Stage 2 or Stage 1 once upgraded depends on the updated credit grade, at the time of the upgrade, and whether there has been a significant increase in credit risk compared to initial recognition. Further restructured facilities are considered as "upgraded" once a satisfactory performing period of a minimum 90 days subsequent to the first capital and/ or interest installment post-restructure is in place, while upgrading of rescheduled facilities are carried out in accordance with the Banking Act Directions No. 3 and 4 of 2008 on "Classification of Loans and Advances, Income Recognition and Provisioning".

### **Probability of Default Estimation Process**

The Bank estimates the Probability of Default (PD) based on historical information with regard to delinquency of loans and advances. In this process, historical information pertaining to 3-5 years have been used depending on the nature of the product.

### **Exposure At Default**

The Exposure At Default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan facilities, the Bank assesses the possible default events within 12 months in the calculation of the 12mECL. For Stage 2, Stage 3 and Purchased or Originated Credit Impaired (POCI) financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modeling the range of possible exposure outcomes at various points in time. PDs are then assigned to the EAD so derived.

## NOTES TO THE FINANCIAL STATEMENTS

### Loss Given Default

The Bank segments its lending portfolio into homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The loss given default is estimated based on historically collected loss data.

### Significant Increase in Credit Risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses 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 borrower becomes 30 days past due from the contractual due date.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/ facility to the watch list, or reschedulement or restructure. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets, the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

### Grouping Financial Assets Measured on an Individual Basis/ Collective Basis

ECLs are calculated either on a collective or an individual basis depends on the following factors.

The Bank calculates ECL on an individual basis for corporate & SME exposures identified as individually significant loans and investments in debt securities. All other exposures other than the above together with individually significant exposures not attracting an ISL provision are assessed for ECL on a collective basis. The Bank groups these exposures into smaller homogeneous portfolios, based on product type, sector and customer segment.

### 27.1 Financial Assets at Amortised Cost - Loans and Advances

As at 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Gross loans and advances	1,510,534,078	1,219,914,481	1,544,355,486	1,252,363,356
Stage 1	1,294,790,735	-	1,319,427,641	-
Stage 2	78,528,007	-	82,329,469	-
Stage 3	137,215,336	-	142,598,376	-
Less : Accumulated impairment	81,426,897	56,753,567	83,736,898	58,068,962
Stage 1 [Note 27.2.1]	10,091,396	-	10,437,278	-
Stage 2 [Note 27.2.1]	10,140,798	-	10,383,179	-
Stage 3 [Note 27.2.1]	61,194,703	-	62,916,441	-
Allowance for individual impairment [Note 27.2.2]	-	29,085,605	-	29,562,684
Allowance for collective impairment [Note 27.2.2]	-	27,667,962	-	28,506,278
<b>Net loans and advances</b>	<b>1,429,107,181</b>	<b>1,163,160,914</b>	<b>1,460,618,588</b>	<b>1,194,294,394</b>



### 27.1.1 Analysis of Gross Loans and Advances - by Product

As at 31 December	Bank					
	2018			2017		
	Local currency loans	Foreign currency loans	Total	Local currency loans	Foreign currency loans	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Term loans	332,813,980	299,677,694	632,491,674	272,136,979	246,534,672	518,671,651
Loans under schemes	68,916,645	-	68,916,645	59,211,404	48,022	59,259,426
Housing loans	67,516,430	259,951	67,776,381	57,331,605	170,674	57,502,279
Trade finance	53,171,938	37,391,521	90,563,459	46,910,127	31,728,812	78,638,939
Personal loans	207,143,891	-	207,143,891	191,248,298	-	191,248,298
Overdrafts	269,901,138	26,993,663	296,894,801	169,123,476	11,801,933	180,925,409
Credit cards	4,345,178	-	4,345,178	3,840,479	-	3,840,479
Lease rental receivables [Note 27.4]	47,746,892	215,693	47,962,585	48,199,691	236,682	48,436,373
Pawning	57,873,578	-	57,873,578	51,540,743	-	51,540,743
Foreclosed properties	1,283,378	625,879	1,909,257	1,097,220	523,495	1,620,715
Staff loans	16,774,028	12,426	16,786,454	16,000,936	9,865	16,010,801
Other	14,831,527	3,038,648	17,870,175	10,280,817	1,938,551	12,219,368
	<b>1,142,318,603</b>	<b>368,215,475</b>	<b>1,510,534,078</b>	<b>926,921,775</b>	<b>292,992,706</b>	<b>1,219,914,481</b>

As at 31 December	Group					
	2018			2017		
	Local currency loans	Foreign currency loans	Total	Local currency loans	Foreign currency loans	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Term loans	337,897,738	302,527,377	640,425,115	280,115,396	249,119,989	529,235,385
Loans under schemes	69,873,066	-	69,873,066	60,128,216	48,022	60,176,238
Housing loans	68,751,323	259,951	69,011,274	58,476,885	170,674	58,647,559
Trade finance	53,342,440	37,391,521	90,733,961	46,945,217	31,728,812	78,674,029
Personal loans	211,868,476	-	211,868,476	193,784,315	-	193,784,315
Overdrafts	269,522,956	27,088,774	296,611,730	169,120,155	11,989,037	181,109,192
Credit cards	4,345,178	-	4,345,178	3,840,479	-	3,840,479
Lease rental receivables [Note 27.4]	65,073,155	215,693	65,288,848	64,287,980	236,682	64,524,662
Pawning	59,349,689	-	59,349,689	52,240,377	-	52,240,377
Foreclosed properties	1,283,378	625,879	1,909,257	1,097,220	523,495	1,620,715
Staff loans	17,047,122	21,595	17,068,717	16,273,604	17,433	16,291,037
Other	14,831,527	3,038,648	17,870,175	10,280,817	1,938,551	12,219,368
	<b>1,173,186,048</b>	<b>371,169,438</b>	<b>1,544,355,486</b>	<b>956,590,661</b>	<b>295,772,695</b>	<b>1,252,363,356</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 27.1.2 Analysis of Gross Loans and Advances - By Currency

As at 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Sri Lankan Rupees	1,142,318,603	926,921,775	1,173,186,048	956,590,661
United States Dollar	349,705,155	277,669,866	349,705,155	277,669,866
Great Britain Pound	487,348	441,083	3,441,311	3,221,072
Maldivian Rufiyaa	7,885,935	7,730,018	7,885,935	7,730,018
Euro	619,114	434,709	619,114	434,709
Indian Rupee	8,219,428	5,589,102	8,219,428	5,589,102
Seychellois Rupee	1,229,463	798,159	1,229,463	798,159
Other	69,032	329,769	69,032	329,769
<b>Gross total</b>	<b>1,510,534,078</b>	<b>1,219,914,481</b>	<b>1,544,355,486</b>	<b>1,252,363,356</b>

### 27.2 Movement in Provision for Impairment during the year

#### 27.2.1 Movement in Provision for Impairment during the year under SLFRS 9

	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Stage 1</b>				
Opening balance as at 1 January	8,033,120	-	8,350,557	-
Charge/ (Reversal) during the year	2,010,203	-	2,038,648	-
Exchange rate variance on foreign currency impairment	48,073	-	48,073	-
Amount written-off during the year	-	-	-	-
Other movements	-	-	-	-
<b>Closing balance as at 31 December</b>	<b>10,091,396</b>	<b>-</b>	<b>10,437,278</b>	<b>-</b>

	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Stage 2</b>				
Opening balance as at 1 January	11,950,472	-	12,185,663	-
Charge/ (Reversal) during the year	(2,123,633)	-	(2,116,443)	-
Exchange rate variance on foreign currency impairment	310,827	-	310,827	-
Amount written-off during the year	-	-	-	-
Other movements	3,132	-	3,132	-
<b>Closing balance as at 31 December</b>	<b>10,140,798</b>	<b>-</b>	<b>10,383,179</b>	<b>-</b>

	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Stage 3</b>				
Opening balance as at 1 January	46,458,951	-	48,304,169	-
Charge/ (Reversal) during the year	18,844,621	-	18,943,309	-
Amount recovered during the year	(4,466,761)	-	(4,466,761)	-
Exchange rate variance on foreign currency impairment	323,523	-	323,523	-
Amount written-off during the year	(35,064)	-	(35,064)	-
Other movements	69,433	-	(152,735)	-
<b>Closing balance as at 31 December</b>	<b>61,194,703</b>	<b>-</b>	<b>62,916,441</b>	<b>-</b>

	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Movement in Total Impairment</b>				
Opening balance as at 1 January	66,442,543	-	68,840,389	-
Charge/ (Reversal) during the year	18,731,191	-	18,865,514	-
Amount recovered during the year	(4,466,761)	-	(4,466,761)	-
Exchange rate variance on foreign currency impairment	682,423	-	682,423	-
Amount written-off during the year	(35,064)	-	(35,064)	-
Other movements	72,565	-	(149,603)	-
<b>Closing balance as at 31 December</b>	<b>81,426,897</b>	<b>-</b>	<b>83,736,898</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 27.2.2 Movement in Provision for Individual and Collective Impairment during the year under LKAS 39

	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Individual Impairment</b>				
Opening balance as at 1 January	-	19,375,172	-	19,776,777
Charge/ (Reversal) during the year	-	11,713,536	-	11,758,365
Amount recovered during the year	-	(2,081,790)	-	(2,081,790)
Exchange rate variance on foreign currency impairment	-	143,324	-	143,324
Amount written-off during the year	-	(26,944)	-	(37,546)
Other movements	-	(37,693)	-	3,554
<b>Closing balance as at 31 December</b>	<b>-</b>	<b>29,085,605</b>	<b>-</b>	<b>29,562,684</b>

	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Collective impairment</b>				
Opening balance as at 1 January	-	27,731,944	-	28,407,266
Charge/ (Reversal) during the year	-	8,912	-	208,314
Exchange rate variance on foreign currency impairment	-	15,815	-	15,815
Amount written-off during the year	-	(1,153,687)	-	(1,153,687)
Other movements	-	1,064,978	-	1,028,570
<b>Closing balance as at 31 December</b>	<b>-</b>	<b>27,667,962</b>	<b>-</b>	<b>28,506,278</b>
<b>Total impairment as at 31 December</b>	<b>-</b>	<b>56,753,567</b>	<b>-</b>	<b>58,068,962</b>

### 27.3 Sensitivity Factors Used to Calculating Impairment Provisions

	Sensitivity	Sensitivity Effect on Impairment Provisions LKR'000
Change in Loss Given Default (LGD)	1%	2,469,252
	-1%	(2,469,252)
Change in Economic Factor Adjustment (EFA)	Worst case degrades by 5%	364,579
	Worst case upgrades by 5%	(172,549)
Change in deemed closed period	Advanced by one year	874,549
	Deferred by one year	(663,411)

### 27.4 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 and hire purchase receivables and presented within loans and receivables to customers in the Statement of Financial Position, after deduction of unearned lease income and the impairment for rentals doubtful of recovery. Lease receivables are collectively assessed for impairment to the Financial Statements.

As at 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Gross Lease Rentals Receivable</b>				
Less than one year	24,184,301	22,288,103	24,184,301	30,913,316
One to five years	33,098,757	35,433,813	54,871,750	47,343,619
More than five years	398,055	135,059	398,055	135,059
<b>Total lease rentals receivables</b>	<b>57,681,113</b>	<b>57,856,975</b>	<b>79,454,106</b>	<b>78,391,994</b>
Less : Unearned finance income	9,718,528	9,420,602	14,165,258	13,867,332
<b>Gross lease rentals receivable</b>	<b>47,962,585</b>	<b>48,436,373</b>	<b>65,288,848</b>	<b>64,524,662</b>
Less : Provision for impairment losses	643,537	872,631	1,522,041	1,300,106
<b>Net lease rentals receivable</b>	<b>47,319,048</b>	<b>47,563,742</b>	<b>63,766,807</b>	<b>63,224,556</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 28 Financial Assets at Amortised Cost - Debt and Other Instruments

#### Accounting Policy

Financial assets measured at amortised cost - debt and other instruments 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 14).

As at 31 December	Bank	Group
	2018 LKR '000	2018 LKR '000
Government securities		
Treasury bills	82,811,177	82,827,270
Treasury bonds	242,438,336	242,600,418
Sri Lanka sovereign bonds	7,098,782	7,098,782
Sri Lanka Development Bonds [Note 28.5]	195,282,304	195,282,304
Government of Sri Lanka Restructuring Bonds [Note 28.6]	8,968,474	8,968,474
Debentures [Note 28.7]	7,491,679	7,367,880
Trust certificates [Note 28.8]	676,557	676,557
Government securities - Other countries	8,857,014	8,857,014
Other Investments	-	65,142
<b>Gross financial assets at amortised cost - debt and other instruments</b>	<b>553,624,323</b>	<b>553,743,841</b>
Less: Accumulated impairment (Note 28.2)	1,784,874	1,787,107
<b>Total financial assets at amortised cost - debt and other instruments</b>	<b>551,839,449</b>	<b>551,956,734</b>

#### 28.1 By Currency

As at 31 December	Bank	Group
	2018 LKR '000	2018 LKR '000
Sri Lankan Rupee	342,386,223	342,505,741
United States Dollar	204,374,309	204,374,309
Maldivian Rufiyaa	6,863,791	6,863,791
<b>Total</b>	<b>553,624,323</b>	<b>553,743,841</b>

#### 28.2 Movement in Impairment During the Year

	Bank	Group
	2018 LKR '000	2018 LKR '000
<b>Stage 1</b>		
Opening balance as at 1 January	1,038,872	1,039,648
Charge/ (Reversal) during the year	731,392	732,850
Exchange rate adjustments and other movements	(11,602)	(11,603)
<b>Closing balance as at 31 December</b>	<b>1,758,662</b>	<b>1,760,895</b>

	Bank	Group
	2018	2018
	LKR '000	LKR '000
<b>Stage 3</b>		
Opening balance as at 1 January	-	-
Charge/ (Reversal) to income statement	26,212	26,212
<b>Closing balance as at 31 December</b>	<b>26,212</b>	<b>26,212</b>

	Bank	Group
	2018	2018
	LKR '000	LKR '000
<b>Total</b>		
Opening balance as at 1 January	1,038,872	1,039,648
Charge/ (Reversal) to income statement	757,604	759,062
Exchange rate adjustments and other movements	(11,602)	(11,603)
<b>Closing balance as at 31 December</b>	<b>1,784,874</b>	<b>1,787,107</b>

### 28.3 Financial Investments - Loans and Receivables

	Bank	Group
	2017	2017
	LKR '000	LKR '000
As at 31 December		
Sri Lanka Development Bonds [Note 28.5]	185,337,468	185,337,468
Government of Sri Lanka Restructuring Bonds [Note 28.6]	8,968,474	8,968,474
Debentures [Note 28.7]	5,641,373	5,486,875
Trust certificates [Note 28.8]	768,799	768,799
Government securities - Local	5,709,127	5,709,127
Government securities - Other countries	6,741,807	6,741,807
Other investments	-	1,337,074
<b>Total financial investments - Loans and receivables</b>	<b>213,167,048</b>	<b>214,349,624</b>

### 28.4 Financial Investments - Held to Maturity

	Bank	Group
	2017	2017
	LKR '000	LKR '000
As at 31 December		
<b>Government Securities</b>		
Treasury Bills	105,225,107	105,239,979
Treasury Bonds	202,562,239	203,041,602
Sovereign Bonds	468,736	468,736
<b>Total Financial investments - Held to maturity</b>	<b>308,256,082</b>	<b>308,750,317</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 28.5 Sri Lanka Development Bonds (US Dollar Bonds)

As at 31 December	Bank/ Group				
	2018		2017		
	Date of maturity	Cost of investment LKR '000	Amortised cost LKR '000	Cost of investment LKR '000	Amortised cost LKR '000
<b>Fixed Rate</b>					
Sri Lanka Development Bonds - Fixed Rate 5.25%	01.05.2021	126,790,053	127,908,229	-	-
Sri Lanka Development Bonds - Fixed Rate 5.70%	01.05.2022	913,750	922,492	-	-
Sri Lanka Development Bonds - Fixed Rate 5.75%	01.05.2022	913,750	922,568	-	-
Sri Lanka Development Bonds - Fixed Rate 5.80%	01.05.2022	913,750	922,644	-	-
Sri Lanka Development Bonds - Fixed Rate 5.85%	01.05.2022	913,750	922,720	-	-
Sri Lanka Development Bonds - Fixed Rate 5.90%	01.05.2022	913,750	922,796	-	-
Sri Lanka Development Bonds - Fixed Rate 5.75%	01.05.2023	913,750	922,568	-	-
<b>Floating Rate</b>					
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
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
6 months LIBOR plus 325 basis points	30.01.2019	4,568,748	4,682,037	3,821,370	3,898,627
6 months LIBOR plus 335 basis points	30.01.2019	4,568,747	4,683,995	3,821,370	3,900,266
6 months LIBOR plus 345 basis points	30.01.2019	4,568,748	4,685,953	3,821,370	3,901,905
6 months LIBOR plus 330 basis points	17.03.2019	5,482,497	5,576,639	4,585,644	4,649,581
6 months LIBOR plus 335 basis points	17.03.2019	5,482,497	5,577,436	4,585,644	4,650,249
6 months LIBOR plus 340 basis points	17.03.2019	4,875,767	4,960,909	4,078,166	4,136,216
6 months LIBOR plus 370 basis points	17.03.2020	4,568,748	4,652,513	3,821,370	3,879,106
6 months LIBOR plus 375 basis points	17.03.2020	5,482,497	5,583,813	4,585,644	4,655,595
6 months LIBOR plus 380 basis points	17.03.2020	913,750	930,768	764,274	776,043
6 months LIBOR plus 360 basis points	01.04.2020	4,568,748	4,640,590	3,821,370	3,870,952
6 months LIBOR plus 370 basis points	01.04.2020	4,568,748	4,641,740	3,821,370	3,871,916
6 months LIBOR plus 350 basis points	22.01.2022	913,750	938,642	-	-
6 months LIBOR plus 355 basis points	22.01.2022	913,750	938,849	-	-
6 months LIBOR plus 365 basis points	22.01.2022	913,750	939,261	-	-
6 months LIBOR plus 375 basis points	22.01.2022	913,750	939,673	-	-
6 months LIBOR plus 380 basis points	16.03.2022	913,750	930,930	-	-
6 months LIBOR plus 385 basis points	16.03.2022	913,750	931,064	-	-
6 months LIBOR plus 385 basis points	17.03.2022	1,827,491	1,861,802	1,528,548	1,552,310
6 months LIBOR plus 370 basis points	22.01.2023	913,750	939,467	-	-
6 months LIBOR plus 375 basis points	22.01.2023	913,750	939,674	-	-
6 months LIBOR plus 390 basis points	16.03.2023	913,750	931,199	-	-
6 months LIBOR plus 395 basis points	16.03.2023	913,750	931,333	-	-
<b>Total Sri Lanka Development Bonds</b>		<b>192,887,039</b>	<b>195,282,304</b>	<b>181,094,724</b>	<b>185,337,468</b>



## 28.6 Government of Sri Lanka Restructuring Bonds

As at 31 December	Rate %	Date of Issue	Date of Maturity	Bank/ Group			
				2018		2017	
				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>

## 28.7 Debentures

As at 31 December	Date of Maturity	Coupon Rate %	Bank					
			2018			2017		
			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	202,369	2,000,000	200,000	202,370
Citizen Development Business Finance PLC	03.06.2021	12.75	500,000	50,000	50,483	500,000	50,000	50,492
Citizen Development Business Finance PLC	27.03.2023	14.20	2,000,000	200,000	221,284	-	-	-
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	79,579	779,600	77,960	79,568
Commercial Credit and Finance PLC	01.06.2020	10.50	530,519	53,052	54,454	530,519	53,052	54,450
Commercial Credit and Finance PLC	10.12.2020	10.40	3,665,600	366,560	368,702	3,665,600	366,560	368,702
Commercial Leasing & Finance PLC	21.07.2020	9.75	750,000	75,000	82,336	750,000	75,000	82,302
DFCC Bank PLC	18.03.2019	10.63	2,500,000	250,000	270,733	2,500,000	250,000	270,729
DFCC Bank PLC	10.06.2020	9.40	332,100	33,210	34,913	332,100	33,210	34,916
DFCC Bank PLC	09.11.2021	12.15	1,892,800	189,280	192,388	1,892,800	189,280	192,391
DFCC Bank PLC	29.03.2025	13.00	2,250,000	225,000	246,866	-	-	-
First Capital Treasuries PLC	05.02.2020	9.50	500,000	50,000	54,726	500,000	50,000	54,727
Hatton National Bank PLC	28.03.2021	11.25	1,000,000	100,000	108,455	1,000,000	100,000	108,456
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	12.35	1,000,000	100,000	101,297	1,000,000	100,000	100,844
Hayleys PLC	31.07.2023	12.50	2,500,000	250,000	263,026	-	-	-
HDFC Bank of Sri Lanka	20.11.2020	10.50	2,000,000	200,000	202,307	2,000,000	200,000	202,308
Hemas Holdings PLC	29.04.2019	11.00	173,500	17,350	17,828	173,500	17,350	17,826
Kotagala Plantations PLC	26.05.2018	14.25	-	-	-	165,975	16,598	17,797
Kotagala Plantations PLC	26.05.2019	14.50	165,975	16,598	17,816	165,975	16,598	17,815
Kotagala Plantations PLC	26.05.2020	14.75	165,975	16,598	17,834	165,975	16,598	17,832
Kotagala Plantations PLC	26.05.2021	15.00	165,975	16,598	17,853	165,975	16,598	17,852
Lanka Orix Leasing Company PLC	24.11.2019	9.00	1,000,000	100,000	102,264	1,000,000	100,000	102,257
Lanka Orix Leasing Company PLC	30.07.2022	13.00	2,500,000	250,000	263,621	2,500,000	250,000	263,662
LB Finance PLC	28.11.2018	15.00	-	-	-	445,200	44,520	51,098
LB Finance PLC	11.12.2022	12.75	2,500,000	250,000	251,761	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
Merchant Bank of Sri Lanka & Finance PLC	12.11.2019	9.00	1,135,200	113,520	123,799	1,135,200	113,520	123,760
MTD Walkers PLC	30.09.2018	9.75	-	-	-	500,000	50,000	51,207

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Date of Maturity	Coupon Rate %	Bank					
			2018			2017		
			No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000	No. of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000
MTD Walkers PLC	30.09.2019	11.75	254,784	25,477	26,212	-	-	-
National Development Bank PLC	19.12.2018	13.00	-	-	-	542,700	54,270	57,834
National Development Bank PLC	24.06.2020	9.40	534,500	53,450	58,492	534,500	53,450	58,469
Nawaloka Hospitals PLC	30.09.2019	14.15	1,000,000	100,000	106,227	1,000,000	100,000	109,459
Orient Finance PLC	26.12.2019	9.05	500,000	50,000	52,414	500,000	50,000	50,073
Pan Asia Banking Corporation PLC	29.09.2019	10.00	486,112	48,611	49,827	486,112	48,611	49,818
People's Leasing & Finance PLC	23.09.2018	9.63	-	-	-	73,500	7,350	8,061
People's Leasing & Finance PLC	12.11.2019	9.60	945,000	94,500	95,672	945,000	94,500	95,672
People's Leasing & Finance PLC	16.11.2021	12.60	2,000,000	200,000	203,028	2,000,000	200,000	203,032
People's Leasing & Finance PLC	18.04.2023	12.80	2,500,000	250,000	272,037	-	-	-
Regional Development Bank	29.01.2020	9.00	4,250,000	425,000	463,107	4,250,000	425,000	463,115
Sampath Bank PLC	14.12.2019	8.25	1,000,000	100,000	108,276	1,000,000	100,000	108,265
Sampath Bank PLC	18.11.2020	9.90	898,400	89,840	90,876	898,400	89,840	90,881
Sampath Bank PLC	10.06.2021	12.75	1,500,000	150,000	160,400	1,500,000	150,000	160,400
Sampath Bank PLC	21.12.2022	12.50	2,270,000	227,000	242,232	-	-	-
Sampath Bank PLC	20.03.2023	12.50	2,500,000	250,000	258,703	-	-	-
Sanasa Development Bank PLC	31.12.2020	10.30	1,500,000	150,000	157,864	1,500,000	150,000	157,836
Sanasa Development Bank PLC	31.12.2020	10.00	1,500,000	150,000	157,635	1,500,000	150,000	157,608
Senkadagala Finance PLC	09.11.2018	13.25	-	-	-	320,000	32,000	32,578
Senkadagala Finance PLC	10.12.2018	15.00	-	-	-	817,653	81,765	82,327
Senkadagala Finance PLC	10.11.2019	13.25	320,000	32,000	32,578	320,000	32,000	32,546
Seylan Bank PLC	22.12.2019	8.60	1,500,000	150,000	150,270	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	47,870
Seylan Bank PLC	29.03.2023	12.85	2,500,000	250,000	258,133	-	-	-
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
Singer (Sri Lanka) PLC	14.03.2019	10.50	2,500,000	250,000	257,699	2,500,000	250,000	257,746
Singer (Sri Lanka) PLC	17.06.2020	9.95	309,300	30,930	34,022	309,300	30,930	34,010
Siyapatha Finance PLC	20.09.2019	13.00	1,000,000	100,000	103,472	1,000,000	100,000	103,475
Softlogic Finance PLC	29.08.2019	10.00	190,900	19,090	19,572	190,900	19,090	19,569
Sri Lanka Telecom PLC	19.04.2028	12.75	5,000,000	500,000	512,535	-	-	-
<b>Total debentures</b>			<b>7,161,114</b>	<b>7,491,679</b>		<b>5,414,000</b>	<b>5,641,373</b>	

As at 31 December	Group							
	Date of Maturity	Coupon Rate %	2018			2017		
			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	202,369	2,000,000	200,000	202,370
Citizen Development Business Finance PLC	03.06.2021	12.75	500,000	50,000	50,483	500,000	50,000	50,492
Citizen Development Business Finance PLC	27.03.2023	14.20	2,000,000	200,000	221,284	-	-	-
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	79,579	779,600	77,960	79,568
Commercial Credit and Finance PLC	01.06.2020	10.50	530,519	53,052	54,454	530,519	53,052	54,450
Commercial Credit and Finance PLC	10.12.2020	10.40	3,665,600	366,560	368,702	3,665,600	366,560	368,702
Commercial Leasing & Finance PLC	21.07.2020	9.75	750,000	75,000	82,336	750,000	75,000	82,302
DFCC Bank PLC	18.03.2019	10.63	2,500,000	250,000	270,733	2,500,000	250,000	270,729
DFCC Bank PLC	10.06.2020	9.40	332,100	33,210	34,913	332,100	33,210	34,916
DFCC Bank PLC	09.11.2021	12.15	1,892,800	189,280	192,388	1,892,800	189,280	192,391
DFCC Bank PLC	29.03.2025	13.00	2,250,000	225,000	246,866	-	-	-
First Capital Treasuries PLC	05.02.2020	9.50	500,000	50,000	54,726	500,000	50,000	54,727
Hatton National Bank PLC	28.03.2021	11.25	1,000,000	100,000	108,455	1,000,000	100,000	108,456
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	12.35	1,000,000	100,000	101,297	1,000,000	100,000	100,844
Hayleys PLC	31.07.2023	12.50	2,500,000	250,000	263,026	-	-	-
HDFC Bank of Sri Lanka	20.11.2020	10.50	2,000,000	200,000	202,307	2,000,000	200,000	202,308
Hemas Holdings PLC	29.04.2019	11.00	173,500	17,350	17,828	173,500	17,350	17,826
Kotagala Plantations PLC	26.05.2018	14.25	-	-	-	165,975	16,598	17,797
Kotagala Plantations PLC	26.05.2019	14.50	165,975	16,598	17,816	165,975	16,598	17,815
Kotagala Plantations PLC	26.05.2020	14.75	165,975	16,598	17,834	165,975	16,598	17,832
Kotagala Plantations PLC	26.05.2021	15.00	165,975	16,598	17,853	165,975	16,598	17,852
Lanka Orix Leasing Company PLC	24.11.2019	9.00	1,000,000	100,000	102,264	1,000,000	100,000	102,257
Lanka Orix Leasing Company PLC	30.07.2022	13.00	2,500,000	250,000	263,621	2,500,000	250,000	263,662
LB Finance PLC	28.11.2018	15.00	-	-	-	445,200	44,520	51,098
LB Finance PLC	11.12.2022	12.75	2,500,000	250,000	251,761	2,500,000	250,000	251,280
MTD Walkers PLC	30.09.2018	9.75	-	-	-	500,000	50,000	51,207
MTD Walkers PLC	30.09.2019	11.75	254,784	25,487	26,212	-	-	-
National Development Bank PLC	19.12.2018	13.00	-	-	-	542,700	54,270	57,834
National Development Bank PLC	24.06.2020	9.40	534,500	53,450	58,492	534,500	53,450	58,469
Nawaloka Hospitals PLC	30.09.2019	14.15	1,000,000	100,000	106,227	1,000,000	100,000	109,459
Orient Finance PLC	26.12.2019	9.05	500,000	50,000	52,414	500,000	50,000	50,073
Pan Asia Banking Corporation PLC	29.09.2019	10.00	486,112	48,611	49,827	486,112	48,611	49,818
People's Leasing & Finance PLC	26.03.2018	17.00	-	-	-	500,000	50,000	50,104
People's Leasing & Finance PLC	23.09.2018	9.63	-	-	-	73,500	7,350	8,061
People's Leasing & Finance PLC	12.11.2019	9.60	945,000	94,500	95,672	945,000	94,500	95,672
People's Leasing & Finance PLC	16.11.2021	12.60	2,000,000	200,000	203,028	2,000,000	200,000	203,032

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As at 31 December	Group							
	Date of Maturity	Coupon Rate %	2018			2017		
			No of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000	No of Debentures	Cost of Investment LKR '000	Amortised Cost LKR '000
People's Leasing & Finance PLC	18.04.2023	12.80	2,500,000	250,000	272,037	-	-	-
Regional Development Bank	29.01.2020	9.00	4,250,000	425,000	463,107	4,250,000	425,000	463,115
Sampath Bank PLC	14.12.2019	8.25	1,000,000	100,000	108,276	1,000,000	100,000	108,265
Sampath Bank PLC	18.11.2020	9.90	898,400	89,840	90,876	898,400	89,840	90,881
Sampath Bank PLC	10.06.2021	12.75	1,500,000	150,000	160,400	1,500,000	150,000	160,400
Sampath Bank PLC	21.12.2022	12.50	2,270,000	227,000	242,232	-	-	-
Sampath Bank PLC	20.03.2023	12.50	2,500,000	250,000	258,703	-	-	-
Sanasa Development Bank PLC	31.12.2020	10.00	1,500,000	150,000	157,864	1,500,000	150,000	157,608
Sanasa Development Bank PLC	31.12.2020	10.30	1,500,000	150,000	157,635	1,500,000	150,000	157,836
Senkadagala Finance PLC	09.11.2018	13.25	-	-	-	320,000	32,000	32,578
Senkadagala Finance PLC	10.12.2018	15.00	-	-	-	817,653	81,765	82,327
Senkadagala Finance PLC	10.11.2019	12.50	320,000	32,000	32,578	320,000	32,000	32,546
Seylan Bank PLC	21.02.2018	15.50	-	-	-	150,000	15,000	16,973
Seylan Bank PLC	22.12.2019	8.60	1,500,000	150,000	150,270	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	47,870
Seylan Bank PLC	29.03.2023	12.85	2,500,000	250,000	258,133	-	-	-
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
Singer (Sri Lanka) PLC	14.03.2019	10.50	2,500,000	250,000	257,699	2,500,000	250,000	257,746
Singer (Sri Lanka) PLC	17.06.2020	9.95	309,300	30,930	34,022	309,300	30,930	34,010
Siyapatha Finance PLC	20.09.2019	13.00	1,000,000	100,000	103,472	1,000,000	100,000	103,475
Softlogic Finance PLC	29.08.2019	10.00	190,900	19,090	19,572	190,900	19,090	19,569
Sri Lanka Telecom PLC	19.04.2028	12.75	5,000,000	500,000	512,535	-	-	-
<b>Total debentures</b>				<b>7,047,604</b>	<b>7,367,880</b>		<b>5,271,620</b>	<b>5,486,875</b>

## 28.8 Trust Certificates

As at 31 December	Bank/ Group			
	2018		2017	
	Cost of Investment LKR '000	Amortised Cost LKR '000	Cost of Investment LKR '000	Amortised Cost LKR '000
LOLC Finance PLC	147,334	186,257	314,611	360,317
People's Leasing & Finance PLC	-	-	239,200	277,506
Sanasa Development Bank PLC	-	-	111,846	130,976
Citizen Development Bank	285,000	296,874	-	-
Softlogic Finance PLC	188,500	193,426	-	-
<b>Total trust certificates</b>	<b>620,834</b>	<b>676,557</b>	<b>665,657</b>	<b>768,799</b>

## 29 Financial Assets Measured at Fair Value Through OCI (FVTOCI)/ Available for Sale

Financial assets measured at FVTOCI include equity instruments which are elected FVTOCI option at the initial recognition and debt instruments which contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

All financial assets measured at FVTOCI are initially and subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in the "FVTOCI reserve" through Other Comprehensive Income. When the debt instrument under FVTOCI is disposed off, the cumulative gain or loss previously recognised in OCI reserve is recognised in the Statement of Profit or Loss and reflected in "Net gains/ (losses) from derecognition of financial assets" (Note 12). When the equity instrument under FVTOCI is disposed off, the cumulative gain or loss previously recognised in OCI reserve is not recognised in the Statement of Profit or Loss. Interest earned whilst holding financial assets measured at FVTOCI is reported as "Interest income" (Note 8.1) . Dividends earned whilst holding financial assets measured at FVTOCI are recognised in the Statement of Profit or Loss under in "Net Other Operating Income" (Note 13) when the right of the payment has been established.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Government Securities				
Treasury bills	4,550,469	4,044,815	5,718,800	4,236,635
Treasury bonds	6,178,278	4,153,858	6,695,168	4,945,270
In other countries	1,587,030	1,478,870	2,663,447	3,718,590
Quoted equities [Note 29.2]	3,142,087	3,687,567	4,050,702	5,009,964
Units in unit trusts * [Note 26.4]	-	3,626,484	-	3,660,702
Unquoted Equities [Note 29.3]	1,241,718	929,576	1,287,082	981,131
<b>Total financial assets measured at FVTOCI/ AFS</b>	<b>16,699,582</b>	<b>17,921,170</b>	<b>20,415,199</b>	<b>22,552,292</b>

\* Units in unit trusts have been reclassified to FVTPL in 2018 as per provisions of SLFRS 9 Financial Instruments. Refer note 26.

### 29.1 By Currency

As at 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Sri Lankan Rupee	14,100,141	15,740,421	16,739,342	18,131,843
United States Dollar	1,012,411	701,859	1,012,411	701,859
Great Britain Pound	-	-	1,076,416	2,239,720
Indian Rupee	1,587,030	1,478,870	1,587,030	1,478,870
<b>Total</b>	<b>16,699,582</b>	<b>17,921,170</b>	<b>20,415,199</b>	<b>22,552,292</b>

## 29.2 Quoted Equities

As at 31 December	Bank					
	2018			2017		
	No. of Ordinary Shares	Cost of Investment LKR '000	Market Value LKR '000	No. of Ordinary Shares	Cost of Investment LKR '000	Market Value LKR '000
National Development Bank PLC	17,587,570	867,596	1,878,385	16,995,471	787,207	2,318,182
People's Leasing & Finance PLC	11,453,600	206,165	186,694	11,453,600	206,165	194,711
Seylan Bank PLC	13,507,800	523,736	1,077,008	13,471,025	493,427	1,174,674
<b>Total quoted equities</b>		<b>1,597,497</b>	<b>3,142,087</b>		<b>1,486,799</b>	<b>3,687,567</b>

As at 31 December	Group					
	2018			2017		
	No. of Ordinary Shares	Cost of Investment LKR '000	Market Value LKR '000	No. of Ordinary Shares	Cost of Investment LKR '000	Market Value LKR '000
National Development Bank PLC	17,587,570	867,556	1,878,385	16,995,471	787,207	2,318,182
People's Leasing & Finance PLC	11,453,600	206,165	186,694	11,453,600	206,165	194,711
Seylan Bank PLC	13,807,800	523,736	1,077,008	13,471,025	493,427	1,174,674
The Lanka Hospital Corporation PLC	21,329,000	213,290	908,615	21,329,000	213,290	1,322,397
<b>Total quoted equities</b>		<b>1,810,747</b>	<b>4,050,702</b>		<b>1,700,089</b>	<b>5,009,964</b>

## 29.3 Unquoted Equities

As at 31 December	Bank					
	2018			2017		
	No. of Ordinary Shares	Cost of Investment LKR '000	Market Value LKR '000	No. of Ordinary Shares	Cost of Investment LKR '000	Market Value LKR '000
Credit Information Bureau of Sri Lanka	46,800	43,132	43,132	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	-	591,946	17,200	-	397,941
Regional Development Bank	16,448,448	162,300	162,300	16,448,448	162,300	162,300
Visa Inc.	17,438	-	420,465	17,438	-	303,918
		<b>233,662</b>	<b>1,241,718</b>		<b>232,072</b>	<b>929,576</b>
Fair value adjustment		1,012,411			701,859	
Provision for impairment [Note 29.4]		(4,355)			(4,355)	
<b>Total unquoted equities</b>		<b>1,241,718</b>	<b>1,241,718</b>		<b>929,576</b>	<b>929,576</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Group					
	2018			2017		
	No. of Ordinary Shares	Cost of Investment LKR '000	Market Value LKR '000	No. of Ordinary Shares	Cost of Investment LKR '000	Fair Value LKR '000
Ceylinco Investment Company Limited	500,000	5,000	-	500,000	5,000	-
Credit Information Bureau of Sri Lanka	47,340	43,185	43,185	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	21,420	2,500,000	20,000	26,500
Magpek Export Limited	300,000	4,355	-	300,000	4,355	-
MasterCard Incorporated	17,200	-	591,946	17,200	-	397,941
Mega Containers Limited	1,000,000	10,000	22,601	1,000,000	10,000	23,794
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	1,290	2,506,562	17,546	1,207
Visa Inc.	17,438	-	420,465	17,438	-	303,918
		<b>290,361</b>	<b>1,287,082</b>		<b>288,772</b>	<b>981,131</b>
Fair value adjustment		1,026,432			722,153	
Provision for impairment [Note 29.4]		(29,711)			(29,794)	
<b>Total unquoted equities</b>		<b>1,287,082</b>	<b>1,287,082</b>		<b>981,131</b>	<b>981,131</b>

### 29.4 Movement in Impairment during the year

	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
<b>Stage 1</b>				
Opening balance as at 1 January	4,355	4,355	29,794	30,236
Charge/ (Reversal) during the year	-	-	(83)	(442)
<b>Closing balance as at 31 December</b>	<b>4,355</b>	<b>4,355</b>	<b>29,711</b>	<b>29,794</b>



## 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	Bank	
	2018	2017
	LKR '000	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	400,000
<b>Carrying value of investment in subsidiary companies</b>	<b>6,513,048</b>	<b>6,513,048</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 30.1 Movement in Investment in Subsidiary Companies

	2018 LKR '000	2017 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 \*

	2018 LKR '000	2017 LKR '000
Balance as at 1 January	400,000	700,000
Impairment charge/ (reversal) during the year	-	(300,000)
<b>Balance as at 31 December</b>	<b>400,000</b>	<b>400,000</b>

\* The Bank has made the provision of impairment for investment in Bank of Ceylon (UK) Limited.

### 30.3 Investment in Quoted Subsidiaries

As at 31 December	Bank			
	2018		2017	
	Cost LKR '000	Market Value LKR '000	Cost LKR '000	Market Value LKR '000
Property Development PLC (63,064,957 Ordinary shares )	860,270	7,517,343	860,270	6,120,211
Merchant Bank of Sri Lanka & Finance PLC (123,562,267 Ordinary shares )	2,254,682	1,186,198	2,254,682	1,668,091
<b>Total investment in quoted subsidiaries</b>	<b>3,114,952</b>	<b>8,703,541</b>	<b>3,114,952</b>	<b>7,788,302</b>

### 30.4 Investment in Unquoted Subsidiaries

As at 31 December	Bank			
	2018		2017	
	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	2,283,859
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>3,398,096</b>

### 30.5 Information Relating to Subsidiaries of the Bank

As at 31 December	Ownership interest held by the Bank	
	2018	2017
	%	%
<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

\* Ceybank Holiday Homes (Private) Limited, MBSL Insurance Company Limited and Koladeniya Hydropower (Private) Limited are indirect subsidiaries of the Bank.

\*\* Not in operation and in the process of liquidation.

### 30.6 Non-Controlling Interest (NCI) of Subsidiaries

	2018				
	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)	22,152	39,895	(67,383)	1,763	(3)
Accumulated balance of NCI as at 31 December (LKR '000)	165,212	561,889	(57,265)	25,299	14
Dividends paid to NCI (LKR '000)	(10,280)	-	-	2,414	-

	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)	-	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 30.7 Summarised Financial Information of Subsidiaries

For the year ended 31 December	2018				
	PDL LKR '000	MBSL LKR '000	MSS LKR '000	PDML LKR '000	TRAVELS LKR '000
<b>Statement of Profit or Loss</b>					
Total income	1,040,710	6,549,905	-	400,337	1,231,265
Profit/ (Loss) after tax	497,794	156,390	-	190,033	30,253
Other comprehensive income	(414,054)	882	-	(44)	-
Total comprehensive income	83,740	157,272	-	189,989	30,253
<b>Statement of Financial Position</b>					
Total assets	3,900,467	35,638,974	1,470	1,814,305	347,618
Total liabilities	569,348	33,331,466	472	91,614	91,569
Net assets	3,331,119	2,307,508	998	1,722,691	256,049
Dividends paid	231,000	-	-	101,000	4,500
<b>Statement of Cash Flows</b>					
Operating cash flows	264,817	(3,835,271)	-	144,728	(15,390)
Investing cash flows	106,789	1,878,702	-	(35,423)	1,622
Financing cash flows	(229,114)	1,445,713	-	(101,000)	(6,733)
Net increase/ (decrease) in cash and cash equivalents	142,492	(510,856)	-	8,305	(20,501)
<b>For the year ended 31 December</b>					
	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	996,606
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

For the year ended 31 December	2018				
	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	207,064	72,538	207,731	115,920	599,206
Profit/ (Loss) after tax	(31,087)	(1,651)	(180,459)	39,610	18,433
Other comprehensive income	1,289	-	(3)	77	342,346
Total comprehensive income	(29,798)	(1,651)	(180,462)	39,687	360,779
<b>Statement of Financial Position</b>					
Total assets	297,083	36,878	1,278,366	486,288	36,707,727
Total liabilities	152,284	35,817	1,431,728	47,721	33,605,300
Net assets	144,799	1,061	(153,362)	438,567	3,102,427
Dividends paid	4,332	-	-	54,250	-
<b>Statement of Cash Flows</b>					
Operating cash flows	(17,234)	2,223	28,320	44,203	29,910
Investing cash flows	(6,962)	(591)	12,907	4,496	(4,869)
Financing cash flows	(1,300)	-	-	(54,250)	-
Net increase/ (decrease) in cash and cash equivalents	(25,496)	1,632	41,227	5,551	25,041
<b>For the year ended 31 December</b>					
<b>2017</b>					
	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)

## NOTES TO THE FINANCIAL STATEMENTS

### 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, SLFRS 9 - "Financial Instruments".

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			
	2018		2017		2018		2017	
	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	224,367	224,367	225,282	225,282
Lanka Securities (Private) Limited (3,594,857 Ordinary shares )	41,940	41,940	41,940	41,940	119,885	119,885	134,490	134,490
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	96,974	96,974	87,021	87,021
<b>Total investment in unquoted associates</b>	<b>117,988</b>	<b>92,988</b>	<b>117,988</b>	<b>92,988</b>	<b>441,226</b>	<b>441,226</b>	<b>446,793</b>	<b>446,793</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>441,226</b>	<b>441,226</b>	<b>446,793</b>	<b>446,793</b>

### 31.2 Movement in Investment in Associate Companies

	Bank		Group	
	Cost		Equity value	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	117,988	117,988	446,793	420,669
Share of profit/ (loss), net of tax	-	-	9,269	52,024
Share of other comprehensive income, net of tax	-	-	3,464	(6,600)
Share of dividends	-	-	(18,300)	(19,300)
<b>Balance as at 31 December</b>	<b>117,988</b>	<b>117,988</b>	<b>441,226</b>	<b>446,793</b>

### 31.3 Movement in Provision for Impairment of Investment in Associate Companies

	Bank	
	2018	2017
	LKR '000	LKR '000
Balance as at 1 January	25,000	25,000
Impairment charge/ (reversal) 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	
	2018	2017	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) Ltd - 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 31.5 Summarised Financial Information of Associates

For the year ended 31 December	2018		
	CAML LKR '000	LSL LKR '000	TLRS LKR '000
<b>Statement of Profit or Loss</b>			
Total income	132,829	84,394	83,723
Profit/ (Loss) before tax	38,456	(30,618)	112,512
Profit/ (Loss) after tax	27,600	(30,618)	84,549
Other comprehensive income	(8,819)	-	-
Total comprehensive income	18,781	(30,618)	84,549
<b>Statement of Financial Position</b>			
Current assets	307,709	343,056	69,236
Total assets	556,755	349,875	605,079
Current liabilities	14,490	62,242	5,891
Total liabilities	39,302	61,690	212,315
Net assets	517,453	288,185	392,764
Dividends paid	21,450	-	40,500
Dividends received to the Bank (net)	8,004	-	9,000
<b>For the year ended 31 December</b>			
	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)	8,004	-	9,000



## 32 Investment Properties

### Accounting Policy

#### Recognition

Investment property is a 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	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Cost</b>				
Balance as at 1 January	3,000,000	3,000,000	149,094	150,085
Disposals during the year	-	-	(685)	(991)
Transfers from Property, Plant and Equipment	-	-	-	-
<b>Balance as at 31 December</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>148,409</b>	<b>149,094</b>
<b>Less : Accumulated Depreciation</b>				
Balance as at 1 January	117,072	-	25,321	22,415
Charge for the year	117,072	117,072	2,906	2,906
Disposal/ Transfer	-	-	-	-
<b>Balance as at 31 December</b>	<b>234,144</b>	<b>117,072</b>	<b>28,227</b>	<b>25,321</b>
<b>Net investment properties</b>	<b>2,765,856</b>	<b>2,882,928</b>	<b>120,182</b>	<b>123,773</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 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 Bank and Group

#### 32.2.1 Bank

As at 31 December	2018						2017	
	Building (sq.ft)	Extent of Land (Perches)	Cost			Fair value	Cost Total	Fair value Total
			Land	Building	Total	Total		
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
York street building, No.02, York Street, Colombo 01	261,610	181.85	2,414,640	585,360	3,000,000	3,000,000	3,000,000	3,000,000
<b>Total</b>			<b>2,414,640</b>	<b>585,360</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>

#### 32.2.2 Group

As at 31 December	2018						2017	
	Building (sq.ft)	Extent of Land (Perches)	Cost			Fair value	Cost Total	Fair value Total
			Land	Building	Total	Total		
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Nos. 64 and 66, Nonagama Road, Pallegama, Embilipitiya	-	16.61	1,751	-	1,751	30,000	1,751	30,000
No. 385/1, Kotte Road, Pittakotte	2,896	19.01	2,958	1,730	4,688	5,298	4,688	5,298
No. 116/4, 116/7, 116/26, 116/27, 116/29 1st Cross Street, Colombo 01	-	12.35	1,249	-	1,249	2,602	1,249	2,602
No. 102 and 104, Dam Street, Colombo 12	20,368	50.70	17,970	11,989	29,959	233,000	29,959	233,000
Kumbuththukuliya watte, Bangadeniya Road, Puttalam	-	320.00	600	-	600	3,400	600	3,400
Mirissawelawatta hena, Thekkawatta Dambadeniya	-	188.00	162	-	162	600	162	600
No. 50/21, Old Kesbawa Road, Raththanapitiya, Boralesgamuwa	54,826	364.35	65,604	44,396	110,000	298,015	110,000	298,015
No. 64, Gabadawa Estate, Pitipana, Homagama	-	10.00	-	-	-	-	685	1,394
<b>Total</b>			<b>90,294</b>	<b>58,115</b>	<b>148,409</b>	<b>574,300</b>	<b>149,094</b>	<b>574,309</b>

Note : The fair value of the investment properties as at 31 December 2018 was based on market valuations carried out in the year 2013,2014 and 2016 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, F.I.V (Sri Lanka)], Mr L G T Thungasiri [(AIV) F.I.V (Sri Lanka), Dip. in Valuation (SLTC)], who are independent valuers not connected with the companies. The Directors have reviewed values of the investment properties as at 31 December 2018 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 assets is recognised on 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 PPE 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 16) as incurred.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 PPE is made on pro rata basis.

The Group's estimated useful lives for the current and comparative periods are as follows:

Freehold buildings	40 - 60 years
Office equipment	08 years
Furniture and fittings	08 years
Computer equipment	05 years
Motor vehicles	04 years
Power plant	20 years

Depreciation methods, useful lives and residual values are reassessed at each financial year end and adjusted if appropriate.

### 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 derecognition of an item of Property, Plant and Equipment is included in the "Net Other operating income" (Note 13) "Other expenses" (Note 16) 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 re-measurement 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	2018 Total	2017 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	12,692,206	3,202,731	2,136,202	12,845,291	1,573,466	43,317	157,984	32,651,197	24,760,674
<b>Additions during the year</b>									
Acquisitions	528,521	60,907	44,265	2,077,458	263,844	-	424,837	3,399,832	3,078,288
Capitalisations	-	118,918	226,225	-	-	-	(345,143)	-	-
<b>Changes in revaluation surplus/ (deficit)</b>									
Transfer of accumulated depreciation on asset revaluation	(219,304)	(20,764)	(97,454)	-	-	-	-	(337,522)	6,015,054
Disposals during the year	-	-	-	-	-	-	-	-	(986,187)
Impairment to profit/ loss	(34,139)	(3,500)	-	(250,572)	(137,296)	-	-	(425,507)	(228,671)
Exchange rate adjustments	-	-	-	29,178	2,061	-	-	31,239	12,750
Transfers/ adjustments	-	22,477	146,636	(172,615)	-	-	5,062	1,560	-
<b>As at 31 December</b>	<b>12,967,284</b>	<b>3,380,769</b>	<b>2,455,874</b>	<b>14,528,740</b>	<b>1,702,075</b>	<b>43,317</b>	<b>242,740</b>	<b>35,320,799</b>	<b>32,651,197</b>
<b>Accumulated depreciation</b>									
As at 1 January	-	849	104	8,508,989	1,051,824	43,317	-	9,605,083	9,278,511
Charge for the year	-	107,424	68,371	1,308,439	215,804	-	-	1,700,038	1,523,783
Transfer of accumulated depreciation on assets revaluation	-	-	-	-	-	-	-	-	(986,187)
Disposals during the year	-	(525)	-	(245,373)	(109,573)	-	-	(355,471)	(221,319)
Exchange rate adjustments	-	-	-	24,690	1,494	-	-	26,184	10,295
Transfers/ adjustments	-	22,476	146,636	(2,302)	-	-	-	166,810	-
<b>As at 31 December</b>	<b>-</b>	<b>130,224</b>	<b>215,111</b>	<b>9,594,443</b>	<b>1,159,549</b>	<b>43,317</b>	<b>-</b>	<b>11,142,644</b>	<b>9,605,083</b>
<b>Net book value as at</b>									
<b>31 December 2018</b>	<b>12,967,284</b>	<b>3,250,545</b>	<b>2,240,763</b>	<b>4,934,297</b>	<b>542,526</b>	<b>-</b>	<b>242,740</b>	<b>24,178,155</b>	<b>-</b>
<b>Net book value as at</b>									
<b>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>-</b>	<b>23,046,114</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 33.2 Group

	Freehold land	Freehold building	Buildings on leasehold land	Equipment [Note 33.12.2]	Motor vehicles	Leasehold motor vehicles	Capital work in progress	2018 Total	2017 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	15,575,074	6,299,246	9,874,476	14,337,783	1,719,374	55,894	214,236	48,076,083	39,265,407
<b>Additions during the year</b>									
Acquisitions	528,521	63,544	51,960	2,172,539	281,339	18,790	453,223	3,569,916	3,197,313
Capitalisations	-	118,918	226,225	-	-	-	(345,143)	-	-
<b>Changes in revaluation surplus/ (deficit)</b>									
Transfer of accumulated depreciation on asset revaluation	(219,304)	(40,725)	396,911	-	-	-	-	136,882	6,353,428
Transfer of accumulated depreciation on asset revaluation	-	-	-	-	-	-	-	-	(1,328,330)
Disposals during the year	(44,100)	(6,443)	(4,849)	(310,527)	(137,296)	(7,991)	(6,755)	(517,961)	(265,933)
Impairment to profit/ loss	-	-	-	-	-	-	-	-	(711)
Exchange rate adjustments	38,174	39,492	-	35,810	2,061	-	-	115,537	80,758
Transfers/ adjustments	-	(8,957)	(165,609)	(172,608)	-	-	5,061	(342,113)	774,151
<b>As at 31 December</b>	<b>15,878,365</b>	<b>6,465,075</b>	<b>10,379,114</b>	<b>16,062,997</b>	<b>1,865,478</b>	<b>66,693</b>	<b>320,622</b>	<b>51,038,344</b>	<b>48,076,083</b>
<b>Accumulated Depreciation</b>									
As at 1 January	-	404,150	491,731	9,386,381	1,130,104	54,798	-	11,467,164	10,065,371
Charge for the year	-	291,366	419,892	1,430,276	230,024	4,612	-	2,376,170	2,197,107
<b>Transfer of accumulated depreciation on assets revaluation</b>									
Transfer of accumulated depreciation on assets revaluation	-	-	-	-	-	-	-	-	(1,328,330)
Disposals during the year	-	(593)	(3,347)	(300,819)	(110,362)	(7,202)	-	(422,323)	(257,613)
Exchange rate adjustments	-	4,133	-	27,849	1,494	-	-	33,476	15,395
Transfers/ adjustments	-	(10,740)	(165,609)	(2,303)	-	-	-	(178,652)	775,234
<b>As at 31 December</b>	<b>-</b>	<b>688,316</b>	<b>742,667</b>	<b>10,541,384</b>	<b>1,251,260</b>	<b>52,208</b>	<b>-</b>	<b>13,275,835</b>	<b>11,467,164</b>
<b>Net book value as at 31 December 2018</b>									
Net book value as at 31 December 2018	15,878,365	5,776,759	9,636,447	5,521,613	614,218	14,485	320,622	37,762,509	-
<b>Net book value as at 31 December 2017</b>									
Net book value as at 31 December 2017	15,575,074	5,895,096	9,382,745	4,951,402	589,270	1,096	214,236	-	36,608,919

### 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

No freehold Property, Plant and Equipment have 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 & 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	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Motor vehicles	801,143	854,835	854,026	889,474
Computer equipments	3,025,018	2,694,496	3,253,241	2,832,713
Equipment, furniture, and fittings	1,473,627	1,292,375	1,654,837	1,422,797
Buildings on leasehold lands	28,079	23,093	28,079	23,093
Plant and machinery	1,182,280	1,120,447	1,182,556	1,120,723
<b>Total</b>	<b>6,510,147</b>	<b>5,985,246</b>	<b>6,972,739</b>	<b>6,288,800</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".

## NOTES TO THE FINANCIAL STATEMENTS

### 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	2018			2017		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Land	1,372,277	-	1,372,277	877,895	-	877,895
Building	1,694,375	(574,675)	1,119,700	1,518,050	(532,316)	985,734
<b>Total</b>	<b>3,066,652</b>	<b>(574,675)</b>	<b>2,491,977</b>	<b>2,395,945</b>	<b>(532,316)</b>	<b>1,863,629</b>

#### 33.9.2 Group

As at 31 December	2018			2017		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Land	1,396,238	-	1,396,238	901,856	-	901,856
Building	2,816,439	(1,030,826)	1,785,613	2,640,420	(960,415)	1,680,005
<b>Total</b>	<b>4,212,677</b>	<b>(1,030,826)</b>	<b>3,181,851</b>	<b>3,542,276</b>	<b>(960,415)</b>	<b>2,581,861</b>

### 33.10 Revaluation of Leasehold/ Freehold Properties - Group

The following buildings on leasehold/ freehold lands of the subsidiaries were revalued during the year by professionally qualified independent valuers.

#### Leasehold Building

Details of properties	2018				
	Valuer	Basis of valuation	Carrying value	Revalued amount of building	Surplus/ (Loss) of building
			LKR '000	LKR '000	LKR '000
Property Development PLC Bank of Ceylon Head Office Building "BOC Square", Colombo 01 (Revalued as at 31 December 2018)	M/s P B Kalugalagedara & Associates	Market value method	6,441,619	6,914,200	472,581
BOC Property Development & Management (Private) Limited Bank of Ceylon - Ceybank house No. 86, Sri Dalada Veediya, Kandy (Revalued as at 31 December 2018)	M/s P B Kalugalagedara & Associates	Market value method	460,615	482,400	21,785



## Freehold Land

Details of properties	2018				
	Valuer	Basis of valuation	Carrying value	Revalued amount of building	Surplus/ (Loss) of building
			LKR '000	LKR '000	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 December 2017)	Mr.D.N. Dhammika Baranage	Market value method	14,000	95,000	81,000

## Freehold Buildings

Details of properties	2018				
	Valuer	Basis of valuation	Carrying value	Revalued amount of building	Surplus/ (Loss) of building
			LKR '000	LKR '000	LKR '000
BOC Property Development & Management (Private) Limited Bank of Ceylon - Merchant Tower St. Micheal's Road, Colombo 03 (Revalued as at 31 December 2018)	M/s P B Kalugalagedara & Associates	Market value method	1,966,461	1,946,500	(19,961)
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 31.12.2018	Valuation technique	2018		
			Significant unobservable inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
	LKR '000				
Freehold land	12,967,284	Market comparable method	Estimated cost per perch	LKR 24,500 - LKR 14,493,000	Positively correlated sensitivity
Freehold buildings	3,250,545	Market comparable method	Estimated cost per square feet	LKR 400 - LKR 55,400	Positively correlated sensitivity
Buildings on leasehold lands	2,240,763	Rental value basis	Estimated rental value per square feet	LKR 110 - LKR 11,250	Positively correlated sensitivity
			Expected market rental growth p.a	5%	Positively correlated sensitivity
			Anticipated maintenance cost	40%	Positively correlated sensitivity
			Discount rate	5.50%	Negatively correlated sensitivity

## NOTES TO THE FINANCIAL STATEMENTS

### 33.11.2 Group

Type of asset	Fair value as at 31.12.2018  LKR '000	Valuation technique	2018		
			Significant unobservable inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Freehold land	15,878,365	Market comparable method	Estimated cost per perch	LKR 24,500 - LKR 14,493,000	Positively correlated sensitivity
Freehold buildings	5,776,759	Market comparable method	Estimated cost per square feet sensitivity	LKR 400 - LKR 55,400	Positively correlated sensitivity
Buildings on leasehold lands	9,636,447	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	2018 Total LKR '000	2017 Total LKR '000
<b>Cost</b>					
Balance as at 1 January	6,556,220	3,533,470	2,755,601	12,845,291	11,107,522
Additions during the year	1,318,870	644,143	114,445	2,077,458	1,891,028
Transfers/ adjustments	(170,241)	(4,513)	2,139	(172,615)	-
Disposals during the year	(115,496)	(83,548)	(51,528)	(250,572)	(164,893)
Impairment to profit or loss	-	-	-	-	(711)
Exchange rate adjustments	24,588	2,300	2,290	29,178	12,345
<b>Balance as at 31 December</b>	<b>7,613,941</b>	<b>4,091,852</b>	<b>2,822,947</b>	<b>14,528,740</b>	<b>12,845,291</b>
<b>Accumulated Depreciation</b>					
Balance as at 1 January	4,315,645	2,339,509	1,853,835	8,508,989	7,523,805
Charge for the year	801,993	296,480	209,966	1,308,439	1,136,960
Transfers/ adjustments	(1,996)	(306)	-	(2,302)	-
Disposals during the year	(113,871)	(80,960)	(50,542)	(245,373)	(161,658)
Exchange rate adjustments	21,800	1,485	1,405	24,690	9,882
<b>Balance as at 31 December</b>	<b>5,023,571</b>	<b>2,556,208</b>	<b>2,014,664</b>	<b>9,594,443</b>	<b>8,508,989</b>
<b>Net book value as at 31 December 2018</b>	<b>2,590,370</b>	<b>1,535,644</b>	<b>808,283</b>	<b>4,934,297</b>	<b>-</b>
Net book value as at 31 December 2017	2,240,575	1,193,961	901,766	-	4,336,302

## 33.12.2 Group

	Computer Equipment	Furniture and Fittings	Office Equipment	Power Plant	2018 Total	2017 Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Cost</b>						
Balance as at 1 January	7,013,731	4,168,284	2,856,770	298,998	14,337,783	12,518,143
Additions during the year	1,331,951	724,869	115,719	-	2,172,539	1,982,539
Disposals during the year	(119,906)	(138,327)	(52,294)	-	(310,527)	(183,592)
Impairment to profit/ loss	-	-	-	-	-	(711)
Exchange rate adjustments	26,482	7,039	2,289	-	35,810	16,951
Transfers/ Adjustments	(170,241)	53,662	(56,029)	-	(172,608)	4,453
<b>Balance as at 31 December</b>	<b>8,082,017</b>	<b>4,815,527</b>	<b>2,866,455</b>	<b>298,998</b>	<b>16,062,997</b>	<b>14,337,783</b>
<b>Accumulated Depreciation</b>						
Balance as at 1 January	4,621,292	2,792,249	1,888,492	84,348	9,386,381	8,290,717
Charge for the year	846,399	357,065	211,862	14,950	1,430,276	1,260,285
Disposals during the year	(118,280)	(131,901)	(50,638)	-	(300,819)	(179,980)
Exchange rate adjustments	23,169	3,276	1,404	-	27,849	12,201
Transfers/ Adjustments	(1,996)	(1,268)	961	-	(2,303)	3,158
<b>Balance as at 31 December</b>	<b>5,370,584</b>	<b>3,019,421</b>	<b>2,052,081</b>	<b>99,298</b>	<b>10,541,384</b>	<b>9,386,381</b>
<b>Net book value as at 31 December 2018</b>	<b>2,711,433</b>	<b>1,796,106</b>	<b>814,374</b>	<b>199,700</b>	<b>5,521,613</b>	<b>-</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>-</b>	<b>4,951,402</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 33.13 The details of Freehold land and building held by the bank as at 31 December 2018 are as follows:

Name of Premises	Extent (Perches)	Building (Square Feet)	Date of Valuation	Revalued Amount of Land LKR '000	Revalued Amount of Buildings LKR '000	Total Value LKR '000	Accumulated Depreciation LKR '000	Written Down Value LKR '000
<b>Central Province</b>								
<b>Galaha Branch</b>								
59/37, Deltota Road, Galaha	15.00	5,353	30.09.2017	15,000	19,693	34,693	475	34,218
<b>Gampola Branch</b>								
44, Kadugannawa Road, Gampola	175.00	9,677	30.09.2017	105,000	31,000	136,000	775	135,225
<b>Galewela Land</b>								
158, Dhambulla Road, Galewela	47.00	-	24.03.2017	97,759	-	97,759	-	97,759
<b>Hatton Branch and Staff Quarters</b>								
46, Circular Road, Hatton	139.50	15,359	30.09.2017	97,000	43,500	140,500	1,740	138,760
<b>Kandy 2nd City Branch</b>								
22, Dalada Veediya, Kandy	42.81	27,081	30.09.2017	428,000	27,000	455,000	1,350	453,650
<b>Kandapola Branch</b>								
Nuwara Eliya Road, Kandapola	14.10	4,284	11.07.2018	37,109	7,750	44,859	16	44,843
<b>Maskeliya Branch</b>								
66, Upcot Road, Maskeliya	42.05	6,130	30.09.2017	25,000	15,000	40,000	600	39,400
<b>Nawalapitiya Branch</b>								
106, Gampola Road, Nawalapitiya	21.92	5,534	30.09.2017	33,000	17,134	50,134	426	49,708
<b>Nuwara Eliya Branch</b>								
43, Lawson Street, Nuwara Eliya	133.50	9,713	30.09.2017	667,500	38,436	705,936	961	704,975
<b>Nuwara Eliya Staff Quarters</b>								
14,19, Hill Street, Nuwara Eliya	75.70	7,562	30.09.2017	98,400	13,519	111,919	534	111,385
<b>Nuwara Eliya Property Ladies staff Quarters</b>								
12, Hill Street, Nuwara Eliya	82.53	4,638	30.09.2017	7,495	2,507	10,002	251	9,751
<b>Rikillagaskada Branch</b>								
No. 38, Dimbulkubura Road, Rikillagaskada	19.60	4,450	26.07.2017	30,199	11,500	41,699	319	41,380
<b>Thalawakelle Branch</b>								
23,25,29, Hatton Road, Thalawakelle	25.30	7,332	30.09.2017	33,520	17,119	50,639	461	50,178
<b>Thalawakelle Staff Quarters</b>								
Thalawakelle Estate Plantation	160.00	4,898	30.09.2017	10,400	11,635	22,035	291	21,744
				<b>1,685,382</b>	<b>255,793</b>	<b>1,941,175</b>	<b>8,199</b>	<b>1,932,976</b>

Name of Premises	Extent (Perches)	Building (Square Feet)	Date of Valuation	Revalued Amount of Land LKR '000	Revalued Amount of Buildings LKR '000	Total Value LKR '000	Accumulated Depreciation LKR '000	Written Down Value LKR '000
<b>Eastern Province</b>								
<b>Batticaloa Branch</b> 21 & 21 1/1 Govington Road, Batticaloa	64.85	7,774	30.09.2017	48,500	19,000	67,500	543	66,957
<b>Mutur Branch (New)</b> Ward No. 7, Main street, Mutur	71.00	7,566	30.09.2017	15,585	41,600	57,185	1,040	56,145
<b>Potuvil Branch</b> Main Street, Pottuvil	10.70	4,077	30.09.2017	17,000	13,000	30,000	325	29,675
<b>Trincomalee Branch</b> 28, Inner Harbour Road, Trincomalee	90.00	10,810	30.09.2017	72,000	25,149	97,149	3,144	94,005
<b>Trincomalee City Branch</b> 09, Main Street, Trincomalee	21.90	2,670	30.09.2017	35,000	4,800	39,800	1,950	37,850
<b>Valachchenai Branch</b> Main Street, Valachchenai	47.34	6,621	30.09.2017	30,500	14,500	45,000	725	44,275
				<b>218,585</b>	<b>118,049</b>	<b>336,634</b>	<b>7,727</b>	<b>328,907</b>
<b>Northern Province</b>								
<b>Jaffna Area Office &amp; Branch</b> 56, Stanley Road, Jaffna	166.25	21,393	30.11.2014	249,500	37,083	286,583	7,337	279,246
<b>Karainagar Branch</b> Post Office View, Karainagar	63.22	5,720	30.11.2014	3,300	5,850	9,150	1,159	7,991
<b>Mannar Manager and Staff Quarters</b> 52, Pallimunai Road, Grand Bazaar, Mannar	162.04	7,661	30.11.2014	9,500	9,627	19,127	1,727	17,400
<b>Nelliadi Branch</b> Thikkam Road, Karaveddy, Nelliady	22.11	2,718	30.11.2014	17,750	34,694	52,444	3,051	49,393
				<b>280,050</b>	<b>87,254</b>	<b>367,304</b>	<b>13,274</b>	<b>354,030</b>

## NOTES TO THE FINANCIAL STATEMENTS

Name of Premises	Extent (Perches)	Building (Square Feet)	Date of Valuation	Revalued Amount of Land LKR '000	Revalued Amount of Buildings LKR '000	Total Value LKR '000	Accumulated Depreciation LKR '000	Written Down Value LKR '000
<b>North Western Province</b>								
<b>Alawwa Branch</b> 64, Giriulla Road, Alawwa	30.80	7,011	30.09.2017	46,000	23,000	69,000	575	68,425
<b>Bingiriya Land</b> Wariyapola Road, Bingiriya	40.00	-	02.05.2017	21,199	-	21,199	-	21,199
<b>Chilaw Branch</b> Radaguru Edmund Peiris Mawatha, Chilaw	38.25	8,248	30.09.2017	66,000	24,000	90,000	600	89,400
<b>Dankotuwa Land</b> 88A, Kahatagahawatte, Negombo Road, Dankotuwa	32.90	-	03.08.2017	49,973	-	49,973	-	49,973
<b>Dummalasooriya Branch</b> 227, Kuliyaapitiya - Madampe Road, Dummalasuriya	41.68	5,611	30.09.2017	30,000	16,000	46,000	533	45,467
<b>Kurunegala Province Office,</b> AGM's Quarters & CM Quarters 18, Mihindu mawatha, Kurunegala	225.00	19,437	30.09.2017	560,000	40,000	600,000	1000	599,000
<b>Kurunegala Super Grade Branch</b> Commercial Complex, Kurunegala	-	12,242	30.09.2017	-	135,920	135,920	3,363	132,557
<b>Kurunegala 2nd City Branch</b> 34, Colombo Road, Kurunegala	46.80	16,677	30.09.2017	234,000	18,616	252,616	3,747	248,869
<b>Madampe Branch</b> 10, Station Road, Madampe	86.10	7,260	30.09.2017	38,000	19,000	57,000	475	56,525
<b>Madurankuliya Branch</b> 66, Colombo Road, Madurankuliya	46.00	6,083	30.09.2017	60,000	36,000	96,000	900	95,100
<b>Malsiripura Branch (proposed)</b> 254, Dambulla Road, Malsiripura	46.20	-	06.06.2015	46,799	-	46,799	-	46,799
<b>Marawila Land</b> 85, Negombo Road, Marawila	35.00	-	03.04.2018	48,879	-	48,879	-	48,879
<b>Narammala Branch</b> 139, Negombo Road, Narammala	117.50	7,190	30.09.2017	87,000	39,500	126,500	988	125,512
<b>Nattandiya Land</b> 115, Marawila Road, Nattandiya	67.50	-	18.01.2017	47,399	-	47,399	-	47,399
<b>Waikkal Land</b> Puttalam Road, Thoppuwa, Waikkal	36.00	-	05.03.2017	44,799	-	44,799	-	44,799
<b>Wariyapola Land</b> Makaduwapitiyewatte, Vilakatu potha, Wariyapola	40.80	-	26.09.2017	90,699	-	90,699	-	90,699
				<b>1,470,747</b>	<b>352,036</b>	<b>1,822,783</b>	<b>12,181</b>	<b>1,810,602</b>

Name of Premises	Extent (Perches)	Building (Square Feet)	Date of Valuation	Revalued Amount of Land LKR '000	Revalued Amount of Buildings LKR '000	Total Value LKR '000	Accumulated Depreciation LKR '000	Written Down Value LKR '000
<b>Sabaragamuwa Province</b>								
<b>Balangoda Branch</b>								
137, Main Street, Balangoda	14.50	3,202	30.09.2017	40,000	60,971	100,971	364	100,607
<b>Dehiowita Branch</b>								
62 Main Street, Dehiowita	38.60	3,818	30.09.2017	15,180	2,568	17,748	514	17,234
<b>Kegalle Branch</b>								
110, Colombo Road, Kegalle	120.00	14,680	30.09.2017	146,000	36,000	182,000	1,440	180,560
<b>Ratnapura Branch</b>								
6, Dharmapala Mawatha, Ratnapura	99.70	9,808	30.09.2017	82,000	31,000	113,000	775	112,225
<b>Rathnapura (Land)</b>								
58, Main Street, Ratnapura	31.69	-	30.09.2017	85,000	-	85,000	-	85,000
				<b>368,180</b>	<b>130,539</b>	<b>498,719</b>	<b>3,093</b>	<b>495,626</b>
<b>Southern Province</b>								
<b>Ambalangoda Branch</b>								
274, Main Street, Ambalangoda	58.00	7,575	30.09.2017	203,000	25,500	228,500	638	227,862
<b>Ambalantota Branch</b>								
11 Wanduruppa Road, Ambalantota	38.00	5,410	30.09.2017	36,200	15,800	52,000	432	51,568
<b>Ahangama Land</b>								
Mathara Road, Ahangama	33.35	-	21.02.2017	20,007	-	20,007	-	20,007
<b>Beliatta Branch</b>								
67, Walasmulla Road, Beliatta	53.02	6,200	30.09.2017	59,000	40,500	99,500	1,012	98,488
<b>Galle Province Office</b>								
2, Light House Street, Fort, Galle	32.63	14,250	30.09.2017	228,000	25,489	253,489	1,007	252,482
<b>Galle Branch</b>								
2, Gamini Road, Galle	31.50	10,800	30.09.2017	236,000	21,000	257,000	840	256,160
<b>Hakmana Branch</b>								
Beliatta Road, Hakmana	36.70	3,400	30.09.2017	36,700	8,800	45,500	251	45,249
<b>Imaduwa Branch</b>								
Ahangama Road, Imaduwa	83.50	3,300	30.09.2017	58,500	8,724	67,224	247	66,977
<b>Karapitiya Land</b>								
105, Hirimbura Cross Road, Karapitiya, Galle	35.00	-	01.02.2017	62,599	-	62,599	-	62,599
<b>Matara Branch</b>								
11, Kumaratunga Mawatha, Matara	104.40	15,905	30.09.2017	261,000	25,331	286,331	5,026	281,305
<b>Matara Bazaar Branch</b>								
Gunawardena Mawatha, Matara	49.25	7,105	30.09.2017	123,500	41,500	165,000	1,038	163,962
<b>Nagoda Branch</b>								
Nagoda	40.00	2,985	30.09.2017	16,000	12,000	28,000	300	27,700
<b>Tangalle Branch</b>								
145/147, Sea Street, Tangalle	21.05	5,370	30.09.2017	26,500	31,500	58,000	788	57,212
<b>Weeraketiya Branch</b>								
Belliatta Road, Weeraketiya	36.87	4,480	30.09.2017	42,600	25,900	68,500	648	67,852
<b>Weligama Branch</b>								
239 Main Street, Weligama	97.75	8,110	30.09.2017	73,300	22,914	96,214	650	95,564
<b>Walasmulla Land</b>								
453, Walasmulla South, Walasmulla	38.00	-	09.12.2016	32,717	-	32,717	-	32,717
				<b>1,515,623</b>	<b>304,958</b>	<b>1,820,581</b>	<b>12,877</b>	<b>1,807,704</b>

## NOTES TO THE FINANCIAL STATEMENTS

Name of Premises	Extent (Perches)	Building (Square Feet)	Date of Valuation	Revalued Amount of Land LKR '000	Revalued Amount of Buildings LKR '000	Total Value LKR '000	Accumulated Depreciation LKR '000	Written Down Value LKR '000
<b>Uva Province</b>								
<b>Badulla Uva Province Office</b> Bank Road, Badulla	118.75	7,366	30.11.2014	11,750	12,228	23,978	1,015	22,963
<b>Bandarawela Branch</b> 230, Badulla Road, Bandarawela	10.60	7,731	30.09.2017	33,000	15,000	48,000	375	47,625
<b>Ettampitiya Branch</b> 23, Nuwara Eliya Road, Ettampitiya	20.35	3,729	30.09.2017	10,105	9,956	20,061	249	19,812
<b>Haputale Branch (Browns)</b> 20, Station Road, Haputale	158.70	7,361	30.09.2017	36,000	11,000	47,000	440	46,560
<b>Monaragala Branch</b> Manager Quarters & Staff Quarters 401, Wellawaya Road, Moneragala	160.00	15,000	30.11.2014	50,000	31,650	81,650	3,174	78,476
<b>Siyabalanduwa Branch</b> Siyabalanduwa	28.00	5,564	01.11.2017	21,699	22,500	44,199	422	43,777
				<b>162,554</b>	<b>102,334</b>	<b>264,888</b>	<b>5,675</b>	<b>259,213</b>
<b>Western Province North</b>								
<b>Borella Branch</b> 71, Danister de Silva Mawatha, Borella	48.65	20,173	30.09.2017	307,000	74,000	381,000	1,850	379,150
<b>Borella Branch (Car Park)</b> Borella	6.65	-	06.01.2013	50,000	-	50,000	-	50,000
<b>City Office</b> 41, Bristol Street, Colombo 1	39.50	31,443	30.09.2017	495,000	55,000	550,000	1,833	548,167
<b>Grand Pass Branch</b> 703, Sirimavo Bandaranaike Mawatha, Grandpass	20.12	6,210	30.09.2017	120,720	24,280	145,000	759	144,241
<b>Gampaha Land</b> 170, Colombo Road, Gampaha	34.06	-	30.09.2017	85,000	-	85,000	-	85,000
<b>Ja Ela Branch</b> 19, Negombo Road, Ja-ela	40.64	8,090	30.09.2017	121,920	20,000	141,920	800	141,120
<b>Kadawatha Branch</b> 469, Ragama Road, Kadawatha	30.71	6,138	30.09.2017	92,130	17,500	109,630	700	108,930
<b>Kiribathgoda Branch (proposed)</b> Kandy Road, Kiribathgoda	43.70	-	21.06.2018	249,963	-	249,963	-	249,963
<b>Negombo Branch</b> 118, Rajapakse Broadway, Negombo	97.25	16,760	30.11.2014	171,160	41,915	213,075	6,582	206,493
<b>Negombo City</b> 75,77, Main Street, Negombo	10.76	8,355	07.06.2017	46,998	57,000	103,998	2,153	101,845
<b>Pettah Branch</b> 212/63, Gas Work Street, Colombo 11	28.29	25,222	30.09.2017	410,000	48,477	458,477	1,375	457,102
<b>Dematagoda Land</b> 45, 47, Kolonnawa Road, Colombo	38.14	-	30.09.2017	205,000	-	205,000	-	205,000
				<b>2,354,891</b>	<b>338,172</b>	<b>2,693,063</b>	<b>16,052</b>	<b>2,677,011</b>



Name of Premises	Extent (Perches)	Building (Square Feet)	Date of Valuation	Revalued Amount of Land LKR '000	Revalued Amount of Buildings LKR '000	Total Value LKR '000	Accumulated Depreciation LKR '000	Written Down Value LKR '000
<b>Western Province South</b>								
<b>Aluthgama Branch</b> 267, Galle Road, Aluthgama	36.60	7,914	30.09.2017	62,220	26,550	88,770	885	87,885
<b>Bambalapitiya Branch</b> 10, Unity Plaza Building, Galle Road, Colombo 04	-	7,776	30.09.2017	-	204,000	204,000	5,100	198,900
<b>Beruwala Branch</b> 165A, Galle Road, Beruwala	21.50	5,937	30.09.2017	48,375	11,497	59,872	766	59,106
<b>Bulathsinhala Branch</b> 40, Horana Road, Athura, Bulathsinhala	53.85	7,190	30.09.2017	40,388	24,276	64,664	945	63,719
<b>Dehiwala Branch</b> 207, Galle Road, Dehiwela	22.00	12,422	30.09.2017	99,000	34,000	133,000	971	132,029
<b>Horana Branch</b> 87, Anguruwathota Road, Horana	70.02	10,611	30.09.2017	245,063	32,531	277,594	1,301	276,293
<b>Idama Branch</b> 707, Galle Road, Moratuwa	61.12	8,272	30.09.2017	150,000	13,400	163,400	1,340	162,060
<b>Kalutara Branch</b> 218, Galle Road, Kalutara South, Kalutara	45.86	11,436	30.09.2017	88,720	34,266	122,986	789	122,197
<b>Maharagama Branch &amp; Central Training Institute</b> 88, Highlevel Road, Maharagama	179.21	82,121	30.09.2017	507,380	187,509	694,889	8,364	686,525
<b>Matugama Branch</b> 72, Agalawatte Road, Matugama	9.50	4,158	30.09.2017	33,250	4,250	37,500	425	37,075
<b>Nugegoda Branch</b> 174, Highlevel Road, Nugegoda	67.50	45,584	30.09.2017	337,500	564,190	901,690	12,923	888,767
<b>Panadura Branch</b> 4, Super Grade Branch, Susantha Mawatha, Panadura	80.00	10,509	30.09.2017	140,000	25,870	165,870	647	165,223
<b>Panadura City Branch (proposed)</b> 17/3D, Jayathilake Mawatha, Panadura	36.00	-	30.09.2017	36,000	-	36,000	-	36,000
<b>Wadduwa Branch (proposed)</b> 557A, Galle Road, Wadduwa	29.00	-	30.09.2017	40,600	-	40,600	-	40,600
<b>Wellawatte Branch</b> 149, Galle Road, Colombo 06	51.25	15,832	30.09.2017	281,875	39,125	321,000	1,778	319,222
				<b>2,110,371</b>	<b>1,201,464</b>	<b>3,311,835</b>	<b>36,234</b>	<b>3,275,601</b>

## NOTES TO THE FINANCIAL STATEMENTS

Name of Premises	Extent (Perches)	Building (Square Feet)	Date of Valuation	Revalued Amount of Land LKR '000	Revalued Amount of Buildings LKR '000	Total Value LKR '000	Accumulated Depreciation LKR '000	Written Down Value LKR '000
<b>Holiday Homes &amp; Rests</b>								
<b>Badulla Fernham Bungalow &amp; Property</b> 153, Spring Valley Road, Badulla	222.25	-	30.11.2012	20,000	-	20,000	-	20,000
<b>Bandarawela Holiday Home</b> Bandarawela	115.00	3,028	30.09.2017	14,400	7,300	21,700	209	21,491
<b>Dickoya Upper Glencarn Bunglow</b> Dickoya	189.65	8,665	30.09.2017	7,400	23,000	30,400	920	29,480
<b>Dickoya lower Glencarn Bunglow</b> Dickoya	100.00	5,925	30.09.2017	6,000	18,880	24,880	750	24,130
<b>Haputale Woodland Bungalow</b> Haputale	135.00	3,010	30.09.2017	14,862	6,600	21,462	264	21,198
<b>Jaffna Bank Rest</b> 34-34/3, Rasavinhoddam road, Jaffna	166.25	-	30.11.2014	86,250	-	86,250	-	86,250
<b>Kandy Holiday Home</b> 18/5, Dangolla Road, Getambe	39.00	3,600	07.10.2016	48,999	8,200	57,199	342	56,857
<b>Lindula Ridge Holiday Home</b> Lindula	175.00	3,010	30.09.2017	4,300	12,130	16,430	197	16,233
<b>Nuwara Eliya Holiday Home</b> 16, Hill Street, Nuwara Eliya	35.27	3,388	30.09.2017	53,000	9,800	62,800	653	62,147
<b>Cey Bank Rest Nuwara Eliya (Phase 1)</b> 12, Hill Street, Nuwara Eliya	67.54	3,820	30.09.2017	91,000	15,000	106,000	370	105,630
				<b>346,211</b>	<b>100,910</b>	<b>447,121</b>	<b>3,705</b>	<b>443,416</b>
<b>Others</b>								
<b>Colombo 7 - GM's Bangalow</b> 75, Ananda Kumaraswamy Mawatha, Colombo 7	79.80	6,380	30.09.2017	798,000	12,760	810,760	751	810,009
<b>Colombo Darly Road Stores</b> Browns Building 481, T B Jayah Mawatha, Colombo 10	151.00	28,777	30.09.2017	1,200,000	25,000	1,225,000	1,667	1,223,333
<b>Colombo World Trade Centre</b> 08, 8-2/1, Bank of Ceylon Mawatha, Colombo 01	-	6,345	30.09.2017	-	351,500	351,500	8,789	342,711
<b>Walker's &amp; Sons</b> 28, St. Michael's Road, Cololmbo 03	57.00	-	30.09.2017	456,690	-	456,690	-	456,690
				<b>2,454,690</b>	<b>389,260</b>	<b>2,843,950</b>	<b>11,207</b>	<b>2,832,743</b>
<b>Grand Total</b>				<b>12,967,284</b>	<b>3,380,769</b>	<b>16,348,053</b>	<b>130,224</b>	<b>16,217,829</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 fulfillment 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	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
<b>Cost</b>				
Balance as at 1 January	129,179	126,715	195,412	192,948
Additions during the year	-	2,464	-	2,464
<b>Balance as at 31 December</b>	<b>129,179</b>	<b>129,179</b>	<b>195,412</b>	<b>195,412</b>
<b>Accumulated Amortisation</b>				
Balance as at 1 January	27,698	24,876	60,972	56,793
Amortisation during the year	2,582	2,822	3,940	4,178
<b>Balance as at 31 December</b>	<b>30,280</b>	<b>27,698</b>	<b>64,912</b>	<b>60,971</b>
<b>Net book value as at 31 December</b>	<b>98,899</b>	<b>101,481</b>	<b>130,500</b>	<b>134,441</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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 infinite 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	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
<b>Cost</b>				
Balance as at 1 January	3,037,229	2,508,841	3,598,518	2,832,758
Additions during the year	783,598	528,566	790,386	764,014
Derecognised during the year	(477,745)	(178)	(477,745)	(178)
Exchange rate adjustment	-	-	18,613	14,441
Adjustments/ Transfers	-	-	-	(12,517)
<b>Balance as at 31 December</b>	<b>3,343,082</b>	<b>3,037,229</b>	<b>3,929,772</b>	<b>3,598,518</b>
<b>Accumulated Amortisation</b>				
Balance as at 1 January	2,226,499	1,945,351	2,524,082	2,177,128
Amortisation during the year	393,687	281,326	448,020	338,289
Derecognised during the year	(477,745)	(178)	(477,745)	(178)
Exchange rate adjustment	-	-	16,330	11,846
Adjustments/ Transfers	-	-	-	(3,003)
<b>Balance as at 31 December</b>	<b>2,142,441</b>	<b>2,226,499</b>	<b>2,510,687</b>	<b>2,524,082</b>
Computer software under development	37,545	-	37,545	-
<b>Net book value as at 31 December</b>	<b>1,238,186</b>	<b>810,730</b>	<b>1,456,630</b>	<b>1,074,436</b>

### 35.1 Fully Amortised Intangible Assets

The initial cost of fully amortised intangible assets which are still in use are as follows:

As at 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Computer software	1,412,467	1,632,796	1,423,422	1,716,848
	<b>1,412,467</b>	<b>1,632,796</b>	<b>1,423,422</b>	<b>1,716,848</b>

Note: The Bank has derecognised Rs. 477.7 million fully amortised computer software during the year.

### 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 17.2).

## NOTES TO THE FINANCIAL STATEMENTS

### 36.1 Bank

As at 31 December	2018					2017			
	Deferred Tax Assets	Deferred Tax Liabilities	Impact to Retained Earnings	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	LKR '000
Retirement benefits	-	(74,496)	-	(13,310)	(3,050)	-	(58,136)	(11,750)	8,400
Impairment allowance for loans and advances	-	-	-	890,683	-	-	(890,683)	-	-
Revaluation of Property, Plant and Equipment	-	4,474,240	-	-	(94,506)	-	4,568,746	-	4,094,358
Investment in financial instruments	-	315,271	-	-	6,711	-	308,560	-	177,006
Temporary difference for impairment	-	(3,462,277)	(3,345,868)	(116,409)	-	-	-	-	-
Other temporary differences	-	3,820,788	-	1,928,946	-	-	1,891,842	113,030	-
	-	5,073,526	(3,345,868)	2,689,910	(90,845)	-	5,820,329	101,280	4,279,764

### 36.2 Group

As at 31 December	2018					2017			
	Deferred Tax Assets	Deferred Tax Liabilities	Impact to Retained Earnings	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	LKR '000
Retirement benefits	(6,088)	(152,302)	-	(101,164)	9,530	(6,525)	(60,231)	(370)	(8,363)
Impairment allowance for loans and advances	-	-	-	890,683	-	-	(890,683)	-	-
Revaluation of Property, Plant and Equipment	-	7,257,061	-	-	41,271	-	7,215,790	-	4,191,387
Investment in financial instruments	-	315,271	-	-	6,711	-	308,560	-	177,006
Temporary difference for impairment	-	(3,728,208)	(3,648,954)	(79,254)	-	-	-	-	-
Other temporary differences	3,036	4,070,392	-	2,023,741	-	(2,096)	2,051,783	183,660	-
	(3,052)	7,762,214	(3,648,954)	2,734,006	57,512	(8,621)	8,625,219	183,290	4,360,030

## 37 Other Assets

### Pre Paid Staff Cost

Staff loans are initially recognised at fair value according to Sri Lanka Accounting Standard - SLFRS 9 - “Financial Instruments”. 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 assets represents net retirement benefit assets of Bank of Ceylon Pension Fund-2014. For more details, refer Note 47.

As at 31 December	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Consumable stock in hand	747,383	536,938	795,588	629,075
Prepaid staff cost	13,133,342	11,472,036	13,133,342	11,492,621
Cheques in transit - Local	1,592,004	1,233,167	1,592,004	1,233,167
Cheques in transit - Foreign	17,948	30,933	17,948	30,933
Tax recoverable	-	-	10,876	13,783
Gold bullion and coins in hand	123,688	18,316	123,688	18,316
Gold stock in hand	300	843,950	300	843,950
Net Employee benefit asset [Note 47]	2,763,718	2,096,019	2,763,718	2,096,019
Other	22,181,675	21,586,829	23,435,427	22,607,115
<b>Total other assets</b>	<b>40,560,058</b>	<b>37,818,188</b>	<b>41,872,891</b>	<b>38,964,979</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	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Deposits from other banks	1,546,737	1,091,599	1,546,737	1,091,599
Bank overdrafts	855,731	1,111,600	969,261	1,102,667
<b>Total due to banks</b>	<b>2,402,468</b>	<b>2,203,199</b>	<b>2,515,998</b>	<b>2,194,266</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 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” (Note 42), 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 amortised over the life of agreement using EIR.

As at 31 December	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
With Banks	54,017,168	1,547,501	54,041,111	437,672
With Customers	43,382,191	42,939,961	43,382,191	44,191,014
<b>Total Securities sold under repurchase agreements</b>	<b>97,399,359</b>	<b>44,487,462</b>	<b>97,423,302</b>	<b>44,628,686</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 - SLFRS 9 - “Financial Instruments”.

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 the Statement of Profit or Loss.

As at 31 December	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
<b>Foreign Currency Derivatives</b>				
Forward exchange contracts	31,736	2,584	31,736	2,584
Currency SWAPs	477,282	68,131	477,282	68,131
<b>Total derivative financial instruments</b>	<b>509,018</b>	<b>70,715</b>	<b>509,018</b>	<b>70,715</b>

### 41 Financial Liabilities at Amortised Cost - Due to Depositors

#### Accounting Policy

Financial liabilities at amortised cost - due to depositors 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	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Local Currency Deposits</b>				
Demand deposits	110,943,266	113,404,221	110,865,510	113,047,717
Savings deposits	365,545,986	352,068,521	366,430,640	352,930,501
Time deposits	864,655,976	739,171,377	881,549,571	757,236,651
Certificates of deposit	2,315	2,315	6,835	7,048
Other deposits	3,407,037	2,828,892	3,407,037	2,828,892
<b>Total local currency deposits</b>	<b>1,344,554,580</b>	<b>1,207,475,326</b>	<b>1,362,259,593</b>	<b>1,226,050,809</b>
<b>Foreign Currency Deposits</b>				
Demand deposits	26,779,911	22,344,522	27,531,733	22,893,509
Savings deposits	97,655,512	88,397,442	98,041,252	88,725,067
Time deposits	294,842,690	227,389,171	294,949,638	227,481,458
Other deposits	1,193,277	1,225,575	1,193,277	1,225,575
<b>Total foreign currency deposits</b>	<b>420,471,390</b>	<b>339,356,710</b>	<b>421,715,900</b>	<b>340,325,609</b>
<b>Total deposits</b>	<b>1,765,025,970</b>	<b>1,546,832,036</b>	<b>1,783,975,493</b>	<b>1,566,376,418</b>

#### 41.2 By Currency

As at 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Sri Lankan Rupee	1,344,554,580	1,207,475,326	1,362,259,593	1,226,050,809
United States Dollar	358,314,513	255,968,922	358,326,657	255,978,377
Great Britain Pound	32,367,504	29,361,033	33,591,422	30,313,899
Maldivian Rufiyaa	5,791,464	30,511,710	5,791,464	30,511,710
Seychellois Rupee	1,539,912	1,583,668	1,539,912	1,583,668
Euro	8,168,732	7,191,167	8,177,180	7,197,745
Australian Dollar	7,482,861	6,862,385	7,482,861	6,862,385
Indian Rupee	4,812,562	3,779,151	4,812,562	3,779,151
Other	1,993,842	4,098,674	1,993,842	4,098,674
<b>Total deposits</b>	<b>1,765,025,970</b>	<b>1,546,832,036</b>	<b>1,783,975,493</b>	<b>1,566,376,418</b>

Note : The maturity analysis of deposits is given in Note 58.

## NOTES TO THE FINANCIAL STATEMENTS

### 42 Financial Liabilities at Amortised Cost - Other Borrowings

#### Accounting Policy

Financial liabilities at amortised cost - Other borrowings represent Standing Lending Facility, Senior notes, Term borrowings from banks in abroad and Sri Lanka, Term borrowings from other financial institutions in Sri Lanka and refinance borrowings which are initially recognised at fair value. Subsequent to initial recognition, these borrowings are measured at their amortised cost, using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in "Interest expenses" (Note 8.2) in the Statement of Profit or Loss.

As at 31 December	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Standing Lending Facility	10,569,000	-	10,569,000	-
Senior note [Note 42.1]	-	77,253,833	-	77,253,833
Call borrowings from banks and other financial institutions in Sri Lanka	4,751,162	3,439,502	8,937,963	3,439,502
Term borrowings from banks abroad	154,639,903	64,760,742	155,114,428	68,280,063
Term borrowings from banks and other financial institutions in Sri Lanka	27,642,383	29,325,247	28,242,557	31,945,018
Refinance borrowings	4,189,726	3,411,765	4,189,726	3,411,765
<b>Total other borrowings</b>	<b>201,792,174</b>	<b>178,191,089</b>	<b>207,053,674</b>	<b>184,330,181</b>

#### 42.1 Senior Notes

Senior note represents worth of USD 500 million which was listed in Singapore Stock Exchange and redeemed during the year 2018. Interest paid semi-annually, based on fixed coupon rate.

As at 31 December	Issued Date	Maturity Date	Coupon Rate %	Bank		Group	
				2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Senior Note	16.04.2013	16.04.2018	5.3250	-	77,253,833	-	77,253,833
<b>Total Senior Notes</b>				<b>-</b>	<b>77,253,833</b>	<b>-</b>	<b>77,253,833</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.

As at 31 December	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Issued by the Bank	-	-	-	-
Issued by other subsidiaries	-	-	4,105,681	5,667,514
<b>Total debt securities issued</b>	<b>-</b>	<b>-</b>	<b>4,105,681</b>	<b>5,667,514</b>

Note: The maturity analysis of debt securities issued is given in note 58.

### 43.1 Senior Debentures

As at 31 December	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
<b>Listed Debentures</b>				
Unsecured, redeemable debentures of LKR 100 each	-	-	4,105,681	5,667,514
<b>Unlisted Debentures</b>				
Unsecured, redeemable debentures of LKR 100 each (private placement)	-	-	-	-
<b>Total debt securities issued</b>	<b>-</b>	<b>-</b>	<b>4,105,681</b>	<b>5,667,514</b>

### 43.2 Movement in Senior Debentures

	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Balance as at 1 January	-	3,427,058	5,667,514	8,360,333
Issued during the year	-	-	-	2,000,000
Redemptions	-	(3,427,058)	(1,560,494)	(4,797,781)
Amortisation adjustments	-	-	(1,339)	104,962
<b>Balance as at 31 December</b>	<b>-</b>	<b>-</b>	<b>4,105,681</b>	<b>5,667,514</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 43.3 Senior Debentures

	Notes	Interest payable frequency	Issue date	Maturity date	Coupon rate		Amount as at 31 December			
					2018	2017	Bank		Group	
					%	%	2018	2017	2018	2017
							LKR '000	LKR '000	LKR '000	LKR '000
<b>Fixed Interest Rate</b>										
Unsecured, redeemable debentures	(a)	Annually	28.03.2013	27.03.2018	-	17.50	-	-	-	735,857
Unsecured, redeemable debentures	(a)	Quarterly	28.03.2013	27.03.2018	-	16.70	-	-	-	655,844
Unsecured, redeemable debentures	(a)	Monthly	28.03.2013	27.03.2018	-	16.50	-	-	-	168,793
Unsecured, redeemable debentures	(a)	Annually	13.11.2014	12.11.2019	9.00	9.00	-	-	868,112	867,739
Unsecured, redeemable debentures	(a)	Annually	13.11.2014	12.11.2019	8.75	8.75	-	-	1,131,011	1,132,445
Unsecured, redeemable debentures	(a)	Annually	04.05.2017	03.05.2022	15.00	15.00	-	-	884,964	884,335
Unsecured, redeemable debentures	(a)	Semi-annually	04.05.2017	03.05.2022	14.50	14.50	-	-	1,220,562	1,221,467
Unsecured, redeemable debentures	(a)	Semi-annually	04.05.2017	03.05.2022	13.89	13.89	-	-	1,032	1,034
<b>Total debt securities issued</b>							-	-	<b>4,105,681</b>	<b>5,667,514</b>

Notes : (a) Debentures that are listed in Colombo Stock Exchange.

### 44 Current Tax Liabilities

	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Opening balance as at 1 January	1,877,342	(6,048)	2,051,020	253,020
Current tax expense	9,723,515	8,929,416	9,918,315	9,145,628
Payments during the year	(10,136,932)	(6,023,773)	(10,389,879)	(6,214,419)
Adjustments	2,458,264	(1,022,253)	2,459,924	(1,133,209)
<b>Closing balance as at 31 December</b>	<b>3,922,189</b>	<b>1,877,342</b>	<b>4,039,380</b>	<b>2,051,020</b>

## 45 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 Statement of Profit or Loss 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 45.1 Insurance Provision - Life

	Group	
	2018	2017
	LKR '000	LKR '000
Balance as at 1 January	547,026	514,675
Increase/ (Decrease) in life fund	(19,736)	15,436
Fair value reserve	1,285	1,285
Unclaimed benefits	47,050	15,630
<b>Balance as at 31 December</b>	<b>575,625</b>	<b>547,026</b>

### 45.2 Insurance Provision - Non life

	Group	
	2018	2017
	LKR '000	LKR '000
As at 31 December		
Provision for reported claims by policy holders	430,093	356,018
Provision for claims on Incurred But Not Reported (IBNR)	44,064	39,792
<b>Outstanding claims provision</b>	<b>474,157</b>	<b>395,810</b>
Provision for unearned premiums	172	31,819
Deferred acquisition	(107,711)	2,464
<b>Total insurance provision - Non-life</b>	<b>366,618</b>	<b>430,093</b>

## 46 Other Liabilities

	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
As at 31 December				
Cheques sent on clearing	524,452	272,383	524,452	272,383
Lease creditors				
Within 12 months	-	-	8,245	4,526
Later than 12 months	-	-	12,360	7,851
Net employee benefit liabilities [Note 47]	5,028,513	3,146,728	5,359,107	3,488,193
Other	14,207,464	15,177,138	16,066,575	16,163,525
<b>Total other liabilities</b>	<b>19,760,429</b>	<b>18,596,249</b>	<b>21,970,739</b>	<b>19,936,478</b>

## 47 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	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
<b>Net Employee Benefit Liabilities</b>				
Bank of Ceylon Pension Trust Fund [Note 47.1]	4,270,747	2,521,730	4,270,747	2,521,730
Provision for terminal gratuity [Note 47.3]	266,057	207,627	596,651	549,092
Provision for encashment of medical leave	491,709	417,371	491,709	417,371
<b>Total net employee benefit liabilities</b>	<b>5,028,513</b>	<b>3,146,728</b>	<b>5,359,107</b>	<b>3,488,193</b>
<b>Net Employee Benefit Assets</b>				
Bank of Ceylon Widows'/ Widowers' and Orphans' Pension Fund [Note 47.2]	-	-	-	-
Bank of Ceylon Pension Fund-2014 [Note 47.4]	2,763,718	2,096,019	2,763,718	2,096,019
<b>Total net employee benefit assets</b>	<b>2,763,718</b>	<b>2,096,019</b>	<b>2,763,718</b>	<b>2,096,019</b>

#### 47.1 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 2018 was carried out by Messrs Actuarial & Management Consultant (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:

## NOTES TO THE FINANCIAL STATEMENTS

### 47.1.1 Net Benefit Expense (Recognised Under Personnel Expenses)

For the year ended 31 December	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Current service cost	261,795	314,507
Net interest expenses	277,390	622,089
<b>Net benefit expense</b>	<b>539,185</b>	<b>936,596</b>

### 47.1.2 Amount recognised in Other Comprehensive Income

For the year ended 31 December	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Actuarial gains/ (losses) on the defined benefit obligation	3,319,591	(3,777,610)
Actuarial gains/ (losses) on plan assets	(5,397,253)	6,793,826
<b>Net actuarial gains/ (losses) recognised in other comprehensive income</b>	<b>(2,077,662)</b>	<b>3,016,216</b>

### 47.1.3 Net Retirement Benefit Liability

As at 31 December	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Fair value of plan assets [Note 47.1.4]	58,455,386	62,827,692
Defined benefit obligation [Note 47.1.5]	62,726,133	65,349,422
<b>Net retirement benefit liability</b>	<b>4,270,747</b>	<b>2,521,730</b>

### 47.1.4 Changes in Fair Value of Plan Assets

	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Opening fair value of plan assets	62,827,692	55,033,729
Expected return	6,911,046	6,328,879
Contribution by employer	867,830	808,121
Benefits paid	(6,753,929)	(6,136,863)
Actuarial gains/ (losses)	(5,397,253)	6,793,826
<b>Closing fair value of plan assets</b>	<b>58,455,386</b>	<b>62,827,692</b>



#### 47.1.5 Changes in the Present Value of the Defined Benefit Obligation

	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Opening defined benefit obligation	65,349,422	60,443,202
Interest cost	7,188,436	6,950,968
Current service cost	261,795	314,507
Benefits paid	(6,753,929)	(6,136,865)
Due to change in assumptions	(4,510,296)	2,303,936
Actuarial losses on obligation	1,190,705	1,473,674
Closing defined benefit obligation	62,726,133	65,349,422

The present value of the Defined Benefit Obligation as of the valuation date with respect to active employees and pensioners are LKR 8,290.7 million (2017: 10,035.4 million) and LKR 54,435.4 million (2017: 55,314.1 million) respectively.

#### 47.1.6 Plan Assets Consist of the Following

As at 31 December	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Fixed deposits	21,859,550	23,975,252
Treasury bonds	6,837,474	9,725,639
Debentures	24,120,556	21,225,141
Investment in shares	5,215,001	6,827,937
Others	422,805	1,073,723
Total plan assets	58,455,386	62,827,692

#### 47.1.7 Actuarial Assumptions

	Bank/ Group	
	2018	2017
	%	%
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	12.0 p.a	11.0 p.a
Attrition rate	Nil	Nil

The Bank uses IALM (2006-2008) Ultimate Mortality Table issued by the Institute of Actuaries of India.

## NOTES TO THE FINANCIAL STATEMENTS

Increase/ decrease in the following assumptions will change the present value of defined benefit obligation as illustrated below;

	Bank/ Group	
	0.5% increase	0.5% decrease
	LKR '000	LKR '000
Discount rate	60,666,758	64,919,547
Salary increment	62,797,719	62,655,833
Cost of Living Allowance	64,051,205	61,477,682

Further, the remaining years of benefit payments are expected to be 7.6 years.

The following payments are expected from the Pension Trust Fund in future years.

As at 31 December	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Within the next 12 months	6,813,882	6,441,698
Between 1 and 5 years	25,271,940	25,057,110
Between 5 and 10 years	15,117,999	15,732,887
Beyond 10 years	15,522,312	18,117,727
<b>Total expected payments</b>	<b>62,726,133</b>	<b>65,349,422</b>

### 47.2 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 2018 was carried out by Messrs Actuarial & Management Consultant (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:

#### 47.2.1 Net Benefit Expense (Recognised Under Personnel Expenses)

For the year ended 31 December	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Current service cost	23,970	34,952
Net interest income	(979,373)	(865,261)
<b>Net benefit expense</b>	<b>(955,403)</b>	<b>(830,309)</b>

#### 47.2.2 Amount Recognised in Other Comprehensive Income

For the year ended 31 December	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Actuarial gains/ (losses) on the defined benefit obligation	1,459,920	(1,215,098)
Actuarial gains/ (losses) on plan assets	(1,159,445)	1,214,884
<b>Actuarial gains/ (losses) on actuarial valuation</b>	<b>300,475</b>	<b>(214)</b>
Derecognition of plan asset	(300,475)	214
<b>Net actuarial gains/ (losses) recognised in other comprehensive income</b>	<b>-</b>	<b>-</b>

#### 47.2.3 Retirement Benefit Assets

As at 31 December	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Fair value of plan assets [Note 47.2.4]	23,758,826	22,692,572
Defined benefit obligation [Note 47.2.5]	(13,031,024)	(13,789,177)
<b>Retirement benefit assets *</b>	<b>10,727,802</b>	<b>8,903,395</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.

## NOTES TO THE FINANCIAL STATEMENTS

### 47.2.4 Changes in Fair Value of Plan Assets

	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Opening fair value of plan assets	22,692,572	19,471,795
Expected return	2,496,182	2,239,256
Contribution paid in to plan	112,529	93,287
Actual employer contribution	456,000	456,000
Benefits paid	(839,012)	(782,650)
Actuarial gains/ (losses) on plan asset	(1,159,445)	1,214,884
<b>Closing fair value of plan assets</b>	<b>23,758,826</b>	<b>22,692,572</b>

### 47.2.5 Changes in the Present Value of the Defined Benefit Obligation

	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Opening defined benefit obligation	13,789,177	11,947,782
Interest cost	1,516,809	1,373,995
Current service cost	23,970	34,952
Benefits paid	(839,012)	(782,650)
Actuarial (gains)/ losses on obligation	(51,055)	492,833
Due to change in assumptions	(1,408,865)	722,265
<b>Closing defined benefit obligation</b>	<b>13,031,024</b>	<b>13,789,177</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 756.2 million (2017: 1,083.3 million), LKR 4,388.9 million (2017: 4,558.8 million) and LKR 7,885.9 million (2017: 8,147.1 million) respectively.

### 47.2.6 Plan Assets Consist of the Following

As at 31 December	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Fixed deposits	20,807,604	18,859,654
Treasury bonds	641,352	1,766,231
Debentures	2,309,492	2,032,273
Others	378	34,414
<b>Total plan assets</b>	<b>23,758,826</b>	<b>22,692,572</b>

### 47.2.7 Actuarial Assumptions

	Bank/ Group	
	2018	2017
	%	%
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	12.0 p.a	11.0 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	0.5% decrease
	LKR '000	LKR '000
Discount rate	12,410,210	13,707,370
Salary increment	13,034,127	13,027,973
Cost of Living Allowance	13,541,273	12,557,582

Further, the remaining years of benefit payments are expected to be 11.1 years.

The following payments are expected from the fund in future years.

As at 31 December	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Within the next 12 months	857,510	812,415
Between 1 and 5 years	3,762,278	3,630,427
Between 6 and 10 years	2,941,954	2,955,764
Beyond 10 years	5,469,282	6,390,571
<b>Total expected payments</b>	<b>13,031,024</b>	<b>13,789,177</b>

### 47.3 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.

## NOTES TO THE FINANCIAL STATEMENTS

In terms of Sri Lanka Accounting Standard - 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 2018 was carried out by Messrs Actuarial & Management Consultants (Pvt) Limited.

The valuation has been done using the "Projected Unit Credit Method", which is recommended in the Sri Lanka Accounting Standard -LKAS 19 - "Employee Benefits".

	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Balance as at 1 January	207,627	195,663	549,092	480,009
Provision charge/ (reversal) during the year	47,536	41,964	107,503	101,498
Actuarial (gain)/ losses	28,840	25,678	289	48,924
Payment made during the year	(17,946)	(55,678)	(63,409)	(77,653)
Adjustment/ transfers	-	-	3,176	(3,686)
<b>Balance as at 31 December</b>	<b>266,057</b>	<b>207,627</b>	<b>596,651</b>	<b>549,092</b>

The principal actuarial assumptions used in the valuation were as follows :

	Bank/ Group	
	2018 %	2017 %
Future salary increment rate	6.5 p.a	6.5 p.a
Increase in future Cost of Living Allowance (COLA)	5.5 p.a	5.5 p.a
Discount rate	12.0 p.a	11.5 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 9.8 years.

Increase/ decrease in the following assumptions will change the present value of defined benefit obligation as illustrated below:

	Bank		Group	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
	LKR '000	LKR '000	LKR '000	LKR '000
Discount rate	254,871	278,118	571,740	623,889
Salary increment	275,179	257,551	617,296	577,752

#### 47.4 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 2018 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:

##### 47.4.1 Net Benefit Expense (Recognised Under Personnel Expenses)

For the year ended 31 December	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Current service cost	429,293	352,548
Net interest (income)/ expenses	(241,042)	(214,781)
<b>Net benefit expense</b>	<b>188,251</b>	<b>137,767</b>

##### 47.4.2 Amount Recognised in Other Comprehensive Income

For the year ended 31 December	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Actuarial gains/ (losses) on the defined benefit obligation	(232,450)	(278,904)
Actuarial gains/ (losses) on plan assets	311,792	78,295
<b>Net actuarial gains/ (losses) recognised in other comprehensive income</b>	<b>79,342</b>	<b>(200,609)</b>

##### 47.4.3 Retirement Benefit Assets

As at 31 December	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Fair value of plan assets [Note 47.4.4]	7,138,966	5,429,485
Defined benefit obligation [Note 47.4.5]	(4,375,248)	(3,333,466)
<b>Net retirement benefit assets</b>	<b>2,763,718</b>	<b>2,096,019</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 47.4.4 Changes in Fair Value of Plan Assets

	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Opening fair value of plan assets	5,429,485	4,203,634
Expected return	624,391	504,436
Actual employer contribution	776,608	644,551
Benefits paid	(3,310)	(1,431)
Actuarial gains/ (losses) on plan asset	311,792	78,295
Closing fair value of plan assets	7,138,966	5,429,485

### 47.4.5 Changes in The Present Value of the Defined Benefit Obligation

	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Opening defined benefit obligation	3,333,466	2,413,790
Interest cost	383,349	289,655
Current service cost	429,293	352,548
Benefits paid	(3,310)	(1,431)
Actuarial (gains)/ losses on obligation	800,879	(78,125)
(Gains)/ losses due to change in assumptions	(568,429)	357,029
Closing defined benefit obligation	4,375,248	3,333,466

### 47.4.6 Plan Assets Consist of the Following

	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
As at 31 December		
Treasury bonds	318,517	-
Fixed deposits	3,559,898	2,872,880
Debentures	3,260,325	2,555,352
Others	226	1,253
Total plan assets	7,138,966	5,429,485

### 47.4.7 Actuarial Assumptions

	Bank/ Group	
	2018	2017
	%	%
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	12.0 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	0.5% Decrease
	LKR '000	LKR '000
Discount rate	3,859,541	4,922,328
Salary increment	4,621,507	4,106,882
Cost of Living Allowance	4,468,144	4,246,847

Further, the remaining years of benefit payments are expected to be 27.1 years.

The following payments are expected from the Pension Fund in future years.

As at 31 December	Bank/ Group	
	2018	2017
	LKR '000	LKR '000
Within the next 12 months	4,142	3,132
Between 1 and 5 years	75,527	49,944
Between 6 and 10 years	243,881	162,867
Beyond 10 years	4,051,698	3,117,523
<b>Total expected payments</b>	<b>4,375,248</b>	<b>3,333,466</b>

## 48 Subordinated Liabilities

### Accounting Policy

Subordinated liabilities 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 liabilities 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	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Listed Debentures</b>				
Unsecured, subordinated, redeemable debentures of LKR 100 each	28,448,484	32,563,940	28,105,732	32,219,550
<b>Unlisted Debentures</b>				
Unsecured, subordinated, redeemable debentures of LKR 100 each (private placement)	22,378,755	10,006,517	22,378,755	10,006,517
<b>Total subordinated liabilities</b>	<b>50,827,239</b>	<b>42,570,457</b>	<b>50,484,487</b>	<b>42,226,067</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 48.1 The Movement in Subordinated Liabilities

	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Balance as at 1 January	42,570,457	38,645,546	42,226,067	38,295,318
Issued during the year	12,000,000	10,000,000	12,000,000	10,000,000
Redemptions	(4,090,400)	(6,074,665)	(4,090,400)	(6,069,600)
Amortisation adjustments	347,182	(424)	348,820	349
Balance as at 31 December	50,827,239	42,570,457	50,484,487	42,226,067

### 48.2 Types of Debentures

	Notes	Interest payable frequency	Issue date	Maturity date	Coupon rate		Amount as at 31 December			
					2018 %	2017 %	Bank		Group	
							2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
<b>Fixed Interest Rate</b>										
Unsecured, subordinated, redeemable debentures		Annually	25.10.2013	24.10.2018	-	13.00	-	3,869,827	-	3,869,827
Unsecured, subordinated, redeemable debentures		Semi annually	25.10.2013	24.10.2018	-	12.60	-	220,369	-	220,369
Unsecured, subordinated, redeemable debentures		Annually	25.10.2013	24.10.2021	13.25	13.25	1,226,594	1,226,594	1,226,594	1,226,594
Unsecured, subordinated, redeemable debentures		Annually	25.10.2013	24.10.2022	13.25	13.25	1,227,617	1,227,617	1,227,617	1,227,617
Unsecured, subordinated, redeemable debentures	*	Annually	25.10.2013	24.10.2023	13.75	13.75	1,638,142	1,638,142	1,638,142	1,638,142
Unsecured, subordinated, redeemable debentures		Annually	22.09.2014	21.09.2019	8.00	8.00	5,234,969	5,234,969	5,234,969	5,234,969
Unsecured, subordinated, redeemable debentures		Quarterly	22.09.2014	21.09.2019	7.75	7.75	216,182	216,182	216,182	216,182
Unsecured, subordinated, redeemable debentures		Annually	22.09.2014	21.09.2022	8.25	8.25	1,873,793	1,873,793	1,873,793	1,873,793
Unsecured, subordinated, redeemable debentures		Annually	06.10.2015	05.10.2020	8.25	8.25	293,991	293,991	293,991	293,991
Unsecured, subordinated, redeemable debentures		Quarterly	06.10.2015	05.10.2020	8.00	8.00	12,449	12,449	12,449	12,449
Unsecured, subordinated, redeemable debentures		Annually	06.10.2015	05.10.2023	9.50	9.50	1,205,580	1,205,580	1,205,580	1,205,580
Unsecured, subordinated, redeemable debentures		Annually	29.12.2016	28.12.2021	13.25	13.25	8,003,631	8,003,631	7,993,621	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	12.50	5,003,228	5,003,228	5,003,228	5,003,228
Unsecured, subordinated, redeemable debentures		Annually	29.12.2017	28.12.2025	12.75	12.75	5,003,289	5,003,289	5,003,289	5,003,289
Unsecured, subordinated, redeemable debentures		Annually	31.07.2018	30.07.2026	12.00	-	7,025,960	-	7,025,960	-

	Notes	Interest payable frequency	Issue date	Maturity date	Coupon rate		Amount as at 31 December			
					2018 %	2017 %	Bank		Group	
							2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Unsecured, subordinated, redeemable debentures		Annually	03.12.2018	02.12.2023	12.00	-	5,346,278	-	5,346,278	-
<b>Total fixed interest rate subordinated debentures</b>							<b>43,312,487</b>	<b>35,030,445</b>	<b>43,302,477</b>	<b>35,020,436</b>
<b>Floating Interest Rate</b>										
Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 100 basis points)	(a)	Semi annually	25.10.2013	24.10.2018	-	11.13	-	204	-	204
Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 100 basis points)	(a)	Semi annually	25.10.2013	24.10.2021	9.52	11.13	1,019	1,020	1,019	1,020
Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 50 basis points)	(a)	Semi annually	22.09.2014	21.09.2019	9.97	10.43	845,442	848,392	512,700	514,011
Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 50 basis points)	(a)	Semi annually	22.09.2014	21.09.2022	9.97	10.43	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	10.72	11.34	4,580,255	4,595,440	4,580,255	4,595,440
Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 125 basis points)	(a)	Semi annually	06.10.2015	05.10.2023	10.72	11.34	2,086,964	2,093,885	2,086,964	2,093,885
Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 125 basis points)	(a)	Semi annually	29.12.2016	28.12.2021	11.24	10.47	1,021	1,020	1,021	1,020
Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 125 basis points)	(a)	Semi annually	29.12.2016	28.12.2024	11.24	10.47	20	20	20	20
<b>Total floating interest rate subordinated debentures</b>							<b>7,514,752</b>	<b>7,540,012</b>	<b>7,182,010</b>	<b>7,205,631</b>
<b>Total subordinated debentures</b>							<b>50,827,239</b>	<b>42,570,457</b>	<b>50,484,487</b>	<b>42,226,067</b>

**Notes :**

Debentures that are listed in the Colombo Stock Exchange. Some of these have been traded in the Colombo Stock Exchange.

\* 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. 97.00)

a) Weighted average six months Treasury Bill interest rate before deducting relevant withholding tax at the primary quotations as announced by the Central Bank of Sri Lanka, at the preceding week of the interest resetting date.

## NOTES TO THE FINANCIAL STATEMENTS

### 49 Share Capital

#### 49.1 Ordinary Shares

As at 31 December	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 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 [15,000,000 (2017: 10,000,000) ordinary shares]	15,000,000	10,000,000	15,000,000	10,000,000
Share issued during the year [5,000,000 ordinary shares]	5,000,000	5,000,000	5,000,000	5,000,000
<b>Balance as at 31 December [20,000,000 (2017: 15,000,000) ordinary shares]</b>	<b>20,000,000</b>	<b>15,000,000</b>	<b>20,000,000</b>	<b>15,000,000</b>
<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>25,000,000</b>	<b>20,000,000</b>	<b>25,000,000</b>	<b>20,000,000</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 2017. Further, the Bank received LKR 5,000 million from the Government of Sri Lanka, the second phase of the total amount of LKR10,000 million allocated to the Bank under the National Budget 2018. This amount has been reported under capital pending allotment as of 31 December 2018. 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 share capital during the year 2019.

#### 49.2 Net Assets Value Per Share

As at 31 December	Bank		Group	
	2018	2017	2018	2017
<b>Amount used as the Numerator</b>				
Total equity attributable to equity holder of the bank (LKR '000)	121,442,022	111,155,075	131,445,497	121,399,125
<b>Number of ordinary shares used as denominator</b>				
Total number of ordinary shares issued	20,000,000	15,000,000	20,000,000	15,000,000
<b>Net asset value per share (LKR)</b>	<b>6,072.10</b>	<b>7,410.34</b>	<b>6,574.13</b>	<b>8,093.28</b>

## 50 Permanent Reserve Fund

	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	10,427,000	7,996,000	10,427,000	7,996,000
Transfers during the year	2,463,000	2,431,000	2,463,000	2,431,000
<b>Balance as at 31 December</b>	<b>12,890,000</b>	<b>10,427,000</b>	<b>12,890,000</b>	<b>10,427,000</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 2,463.0 million was transferred to the permanent reserve during the year 2018. (2017 : LKR 2,431.0 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.

## 51 Retained Earnings

	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	63,472,250	54,154,685	65,100,871	55,659,003
Impact of adopting SLFRS 9 as at 1 January 2018	(9,562,471)	-	(10,369,633)	-
Deferred tax on transitional adjustments	3,345,868	-	3,571,637	-
Total comprehensive income for the year	17,362,439	24,093,813	17,432,210	24,240,161
Net Transfers between reserves	(2,437,797)	(2,429,838)	(2,436,929)	(2,451,883)
Dividend	(4,846,410)	(12,346,410)	(4,846,410)	(12,346,410)
<b>Balance as at 31 December</b>	<b>67,333,879</b>	<b>63,472,250</b>	<b>68,451,746</b>	<b>65,100,871</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 52 Other Reserves

As at 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Revaluation reserve [Note 52.1]	11,698,270	11,966,489	18,746,709	18,681,265
Free reserve	169,067	169,067	366,644	366,644
Exchange translation reserve [Note 52.2]	2,512,612	1,401,743	3,157,000	1,703,785
Available for sale reserve [Note 52.3.1]	-	3,718,526	-	4,760,616
Fair value through OCI reserve [Note 52.3.2]	1,838,194	-	2,474,454	-
Statutory reserve - Other	-	-	358,944	358,944
<b>Total other reserves</b>	<b>16,218,143</b>	<b>17,255,825</b>	<b>25,103,751</b>	<b>25,871,254</b>

#### 52.1 Revaluation Reserve

	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	11,966,489	10,002,294	18,681,265	16,494,059
Changes in revaluation surplus/ (deficit)	(337,522)	6,059,715	147,397	6,406,248
Deferred tax effect on changes in revaluation surplus/ (deficit)	94,506	(4,094,358)	(41,271)	(4,191,387)
Revaluation surplus of disposed property	(25,203)	(1,162)	(25,203)	(1,162)
Transferred to non-controlling interest	-	-	(15,479)	(26,493)
<b>Balance as at 31 December</b>	<b>11,698,270</b>	<b>11,966,489</b>	<b>18,746,709</b>	<b>18,681,265</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.

## 52.2 Exchange Translation Reserve

	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	1,401,743	1,040,368	1,703,785	1,060,420
Exchange differences on translation of foreign operations	1,110,869	361,375	1,453,215	643,365
<b>Balance as at 31 December</b>	<b>2,512,612</b>	<b>1,401,743</b>	<b>3,157,000</b>	<b>1,703,785</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.

## 52.3 Fair Value Reserves

### 52.3.1 Available for Sale Reserve

	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	3,718,526	4,487,181	4,760,616	5,562,266
Impact of adopting SLFRS 9 as at 1 January 2018	(3,718,526)	-	(4,760,616)	-
Net gains/ (losses) on remeasuring available for sale financial investments	-	(595,034)	-	(619,591)
Deferred tax on effect on net gains/ (losses) on remeasuring available for sale financial investments	-	(177,006)	-	(177,006)
Realised (gains)/ losses on available for sale financial investments transferred to profit or loss	-	3,385	-	3,385
Transferred to non-controlling interest	-	-	-	(8,438)
<b>Balance as at 31 December</b>	<b>-</b>	<b>3,718,526</b>	<b>-</b>	<b>4,760,616</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 52.3.2 Fair Value Through OCI Reserve

	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Balance as at 1 January	-	-	-	-
Impact of adopting SLFRS 9 as at 1 January 2018	2,541,656	-	3,583,746	-
Net gains/ (losses) on investments in debt instruments measured at FVTOCI	(271,351)	-	(285,389)	-
Net (gains)/ losses on investment in debt instruments at FVTOCI reclassification to profit or loss	(15,232)	-	(15,232)	-
Change in fair value on investments in equity instruments designated at FVTOCI	(410,168)	-	(823,954)	-
Deferred tax effect on above	(6,711)	-	(6,711)	-
Transferred to non-controlling interest	-	-	21,994	-
<b>Balance as at 31 December</b>	<b>1,838,194</b>	<b>-</b>	<b>2,474,454</b>	<b>-</b>

### 53 Non-Controlling Interest

As at 31 December	Group	
	2018 LKR '000	2017 LKR '000
Property Development PLC	165,212	166,381
Merchant Bank of Sri Lanka & Finance PLC	561,889	722,238
MBSL Insurance Company Limited	(57,265)	12,788
Hotels Colombo (1963) Limited	14	19
Koladeniya Hydropower (Private) Limited	25,299	25,949
<b>Total non-controlling interest</b>	<b>695,149</b>	<b>927,375</b>



## 54 Notes to the Statement of Cash Flows

### 54.1 Change in Operating Assets

For the year ended 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Change in deposits with regulatory authorities	3,008,641	(12,301,271)	3,008,641	(12,301,271)
Loans and advances to customers	(273,084,476)	(167,274,301)	(274,766,771)	(171,623,297)
Net (increase)/ decrease in financial instruments - Held for trading	(2,307,941)	1,091,495	(2,376,696)	1,184,827
Net (increase)/ decrease in securities purchased under resale agreements	(13,927,044)	(12,946,763)	(17,926,129)	(9,909,540)
Net (increase)/ decrease in derivative financial instruments	413,166	3,682,021	413,166	3,682,021
Change in other operating assets	6,288,818	11,125,803	6,399,715	11,492,994
<b>Total</b>	<b>(279,608,836)</b>	<b>(176,623,016)</b>	<b>(285,248,074)</b>	<b>(177,474,266)</b>

### 54.2 Change in Operating Liabilities

For the year ended 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Net Increase/ (decrease) in deposits from banks	455,138	(143,370)	455,138	(143,370)
Net Increase/ (decrease) in deposits from customers	216,768,242	279,690,784	216,558,100	282,519,404
Net increase/ (decrease) in securities sold under repurchase agreements	52,911,898	(14,937,167)	52,794,616	(14,297,115)
Net increase/ (decrease) in short term borrowings	(189,627)	32,824,007	1,977,577	33,195,860
Net increase/ (decrease) in derivative financial instruments	438,303	(100,948)	438,303	(100,948)
Change in other operating liabilities	5,780,858	6,829,664	10,079,243	5,155,514
<b>Total</b>	<b>276,164,812</b>	<b>304,162,970</b>	<b>282,302,977</b>	<b>306,329,345</b>

### 54.3 Other Non-Cash Items Included in Profit Before Tax

For the year ended 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Exchange revaluation	(7,622,372)	(701,621)	(7,622,372)	(701,621)
Contribution paid to defined benefit plans	(132,434)	281,914	(70,992)	340,747
Impairment charges	15,040,961	9,340,658	15,176,472	9,884,889
Depreciation of investment property	117,072	117,072	2,906	2,906
Depreciation of Property, Plant and Equipment	1,686,954	1,523,783	2,358,603	2,197,108
Amortisation of intangible assets and leasehold properties	396,268	284,148	451,960	342,466
Accrual for expenses and other non cash items	(2,713,072)	26,333	(2,802,540)	36,343
<b>Total</b>	<b>6,773,377</b>	<b>10,872,287</b>	<b>7,494,037</b>	<b>12,102,838</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 55 Contingent Liabilities and Commitments

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 on “Provisions, Contingent Liabilities and Contingent Assets”.

In the normal course of business, the Bank undertakes commitments and incurs contingent liabilities with legal recourse to its customers to accommodate the financial and investment needs of clients, to conduct trading activities and to manage its own exposure to risk. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. Operating lease commitments of the Bank (as a lessor and as a lessee) and pending legal claims against the Bank also form part of commitments of the Bank.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. These financial instruments generate interest or fees and carries elements of credit risk in excess of those amounts recognised as assets and liabilities in the Statement of Financial Position. However no material losses are anticipated as a result of these transactions.

These commitments and contingencies are quantified below :

As at 31 December	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Contingent liabilities [Note 55.1]	373,074,988	323,104,305	377,523,369	324,229,150
Undrawn and undisbursed facilities [Note 55.2]	121,561,219	160,067,768	121,825,818	160,067,786
Capital commitments [Note 55.3]	11,053,804	11,184,205	11,214,075	11,187,521
Lease commitments [Note 55.4]	2,616,797	2,121,000	2,629,157	2,133,377
<b>Total contingent liabilities and commitments</b>	<b>508,306,808</b>	<b>496,477,278</b>	<b>513,192,419</b>	<b>497,617,834</b>

#### 55.1 Contingent Liabilities

As at 31 December	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Acceptances and documentary credit	225,582,120	147,887,385	225,672,891	147,963,606
Bills for collection	21,553,898	6,812,882	21,553,898	6,812,882
Forward exchange contracts	15,801,742	39,125,183	15,801,742	39,125,183
Guarantees	100,715,102	83,593,855	100,941,300	83,794,517
Other commitments [Note 55.1.1]	9,422,126	45,685,000	13,553,538	46,532,962
<b>Total contingent liabilities</b>	<b>373,074,988</b>	<b>323,104,305</b>	<b>377,523,369</b>	<b>324,229,150</b>

##### 55.1.1 Other Commitments

As at 31 December	Bank		Group	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Forward Exchange contract with Financial institutions	284,631	81,500	284,631	81,500
Currency Swaps	9,137,495	45,603,500	12,327,890	45,603,500
Other commitments	-	-	941,017	847,962
<b>Total other commitments</b>	<b>9,422,126</b>	<b>45,685,000</b>	<b>13,553,538</b>	<b>46,532,962</b>

## 55.2 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	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Undisbursed amount of loans	36,230,934	31,942,266	36,370,051	31,942,266
Undrawn limits of overdrafts	41,749,673	78,612,709	41,875,155	78,612,719
Undrawn limits of credit cards	8,496,914	7,964,314	8,496,914	7,964,314
Undrawn limits of letters of credit	14,732,300	22,215,383	14,732,300	22,215,391
Undrawn limits of letters of guarantee	20,351,398	19,333,096	20,351,398	19,333,096
<b>Total undrawn and undisbursed facilities</b>	<b>121,561,219</b>	<b>160,067,768</b>	<b>121,825,818</b>	<b>160,067,786</b>

## 55.3 Capital Commitments

Capital expenditure approved by the Directors, for which, no provision has been made in the Financial Statements, amounts to:

### 55.3.1 Capital Commitments in Relation to Property, Plant and Equipment

As at 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Approved and contracted for	2,992,528	2,431,828	3,140,225	2,433,822
Approved but not contracted for	4,145,165	3,914,797	4,145,165	3,914,797
<b>Total capital commitments in relation to Property Plant and Equipment</b>	<b>7,137,693</b>	<b>6,346,625</b>	<b>7,285,390</b>	<b>6,348,619</b>

### 55.3.2 Capital Commitments in Relation to Intangible Assets

As at 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Approved and contracted for	2,311,147	1,961,567	2,323,721	1,962,889
Approved and not contracted for	1,604,964	2,876,013	1,604,964	2,876,013
<b>Total capital commitments in relation to intangible assets</b>	<b>3,916,111</b>	<b>4,837,580</b>	<b>3,928,685</b>	<b>4,838,902</b>
<b>Total capital commitments</b>	<b>11,053,804</b>	<b>11,184,205</b>	<b>11,214,075</b>	<b>11,187,521</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 55.4 Lease Commitments

#### 55.4.1 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	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Not later than 1 year	1,032,633	1,178,812	1,032,633	1,178,812
Later than 1 year and not later than 5 years	1,283,406	858,822	1,283,406	858,822
Later than 5 years	300,758	83,366	300,758	83,366
<b>Total operating lease commitments</b>	<b>2,616,797</b>	<b>2,121,000</b>	<b>2,616,797</b>	<b>2,121,000</b>

#### 55.4.2 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	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Not later than 1 year	-	-	7,514	4,526
Later than 1 year and not later than 5 years	-	-	4,846	7,851
Later than 5 years	-	-	-	-
<b>Total finance lease commitments</b>	<b>-</b>	<b>-</b>	<b>12,360</b>	<b>12,377</b>
<b>Total lease commitments</b>	<b>2,616,797</b>	<b>2,121,000</b>	<b>2,629,157</b>	<b>2,133,377</b>

### 55.5 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 2018, claims for the legal actions against the Bank approximately amount to LKR 12,414.4 million (2017: LKR 3,431.2 million), nevertheless the Bank has no impact over such claims whatsoever affecting to the business, operations or image of the Bank.

## 56 Assets Pledged as Security

The securities sold under repurchase agreement, debentures and debt securities issued by the Bank and the Group and details of assets pledged by the Bank and the Group, to secure those liabilities are given below:

As at 31 December	Bank		Group	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Borrowings :</b>				
Securities sold under repurchase agreements	97,399,359	44,487,462	97,423,302	44,628,686
	<b>97,399,359</b>	<b>44,487,462</b>	<b>97,423,302</b>	<b>44,628,686</b>
<b>Secured by ;</b>				
Treasury bills	9,619,113	-	9,619,113	-
Treasury bonds	92,774,829	52,186,541	92,800,854	52,327,765
<b>Total assets pledged as securities</b>	<b>102,393,942</b>	<b>52,186,541</b>	<b>102,419,967</b>	<b>52,327,765</b>

## 57 Events After the Reporting Date

Events after the Reporting period 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 58 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 2018 in to the contractual maturity date, is given in the table below:

As at 31 December 2018	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	78,447,577	-	78,447,577	78,558,031	-	78,558,031
Balances with Central Banks	65,680,371	-	65,680,371	65,680,371	-	65,680,371
Placements with banks	36,298,153	4,151,936	40,450,089	37,529,974	4,151,936	41,681,910
Securities purchased under resale agreements	-	-	-	1,436,068	-	1,436,068
Derivative financial instruments	1,205,657	-	1,205,657	1,205,657	-	1,205,657
Financial assets measured at fair value through profit or loss	9,277,298	-	9,277,298	9,583,327	-	9,583,327
Financial assets measured at amortised cost - loans and advances	621,542,807	807,564,374	1,429,107,181	627,922,972	832,695,616	1,460,618,588
Financial assets measured at amortised cost - debt instruments	208,601,166	343,238,283	551,839,449	209,775,793	342,180,941	551,956,734
Financial assets measured at fair value through OCI	16,699,582	-	16,699,582	20,415,199	-	20,415,199
Investment in subsidiary companies	-	6,513,048	6,513,048	-	-	-
Investment in associate companies	-	92,988	92,988	-	441,226	441,226
Investment properties	-	2,765,856	2,765,856	-	120,182	120,182
Property, Plant and Equipment	-	24,178,155	24,178,155	-	37,762,509	37,762,509
Leasehold properties	-	98,899	98,899	-	130,500	130,500
Intangible assets	-	1,238,186	1,238,186	-	1,456,630	1,456,630
Deferred tax assets	-	-	-	-	3,052	3,052
Other assets	25,666,791	14,893,267	40,560,058	26,940,016	14,932,875	41,872,891
<b>Total assets</b>	<b>1,063,419,402</b>	<b>1,204,734,992</b>	<b>2,268,154,394</b>	<b>1,079,047,408</b>	<b>1,233,875,467</b>	<b>2,312,922,875</b>
Percentage (%)	46.9	53.1	100.0	46.7	53.3	100.0

As at 31 December 2018	Bank			Group		
	Within	After	Total	Within	After	Total
	12 months	12 months		12 months	12 months	
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
<b>Liabilities</b>						
Due to banks	2,402,468	-	2,402,468	2,515,998	-	2,515,998
Securities sold under repurchase agreements	97,399,359	-	97,399,359	97,423,302	-	97,423,302
Derivative financial instruments	509,018	-	509,018	509,018	-	509,018
Financial liabilities at amortised cost - due to depositors	1,730,973,379	34,052,591	1,765,025,970	1,741,712,979	42,262,514	1,783,975,493
Financial liabilities at amortised cost - other borrowings	201,792,174	-	201,792,174	200,794,306	6,259,368	207,053,674
Debt securities issued	-	-	-	2,789,727	1,315,954	4,105,681
Current tax liabilities	3,922,189	-	3,922,189	4,039,380	-	4,039,380
Deferred tax liabilities	-	5,073,526	5,073,526	-	7,762,214	7,762,214
Insurance provision - Life	-	-	-	575,625	-	575,625
Insurance provision - Non life	-	-	-	366,618	-	366,618
Other liabilities	15,235,112	4,525,317	19,760,429	16,768,125	5,202,614	21,970,739
Subordinated liabilities	6,993,714	43,833,525	50,827,239	6,660,972	43,823,515	50,484,487
Equity	1,838,194	119,603,828	121,442,022	2,474,454	129,666,192	132,140,646
<b>Total liabilities and Equity</b>	<b>2,061,065,607</b>	<b>207,088,787</b>	<b>2,268,154,394</b>	<b>2,076,630,504</b>	<b>236,292,371</b>	<b>2,312,922,875</b>
Percentage (%)	90.9	9.1	100.0	89.8	10.2	100.0
Net gap	(997,646,205)	997,646,205	-	(997,583,096)	997,583,096	-

## NOTES TO THE FINANCIAL STATEMENTS

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 in to the contractual maturity date, is given in the table below:

As at 31 December 2017	Bank			Group		
	Within	After	Total	Within	After	Total
	12 months	12 months		12 months	12 months	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	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	17,921,170	-	17,921,170	22,552,292	-	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>983,546,060</b>	<b>968,257,893</b>	<b>1,951,803,953</b>	<b>1,023,429,498</b>	<b>975,980,685</b>	<b>1,999,410,183</b>
Percentage (%)	50.4	49.6	100.0	51.2	48.8	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 depositors	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 liabilities	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	(757,225,374)	757,225,374	-	(742,111,876)	742,111,876	-



## 59 Related Party Disclosures

The Bank has entered in to 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.

### 59.1 Parent and the Ultimate Controlling Party

Bank of Ceylon is a Government owned bank.

### 59.2 Key Management Personnel (KMPs) and their Close Family Members (CFMs)

#### 59.2.1 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	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Short-term employment benefits	20,749	20,220	21,646	21,302
Post employment benefits	4,867	4,832	4,867	4,832
<b>Total</b>	<b>25,616</b>	<b>25,052</b>	<b>26,513</b>	<b>26,134</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.

#### 59.2.2 Transactions, Arrangements and Agreements Involving Key Management Personnel (KMPs) and their Close Family Members (CFMs).

##### (a) Items in Statement of Profit or Loss

For the year ended 31 December	KMPs & CFMs	
	2018	2017
	LKR '000	LKR '000
Interest income	732	888
Interest expenses	3,555	5,587

## NOTES TO THE FINANCIAL STATEMENTS

### (b) Items in Statement of Financial Position

As at 31 December	KMPs & CFMs	
	2018 LKR '000	2017 LKR '000
<b>Assets</b>		
Loans	4,462	16,010
Credit cards	88	221
	<b>4,550</b>	<b>16,231</b>
<b>Liabilities</b>		
Due to depositors	14,347	55,369
	<b>14,347</b>	<b>55,369</b>

### (c) Off Balance Sheet Items

As at 31 December	KMPs & CFMs	
	2018 LKR '000	2017 LKR '000
Undrawn facilities	662	2,429
	<b>662</b>	<b>2,429</b>

### (d) Average Accommodations/ Due to Depositors Balances

For the year ended 31 December	KMPs & CFMs	
	2018 LKR '000	2017 LKR '000
Loans	9,693	10,637
Overdrafts	-	81
Due to depositors	48,281	31,223

## 59.3 Transactions with Group Related Parties

The Group related parties include the Subsidiaries and Associates of the Bank.

### 59.3.1 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	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Interest income	192,455	120,402	26,902	28,413
Interest expenses	331,339	333,993	24,334	25,525
Other income	344,756	137,440	18,300	19,300
Other expenses	907,613	887,733	37,732	32,074

## (b) Items in Statement of Financial Position

As at 31 December	Subsidiary Companies		Associate Companies	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Assets</b>				
Loans	1,521,365	316,175	175,012	224,365
Overdrafts	423,292	3,411	-	-
Investments in debts	123,789	221,576	-	-
Placements	31,326,385	12,771,476	-	-
Other receivables	747,290	1,382,733	-	-
	<b>34,142,121</b>	<b>14,695,371</b>	<b>175,012</b>	<b>224,365</b>
<b>Liabilities</b>				
Due to depositors	3,130,848	3,264,273	272,036	256,333
Securities sold under repurchase agreements	142,952	296,448	26,005	86,241
Debentures	343,036	344,390	-	-
Other liabilities	2,933	8,043	-	-
	<b>3,619,769</b>	<b>3,913,154</b>	<b>298,041</b>	<b>342,574</b>

## (c) Off Balance Sheet Items

As at 31 December	Subsidiary Companies		Associate Companies	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Guarantees	5,850	10,380	114	-
Undrawn facilities	202,695	1,560,226	10,000	30,000
	<b>208,545</b>	<b>1,570,606</b>	<b>10,114</b>	<b>30,000</b>

## (d) Average Accommodations/ Due to Depositors Balances

As at 31 December	Subsidiary Companies		Associate Companies	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Loans	1,080,754	811,294	196,208	213,016
Overdrafts	106,442	45,606	136	97
Due to depositors	2,833,259	2,472,637	255,057	209,099

## NOTES TO THE FINANCIAL STATEMENTS

### 59.3.2 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	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Interest income	238,339	147,319	29,126	29,858
Interest expense	379,447	367,059	24,334	25,525
Other income	537,948	307,312	484,715	24,004
Other expenses	1,566,798	1,057,145	38,155	32,534

#### (b) Items in Statement of Financial Position

As at 31 December	Subsidiary Companies		Associate Companies	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Assets</b>				
Loans	1,810,807	393,626	175,012	224,365
Overdrafts	423,292	3,411	-	-
Investments in debts	123,789	221,576	-	-
Placements	31,326,385	12,771,476	-	-
Other receivable	749,398	1,462,663	15,143	26,885
	<b>34,433,671</b>	<b>14,852,752</b>	<b>190,155</b>	<b>251,250</b>
<b>Liabilities</b>				
Due to depositors	3,193,405	3,343,388	272,036	282,879
Securities sold under repurchase agreements	142,952	296,448	26,005	86,241
Debentures	343,036	344,390	-	-
Other liabilities	247,069	86,486	-	162
	<b>3,926,462</b>	<b>4,070,712</b>	<b>298,041</b>	<b>369,282</b>

#### (c) Off Balance Sheet Items

As at 31 December	Subsidiary Companies		Associate Companies	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Guarantees	5,850	10,380	114	-
Undrawn facilities	202,695	1,560,226	10,000	30,000
	<b>208,545</b>	<b>1,570,606</b>	<b>10,114</b>	<b>30,000</b>

## (d) Average Accommodations/ Due to Depositors Balances

As at 31 December	Subsidiary Companies		Associate Companies	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Loans	1,080,754	811,294	196,208	213,016
Overdrafts	106,442	45,606	136	97
Due to depositors	2,833,259	2,472,637	255,057	209,099

#### 59.4 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 in to 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:

##### 59.4.1 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	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Interest income	85,557,414	74,417,323	191	-
Other income	779,941	766,497	2,684	-
Interest expenses	19,781,347	23,323,315	7,920,439	5,707,049
Dividends paid	4,846,410	12,346,410	-	-
Contribution made	-	-	808,095	286,018

## NOTES TO THE FINANCIAL STATEMENTS

### (b) Items in Statement of Financial Position

As at 31 December	Significant Investor		Post Employment Benefit Plans	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
<b>Assets</b>				
Loans and advances	562,326,026	393,893,128	-	-
Investment in securities and bonds	551,493,826	535,202,370	-	-
Investment in equity instruments	2,314,096	1,250,715	-	-
	<b>1,116,133,948</b>	<b>930,346,213</b>	-	-
<b>Liabilities</b>				
Due to depositors	205,973,794	215,416,321	52,068,600	56,728,098
Securities sold under repurchase agreements	89,458,909	39,329,807	709,373	596,000
Debentures	17,855,880	9,276,330	26,978,890	14,673,825
	<b>313,288,583</b>	<b>264,022,458</b>	<b>79,756,863</b>	<b>71,997,923</b>

### (c) Off Balance Sheet Items

As at 31 December	Significant Investor	
	2018 LKR '000	2017 LKR '000
Letters of credit	75,222,871	77,113,154
Bills and acceptances	100,117,751	34,102,659
Guarantees	5,033,214	3,596,209
Forward exchange contracts	9,137,495	45,856,440
	<b>189,511,331</b>	<b>160,668,462</b>

### (d) Other Transactions

For the year ended 31 December	Significant Investor	
	2018 LKR '000	2017 LKR '000
Gross foreign exchange transactions		
- Sales	218,146,217	159,658,969
- Purchases	175,716,180	291,870,422

## (e) Average Accommodations/ Due to Depositors Balances

For the year ended 31 December	Significant Investor		Post Employment Benefit Plans	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
Loans and advances	358,655,760	338,872,282	-	-
Due to depositors	194,035,460	161,598,781	48,476,463	37,306,762
Off balance sheet facilities	182,860,088	176,208,846	-	-

**59.4.2 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 276,405 million and Comfort Letters of LKR 33,416 million as of 31.12.2018 against the loan facilities granted to State Owned Enterprises (SOEs).

During the year the Bank received LKR 5,000 million from Government of Sri Lanka.

**59.4.3 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	
	2018	2017
	LKR '000	LKR '000
Investment in securities and bonds	1,863,397	1,002,447
Nostro balance with Central Bank of Sri Lanka	208,065	184,439
Income from investments in securities and bonds	122,142	211,097

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 2018 on comparable terms, which are applicable to transactions between the Group and its unrelated customers.

## NOTES TO THE FINANCIAL STATEMENTS

### 60 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.

#### 60.1 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 decision about resource allocation to each segment and assess its performance.”

The Group comprises the following major business segments:

Retail banking, Corporate banking, International, Treasury and Investments, other non-banking and Group functions.

The management monitors the operating results of its business segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance 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	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Revenue from external customers:</b>				
Net interest income	37,158,489	28,650,109	17,326,817	19,819,345
Net fee and commission income	4,150,452	3,620,346	2,704,421	2,535,209
Other income	3,162,668	3,804,986	5,394,397	516,404
<b>Total operating income</b>	<b>44,471,609</b>	<b>36,075,441</b>	<b>25,425,635</b>	<b>22,870,958</b>
Impairment (charge)/ reversal for loans and other losses	(6,134,067)	(1,830,794)	(8,231,449)	(7,780,736)
Other operating expenses	(21,851,590)	(18,829,578)	(5,218,986)	(4,109,781)
<b>Total expenses</b>	<b>(27,985,657)</b>	<b>(20,660,372)</b>	<b>(13,450,435)</b>	<b>(11,890,517)</b>
<b>Operating profit before taxes on financial services</b>	<b>16,485,952</b>	<b>15,415,069</b>	<b>11,975,200</b>	<b>10,980,441</b>
Taxes on financial services	-	-	-	-
Operating profit after taxes on financial services	-	-	-	-
Share of profit/ (loss) of associate companies, net of tax	-	-	-	-
<b>Profit/ (loss) before income tax</b>	<b>16,485,952</b>	<b>15,415,069</b>	<b>11,975,200</b>	<b>10,980,441</b>
Income tax expense	-	-	-	-
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>690,006,676</b>	<b>632,145,758</b>	<b>833,652,006</b>	<b>601,742,151</b>
<b>Total liabilities</b>	<b>653,062,187</b>	<b>596,145,109</b>	<b>789,016,428</b>	<b>567,472,984</b>
Cash flows from/ (used in) operating activities	(12,419,101)	64,442,987	(5,790,965)	44,579,858
Cash flows from/ (used in) investing activities	5,087,022	(26,381,837)	2,372,053	(18,250,218)
Cash flows from/ (used in) financing activities	4,264,290	(24,521,481)	5,152,028	(23,342,099)
Capital expenditure to non current assets	-	-	-	-
Depreciation and amortisation expenses	669,363	623,465	808,710	593,479

Being the major customer of the Bank, “Government & State Owned Enterprises (SOEs)’ represents 17% of revenue of the bank, (2017 : 16%) and included under Retail and Corporate segments. More details are given in the Note 59 - “Related Party Disclosures”.



International, Treasury and Investment		Group Function		Unallocated		Total	
2018	2017	2018	2017	2018	2017	2018	2017
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
10,914,352	9,657,261	3,131,505	3,132,158	158,316	231,229	68,689,479	61,490,102
997,846	810,323	374,367	169,053	566,118	616,150	8,793,204	7,751,081
6,164,808	3,872,203	2,949,301	2,344,850	(1,106,996)	(995,294)	16,564,178	9,543,149
<b>18,077,006</b>	<b>14,339,787</b>	<b>6,455,173</b>	<b>5,646,061</b>	<b>(382,562)</b>	<b>(147,915)</b>	<b>94,046,861</b>	<b>78,784,332</b>
(387,174)	300,000	(156,644)	(294,420)	(267,138)	(278,939)	(15,176,472)	(9,884,889)
(4,952,962)	(4,215,509)	(4,831,923)	(4,046,207)	230,993	496,673	(36,624,468)	(30,704,402)
<b>(5,340,136)</b>	<b>(3,915,509)</b>	<b>(4,988,567)</b>	<b>(4,340,627)</b>	<b>(36,145)</b>	<b>217,734</b>	<b>(51,800,940)</b>	<b>(40,589,291)</b>
<b>12,736,870</b>	<b>10,424,278</b>	<b>1,466,606</b>	<b>1,305,434</b>	<b>(418,707)</b>	<b>69,819</b>	<b>42,245,921</b>	<b>38,195,041</b>
-	-	-	-	-	-	(9,818,020)	(7,431,502)
-	-	-	-	-	-	32,427,901	30,763,539
-	-	9,269	52,024	-	-	9,269	52,024
<b>12,736,870</b>	<b>10,424,278</b>	<b>1,475,875</b>	<b>1,357,458</b>	<b>(418,707)</b>	<b>69,819</b>	<b>32,437,170</b>	<b>30,815,563</b>
-	-	-	-	-	-	(12,922,017)	(9,328,918)
-	-	-	-	-	-	<b>19,515,153</b>	<b>21,486,645</b>
<b>643,023,673</b>	<b>621,865,981</b>	<b>80,509,176</b>	<b>64,420,266</b>	<b>65,731,344</b>	<b>79,236,027</b>	<b>2,312,922,875</b>	<b>1,999,410,183</b>
<b>608,594,758</b>	<b>586,450,764</b>	<b>69,357,319</b>	<b>52,417,323</b>	<b>60,751,537</b>	<b>74,597,503</b>	<b>2,180,782,229</b>	<b>1,877,083,683</b>
(3,647,792)	21,722,177	(1,046,611)	7,045,195	(52,912)	520,104	(22,957,381)	138,310,321
1,494,182	(8,892,681)	428,705	(2,884,180)	21,674	(212,922)	9,403,636	(56,621,838)
3,973,932	(24,122,720)	452,881	(2,156,103)	396,688	(3,068,452)	14,239,819	(77,210,855)
-	-	-	-	-	-	4,360,302	3,963,792
623,785	613,327	269,497	275,335	442,114	436,874	2,813,469	2,542,480

## NOTES TO THE FINANCIAL STATEMENTS

### 60.2 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			
	2018		2017		2018		2017	
	LKR '000	%	LKR '000	%	LKR '000	%	LKR '000	%
<b>Assets</b>								
Domestic Banking Unit	1,958,935,723	86.4	1,664,741,312	85.3	1,966,996,477	85.1	1,691,932,690	84.6
Offshore Banking Division	259,302,812	11.4	247,929,200	12.7	259,302,812	11.2	247,929,200	12.4
Overseas Banking Units	49,915,859	2.2	39,133,441	2.0	86,623,586	3.7	59,548,293	3.0
<b>Total assets</b>	<b>2,268,154,394</b>	<b>100.0</b>	<b>1,951,803,953</b>	<b>100.0</b>	<b>2,312,922,875</b>	<b>100.0</b>	<b>1,999,410,183</b>	<b>100.0</b>
<b>Total Income</b>								
Domestic Banking Unit	194,208,778	87.8	167,072,299	88.3	201,940,015	88.1	174,410,229	88.6
Offshore Banking Division	21,218,379	9.6	17,029,578	9.0	21,218,379	9.2	17,029,578	8.6
Overseas Banking Units	5,704,021	2.6	5,109,518	2.7	6,303,228	2.7	5,573,154	2.8
<b>Total income</b>	<b>221,131,178</b>	<b>100.0</b>	<b>189,211,395</b>	<b>100.0</b>	<b>229,461,622</b>	<b>100.0</b>	<b>197,012,961</b>	<b>100.0</b>
<b>Profit Before Tax</b>								
Domestic Banking Unit	22,234,212	69.7	23,545,936	77.6	22,760,796	70.2	24,014,865	78.0
Offshore Banking Division	7,110,700	22.3	4,328,111	14.3	7,110,700	21.9	4,328,111	14.0
Overseas Banking Units	2,547,242	8.0	2,468,933	8.1	2,565,674	7.9	2,472,587	8.0
<b>Total profit before tax</b>	<b>31,892,154</b>	<b>100.0</b>	<b>30,342,980</b>	<b>100.0</b>	<b>32,437,170</b>	<b>100.0</b>	<b>30,815,563</b>	<b>100.0</b>
<b>Profit After Tax</b>								
Domestic Banking Unit	12,133,428	62.3	16,562,681	77.7	12,151,420	62.3	16,733,388	77.9
Offshore Banking Division	5,119,704	26.3	3,116,240	14.6	5,119,704	26.2	3,116,240	14.5
Overseas Banking Units	2,225,597	11.4	1,633,363	7.7	2,244,029	11.5	1,637,017	7.6
<b>Total profit after tax</b>	<b>19,478,729</b>	<b>100.0</b>	<b>21,312,284</b>	<b>100.0</b>	<b>19,515,153</b>	<b>100.0</b>	<b>21,486,645</b>	<b>100.0</b>

## 61 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.

### 61.1 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.

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Assets Measured at Fair Value through Profit or Loss

Financial instruments are classified as fair value through profit or loss consists Government securities, Quoted debt securities, Units in units trusts 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. Units in units trusts are valued using management buying price of such asset management company since it is the most relevant exit price of such assets.

### Financial Assets Measured at Fair Value through OCI

Financial investments are classified as fair value through OCI consists Government securities, Quoted equities and Unquoted equities.

- 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 represents the price of such securities. Fair value of Regional Development Bank derived using an internal management valuation technique which details are given in note 61.1.3

### 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.

### 61.1.1 Assets Measured at Fair Value - Fair Value Hierarchy

As at 31 December 2018	Bank				Group			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Financial Assets</b>								
<b>Derivative Financial Instruments</b>								
Forward exchange contracts	-	28,897	-	28,897	-	28,897	-	28,897
Currency SWAPs	-	-	1,176,760	1,176,760	-	-	1,176,760	1,176,760
	-	28,897	1,176,760	1,205,657	-	28,897	1,176,760	1,205,657
<b>Financial Assets Recognised Through Profit or Loss Measured at Fair Value</b>								
Treasury bills	3,533,195	-	-	3,533,195	3,533,195	-	-	3,533,195
Treasury bonds	632,810	-	-	632,810	632,810	-	-	632,810
Quoted equities	2,507,508	-	-	2,507,508	2,780,491	-	-	2,780,491
Other debt securities	-	-	-	-	1,715	-	-	1,715
Units in unit trusts	-	2,603,785	-	2,603,785	-	2,635,116	-	2,635,116
	6,673,513	2,603,785	-	9,277,298	6,948,211	2,635,116	-	9,583,327
<b>Financial Assets Measured at Fair Value Through OCI</b>								
<b>Quoted investments</b>								
<b>Government securities</b>								
Treasury bills	4,550,469	-	-	4,550,469	5,718,800	-	-	5,718,800
Treasury bonds	6,178,278	-	-	6,178,278	6,695,168	-	-	6,695,168
Other countries	1,587,030	-	-	1,587,030	2,663,447	-	-	2,663,447
Equities	3,142,087	-	-	3,142,087	4,050,702	-	-	4,050,702
<b>Unquoted Investments</b>								
Equities	-	1,012,411	229,306	1,241,717	-	1,012,411	274,671	1,287,082
	15,457,864	1,012,411	229,306	16,699,581	19,128,117	1,012,411	274,671	20,415,199
<b>Total financial assets</b>	<b>22,131,377</b>	<b>3,645,093</b>	<b>1,406,066</b>	<b>27,182,536</b>	<b>26,076,328</b>	<b>3,676,424</b>	<b>1,451,431</b>	<b>31,204,183</b>
<b>Non Financial Assets</b>								
Property, Plant and Equipment	-	-	18,458,592	18,458,592	-	-	31,291,571	31,291,571
<b>Total Non financial assets</b>	<b>-</b>	<b>-</b>	<b>18,458,592</b>	<b>18,458,592</b>	<b>-</b>	<b>-</b>	<b>31,291,571</b>	<b>31,291,571</b>
<b>Total</b>	<b>22,131,377</b>	<b>3,645,093</b>	<b>19,864,658</b>	<b>45,641,128</b>	<b>26,076,328</b>	<b>3,676,424</b>	<b>32,743,002</b>	<b>62,495,754</b>
<b>Financial Liabilities</b>								
<b>Derivative Financial Instruments</b>								
Forward exchange contracts	-	31,736	-	31,736	-	31,736	-	31,736
Currency SWAPs	-	-	477,282	477,282	-	-	477,282	477,282
<b>Total financial liabilities</b>	<b>-</b>	<b>31,736</b>	<b>477,282</b>	<b>509,018</b>	<b>-</b>	<b>31,736</b>	<b>477,282</b>	<b>509,018</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017	Bank				Group			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	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
	-	4,288	1,614,535	1,618,823	-	4,288	1,614,535	1,618,823
<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
	8,357,485	1,789	-	8,359,274	8,594,759	1,789	-	8,596,548
<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
	13,365,110	4,328,343	227,717	17,921,170	17,910,459	4,362,561	279,272	22,552,292
<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
	-	-	18,030,186	18,030,186	-	-	30,852,915	30,852,915
<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>

### 61.1.2 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 2018	Total Gains/ (losses) Recorded in Profit or Loss	Total Gains/ (losses) Recorded in OCI	Purchases / (Sales) and Other Adjustments	As at 31 December 2018	As at 1 January 2018	Total Gains/ (losses) Recorded in Profit or Loss	Total Gains/ (losses) Recorded in OCI	Purchases / (Sales) and Other Adjustments	As at 31 December 2018
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Financial Assets</b>										
<b>Derivative Financial Instruments</b>										
Currency SWAPs	1,614,535	-	-	(437,775)	1,176,760	1,614,535	-	-	(437,775)	1,176,760
<b>Financial Assets Measured at Fair Value Through OCI</b>										
<b>Unquoted Investments</b>										
Unquoted equities	227,717	-	-	1,589	229,306	279,272	-	(6,190)	1,589	274,671
<b>Total Level 3 financial assets</b>	<b>1,842,252</b>	<b>-</b>	<b>-</b>	<b>(436,186)</b>	<b>1,406,066</b>	<b>1,893,807</b>	<b>-</b>	<b>(6,190)</b>	<b>(436,186)</b>	<b>1,451,431</b>
<b>Non Financial Assets</b>										
Property, Plant and Equipment	18,030,186	(175,795)	(337,522)	941,723	18,458,592	30,852,915	(721,771)	147,397	1,013,030	31,291,571
<b>Total Level 3 assets</b>	<b>19,872,438</b>	<b>(175,795)</b>	<b>(337,522)</b>	<b>505,537</b>	<b>19,864,658</b>	<b>32,746,722</b>	<b>(721,771)</b>	<b>141,207</b>	<b>576,844</b>	<b>32,743,002</b>
<b>Financial Liabilities</b>										
Currency SWAPs	68,131	-	-	409,151	477,282	68,131	-	-	409,151	477,282
<b>Total Level 3 financial liabilities</b>	<b>68,131</b>	<b>-</b>	<b>-</b>	<b>409,151</b>	<b>477,282</b>	<b>68,131</b>	<b>-</b>	<b>-</b>	<b>409,151</b>	<b>477,282</b>
<b>Net Level 3 financial assets</b>	<b>1,774,121</b>	<b>-</b>	<b>-</b>	<b>(845,337)</b>	<b>928,784</b>	<b>1,825,676</b>	<b>-</b>	<b>(6,190)</b>	<b>(845,337)</b>	<b>974,149</b>

## NOTES TO THE FINANCIAL STATEMENTS

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	Total Gains/ (losses) Recorded in Profit or Loss	Total Gains/ (losses) Recorded in OCI	Purchases / (Sales) and Other Adjustments	As at 31 December 2017	As at 1 January 2017	Total Gains/ (losses) Recorded in Profit or Loss	Total Gains/ (losses) Recorded in OCI	Purchases / (Sales) and Other Adjustments	As at 31 December 2017
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	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>



### 61.1.3 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 2018 in measuring financial instruments categorised as level 3 in the fair value hierarchy.

Type of Financial Instrument	Fair Value As at 31 December 2018 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	1,176,760	Forward pricing model	Foreign exchange forward rate.  Discount for counterparty credit risk.	Negative 0.01 to positive 0.01 basis point.	Unfavourable or favourable impact on derivative assets value of LKR 1.2 million respectively.
<b>Financial Assets Measured at Fair Value Through OCI</b>					
<b>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	43,131	Value at cost*			* Fair value cannot be reliably measured. These are investments in mutual entities that provide transaction processing and transaction services to members on a pricing basis intended to recover the entities operating cost.
Fitch Ratings Lanka Limited	625	Value at cost*			
LankaClear (Private) Limited	21,000	Value at cost*			
Lanka Financial Services Bureau Limited	2,250	Value at cost*			

## NOTES TO THE FINANCIAL STATEMENTS

### 61.2 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 2018	Bank					Group				
	Fair Value				Carrying value	Fair Value				Carrying value
	Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total	
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
<b>Assets</b>										
<b>Financial assets at amortised cost</b>										
- Debt and Other Instruments	335,143,660	7,444,961	213,772,945	556,361,616	551,839,449	335,321,834	7,324,233	213,828,138	556,474,205	551,956,734
Investment Properties	-	-	3,000,000	3,000,000	2,765,856	-	-	574,309	574,309	120,182
<b>Total</b>	<b>335,143,660</b>	<b>7,444,961</b>	<b>216,772,945</b>	<b>559,361,616</b>	<b>554,605,305</b>	<b>335,321,834</b>	<b>7,324,233</b>	<b>214,402,447</b>	<b>557,048,514</b>	<b>552,076,916</b>
<b>Liabilities</b>										
Other borrowings	-	-	201,792,174	201,792,174	201,792,174	-	-	207,053,674	207,053,674	207,053,674
Debt securities issued	-	-	-	-	-	-	-	4,105,681	4,105,681	4,105,681
Subordinated liabilities	-	38,688,492	11,992,500	50,680,992	50,827,239	-	38,427,596	11,992,500	50,420,096	50,484,487
<b>Total</b>	<b>-</b>	<b>38,688,492</b>	<b>213,784,674</b>	<b>252,473,166</b>	<b>252,619,413</b>	<b>-</b>	<b>38,427,596</b>	<b>223,151,855</b>	<b>261,579,451</b>	<b>261,643,842</b>

As at 31 December 2017	Bank					Group				
	Fair Value				Carrying value	Fair Value				Carrying value
	Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total	
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
<b>Assets</b>										
<b>Financial investments-Loans and receivables</b>										
	-	5,580,979	206,818,389	212,399,368	213,167,048	-	5,426,481	208,155,463	213,581,944	214,349,624
<b>Financial investments-Held to maturity</b>										
	310,076,948	-	-	310,076,948	308,256,082	310,571,183	-	-	310,571,183	308,750,317
<b>Investment Properties</b>										
	-	-	3,000,000	3,000,000	2,882,928	-	-	574,309	574,309	123,773
<b>Total</b>	<b>310,076,948</b>	<b>5,580,979</b>	<b>209,818,389</b>	<b>525,476,316</b>	<b>524,306,058</b>	<b>310,571,183</b>	<b>5,426,481</b>	<b>208,729,772</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
Subordinated liabilities	-	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>

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 Assets Measured at Amortised Cost**

Financial assets measured at amortised cost comprise Sri Lanka Development Bonds, Government and Corporate debt securities.

Sri Lanka Development Bonds are variable rate instruments which are re-pricing semi-annually. Hence it is assumed that the carrying amounts approximate their fair value. Listed corporate debt securities are valued using quoted market price as of the Reporting date, quoted government debt securities are valued using yield curve published by the Central Bank of Sri Lanka. 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.

### **Investment Properties**

Investment properties are valued by the independent professional valuers and more details are given in note 33.

### **Financial Liabilities at Amortised Cost - Other Borrowings**

Financial liabilities at amortised cost - other borrowings represent, Term borrowings from banks and other financial institutions in Sri Lanka and abroad and Refinance borrowings.

Fair value of term borrowings and refinance borrowings are estimated by the discounting the future cash flows using effective interest rates of similar instruments.

### **Debt Securities Issued**

Fair value of debt securities issued are estimated as the present value of future cash flows expected to be paid from such investments calculated based on interest rates at the Reporting date for similar instruments.

### **Subordinated Liabilities**

Subordinated liabilities are listed in the Colombo Stock Exchange and valued using quoted market price as of the Reporting date.

## **61.3 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.

### **Financial Assets at Amortised Cost - Loans and Advances**

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.

### **Financial Liabilities at Amortised Cost - Due to Depositors**

More than 90% of the customer deposits are either repayable on demand or have a remaining contractual maturity of less than one year. Customer deposits with a contractual maturity of more than one year are subject to pre mature upliftment. Amounts paid to customers in the event of pre mature upliftment would not be materially different to its carrying value as at date. Therefore fair value of customer deposits approximates to their carrying value as at the Reporting date.

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As at 31 December	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	LKR '000	LKR '000	LKR '000	LKR '000
<b>Bank</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	78,447,577	78,447,577	72,843,108	72,843,108
Balances with central banks	65,680,371	65,680,371	68,689,012	68,689,012
Placements with banks	40,450,089	40,450,089	8,067,490	8,067,490
Securities purchased under resale agreements	-	-	18,455,555	18,455,555
Financial assets at amortised cost loans and advances	1,429,107,181	1,429,107,181	1,163,160,914	1,163,160,914
<b>Total financial assets</b>	<b>1,613,685,218</b>	<b>1,613,685,218</b>	<b>1,331,216,079</b>	<b>1,331,216,079</b>
<b>Financial Liabilities</b>				
Due to banks	2,402,468	2,402,468	2,203,199	2,203,199
Securities sold under repurchase agreements	97,399,359	97,399,359	44,487,462	44,487,462
Due to depositors	1,765,025,970	1,765,025,970	1,546,832,036	1,546,832,036
<b>Total financial liabilities</b>	<b>1,864,827,797</b>	<b>1,864,827,797</b>	<b>1,593,522,697</b>	<b>1,593,522,697</b>
<b>Group</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	78,558,031	78,558,031	78,005,362	78,005,362
Balances with central banks	65,680,371	65,680,371	68,689,012	68,689,012
Placements with banks	41,681,910	41,681,910	5,319,602	5,319,602
Securities purchased under resale agreements	1,436,068	1,436,068	19,872,247	19,872,247
Financial assets at amortised cost loans and advances	1,460,618,588	1,460,618,588	1,194,294,394	1,194,294,394
<b>Total financial assets</b>	<b>1,647,974,968</b>	<b>1,647,974,968</b>	<b>1,366,180,617</b>	<b>1,366,180,617</b>
<b>Financial Liabilities</b>				
Due to banks	2,515,998	2,515,998	2,194,266	2,194,266
Securities sold under repurchase agreements	97,423,302	97,423,302	44,628,686	44,628,686
Due to depositors	1,783,975,493	1,783,975,493	1,566,376,418	1,566,376,418
<b>Total financial liabilities</b>	<b>1,883,914,793</b>	<b>1,883,914,793</b>	<b>1,613,199,370</b>	<b>1,613,199,370</b>

### 61.4 Reclassification of Financial Assets and Financial Liabilities

There have been no reclassification during the year 2018.

### 62 Transition Disclosures

When adopting the SLFRS 9, the Bank has applied modified retrospective method in preparing the Annual Financial Statements for the year ended 31 December 2018. Accordingly, comparative information for the year 2017 has not been restated for financial instruments within the scope of SLFRS 9. The comparative information for 2017 is reported under LKAS 39 for the relevant balances.

The impact of adopting SLFRS 9 at transition date, i.e. 1 January 2018 has been adjusted to the opening retained earnings for the year 2018 and the below note presents the impact having on the financial position as at 1 January 2018.

## 62.1 Reconciliation between the Carrying Amounts under LKAS 39 to the Balances Reported Under SLFRS 9 as at 1 January 2018

Bank	Note	LKAS 39		Reclassification	Remeasurement		SLFRS 9	
		31 December 2017			1 January 2018		Amount	Category
		Category	Amount		ECL	Other		
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000		
<b>Financial Assets</b>								
Cash and cash equivalents		L&R	72,843,108	-	(10,905)	-	72,832,203	AC
Balances with central banks		L&R	68,689,012	-	-	-	68,689,012	AC
Placements with banks		L&R	8,067,490	-	(588)	-	8,066,902	AC
Securities purchased under resale agreements		L&R	18,455,555	-	-	-	18,455,555	AC
Derivative financial instruments		HFT	1,618,823	-	-	-	1,618,823	FVTPL
Financial assets recognised through profit or loss		HFT	8,359,274	3,459,621	-	-	11,818,895	FVTPL
<i>From: AFS</i>	<i>A</i>		-	3,626,484	-	-	-	
<i>To: AC</i>	<i>B</i>		-	(166,863)	-	-	-	
<b>Financial assets at amortised cost</b>								
- Loans and advances		L&R	1,163,160,914	-	(9,688,976)	-	1,153,471,938	AC
- Debt instruments			-	521,589,993	(1,038,872)	-	520,551,121	AC
<i>From: FVTPL</i>	<i>B</i>		-	166,863	-	-	-	
<i>From: L&amp;R</i>	<i>C</i>		-	213,167,048	-	-	-	
<i>From: HTM</i>	<i>D</i>		-	308,256,082	-	-	-	
Financial investments - Loans and receivables		L&R	213,167,048	(213,167,048)	-	-	-	
<i>To: AC</i>	<i>C</i>		-	(213,167,048)	-	-	-	
Financial investments - Held to maturity		HTM	308,256,082	(308,256,082)	-	-	-	
<i>To: AC</i>	<i>D</i>		-	(308,256,082)	-	-	-	
Financial assets measured at fair value through other comprehensive income			-	14,294,686	-	-	14,294,686	FVTOCI
<i>From: AFS</i>	<i>E</i>		-	14,294,686	-	-	-	
Financial investments - Available for sale		AFS	17,921,170	(17,921,170)	-	-	-	
<i>To: FVTPL</i>	<i>A</i>		-	(3,626,484)	-	-	-	
<i>To: FVTOCI</i>	<i>E</i>		-	(14,294,686)	-	-	-	
<b>Non Financial Assets</b>								
Investment in subsidiary companies		N/A	6,513,048	-	-	-	6,513,048	N/A
Investment in associate companies		N/A	92,988	-	-	-	92,988	N/A
Investment properties		N/A	2,882,928	-	-	-	2,882,928	N/A
Property, Plant and Equipment		N/A	23,046,114	-	-	-	23,046,114	N/A
Leasehold properties		N/A	101,481	-	-	-	101,481	N/A
Intangible assets		N/A	810,730	-	-	-	810,730	N/A
Other assets		N/A	37,818,188	-	-	-	37,818,188	N/A
<b>Total assets</b>			<b>1,951,803,953</b>	<b>-</b>	<b>(10,739,341)</b>	<b>-</b>	<b>1,941,064,612</b>	

## NOTES TO THE FINANCIAL STATEMENTS

Bank	Note	LKAS 39 31 December 2017		Reclassification LKR '000	Remeasurement		SLFRS 9 1 January 2018	
		Category	Amount LKR '000		ECL LKR '000	Other LKR '000	Amount LKR '000	Category
<b>Financial Liabilities</b>								
Due to banks		AC	2,203,199	-	-	-	2,203,199	AC
Securities sold under repurchase agreements		AC	44,487,462	-	-	-	44,487,462	AC
Derivative financial instruments		HFT	70,715	-	-	-	70,715	FVTPL
Financial liabilities at amortised cost								
- due to depositors		AC	1,546,832,036	-	-	-	1,546,832,036	AC
- due to debt securities holders		AC	-	-	-	-	-	AC
- due to other borrowers		AC	178,191,089	-	-	-	178,191,089	AC
Subordinated liabilities		AC	42,570,457	-	-	-	42,570,457	AC
<b>Non Financial Liabilities</b>								
Current tax liabilities		N/A	1,877,342	-	-	-	1,877,342	N/A
Deferred tax liabilities		N/A	5,820,329	-	(3,345,868)	-	2,474,461	N/A
Other liabilities		N/A	18,596,249	-	-	-	18,596,249	N/A
<b>Total liabilities</b>			<b>1,840,648,878</b>	<b>-</b>	<b>(3,345,868)</b>	<b>-</b>	<b>1,837,303,010</b>	
<b>Equity</b>								
Share capital		N/A	20,000,000	-	-	-	20,000,000	N/A
Permanent reserve fund		N/A	10,427,000	-	-	-	10,427,000	N/A
OCI reserve		N/A	-	2,541,656	-	-	2,541,656	N/A
<i>From: AFS reserve</i>	<i>E</i>		-	2,541,656	-	-	-	
Available for sale reserve		N/A	3,718,526	(3,718,526)	-	-	-	N/A
<i>To: OCI reserve</i>	<i>E</i>		-	(2,541,656)	-	-	-	
<i>To: Retained earnings</i>	<i>A</i>		-	(1,176,870)	-	-	-	
Retained earnings		N/A	63,472,250	1,176,870	(7,393,473)	-	57,255,647	N/A
<i>From: AFS reserve</i>	<i>A</i>		-	1,176,870	-	-	-	
Other reserves		N/A	13,537,299	-	-	-	13,537,299	N/A
<b>Total equity</b>			<b>111,155,075</b>	<b>-</b>	<b>(7,393,473)</b>	<b>-</b>	<b>103,761,602</b>	
<b>Total liabilities and equity</b>			<b>1,951,803,953</b>	<b>-</b>	<b>(10,739,341)</b>	<b>-</b>	<b>1,941,064,612</b>	

L&R - Loans & Receivables, HFT - Held for Trading, AFS - Available for Sale, HTM - Held to Maturity, AC - Amortised cost, FVTPL - Fair value through P&L, FVTOCI - Fair Value through Other Comprehensive Income, N/A - Not Applicable.

Group	Note	LKAS 39 31 December 2017		Reclassification LKR '000	Remeasurement		SLFRS 9 1 January 2018	
		Category	Amount LKR '000		ECL		Amount LKR '000	Category
					LKR '000	LKR '000		
<b>Financial Assets</b>								
Cash and cash equivalents		L&R	78,005,362	-	(10,916)	-	77,994,446	AC
Balances with central banks		L&R	68,689,012	-	-	-	68,689,012	AC
Placements with banks		L&R	5,319,602	-	(934)	-	5,318,668	AC
Securities purchased under resale agreements		L&R	19,872,247	-	-	-	19,872,247	AC
Derivative financial instruments		HFT	1,618,823	-	-	-	1,618,823	FVTPL
Financial assets recognised through profit or loss		HFT	8,596,548	3,459,621	-	-	12,056,169	FVTPL
From: AFS	A		-	3,626,484	-	-	-	
To: AC	B		-	(166,863)	-	-	-	
<b>Financial assets at amortised cost</b>								
- Loans and advances		L&R	1,194,294,394	-	(10,771,427)	-	1,183,522,967	AC
- Debt instruments			-	523,266,804	(1,039,648)	-	522,227,156	AC
From: FVTPL	B		-	166,863	-	-	-	
From: L&R	C		-	214,349,624	-	-	-	
From: HTM	D		-	308,750,317	-	-	-	
Financial investments - Loans and receivables		L&R	214,349,624	(214,349,624)	-	-	-	
To: AC	C		-	(214,349,624)	-	-	-	
Financial investments - Held to maturity		HTM	308,750,317	(308,750,317)	-	-	-	
To: AC	D		-	(308,750,317)	-	-	-	
Financial assets measured at fair value through other comprehensive income			-	18,925,808	-	-	18,925,808	FVTOCI
From: AFS	E		-	18,925,808	-	-	-	
Financial investments - Available for sale		AFS	22,552,292	(22,552,292)	-	-	-	
To: FVTPL	A		-	(3,626,484)	-	-	-	
To: FVTOCI	E		-	(18,925,808)	-	-	-	
<b>Non Financial Assets</b>								
Investment in subsidiary companies		N/A	-	-	-	-	-	N/A
Investment in associate companies		N/A	446,793	-	-	-	446,793	N/A
Investment properties		N/A	123,773	-	-	-	123,773	N/A
Property, Plant and Equipment		N/A	36,608,919	-	-	-	36,608,919	N/A
Leasehold properties		N/A	134,441	-	-	-	134,441	N/A
Intangible assets		N/A	1,074,436	-	-	-	1,074,436	N/A
Deferred tax assets		N/A	8,621	-	-	-	8,621	N/A
Other assets		N/A	38,964,979	-	-	-	38,964,979	N/A
<b>Total assets</b>			<b>1,999,410,183</b>	<b>-</b>	<b>(11,822,925)</b>	<b>-</b>	<b>1,987,587,258</b>	

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Group	Note	LKAS 39 31 December 2017		Reclassification LKR '000	Remeasurement		SLFRS 9 1 January 2018	
		Category	Amount LKR '000		ECL LKR '000	Other LKR '000	Amount LKR '000	Category
<b>Financial Liabilities</b>								
Due to banks		AC	2,194,266	-	-	-	2,194,266	AC
Securities sold under repurchase agreements		AC	44,628,686	-	-	-	44,628,686	AC
Derivative financial instruments		HFT	70,715	-	-	-	70,715	FVTPL
Financial liabilities at amortised cost								
- due to depositors		AC	1,566,376,418	-	-	-	1,566,376,418	AC
- due to debt securities holders		AC	-	-	-	-	-	AC
- due to other borrowers		AC	184,330,181	-	-	-	184,330,181	AC
Debt securities issued		AC	5,667,514	-	-	-	5,667,514	AC
Subordinated liabilities		AC	42,226,067	-	-	-	42,226,067	AC
<b>Non Financial Liabilities</b>								
Current tax liabilities		N/A	2,051,020	-	-	-	2,051,020	N/A
Deferred tax liabilities		N/A	8,625,219	-	(3,648,954)	-	4,976,265	N/A
Insurance provision - Life		N/A	547,026	-	-	-	547,026	N/A
Insurance provision - Non life		N/A	430,093	-	-	-	430,093	N/A
Other liabilities		N/A	19,936,478	-	-	-	19,936,478	N/A
<b>Total liabilities</b>			<b>1,877,083,683</b>	<b>-</b>	<b>(3,648,954)</b>	<b>-</b>	<b>1,873,434,729</b>	
<b>Equity</b>								
Share capital		N/A	20,000,000	-	-	-	20,000,000	N/A
Permanent reserve fund		N/A	10,427,000	-	-	-	10,427,000	N/A
OCI reserve		N/A	-	3,583,746	-	-	3,583,746	N/A
From: AFS reserve	E		-	3,583,746	-	-	-	
Available for sale reserve		N/A	4,760,616	(4,760,616)	-	-	-	N/A
To: OCI reserve	E		-	(3,583,746)	-	-	-	
To: Retained earnings	A		-	(1,176,870)	-	-	-	
Retained earnings		N/A	65,100,871	1,176,870	(7,974,866)	-	58,302,875	N/A
From: AFS reserve	A		-	1,176,870	-	-	-	
Other reserves		N/A	21,110,638	-	-	-	21,110,638	N/A
Non controlling interest		N/A	927,375	-	(199,105)	-	728,270	N/A
<b>Total equity</b>			<b>122,326,500</b>	<b>-</b>	<b>(8,173,971)</b>	<b>-</b>	<b>114,152,529</b>	
<b>Total liabilities and equity</b>			<b>1,999,410,183</b>	<b>-</b>	<b>(11,822,925)</b>	<b>-</b>	<b>1,987,587,258</b>	

L&R - Loans & Receivables, HFT - Held for Trading, AFS - Available for Sale, HTM - Held to Maturity, AC - Amortised Cost, FVTPL - Fair Value Through P&L, FVTOCI - Fair Value through Other Comprehensive Income, N/A - Not Applicable.



- A. Investments in unit trusts previously classified under available for sale category have been reclassified under financial assets fair value through profit or loss since the unit trusts are not met the “Solely Payments of Principal and Interest” (SPPI) criterion. Accordingly, fair value gain recognised through mark to market of unit trust so far under AFS reserve was transferred to retained earnings.
- B. Financial investments in sovereign bond previously classified as held for trading have been reclassified as debt instruments at amortised cost in line with change in the business model. These instruments met the “Solely Payments of Principal and Interest” (SPPI) criterion and they were held with the intention to collect contractual cash flows.
- C/D. Financial assets previously classified as financial investments - loans and receivables and financial investments - held to maturity have been reclassified as debt instruments at amortised cost. These instruments met the “Solely Payments of Principal and Interest” (SPPI) criterion and they were held with the intention to collect contractual cash flows and without the intention to sell.
- E. Financial assets Government securities, quoted and unquoted equities previously classified under available for sale category have been reclassified as financial assets fair value through other comprehensive income (FVOCI). Accordingly, mark to market gain recognised under AFS reserve was transferred to OCI reserve.

## 63 Risk Management

### 63.1 Introduction

#### 63.1.1 Overview

Risk is inherent in the Bank’s activities and mainly exposed to following risks from engage in financial transactions:

- Credit risk
- Market risk
- Operational risk
- Liquidity risk

The management of risk is done through a process of identification, measurement and monitoring subject to risk limits. Financial risk together with other material risks faced by the bank including strategic, reputational, compliance and legal risks are managed and overseen as a part of the Bank’s corporate governance and Risk Management Framework. Information presented in this note is about the exposures to risks given above and the processes of measuring and managing such risks.

#### 63.1.2 Group Risk Management

Bank of Ceylon group consist of 10 financial and non financial subsidiaries and four associate companies. The principal activities of the group is spread over diverse range. The affairs of subsidiaries & associates do not have significant impact to the risk management due to size of the balance sheet of them.

Albeit the Bank is managing the strategic risk through comprehensive review of group activities on a quarterly basis which are overseen by the IRMC. The Bank closely involves in risk and audit affairs of subsidiaries by appointing members of senior management of the Bank as members of the boards of such companies. On special circumstances Internal Auditor of the Bank carry out audits in subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS

### 63.1.3 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 Risk Management Policies and Risk Appetite of the Bank establish the strategic direction and a holistic approach to overall risk management of the Bank.

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.

The Internal Audit function of the Bank independently monitors and evaluates the risk management function of the Bank and provides their views on risk management to the Audit Committee.

### 63.1.4 Risk Measurement, Reporting and Mitigation

Risks are measured using various rigorous methods and tools with respect to credit, market, operational and liquidity. Measurement methods make use of probabilities derived from historical experience, adjusted to reflect the real environment. The Bank also carry out stress testing based on worst-case scenarios which are plausible.

In addition, the Internal Capital Adequacy Assessment Process (ICAAP) sets out the framework for the Bank's internal capital planning and the process provides an assurance that the Bank has adequate capital to support all risks as per the business profile.

As a part of its overall risk management, the Bank uses several mitigation techniques and strategies to reduce the risk. In managing credit risk, the Bank uses comprehensive pre sanctioning and post sanctioning techniques. 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 an operational risk transfer strategy where necessary.

## 63.2 Credit Risk

Credit risk is defined as potential losses arising due to a counterparty to a credit transaction failing to meet his/ her obligations in accordance with agreed terms. Credit risk can take the form of default and concentration.

### 63.2.1 Management of Credit Risk

Credit risk management policy lays down the conditions and guidelines for granting, maintenance, monitoring and management of credit at both the transaction and portfolio levels. Credit risk management function is independent from business divisions and credit decision standards, processes and principles are consistently applied in corporate segment and retail segment. In order to get rid of concentration risk a diversified credit portfolio is maintained by assessing and managing borrower and industry specific concentration against risk appetite. The Bank has a range of strategies and processes to actively mitigate credit risks.

The Bank has a well established process for approving new credit and for the renewal of existing credit. All the potential credit exposures of the bank are first evaluated by transaction originators who are the risk owners of the credit mechanism. Credit proposals exceeding a certain threshold are independently reviewed by the Chief Risk Officer.

Rating models are a key input by which 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 portfolios covering the different industries the customers are in. Retail exposures are managed through number of retail score cards.

Procedures are also in place to identify the credit exposures for which there may be an increased risk of loss at an early stage.

In order to reduce potential credit losses and to increase the recovery of obligations credit risk mitigants are applied. Post sanctioning review of large credit exposures is carried out periodically to ensure proper documentation, adherence to the covenants imposed and quality of the loan book.

Collateral is used for credit risk mitigation purposes and minimises losses that would otherwise be incurred. Collateral may take various forms depending on the type of borrower, the assets available, the structure and the term of credit obligations. Collateral is subject to regular valuation as prescribed in the relevant governing policies and standards.

According to the SLFRS 9, the incurred losses, as well as the expected credit losses need to be taken into consideration when providing for credit risk.

### **63.2.1.1 Calculation of Expected Credit Losses**

Expected credit loss (ECL) represents the default events over an expected life time of the financial assets. Expected Credit Losses (ECLs) are calculated using three main components, i.e. a Probability of Default (PD), a Loss Given Default (LGD) and Exposure at Default (EAD). These parameters are generally derived from internally developed statistical models combined with historical, current and forward-looking customer and macro-economic data.

SLFRS 9 introduces a three stage model for impairment of financial assets that are performing at the stage of origination or purchase. Three stage model for impairment is based on the changes in the credit quality since initial recognition. At initial recognition, financial assets which are not credit impaired are reflected in stage 1. If there is a significant increase in the credit risk, such financial assets are transferred to stage 2. Significant increase in the credit risk is defined using pre-determined credit risk indicators which are stated in the bank's impairment policy. In case of a default, financial assets are classified as stage 3.

### **63.2.1.2 Incorporation of Forward-looking Information**

The Bank has established an expert panel who considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments, that support the calculation of ECLs.

## **63.2.2 Maximum Exposure to Credit Risk**

### **63.2.2.1 Collateral and Other Credit Enhancements**

The Bank obtains different types of collaterals from the counterparties as a credit risk mitigant. The amount and the types of the collateral required depend on credit risk assessment of the counterparty. The acceptability of the collateral and valuation is determined based on the guidelines issued by the regulator and the Bank's policy. The main types of collateral obtained are:

- For commercial lending - charges over movable and immovable properties
- For personal lending - mortgages over movable and immovable properties, cash & cash equivalents and gold articles
- For Government & State Owned Enterprises - Government guarantees
- For reverse repurchase transactions - Government securities

## NOTES TO THE FINANCIAL STATEMENTS

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.

### 63.2.2.2 Type of Collateral or Credit Enhancements

31st December 2018	Maximum exposure to credit risk LKR '000	Fair value of collateral and credit enhancements held							Net Collateral LKR '000	Net exposure LKR '000
		Cash	Gold	GoSL Securities / Guarantees	Movables	Property	Others	Surplus Collateral		
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000		
Cash and cash equivalents	78,447,577	38,383,013	-	-	-	-	-	-	38,383,013	40,064,564
Balances with Central Banks	65,680,371	65,680,371	-	-	-	-	-	-	65,680,371	-
Placements with banks	40,450,089	-	-	-	-	-	-	-	-	40,450,089
Derivative financial instruments	1,205,657	-	-	-	-	-	-	-	-	1,205,657
Financial assets recognised through profit or loss/ Held for trading - measured at fair value	9,277,298	-	-	4,166,005	-	-	-	-	4,166,005	5,111,293
Financial assets at amortised cost - loans and advances	1,510,534,078	82,885,527	61,523,186	348,318,695	149,613,014	287,858,492	80,344,939	(111,864,107)	898,679,746	611,854,332
Less : Impairment	(81,426,897)	-	-	-	-	-	-	-	-	(81,426,897)
Financial assets at amortised cost - debt and other instruments	553,624,323	-	-	545,456,087	-	-	-	-	545,456,087	8,168,236
Less : Impairment	(1,784,874)	-	-	-	-	-	-	-	-	(1,784,874)
Financial assets measured at fair value through OCI/ Available for sale	16,699,582	-	-	9,677,543	-	-	-	-	9,677,543	7,022,039
<b>Total</b>	<b>2,192,707,204</b>	<b>186,948,911</b>	<b>61,523,186</b>	<b>907,618,330</b>	<b>149,613,014</b>	<b>287,858,492</b>	<b>80,344,939</b>	<b>(111,864,107)</b>	<b>1,562,042,765</b>	<b>630,664,439</b>

31st December 2017	Maximum exposure to credit risk LKR '000	Fair value of collateral and credit enhancements held							Net Collateral LKR '000	Net exposure LKR '000
		Cash	Gold	GoSL Securities / Guarantees	Movables	Property	Others	Surplus Collateral		
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000		
Cash and cash equivalents	72,843,108	41,774,986	-	-	-	-	-	-	41,774,986	31,068,122
Balances with Central Banks	68,689,012	68,689,012	-	-	-	-	-	-	68,689,012	-
Placements with banks	8,067,490	-	-	-	-	-	-	-	-	8,067,490
Derivative financial instruments	1,618,823	-	-	-	-	-	-	-	-	1,618,823
Securities purchased under resale agreements	18,455,555	-	-	18,455,555	-	-	-	-	18,455,555	-
Financial assets - Held for trading	8,359,274	-	-	5,598,090	-	-	-	-	5,598,090	2,761,184
Financial investments - Loans and receivable	213,167,048	-	-	206,756,877	-	-	-	-	206,756,877	6,410,171
Loans and advances to customers	1,219,914,481	66,872,015	49,660,188	310,703,980	108,434,274	213,153,077	66,655,828	(97,502,880)	717,976,482	501,937,999
Less : Impairment	(56,753,567)	-	-	-	-	-	-	-	-	(56,753,567)
Financial investments - Available for sale	17,921,170	-	-	9,677,543	-	-	-	-	9,677,543	8,243,627
Financial investments - Held to maturity	308,256,082	-	-	256,069,541	-	-	-	-	256,069,541	52,186,541
<b>Total</b>	<b>1,880,538,476</b>	<b>177,336,013</b>	<b>49,660,188</b>	<b>807,261,586</b>	<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>

### 63.2.3 Credit quality by class of financial assets

Based on the credit quality, the financial assets can be classified mainly into three categories i.e. neither past due nor impaired, past due but not individually impaired and individually impaired.

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk. High grade consist of assets 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 loans and advances to corporate borrowers whose internal credit ratings are BBB, BB or B. Substandard grade includes corporate borrowers whose credit ratings are C or D.

## NOTES TO THE FINANCIAL STATEMENTS

Credit quality by class of financial assets	Neither past due/ Nor impaired						
	High grade LKR '000			Standard grade LKR '000			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1
Cash and cash equivalents	50,520,582	-	-	-	-	-	-
Less : Impairment	-	-	-	-	-	-	-
Balances with Central Banks	59,405,543	-	-	-	-	-	-
Placements with banks	1,108,583	-	-	-	-	-	-
Less : Impairment	-	-	-	-	-	-	-
Derivative financial instruments	1,205,657	-	-	-	-	-	-
Financial assets recognised through profit or loss/ Held for trading - measured at fair value	4,166,005	-	-	-	-	-	-
Financial assets at amortised cost - loans and advances	354,752,816	17,556,991	10,473,463	121,895,086	16,809,553	5,562,062	40,292,350
Less : Impairment	-	-	-	-	-	-	-
Financial assets at amortised cost - debt and other instruments	545,456,087	-	-	-	-	-	-
Less : Impairment	-	-	-	-	-	-	-
Financial assets measured at fair value through OCI/ Available for sale	12,315,778	-	-	-	-	-	-
<b>Total</b>	<b>1,028,931,051</b>	<b>17,556,991</b>	<b>10,473,463</b>	<b>121,895,086</b>	<b>16,809,553</b>	<b>5,562,062</b>	<b>40,292,350</b>

Age analysis of past due (i.e. facilities in arrears of 1 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 impaired					Total LKR '000
	Less than 30 days LKR '000	30 to 60 days LKR '000	60 to 90 days LKR '000	90 to 180 days LKR '000	180 days and over LKR '000	
Loans and advances to customers	131,638,901	127,257,253	12,542,122	6,555,227	33,328,884	311,322,387

Representation of stage 1 assets amount to 91% of Bank's total assets and high grade assets amount to 47% of total assets.

As at 31 December 2018														
Sub-standard grade LKR '000					Grades not allocated/ Un rated LKR '000					Past due but not individually impaired			Individually impaired	Total
										LKR '000			LKR '000	LKR '000
Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 3	Stage 3					
-	-	27,934,107	-	-	-	-	-	-	-	78,454,689				
-	-	-	-	-	-	-	-	-	-	(7,112)				
-	-	6,274,828	-	-	-	-	-	-	-	65,680,371				
-	-	39,364,814	-	-	-	-	-	-	-	40,473,397				
-	-	-	-	-	-	-	-	-	-	(23,308)				
-	-	-	-	-	-	-	-	-	-	1,205,657				
-	-	5,111,293	-	-	-	-	-	-	-	9,277,298				
14,288,377	3,627,545	503,223,258	12,578,941	2,947,153	274,627,225	17,294,145	19,401,017	95,204,096		1,510,534,078				
-	-	-	-	-	-	-	-	-	-	(81,426,897)				
-	-	8,168,236	-	-	-	-	-	-	-	553,624,323				
-	-	-	-	-	-	-	-	-	-	(1,784,874)				
-	-	4,383,804	-	-	-	-	-	-	-	16,699,582				
14,288,377	3,627,545	594,460,340	12,578,941	2,947,153	274,627,225	17,294,145	19,401,017	95,204,096		2,192,707,204				

## NOTES TO THE FINANCIAL STATEMENTS

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/ Un rated	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	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 assets - Held for trading	5,598,090	-	-	2,761,184	-	-	8,359,274
Financial investments - Loans and receivable	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>



Aging analysis of past due (i.e. facilities in arrears of 1 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 LKR '000
	Less than 30 days LKR '000	30 to 60 days LKR '000	60 to 90 days LKR '000	90 to 180 days LKR '000	180 days and over 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

### 63.2.4 Analysis of Risk Concentration

Concentration risk in credit portfolios arises due to an uneven distribution of bank loans to individual borrowers, industry, sector or geographical regions. In managing the concentration risk the bank uses the Herfindahl-Harischman Index (HHI) as a measurement tool. The Bank has established appropriate limits to maintain concentration risk at an acceptable level.

#### Country wise exposure

The Bank has established branches in three countries i.e. India, Maldives, and Seychelles through which the bank mainly maintains exposures outside Sri Lanka. Bank also has a fully owned subsidiary operating in United Kingdom (UK). All overseas branches are operating with pre-set limits (credit limits as well as country limits) which are approved by the Board of Directors.

Exposures in other countries include placements with banks and nostro account balances with correspondent banks whose risks are managed through Board approved limits.

## NOTES TO THE FINANCIAL STATEMENTS

### Country Wise Exposure

31st December 2018	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	41,535,889	309,411	8,984,693	91,690	8,393,595	34,515	19,097,784	78,447,577
Balances with Central Banks	58,989,444	-	5,626,366	752,166	-	312,395	-	65,680,371
Placements with banks	1,108,583	39,341,506	-	-	-	-	-	40,450,089
Securities purchased under resale agreements	-	-	-	-	-	-	-	-
Derivative financial instruments	1,205,657	-	-	-	-	-	-	1,205,657
Financial assets recognised through profit or loss/ measured at fair value	9,277,298	-	-	-	-	-	-	9,277,298
Financial assets at amortised cost - loans and advances	1,394,444,291	-	25,186,543	7,932,346	-	1,544,001	-	1,429,107,181
Financial assets at amortised cost - debt and other instruments	542,982,435	-	8,857,014	-	-	-	-	551,839,449
Financial assets measured at fair value through OCI	15,112,551	-	-	1,587,031	-	-	-	16,699,582
<b>Total</b>	<b>2,064,656,148</b>	<b>39,650,917</b>	<b>48,654,616</b>	<b>10,363,233</b>	<b>8,393,595</b>	<b>1,890,911</b>	<b>19,097,784</b>	<b>2,192,707,204</b>
<b>Financial Liabilities</b>								
Due to banks	1,395,256	-	-	1,007,212	-	-	-	2,402,468
Securities sold under repurchase agreements	97,399,359	-	-	-	-	-	-	97,399,359
Derivative financial instruments	509,018	-	-	-	-	-	-	509,018
Financial liabilities at amortised cost ' - due to depositors	1,717,499,151	-	39,167,235	6,028,423	-	2,331,161	-	1,765,025,970
Financial liabilities at amortised cost ' - other borrowings	201,792,174	-	-	-	-	-	-	201,792,174
Debt securities issued	-	-	-	-	-	-	-	-
Subordinated liabilities	50,827,239	-	-	-	-	-	-	50,827,239
<b>Total liabilities</b>	<b>2,069,422,197</b>	<b>-</b>	<b>39,167,235</b>	<b>7,035,635</b>	<b>-</b>	<b>2,331,161</b>	<b>-</b>	<b>2,117,956,228</b>

31st 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 receivable	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 assets</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 depositors	1,583,334	-	-	619,865	-	-	-	2,203,199
Securities sold under resale agreements	44,487,462	-	-	-	-	-	-	44,487,462
Derivative financial instruments	70,715	-	-	-	-	-	-	70,715
Due to depositors	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 liabilities	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>

## NOTES TO THE FINANCIAL STATEMENTS

The Bank's portfolio is well diversified with in the sectors and all exposures were maintained within the set HHI during the year.

### Sector Wise Exposure

31 December 2018	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
Cash and cash equivalents	-	12,137,568	-	-	-
Balances with central banks	-	-	-	-	-
Placements with banks	-	40,450,089	-	-	-
Securities purchased under resale agreements	-	-	-	-	-
Derivative financial instruments	-	1,205,657	-	-	-
Financial assets recognised through profit or loss - measured at fair value	76,174	2,665,858	280,829	67,996	301,685
Financial assets at amortised cost - loans and advances	97,665,643	49,554,107	80,010,561	338,744,805	74,048,479
Less : Impairment	-	-	-	-	-
Financial assets at amortised cost - debt and other instruments	-	676,557	-	-	-
Financial assets measured at fair value through OCI	-	3,142,087	-	-	-
	<b>97,741,817</b>	<b>109,831,923</b>	<b>80,291,390</b>	<b>338,812,801</b>	<b>74,350,164</b>

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
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 to trading	86,206	78,045	333,067	100,104	1,099,754
Financial investments - Loans and receivable	-	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>

\* This excludes exposure to state owned enterprises.

Commercial Trade	Sovereign And Direct Government	Transportation and Logistics	Other Commercial Services	Consumption and Others	Total
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
-	-	-	-	66,310,009	78,447,577
-	65,680,371	-	-	-	65,680,371
-	-	-	-	-	40,450,089
-	-	-	-	-	-
-	-	-	-	-	1,205,657
142,914	4,088,980	67,662	204,381	1,380,819	9,277,298
193,122,916	219,760,013	140,006,311	48,335,126	269,286,117	1,510,534,078
-	-	-	-	-	(81,426,897)
7,491,679	543,671,213	-	-	-	551,839,449
1,241,718	12,315,777	-	-	-	16,699,582
<b>201,999,227</b>	<b>845,516,354</b>	<b>140,073,973</b>	<b>48,539,507</b>	<b>336,976,945</b>	<b>2,192,707,204</b>

Commercial trade	Sovereign and direct government	Transportation and logistics	Other commercial services	Consumption and others	Total
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	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>

## NOTES TO THE FINANCIAL STATEMENTS

### 63.2.5 Commitments and Guarantees

The Bank enters into various irrevocable commitments and contingent liabilities to meet the financial needs of customers. They do contain credit/ default risk even though these obligations are not recognised in the statement of financial position as on balance sheet assets.

The table below shows the Bank's maximum credit risk exposure for commitments and guarantees.

As at 31 December	Bank	
	2018	2017
	LKR '000	LKR '000
Acceptances and documentary credit	225,582,120	147,887,385
Forward exchange contracts	15,801,742	39,125,183
Guarantees	100,715,102	83,593,855
	<b>342,098,964</b>	<b>270,606,423</b>

### 63.3 Liquidity Risk and Funding Management

The Bank's Liquidity Management Frame work is in place to ensure that the payment obligations of the bank are made in a timely manner.

ALCO being the main management committee for managing liquidity and market risk, the Bank's funding plan is reviewed regularly and remedial measures are proposed to rectify any material mis-matches between assets and liabilities.

The table below presents the contractual undiscounted maturity of the bank's financial liabilities as at 31 December 2018.

31 December 2018	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	-	2,402,468	-	-	-	2,402,468
Securities sold under resale agreements	-	99,743,183	7,916,047	-	-	107,659,230
Derivative financial instruments	-	509,018	-	-	-	509,018
Due to depositors	602,471,424	351,046,714	406,728,184	19,978,975	333,342,257	1,713,567,554
Other borrowings and subordinated liabilities	-	114,522,099	91,859,927	29,451,146	19,095,666	254,928,838
<b>Total</b>	<b>602,471,424</b>	<b>568,223,482</b>	<b>506,504,158</b>	<b>49,430,121</b>	<b>352,437,923</b>	<b>2,079,067,108</b>

31 December 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	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 depositors	577,306,304	253,262,616	367,570,527	19,513,724	274,445,855	1,492,099,026
Other borrowings and subordinated liabilities	-	91,247,400	81,925,579	18,204,672	29,383,895	220,761,546
<b>Total</b>	<b>577,306,304</b>	<b>380,175,922</b>	<b>460,591,576</b>	<b>37,718,396</b>	<b>303,829,750</b>	<b>1,759,621,948</b>

## 63.4 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 gap analysis. Trading and non trading portfolios are managed and monitored using sensitivity analysis and stress testing.

### 63.4.1 Currency Risk

Currency risk is the risk of fluctuation of the value of financial instruments due to changes in foreign exchange rates. The Bank carries moderate level of open positions. Profit over foreign currency trading transactions prove uptick during the year due to year on year rupee depreciation of around 20%. A detailed limit structure along with VaR limits prescribed by the Board approved policy govern the foreign exchange risk. Currently bank uses Historical VaR methodology to monitor foreign exchange risk. Foreign exchange VaR as at 31 December 2018 LKR 60.9 million.

## NOTES TO THE FINANCIAL STATEMENTS

Foreign Exchange Position as at 31 December	2018		2017	
	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	524,547	-	877,195	-
Great Britain Pound	1,909	-	-	(3,974)
Euro	21,815	-	1,331	-
Japanese Yen	3,568	-	-	(5,263)
Australian Dollar	-	(10,620)	-	(582)
Canadian Dollar	1,166	-	-	(410)
Swiss Franc	1,937	-	-	(386)
Singapore Dollar	967	-	-	(930)
Hong Kong Dollar	-	(1,056)	-	(1,562)
<b>Sub Total</b>	<b>555,909</b>	<b>(11,676)</b>	<b>878,526</b>	<b>(13,107)</b>
Other Currencies	5,538	(1,786)	12,090	(3,489)
<b>Grand Total</b>	<b>561,447</b>	<b>(13,462)</b>	<b>890,616</b>	<b>16,596</b>
Higher of Long or Short		561,447		16,596

### Impact on Statement of Profit or Loss due to Exchange Rate Shocks

Exchange Rate Shocks %	2018		2017	
	Net Open Position (After Rate Shocks)	Impact on Statement of Profit or Loss as at 31 December 2018	Net Open Position (After Rate Shocks)	Impact on Statement of Profit or Loss as at 31 December 2017
	LKR '000	LKR '000	LKR '000	LKR '000
5%	533,375	(28,072)	(15,766)	830
10%	505,303	(56,145)	(14,936)	1,660
-5%	589,520	28,072	(17,426)	(830)
-10%	617,592	56,145	(18,256)	(1,660)



### 63.4.2 Interest rate risk

Interest rate risk is the possibility that the future cash flows or the fair value of financial instruments fluctuate as a result of an unexpected changes in interest rates.

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 which are rate sensitive instruments.

	2018 LKR '000	2017 LKR '000
<b>PVBP</b>		
Investment in Treasury Bills (Rs.)	12,779	32,201
Investment in Treasury Bonds (Rs.)	290,243	58,835
<b>Duration</b>		
Investment in Treasury Bills	0.2 Years	0.5 Years
Investment in Treasury Bonds	2.4 Years	0.9 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 pre-determined maturity buckets considering its residual time to maturity and setting and monitoring gap limits and the repricing profile.

2018	Upto 1 Month	1-3 Months	3-6 Months	6-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years
	%	%	%	%	%	%	%	%	%
Rate sensitive assets	11.9	15.1	12.0	16.3	9.9	9.9	4.9	4.9	15.1
Rate sensitive liabilities	13.6	18.0	11.7	18.0	3.6	3.6	3.6	3.6	24.2
GAP	(1.7)	(2.9)	0.3	(1.7)	6.3	6.3	1.3	1.3	(9.1)

2017	Upto 1 Month	1-3 Months	3-6 Months	6-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years
	%	%	%	%	%	%	%	%	%
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)

## NOTES TO THE FINANCIAL STATEMENTS

### 63.4.3 Equity risk

Equity risk is the risk of deteriorating fair value of equity portfolio due to a change in the level of equity indices and individual stocks. Equity risk is monitored by stipulating overall portfolio limits and use of VaR methodology. Equity VaR is well within the risk appetite limit for year 2018.

Equity VaR	2018 LKR '000	2017 LKR '000
Highest	117,494	263,051
Lowest	81,305	87,841
Average	97,540	144,906
31 December	115,030	89,852

### 63.5 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Even though the capital allocated for operational risk as per the Basic Indicator Approach (BIA) was significant, the actual operational loss was far below the allocated capital.

### 63.6 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.

#### 63.6.1 Capital Adequacy

The Capital Adequacy Ratio (CAR) is a measurement of the Bank's available 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. It is used to protect depositors and promote the stability and efficiency of financial system.

Central Bank of Sri Lanka (CBSL) plays a vital role in defining minimum requirements and monitoring CAR to ensure that banks are not participating in business activities that increase the risk of default and banks have enough capital to sustain operating losses and thereby maintaining confidence in the banking system.

The Bank calculates CAR based on CBSL guidelines stemming from 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 reputational risk, strategic risk, compliance risk, concentration risk, & interest rate risk on banking book.



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## COMPLIANCE WITH CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2017 ISSUED BY CA SRI LANKA

Sections referred to in the code	Compliance status
<b>A.</b>	<b>Directors</b>
<b>A.1</b>	<p><b>The Board</b></p> <p>The Board of Bank of Ceylon comprises of six directors as per the Bank of Ceylon Ordinance. Details of Directors during the year 2018 are given on pages 79 to 85. Details of present Board of Directors are given on pages 24 to 27. Political changes that occurred in 2018 led to changes being made to the Board composition. The appointing authority, the Ministry of Finance is in the process of completing the appointments to the Board. The Board members who have skills and experience as indicated in the details about them, direct and lead the Bank with effective controls.</p>
<b>A.1.1</b>	<p><b>Board Meetings</b></p> <p>The Board meetings are held on fortnightly basis and special meetings are scheduled as and when the need arises. The schedule of meetings is in place by the beginning of a year and the structure of submitting information to the Board has been agreed upon. Necessary information is submitted as agreed to enable decision making. During the year under review the Board met 23 times and attendance at meetings is summarised on page 86.</p>
<b>A.1.2</b>	<p><b>Role and responsibilities of the Board</b></p> <p>The role and responsibilities of the Board are incorporated in the Board Charter which was last reviewed in the year 2017.</p>
<b>A.1.3</b>	<p><b>To act in accordance with the laws of the country</b></p> <p>The Bank is regulated as per the Bank of Ceylon Ordinance no. 53 of 1938 and its amendments and the Banking Act no. 30 of 1988 and its amendments. Additionally, directions issued by the regulators viz., the Central Bank of Sri Lanka, Securities and Exchange Commission of Sri Lanka and Colombo Stock Exchange apply to Bank of Ceylon. The Board acts in accordance with the applicable laws.</p> <p><b>Access to Independent Professional Advice</b></p> <p>A Policy on Directors' Access to Independent Professional Advice is in place whereby Directors are able to seek independent professional advice on a needs basis at the Bank's expense which was reviewed during the year under review.</p>
<b>A.1.4</b>	<p><b>Advice and services of the Company Secretary</b></p> <p>The members of the Board have access to the advice and services of the Secretary to the Board/ Secretary, Bank of Ceylon who is an Attorney-at-Law. The Secretary to the Board is responsible for ensuring that Board procedures are followed and compliance with applicable rules and regulations, directions and statutes and keeping and maintaining minutes and relevant records.</p> <p>Any question of the removal of the Secretary to the Board/ Secretary, Bank of Ceylon is a matter for the full Board.</p>
<b>A.1.5</b>	<p><b>Independent judgement</b></p> <p>The Board of Bank of Ceylon bring independent judgement to bear in discharging their duties and responsibilities on matters relating to the Board including strategy, performance, resource allocation, risk management, compliance and standards of business conduct.</p>

Sections referred to in the code	Compliance status
A.1.6	<p><b>Dedicating adequate time and effort to matters of the Board and the Bank</b></p> <p>The agenda and Board memoranda are circulated among the Board members seven days prior to the meeting through a secure e-Solution enabling them to dedicate sufficient time before a meeting to review Board memoranda and call for additional information and clarification.</p>
A.1.7	<p><b>Calling of Resolution</b></p> <p>The Board members can individually submit proposals to the Board when they feel that they are in the best interests of the Bank and a resolution can be presented to the Board.</p>
A.1.8	<p><b>Training for Directors</b></p> <p>When first appointed to the Board, the Directors undergo an induction programme covering the applicable regulatory requirements, Bank's history, organisational structure, details of subsidiaries and associates, products and services and Directors' responsibilities and are provided with an Induction pack and access to the Bank's electronic support system. Directors are encouraged to attend relevant training programmes and be apprised of the latest developments in the Bank and external environment by members of the Corporate Management or through external resource personnel.</p>
A.2	<p><b>Division of responsibilities between the Chairman and Chief Executive Officer (CEO)</b></p> <p>The positions of the Chairman and the Chief Executive Officer (referred to as the "General Manager" in the Bank) are held by two separate individuals. The Chairman is a Non –Executive Director. There is a clear division of responsibilities between the Chairman and the General Manager and the Board Charter adopted by the Bank clearly defines these responsibilities.</p>
A.3	<p><b>Chairman's Role</b></p> <p>The Chairman of Bank of Ceylon provides leadership to the Board, preserves order and facilitates the effective discharge of the Board's functions. The agenda for Board meetings is prepared by the Secretary, Bank of Ceylon/ Secretary to the Board under the authority delegated by the Chairman based on the memoranda submitted through the General Manager and any other relevant matters proposed by a Director/s. The agenda covers matters relating to strategy, performance, resource allocation, risk management and compliance. Sufficiently detailed information on matters included in the agenda is circulated to Directors seven days prior to the meetings through a secure e-Solution.</p> <p>All Directors are informed of their duties and responsibilities (which are enshrined in the Board Charter) and the Board Subcommittee structure of the Bank which assists the Board in discharging its responsibilities.</p> <p>The Board of Bank of Ceylon consists entirely of Non-Executive Directors and they effectively contribute within their respective capabilities, for the benefit of the Bank.</p> <p>Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusion of matters of corporate concern on the agenda.</p> <p>The views of Directors on issues under consideration are ascertained and a record of such deliberations are reflected in the minutes in detail.</p>
A.4	<p><b>Financial acumen</b></p> <p>The Directors have sufficient financial acumen and knowledge to guide the Bank which they have acquired through the businesses/ professions in which they are involved and from qualifications held.</p>

## COMPLIANCE WITH CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2017 ISSUED BY CA SRI LANKA

Sections referred to in the code	Compliance status
<b>A.5</b>	<p><b>Board Balance</b></p> <p>The Board of Bank of Ceylon is always comprised of Non-Executive Directors. When Alternate Directors are appointed, it is also ensured that they are Non-Executive.</p>
<b>A.6</b>	<p><b>Provision of timely information</b></p> <p>The agenda and Board memoranda required for a Board/ Subcommittee Meeting are provided to Directors through the available e-Solution seven days in advance of the meeting for them to review the memoranda in advance and come up with questions and discussion points and to request for additional information if necessary.</p> <p>The members of the Corporate Management are available if the Directors wish to obtain further information or for any clarification. Board meeting minutes are made available to the Directors within 10 days from the meeting.</p>
<b>A.7</b>	<p><b>Appointments to the Board</b></p> <p>Appointments to the Board are made by the Government of Sri Lanka, through the Minister under whose purview the Bank falls. The requisite regulatory requirements relating to appointment of new Directors are complied with.</p>
<b>A.8</b>	<p><b>Re-appointment</b></p> <p>Every Director appointed shall hold office for a period of three years, unless he is removed from office earlier or he vacates his office in terms of the Bank of Ceylon Ordinance no. 53 of 1938 and its amendments. In either case, he is eligible to be reappointed.</p> <p><b>Resignation</b></p> <p>An appointed Director may resign from his directorship by a letter addressed to the Minister under whose purview the Bank falls and any director who vacates office by ending the term is eligible for re-appointment. If it is due to a special reason, it is indicated in their resignation letter.</p>
<b>A.9</b>	<p><b>Appraisal of Board and its subcommittees</b></p> <p>An annual self-evaluation of its own performance is undertaken by the Board and Board Subcommittees to ensure that Board's and that of its subcommittees responsibilities are satisfactorily discharged. The collective outcome is reviewed and addressed by the Board. Due to Board changes that took place in December 2018, these evaluations were not carried out.</p>
<b>A.10</b>	<p><b>Disclosure of information in respect of Directors in the Annual Report</b></p> <p>The following information pertaining to Directors are included in the Annual Report-</p> <ol style="list-style-type: none"> <li>Profile of the Directors covering name, qualifications, nature of expertise and whether Executive/ Non Executive indicated on pages 24 to 27 *</li> <li>Related party information indicated on page 351 and 352</li> <li>Directorships in other companies indicated on pages 24 to 27 *</li> <li>Membership of Subcommittees * and the number of Board and Subcommittee meetings attended during the year are indicated on page no 86</li> </ol> <p>* Summary information of Directors in 2018 are given on pages 79 to 85</p>
<b>A.11</b>	<p><b>Appraisal of the Chief Executive Officer/ General Manager</b></p> <p>The performance evaluation of the General Manager is carried out annually based on the targets set at the commencement of the fiscal year in line with Corporate Plan by the Board Human Resource and Remuneration Committee and the final report is submitted to the Board. At the end of year 2018, due to the changes done to the Board subsequent to political changes, this evaluation was not carried out in the agreed manner, but the performance was discussed in Corporate Plan formulating session.</p>

Sections referred to in the code	Compliance status
<b>B</b>	<b>Directors' Remuneration</b>
<b>B.1</b>	There is a formal Remuneration Policy in place for the Chairman and Board of Directors (all Non-Executive). The above policy is formulated based on the circulars issued by the Government, the shareholder, from time to time and other applicable legislation.
<b>B.2</b>	The Bank's Human Resource and Remuneration Committee accordingly has no role in deciding the remuneration of Directors. (It however recommends remuneration of senior executives)
<b>B.3</b>	<p><b>Disclosure of Remuneration</b></p> <p>Statement of Remuneration Policy for the Chairman and the Directors is contained in pages 96 to 97 of this Annual Report. Details of remuneration paid to the Board as a whole is indicated on page no 236</p> <p>The composition of the Human Resource and Remuneration Committee appears on pages 96 to 97</p>
<b>C</b>	<b>Relations with Shareholders</b>
<b>C.1</b>	The Government of Sri Lanka being the sole shareholder of the Bank, the Bank's communication to the shareholder happens in various forms. A Government representative (an officer from the Ministry of Finance) is on the Board, directly representing the shareholder, and the Annual Report is placed before the Parliament of Sri Lanka and is open to question by the Parliament.
<b>C.2</b>	<p>A Board approved Communication Policy is in place.</p> <p>Major issues and concerns of the shareholder viz. Government of Sri Lanka are discussed during the Board meetings with the participation of the direct Government representative on the Board and elevated to the Ministry or higher levels as may be necessary.</p>
<b>C.3</b>	<p>Further to complying with requirements of the Bank of Ceylon Ordinance no. 53 of 1938, the Banking Act no. 30 of 1988, Securities and Exchange Commission of Sri Lanka Act and their amendments and the Listing Rules of the Colombo Stock Exchange; as applicable, Directors disclose to the relevant Ministry/ Ministries all proposed major and material transactions the Bank wishes to enter into.</p> <p>There were no transactions which would materially affect the Bank's performance or net asset base nor related party transactions during the year other than what is disclosed under notes to the financial statements on page 351 and 352</p>

## COMPLIANCE WITH CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2017 ISSUED BY CA SRI LANKA

Sections referred to in the code	Compliance status
<b>D</b>	<b>Accountability and Audit</b>
<b>D.1</b>	<p><b>Financial and Business Reporting (The Annual Report)</b></p> <p>All measures are taken to ensure that the Annual Report presents a balanced assessment of the Bank's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects in an easily comprehensible manner.</p> <p>The Bank's financial statements presented in the Annual Report are balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained and portray a true and fair view.</p> <p>It also ensures that a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented to meet statutory requirements.</p> <p>The Chief Financial Officer and the General Manager of the Bank give a statement indicating that the financial statements provide a true and fair view of the state of affairs of the Bank of Ceylon and its Group. The financial statements are reviewed and deliberated by the Board Audit Committee before recommending to the Board for its approval for publication. When no Audit Committee was functioning due to changes to the Board, the financial statements were directly approved by the Board after deliberations.</p> <p>For the purpose of fulfilling the disclosure requirements, the following statements are included in the Annual Report -</p> <ul style="list-style-type: none"> <li>i. Annual Report of the Directors on the State of Affairs of the Bank on pages 182 to 184</li> <li>ii. Directors' Statement on Internal Control over Financial Reporting on page 188 and 189</li> <li>iii. Management Discussion and Analysis on pages 120 to 176</li> <li>iv. Report on Related Party Transactions that have been carried out by the Key Management Personnel and their Close Family Members appearing on page 351 and 352</li> <li>v. Statement of Directors' Responsibility for Financial Reporting on page 191</li> <li>vi. Report of the Auditor General on pages 192 to 195</li> </ul>
<b>D.2</b>	<p><b>Bank's existing process on Risk Management and Internal Controls</b></p> <p>The Board is responsible for determining the nature and extent of the principal risks that it is willing to take in achieving its strategic objectives and the Board Integrated Risk Management Committee is there to facilitate the Board in fulfilling their oversight responsibilities in regard to the existence, operation and effectiveness of the Risk Management Programs, Policies and practices employed by the Bank to manage various types of risks, including compliance programs.</p> <p>The Board Audit Committee assists the Board in achieving the objective of the Bank's system of internal controls including operational, financial and compliance among other responsibilities of the Committee.</p> <p>The Board monitors the Bank's risk management and internal control systems through the Integrated Risk Management Committee and Audit Committee respectively and carries out a review of the said Committees' effectiveness annually.</p> <p>The Bank of Ceylon has a well-equipped Internal Audit Department to carry out the internal audit function of the Bank. The Auditor General is the External Auditor of the Bank.</p>



Sections referred to in the code	Compliance status
<b>D.3</b>	<p><b>Audit Committee</b></p> <p>The Board Audit Committee comprised exclusively of Non-Executive Directors during the year under review. The Chairmen of the Committee during the year under review were Independent Non- Executive Directors. The Chairmen and the members of the Audit Committee had relevant experience in financial reporting and control.</p> <p>The Board Audit Committee assists the Bank’s Board in fulfilling its oversight responsibilities.</p> <p>The Board Audit Committee ensures the carrying out of the reviews of the processes and effectiveness of risk management and internal controls and audit reports are submitted to the Committee. The role and responsibilities of the Audit Committee is disclosed in the Audit Committee Report appearing on pages 90 to 92 of this Annual Report.</p> <p>The Audit Committee has a written Terms of Reference which clearly defines its role and responsibilities. The activities performed by the Committee during the year under review appears on pages 90 to 92 of this Annual Report.</p>
<b>D.4</b>	<p><b>Related Party Transactions</b></p> <p>The Bank has a Board approved Policy on Related Party Transactions in place covering related parties, their transactions and restrictions on offering non favorable treatment to related parties in order for the Board members to avoid any conflict of interest in this regard.</p> <p>Report on Related Party Transactions that have been carried out by the Key Management Personnel and their Close Family Members appear on page 351 and 352 of this Annual Report.</p>
<b>D.5</b>	<p><b>Code of Business Conduct and Ethics</b></p> <p>The Bank maintains a Code of Ethics for the employees of the Bank and a separate Code of Ethics for the Directors and an acknowledgement is obtained for affirmation of compliance with the Codes.</p>
<b>D.6</b>	<p><b>Corporate Governance Disclosures</b></p> <p>The Corporate Governance Report which is appearing on pages 71 and 88 discloses the extent of compliance with the provisions of the Code of Best Practice on Corporate Governance.</p>
<b>F.1 and F.2</b>	<p><b>Shareholder</b></p> <p>The Government of Sri Lanka is the sole shareholder of the Bank.</p>

## COMPLIANCE WITH CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2017 ISSUED BY CA SRI LANKA

Sections referred to in the code	Compliance status
<b>G</b>	<p><b>Internet of things and Cybersecurity</b></p> <p>The Bank has a process in place to identify as to how the Bank's business model, IT devices within and outside the Bank can connect to the Bank's network to send and receive information and the consequent cyber security risks that may affect the business.</p> <p>A Board approved Information Security Policy is in place which provides the management direction and support to ensure protection of the Bank's information assets.</p> <p>The Board Information and Communication Technology Committee was established in year 2018 to assist the Board of Directors in fulfilling its oversight responsibilities related to information and communication technology and provide appropriate advice and recommendations to facilitate decision making by the Board.</p> <p>In addition, the Integrated Risk Management Committee assists the Board in ensuring that the Bank is protected from Cyber Security threats by recommending and following up on vulnerability assessments and reporting to the Board. Processes to identify and manage cyber security risks are included in the Risk Management Report of this Annual Report on pages 116 to 117</p> <p>The Bank has appointed a Chief Information Security Officer, in order to implement the Cyber Security Risk Management Policy.</p>
<b>H</b>	<p><b>Environment, Society and Governance (ESG)</b></p> <p>The ESG Report appears in pages 160 to 176 of this Annual Report.</p>

# COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2018
<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. Corporate values were revamped in 2018 and they were incorporated in the Board approved Corporate Plan for the period 2018-2020. 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>In addition, Corporate values are included in the intranet. The Board approved Corporate Plan for 2019-2021 formulated in a similar manner is in place.</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 rolling Corporate Plan and the related 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.</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 Intergrated Risk Management 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 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 102 to 118</li> <li>▶ Integrated Risk Management Committee Report on page 94 and 95</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>

## COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2018
	e. Review the adequacy and the integrity of the bank's internal control systems and management information systems;	<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 the responsibility of conducting information systems audits to assess the effectiveness of the Management Information System (MIS). The Board has reviewed the adequacy of the MIS and the Internal Control System.</p>
	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 of 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 and is ready for review in 2019.</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>
	i. Periodically assess the effectiveness of the Board Directors' own governance practices, including:	<p>Generally, a self-evaluation of the performance of the Board is carried out annually assessing its own governance practices.</p>
	(i) the selection, nomination and election of Directors and Key Management Personnel;	<p>However, consequent to the political changes that took place in the country, a new Board was appointed in November 2018 and they resigned before the end of the year. As at year end there was no Board. The evaluation will be continued in 2019.</p>
	(ii) the management of conflicts of interests; and	
	(iii) the determination of weaknesses and implementation of changes where necessary;	<p>A Board approved Conflict of Interest is in place and its compliance is monitored.</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 2018.</p>

Section	Principle	Level of Compliance during the Year 2018
	k. Meet regularly, on a needs basis, with the Key Management Personnel to review policies, establish communication lines and monitor progress towards corporate objectives;	Complied with.  Key Management Personnel regularly present or are called in for discussions at the meetings of the Board and its Subcommittees on policy and other matters relating to their areas. The performance review of the Corporate Plan is carried out at off-site locations with the participation of the Management.
	l. Understand the regulatory environment and ensure that the bank maintains an effective relationship with regulators;	Complied with.  On appointment as Directors, 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. Any relevant communication from a regulator is brought to the notice of the Board immediately.  Information pertaining to 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.
	m. Exercise due diligence in the hiring and oversight of External Auditors.	Complied with.  As provided for in the Constitution of the country, the Auditor General is the External Auditor of the Bank as it is a State-Owned Enterprise.
3 (1) (ii)	The Board shall appoint the Chairman and the Chief Executive Officer and define and approve the functions and responsibilities of the Chairman and the Chief Executive Officer in line with Direction 3 (5) of these Directions.	Complied with when read in conjunction with Direction No. 3 (9) (ii).  The Board appoints the Chief Executive Officer referred to as the General Manager in the Bank of Ceylon with the approval of the Minister under whose purview the Bank falls and the Chairman is appointed by the said Minister in terms of the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments.  The Board has also approved their functions and responsibilities maintaining the balance of power between the two roles through the Board Charter.
3 (1) (iii)	The Board shall meet regularly and Board meetings shall be held at least twelve times a year at approximately monthly intervals. Such regular Board meetings shall normally involve active participation in person of a majority of Directors entitled to be present. Obtaining the Board's consent through the circulation of written resolutions/ papers shall be avoided as far as possible.	Complied with.  Regular fortnightly Board meetings are held and special meetings are scheduled as and when the need arises. During the year under review the Board met 23 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 2018, seven such resolutions have been adopted by circulation.

## COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2018
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 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 86 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.
3 (1) (ix)	The Company Secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any Director.	Complied with.  The Secretary, Bank of Ceylon/ Secretary to the Board maintains the minutes of the Board meetings and circulates same to all Board members through a secure eSolution.  The minutes are approved at the subsequent Board meeting. Additionally, the Directors have access to the past Board papers and minutes through the same eSolution.

Section	Principle	Level of Compliance during the Year 2018
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> <ul 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> </ul>	<p>Complied with.</p> <p>Minutes of the meetings are kept covering the given criteria.</p>
3 (1) (xi)	<p>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>	<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. It was reviewed in 2018.</p>

## COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2018
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.</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.</p>
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.	<p>Complied with.</p> <p>Such a situation has not arisen during the year 2018. Monthly Financial Statements submitted to the Board assures the Board of the Bank's solvency.</p>
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.	<p>Complied with.</p> <p>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.</p> <p>Calculation of CAR is submitted to the Board with the monthly Financial Statements of the Bank.</p>
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.	<p>Complied with.</p> <p>These disclosures are part of the Corporate Governance Report in the Bank's Annual Report.</p>
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.	<p>Complied with.</p> <p>A scheme of self-assessment is adopted. The self-assessment reports of the Board are maintained by the Secretary, Bank of Ceylon / Secretary to the Board. However in respect of year 2018, this assessment was not carried out due to a change in the Directorate in November 2018. (The Board appointed in November 2018, resigned in December 2018.)</p>



Section	Principle	Level of Compliance during the Year 2018
<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.	<p>According to the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments the number of Directors permitted on the Board of Bank of Ceylon is six and present Board consists of four Directors. Composition of the Board during 2018 is given under Direction No. 3 (2) (vii) of this compliance report. Details of the present Board are given on pages 24 to 27 in this Annual Report.</p> <p>Bank has initiated action to amend the said Bank of Ceylon Ordinance to accommodate the said requirement of the Direction.</p>
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.	<p>Complied with.</p> <p>Present Directors of Bank of Ceylon have been in office for a period less than nine years.</p> <p>Details of their appointments are given on pages 24 to 27 of this Annual Report.</p>
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.	<p>Complied with.</p> <p>Bank of Ceylon Ordinance does not provide for Executive Directors in Bank of Ceylon.</p>
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.	<p>Complied with.</p> <p>Only the Director representing the Ministry of Finance is considered Non-Independent since he represents the shareholder, the Government of Sri Lanka.</p>
	A Non-Executive Director shall not be considered independent if he/she:	They are identified on pages 24 to 27 with the Profiles of the Directors and also under Direction No. 3 (2) (viii) below.
	a. has direct and indirect shareholdings of more than 1% of the bank;	
	b. currently has or had during the period of two years immediately preceding his/her appointment as director, any business transactions with the bank as described in Direction No. 3 (7) hereof, exceeding 10% of the regulatory capital of the bank;	
	c. has been employed by the bank during the two-year period immediately preceding the appointment as Director;	
	d. has a close relation who is a Director or Chief Executive Officer or a member of Key Management Personnel or a material shareholder of the bank or another bank. For this purpose, a "close relation" shall mean the spouse or a financially dependant child;	

## COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2018
	<p>e. represents a specific stakeholder of the bank;</p> <p>f. is an employee or a Director or a material shareholder in a Company or business organisation:</p> <p>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</p> <p>ii. in which any of the other Directors of the bank are employed or are Directors or are material shareholders; or</p> <p>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.</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.	<p>Complied with.</p> <p>No Alternate Director has been appointed to represent any Independent Director.</p>
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.	<p>Complied with.</p> <p>Present Directors' Profiles appearing on pages 24 to 27 spell out the necessary information.</p>
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.	<p>Complied with.</p> <p>All the Board members of Bank of Ceylon are Non-Executive Directors.</p>
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 2018 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 (Ceased to be the Chairman/ Director w.e.f. 18 November 2018)</li> <li>▶ <b>Mr Sajith R Attygalle</b> Non-Executive Ex Officio Director (Ceased to be a Director w.e.f. 25 November 2018)</li> <li>▶ <b>Mr Ranel T Wijesinha</b> Independent Non-Executive Director (Ceased to be a Director w.e.f. 31 July 2018)</li> </ul>

Section	Principle	Level of Compliance during the Year 2018
		<ul style="list-style-type: none"> <li data-bbox="797 421 1510 517">▶ <b>Mr H P Ajith Gunawardana</b> Independent Non-Executive Director (Ceased to be a Director w.e.f. 20 July 2018)</li> <li data-bbox="797 549 1510 644">▶ <b>Mr Samantha Rajapaksa</b> Independent Non-Executive Director (Ceased to be a Director w.e.f. 25 November 2018)</li> <li data-bbox="797 676 1510 772">▶ <b>Mr Mohan Wijesinghe</b> Independent Non-Executive Director (Ceased to be a Director w.e.f. 02 July 2018)</li> <li data-bbox="797 804 1510 932">▶ <b>Mr K A Vimalenthirajah</b> (Appointed as the Alternate Director to Mr S R Attygalle w.e.f. 09 November 2017 and ceased to be his Alternate w.e.f. 25 November 2018)</li> <li data-bbox="797 963 1510 1091">▶ <b>Mr Neil A Umagiliya</b> Independent Non-Executive Director / Chairman (Appointed w.e.f. 19 November 2018 and ceased to be a Director w.e.f. 20 December 2018)</li> <li data-bbox="797 1123 1510 1251">▶ <b>Ms Visakha Amarasekere</b> Non-Executive Ex Officio Director (Appointed w.e.f. 26 November 2018 and ceased to be a Director w.e.f. 27 February 2019)</li> <li data-bbox="797 1283 1510 1410">▶ <b>Mr Lalith Withana</b> Independent Non-Executive Director (Appointed w.e.f. 26 November 2018 and ceased to be a Director w.e.f. 20 December 2018)</li> <li data-bbox="797 1442 1510 1570">▶ <b>Mr H Isuru Balapatabendi</b> Independent Non-Executive Director (Appointed w.e.f. 26 November 2018 and ceased to be a Director w.e.f. 20 December 2018)</li> <li data-bbox="797 1602 1510 1730">▶ <b>Ms A V K Madhavi Herath</b> Independent Non-Executive Director (Appointed w.e.f. 26 November 2018 and ceased to be a Director w.e.f. 20 December 2018)</li> <li data-bbox="797 1761 1510 1889">▶ <b>Mr Harsha Wijayawardhana</b> Independent Non-Executive Director (Appointed w.e.f. 26 November 2018 and ceased to be a Director w.e.f. 20 December 2018)</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 the Minister under whose purview the Bank comes in terms of the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments.

## COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2018
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 Directors.
3 (2) (xi)	If a Director resigns or is removed from office, the Board shall: <ol style="list-style-type: none"> <li>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>issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.</li> </ol>	Complied with.  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.  The Shareholder of the Bank is the Government and the changes to the Directorate is carried out by the Government through the subject Minister.
3 (2) (xii)	A Director or an employee of a bank shall not be appointed, elected or nominated as a Director of another bank except where such bank is a subsidiary company or an associate company of the first mentioned bank.	Neither Directors nor employees of Bank of Ceylon are Directors of another Bank, 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).
<b>3 (3)</b>	<b>Criteria to Assess the Fitness and Propriety of Directors</b>	
3 (3) (i)	The age of a person who serves as Director shall not exceed 70 years.  In this context, the following general exemption shall apply: A Director who has reached the age of 70 years as at 1 January 2008 or who would reach the age of 70 years prior to 31 December 2008 may continue in office for a further maximum period of three years commencing 1 January 2009.	Complied with.  None of the Directors of the Bank are over 70 years of age.
3 (3) (ii)	A person shall not hold office as a Director of more than 20 companies / entities / institutions inclusive of subsidiaries or associate companies of the bank.	Complied with.  No Director holds directorships of more than 20 companies/ entities.
<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.	Complied with.
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.	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.
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.	The provisions in the governing Ordinance are considered in this process.

Section	Principle	Level of Compliance during the Year 2018
<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 page 25 and 30 There are many references to these roles throughout.</p> <p>There were no material, financial, business or family relationships between the Chairman, General Manager and other members of the Board who were functioning in 2018 and also in the current Board.</p>
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.	<p>Complied with.</p> <p>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.</p>

## COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2018
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.	<p>Complied with.</p> <p>The Chairman ensures that the Board is adequately briefed. The following procedures are in place to ensure this:</p> <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 standby for any explanations 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.	<p>Complied with.</p> <p>The entire Board consists of Non-Executive Directors.</p>
3 (5) (ix)	The Chairman, shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.	<p>Complied with.</p> <p>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.</p>
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.	<p>Complied with.</p> <p>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.</p>
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.	<p>Complied with.</p> <p>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.</p>

Section	Principle	Level of Compliance during the Year 2018
<b>3 (6)</b>	<b>Board Appointed Committees</b>	
3 (6) (i)	<p>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>	<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.</p> <p>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>A new Subcommittee, Information and Communication Technology (ICT) Subcommittee was established in 2018.</p> <p>The reports of the Subcommittees are included in this Annual Report.</p> <p>Audit Committee on pages 89 to 92</p> <p>Integrated Risk Management Committee on pages 93 to 95 Human Resources and Remuneration Committee on page 96 and 97 Nomination and Corporate Governance Committee on page 98 and 99 ICT Committee on page 100 and 101</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 Ministry in charge of the Bank.</p>
3 (6) (ii)	<p>The following rules shall apply in relation to the Audit Committee:</p> <p>a. The Chairman of the Committee shall be an Independent Non-Executive Director who possesses qualifications and experience in accountancy and / or audit.</p> <p>b. All members of the Committee shall be Non-Executive Directors.</p>	<p>Complied with.</p> <p>During the year 2018, the Chairmen of the Audit Committee were Independent Non-Executive Director who had required qualifications and experience as indicated on page 80.</p> <p>(Presently a new Board is in the process of being constituted and the appointment of a Director who holds required qualifications and experience is awaited. A Chairman is in place in the interim. He has extensive experience as a former senior banker)</p> <p>Complied with.</p> <p>All Directors of the Bank are Non-Executive.</p>

## COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2018
	<p>c. The Committee shall make recommendations on matters in connection with:</p> <p>(i) the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes;</p> <p>(ii) the implementation of the Central Bank Guidelines issued to Auditors from time to time;</p> <p>(iii) the application of the relevant accounting standards; and</p> <p>(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.</p>	<p>Complied with.</p> <p>In accordance with the Terms of Reference, the Audit Committee makes the following recommendations among many others:</p> <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> <p>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.</p>
	<p>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</p>	<p>The Bank's Auditor being the Auditor General, his independence and effectiveness is guaranteed under the Constitution of Sri Lanka.</p>



Section	Principle	Level of Compliance during the Year 2018
	<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>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 (if 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. For the audit of the year 2018 no such firm has been appointed.</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>The scope and the extent of audit have been determined by the Auditor General.</p> <p>Audit Plan for year 2018 was presented and the Committee agreed to it.</p>

## COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2018
	<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> <p>(i) major judgmental areas;</p> <p>(ii) any changes in accounting policies and practices;</p> <p>(iii) significant adjustments arising from the audit;</p> <p>(iv) the going concern assumption; and</p> <p>(v) the compliance with relevant accounting standards and other legal requirements.</p>	<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. With regard to 2018 audit, the committee offered a close door meeting to the representative of the Auditor General.</p> <p>At the beginning of 2018, a 'closed door' meeting was held.</p>
	<p>i. The Committee shall review the External Auditor's Management Letter and the management's response thereto.</p>	<p>Complied with.</p>
	<p>j. The Committee shall take the following steps with regard to the internal audit function of the bank:</p> <p>(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;</p> <p>(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;</p>	<p>Complied with.</p> <p>The Audit Committee reviews and makes necessary recommendations with regard to the adequacy of the scope, functions and resources of the Internal Audit Department.</p> <p>Complied with.</p> <p>The Committee reviews the internal audit programme and results of the internal audit procedures and ensures that appropriate actions are taken for improvements.</p>

Section	Principle	Level of Compliance during the Year 2018
	(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 are generally 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. This year in view of Board changes at the latter part of 2018, the evaluations for year 2018 were not carried out.
	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 and the representative of the Auditor General participate at the Committee meetings. The General Manager also attended the meetings on the 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, with the submission of the Management Letter 2017. A closed door meeting was offered to the Auditor General's representative in respect of the audit for the year 2018.

## COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2018
	<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>	Complied with.
	<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 ten 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 89 to 92</p> <p>The Committee met ten times during the year 2018 and details of attendance are given on page 86</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 Board approved Whistle-Blowing 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 viz the Auditor General in the case of Bank of Ceylon.</p>

Section	Principle	Level of Compliance during the Year 2018
3 (6) (iii)	The following rules shall apply in relation to the Human Resources and Remuneration Committee:	Complied with.
	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>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/ Letters and the Ordinance.</p> <p>The Board approved Remuneration Policy for the Key Management Personnel is in place.</p>
	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 and 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>
	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>Evaluations for 2017 were carried out at the meeting held in 2018. In view of changes to the Board that took place in November and December 2018, evaluations for 2018 were not carried out as is usually done. However, a mid year evaluation and also an evaluation on the targets and goals set, were carried out prior to formulating the rolling Corporate Plan for 2019 to 2021 by the Board. 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.

## COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2018
	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 appointed as KMPs.</p>
	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.	<p>Complied with.</p> <p>A Board approved 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.</p>
	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.	<p>Complied with.</p> <p>The Committee was and is chaired by an Independent Non-Executive Director and majority were and are independent Directors. Page 98 of this Annual Report provides details in this regard.</p>
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.	<p>The Committee comprises three Non-Executive Directors, General Manager and the Chief Risk Officer who supervise 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.</p>
	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.	<p>Complied with.</p> <p>Independent Integrated Risk Management Division of the Bank assesses the credit, market, liquidity, operational, strategic and reputational risks of the Bank based on the policy documents recommended by this Committee and approved by the Board, on a monthly basis and the summary reports are submitted to the Committee at its regular meetings and then to the next immediate Board meeting.</p> <p>In the case of subsidiaries and associates, a risk management dashboard has been developed to address the risks and is reported to the Committee.</p>

Section	Principle	Level of Compliance during the Year 2018
	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.	Integrated Risk Management Division has prepared information necessary to carryout this review to be submitted to the new committee when convened (Since there was no Board until February 2019).
	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 go beyond the limits are monitored by the Chief Risk Officer and reported directly 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 six meetings. Details of meetings and attendance are given on page 86
	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.
	g. The Committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied with.  The minutes of the meetings are submitted to the Board meeting immediately following the Committee 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 assesses the Bank's compliance with Internal Controls and approved policies on all areas of business operations.

## COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2018
<b>3 (7)</b>	<b>Related Party Transactions</b>	
3 (7) (i)	<p>The Board shall take 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</p> <p>categories of persons shall be considered as “related parties” for the purposes of this Direction:</p> <ol style="list-style-type: none"> <li>Any of the bank’s subsidiary companies;</li> <li>Any of the bank’s associate companies;</li> <li>Any of the Directors of the bank;</li> <li>Any of the bank’s Key Management Personnel;</li> <li>A close relation of any of the bank’s Directors or Key Management Personnel;</li> <li>A shareholder owning a material interest in the bank;</li> <li>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.</li> </ol>	<p>Complied with.</p> <p>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.</p> <p>Directors who have related party transactions are individually requested to declare their transactions. Transactions are monitored through an automated system.</p>
3 (7) (ii)	<p>The type of transactions with related parties that shall be covered by this Direction shall include the following:</p> <ol style="list-style-type: none"> <li>The grant of any type of accommodation, as defined in the Monetary Board’s Directions on maximum amount of accommodation;</li> <li>The creation of any liabilities of the bank in the form of deposits, borrowings and investments;</li> <li>The provision of any services of a financial or non-financial nature provided to the bank or received from the bank;</li> <li>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.</li> </ol>	<p>Complied with.</p> <p>Information in this regard, is disclosed in Note 59 on page 351 “Related Party Disclosures” disclosures.</p>



Section	Principle	Level of Compliance during the Year 2018
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> <ul style="list-style-type: none"> <li>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: <ul style="list-style-type: none"> <li>(i) “Accommodation” shall mean accommodation as defined in the banking Act Direction No. 7 of 2007 on Maximum Amount of Accommodation.</li> <li>(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.</li> </ul> </li> <li>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;</li> <li>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;</li> <li>d. Providing services to or receiving services from a related-party without an evaluation procedure;</li> <li>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.</li> </ul>	<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> <p>Any non-compliance brought to the notice of the Board is addressed by the Board.</p>

## COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2018
3 (7) (iv)	A bank shall not grant any accommodation to any of its Directors or to a close relation of such Director unless such accommodation is sanctioned at a meeting of its Board of Directors, with not less than two-thirds of the number of Directors other than the Director concerned, voting in favour of such accommodation. This accommodation shall be secured by such security as may from time to time be determined by the Monetary Board as well.	Complied with.
3 (7) (v)	<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>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>	Complied with.
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>

Section	Principle	Level of Compliance during the Year 2018
3 (7) (vii)	No accommodation granted by a bank under Direction 3 (7) (v) and 3 (7) (vi) above, nor any part of such accommodation, nor any interest due thereon shall be remitted without the prior approval of the Monetary Board and any remission without such approval shall be void and of no effect.	Complied with.  Such a situation has not arisen during the year 2018.
<b>3 (8)</b>	<b>Disclosures</b>	
3 (8) (i)	The Board shall ensure that: <ul style="list-style-type: none"> <li>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</li> <li>b. such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.</li> </ul>	Complied with.
3 (8) (ii)	The Board shall ensure that the following minimum disclosures are made in the Annual Report: <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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".</li> <li>d. Details of Directors, including names, fitness and propriety, transactions with the bank and the total of fees/remuneration paid by the bank.</li> </ul>	Complied with.  Disclosed in the "Annual Report of the Directors on the State of Affairs of the Bank" on pages 179 to 184 and Directors' Responsibility for Financial Reporting on page 191.  Complied with.  Disclosed in the "Directors' Statement on Internal Control" on page 188 and 189 of this Annual Report and Directors' Responsibility for Financial Reporting on page 191.  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 190 of this Annual Report.  Complied with.  Details of Directors are given on pages 24 to 27  Directors' Interest in Contracts with the Bank are given on pages 185 to 187  Remuneration paid by the Bank are given in Note 16 to the Financial Statements on page 236

## COMPLIANCE REQUIREMENTS AS PER BANKING ACT DIRECTION NO. 11 OF 2007

Section	Principle	Level of Compliance during the Year 2018																				
	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.	<p>Complied with.</p> <p>"Total net accommodation" granted to each category of related parties during the year 2018 as a percentage of the Bank's regulatory capital is given below:</p> <table border="1"> <thead> <tr> <th></th> <th>LKR '000</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Key Management Personnels (KMPs)</td> <td>79,660</td> <td>0.05</td> </tr> <tr> <td>Subsidiaries</td> <td>1,928,106</td> <td>1.25</td> </tr> <tr> <td>Associates</td> <td>185,012</td> <td>0.12</td> </tr> <tr> <td>Government and Government-related entities (Refer definition in Note 59.4 of Financial Statements)</td> <td>1,265,475,303</td> <td>822.75</td> </tr> </tbody> </table>		LKR '000	%	Key Management Personnels (KMPs)	79,660	0.05	Subsidiaries	1,928,106	1.25	Associates	185,012	0.12	Government and Government-related entities (Refer definition in Note 59.4 of Financial Statements)	1,265,475,303	822.75					
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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.	<p>Complied with.</p> <p>The aggregate amount of remuneration paid by the Bank and transactions with KMPs for the year 2018 are stated below:</p> <table border="1"> <thead> <tr> <th></th> <th>LKR '000</th> </tr> </thead> <tbody> <tr> <td>Short-term employment benefits</td> <td>429,123</td> </tr> <tr> <td>Post-employment benefits</td> <td>111,315</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>450,368</td> </tr> <tr> <td>Overdrafts</td> <td>17,699</td> </tr> <tr> <td>Credit cards</td> <td>11,049</td> </tr> <tr> <td>Deposits</td> <td>506,964</td> </tr> <tr> <td>Debentures</td> <td>2,502</td> </tr> <tr> <td>Undrawn facilities</td> <td>70,587</td> </tr> </tbody> </table>		LKR '000	Short-term employment benefits	429,123	Post-employment benefits	111,315		LKR '000	Loans	450,368	Overdrafts	17,699	Credit cards	11,049	Deposits	506,964	Debentures	2,502	Undrawn facilities	70,587
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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.	<p>Complied with.</p> <p>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 with in 2019.</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>Complied with.</p> <p>The Statement of Directors' Responsibility for Financial Reporting on page 191 clearly sets out details regarding compliance with prudential requirements, regulations, laws and internal controls.</p>																				

Section	Principle	Level of Compliance during the Year 2018
	<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>Transitional and Other General Provisions Compliance with this Direction shall commence from 1 January 2008 onwards and all licensed commercial banks shall fully comply with the provisions of this Direction by or before 1 January 2009 except where extended compliance dates have been specifically provided for in this Direction.</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 2018 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 2018	10 May 2018
		Quarter 2 ended 30 June 2018	15 August 2018
		Quarter 3 ended 30 September 2018	15 November 2018
		Quarter 4 ended 31 December 2018	28 February 2019
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 2018 was submitted on 29 March 2019.  Annual Report for the year 2018 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	182
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	179
		Notes to the Financial Statements	206
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.	465, 468
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	102 - 118
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	295 - 312
7.6 (ix)	Number of shares representing the entity's stated capital.	Note 49.1 to the Financial Statements	338
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and percentage of their total holdings.	Spplimentary Information	465

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 19 and 49.2 to the Financial Statements. Supplementary Information	240, 338 464
	2. Market information on listed debentures.	Note 48 to the Financial Statements. Supplementary Information	335 - 337 465
	3. Any changes in credit rating.	Overview of Bank of Ceylon	20 - 21
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.	297 - 312
7.6 (xiii)	During the year the entity has raised funds either through a public issue, rights issue and private placement.	Notes 43, 48 and 49 to the Financial Statements.	320 335, 338
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	468

# COMPLIANCE REQUIREMENTS ENFORCED BY THE CENTRAL BANK OF SRI LANKA

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 2018 Quarter 2 ended 30 June 2018 Quarter 3 ended 30 September 2018	25 May 2018 30 August 2018 30 November 2018
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 2018 (Audited)	30 March 2019

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

1.0.1 Disclosures on categories of financial assets and financial liabilities	Note 20 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 4.1.1, 26 and 63 to the Financial Statements
(ii) Reclassifications of financial instruments from one category to another	Note 61.4 to the Financial Statements
(iii) Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral	Note 56 the Financial Statements
(iv) Reconciliation of the allowance account for credit losses by class of financial assets	Note 27.1 and 27.2.2 to the Financial Statements
(v) Information about compound financial instruments with multiple embedded derivatives	None
(vi) Breaches of terms of loan agreements	None
1.2 Statement of Comprehensive Income	
1.2.1 Disclosures on items of income, expense, gains and losses	Note 7 to 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 14 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 4.1.1, 21, to 29, 38 to 43 and 48 to the Financial Statements
1.3.2 Information on financial liabilities designated at FVTPL	None
1.3.3 Investments in equity instruments designated at FVOCI	
(i) Details of equity instruments that have been designated as at FVOCI and the reasons for the designation.	Note 29 to the Financial Statements
(i) Fair value of each investment at the reporting date	Note 29.2 and 29.3 to the Financial Statements
(i) Comparable carrying amounts	Note 29 to the Financial Statements
(ii) Description of how fair value was determined	Note 61 to the Financial Statements



(iii) Dividends recognised during the period, separately for investments derecognised during the reporting period and those held at the reporting date.	Note 13 to the Financial Statements
(iv) Transfer cumulative gain or loss within equity during the period and the reasons for those transfers	Note 12 to the Financial Statements
(v) If investments in equity instruments measured at FVOCL are derecognised during the reporting period, - Reasons for disposing of the investments - Fair value of the investments at the date of derecognition - The cumulative gain or loss on disposal	None
<b>1.3.4 Reclassification of financial assets</b>	
(i) For all reclassifications of financial assets in the current or previous reporting period - Date of reclassification - Detailed explanation of the change in the business model and a qualitative description of its effect on the financial statements - The amount reclassified into and out of each category	None
(ii) For reclassifications from FVTPL to amortised cost of FVOCI - The effective interest rate (EIR) determined on the date of reclassification - the interest revenue recognised	None
(iii) For reclassifications from FVOCI to amortised cost, or from FVTPL to amortised cost or FVOCI - The fair value of the financial assets at the reporting date - The fair value gain or loss that would have been recognised in profit or loss or OCI during the reporting period if the financial assets had not been reclassified.	None
<b>1.3.5 Information on hedge accounting</b>	None
<b>1.3.6 Information about the fair values of each class of financial asset and financial liability, along with:</b>	
(i) Comparable carrying amounts	Note 61 to the Financial Statements
(ii) Description of how fair value was determined	Note 61 to the Financial Statements
(iii) The level of inputs used in determining fair value	Note 61 to the Financial Statements
(iv) a. Reconciliations of movements between levels of fair value measurement hierarchy b. additional disclosures for financial instruments that fair value is determined using level 3 inputs	None Note 61.1.3 to the Financial Statements
(v) Information if fair value cannot be reliably measured	None
<b>2. INFORMATION ABOUT THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS</b>	
<b>2.1 Qualitative disclosures</b>	
2.1.1 Risk exposures for each type of financial instrument	Risk Report and Note 63 to the Financial Statements
2.1.2 Management's objectives, policies, and processes for managing those risks.	Risk Report
2.1.3 Changes from the prior period	Risk Report
<b>2.2 Quantitative disclosures</b>	
2.2.1 Summary of quantitative data about exposure to each risk at the reporting date	Note 63 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 63 to the Financial Statements
(i) Credit Risk	Note 63.2 to the Financial Statements
(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 63.2.1 to the Financial Statements
(b) For financial assets that are past due or impaired, disclosures on age, factors considered in determining as impaired and the description of collateral on each class of financial asset	Note 63.2.1 to the Financial Statements

## COMPLIANCE REQUIREMENTS ENFORCED BY THE CENTRAL BANK OF SRI LANKA

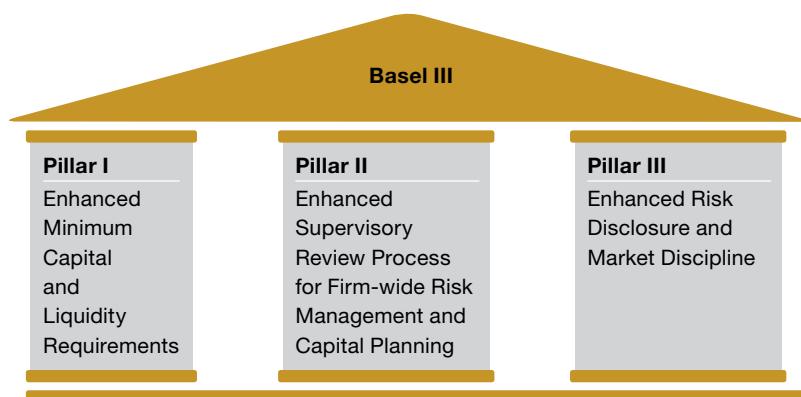
(c) Information about collateral or other credit enhancements obtained or called	Note 63.2.1 to the Financial Statements
(d) Credit risk management practices <ul style="list-style-type: none"> <li>- CRM practices and how they relate to the recognition and measurement ECL, including the methods, assumptions, and information used to measure ECL</li> <li>- Quantitative and qualitative information to evaluate the amounts in the Financial Statements arising from ECL, including changes and the reasons for those changes</li> <li>- How the Bank determines whether the credit risk of financial instruments has increased significantly since initial recognition</li> <li>- The Bank's definitions of default for different financial instruments, including the reasons for selecting those definitions</li> <li>- How instruments are grouped if ECL are measured on a collective basis</li> <li>- How the bank determines that financial assets are credit – impaired</li> <li>- The Bank's write – off policy, including the indicators that there is no reasonable expectation of recovery</li> <li>- How the modification requirements have been applied</li> </ul>	Note 27 and 63 to the Financial Statements
(e) ECL calculations <ul style="list-style-type: none"> <li>- Basis of the inputs, assumptions and the estimation techniques used when estimating ECL</li> <li>- How forward – looking information has been incorporated into the determination of ECL including the use of macroeconomic information.</li> <li>- Changes in estimation techniques or significant assumptions made during the reporting period</li> </ul>	Note 27 to the Financial Statements
(f) Amounts arising from ECL <ul style="list-style-type: none"> <li>- Reconciliation for each class of financial instruments of the opening balance to the closing balance of the impairment loss allowance</li> </ul>	Note 21,23,27,28 to the Financial Statements
(g) Collateral <ul style="list-style-type: none"> <li>- Bank's maximum exposure to credit risk at the reporting date</li> <li>- Description of collateral held as security and other credit enhancements</li> </ul>	Note 63.2.1 to the Financial Statements
(h) Written – off assets <ul style="list-style-type: none"> <li>- Contractual amount outstanding of financial assets written off during the reporting period that are still subject to enforcement activity.</li> </ul>	Note 27 to the Financial Statements
(i) Pillar III disclosures of the Banking Act Directions No 1 of 2016 on Capital requirements under Basel III for licensed banks	Capital Adequacy in Compliance annexes
(ii) Liquidity Risk	
(a) A maturity analysis of financial liabilities	Note 58 to the Financial Statements
(b) Description of approach to risk management	Risk Report and Note 63.3 to the Financial Statements
(c) Pillar III disclosures of the Banking Act Direction No. 1 of 2016 on Capital requirements under Basel III for Licensed Banks	Capital Adequacy in Compliance annexes
(iii) Market Risk	
(a) A sensitivity analysis of each type of market risk to which the entity is exposed	Note 63.4 to the Financial Statements
(b) Additional information, if the sensitivity analysis is not representative of the Bank's risk exposure	Note 63.4 to the Financial Statements
(c) Pillar III disclosures of the Banking Act Directions No. 1 of 2016 on Capital requirements under Basel III for Licensed Banks	Capital Adequacy in Compliance annexes
(iv) Operational Risk	
Pillar III disclosures of the Banking Act Direction No. 1 of 2016 on Capital requirements under Basel III for Licensed Banks	Capital Adequacy in Compliance annexes
(v) Equity risk in the banking book	
(a) Qualitative disclosures	

· Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons	Note 26 and 29 to the Financial Statements
· Discussion of important policies covering the valuation and accounting of equity holdings in the banking book	Note 26 and 29 to the Financial Statements
(b) Quantitative disclosures	
· Value disclosed in the statement of financial position of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value	Note 26.2, 29.2 and 29.3 to the Financial Statements
· The types and nature of investments	Note 26 and 29 to the Financial Statements
· The cumulative realised gains /(losses) arising from sales and liquidations in the reporting period	Note 12 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 63.4.2 to the Financial Statements
(b) Quantitative disclosures	
The increase /(decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant)	Note 63.4.1 to the Financial Statements
1.1.3 Information on concentrations of risk	Note 63.2.3 to the Financial Statements
<b>3. OTHER DISCLOSURES</b>	
3.1 Capital	
1.1.1 Capital structure	Note 49 to the Financial Statements
3.2 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 48 to the Financial Statements Equity – 49
3.3 Quantitative disclosures	
(a) The amount of Tier I 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 I 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
3.4 Capital adequacy	
(i) Qualitative disclosures	
A summary discussion of the bank's approach to assessing the adequacy of its capital or support current and future activities	Risk Report and Note 63.6 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

## Basel III Regulatory Requirements

Basel III is an internationally agreed set of measures developed by the Basel Committee on Banking Supervision in response to the financial crisis of 2007-09. The measures aim to strengthen the regulation, supervision and risk management of banks.



The three pillars in Basel III have been strengthened than the Basel II, to cater to the present requirements. While the framework itself was extended with imperative features.

Basel III is an appendage 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 sector.

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.

## Main Features of the

### Basel III

- **Capital Conservation Buffer** - An additional layer of common equity that, when breached, restricts payouts of earnings to help protect the minimum common equity requirement.
- **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.
- **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 01.01.2019 with observation

period already commenced from 1st quarter 2017, which will be monitored by the Central Bank of Sri Lanka. Commencing 1 January 2019, the minimum Leverage Ratio for licensed banks shall be 3%.

- **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 the 01.07.2017 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	01.01.2018	01.01.2019
Common Equity		
Tier 1	4.50%	4.50%
Capital Conservation Buffer	1.875%	2.50%
Surcharge on Domestic Systematically Important banks(D-SIBs)	1.00%	1.50%
Additional Tier 1 Capital	1.50%	1.50%
Total Tier 1 Capital	8.875%	10.00%
Minimum Total Capital Ratio + Capital Conservation Buffer +Capital surcharge on D-SIBs	12.875%	14.00%

Bank of Ceylon commenced its preparation towards Basel III by implementing well formulate strategic policies from 2015 when CBSL issued their first consultation paper for Basel III implementation in April 2015. By enhancing capital base & applying risk mitigating techniques, Bank able to maintain the ratio well above the

regulatory requirements as of 31st December 2018. Internally generated funds and issuance of Basel III complied subordinated Debentures during the year has aggrandize Bank's capital base, enabled the bank to meet the enhanced capital adequacy requirements under the Basel III which is fully, effective from 1st of January 2019.

## Basel III Disclosure Requirements

### Key Regulatory Ratios- Capital and Liquidity

Item	31.12.2018	
	Bank	Group
<b>Basel III</b>		
<b>Regulatory Capital (LKR'000)</b>		
Common Equity Tier 1	108,830,534	115,250,456
Tier 1 Capital	108,830,534	115,250,456
Total Capital	153,811,334	162,065,449
<b>Regulatory Capital Ratios (%)</b>		
Common Equity Tier 1 Capital Ratio (Minimum Requirement- 7.375%)	10.31%	10.41%
Tier 1 Capital Ratio (Minimum Requirement- 8.875%)	10.31%	10.41%
Total Capital Ratio (Minimum Requirement- 12.875%)	14.58%	14.64%

Item	31.12.2018	
	Bank	Group
<b>Regulatory Liquidity</b>		
Statutory Liquid Assests - Domestic (LKR '000)	478,549,997	477,892,171
Statutory Liquid Assests - FCBU (USD '000)	835,941	878,439
<b>Statutory Liquid Assests Ratio (Minimum Requirement- 20%)</b>		
Domestic Banking Unit (%)	24.47	27.22
Off -Shore Banking Unit(%)	60.20	21.91
Liquidity Coverage Ratio (%)- Rupee (Minimum Requirement 2018 -90%, 2017 - 80%)	143.51	141.46
Liquidity Coverage Ratio (%)- All Currency (Minimum Requirement 2018-90%, 2017 - 80%)	114.99	105.04

Basel III new guidelines were implemented w.e.f. 01st July 2017

## CAPITAL ADEQUACY

### Basel III Computation of Capital Ratios - 31.12.2018

Item	Bank LKR'000	Group LKR'000
Common Equity Tier 1 ( CET 1) Capital after Adjustments	108,830,534	115,250,456
Common Equity Tier 1 ( CET 1) Capital	114,553,579	117,839,485
Equity Capital ( Stated Capital)/ Assigned Capital	25,000,000	25,000,000
Reserve Fund	12,890,000	12,890,000
Published Retained Earnings/ (Accumulated Retained Losses)	72,878,984	74,582,224
Published Accumulated Other Comprehensive Income(OCI)	1,102,916	1,484,672
General and other Disclosed Reserves	2,681,679	3,882,588
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>	<b>5,723,046</b>	<b>2,589,029</b>
Goodwill (net)	-	-
Intangible Assests (net)	1,200,640	1,419,084
Revaluation losses of Property, Plant and Equipment	180,879	180,879
Deferred tax assets (net)	-	168,989
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	621,112	612,866
Significant investments in the capital of financial institutions where the Bank owns more than 10% of the issued ordinary share capital of the entity	3,513,204	-
Shortfall of cpital in financial subsidiaries	207,210	207,210
<b>Additional Tier 1 ( AT I) Capital after Adjustment</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 ( AT I) Capital</b>	<b>-</b>	<b>-</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>	<b>-</b>	<b>-</b>
Investment in Own Shares	-	-
others ( specify)	-	-
<b>Tier 2 Capital after Adjustments</b>	<b>44,980,801</b>	<b>46,814,994</b>
<b>Tier 2 Capital</b>	<b>46,976,379</b>	<b>48,672,067</b>
Qualifying Tier 2 Capital Instruments	33,712,919	35,312,919
Revaluation Gains	6,556,298	6,556,298
General Provisions	6,707,162	6,802,850
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by third Parties	-	-
<b>Total Adjustment to Tier 2</b>	<b>1,995,578</b>	<b>1,857,073</b>
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	1,882,058	1,857,073
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	113,520	-
<b>CET I Capital</b>	<b>108,830,534</b>	<b>115,250,456</b>
<b>Total Tier 1 Capital</b>	<b>108,830,534</b>	<b>115,250,456</b>
<b>Total Capital</b>	<b>153,811,334</b>	<b>162,065,449</b>

Item	Bank LKR'000	Group LKR'000
<b>Total Risk Weighted Assets (RWA)</b>	1,055,206,519	1,107,377,275
RWAs for Credit Risk	960,571,917	1,001,547,130
RWAs for Market Risk	7,423,060	7,423,060
RWAs for Operational Risk	87,211,542	98,407,084
<b>CET I Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIBs)(%)</b>	10.31%	10.41%
of which :Capital Conservation Buffer (%)	1.875%	1,875%
of which :Countercyclical Buffer (%)	N/A	N/A
of which:Capital Surcharge on D- SIBs (%)	1.00%	1.00%
<b>Total Tier 1 Capital Ratio(%)</b>	10.31%	10.41%
<b>Total Capital Ratio ( including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D- SIBs)(%)</b>	14.58%	14.64%
of which : Capital Conservation Buffer (%)	1.875%	1.875%
of which: Countercyclical Buffer (%)	N/A	N/A
of which:Capital Surcharge on D- SIBs (%)	1.00%	1.00%

### Basel III computation of Liquidity Coverage Ratio -All Currency (Bank Only)

Item	Amount (LKR'000)			
	31.12.2018 Total Un-Weighted Value	Total Weighted Value	31.12.2017 Total Un-Weighted Value	Total wWeighted Value
Total Stock of High -Quality Liquid Asset (HQLA)	280,443,872	280,443,872	299,081,569	297,359,897
Total Adjusted Level I Assets	282,611,352	282,611,352	295,987,317	295,987,317
Level 1 Assets	278,177,780	278,177,780	295,568,225	295,568,225
Total Adjusted Level 2A Assets	850,000	722,500	100,000	85,000
Level 2A Assets	850,000	722,500	100,000	85,000
Total Adjusted Level 2B Assets	3,087,184	1,543,592	3,413,344	1,706,672
Level 2B Assets	3,087,184	1,543,592	3,413,344	1,706,672
<b>Total Cash Outflows</b>	<b>2,240,481,512</b>	<b>361,439,798</b>	<b>1,896,131,889</b>	<b>319,951,612</b>
Deposits	1,243,019,339	124,301,934	1,090,725,752	109,072,575
Unsecured Wholesale Funding	496,521,921	209,526,807	428,492,592	185,171,536
Secured Funding Transactions	80,175,016	-	23,782,957	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	420,347,317	27,193,138	353,086,993	25,663,907
Additional Requirements	417,919	417,919	43,595	43,595
<b>Total Cash Inflows</b>	<b>167,479,174</b>	<b>117,552,327</b>	<b>78,429,645</b>	<b>36,858,631</b>
Maturing Secured Lending Transaction Backed by Collateral	-	-	18,388,000	-
Committed Facilities	5,000,000	-	-	-
Other Inflows by Counterparty which are Maturing Within 30 Days	162,479,174	117,552,327	46,347,809	36,858,631
Operational Deposits	-	-	13,693,836	-
Other Cash Inflows	-	-	-	-
Liquidity Coverage Ratio (%) (Stock of High quality Liquid Assets/ total Net Cash Outflows over the Next 30 Calender Days)*100%		114.99%		105.04%

## CAPITAL ADEQUACY

### 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	LK0357D20462	LK0357D20439	LK0357D20454	LK0357D20470	LK0357D22500
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-Oct-13	25-Oct-13	25-Oct-13	25-Oct-13	22-Sep-14
Par Value of Instrument -LKR	100	100	100	100	100
Issued quantity ( No of Debentures)	11,990,000	10,000	12,000,000	16,000,000	51,256,350
Issued Quantity (LKR'000)	1,199,000	1,000	1,200,000	1,600,000	5,125,635
Perpetual or Dated					
Original Maturity Date, if Applicable	24-Oct-21	24-Oct-21	24-Oct-22	24-Oct-23	21-Sep-19
Amount Recognised in Regulatory Capital (in LKR'000 as at the Reporting Date)	719,400	600	960,000	1,600,000	1,025,127
Accounting Classification (equity/ Liability)	Liability	Liability	Liability	Liability	Liability
<b>Coupons/ Dividends</b>					
Fixed or Floating Dividend/ Coupon	FIXED	FLOATING	FIXED	FIXED	FIXED
Coupon Rate and any Related Index %	13.25	12.99	13.25	13.25	8.00
Non-Cumulative or Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative
<b>Convertible or Non-Convertible</b>	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible
<b>Description of the Capital Instrument</b>					
Issuer	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon
Unique Identifier	LK0357D22534	LK0357D22526	LK0357D22542	LK0357D22559	LK0357D23201
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-Sep-14	22-Sep-14	22-Sep-14	22-Sep-14	6-Oct-15
Par Value of Instrument -LKR	100	100	100	100	100
Issued quantity ( No of Debentures)	2,157,800	8,250,600	18,334,950	300	2,885,900
Issued Quantity (LKR'000)	215,780	825,060	1,833,495	30	288,590
Perpetual or Dated					
Original Maturity Date, if Applicable	21-Sep-19	21-Sep-19	21-Sep-22	21-Sep-22	5-Oct-20
Amount Recognised in Regulatory Capital (in LKR'000 as at the Reporting Date)	43,156	165,012	1,466,796	24	115,436
Accounting Classification (equity/ Liability)	Liability	Liability	Liability	Liability	Liability
<b>Coupons/Dividends</b>					
Fixed or Floting Dividend/Coupon	FIXED	FLOATING	FIXED	FLOATING	FIXED
Coupon Rate and any Related Index %	7.75	10.43	8.25	10.43	8.25
Non-Cumulative or Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative
<b>Convertible or Non-Convertible</b>	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible



<b>Description of the Capital Instrument</b>					
Issuer	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon
Unique Identifier	LK0357D23185	LK0357D23193	LK0357D23177	LK0357D23219	LK0357D23763
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-Oct-15	6-Oct-15	6-Oct-15	6-Oct-15	29-Dec-16
Par Value of Instrument -LKR	100	100	100	100	100
Issued quantity ( No of Debentures)	122,200	44,783,860	11,802,560	20,405,480	79,981,764
Issued Quantity (LKR'000)	12,220	4,478,386	1,180,256	2,040,548	7,998,176
Perpetual or Dated					
Original Maturity Date, if Applicable	5-Oct-20	5-Oct-20	5-Oct-23	5-Oct-23	28-Dec-21
Amount Recognised in Regulatory Capital (in LKR'000 as at the Reporting Date)	4,888	1,791,354	1,180,256	2,040,548	4,798,906
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 %	8.00	13.05	9.50	13.05	13.25
Non-Cumulative or Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative
<b>Convertible or Non-Convertible</b>	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible
<b>Description of the Capital Instrument</b>					
Issuer	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon
Unique Identifier	LK0357D23797	LK0357D23771	LK0357D23789		
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	29-Dec-16	29-Dec-16	29-Dec-16	29-Dec-17	29-Dec-17
Par Value of Instrument -LKR	100	100	100	100	100
Issued quantity ( No of Debentures)	10,200	7,836	200	50,000,000	10,000,000
Issued Quantity (LKR'000)	1,020	784	20	5,000,000	1,000,000
Perpetual or Dated					
Original Maturity Date, if Applicable	28-Dec-21	28-Dec-24	28-Dec-24	28-Dec-25	28-Dec-22
Amount Recognised in Regulatory Capital (in LKR'000 as at the Reporting Date)	612	784	20	5,000,000	800,000
Accounting Classification (equity/ Liability)	Liability	Liability	Liability	Liability	Liability
<b>Coupons/ Dividends</b>					
Fixed or Floating Dividend/ Coupon	FLOATING	FIXED	FLOATING	FIXED	FIXED
Coupon Rate and any Related Index (%)	12.68	12.75	12.68	12.75	12.50
Non-Cumulative or Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative
<b>Convertible or Non-Convertible</b>	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible

## CAPITAL ADEQUACY

Description of the Capital Instrument		
Issuer	Bank of Ceylon	Bank of Ceylon
Unique Identifier		
Governing Laws of the Instrument	Laws of Sri Lanka	Laws of Sri Lanka
Original Date of Issuance	31-Jul-18	3-Dec-18
Par Value of Instrument -LKR	100	100
Issued quantity ( No of Debentures)	67,000,000	53,000,000
Issued Quantity (LKR'000)	6,700,000	5,300,000
Perpetual or Dated		
Original Maturity Date, if Applicable	30-Jul-26	2-Dec-23
Amount Recognised in Regulatory Capital (in LKR'000 as at the Reporting Date)	6,700,000	5,300,000
Accounting Classification (equity/ Liability)	Liability	Liability
<b>Coupons/ Dividends</b>		
Fixed or Floating Dividend/ Coupon	FIXED	FIXED
Coupon Rate and any Related Index %	12.00	12.00
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	Amount (LKR'000) as at 31.12.2018					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures Post CCF and CRM		RWA	RWA Density (%)
	On Balance Sheet	Off Balance Sheet	On Balance Sheet	Off Balance Sheet	RWA	RWA Density <sup>(ii)</sup> (%)
Claims on Central Government and CBSL	836,590,660	15,585,130	836,590,660	3,117,026	47,702,452	5.68%
Claims on Foreign Sovereigns and their Central Bank	17,919,834	-	17,919,834	-	16,969,389	94.70%
Claims on Public Sector Entities	314,536,270	231,256,251	29,408,186	11,636,980	41,045,166	100.00%
Claim on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	82,874,875	25,244,665	82,874,875	25,244,665	59,509,156	55.04%
Claims on Financial Institutions	16,864,468	-	16,864,468	-	8,728,414	51.76%
Claims on Corporates	272,413,917	107,801,503	242,185,966	42,354,770	272,929,084	95.92%
Retail Claims	416,897,084	57,877,969	378,888,879	-	299,907,436	79.15%
Claims Secured by Gold	53,657,890	-	53,657,890	-	1,006,202	1.88%
Claims Secured by Residential Property	90,685,342	-	90,685,342	-	65,997,243	72.78%
Claims secured by Commercial Real Estate	51,866,696	-	51,866,696	-	51,866,696	100.00%
Non- Performing Assets (NPAs) <sup>(i)</sup>	14,624,089	-	14,624,089	-	17,664,320	120.79%
Higher - risk Categories	1,145,536	-	1,145,536	-	2,863,840	250.00%
Cash Items and Other Assets	105,784,478	17,203,365	105,784,478	17,203,365	74,382,518	60.48%
<b>Total</b>	<b>2,275,861,139</b>	<b>454,968,883</b>	<b>1,922,496,900</b>	<b>99,556,805</b>	<b>960,571,917</b>	<b>47.50%</b>

## Credit Risk Under Standardised Approach

### Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects -Group

Asset Class	Amount (LKR'000) as at 31.12.2018						
	Exposures before Credit Conversion Factor (CCF) and CRM				Exposures Post CCF and CRM		RWA and RWA Density (%)
	On Balance Sheet Amount	Off Balance Sheet Amount	On Balance Sheet Amount	Off Balance Sheet Amount	RWA	RWA Density <sup>(ii)</sup> (%)	
Claims on Central Government and CBSL	842,165,659	15,585,130	842,165,659	3,117,026	47,702,452	5.64%	
Claims on Foreign Sovereigns and their Central Bank	17,919,834	-	17,919,834	-	16,969,389	94.70%	
Claims on Public Sector Entities	349,150,541	231,256,251	29,408,186	11,636,980	41,045,166	100.00%	
Claim on Official Entities and Multilateral Development Banks	-	-	-	-	-	-	
Claims on Banks Exposures	84,139,926	25,244,665	84,139,926	25,244,665	60,774,207	55.56%	
Claims on Financial Institutions	16,864,468	-	16,864,468	-	8,728,414	51.76%	
Claims on Corporates	302,299,055	107,801,503	272,071,104	42,354,770	302,814,222	96.31%	
Retail Claims	416,897,084	57,877,969	378,888,879	-	299,907,436	79.15%	
Claims Secured by Gold	53,657,890	-	53,657,890	-	1,006,202	1.88%	
Claims Secured by Residential Property	90,685,342	-	90,685,342	-	65,997,243	72.78%	
Claims secured by Commercial Real Estate	51,866,696	-	51,866,696	-	51,866,696	100.00%	
Non- Performing Assets (NPAs) <sup>(i)</sup>	14,624,089	-	14,624,089	-	17,664,320	120.79%	
Higher - risk Categories	162,300	-	162,300	-	405,750	250.00%	
Cash Items and Other Assets	118,178,046	17,203,365	118,178,046	17,203,365	86,665,632	64.02%	
<b>Total</b>	<b>2,358,610,930</b>	<b>454,968,883</b>	<b>1,970,632,420</b>	<b>99,556,805</b>	<b>1,001,547,130</b>	<b>48.38%</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

## CAPITAL ADEQUACY

### Credit Risk under Standardised Approach : Exposures by Asset Classes and Risk Weights - Bank

Description Risk Weight	Amount (LKR'000) as at 31.12.2018 (Post CCF & CRM)								Total Credit Exposures Amount
	0%	20%	50%	60%	75%	100%	150%	>150%	
Asset Classes									
Claims on Central Government and Central Bank of Sri Lanka	598,834,484	237,756,176							836,590,660
Claims on Foreign Sovereigns and their Central Bank			1,900,889			16,018,945			17,919,834
Claims on public Sector Entities						29,408,186			29,408,186
Claims on Official Entities and Multilateral Development Banks									-
Claims on Banks Exposures		43,057,580	691,305			39,125,990			82,874,875
Claims on Financial Institutions		3,982,000	9,900,907			2,981,561			16,864,468
Claims on Corporates		10,074,485	3,705,958			228,405,523			242,185,966
Retail Claims				690,761	314,820,557	63,377,562			378,888,879
Claims Secured by Gold	48,626,879	5,031,011							53,657,890
Claims Secured by Commercial Residential Property			49,376,197			41,309,145			90,685,342
Claims secured by Commercial Real Estate						51,866,696			51,866,696
Non- Performing Assets (NPAs)						8,543,628	6,080,462		14,624,089
Higher -risk Categories								1,145,536	1,145,536
Cash Item and Other Assets	38,507,002	12,622,904				54,654,572			105,784,478
<b>Total</b>	<b>685,968,364</b>	<b>312,524,156</b>	<b>65,575,256</b>	<b>690,761</b>	<b>314,820,557</b>	<b>535,691,808</b>	<b>6,080,462</b>	<b>1,145,536</b>	<b>1,922,496,900</b>

### Credit Risk under Standardised Approach : Exposures by Asset Classes and Risk Weights - Group

Description Risk Weight	Amount (LKR'000) as at 31.12.2018 (Post CCF & CRM)								
	0%	20%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Asset Classes									
Claims on Central Government and Central Bank of Sri Lanka	604,409,483	237,756,176							842,165,659
Claims on Foreign Sovereigns and their Central Bank			1,900,889			16,018,945			17,919,834
Claims on public Sector Entities						29,408,186			29,408,186
Claims on Official Entities and Multilateral Development Banks									-
Claims on Banks Exposures		43,057,579	691,305			40,391,041			84,139,926
Claims on Financial Institutions		3,982,000	9,900,907			2,981,561			16,864,468
Claims on Corporates		10,074,485	3,705,958			258,290,661			272,071,104
Retail Claims				690,761	314,820,557	63,377,562			378,888,879
Claims Secured by Gold	48,626,879	5,031,011							53,657,890
Claims Secured by Commercial Residential Property			49,376,197			41,309,145			90,685,342
Claims secured by Commercial Real Estate						51,866,696			51,866,696
Non - Performing Assets (NPAs)						8,543,628	6,080,462		14,624,089
Higher - risk Categories								162,300	162,300
Cash Item and Other Assets	38,617,456	12,622,904				66,937,686			118,178,046
<b>Total</b>	<b>691,653,817</b>	<b>312,524,156</b>	<b>65,575,256</b>	<b>690,761</b>	<b>314,820,557</b>	<b>579,125,110</b>	<b>6,080,462</b>	<b>162,300</b>	<b>1,970,632,420</b>

## CAPITAL ADEQUACY

### Market Risk under Standardised Measurement Method

Item	31.12.2018	
	Bank (LKR'000)	Group (LKR'000)
<b>(a) Capital Charge for Interest Rate Risk</b>	255,555	255,555
General Interest Rate Risk	255,555	255,555
(i) Net Long or Short Position	255,555	255,555
(ii) Horizontal Disallowance	-	-
(iii) Vertical Disallowance	-	-
(iv) Options	-	-
Specific Interest Rate Risk	-	-
<b>(b) Capital Charge for Equity</b>	611,914	611,914
(i) General Equity Risk	322,842	322,842
(ii) Specific Equity Risk	289,072	289,072
<b>(c) Capital Charge for Foreign Exchange and Gold</b>	88,250	88,250
<b>Total Capital Charge for Market Risk [(a)+(b)+(c)]</b>	955,719	955,719
<b>Total Risk Weighted Amount for Market Risk</b>	7,423,060	7,423,060

### Operational Risk under Basic Indicator Approach -Bank

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31.12.2018		
			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		70,270,961	68,808,549	85,490,210
Capital Charges for Operational Risk (LKR'000)					11,228,486
Risk Weighted Amount for Operational Risk (LKR'000)					87,211,542

### Operational Risk under Basic Indicator Approach -Group

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31.12.2018		
			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		76,299,836	80,756,706	96,341,700
Capital Charges for Operational Risk (LKR'000)					12,669,912
Risk Weighted Amount for Operational Risk (LKR'000)					98,407,084

### Deferences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories - Bank only

Item	Amount (LKR'000) as at 31.12.2018				
	a	b	c	d	e
	Carrying Values Reported in Published Financial Statement	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Not subject to Capital Requirements or Subject to Deduction from Capital
<b>Assets</b>	<b>2,268,154,394</b>	<b>2,302,424,962</b>	<b>2,294,924,455</b>	<b>12,849,546</b>	<b>9,600,196</b>
Cash and Cash Equivalents	78,447,577	80,384,177	80,384,177	123,988	-
Balances With Central Bank	65,680,371	65,680,371	65,680,371	-	-
Placements with Banks	40,450,089	41,135,016	41,135,016	-	-
Securities Purchased under resale agreements	-	-	-	-	-
Derivative Financial Instruments	1,205,657	-	-	-	-
Financial assets recognized through profit or loss measured at fair value	9,277,298	8,369,905	8,369,905	6,511,640	13,152
Financial assets at amortized cost					
Loans and advances	1,429,107,181	1,459,053,657	1,459,053,657	-	-
Debt and other instruments	551,839,449	542,135,282	539,179,620		2,955,662
Financial assets - measured at fair value through	-	-	-	-	-
other comprehensive income / Available for sale	16,699,582	14,417,308	14,417,308	6,213,917	892,201
Investments in Subsidiaries	6,513,048	6,488,048	1,949,507	-	4,538,541
investments in Associates and Joint Ventures	92,988	117,988	117,988	-	-
Property, Plant and Equipment	24,277,054	25,508,934	25,508,934	-	-
Investment Properties	2,765,856	2,765,856	2,765,856	-	-
Goodwill and Intangible Assets	1,238,186	6,304	-	-	1,200,640
Deferred Tax Assets	-	-	-	-	-
Other Assets	40,560,058	56,362,116	56,362,116	-	-
<b>On Balance Sheet Liabilities</b>	<b>2,146,712,372</b>	<b>2,172,285,887</b>	<b>-</b>	<b>-</b>	<b>-</b>
Due to banks	2,402,468	7,955,567	-	-	-
Securities Sold under resale agreements	97,399,359	107,659,230	-	-	-
Derivative Financial Instruments	509,018		-	-	-
Other Financial Liabilities Held For Trading	-	-	-	-	-
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-	-	-	-
Financial Liabilities at amortised cost					
Due to Other Customers	1,765,025,970	1,730,988,011	-	-	-
Other Borrowings	201,792,174	182,006,626	-	-	-
Debt Securities Issued	-	-	-	-	-
Current Tax Liabilities	3,922,189	28,785,284	-	-	-
Deferred Tax Liabilities	5,073,526	9,104,684	-	-	-

## CAPITAL ADEQUACY

Item	Amount (LKR'000) as at 31.12.2018				
	a	b	c	d	e
	Carrying Values Reported in Published Financial Statement	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Not subject to Capital Requirements or Subject to Deduction from Capital
Other Provisions	-	-	-	-	-
Other Liabilities	19,760,429	55,786,485	-	-	-
Due to Subsidiaries	-	-	-	-	-
Subordinated Term Debts	50,827,239	50,000,000	-	-	-
<b>Off-Balance Sheet Liabilities</b>	<b>507,258,821</b>	<b>480,187,559</b>	-	-	-
Guarantees	48,806,799	65,928,047	65,928,047	-	-
Performance Bonds	34,787,056	34,787,056	34,787,056	-	-
Letters of Credit	104,675,380	109,566,952	109,566,952	-	-
Other Contingent Items	43,212,005	116,015,168	116,015,168	-	-
Undrawn Loan Commitment	530,030	530,030	530,030	-	-
Other Commitments	275,247,551	153,360,306	128,141,631	-	-
<b>Shareholder's Equity</b>	<b>20,000,000</b>	<b>20,000,000</b>	-	-	-
<b>Equity Capital (Stated Capital)/ Assigned Capital</b>					
of which Amount Eligible for CET 1	25,000,000	25,000,000	-	-	-
of which Amount Eligible FOR AT1	-	-	-	-	-
Retained Earnings	67,333,879	80,357,730	-	-	-
Accumulated Other Comprehensive Income	1,838,194	113,557	-	-	-
Other Reserves	27,269,949	24,667,787	-	-	-
<b>Total Shareholder's Equity</b>	<b>121,442,022</b>	<b>130,139,075</b>	-	-	-
<b>Total On -Balance Sheet Liabilities &amp; Equity Capital and Reserves</b>	<b>2,268,154,394</b>	<b>2,302,424,962</b>	-	-	-

### Explanations of Differences between Accounting and Regulatory Exposure Amounts

Difference arises due to fair value adjustments, impairment under expected 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 25 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 SLFRS 9 “impairment under expected 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**

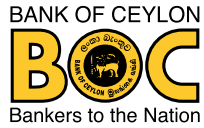
When the transaction price differs from the fair value of other observable current market transactions in the same instrument, Bank recognises fair value of such transactions as per SLFRS 9. More details are given in Note 4.5.4 and Note 37. However, Bank recognises cost of such transactions under regulatory reporting.

### **Financial assets – FVTOCI**

Financial assets FVTOCI are measured at fair value under published Financial Statements and carried at cost for regulatory reporting purposes. The details of financial investments – FVTOCI and the fair valuation of these instruments are disclosed in Note 29 and Note 61 respectively. The following disclosures are included in Note 63 on Risk Management on page 375 to 392.

- (i) Summary discussions on adequacy/ meeting current and future capital requirement.
- (ii) Bank risk management approach.
- (iii) Risk management related to key risk exposure.

# CERTIFICATE OF THE DIRECTORS 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)**

28 November 2018

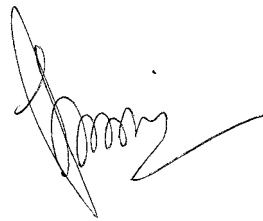
The Commissioner General of Inland Revenue  
Department of Inland Revenue,  
Colombo 2.

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 2017 to 31 December 2017 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.



Place;  
Bank of Ceylon- Head Office

For and on behalf of the Board of Directors



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## MILESTONES

### 1939

Bank of Ceylon incorporated as the nation's first indigenous bank under the Bank of Ceylon Ordinance

### 1941

First branch of the Bank opened in Kandy

### 1945

The Bank widened into the periphery by opening branches in Jaffna and Trincomalee

### 1946

Foreign department opened in Colombo Fort to facilitate transactions of foreign exchange business

### 1949

First overseas branch opened in London

### 1953

Mr C Loganathan was appointed as the first native General Manager

### 1961

The Bank was nationalised in terms of the Finance Act No. 65 of 1961

### 1967

Staff training school established to uplift employees' skills

### 1973

Bank's sub-branches opened in each Agricultural Services Centre to enhance agricultural lending

### 1978

Non-Resident Foreign Currency (NRFC) deposits scheme introduced (presently known as Personal Foreign Currency accounts (PFC))

### 1979

Foreign Currency Banking Unit set up to undertake offshore operations

Introduced service award for employees who completed 25 years in the Bank

### 1980

Set up the computer division

### 1981

Fully fledged branch opened in Maldives

### 1985

New 32 storey Head Office opened at Echelon square, the tallest building in Sri Lanka at the time

### 1988

Entered into the Electronic Banking Era with the introduction of Automated Teller Machines and Cheque Guarantee Cards

### 1989

Issued the first Credit Card in Sri Lanka to celebrate the golden jubilee of the Bank in collaboration with VISA international

### 1992

First Sri Lankan commercial bank to be ranked among the best 200 banks in Asia and 1,000 banks in the world by "Banker" magazine



**1995**

Expanded overseas branches with a branch in Chennai

**1999**

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

**2004**

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

Introduced Bank of Ceylon Flag

**2008**

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

**2009**

Bank is evaluated as 'best brand name of the year' by Brand Finance Institution BoC has retained the position to-date

Launched the Islamic Banking Unit with an island-wide coverage

**2010**

Converted the London Branch into a Subsidiary

**2011**

Fitch Ratings Lanka Ltd upgraded the Bank's rating to AA+ (lka) stable outlook

**2012**

Became the first bank in Sri Lanka to surpass LKR One trillion asset base

Issued US Dollar denominated 500 million, five year bonds listed in Singapore Stock Exchange for the first time in Sri Lankan commercial banking history

Exceeded 1,000 customer service points

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

**2013**

Issued USD 500 million bond for second consecutive year

**2014**

Commemorated 75th anniversary

Entered the African continent by opening a branch in Seychelles

Obtained the services of Boston Consulting Group to reshape the business processes

**2015**

Became the first bank in Sri Lanka to surpass LKR One trillion deposit base and Introduced CDMs

**2016**

Triple trillion in balance sheet

BoC scored its third trillion in loans and advances, another unique milestone in its 77 year journey

LKR 31.2 billion Profit Before Tax

Asia Best Employer Brand 2016 conferred on BoC

**2017**

Launched B app

Launched Multi-currency pre-paid travel card

Launched BoC smart passbook

Introduced EMV compliant chip card issuing facility – ePlus debit cards

Master Brand status by CMO Council Asia

Became the largest CDM network in the country surpassing 150 CDMs

Capital increased up to LKR 20.0 billion

**2018**

Opened it's first DIGI center in Kandy city center

Reached 1,000 landmark in ATM, CDM and CRMs

Introduced NFC enabled cards

Be the 1st state Brand to contribute 1 MW solar energy to the national grid

Establish the first ever Security Operating Center (SOC) in Sri lankan Banking history



# GRI INDEX

GRI Standard	Disclosure	Location/ Explanation	Page number
GRI 101: Foundation 2016 (does not include any disclosures)			
<b>General Disclosures</b>			
GRI 102: General Disclosures 2016	102-1 Name of Organisation	Overview	20
	102-2 Activities, brands, products and services	Social and Relationship Capital, Retail Banking	127, 163
	102-3 Location of headquarters	Corporate information	487
	102-4 Location of operations	Corporate information	487
	102-5 Ownership and legal form	Corporate information	487
	102-6 Markets served	Overview	20
	102-7 Scale of the organisation	Overview, Performance highlights	20, 06
	102-8 Information on employees and other workers	Human Capital	148, 149
	102-9 Supply chain	Social and Relationship Capital	167
	102-10 Significant changes to the organisation and supply chain	Bank of Ceylon Annual Report 2018	04
	102-11 Precautionary principle	Sustainability at BOC	59
	102-12 External initiatives	Bank of Ceylon Annual Report 2018	05
	102-13 Membership of associations	Social and Relationship Capital	168
	102-14 Statement from senior decision maker	Chairman's Message	10 - 13
	102-16 Values, principles, norms and standards of behaviour	Intellectual Capital	157
	102-18 Governance Structure	Corporate Governance	73
	102-40 List of stakeholder groups	Stakeholder engagement	50 - 51
	102-41 Collective bargaining agreements	Human Capital	154
	102-42 Identifying and selecting stakeholders	Stakeholder engagement	50 - 51
	102-43 Approach to stakeholder engagement	Stakeholder engagement	50 - 51
	102-44 Key topics and concerns raised	Strategic Report	54 - 55
	102-45 Entities included in the consolidated financial statements	Notes to the Financial statements	206 - 207
	102-46 Defining report content and topic boundary	Bank of Ceylon Annual Report 2018	05
	102-47 Material topics	Material matters	54 - 55
	102-48 Restatement of information	Bank of Ceylon Annual Report 2018	04
	102-49 Changes in reporting	Material matters	54 - 55
102-50 Reporting period	Bank of Ceylon Annual Report 2018	04	
102-51 Date of most recent report	Bank of Ceylon Annual Report 2018	04	
102-52 Reporting cycle	Bank of Ceylon Annual Report 2018	04	
102-53 Contact point for questions regarding Report	Bank of Ceylon Annual Report 2018	05	
102-54 Claims of reporting in accordance with GRI Standards	Bank of Ceylon Annual Report 2018	04	
102-55 GRI context index	GRI Index	452 - 456	
102-56 External assurance	Supplementary Information	457 - 458	

GRI Standard	Disclosure	Location/ Explanation	Page number
<b>Material topics</b>			
<b>Economic Performance</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Economic contribution	63 - 67
	103-2 The Management Approach and its components	Economic contribution	63 - 67
	103-2 Evaluation of the Management Approach	Economic contribution	63 - 67
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Economic contribution	67
	201-2 Financial implications and other risks and opportunities due climate change	Strategic Report	52 - 53
	201-3 Defined benefit plan obligations and other retirement plans	Notes to the Financial statements	324 - 335
<b>Market Presence</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Human Capital	147 - 155
	103-2 The Management Approach and its components	Human Capital	150
	103-2 Evaluation of the Management Approach	Human Capital	147 - 155
GRI 202: Market Presence 2016	202-2: Proportion of senior management hired from local community	Human Capital	150 - 151
<b>Indirect Economic Impacts</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Economic contribution	63 - 67
	103-2 The Management Approach and its components	Economic contribution	63 - 67
	103-2 Evaluation of the Management Approach	Economic contribution	63 - 67
GRI 203: Indirect Economic Impacts 2016	203-2: Significant indirect economic impacts	Economic contribution	63 - 67
<b>Procurement practices</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Social and Relationship Capital	167
	103-2 The Management Approach and its components	Social and Relationship Capital	167
	103-2 Evaluation of the Management Approach	Social and Relationship Capital	167
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	Social and Relationship Capital	07
<b>Anti Corruption</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Corporate Governance	88
	103-2 The Management Approach and its components	Corporate Governance	88
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GRI 205: Anti-corruption	Communication and training related to anti-corruption policies and procedures	Corporate Governance	88

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<b>Energy</b>			
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	103-2 The Management Approach and its components	Natural Capital	172 - 176
	103-3 Evaluation of the Management Approach	Natural Capital	172 - 176
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Natural Capital	176
	302-4 Reduction of energy consumption	Natural Capital	176
<b>Emissions</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Natural Capital	172
	103-2 The Management Approach and its components	Natural Capital	172 - 176
	103-2 Evaluation of the Management Approach	Natural Capital	172 - 176
GRI 305 Emissions: 2016	305-1 Direct greenhouse gas (GHG) emissions	Natural Capital	176
	305-2 Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Natural Capital	176
	305-4 GHG emission intensity	Natural Capital	176
<b>Environmental Compliance</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Natural Capital	172
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	103-2 Evaluation of the Management Approach	Natural Capital	172 - 176
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	Natural Capital	172
<b>Employment</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Human Capital	147 - 155
	103-2 The Management Approach and its components	Human Capital	147 - 155
	103-2 Evaluation of the Management Approach	Human Capital	147 - 155
GRI 401: Employment 2016	401-1 Employee hires and turnover	Human Capital	151
	401-2 Benefits provided to full time employees that are not provided to temporary or part-time employees	Human Capital	152
	401-3 Parental leave	Human Capital	153
<b>Labour Management Relations</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Human Capital	147 - 155
	103-2 The Management Approach and its components	Human Capital	147 - 155
	103-2 Evaluation of the Management Approach	Human Capital	147 - 155
GRI 402: Labour Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Human Capital	154



GRI Standard	Disclosure	Location/ Explanation	Page number
<b>Occupational health and safety</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Human Capital	147 - 155
	103-2 The Management Approach and its components	Human Capital	147 - 155
	103-2 Evaluation of the Management Approach	Human Capital	147 - 155
403: Occupational health and safety 2016	403-4 Health and safety topics covered in formal agreements with trade unions	Human Capital	155
<b>Training and education</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Human Capital	147 - 155
	103-2 The Management Approach and its components	Human Capital	147 - 155
	103-2 Evaluation of the Management Approach	Human Capital	147 - 155
GRI 404: Training and education	404-1 Average hours of training per year per employee	Human Capital	154
	404-2 Programs for upgrading skills and transition assistance programmes	Human Capital	153 - 154
	404-3 Percentage of employees receiving regular performance and career development reviews	Human Capital	152
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GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Human Capital	147 - 155
	103-2 The Management Approach and its components	Human Capital	147 - 155
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GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Social and Relationship Capital	167
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GRI 408: Child Labour	408-1 Operations and suppliers at significant risk for incidents of child labour	Social and Relationship Capital	167
<b>Forced or Compulsory Labour</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Social and Relationship Capital	167
	103-2 The Management Approach and its components	Social and Relationship Capital	167
	103-2 Evaluation of the Management Approach	Social and Relationship Capital	167
GRI 409: Forced or Compulsory labour	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Social and Relationship Capital	167

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GRI Standard	Disclosure	Location/ Explanation	Page number
<b>Local Communities</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Social and Relationship Capital	160 - 170
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	103-2 Evaluation of the Management Approach	Social and Relationship Capital	160 - 170
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	Social and Relationship Capital	160 - 170
<b>Marketing and labelling</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Social and Relationship Capital	160 - 170
	103-2 The Management Approach and its components	Social and Relationship Capital	160 - 170
	103-2 Evaluation of the Management Approach	Social and Relationship Capital	160 - 170
GRI 417: Marketing and labelling	417-1 Requirements for product and service labelling	Social and Relationship Capital	162 - 164
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GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Social and Relationship Capital	160 - 170
	103-2 The Management Approach and its components	Social and Relationship Capital	160 - 170
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GRI 418: Customer Privacy 2016	418-1 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Social and Relationship Capital	164

# INDEPENDENT ASSURANCE REPORT



Tel : +94-11-2421878-79-70  
 +94-11-2387002-03  
 Fax : +94-11-2336064  
 E-mail : bdopartners@bdo.lk  
 Website : www.bdo.lk

**Chartered Accountants**  
 "Charter House"  
 65/2, Sir Chittampalam A Gardiner Mawatha  
 Colombo 02  
 Sri Lanka

## INDEPENDENT ASSURANCE REPORT TO BANK OF CEYLON ON THE SUSTAINABILITY REPORT – 2018

### 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 2018 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 67 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 04th March, 2019. We disclaim any assumption of responsibility for any reliance on this Report to any person other than the Bank or for any purpose other than that for which it was prepared.

In conducting our engagement, we have complied with the independence requirements of the Code of Ethics for Professional Accountants issued by the CA Sri Lanka.

### ASSURANCE PROCEDURES CARRIED OUT

#### Financial Information

We reconciled the information on financial performance as reported on page 67 of the Report with the audited financial statements of the Bank for the years ended 31st December, 2017 and 2018.

#### Key Performance Indicators

We reviewed the reliability of the data/information on Key Performance Indicators for the year ended 31st December, 2018 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.

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. F. Sarah Z. Afker ACA, ACMA (UK), CGMA, MCSI (UK)

## INDEPENDENT ASSURANCE REPORT



### Other Information

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

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

### CONCLUSION

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

- The information on financial performance as specified on page 67 of the Report is properly derived from the audited financial statements of the Bank for the years ended 31st December, 2017 and 2018.
- 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, appearing to read 'BDO Partners', written over a horizontal line.

### CHARTERED ACCOUNTANTS

Colombo

29th March, 2019

VR/cc

## STATEMENT OF PROFIT OR LOSS IN USD

For the year ended 31 December	Bank		Group	
	2018	2017	2018	2017
	USD '000	USD '000	USD '000	USD '000
<b>Total income</b>	<b>1,210,021</b>	<b>1,237,851</b>	<b>1,255,605</b>	<b>1,288,890</b>
Interest income	1,069,188	1,120,959	1,104,293	1,162,844
Less : Interest expenses	710,457	739,184	728,427	760,567
<b>Net interest income</b>	<b>358,731</b>	<b>381,775</b>	<b>375,866</b>	<b>402,277</b>
Fee and commission income	58,548	61,924	60,673	63,613
Less : Fee and commission expenses	12,480	12,321	12,557	12,904
<b>Net fee and commission income</b>	<b>46,068</b>	<b>49,603</b>	<b>48,116</b>	<b>50,709</b>
Net gains/ (losses) from trading	18,779	18,331	18,978	18,463
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss	(3,728)	-	(3,924)	-
Net gains/ (losses) from financial investments	-	5,924	-	6,056
Net gains/ (losses) from derecognition of financial assets	832	-	839	-
Net other operating income	66,403	30,713	74,747	37,913
<b>Total operating income</b>	<b>487,085</b>	<b>486,346</b>	<b>514,622</b>	<b>515,418</b>
Less : Impairment charge/ (reversal) for loans and other losses	82,305	61,108	83,046	64,668
<b>Net operating income</b>	<b>404,780</b>	<b>425,238</b>	<b>431,576</b>	<b>450,750</b>
<b>Less : Operating expenses</b>				
Personnel expenses	103,285	111,192	112,727	122,492
Depreciation and amortisation expenses	12,040	12,593	15,395	16,634
Other expenses	62,475	55,522	72,286	61,747
<b>Total operating expenses</b>	<b>177,800</b>	<b>179,307</b>	<b>200,408</b>	<b>200,873</b>
<b>Operating profit before taxes on financial services</b>	<b>226,980</b>	<b>245,931</b>	<b>231,168</b>	<b>249,877</b>
Less : Taxes on financial services	52,467	47,422	53,724	48,618
<b>Operating profit after taxes on financial services</b>	<b>174,513</b>	<b>198,509</b>	<b>177,444</b>	<b>201,259</b>
Share of profits/ (losses) of associate companies, net of tax	-	-	51	340
<b>Profit before income tax</b>	<b>174,513</b>	<b>198,509</b>	<b>177,495</b>	<b>201,599</b>
Less : Income tax expense	67,926	59,081	70,709	61,031
<b>Profit for the year</b>	<b>106,587</b>	<b>139,428</b>	<b>106,786</b>	<b>140,568</b>
<b>Profit attributable to :</b>				
Equity holder of the Bank	106,587	139,428	106,883	140,461
Non-controlling interest	-	-	(97)	107
<b>Profit for the year</b>	<b>106,587</b>	<b>139,428</b>	<b>106,786</b>	<b>140,568</b>
<b>Earnings per share:</b>				
Basic earnings per share (LKR)	5.72	12.15	5.73	12.24
Diluted earnings per share (LKR)	5.01	9.25	5.02	9.32
Dividend per share (USD)	1.42	7.04	1.42	7.04

Exchange rate of 1 USD was LKR 182.7499 as at 31 December 2018. (LKR 152.8548 as at 31 December 2017)

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	
	2018 USD '000	2017 USD '000	2018 USD '000	2017 USD '000
<b>Profit/ (loss) for the year</b>	<b>106,587</b>	<b>139,428</b>	<b>106,786</b>	<b>140,568</b>
<b>Other Comprehensive income, net of tax</b>				
<b>Items that will be reclassified to the profit or loss</b>				
Exchange differences on translation of foreign operations	6,079	2,365	7,952	4,209
Net gains/ (losses) on investments in debt instruments measured at fair value through other comprehensive income	(1,485)	-	(1,562)	-
Net gains/ (losses) on remeasuring available for sale financial investments	-	(3,893)	-	(4,053)
Deferred tax effect on gains/ (losses) on remeasuring available for sale financial investments	-	(1,158)	-	(1,158)
Net (gains)/ losses on investment in financial assets at fair value through other comprehensive income/ available for sale reclassification to profit or loss	(83)	22	(83)	22
Share of other comprehensive income of Associate companies, net of tax	-	-	19	(43)
<b>Total items that will be reclassified to the profit or loss</b>	<b>4,511</b>	<b>(2,664)</b>	<b>6,326</b>	<b>(1,023)</b>
<b>Items that will not be reclassified to profit or loss</b>				
Change in fair value on investments in equity instruments designated at fair value through other comprehensive income	(2,244)	-	(4,509)	-
Deferred tax effect on change in fair value on investments in equity instruments designated at fair value through other comprehensive income	(37)	-	(37)	-
Changes in revaluation surplus/ (deficit)	(1,847)	39,644	807	41,911
Deferred tax effect on changes in revaluation surplus/ (deficit)	517	(26,786)	(226)	(27,421)
Net actuarial gains/ (losses) on defined benefit plans	(11,597)	18,252	(11,441)	18,100
Deferred tax effect on net actuarial gains/ (losses) on defined benefit plans	17	(55)	(52)	55
<b>Total items that will not be reclassified to the profit or loss</b>	<b>(15,191)</b>	<b>31,055</b>	<b>(15,458)</b>	<b>32,645</b>
<b>Total other comprehensive income for the year, net of tax</b>	<b>(10,680)</b>	<b>28,391</b>	<b>(9,132)</b>	<b>31,622</b>
<b>Total comprehensive income for the year</b>	<b>95,907</b>	<b>167,819</b>	<b>97,655</b>	<b>172,190</b>
<b>Attributable to:</b>				
Equity holder of the Bank	95,907	167,819	97,767	171,864
Non-controlling interest	-	-	(112)	326
<b>Total comprehensive income for the year</b>	<b>95,907</b>	<b>167,819</b>	<b>97,655</b>	<b>172,190</b>

Exchange rate of 1 USD was LKR 182.7499 as at 31 December 2018. (LKR 152.8548 as at 31 December 2017)

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# STATEMENT OF FINANCIAL POSITION IN USD

For the year ended 31 December	Bank		Group	
	2018	2017	2018	2017
	USD '000	USD '000	USD '000	USD '000
<b>Assets</b>				
Cash and cash equivalents	429,262	476,551	429,866	510,323
Balances with Central Banks	359,400	449,374	359,400	449,374
Placements with banks	221,341	52,779	228,082	34,802
Securities purchased under resale agreements	-	120,739	7,858	130,007
Derivative financial instruments	6,597	10,591	6,597	10,591
Financial assets recognized through profit or loss measured at fair value/ Held for trading	50,765	54,688	52,440	56,240
Financial assets at amortized cost				
Loans and advances	7,820,016	7,609,581	7,992,445	7,813,261
Debt and other instruments	3,019,643	-	3,020,285	-
Financial investments - Loans and receivables	-	1,394,572	-	1,402,309
Financial investments - Held to maturity	-	2,016,659	-	2,019,893
Financial assets measured at fair value through OCI/ Available for sale	91,379	117,243	111,711	147,541
Investment in subsidiary companies	35,639	42,609	-	-
Investment in associate companies	509	608	2,414	2,923
Investment properties	15,135	18,861	658	810
Property, Plant and Equipment	132,302	150,771	206,635	239,501
Leasehold properties	541	664	714	880
Intangible assets	6,775	5,304	7,971	7,029
Deferred tax assets	-	-	17	56
Other assets	221,944	247,413	229,127	254,914
<b>Total assets</b>	<b>12,411,248</b>	<b>12,769,007</b>	<b>12,656,220</b>	<b>13,080,454</b>
<b>Liabilities</b>				
Due to banks	13,146	14,414	13,767	14,355
Securities sold under repurchase agreements	532,965	291,044	533,096	291,968
Derivative financial instruments	2,785	463	2,785	463
Financial liabilities at amortised cost				
Due to depositors	9,658,150	10,119,617	9,761,841	10,247,479
Other borrowings	1,104,199	1,165,754	1,132,989	1,205,917
Debt securities issued	-	-	22,466	37,078
Current tax liabilities	21,462	12,282	22,103	13,418
Deferred tax liabilities	27,762	38,078	42,475	56,428
Insurance provision - Life	-	-	3,150	3,579
Insurance provision - Non life	-	-	2,006	2,814
Other liabilities	108,128	121,660	120,224	130,428
Subordinated liabilities	278,125	278,501	276,250	276,248
<b>Total liabilities</b>	<b>11,746,722</b>	<b>12,041,813</b>	<b>11,933,152</b>	<b>12,280,175</b>
<b>Equity</b>				
Share capital	136,799	130,844	136,799	130,843
Permanent reserve fund	70,534	68,215	70,534	68,215
Retained earnings	368,448	415,245	374,565	425,900
Other reserves	88,745	112,890	137,366	169,254
<b>Total equity attributable to equity holder of the Bank</b>	<b>664,526</b>	<b>727,194</b>	<b>719,264</b>	<b>794,212</b>
Non-controlling interest	-	-	3,804	6,067
<b>Total equity</b>	<b>664,526</b>	<b>727,194</b>	<b>723,068</b>	<b>800,279</b>
<b>Total liabilities and equity</b>	<b>12,411,248</b>	<b>12,769,007</b>	<b>12,656,220</b>	<b>13,080,454</b>
Contingent liabilities and commitments	2,781,434	3,318,567	2,808,168	3,255,494
Net assets value per share (USD)	33.23	48.48	35.97	52.95

Exchange rate of 1 USD was LKR 182.7499 as at 31 December 2018. (LKR 152.8548 as at 31 December 2017)

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## QUARTERLY PERFORMANCE

### Summary of the Statement of Profit or Loss

For the quarter ended	2018				2017			
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec
	LKR Million	LKR Million	LKR Million	LKR Million	LKR Million	LKR Million	LKR Million	LKR Million
<b>Bank</b>								
Net interest income	14,350	15,133	17,558	18,515	13,534	14,856	14,717	15,249
Non interest income	4,731	4,963	6,871	9,172	4,536	4,654	3,890	4,787
Non interest expense	(8,130)	(8,926)	(9,392)	(8,325)	(6,645)	(7,062)	(8,107)	(7,477)
Impairment (charge)/ reversal for loans and other losses	(2,218)	(4,824)	(4,350)	(3,648)	(1,790)	(4,418)	(3,221)	88
<b>Operating profit before Taxes on Financial Services</b>	<b>8,733</b>	<b>6,346</b>	<b>10,687</b>	<b>15,714</b>	<b>9,635</b>	<b>8,030</b>	<b>7,279</b>	<b>12,647</b>
Taxes on financial services	(1,947)	(1,424)	(2,002)	(4,216)	(1,727)	(1,782)	(1,424)	(2,316)
<b>Profit before income tax</b>	<b>6,786</b>	<b>4,922</b>	<b>8,685</b>	<b>11,498</b>	<b>7,908</b>	<b>6,248</b>	<b>5,855</b>	<b>10,331</b>
Income tax expense	(2,017)	(2,020)	(3,328)	(5,048)	(2,035)	(1,988)	(1,613)	(3,394)
<b>Profit after income tax</b>	<b>4,769</b>	<b>2,902</b>	<b>5,357</b>	<b>6,450</b>	<b>5,873</b>	<b>4,260</b>	<b>4,242</b>	<b>6,937</b>
Other comprehensive income	(11)	(556)	(470)	(915)	(345)	602	(478)	4,560
<b>Total comprehensive income</b>	<b>4,758</b>	<b>2,346</b>	<b>4,887</b>	<b>5,535</b>	<b>5,528</b>	<b>4,862</b>	<b>3,764</b>	<b>11,497</b>
<b>Group</b>								
Net interest income	15,129	15,888	18,395	19,278	14,207	15,630	15,561	16,092
Non interest income	5,478	4,998	7,553	9,622	4,944	4,812	4,605	4,905
Non interest expense	(9,360)	(9,703)	(10,607)	(9,249)	(7,537)	(7,664)	(9,428)	(8,048)
Impairment (charge)/ reversal for loans and other losses	(2,451)	(4,992)	(4,472)	(3,262)	(1,778)	(4,446)	(3,403)	(258)
<b>Operating profit before Taxes on Financial Services</b>	<b>8,796</b>	<b>6,191</b>	<b>10,869</b>	<b>16,389</b>	<b>9,836</b>	<b>8,332</b>	<b>7,335</b>	<b>12,691</b>
Taxes on financial services	(1,976)	(1,454)	(2,051)	(4,337)	(1,768)	(1,827)	(1,468)	(2,368)
<b>Operating profit after Taxes on Financial Services</b>	<b>6,820</b>	<b>4,737</b>	<b>8,818</b>	<b>12,052</b>	<b>8,068</b>	<b>6,505</b>	<b>5,867</b>	<b>10,323</b>
Share of profit/ (losses) of associate companies, net of tax	1	17	(1)	(7)	6	24	7	14
<b>Profit before income tax</b>	<b>6,821</b>	<b>4,754</b>	<b>8,817</b>	<b>12,045</b>	<b>8,074</b>	<b>6,529</b>	<b>5,874</b>	<b>10,337</b>
Income tax expense	(2,059)	(2,100)	(3,414)	(5,349)	(2,089)	(2,056)	(1,640)	(3,544)
<b>Profit after income tax</b>	<b>4,762</b>	<b>2,654</b>	<b>5,403</b>	<b>6,696</b>	<b>5,985</b>	<b>4,473</b>	<b>4,234</b>	<b>6,793</b>
Other comprehensive income	135	(920)	(629)	(275)	(360)	824	(438)	4,808
<b>Total comprehensive income</b>	<b>4,897</b>	<b>1,734</b>	<b>4,774</b>	<b>6,421</b>	<b>5,625</b>	<b>5,297</b>	<b>3,796</b>	<b>11,601</b>



## Summary of the Statement of Financial Position

As at	2018				2017			
	31-Mar LKR Million	30-Jun LKR Million	30-Sep LKR Million	31-Dec LKR Million	31-Mar LKR Million	30-Jun LKR Million	30-Sep LKR Million	31-Dec LKR Million
<b>Bank</b>								
<b>Assets</b>								
Investments	599,254	566,119	553,233	584,422	523,202	488,503	543,637	572,766
Loans and advances to customers	1,186,473	1,208,724	1,294,017	1,429,107	1,050,661	1,112,641	1,114,794	1,163,161
Property, Plant and Equipment	24,596	24,910	24,917	25,515	16,495	17,153	17,599	23,958
Other assets	237,498	186,921	227,511	229,110	201,092	187,826	206,206	191,919
<b>Total assets</b>	<b>2,047,821</b>	<b>1,986,674</b>	<b>2,099,678</b>	<b>2,268,154</b>	<b>1,791,450</b>	<b>1,806,123</b>	<b>1,882,236</b>	<b>1,951,804</b>
<b>Liabilities and Equity</b>								
Due to customers	1,624,851	1,617,378	1,648,255	1,765,026	1,323,935	1,386,864	1,475,049	1,546,832
Debt securities and borrowed funds	278,006	228,411	298,165	350,018	345,510	291,176	279,086	265,249
Other liabilities	29,224	24,299	29,958	31,668	24,800	26,016	22,443	28,568
Equity	115,740	116,586	123,300	121,442	97,205	102,067	105,658	111,155
<b>Total liabilities and equity</b>	<b>2,047,821</b>	<b>1,986,674</b>	<b>2,099,678</b>	<b>2,268,154</b>	<b>1,791,450</b>	<b>1,806,123</b>	<b>1,882,236</b>	<b>1,951,804</b>
<b>Group</b>								
<b>Assets</b>								
Investments	599,616	566,463	553,231	583,832	523,933	490,322	545,897	574,568
Loans and advances to customers	1,217,390	1,240,103	1,326,943	1,460,619	1,079,606	1,143,386	1,146,540	1,194,294
Property, Plant and Equipment	38,360	38,472	38,363	39,350	30,220	30,784	31,361	37,818
Other assets	237,302	190,936	226,549	229,122	202,051	190,473	208,190	192,730
<b>Total assets</b>	<b>2,092,668</b>	<b>2,035,974</b>	<b>2,145,086</b>	<b>2,312,923</b>	<b>1,835,810</b>	<b>1,854,965</b>	<b>1,931,988</b>	<b>1,999,410</b>
<b>Liabilities and Equity</b>								
Due to customers	1,642,764	1,636,818	1,668,414	1,783,975	1,341,841	1,406,483	1,496,101	1,566,376
Debt securities and borrowed funds	286,515	239,045	306,953	359,067	355,646	303,570	291,023	276,852
Other liabilities	36,338	32,839	35,827	37,741	30,518	31,810	28,139	33,856
Equity	126,163	126,448	133,060	131,445	106,915	112,176	115,837	121,399
Non controlling interest	888	824	832	695	890	926	888	927
<b>Total liabilities and equity</b>	<b>2,092,668</b>	<b>2,035,974</b>	<b>2,145,086</b>	<b>2,312,923</b>	<b>1,835,810</b>	<b>1,854,965</b>	<b>1,931,988</b>	<b>1,999,410</b>

## QUARTERLY PERFORMANCE

### Summary of the Statement of Financial Position

For the quarter ended	2018				2017			
	31-Mar LKR Million	30-Jun LKR Million	30-Sep LKR Million	31-Dec LKR Million	31-Mar LKR Million	30-Jun LKR Million	30-Sep LKR Million	31-Dec LKR Million
<b>Bank</b>								
<b>Profitability</b>								
Interest margin (%)	2.9	3.0	3.1	3.1	3.1	3.3	3.2	3.2
Return on average assets (before tax) (%)	1.4	1.2	1.3	1.5	1.8	1.6	1.5	1.7
Return on average equity (after tax) (%)	16.8	13.5	14.8	16.7	24.7	20.8	19.3	20.9
<b>Investor Information</b>								
Interest cover (times)	2.6	2.4	2.6	2.8	2.2	2.2	2.2	2.5
Net assets value per share (LKR)	7,716	5,829	6,165	6,072	9,720	10,207	7,044	7,410
<b>Capital Adequacy Ratio</b>								
Core capital adequacy ratio, % (Tier I)	9.8	9.9	10.0	10.3	8.5	8.3	8.6	10.8
Total capital adequacy ratio, % (Tier I + II)	13.7	13.7	14.0	14.6	12.1	11.8	12.1	14.6
<b>Assets Quality</b>								
Gross non - performing advances ratio (%) (Net of interest in suspense)	3.8	4.5	4.5	3.6	3.2	3.3	3.3	2.9
Net non - performing advances ratio (%) (Net of interest in suspense and provisions)	1.3	2.0	1.7	1.0	0.8	0.7	0.5	0.3
<b>Regulatory Liquidity</b>								
Statutory liquid assets ratio								
- Domestic banking unit (%)	30.4	26.1	23.8	24.5	25.2	24.6	26	27.2
- Off shore banking unit (%)	22.9	51.9	61.7	60.2	29.1	22.1	22.3	21.9
<b>Group</b>								
<b>Profitability</b>								
Interest margin (%)	3.0	3.1	3.2	3.2	3.2	3.3	3.3	3.3
Return on average assets (before tax) (%)	1.3	1.2	1.3	1.5	1.8	1.6	1.5	1.7
Return on average equity (after tax) (%)	15.3	11.9	13.3	15.3	22.7	19.3	17.8	19.0
<b>Investor Information</b>								
Net assets value per share (LKR)	8,411	6,322	6,653	6,572	10,692	11,218	7,722	8,093
<b>Capital Adequacy Ratio</b>								
Core capital adequacy ratio, % (Tier I)	10.0	10.1	9.9	10.4	8.6*	8.4*	8.9	10.9
Total capital adequacy ratio, % (Tier I +II)	13.8	13.8	13.8	14.6	12.3	12	12.2	14.5

\* As per Basel II guidelines issued by the Central Bank of Sri Lanka

# SHARE AND DEBENTURE INFORMATION

## Share Information

As at 31 December Shareholder	2018		2017	
	No. of ordinary shares	Holding %	No. of ordinary shares	Holding %
Government of Sri Lanka	25,000,000*	100	20,000,000*	100

\* This includes 5,000,000 numbers of shares in pending allotment.

## Debenture Information

The Bank has issued the following debt securities which are listed on Colombo Stock Exchange (CSE)

Unsecured, Subordinated, Redeemable Debentures (par value LKR 100)	Type	Interest Payable Frequency	Interest Rate (per annum)	
October 2013/2023 series	D	Annually	13.25%	
	E	Semi annually	6 months TB rate (gross) plus 100 basis points	
	F	Annually	13.25%	
	H	Annually	13.75%	
September 2014/2022 series	A	Annually	8.00%	
	B	Quarterly	7.75%	
	C	Semi annually	6 months TB ( gross ) rate plus 50 basis points	
	D	Annually	8.25%	
	E	Semi annually	6 months TB ( gross ) rate plus 50 basis points	
October 2015/2023 series	A	Annually	8.25%	
	B	Quarterly	8.00%	
	C	Semi annually	6 months TB ( gross ) rate plus 125 basis points	
	D	Annually	9.50%	
	E	Semi annually	6 months TB ( gross ) rate plus 125 basis points	
December 2016/2024 series	A	Annually	13.25%	
	B	Semi annually	6 months TB ( gross ) rate plus 125 basis points	
	C	Annually	12.75%	
	D	Semi annually	6 months TB ( gross ) rate plus 125 basis points	

## SHARE AND DEBENTURE INFORMATION

### Trading Information on Listed Debenture

The debentures that have been traded during the year ended 2018 and 2017 are as follows.

as at 31 December	2018					2017				
	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	N/T	N/T	N/T	N/T	N/T
<b>BoC Debentures 2013/2023 ,</b>										
Unsecured, subordinated, redeemable, 10 years, fixed rate (13.75%)	N/T	N/T	N/T	N/T	N/T	101.50	100.82	101.50	13.34	13.55
<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	N/T	N/T	N/T	N/T	N/T
<b>BoC Debentures 2015/2023 ,</b>										
Unsecured, subordinated, redeemable, 5 years, floating rate 06 months TB rate (Gross) plus 125 basis points	97.00	94.00	97.00	11.70	11.05	98.00	94.00	94.00	13.96	12.06

\* As a date of last trade done.

N/T - Not Traded

# TEN YEAR STATISTICAL SUMMARY – BANK

For the year ended 31 December	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million
<b>Operating results</b>										
Income	63,461	63,363	70,457	110,138	127,464	126,546	131,502	154,121	189,211	221,131
Interest income	53,077	50,843	61,222	95,022	114,863	107,395	112,745	134,685	171,344	195,394
Interest expenses	(38,267)	(31,200)	(36,216)	(59,701)	(77,720)	(68,945)	(66,419)	(80,728)	(112,988)	(129,836)
<b>Net interest income</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>	<b>65,558</b>
Other operating income	10,385	12,515	9,235	15,116	12,601	19,151	18,756	19,437	17,868	25,737
Other operating expenses	(17,992)	(18,104)	(15,241)	(27,428)	(31,324)	(33,258)	(34,987)	(35,940)	(38,632)	(49,815)
<b>Operating profit before VAT and NBT</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>	<b>41,480</b>
VAT & NBT on financial services	(2,995)	(4,001)	(2,516)	(3,214)	(2,711)	(4,052)	(4,816)	(6,265)	(7,249)	(9,588)
<b>Profit before income tax</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>	<b>31,892</b>
Income tax expense	(1,124)	(3,688)	(4,567)	(5,378)	(3,622)	(6,717)	(7,922)	(6,398)	(9,031)	(12,413)
<b>Profit for the year</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>19,479</b>
<b>As at 31 December</b>										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million
<b>Assets</b>										
Cash and cash equivalents	13,509	14,104	18,671	31,545	24,901	35,583	79,917	67,706	72,843	78,447
Balances with Central Banks	16,263	25,642	30,223	29,963	28,699	30,422	38,940	56,388	68,689	65,680
Placements with banks	45,867	42,709	14,581	19,394	19,315	13,349	27,976	11,675	8,067	40,450
Loans and advances to customers	265,065	368,302	543,149	691,899	725,332	741,348	826,790	1,000,082	1,163,161	1,429,107
Other financial assets	168,481	241,205	195,444	239,089	335,455	438,554	522,762	461,193	567,778	579,022
Investments in subsidiaries and associates	4,037	6,124	7,084	7,636	7,672	7,056	7,056	6,306	6,606	6,606
Investment properties	-	-	-	-	-	-	-	3,000	2,883	2,766
Property, Plant and Equipment	5,724	5,621	10,595	11,516	12,089	16,296	16,431	15,584	23,148	24,277
Intangible assets	111	164	343	376	501	385	373	563	811	1,238
Other assets	19,184	16,377	18,183	16,803	39,617	46,027	48,044	46,794	37,818	40,561
<b>Total assets</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>2,268,154</b>
<b>Liabilities</b>										
Due to banks*	-	2,215	6,508	10,128	1,166	890	2,630	2,042	2,203	2,402
Due to customers	408,607	530,092	595,774	693,441	842,070	933,966	1,082,337	1,256,589	1,546,832	1,765,026
Debt securities issued and subordinated term debts	18,045	40,115	42,591	47,114	45,326	53,282	39,055	42,072	42,570	50,827
Other borrowings	67,302	105,169	138,389	233,795	235,370	246,736	337,442	254,895	222,679	299,192
Current tax liabilities	190	2,200	1,139	2,208	-	-	2,081	-	1,877	3,922
Other liabilities	19,198	10,551	12,518	10,582	11,949	19,340	23,259	20,843	24,488	25,343
<b>Total liabilities</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>2,146,712</b>
<b>Equity</b>										
Share capital	5,000	5,000	5,000	5,000	5,000	10,000	10,000	15,000	20,000	25,000
Permanent reserve fund	2,650	2,777	3,008	3,286	3,538	3,810	5,210	7,996	10,427	12,890
Retained earnings	15,820	14,564	21,733	27,639	31,419	44,861	51,086	54,155	63,472	67,334
Other reserves	1,429	7,565	11,613	15,028	17,743	16,135	15,189	15,699	17,256	16,218
<b>Total equity</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>121,442</b>
<b>Total liabilities and equity</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>2,268,154</b>
<b>Contingent liabilities and commitments</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>496,477</b>	<b>508,307</b>

## TEN YEAR STATISTICAL SUMMARY – BANK

As at 31 December	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million
<b>Ratios</b>										
Return on average assets (%)	0.8	1.6	2.1	2.1	1.4	1.6	1.7	1.9	1.7	1.5
Return on average equity (%)	12.9	24.0	33.5	31.2	22.2	20.5	22.2	28.4	20.9	16.7
Income growth (%)	5.5	(0.2)	11.2	56.3	15.7	(0.7)	3.9	17.2	22.8	16.9
<b>Capital adequacy ratio (%) ***</b>										
- Tier I	11.2	10.3	7.8	8.3	8.4	9.5	9.1	8.7	10.8	10.3
- Tier I + Tier II	14.2	13.7	10.9	11.5	12.1	13.6	13.1	12.3	14.6	14.6
Capital funds to liabilities including contingent liabilities (%)	3.3	3.1	3.4	3.5	3.2	3.8	3.7	4.4	4.8	4.6
Liquidity ratio - domestic (%)	21.1	28.7	23.4	21.8	27.7	30.8	28.2	21.6	27.2	24.5
Cost to income ratio (%)	68.3	53.7	51.1	42.7	49.1	44.0	44.7	43.0	38.4	38.1
<b>Other information</b>										
Number of employees	7,538	8,204	8,115	7,790	8,883	8,577	7,980	7,569	7,587	8,724
Number of branches	310	309	318	324	567	573	578	580	578	577
Number of ATMs	329	352	404	451	523	540	549	678	764	776
Number of advances ('000)	2,011	2,261	2,837	3,363	3,193	2,384	2,146	2,122	2,226	2,606
Number of deposits ('000)	8,440	9,321	10,179	10,955	11,606	12,311	12,322	12,706	13,254	13,421
Cash flow from operating activities	100,115	10,271	(42,348)	(19,271)	47,051	72,987	127,503	(21,346)	135,039	(25,790)
Cash flow from investing activities	(20,775)	(59,418)	6,924	(52,965)	(51,351)	(27,222)	(101,988)	83,642	(56,384)	11,667
Cash flow from financing activities	(45,144)	46,554	12,476	89,640	(4,377)	(29,519)	17,982	(73,927)	(73,822)	19,983
Capital expenditure on purchase of Property Plant and Equipment	(1,446)	(1,168)	(1,905)	(1,483)	(1,682)	(1,743)	(1,332)	(2,053)	(3,081)	(3,400)

\* From 2008 to 2009 Due to banks amount is included in Due to customers and Other borrowings.

\*\* Highlighted information is based on LKASs/ SLFRSs.

\*\*\*2017 and 2018 figures are 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 59 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 2018 are given in Note 59.4 to the Financial Statements.

# SUBSIDIARIES AND ASSOCIATES

Subsidiary Companies	Directors	Subsidiary Companies	Directors
<b>Property Development PLC</b>  19th Floor, BoC Head Office Building, “BOC Square”, No. 01, Bank of Ceylon Mawatha, Colombo 01. Tel : 011 2544328 Fax : 011 2544329 e-mail : pdlhrm@sitnet.lk	Mr D M P R K. Bandara <i>Non-Executive Independent Director/ Chairman</i>  Mr K K U Wijeyesekera <i>Non-Executive Independent Director</i>  Mr W T L Weeratne <i>Non-Executive Independent Director</i>  Mr R P Halwala <i>Non-Executive Independent Director</i>  <b>Representation from Directors Management of BoC</b>  Mr W P Russel Fonseka <i>Non-Executive Non-Independent Director</i>  <b>Alternate</b>  Mr D N L Fernando <i>(To Mr W P Russel Fonseka)</i>	<b>BOC Management &amp; Support Services (Private) Limited</b>  BoC Head Office Building, “BOC Square”, No. 01, Bank of Ceylon Mawatha, Colombo 01. Tel : 011 2432680	Mr K B S Bandara <i>Non-Executive Director/ Chairman</i> Mr D P K Gunasekara <i>Non-Executive Director</i> Ms Gaya Jayasinghe <i>Non-Executive Director</i>
<b>Merchant Bank of Sri Lanka &amp; Finance PLC</b>  BoC Merchant Tower, No. 28, St. Michael's Road, Colombo 03. Tel : 011 4711711 : 011 2565636 Fax : 011 2565666 e-mail : mbslbank@mbslbank.com Website: www.mbslbank.com	Dr Sujeewa Lokuhewa <i>Non- Executive Non-Independent / Chairman</i>  Mr Sunil Nayanasinghe Dayaratne <i>Non-Executive Independent Director</i>  Mr S P Arsakularatne <i>Non-Executive Independent Director</i>  <b>Representation from Directors Management of BoC</b>  Mr K B S Bandara <i>Non-Executive Non-Independent Director</i>  Mr W P Russel Fonseka <i>Non-Executive Non-Independent Director</i>  Mr R M D Vipula Jayabahu <i>Non-Executive Non-Independent Director</i>  Mr D N L Fernando <i>Non-Executive Non-Independent Director</i>  <b>Alternate</b>  Mr C Amarasinghe <i>(To Mr K B S Bandara)</i>  Mr M P Ruwan Kumara <i>(To Mr W P Russel Fonseka)</i>	<b>BOC Property Development &amp; Management (Private) Limited</b>  10th Floor, BoC Merchant Tower, No. 28, St. Michael's Road, Colombo 03. Tel : 011 2301911 Fax : 011 2370606 e-mail : bocmt@bocpdml.lk	Mr M H M Faizer <i>Non-Executive Director/ Chairman</i>  Mr Hameed Ashraff <i>Non-Executive Director</i>  <b>Representation from Directors Management of BoC</b>  Mr K B S Bandara <i>Non- Executive Director</i>  <b>Alternate</b>  Mr C Amarasinghe <i>(To Mr K B S Bandara)</i>
		<b>BOC Travels (Private) Limited</b>  1st Floor, BoC Super Grade Branch Building, Baseline Road, Colombo 08. Tel : 011 2688154-8 Fax : 011 2688175 e-mail : info@boctravels.lk Website : www.boctravels.com	Mr M H K Paranawithana <i>Non-Executive Director/ Chairman</i> Mrs F A Rezani Aziz <i>Non-Executive Director</i> Mr P Dheerasinghe <i>Non-Executive Director</i> Mr Romel Wijewardena <i>Non-Executive Director</i>  <b>Representation from Directors Management of BoC</b>  Mr K B S Bandara <i>Non-Executive Director</i> Ms G Jayasinghe <i>Non-Executive Director</i>  <b>Alternate</b>  Mr C Amarasinghe <i>(To Mr K B S Bandara)</i>

## SUBSIDIARIES AND ASSOCIATES

Subsidiary Companies	Directors	Subsidiary 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 B M B Dodanwela <i>Non-Executive Director</i>  Mr J C Ratwatte <i>Non-Executive Director</i> <i>Minority representative</i>  <b>Representation from Directors Management of BoC</b>  Mr Ronald C Perera PC <i>Acting Chairman</i> Mr K B S Bandara <i>Non-Executive Director</i>  Mr M P Ruwan Kumara <i>Non-Executive Director</i>  <b>Alternate</b>  Ms W I Hettihewa <i>(To Mr K B S Bandara)</i>	<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 : pdlceo@sltnet.lk	Mr D M P R K Bandara <i>Non-Executive Independent Director/ Chairman</i>  Mr N M Musaffer <i>Non-Executive Independent Director</i>  <b>Representation from Directors Management of BoC</b>  Mr K B S Bandara <i>Non-Executive Director</i>  Mr K E D Sumanasiri <i>Non-Executive Director</i>  <b>Alternate</b>  Mr R M D Vipula Jayabahu <i>(To Mr K B S Bandara)</i>
<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.cebkholidayhomes.com	Mr K B S Bandara <i>Non- Executive Chairman</i> Mr K E D Sumanasiri <i>Non- Executive Director</i> Mr M P Ruwan Kumara <i>Non- Executive Director</i>  Mr G K G M Bandara <i>Non- Executive Director</i>	<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 W D R Swanney <i>Acting Chairman/ Non- Executive Independent Director</i>  Mr K B S Bandara <i>Non-Executive Non-Independent Director</i>  Mr R England <i>Non-Executive Independent Director</i>  Mr S Sabesan <i>Chief Operating Officer/ Executive Director</i>  Mr M D C Nilantha <i>Chief Executive Director/ Executive Director</i> <i>(Approval of the Prudential Regulation Authority was obtained on 28 January 2019 )</i>
<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 <i>Non-Executive Non-Independent Director/ Chairman</i>  Mr D M N P Karunapala <i>Non-Executive Non-Independent Director</i>  Mr P I Kandanaarachchi <i>Non-Executive Non-Independent Director</i>  Mr G M J A R Gamalath <i>Non-Executive Non-Independent Director</i>		



Associates	Directors	Associates	Directors
<p><b>Lanka Securities (Private) Limited</b></p> <p>No. 228/1, Galle Road, Colombo 04.</p> <p>Tel : 011 4706757 Fax : 011 4706767 e-mail : lankasec@sltnet.lk Website : www.lankasecurities.com</p>	<p>Ms Aamna Taseer <i>Non-Executive Director/ Chairman</i></p> <p>Mr Mian Ehsan Ul-Haq <i>Non-Executive Director</i></p> <p>Mr Shehryar Ali Taseer</p> <p>Mr K U D Gamage <i>Executive Director</i></p> <p><b>Representative from MBSL</b></p> <p>Mr W P Russel Fonseka <i>Non-Executive Director</i></p> <p><b>Representation from BOC</b></p> <p>Mr D P K Gunasekara <i>Non-Executive Director</i></p> <p><b>Alternate</b></p> <p>Mr Imran Hafeez <i>(To Ms Aamna Taseer)</i></p> <p>Mr Shehryar Ali Taseer <i>(To Mr Mian Ehsan Ul-Haq)</i></p> <p>Ms Shehrbano Taseer <i>(Mr Shehryar Ali Taseer)</i></p>	<p><b>Ceybank Asset Management Limited</b></p> <p>No. 85, York Street, Colombo 01.</p> <p>Tel : 011 7602000 Fax : 011 2327203 e-mail : info@ceybank.com Website : www.ceybank.com</p>	<p>Mr Palitha Srideva Chulakumara Pelpola <i>Non-Executive Director/ Chairman</i></p> <p>Mr Shri Busi Babu Rao <i>Non-Executive Director</i></p> <p>Mr Chithrananda Sathkumara <i>CEO/ Executive Director</i></p> <p>Mr A P Weeratunge <i>Non-Executive Director</i></p> <p><b>Representation from BOC</b></p> <p>Mr K B S Bandara <i>Non-Executive Director</i></p> <p>Mr W P Russel Fonseka <i>Non-Executive Director</i></p> <p><b>Alternate</b></p> <p>Mr M P Ruwan Kumara <i>(To Mr K B S Bandara)</i></p>
<p><b>Transnational Lanka Records Solutions (Private) Limited</b></p> <p>No. 55/60, Vauxhall Lane, Colombo 02.</p> <p>Tel : 011 7574574 Fax : 011 4514588 e-mail : suneth@transnational-grp.com Website : www.transnational-grp.com</p>	<p>Mr Daron Kuan Wye Liew <i>Non-Executive Director</i></p> <p>Ms Daphne M H Liew <i>Non-Executive Director</i></p> <p>Mr Craig R Norwood <i>Non-Executive Director</i></p> <p>Mrs P C Dodanwela <i>Non-Executive Director</i></p> <p><b>Representation from BoC</b></p> <p>Mr W P Russel Fonseka <i>Non-Executive Director</i></p> <p>Mr R M D Vipula Jayabahu <i>Non-Executive Director/ Chairman</i></p>		

# CORRESPONDENT BANKS BY COUNTRY

## Afghanistan

1 Afghanistan Bank DA

## Albania

2 Raiffeisen Bank

## Algeria

3 Banque Exterieur d'Algerie

## Argentina

4 Banco Credicoop Cooperativo Ltd

5 Banco Finansur SA

6 Banco Macro Bansud SA

## Armenia

7 Ardshininvestment Bank

## Australia

8 Australia & New Zealand Banking Group Ltd

9 HSBC Bank Australia Ltd

10 National Australia Bank Limited

11 Westpac Banking Corporation

## Austria

12 Allgemeine Sparkasse Oberosterreich

13 Bank Austria Creditanstalt AG  
UNI Credit Bank Austria AG

14 BAWAG PSK Bank

15 BKS Bank AG

16 Erste Bank DER  
Oesterreichischen Sparkassen AG

17 ERSTE Group Bank AG

18 Oberbank AG

19 Raiffeisen Bank International AG

20 Raiffeisenlandesbank Oberosterreich Aktiengesellschaft

21 Salzburger Landes - Hypothekenbank AG

22 Volksbank Wien-Baden AG  
(Osterreichische Volksbanken AG- Name changed as above)

23 Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

## Bahrain

24 Ahli United BANK

25 Albaraka Islamic BANK

26 Bahrain Islamic BANK

27 Arab Banking Corporation

28 BBK (Formerly Bank of Bahrain & Kuwait BSC)

29 BMI Bank B S C (C)

30 Gulf International Bank

31 Habib Bank Limited

32 HSBC Bank Middle East

33 National Bank of Bahrain

34 The Arab Investment Company

## Bangladesh

35 Agrani Bank

36 Bangladesh Krishi Bank

37 BASIC Bank Limited  
(Banladesh Small Industries & Commerce Bank Ltd)

38 Dutch-Bangla Bank Ltd

39 Janata Bank

40 Prime Bank Ltd

41 Pubali Bank Ltd

42 Sonali Bank

43 The Premier Bank Limited

44 Uttara Bank

## Belarus

45 Belarus Bank (Formerly Minskcomplex Bank)

46 Belvnesheconombank

## Belgium

47 Antwerpse Diamant Bank NV

48 Banca Monte Paschi, Belgio

49 Byblos Bank Europe S A

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 Industriel e Commercial SA (Bicbanco)

60 Banco Indusval SA

## Bulgaria

61 Raiffeisenbank (Bulgaria) EAD

62 Texim Bank

63 Unicredit Bulbank AD  
(Formerly Bulbank AD)

64 United Bulgarian Bank AD

65 Central Cooperative Bank

66 Investbank PLC

67 Municipal Bank PLC

## 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 Changshu Rural Commercial Bank

85 China Construction Bank

86 China Development Bank Corporation

87 China Everbright Bank

88 Evergrowing Bank

89 Export Import Bank of China

90 OCBC Wing Hang Bank (China) Ltd - W.E.F. 18.07.16  
(Former Name - OCBC Bank (China) Ltd)

91 Xian City Commerical Bank Co. 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 A S

104 LBBW Bank CZ A.S.

105 Moneta Money Bank A.S. (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 A/S

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 A/S

119 Vestjysk Bank

## Ecuador

120 Banca International Prohubanco

## 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  
(Colonial National Bank)

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 S A

144 Bank of India (Paris Branch)

145 Banque BIA

146 Banque De Neuflyze,  
Schlumberger, Mallet,  
Demachy

147 Banque D'Escompte

148 Banque Federative Du Credit  
Mutuel

149 Banque Palatine

150 Banque SBA

151 BNP Paribas

152 Calyon

153 CIC Lyonnaise De Banque

154 Credit Agricole

155 Credit Cooperatif

156 Credit Du Nord

157 Credit Industrial Del' Quest

158 Credit Industrial ET  
Commercial (CIC)

159 Credit Lyonnais

160 HSBC Private Bank France SA

161 Natixis (Formerly Natexis  
Banque Populaires)

162 Societe Generale

163 Union De Banques a Paris  
(UBAF) (Union De Banques  
Arabes ET Francaises)

164 VTB Bank (France) S  
A (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)

182 Frankfurter Volksbank EG

183 Hamburger Sparkasse AG

184 HSBC Trinkaus & Burkhardt  
KGA

185 ING BHF - Bank AG

186 Kreissparkasse Esslingen-  
Nurtingen

187 Kreissparkasse Goppingen

188 Kreissparkasse Heilbronn

189 Landesbank Baden-  
Wurttemberg

190 Landesbank Berlin AG (Merger  
of Bankgesel-Ischaft 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

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  
Limited221 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  
Corporation226 Industrial and Commercial  
Bank of China (Asia) Ltd227 NAN Yang Commercial Bank  
Ltd228 Oversea - Chinese Banking  
Corporation

229 Shanghi Commercial Bank Ltd

230 UBAF (Hong Kong) Ltd Union  
De Banques Arabes ET  
Francaises (UBAF)231 OCBC Wing Hang Bank Ltd  
(Name changed as above  
w.e.f.29.09.2014)**Hungary**232 Bank of Hungarian Savings  
Cooperatives Co Ltd233 Budapest Credit Development  
Bank RT234 Central-European Int'l Bank  
Ltd (CIC Bank)

235 ERST Bank Hungary NYRT

236 Kereskedelmi ES Hitelbank (K  
and H Bank NYRT)

237 Magyar Nemzeti Bank

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

249 Corporation Bank

250 Development Credit Bank Ltd

251 HDFC Bank

252 ICICI Bank Ltd

253 IDBI Bank Ltd

254 Indian Bank

255 Indian Overseas Bank

256 Indusind Bank Ltd

257 Jammu &amp; Kashmir Bank Ltd

258 Karur Vysya Bank

259 Punjab &amp; Sind Bank Ltd

260 Punjab National Bank

261 RBL Bank Ltd

262 Saraswat - Cooperative Bank  
Ltd

263 State Bank of India

264 State Bank of Hyderabad

265 State Bank of Travancore

266 Syndicate Bank

267 Tamilnad Mercantile Bank Ltd

268 The Bank of Rajasthan Ltd

269 UCO Bank

270 Union Bank of India

271 United Bank of India

272 Yes Bank

**Indonesia**

273 Bank Artha Graha

274 Bank International Indonesia

275 Bank Mega

276 PT Bank Bukopin

277 PT Bank Central Asia TBK

278 PT Bank Ekspor Indonesia

279 PT Bank Mandiri (Persero)

280 PT Bank Negara Indonesia  
TBK281 PT Bank Pan Indonesia TBK  
(Panin Bank)

282 PT Bank Permata TBK

283 PT Bank Rabobank  
International

284 PT Bank Rakyat Indonesia

## CORRESPONDENT BANKS BY COUNTRY

### 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 Banca Nazionale Del Lavoro Spa (Merged into BNP Paribas)  
305 Banco Popolare Soc. Coop (Banc Popolare Di Verona E Novara ScrI) (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  
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 Hipo 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) Bbrand Name IW Bank SPA Private Investments SPA ( w.e.f. 25.05.2015)  
332 UGF Banca  
333 Unicredit Bank AG (Unicredito Italiano SPA)  
334 Unipol Banca SPA

### Jamaica

335 National Commercial Bank of Jamaica Ltd

### Japan

336 77 Bank Ltd  
337 Aozora Bank Ltd  
338 Australia & New Zealand Banking Group Ltd  
339 AWA Bank Ltd  
340 Bank of Kochi Ltd  
341 Bank of Kyoto  
342 Bank of Tokyo-Mitsubishi UFJ Ltd  
343 Bank of Yokohama Ltd  
344 Chiba Kogyo Bank Ltd  
345 Chukyo Bank Ltd  
346 Chuo Mitsui Trust and Banking Co Ltd  
347 Gunma Bank Limited  
348 Higashi - Nippon Bank  
349 Hokuriku Bank Ltd  
350 Kinki Osaka Bank Ltd  
351 Kiyoo Bank Ltd  
352 Kyoto Shinkin Bank  
353 Minato Bank Ltd (Formerly Midori Bank Ltd)  
354 Mitsubish Trust & Banking Co  
355 Mizuho Bank Ltd

356 Nishi Nippon City Bank Ltd  
357 Okazaki Shinkin Bank  
358 Osaka City 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 Yamanashi Chuo Bank Ltd

### Jordan

380 Arab Bank PLC  
381 Arab Jordan Investment Bank  
382 Bank Al Etihad  
383 Bank Audi Sal - Audi Saradar Group  
384 Bank of Jordan PLC  
385 Cairo Amman Bank  
386 Housing Bank For Trade & Finance  
387 Investbank (formely jordan Investment & Finance Bank (JIF Bank)  
388 Islamic International Arab Bank Ltd  
389 Jordan Ahli Bank PLC w.e.f. 12/11/2006 (Formerly Jordan National Bank)  
390 Jordan Commercial Bank (Formerly Jordan Gulf Bank)  
391 Jordan Dubai Islamic Bank  
392 Jordan Kuwait Bank

### Kazakhstan

393 JSC Bank Centercredit

### Kenya

394 Barclays Bank of Kenya Ltd  
395 Kenya Commercial Bank Ltd

### Korea

396 Citibank Korea INC (Formerly Koram Bank)  
397 Kookmin Bank  
398 Korea Development Bank  
399 KEB Hana Bank (Merged between Hana Bank & Kores Exchange Bank)  
400 Kyongnam Bank  
401 Pusan Bank  
402 The Kwangju Bank Ltd  
403 Woori Bank

### Kuwait

404 AL Ahli Bank of Kuwait  
405 Bank of Kuwait & The Middle East  
406 Burgan Bank SAK  
407 Commercial Bank of Kuwait SAKP  
408 Gulf Bank  
409 Kuwait International Bank  
410 National Bank of Kuwait SAKP

### Kyrgyzstan

411 Asia Universal Bank

### Latvia

412 Parex Bank  
413 Rietumu Bank  
414 SEB Banka

### Lebanon

415 AL Ahli International Bank SAL  
416 Arab African International Bank  
417 Arab Bank PLC (Lebanon Branches Centre) Beirut  
418 Audi Private Bank SAL (New Name) (Audi Saradar Private Bank SAL)  
419 Bank Audi SAL - Audi Saradar Group  
420 Bank Bemo SAL  
421 Bankmed SAL  
422 Bank of Beirut SAL  
423 Banque Libano Francaise  
424 BBAC SAL (Formerly Bank of Beirut & the Arab Countries SAL)  
425 BLC Bank SAL (Formerly Banque Libanaise Pour Le Commerce SAL)  
426 BLOM Bank SAL  
427 Byblos Bank SAL  
428 Credit Libanais SAL  
429 First National Bank SAL  
430 Fransbank SAL  
431 IBL Bank  
432 Jamal Trust Bank SAL

- 433 MEAB Bank (Middle East & African Bank SAL)
- 434 Near East Commercial Bank SAL
- 435 Societe Generale Banque AU Liban SAL (Lebanese Canadian Bank S.A.L merged with Societe Generale Banque Au Liban SAL)
- 436 Societe Nouvelle De La Banque De Syrie Et Du Liban SAL
- Libya**
- 437 Gumhoria Bank
- 438 National Commercial Bank SAL
- 439 UMMA Bank SAL
- 440 Wahda Bank
- Lithuania**
- 441 AB Bankas Hansa Bankas
- 442 AB Bankas Snoras
- 443 SEB Bank
- 444 UKIO Bank AS
- Macau**
- 445 Banco Weng Hang SA
- Madagascar**
- 446 Bank of Africa - Madagascar
- 447 Banque Centrale De Madagascar
- Malawi**
- 448 National Bank of Malawi
- Malaysia**
- 449 Alliance Bank Malaysia, Berhad
- 450 Ambank Berhad (Formerly Arab-Malaysian Bank - Berhad)
- 451 Bank Islam Malaysia Berhad
- 452 CIMB Bank Berhad (Formerly Bumiputra Commerce Bank Berhad)
- 453 EON Bank Berhad
- 454 Malayan Banking Berhad (Maybank)
- 455 OCBC (Malaysia) Berhad
- 456 Oversea - Chinese Banking Corporation Ltd (Kuala Lumpur)
- 457 Public Bank Berhad
- 458 RHB Bank Berhad
- 459 Royal Bank of Scotland
- 460 United Overseas Bank (Malaysia) Berhad
- Maldives**
- 461 Bank of Maldives PLC
- 462 Habib Bank Limited
- Malta**
- 463 Bank of Valleta
- 464 FIM Bank PLC Ltd
- 465 HSBC Bank Malta PLC
- Mauritius**
- 466 State Bank of Mauritius Ltd
- 467 The Mauritius Commercial Bank Ltd
- Mexico**
- 468 Banco Nacional De Mexico SA
- 469 Banco Santander Mexicano SPA
- 470 BBVA Bancomer SA
- 471 HSBC Mexico SA
- Mongolia**
- 472 Trade & Development Bank of Mongolia
- Morocco**
- 473 Credit Du Marco SA
- Mozambique**
- 474 Banco International De Mocambique S A R L
- Namibia**
- 475 Bank Windhoek Ltd
- Nepal**
- 476 Himalayan Bank Ltd
- 477 Nepal Bank Limited
- 478 Nepal Credit Commercial Bank
- 479 Standard Chartered Bank Nepal Ltd
- Netherlands**
- 480 ABN AMBRO Bank - Royal Bank of Scotland
- 481 F VAN Lanschot Bankiers NV
- 482 Hollandsche Bank - Unie NV
- 483 ING Bank NV
- 484 Cooperatieve Rabobank UA (Name Changed w.e.f. 01.01.2016) (Former Name Rabobank Nederland)
- 485 SNS Bank NV
- 486 The Economy Bank NV
- 487 Yapi Ve Kredi Bankasi AS
- New Zealand**
- 488 ANZ Bank National Bank Ltd
- 489 ASB International Bank
- 490 Bank of New Zealand
- 491 Westpac Banking Corporation
- Nigeria**
- 492 First Bank of Nigeria PLC
- 493 Union Bank of Nigeria PLC
- Norway**
- 494 DNB NOR Bank ASA (Formerly Den Norske Bank NA)
- 495 Nordea Bank Norge AS
- 496 Sparebanken Hedmark
- 497 Sparebanken More
- 498 Sparebanken Nord Norge
- Oman**
- 499 Bank Dhofar SAOG
- 500 Bank Sohar SAOG
- 501 Bankmuscat SAOG
- 502 National Bank of Oman SAOG
- 503 Oman Arab Bank SAOC
- 504 Oman International Bank
- Pakistan**
- 505 Allied Bank of Pakistan
- 506 Askaribank Limited (Formerly Askari Commercial Bank Ltd)
- 507 Atlas Bank
- 508 Bank AL Habib Ltd
- 509 Bank of Khyber
- 510 Bank of Panjab
- 511 Dawood Islamic Bank Ltd
- 512 Dubai Islamic Bank Pakistand Ltd
- 513 Faysal Bank Ltd
- 514 Habib Bank Limited
- 515 Habib Metropolitan Bank Ltd
- 516 Bank Islami Pakistan Limited (BIPL) (KASB Bank merged into Bank Islami Pakistan Ltd) (w.e.f. Mid of May 2015)
- 517 MCB Bank Ltd (Formerly Muslim Commercial Bank)
- 518 Meezan Bank Ltd
- 519 Mybank Ltd
- 520 National Bank of Pakistan
- 521 Soneri Bank Ltd
- 522 Standard Chartered Bank (Pakistan) Ltd
- 523 United Bank Limited
- Palestinian Autonomous Areas**
- 524 Arab Islamic Bank
- Papua New Guinea**
- 525 Westpac Banking Corporation (Westpac Bank PNG Ltd)
- Paraguay**
- 526 Banco Amambay S A
- Peru**
- 527 Banco De Credito DEL Peru
- Philippines**
- 528 Metropolitan Bank & Trust Co
- 529 Philippine National Bank
- Poland**
- 530 Bank BGZ
- 531 Bank Gospodarstwa Krajowego
- 532 Bank Handlowy Warszawa SA
- 533 Bank Millennium SA
- 534 Bank Pekao SA
- 535 Kredyt Bank SA
- 536 PKO Bank Polski SA (New name) (Powszechna Kasa Oszczednosci Bank Polski SA) (Former Name Nordea Bank Polska SA)
- 537 Raiffeisen Bank Polska SA
- Portugal**
- 538 Banco BPI SA
- 539 Banco Espirito Santo SA
- 540 BNP - Banco Portugues De Negocios SA
- 541 Finibanco SA
- 542 Millennium BCP (Formerly Banco Commercial Portugues SA)
- Qatar**
- 543 Barwa Bank
- 544 Doha Bank
- 545 Qatar International Islamic Bank
- 546 Qatar Islamic Bank SAQ
- Romania**
- 547 Banca Comerciala Carpatica
- 548 Banca Comerciala Romana SA
- 549 Banca Transilvania
- 550 BRD - Groupe Societe Generale S A
- 551 Unicredit Bank, SA (New Name .w.e.f 18.08.2015) (Former Unicredit Tiriac Bank)
- Russia**
- 552 Bank of Moscow
- 553 Bank for Development & Foreign Economic Affairs (Formerly Bank for Foreign Economic Affairs of the USSR)
- 554 Bank Jugra
- 555 BIN Bank
- 556 International Moscow Bank
- 557 Khanty - Mansiysk Bank Otkritie (PJSC) - New Name - w.e.f. 22.08.2016 Bank Otkritie Financial Corporation - (JSC) (Otkritie FC Bank) (Former - Nomos - Bank (Novaya Moskva))

## CORRESPONDENT BANKS BY COUNTRY

558	B and N Bank (Public Joint - Stock Company) (M D M Bank - Name Changed as above w.e.f. 18.11.2016)	591	VTB Bank Europe PLC (Formerly Moscow Narodny Bank Ltd)	<b>Sweden</b>	657	Siam Commercial Bank PCL	
559	ROS Bank	<b>Singapore / Malaysia</b>		621	Nordbanken AB (PUBL)	658	Standard Chartered Bank (Thai) Public Company Ltd
560	Sberbank	592	ABN Amro	622	SEB Merchant Banking	659	United Overseas Bank (Thai) Public Co Ltd
561	Trans Credit Bank	<b>Slovakia</b>		623	Skandinaviska Enskilda Banken AB (PUBL)	<b>Tunis</b>	
562	Vnesheconombank	593	Ceskoslovenska Obchodni Banka AS	624	Svenska Handelsbanken AG (PUBL)	660	Banque Nationale Agricole
563	VTB 24 (PJSC) (Public Joint Stock Company) (Formerly JSC VTB Bank - Bank for Foreign Trade (Vneshtorgbank)	594	Postova Bank AS	625	Swed Bank	<b>Tunisia</b>	
<b>Saudi Arabia</b>		595	Slovenska Sporitelna A S	<b>Switzerland</b>		661	Attijari Bank
564	Al Rajhi Bank (Formerly Al Rajhi Banking & Investment Corporation)	596	TARTA Bank AS	626	Banque Cantonale De Geneve	662	Societe Tunisienne De Banque
565	Bank Al Bilad	597	Unicredit Bank Slovakia AS	627	Banque Cantonale Vandoise	<b>Turkey</b>	
566	Bank Al Jazira	598	Vseobecna Uverova Bank AS	628	Banque De Commerce Et De Placements	663	AK Bank TAS
567	Banque Saudi Fransi	<b>Slovenia</b>		629	BNP Paribas (Suisse) SA	664	Anadolu Bank
568	National Commercial Bank Limited	599	Gorenjska Banka	630	BSI SA	665	Arab Turkish Bank
569	Riyad Bank	600	Nova Kreditna Banka Maribor D D	631	Credit Agricole (Sussie) SA	666	ASYA Katilim Bankasi AS (Formerly Asya Finans Kurumu AS)
570	Samba Financial Group	601	Nova Ljubljanska Banka DD Ljubljana	632	Credit Sussie	667	EURO Tekfen AS
571	Saudi British Bank	602	Abanka VIPA DD	633	Faisal Private Bank (Switzerland) SA	668	ING Bank AS
572	Alawwal Bank - (Saudi Hollandi Bank - Name Changed as above w.e.f. 27.11.2016)	<b>Solomon Islands</b>		634	Habib Bank AG Zurich	669	Kuvoyt Turk Katilim Bankasi AS
573	Arab National Bank	603	National Bank of Solomon Islands	635	Luzerner Kantonal Bank	670	Tekstil Bankasi AS
<b>Scotland</b>		<b>Somalia</b>		636	UBS Switzerland AG	671	Turk Economi Bankasi
574	Royal Bank of Scotland	604	Commercial & Savings Bank of Somalia	637	Zurcher Kantonalbank	672	Turkiye Finance Katilinu Bankasi AS
<b>Serbia</b>		<b>South Africa</b>		<b>Taiwan</b>		673	Turkiye Halk Bankasi AS
575	Banca Intesa AD Beograd	605	ABSA Bank Ltd	638	Bank of Taiwan	674	Turkiye Garanti Bankasi AS
<b>Serbia &amp; Montenegro</b>		606	Firststrand Bank Ltd	639	CTBC Bank Co. Ltd (China Trust Commercial Bank Name changed as CTBC Bank Co. Ltd - w.e.f. - 04.06.2013)	675	Turkiye is Bankasi AS
576	National Bank of Serbia	607	Nedcor Bank Ltd (NED Bank)	640	Chinfon Commercial Bank	676	Turkiye Vakiflar Bankasi TAO
<b>Seychelles</b>		608	Standard Bank of South Africa Ltd	641	E-Sun Commercial Bank Ltd	677	Turkland Bank - T Bank
577	Seychelles International Mercantile Banking (NOUVOBNQ)	609	The Standard Chartered Bank of South Africa, Johannesburg.	642	First Commercial Bank	678	Yapi VE Kredi Bankasi AS
<b>Singapore</b>		<b>Spain</b>		643	HUA NAN Commercial Bank	<b>UAE</b>	
578	Bank of India (Singapore)	610	Banco Bilbao Vizcaya Argentaria	644	Mega International Commercial Bank	679	Abu Dhabi Commercial Bank
579	DBS Bank Ltd	611	Banco De Europa SA	645	Shanghi Commercial & Savings Bank Ltd	680	Abu Dhabi Islamic Bank
580	Dexia Banque Internationale A Luxembourg	612	Banco De Sabadell S.A.	646	Shin Kong Bank	681	Arab Bank for Investment & Foreign Trade
581	Far Eastern Bank Limited	613	Banco De Valencia	647	Taipei Fubon Commercial Bank	682	Commercial Bank International PLC
582	Indian Bank	614	Banco Guipuzcoano SA	648	Taiwan Cooperative Bank	683	Commercial Bank of Dubai PSC
583	Oversea - Chinese Banking Corporation Ltd	615	Banco Intercontinental Espanol (Bankinter)	649	Union Bank of Taiwan	684	Dubai Islamic Bank PLC
584	Skandinaviska Enskilda Banken AB	616	Banco Pastor SA	<b>Tanzania</b>		685	Emirates NBD PJSC
585	Standard Chartered Bank	617	Banco Santander Central Hispano	650	NBC Limited (National Bank of Commerce)	686	First Gulf Bank
586	State Bank of India	618	Caixa'd Estalvis De Catalunya	<b>Thailand</b>		687	Mashreqbank PSC
587	The B Ank of East Asia Ltd	619	CAJA De Ahorrosy Pensiones De Barcelona LA Caixa	651	Bangkok Bank Public Company Ltd	688	Middle East Bank PJSC
588	UCO BANK	620	CAJA Madrid	652	Bank of Ayudhya Public Company Ltd	689	National Bank of Abu Dhabi
589	Union De Banques Arabes ET Francaises (UBAF)			653	Export Import Bank of Thailand	690	National Bank of Fujirah
590	United Overseas Bank Ltd			654	Kasikornabank Public Company Ltd (Formerly Thai Farmers Bank)	691	Noor Bank
				655	Krung Thai Bank Public Company Limited	692	Union National Bank
				656	Siam City Bank Public Company Ltd	693	United Arab Bank
						<b>Uganda</b>	
						694	Barclays Bank of Uganda Ltd

**UK**

695 AIB Group (Formerly Allied Irish Bank)  
 696 Barclays Bank PLC  
 697 Clydesdale Bank PLC  
 698 Gulf International Bank (UK) Limited  
 699 Habib Bank AG Zurich  
 700 Habibsons Bank Ltd  
 701 HSBC Bank PLC  
 702 Investec Bank (UK) Limited  
 703 Lloyds TSB Bank PLC  
 704 National Westminster Bank PLC (Metro)  
 705 Royal Bank of Scotland PLC  
 706 Standard Bank PLC  
 707 Standard Chartered Bank

**Ukraine**

708 Ukreximbank (State Export-Import Bank of Ukrain)  
 709 Calyon Bank  
 710 First Ukrainian International Bank - PJSC  
 711 OTP Bank - Public Joint Stock Company  
 712 PJSC 'Alfa - Bank'  
 713 Prominvest Bank

**Uruguay**

714 The Banco De La Republic Oriental Del Uruguay

**USA**

715 American Express Bank Ltd  
 716 Banco Del Pichincha C A  
 717 Bank of America NA  
 718 Bank of New York (The Bank of New York Mellon) (Merged with Mellon Bank 21.07.08)  
 719 Bank of Tampa  
 720 Branch Banking & Trust Co  
 721 Brown Brothers Harriman & Co  
 722 CITIBANK NA  
 723 Cobank ACB  
 724 Commerce Bank NA  
 725 Deutsche Bank Trust Company Americas  
 726 First Hawaiian Bank  
 727 French American Banking CORP  
 728 Habib American Bank  
 729 Hibernia National Bank  
 730 HSBC Bank USA  
 731 Huntington National Bank  
 732 Israel Discount Bank of New York  
 733 JP Morgan Chase Bank (Metro)  
 734 LA Salle Bank Midwest

735 M & T Bank ( Formerly Allfirst Bank)  
 736 National City Bank of Indiana  
 737 National Penn Bank  
 738 Northern Trust Company  
 739 PNC Bank NA  
 740 SAN Diego National Bank  
 741 Silicon Valley Bank  
 742 Sovereign Bank  
 743 Standard Chartered Bank  
 744 State Street Bank & Trust Co  
 745 Sun Trust Bank Ltd  
 746 UMB Bank NA  
 747 Union Bank of California NA  
 748 US Bank NA  
 749 Wells Fargo Bank NA (Wachovia Bank NA merged with Wells Fargo)

**Vietnam**

750 Bank for Foreign Trade of Vietnam  
 751 Bank for Investment & Development of Vietnam

**Yemen**

752 National Bank of Yemen  
 753 Yemen Bank for Reconstruction & Development  
 754 Yemen Commercial Bank  
 755 Yemen Kuwait Bank

**Yemen Arab Republic**

756 International Bank of Yemen YSC

**Zambia**

757 Barclays Bank of Zambia Ltd

**Zimbabwe**

758 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
- 4 Kapruka (Pty) Ltd
- 5 Serendib Financial Pty Ltd
- 6 SL Money Transfer Pty Ltd
- 7 PFG Forex

## Bahrian

- 8 Bahrain Financing Company
- 9 Ezremit Ltd (BFC Bank)
- 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 (Hk) Ltd

## Israel

- 17 Tifco Logistics & Trade Ltd

## Italy

- 18 Valutrans Spa)

## Japan

- 19 Japan Remit Finance Co. Ltd
- 20 Unidos Co. Ltd (Kyodai Remittance)

## Jordan

- 21 AL Samhouri Exchange Company
- 22 ALawaneh Exchange Co
- 23 Shift Financial Services Ltd

## Kuwait

- 27 Aman Exchange Co. WLL

- 24 Al Mulla International Exchange Co WLL
- 25 Al Muzaini Exchange Co Ksc (Closed)
- 28 Bahrain Exchange Co WLL
- 29 Citiy International Exchange Co WLL
- 30 Dollarco Exchange Co Ltd
- 31 Etemadco Exchange Co WLL
- 32 International Financial Line Co
- 33 Joyalukkas Exchange Co. WLL
- 34 Kuwait Asian International  
Exchange Co WLL
- 35 Kuwait Bahrain International Ex.
- 36 Kuwait India International Ex.co
- 37 National Exchange Co WLL
- 38 National Money Exchange Co WLL
- 39 Oman Exchange Co Ltd
- 26 Al Nada International Exchange (Former  
Security Exchange Co WLL)
- 40 Uae Exchange Centre WLL

## Lebanon

- 41 Services Exchange Co  
(Imad Al Hariri Trading Co & Partners -  
Seco)

## Malaysia

- 42 Merchantrade Asia Sdn Bhd)

## 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 Zaman Exchange WLL
- 59 AL-Mirqab Exchange Co.
- 60 Arabian Exchange Company WLL
- 61 City Exchange Co.WLL
- 62 Eastern Exchange Est
- 63 Gulf Exchange Company
- 64 Habib Qatar International Exch.Itd
- 65 Islamic Exchange
- 66 National Exchange Co WLL  
(Formerly Al Shaibei Exchange Co)

## Singapore

- 67 Hbz International Exchange Co (Metro)  
(Singapore) Pvt Ltd
- 68 Mustafa Foreign Exchange (Metro)

## Switzerland

- 69 Motherhouse Gmbh (Metro)

## UAE

- 70 AL Ahalia Money Exchange Bureau-  
Abu Dhabi
- 71 AL Ansari Exchange Est-  
Abu Dhabi
- 72 AL Fardan Exchange-  
Abu Dhabi
- 73 Al Mona Exchange Co LLC-  
Dubai
- 74 AL Rostamani International Exchange  
(Formerly Thomas Cook Al Rostamani  
Exch. Co.)-Dubai
- 75 Delma Exchange - Abu Dhabi
- 76 Emirates India International  
Exchange Company - Dubai
- 78 Index Exchange Co Llc - Abu Dhabi
- 77 Hadi Express Exchange - Dubai
- 79 Joyalukkas Exchange  
Dubai
- 80 Lari Exchange Establishment - Abu Dhabi
- 81 Lulu International Exchange Llc - Abu  
Dhabi
- 82 National Exchange Co - Abu Dhabi



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- 83 Orient Exchange Co. LLC - Dubai
  - 84 Redha AL-Ansari Exchange Est - Dubai
  - 85 UAE Exchange Centre - Abu Dhabi
  - 86 Wall Street Exchange Centre - Dubai
  - 87 Xpress Money Services Limited - Abu Dhabi
  - 88 Zareen Exchange - Dubai

**Uk**

- 89 3R Telecom Ltd
- 90 An Express Ltd
- 91 Currency Exchange Corporation
- 92 Global Exchange Ltd)
- 93 INTL FC Stone Ltd (IFL)
- 94 Sigue Global Services Ltd  
(Former Coinstar)
- 95 Worldremit(Metro)

**USA**

- 96 Moneygram
- 97 Prabhu Group INC
- 98 RIA Financial Services (Metro)  
(Contiental Exchange Solutions Inc)
- 99 Trans-Fast Remittance LLC
- 100 Western Union

**Cyprus**

- 101 G S Cash Line

# 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

### BASEL III

The Basel Committee on Banking Supervision (BCBS) issued the BASEL III rules text, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity.

### 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.

### Common Equity Tier 1 (CET 1)

Common Equity Tier 1 (CET 1) is a component of Tier 1 capital that consists mostly of Stated Capital. It is a capital measure that was introduced as a precautionary measure to protect the economy from a financial crisis.

### 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.

### Domestic Systemically Important Banks (D-SIBs)

Systemically Important Banks (SIBs) are perceived as banks that are "Too Big To Fail".

D-SIBs are critical for the uninterrupted availability of essential banking services to the country's real economy even during crisis. The CBSL has designated Licenced Commercial Banks with total assets equal to or greater than Rs. 500 Bn. as D-SIBs

## 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 Statement of profit or loss 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 Assets Measured at Amortised Cost

A financial asset is measured at amortised cost if the asset is held within a business model whose objective is to hold assets

## GLOSSARY OF FINANCIAL/ BANKING TERMS

to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

FVOCI include debt and equity instruments measured at fair value through other comprehensive income. A debt instrument is measured at FVOCI, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments may be irrevocably classified as FVOCI when they meet the definition of Equity under LKAS 32 Financial Instruments: Presentation, and are not held for trading.

### Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)

All financial assets other than those classified at Amortised Cost or FVOCI are classified as measured at FVTPL. These are held for trading or managed and their performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

### 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.

### 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 uses 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.

### Liquidity Coverage Ratio – LCR

Refers to highly liquid assets held by Banks to meet short-term obligations. The ratio represents a generic stress scenario that aims to anticipate market-wide shocks.

**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.

**Net Stable Funding Ratio (NSFR)**

NSFR measures the amount of long-term, stable sources of funding employed

by a bank relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.

**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 Statement of Financial Position 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.

## GLOSSARY OF FINANCIAL/ BANKING TERMS

### 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 2325088, 2395806,  
2471618, 2205620, 2205680,  
2205621

Fax : +94 11 2325092, 2395807

Email : cmccc@boc.lk, mgrmktacq@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**

## Ceybank 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 2205036

Email : ibu@boc.lk

**Branch Code : 776**

## CORPORATE OFFICES AND OVERSEAS BRANCHES

### 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 : intrade@boc.lk

**Branch Code : 087**

### Trade Services Department

Providing trade finance facilities and 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,  
Henneiru, Male. 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. Bocz 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

No. 01, 'BOC Square',  
Bank of Ceylon Mawatha,  
Colombo 01, Sri Lanka.

Tel : +94 11 2203333 (Hotline)  
+94 11 2446790-811 (22 lines)  
+94 11 2338741-47 (7 lines)  
+94 11 2445815-20 (6 lines)  
+94 11 2544340-44 (5 lines)  
+94 11 2544333-37 (5 lines)

Facsimile : +94 11 2321160

Bank : 7010

SWIFT Code : BCEYLK LX

E-Mail : boc@boc.lk,  
customercare@boc.lk

Website : www.boc.lk

## Call Centre

Tel : +94 11 2204444  
Facsimile : +94 11 2320864

## 24 Hour Service Centre

Travel Counter, Ground Floor,  
Bank of Ceylon Head Office,  
No. 01, 'BOC Square',  
Bank of Ceylon Mawatha,  
Colombo 01, Sri Lanka

Tel : +94 11 2203044/45

Facsimile : +94 11 2445801

## Accounting Year End

31 December

## Tax Payer Identification Number (TIN)

409000070

## VAT Registration Number

409000070-7000

## SVAT Registration Number

SVAT002898

## Stock Exchange Listing

The Unsecured, Subordinated Redeemable  
Debentures of 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.

## 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 'B2' stable by Moody's Investors Service

## Lawyers

Ms Gaya Jayasinghe

Chief Legal Officer of Bank of Ceylon and her assistants

Tel : +94 11 2445813  
+94 11 2321167

E-mail : clo@boc.lk

## Compliance Officer

Mr A De S Pinnaduwege  
(Assistant General Manager – Compliance)

Tel : +94 11 2448532  
Facsimile : +94 11 2544306  
E-mail : agmcmpl@boc.lk

## Auditor

The Auditor General,  
The Auditor General's Department,  
306/72, Polduwa Road,  
Battaramulla, Sri Lanka

Tel : +94 11 2887028-34 (6 lines)  
Facsimile : +94 11 2887223  
E-mail : oaggov@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,  
No. 01, 'BOC Square', Bank of Ceylon  
Mawatha, Colombo 01, Sri Lanka

Tel : +94 11 2448348  
+94 11 2440081  
+94 11 2346845  
Facsimile : +94 11 2346842  
E-mail : investment@boc.lk

## Board of Directors

Mr Ronald C Perera PC (Chairman)  
Mr K A Vimalenthirarajah  
Mr Kumar Mayadunne  
Mr P A Schaffter

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

Ms. Janaki Senanayake Siriwardane

## For Clarifications on the Report, Please Contact

Mr R M D Vipula Jayabahu  
Deputy General Manager  
(Finance and Planning),

10th Floor, Bank of Ceylon Head Office,  
No. 01, 'BOC Square',  
Bank of Ceylon Mawatha,  
Colombo 01, Sri Lanka

Tel : +94 11 2432680  
+94 11 2203900

Facsimile : +94 11 2448203

E-Mail : dgmfp@boc.lk

## Audit Committee

Mr Kumar Mayadunne (Chairman)  
Mr K A Vimalenthirarajah  
Mr P A Schaffter

## Human Resources and Remuneration Committee

Mr K A Vimalenthirarajah (Chairman)  
Mr Kumar Mayadunne  
Mr P A Schaffter

## Nomination and Corporate Governance Committee

Mr Ronald C Perera PC (Chairman)  
Mr K A Vimalenthirarajah  
Mr P A Schaffter

## Integrated Risk Management Committee

Mr Kumar Mayadunne (Chairman)  
Mr K A Vimalenthirarajah  
Mr P A Schaffter

## Information and Communication Technology Committee

Mr P A Schaffter (Chairman)  
Mr Kumar Mayadunne  
Mr K A Vimalenthirarajah



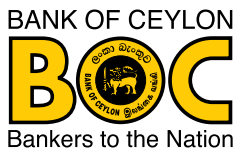
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Bank of Ceylon,  
No. 01, BOC Square,  
Bank of Ceylon Mawatha,  
Colombo 01  
Sri Lanka

Tel : +94 11 220 3333 (Hotline)  
+94 11 244 6790-811 (22 lines)  
Facsimile: +94 11 232 1160  
e-mail: [boc@boc.lk](mailto:boc@boc.lk)/[customercare@boc.lk](mailto:customercare@boc.lk)

[www.boc.lk](http://www.boc.lk)