



Truly Everybody's Bank

BANK OF CEYLON
Annual Report 2014

75 Years
*'Best
Beyond'*

BANK OF CEYLON
BOC
Bankers to the Nation



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Our website is available on multiple platforms from mobile devices to laptops. For a more interactive report, visit www.boc.lk

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Truly Everybody's *Bank*

The Bank of Ceylon is now Sri Lanka's largest bank and we are proud to celebrate our 75th year in a long and distinguished history marked by many milestones of national and international significance. For many years we have been ranked among the top 1,000 banks in the world and as Sri Lanka's number one brand, while our list of awards and achievements simply gets longer with every passing year:

Our primary purpose has always been to create value for every one of our thousands of stakeholders; our investors, business partners, regulators, communities... and of course, our customers. Our stakeholders' ambitions remain our priority as we shape livelihoods, broaden horizons and make real people's dreams - wherever and whoever they are.

Today it is our heritage, size and strength that makes us one of the most powerful leaders in the local banking industry - a position we intend to evolve further in the years that lie ahead. Because that's what it means to be best, beyond. And that's what it means to be truly everybody's bank.

Bank of Ceylon
Truly Everybody's Bank

‘Best Beyond’ is our theme in our 75th anniversary, as we reinforce our claim to be the best, in financial strength, technology, customer service, good governance and business excellence.

'Best Beyond'

Business Excellence
Exceeding customer expectations
Speedy delivery
Technologically driven

* First local bank that has over LKR 1 trillion asset base

* Ranked by Brand Finance Lanka as the No.1 Brand in Sri Lanka for the last six consecutive years

* Fitch Rating Lanka AA+ (lka) - a highest rating awarded to a local commercial bank

* Ranked one of the top 1,000 banks in the world by The Banker Magazine, UK in 2012, 2013 and 2014

* Listed as one of Asia's Best Brands 2013 by the CMO Council India

* Gold Award winner under many categories at the National Business Excellence Awards in 2011, 2012, 2013 and 2014

* The first Sri Lankan Bank to issue an international bond (USD 500 million five year tenure bond issue)

Our Vision

Bankers to the Nation

Our Mission

Customers

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

Staff

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

Owners

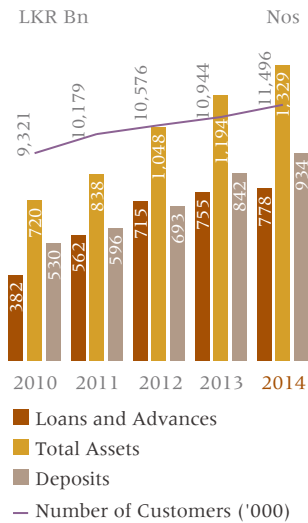
Be a profitable catalyst for equitable development covering urban and rural areas.

Society

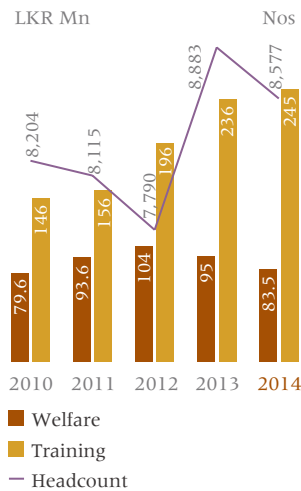
Provide world-class banking services across the nation as a beacon for progress and growth.

How We Fulfilled Our Mission

Customers



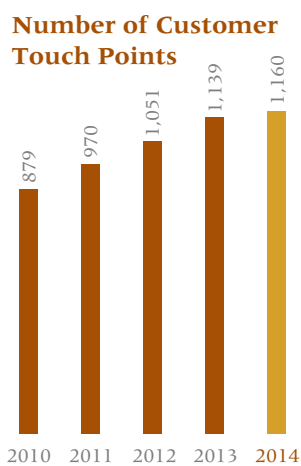
Staff



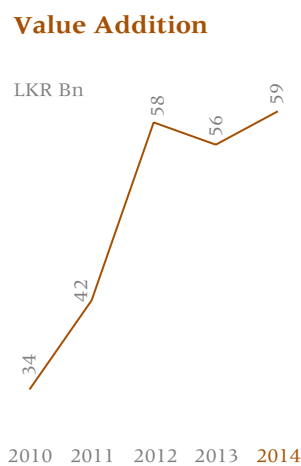
920 Promotions

1,340
Training programmes
covering all employees

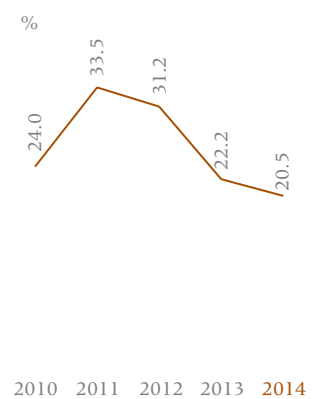
Society



Owners



ROAE



Financial Highlights

	Bank			Group		
	2014	2013	Change %	2014	2013	Change %
Results of Operations (LKR million)						
Total income	126,546	127,464	(0.7)	133,023	134,230	(0.9)
Net interest income	38,450	37,143	3.5	40,754	39,342	3.6
Profit before financial VAT, NBT and taxation	24,343	18,420	32.2	25,074	18,632	34.6
Profit before taxation	20,291	15,709	29.2	21,431	16,105	33.1
Profit after taxation	13,574	12,087	12.3	14,372	12,148	18.3
Value to Government	17,615	11,679	50.8	18,010	12,059	49.3
Financial Position (LKR million)						
Total assets	1,329,020	1,193,581	11.3	1,365,404	1,225,762	11.4
Gross loans and advances	777,505	755,385	2.9	801,584	777,927	3.0
Loans and advances net of provisioning for impairment	741,348	725,332	2.2	763,772	746,572	2.3
Deposits due to customers	933,966	842,070	10.9	943,934	850,768	11.0
Total liabilities	1,254,214	1,135,881	10.4	1,279,823	1,158,850	10.4
Total equity	74,806	57,700	29.6	85,581	66,912	27.9
Per Share Data (LKR)						
Earnings per share	2,715	2,417	12.3	2,885	2,447	17.9
Net assets per share	14,961	11,540	29.6	16,879	13,123	28.6
Performance Ratios (%)						
Return on average assets	1.6	1.4	0.2	1.7	1.4	0.3
Return on average equity	20.5	22.2	(1.7)	18.8	19.4	(0.6)
Interest margin	3.0	3.3	(0.3)	3.1	3.4	(0.3)
Cost to income	44.0	49.1	(5.1)	46.6	52.0	(5.4)
Loans to deposit	83.2	89.6	(6.4)	84.9	91.4	(6.5)
Debt to equity (Times)	293.1	336.3	(43.2)	-	-	-
Impairment provision as a percentage of gross loans and advances	4.7	4.0	0.7	4.7	4.0	0.7
Statutory Ratio (%)						
Liquid assets ratio (Domestic) (minimum requirement 20%)	30.8	27.7	3.1	-	-	-
Capital Adequacy Ratios (%)						
Core capital adequacy ratio (minimum requirement 5%)	9.5	8.4	1.1	9.8	8.9	1.6
Capital adequacy ratio (minimum requirement 10%)	13.6	12.1	1.5	14.0	12.9	1.7

Awards

International ARC Awards 2014



Traditional Annual Report:
(International Banks) - SILVER



Financial Data: (International Banks) -
GOLD



Written Text: (International Banks) -
SILVER

Bank of Ceylon Annual Report 2013 was recognized among ARC 100 Top Annual Reports 2014

Global Ratings

Fitch Ratings: reaffirmed as **BB-** with stable outlook
Moody's : reaffirmed as **B1** with stable outlook

Local Ratings

Fitch Ratings Lanka Ltd: reaffirmed as **AA+ (lka)** with stable outlook
ICRA Lanka Limited: **(SL) AAA** with stable outlook

SAFA Awards 2012 (Conducted in 2014)

Public Sector Banking Institutions : 1st Runner-up

SAFA Awards 2013 (Conducted in 2014)

Public Sector Banking Institutions : Winner



Bank of Ceylon was presented with the Global Commerce Excellence Award in recognition of supporting the Sri Lankan economy

National Business Excellence Awards 2014 by the National Chamber of Commerce of Sri Lanka



Winner of the Excellence in Local Market Reach Category



Runner-up of the Banking Sector



Runner-up of the Excellence in Corporate Social Responsibility



Compliance award was received for the banking sector at Annual Report Award Ceremony 2014 conducted by the Institute of Chartered Accountants of Sri Lanka

No.1 brand in the country for sixth consecutive year ranked by "Brand Finance Lanka", a subsidiary of Brand Finance network (UK)

Brand Value - LKR 30.83 billion

Ranked above all Sri Lankan banks by "The Banker" in the top 1,000 banks in the world for two consecutive years

Ranked 994 position in the world

About This Report

Scope and Boundary

This Annual Integrated Report covers the period 1 January 2014 to 31 December 2014. Material events after this date up to the sign off by the Board of Directors on 18 March 2015 are also included. The report presents a balanced and comprehensive but concise analysis of the Bank's strategy, performance and outlook for the future.

The report covers the Group's operations in Sri Lanka, India, Maldives, Seychelles and United Kingdom through branch offices and subsidiaries. A large proportion of the information in this report relates to the holding company, Bank of Ceylon, the highest contributor to the Group's profits. Information relating to the Group or its subsidiaries is clearly indicated to differentiate from the Bank's operations. The data used in the narratives refers to the Bank of Ceylon unless otherwise indicated due to its relative size within the Group.

This integrated report conforms to the requirements of the Bank of Ceylon Ordinance No. 53 of 1938, the Banking Act No. 30 of 1988 and subsequent amendments thereto, the Continuing Listing Requirements of the Colombo Stock Exchange, the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the International Integrated Reporting (IIR) Framework issued by the International Integrated Reporting Council (IIRC) and the G4 Guidelines issued by the Global Reporting Initiative (GRI). The Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards which comprises the latest International Accounting Standards.

Reporting to Stakeholders

Bank has a diverse range of stakeholders with varied information needs. Our primary report is the integrated report and is aimed principally at the capital providers.

The materiality principal has been applied in accessing the areas to be covered in this integrated report.

Materiality

The focus of the report provides financial and non-financial information on material developments and issues that shaped our performance during the reporting period and are likely to impact our future performance. A material development or issue is defined as one that substantively affects our ability to create value in the short, medium or long term to our stakeholders. Ability to manage these developments affects the performance and seeks proactive engagement of the stakeholders to stay informed about likely developments in order to mitigate risks that may arise and to evaluate opportunities for growth and enhance performance.

Fundamentals

Understanding the ability to create value over time depends on resources and relationships used and affected by the Bank (collectively known as capital). The Bank has adopted the categorization of the IIR Framework issued by the IIRC in identifying the capital types and this report aims to provide an insight into how this capital is used and affected.

Financial capital - Financial capital includes reserves generated through share capital, other equity-related funding and retained profits generated from operations that are used to fund the business activities.

Manufactured capital - The Bank's manufactured capital is in the form of tangible and intangible infrastructure.

Intellectual capital - Intellectual capital includes brand and reputation and the collective expedient knowledge of the staff.

Human capital - The Bank has an employee base with skills, capabilities, knowledge and experience to deliver value to the customers.

Social and relationship capital - This captures corporate relationships with the stakeholders and the Bank's image as a concerned corporate citizen.

Natural capital - As a financial services provider the Bank ensures deploying the operations in a way that promotes preservation of natural capital.

Assurance

Assurance on the Financial Statements and the Directors' Statement on Internal Control is provided by the Auditor General's Department who was assisted by a firm of Chartered Accountants in public practice. The Bank has voluntarily obtained independent external assurance on the sustainability aspect which includes social and environmental performance indicators from M/s BDO Partners.

Forward Looking Statements

This report contains certain forward looking statements that relate to plans, objectives, goals, strategies, future operations and performance of the Bank and its subsidiaries. Forward looking statements can be generally identified as those containing words such as "anticipates", "assumes", "believes", "estimates", "expects", "should", "will", "will likely result", "forecast", "outlook", "projects", "may" or similar expressions. By their nature, forward looking statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward looking statements.

Therefore there is no representation or warranty, that such forward looking statements will be achieved. BoC undertakes no obligation to update the historical information or forward looking statements in this report.

Infrastructure Growth

	Local branches	Foreign branches	Other service points	ATMs	SME centers	School savings units
Added during the year	5	1	1	17	1	283
At the year end	570	3	47	540	15	4,120

Following the significant investment in branch infrastructure last year with the conversion of 227 other service points to fully fledged branches in addition to opening 16 new branches, this year, we focused on consolidation and improving branch profitability. Accordingly, only two new branches were opened during the year including one overseas in Seychelles. Four other service points were upgraded to branches.

Seychelles is the first branch of Bank of Ceylon in the African Continent and offers a wide range of financial solutions including corporate, retail, offshore and internet banking. This branch was opened as a step forward in fulfilling BoC's strategic aspiration of becoming Sri Lanka's international bank, to reach potential overseas markets. Now the Bank operates three branches in Chennai, Male, Seychelles and a subsidiary in London.

Branches were closely scrutinized for performance. Initiatives were launched to improve service efficiency, thereby reducing costs whilst offering a positive customer experience. One of the key areas of focus was to encourage usage of ATMs by eliminating the withdrawal

fee. As a founding partnership of the common ATM switch, which connects the ATM networks of BoC with those of participating banks, BoC customers enjoy access to the largest ATM network in the industry with over 2,500 ATM touch points, yet some prefer to use the branch counters for basic cash transactions. Apart from engaging in front end initiatives to assist customers in the use of ATMs, back office support was provided to sustain the strategy, for example ATM downtime was minimized by streamlining a SMS facility to alert ATM breakdowns, whilst identified IT product leaders were specially trained in ATM technology. Further, an incentive scheme for cash loading officers was introduced to minimize ATM stockout. Whilst 17 new ATMs were installed, 70 outdated ATM machines were replaced, increasing efficiency of the delivery channel.

Investments in SME centres and school saving units are part of the Bank's sustained financial literacy programme. Our SME centres encourage entrepreneurial growth by offering access to technical expertise and financial knowledge to be commercially viable. The school saving unit programme was initiated to inculcate the savings habit

“ One of the key areas of focus was to encourage usage of ATMs by eliminating the withdrawal fee. ”

from a young age. Student managers take leadership in operating the mini-banks and in actively encouraging fellow students to cultivate the savings habit. The students are trained by the Bank to carry out their duties. 27,736 new accounts were opened in 2014, cumulating to 653,823.

Reaching out To everybody

“Offering the biggest network of branches and service accessibility, the Bank of Ceylon reaches out to Sri Lankans – everywhere”

As Bankers to the Nation, Bank of Ceylon reaches out to every Sri Lankan through its network of 573 branches - all of which offer online access as well. The Bank also operates 536 ATM service points in small towns and major cities across the island.

The Bank of Ceylon counts 12 subsidiaries and five associate companies in the Group.

The first overseas branch was in London, UK. The Bank has now diversified its operations in the United Kingdom by upgrading its London branch to be a fully fledged bank operating as a subsidiary of BoC, as Bank of Ceylon UK Ltd.

BoC services are also available in the Maldives, Chennai and Seychelles.

The Bank of Ceylon now owns the biggest worldwide network with over 859 overseas correspondent banks and exchange companies. We have also expanded our services through our exchange house representatives in Qatar, the United Arab Emirates, Kuwait, Bahrain, Oman, the Kingdom of Saudi Arabia, Israel, Jordan, Italy, South Korea, France and Japan, in order to serve the thousands of Sri Lankan expatriates who live and work overseas.



Over
11 million
Customers

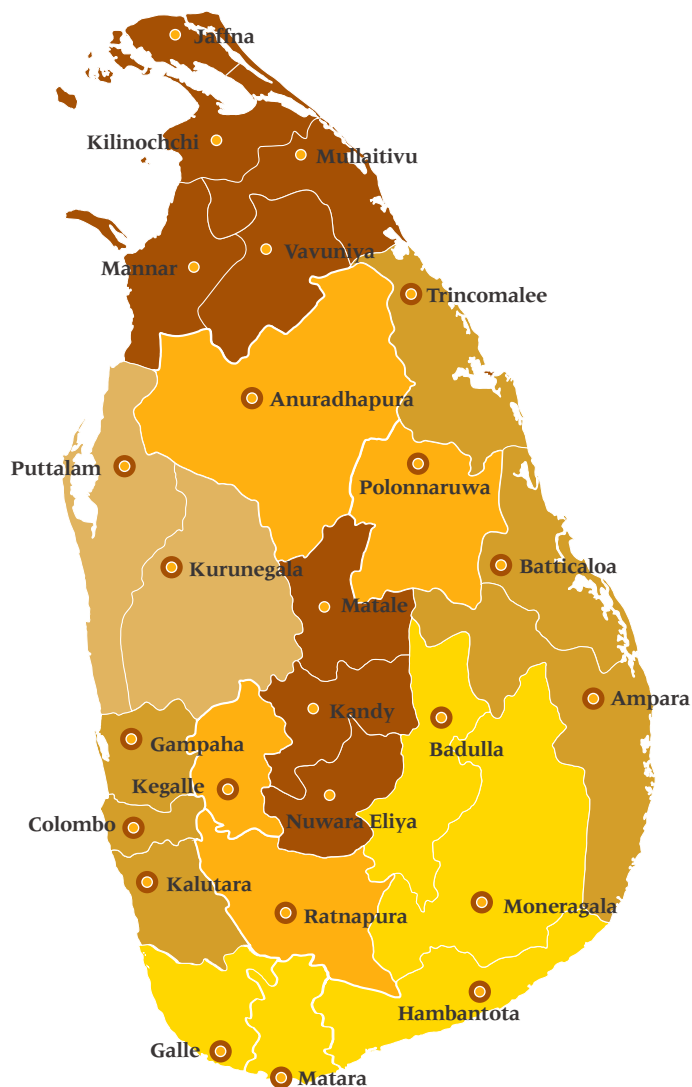


Over
1,100
Customer Touch Points



Over
800
Global Destinations

Service Network



Ampara Branches - 22 ATMs - 12 OSP - 01	Kalutara Branches - 21 ATMs - 27 OSP - 01	Moneragala Branches - 15 ATMs - 10 OSP - 01
Anuradhapura Branches - 32 ATMs - 29 OSPs - 02	Kandy Branches - 36 ATMs - 26 OSP - 01	Mullaitivu Branches - 07 ATMs - 05 OSP - 01
Badulla Branches - 22 ATMs - 17 OSP - 01	Kegalle Branches - 20 ATMs - 13 OSP - 01	Nuwara Eliya Branches - 19 ATMs - 15 OSP - 01
Batticaloa Branches - 20 ATMs - 08 OSP - 01	Kilinochchi Branches - 06 ATMs - 02 OSP - 01	Polonnaruwa Branches - 14 ATMs - 12
Colombo Branches - 76 ATMs - 121 OSPs - 20	Kurunegala Branches - 34 ATMs - 37 OSP - 01	Puttalam Branches - 21 ATMs - 15 OSP - 01
Galle Branches - 24 ATMs - 21 OSP - 01	Mannar Branches - 07 ATMs - 03 OSP - 01	Ratnapura Branches - 24 ATMs - 23 OSP - 01
Gampaha Branches - 40 ATMs - 54 OSPs - 03	Matale Branches - 13 ATMs - 12 OSPs - 02	Trincomalee Branches - 15 ATMs - 11 OSP - 01
Hambantota Branches - 17 ATMs - 17 OSP - 01	Matara Branches - 21 ATMs - 21 OSP - 01	Vavuniya Branches - 08 ATMs - 06 OSP - 01
Jaffna Branches - 36 ATMs - 19 OSP - 01		

Province	Branches	ATMs	Other Service Points (OSPs)
Central Province	67	53	4
Eastern Province	55	29	3
North Central Province	47	42	2
Northern Province	63	34	5
North Western Province	56	52	2
Sabaragamuwa Province	46	40	2
Southern Province	63	59	3

Province	Branches	ATMs	Other Service Points (OSPs)
Uva Province	39	29	2
Western Province North	61	82	6
Western Province South	66	99	5
Corporate Branches	6	16	13
Premier Banking	1	1	-
Overseas Branches	3	4	-
Total	573	540	47



READ ONLINE

Our website is available on multiple platforms from mobile devices to laptops. For more details on service network visit www.boc.lk

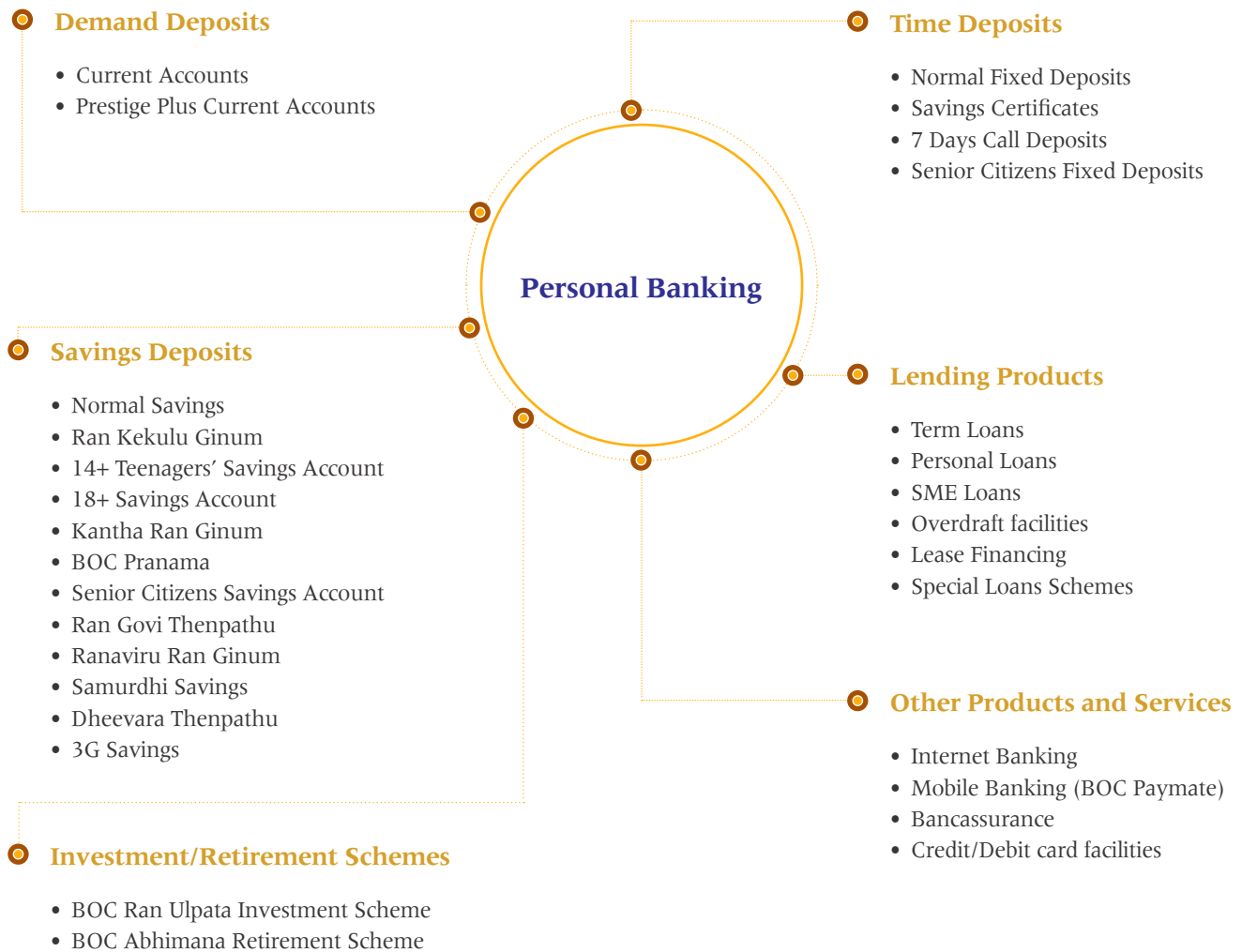
From grassroots to giants

“ *The Bank of Ceylon offers the widest range of products and services to suit all Sri Lankans. From infants to senior citizens, we have something for everyone...* ”

After 75 years of success, Bank of Ceylon is firmly established as Sri Lanka’s premier financial services organization. Today the Bank’s portfolio of products and services is diverse and comprehensive, to facilitate commercial banking, personal banking, development financing, mortgage financing, lease financing, investment banking, Islamic banking, bancassurance, corporate financing, primary dealing, pawning, credit card facilities, off shore banking, foreign currency operations, internet banking and other financial services.

The Bank of Ceylon now leads in the local banking industry as the biggest in terms of profit, assets, deposits, advances and foreign currency remittances.





From Grassroots to Giants

Foreign Currency Accounts

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

International, Treasury and Investment

Foreign Currency Accounts

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

Treasury Products and Services

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

Other Products and Services

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

Corporate Facilities

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



Trade Finance Products

- Letters of Credit (Online facility available)
- Shipping Guarantees
- Bills Acceptance
- Collection Bills
- Pledge Loans
- Hypothecation Loans
- Trust Receipts
- Series of Loans
- Negotiation Bills
- Bills Discounting
- Purchase and Collection of Export Bills
- Status Report
- Duty Rebates

Development Lending

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



Islamic Banking Products

Deposits Products

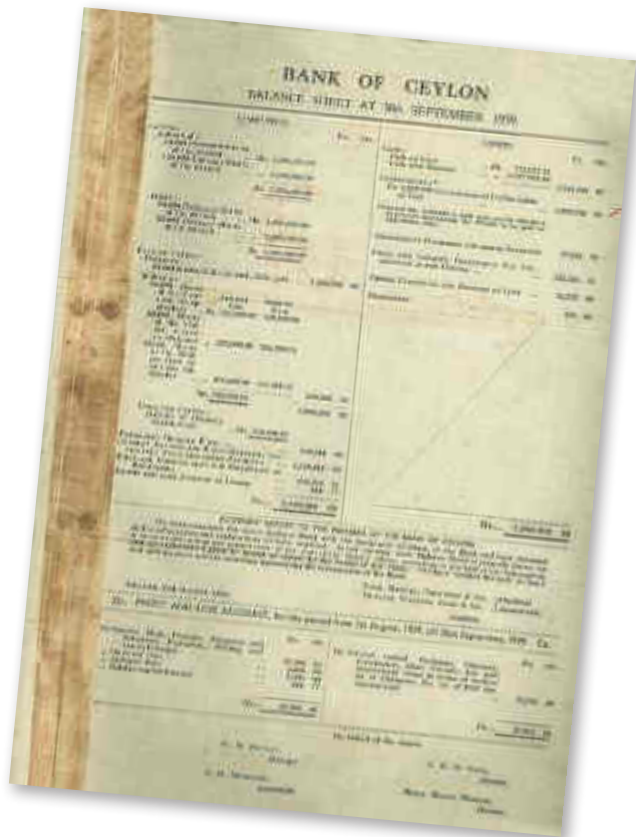
- BOC An-Noor Current Account
- BOC An-Noor Savings Account (Mudaraba)
- BOC An-Noor Children Savings Account (Athfal)
- NRFC Athfal Savings Account
- An-Noor NRFC Savings Account (Murabaha)

Lending Products

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

From then to now...

“ Our journey is a long and fascinating one... beginning in 1939 with an asset base of LKR 7.8 million... and our first branch in Kandy by 1941... ”



1939

BoC issues its first Financial Statement

September 1939 saw Bank of Ceylon record an excellent balance sheet shortly after inception. In the years that followed, the Bank continued to grow and today it stands over LKR 1 trillion.



1941

First branch of the Bank opens in Kandy

The Bank of Ceylon was founded in 1939, with Sir Ernest de Silva as its first Chairman. At the time, Ceylon was a British colony and the then governor Sir Andrew Caldecott ceremoniously opened the bank on 1 August 1939. Two years later, in 1941, BoC started to expand beyond the city of Colombo.

On 15 August 1941 the Bank of Ceylon opened its first branch office at 22A, Ward Street, Kandy.

Subsequently the Bank began expanding its presence with branches in major cities such as Galle, Jaffna, Kurunegala, Batticaloa, Trincomalee, Badulla, and Panadura. Today, it has widened the reach with 570 domestic branches and three overseas branches.

- Sri Lanka (at that time called as Ceylon) was ruled as a colony under various colonial masters before independence. The monopoly position was held by foreigners with regard to trade, commerce and industry and the local people had been victimized by the traders and money lenders. Therefore the necessity arose to establish a national bank to cater the requirement of the local entrepreneurs and to provide financing on a progressive scale to diversify the economy. The State Council of Ceylon has approved for the establishment of a State-aided Bank in Ceylon based on the recommendations of the Banking Commission, which has been appointed in 1934 by the Governor.
- Hence, Bank of Ceylon (BoC) was ceremoniously opened by Sir Andrew Caldecott, then Governor of Ceylon, on 1 August 1939 at the City Office premises located in Fort Colombo.
- BoC, as a domestic bank began to grow despite severe competition from exchange bank and informal money-lenders. It opened its first branch in 1941 at Kandy and subsequently in outstation towns, such as Galle, Jaffna and Trincomalee. Bank of Ceylon opened its first overseas branch in 1949 in London.
- The Bank was nationalized in 1961 to facilitate the national development efforts.
- In keeping with the prevailing state policies, the Bank had to fulfil the aspirations of the nation. Under the Agricultural Productivity Law which was enacted in 1972 Agricultural Service Centres were set up island wide. As a result, the branch network expanded tremendously covering most of the rural areas of the Island.
- The introduction of the open economic policies ushered in the new era in commercial banking in Sri Lanka. The Bank pioneered the introduction of information technology to the commercial banking sector of Sri Lanka. The first Foreign Currency Banking Unit (FCBU) in Sri Lanka was set up by the Bank in 1979 consequent to the liberalization of exchange control regulations.
- The functions of the Bank were developed under four regional offices. Thus by late 70's the Bank grew to new heights with island-wide coverage, increased business volumes and strength and also increased the number of overseas branches. In 1981 the Bank opened a branch in Republic of Maldives.
- Farther to commercial banking activities, Bank of Ceylon began to enter into other business areas through subsidiary and associate companies. The Merchant Bank of Sri Lanka Limited, the first Merchant Bank in Sri Lanka was set up by Bank of Ceylon in 1982. With the establishment of the Property Development Limited, a 32 storied new Head Office was constructed in 1985 to house all administrative offices, International Division and two separate branches for the benefit of corporate and personal customers.
- In collaboration with VISA International, Bank of Ceylon introduced Ceybank Visa Credit Cards in 1989, the first Credit Card to be issued in Sri Lanka, and is now geared to introduce many innovative facilities in the new millennium.
- The 90s decade triggered the need for restructuring and reorganizing processes to keep abreast the dynamic environment. The American consultancy firm, Booz Allen and Hamilton was employed by the Bank to implement change in a streamlined manner. Moreover, BoC was the pioneer institution to introduce the concept of computerization to the rural Sri Lanka through the use of Micro Banking system in most branches.
- In 2005, Bank of Ceylon has taken turnaround initiative to bring its branch network to single online system and it was a successful historical move for the Bank to complete the project in 2009.
- For the first time in the history, Bank raised funds from general public amounting to LKR 4.2 billion in 2008 via a subordinated rupee debenture of 5 years that has been listed in the Colombo Stock Exchange.
- In 2010, BoC diversified its operations in the United Kingdom by upgrading its London branch to a fully fledged bank operating as a subsidiary of BoC that will be used as a platform for global banking and to attract more foreign investment to the country.
- Bank always make adjustments to innovative focus, service differentiation, diversification, cross-selling ability, governance and risk control. Further to take off with the country in its development process, Bank has launched products/units such as an Islamic Banking Unit, which operates through Island wide network and Investment Banking Unit aiming to diversify its portfolio in non-core banking.
- BoC achieved its three year Corporate Plan goals LKR one trillion assets and LKR 10 billion profits by 2012, the highest numbers to be achieved in the Sri Lankan Banking Industry. Year 2012 saw the first ever issuance of US Dollar denominated international bonds by a local commercial bank. These bonds were listed in the Singapore Stock Exchange.
- The Bank celebrated its Diamond Anniversary in 2014 and closed the year by setting an industrial benchmark profit of LKR 20.3 billion.

The stature of Our leadership

“ The Bank of Ceylon has been guided by visionary leadership from the very beginning... ”

Chairpersons



Sir Ernest De Silva
July 1939 - October 1954



Mr H V Perera QC
October 1954 - April 1969



Mr A C Gooneratne QC
April 1969 - June 1970



Mr M F De S Jayaratne
June 1970 - August 1970



Mr K Chinya
August 1970 - December 1973



Mr L N L Perera
March 1974 - September 1975



Mr G B Wikremanayake
September 1975 - April 1977



Mr T Rusiripala
April 1977 - August 1977



Mr N Wijewardane
August 1977 - 1984



Dr L E N Fernando
March 1984 - January 1987



Dr N E H Sanderatne
January 1987 - June 1989



Mr A S Jayawardena
June 1989 - November 1989



Mr Jehan K Cassim
November 1989 - August 1994



Mr R N Asirwatham
August 1994 - August 1997



Mrs Dayani De Silva
September 1997 - November 2000



Deshamanya Ken Balendra
December 2000 - November 2002



Mrs Sumi Moonesinghe
December 2002 - December 2003



Mr Chrisantha Perera
February 2004 - April 2004



Mr Manik Nagahawatte
May 2004 - December 2005



Mr Udayasri Kariyawasam
December 2005 - May 2007



Dr Gamini Wickramasinghe
May 2007 - January 2013



Mr Razik Zarook PC
January 2013 - December 2013



Air Chief Marshal Harsha Abeywickrema
March 2014 - January 2015

The Stature of Our Leadership

General Managers



Mr W B Mackay
July 1939 - 1942



Mr J H Mortlock
1942 - July 1949



Mr A T Hunter
1949 - June 1952



Mr C Loganathan
January 1953 - 1969



Mr S M Sirimanne
1969 - July 1974



Mr M Moheed
July 1974 - March 1976



Mr E C G Wickremasinghe
March 1976 - January 1977



Mr A S Jayawardena
February 1977 - November 1977



Mr C J E Anthonisz
December 1977 - March 1981



Mr L Piyadasa
March 1981 - June 1986



Mr R N B Talwatte
June 1986 - November 1988



Mrs R L Nanayakkara
November 1988 - April 1996



Mrs M S Jayasinghe
April 1996 - July 2000



Mr A Sarath de Silva
August 2000 - August 2002



Mr S N P Palihena
September 2002 - February 2007



Mr B A C Fernando
February 2007 - August 2011



Ms W A Nalani
August 2011 - June 2012



Mr K Dharmasiri
June 2012 - January 2013

Outgoing Chairman's *Review*



AIR CHIEF MARSHAL
HARSHA ABEYWICKREMA

Consolidating Market Leadership

2014 was a challenging year for the financial sector in Sri Lanka. Against this backdrop Bank of Ceylon has delivered a strong performance whilst also consolidating its market leadership in key areas of growth. The Bank delivered the highest ever recorded profit before tax of LKR 20.3 billion for our stakeholders which is the largest profit recorded by any individual entity in the country. We are the leading provider of capital in the country and also have the largest deposit base, a testimony to our commitment to balance key stakeholder needs beyond traditional business models and the reason why Bank of Ceylon remains the leading brand in the country.

The Board's main concerns are to ensure that the Management is well prepared for the future taking into account both global and local developments and also able to face the challenges that may arise in achievement of agreed strategic goals. Key trends shaping the banking sector globally include the rapid advancement of technology in financial services, the changing expectations and preferences of customers, regulatory changes, compliance failures in the financial sector and divergent global economic growth. As a state owned enterprise, we also align our strategy to the Government strategy supporting the socio economic development through provision of financial infrastructure necessary to stimulate or steer economic activity.

The Bank has focussed on addressing these challenges in a holistic manner and is undertaking transformation in key business processes to drive change throughout the organization. The Board is confident that the changes undertaken will improve customer experience,

compliance, the risk management capability and the profitability of the Bank. The Corporate Management team headed by the General Manager are experienced banking professionals who understand the unique stakeholder focus of the Bank and are committed to driving the changes necessary for the Bank to retain its leadership position in the market.

Focus on Results

The Board together with the Management, has focussed on balanced results in a number of key areas. This approach has resulted in a strong financial and social performance as detailed throughout this report, whilst we observed areas for improvement in the environmental performance. Group profit before tax was LKR 21.4 billion, a growth of 33% over the previous year driven by strong growth in fee and commission income, net gains from trading and net gains from financial investments.

Total asset growth was 11% stemming from the growth of treasury portfolios due to weak credit growth observed during 2014, thus positioning the Bank for strategic growth on reversal of the weak investment environment observed during the year. We continue to be a main contributor to the Treasury of the Sri Lankan Government having contributed LKR 6,846 million as dividends in 2014.

The Bank's soundness indicators reflect a healthy position with improved capital adequacy and liquid asset ratios reflecting the growth of lower risk weighted asset portfolios. The infusion of LKR 5 billion share capital in December 2014 also served to enhance our capital adequacy ratios and a further improvement is expected with the LKR 5 billion

“ The Bank delivered the highest recorded profit before tax of LKR 20.3 billion... ”

scheduled for 2015. The Bank's Core Capital Ratio of 9.5% compares well with the country's regulatory minimum of 5%. We are also pleased to observe that Bank of Ceylon's credit rating by Fitch Ratings Lanka Ltd is one of the highest among local commercial banks in the country at AA+. Further, international ratings are on par with the country ratings, the maximum that is possible for a state owned institution.

Responding to Change

The financial sector consolidation proposals revealed in early 2014 was a key development and resulted in a number of mergers and acquisitions of finance companies during the year. Bank of Ceylon had commenced its restructuring of the Group in 2013 to consolidate Merchant Bank of Sri Lanka and Finance PLC with its subsidiaries MCSL Financial Services Limited and MBSL Savings Bank to overcome the capital adequacy shortfalls of MBSL Savings Bank and facilitate a stronger competitive position for all three entities. The merger was completed in January 2015 with all three entities having a

Outgoing Chairman's Review

combined reach of 50 branches and consolidating its competitiveness as a finance company. It is noteworthy that the merger process was completed without any employees being made redundant due to the growth plans formulated by the Group.

Changes in the operating environment arising from monetary and fiscal policy are more fully described throughout the report in relation to the performance of the Bank. The governance and reporting structures set in place by the Board of Directors enabled early identification of trends and formulation of appropriate response plans together with information provided by the Corporate Management of the Bank and joint deliberations, discussion and concurrence with the Board who are the final approving authority.

In discharge of its responsibility to provide strategic guidance, the Board initiated an undertaking to review the Bank's readiness for the future taking into account the changing customer preferences and the increasing digitization of service delivery. The result was the "Wenesa" programme which was formulated to drive holistic change in business processes throughout the Bank with the objective of enhancing the customer experience. The Board of Directors reviewed the plans and ensured that sufficient resources in terms of human, financial and technological capital have been allocated to facilitate a successful outcome. The Boston Consulting Group (BCG) was appointed as consultants to the project to ensure that we had expert opinion and counsel on proposed solutions and prioritization of activities. Process changes implemented

have been successful as observed in the leasing and housing loans which have remarkable improvements in turnaround times. The promise of the "Wenesa" programme will be realized commencing 2015 as the transformation of people and processes gains momentum with the roll out across more geographic regions. Successful implementation of the core banking system is also a key project that was completed facilitating the streamlining of business processes further and also ensuring better reporting and analytics for enhanced performance management.

Governance

Appointment of Directors is in accordance with the Bank of Ceylon Ordinance which specifies that six Directors will be appointed by the Minister in charge of the subject of Finance and Planning which will include one ex-officio representative from the Ministry. This number is below the minimum number of directors specified in the Banking Act Direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks which states that the number should be between 7 and 13. The Board has made recommendations to amend the Bank of Ceylon Ordinance in this regard to resolve the conflict in the legal enactments impacting the operations of the Bank.

“ Group profit before tax was LKR 21.4 billion, a growth of 33% over the previous year driven by strong growth in fee and commission income, net gains from trading and net gains from financial investments ”

75 Years
'Best Beyond'

1939

Incorporation

Bank of Ceylon incorporated as the nation's first indigenous bank under the Bank of Ceylon Ordinance



The governance structures set in place by successive Boards have proved to be in compliance with regulatory requirements and function well. We have deepened the succession planning that commenced in 2013 and also focussed on capacity building of these key employees to enhance their competencies and skills to add value to their prospective roles.

The Board composition has ensured a balance of skills and experience within the Board of Directors facilitating active participation, contribution and deliberation of matters set before the Board. There is sufficient diversity with regards to age and gender within the Board to ensure different perspectives on matters discussed.

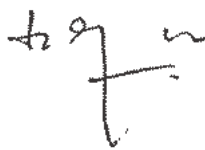
The Board has reviewed the revised Code of Best Practice on Corporate Governance issued jointly by the Securities & Exchange Commission and the Institute of Chartered Accountants of Sri Lanka in July 2013 and have agreed on the changes necessary for compliance with the same.

Acknowledgements

I wish to thank the members of the Board who have contributed actively at meetings and also served as members of Board Subcommittees discharging specific oversight functions. The Corporate Management Team have provided us with useful insights on matters impacting

their key lines of business which have proved invaluable in determining strategy for the Bank and I thank them on behalf of the Board for their dedication and commitment.

I extend my appreciation to the officials of the Ministry of Finance and Planning who have assisted us in aligning our strategy to country strategy to achieve a mutually beneficial outcome. I also wish to acknowledge the co-operation of the officials at the Central Bank of Sri Lanka who have assisted to provide clarification and clearances to facilitate compliance with regulations. I also thank the Auditor General and M/s Ernst & Young, Chartered Accountants who assists the Auditor General for auditing the Financial Statements in an efficient and timely manner. As the outgoing Chairman, I extend my congratulations to the incoming Chairman and Board of Directors and wish them success in taking this great institution into its next period of growth.



Air Chief Marshal Harsha Abeywickrema
Chairman

15 January 2015
Colombo

“The result was the “Wenesa” programme which was formulated to drive holistic change in business processes throughout the Bank with the objective of enhancing the customer experience.”

1940

Introduction of cheques by a commercial bank



1941

*First Branch
First branch of the Bank
opened in Kandy*



New Chairman's *Message*



RONALD C PERERA PC

It is indeed my pleasure to address the stakeholders of Bank of Ceylon at the outset of my taking over the reins of the Board of Directors. This is a period of great importance for the Bank where it has been revisiting the 75 year old corporate story with the view to deliver the best possible results for all the stakeholders. The Bank's theme for the future, "Best beyond 75", encapsulates the futuristic sights to be adopted; delivering Business excellence, Exceeding customer expectations, Speedy delivery and Technology driven. I am looking forward to embrace changes to achieve the set goals as elaborated below.

Customer Centric Transformation

Bank of Ceylon has facilitated the country's economic activity for 75 years and we are committed to enabling individuals and businesses grow and prosper whilst contributing to the development of capital markets in the country. This promise requires us to challenge how we do business at all levels and drive change in our key business lines and processes to deliver financial services to the most demanding generation of customers, employees and business partners who are now shaping our stakeholder value propositions in an unprecedented manner. We see the potential to address inequalities across markets using technology to provide equal access to financial services and cross border connectivity to facilitate trade. Embracing these opportunities whilst addressing the internal and external challenges requires a holistic approach to driving coordinated change throughout the organization. The "Wenesa"

programme commenced in 2014 to drive the organization wide transformation process in our people, the business process and technology which has already delivered some positive results. The Board is committed to orchestrating these changes, consolidating the Bank's leadership position in the industry whilst transforming to become a customer centric bank.

An Employee Focus

Change has to begin with the employees who are the main agents of change and also its key beneficiaries. The talent management programmes of the Bank are being reviewed to focus on the key areas where changes in competencies, attitudes and skills are imperative to entrench new ways of doing business. There is a strong foundation to build on. A deep understanding of our customers and the business of banking has been our competitive edge and the present need is to provide impetus for growth to cater to changing customer preferences. A sales focus for frontline staff who are well supported by highly specialised staff at regional and head office level is a key component of the holistic programme of change. Identifying and addressing issues related to achieving this transformation is a priority as we are cognizant that this is fundamental to achieving our goals. A robust, change focussed employee development programme coupled with performance based incentives and succession planning are key elements tying the overall programme of transformation within the Bank as success depends on alignment of the Bank's goals with the career aspirations of this key stakeholder group.

“The talent management programmes of the Bank are being reviewed to focus on the key areas where changes in competencies, attitudes and skills are imperative to entrench new ways of doing business.”

New Chairman's Message

Technology

Technology is another pillar of the holistic programme of change being implemented as it presents exciting opportunities for scalable growth and taking modern banking to the rural villages engaging them more fully as participants in our country's progress. Considerable investments are in the pipeline to facilitate an enhanced customer experience for customers who increasingly choose to interact with the Bank using mobiles, tablets and computers. The country's 100% mobile penetration rate, increasing proportion of smart phones, the increasing volume of internet transactions are testimony to the need for this transformation and how it will transform banking in the country very quickly. Further, investments in IT projects that serve to automate and enhance operational efficiencies are also being implemented to enhance employee productivity and improve operational cost to income ratios. Consequently, capacity building within the IT department is a strategic imperative reinforcing the need for change to be employee focussed. Projects to enhance the Bank's compliance and risk management capability are also under implementation in response to the prevailing environment of heightened volatility due to escalation of geopolitical risk and rapid regulatory change.

Governance

The new Board appointed by the Minister in charge of Finance in January 2015 comprises experienced professionals from diverse fields with experience in leading entities within the corporate sector. Consequently, the transition has been smooth both at Board level and at Board Subcommittees which have oversight responsibility for key areas. Key Management Personnel are providing us insights into the key business processes as part of a comprehensive induction process which facilitates the transition.

Recent developments in international financial markets have highlighted the need for good governance beyond oversight of financial performance and stewardship of financial assets. The Board is committed to good governance based on sustainability principles which embrace concern for the people, the planet and profits in the long term. The belief that good governance must extend beyond a compliance model ensures that we continue to benchmark international best practices to evaluate possible solutions that can improve governance within the Bank.

Acknowledgements

I take this opportunity to thank the Minister and officials of the Ministry of Finance for their support in our endeavours. I count on the support of the Auditor General and officials in his department in providing assurance on the Financial Statements. Officials of the Central Bank of Sri Lanka engage with the Bank on a regular basis and we thank them for their diligence and willing assistance with clarifications. I also wish to thank the outgoing members of the Board and the Chairman for their stewardship and a smooth transition. I look forward to working together with the management team at Bank of Ceylon to raise the bar on performance and set new milestones in the future.



Ronald C Perera PC
Chairman

18 March 2015
Colombo

Shaping the Future

“The transformation programme “Wenesa” seeks to bring about a step change in customer experience and operational efficiency and it has already begun to yield benefits to the Bank”

The Bank of Ceylon has embarked on an ambitious transformation journey named “Wenesa” to enhance and sustain its leadership position.

The objective of the transformation program is to dramatically enhance the Bank’s capabilities across eight core dimensions.

The Bank has retained the Boston Consulting Group (BCG), a leading international management consulting firm to provide expert advice and to guide the Bank through this journey.

Through a transformed branch network and setting up best-in-class digital channels, the Bank is building capabilities to offer its customers an unmatched experience across the island. Additionally, the Bank is taking measures to simplify processes not only to enhance efficiency but also to provide more responsive customer service in all urban, semi-urban and rural areas.

Change has to begin within and keeping that philosophy in mind the Bank is adopting measures to further invest in its employees. A range of initiatives are being undertaken to instill a performance oriented culture in the Bank.

Investment in technology is at the core of this transformation. The program aims to significantly enhance the technological capabilities of the Bank to meet the future needs of both internal and external stakeholders.

The Bank is as always committed to nation building and through this programme it is designing innovative offerings to support entrepreneurs and SMEs across the island. The programme will empower and create value for thousands of smaller businesses across the nation.

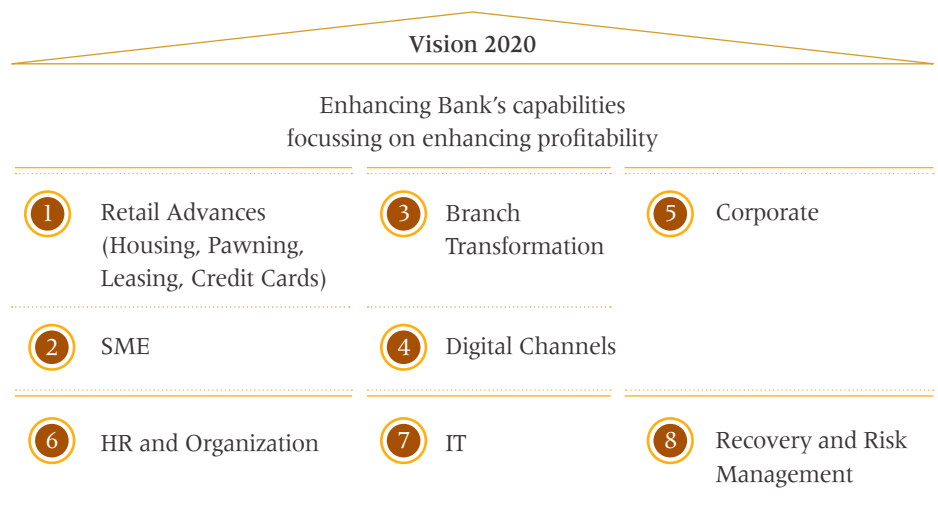
While Bank of Ceylon is focused on growth it is cognizant of the importance of risk management and good governance. The program is undertaking specific measures to improve overall asset quality and reduce Bank wide risk. Strengthening recovery and risk management structures is a key component of this transformation.



Towards a new look

The Board of Directors is committed to supporting the management of the Bank as they execute this large scale transformation. Together everyone will strive to build lasting capabilities to ensure that Bank of Ceylon maintains its market leadership and continues to reach greater heights.

Eight Core Dimensions that “Wenesa” Transformation Targets Across the Bank



General Manager's *Review*



D M GUNASEKARA

Bank of Ceylon celebrates 75 years of existence as the first indigenous bank in the country and it is a fitting time to review our relevance to the country and its citizens. From its inception prior to independence, the Bank has been a catalyst for socio economic progress in the country by facilitating financial inclusion and providing the financial infrastructure necessary to stimulate economic activity in bustling cities and remote villages. Today, the Bank is relevant to the largest corporates in the country as well as to the individuals in newly settled villages, in line with its vision of being Bankers to the Nation, serving all customer segments with a wide product portfolio that meets all their investment, financing and transactional needs from cradle to grave. This has enabled us to become the leading brand in the country in the sector with more than 11 million customers whilst maintaining our record of being the most profitable bank in Sri Lanka. We are also ranked amongst the World's Top 1000 Banks ahead of all other Banks in the country.

Strong Performance

The Bank recorded LKR 20.3 billion as profit before tax which is a key milestone in our history as the highest ever recorded profit for the banking industry and a testimony to our ability to perform in a challenging operating environment reflecting a growth of 29% over 2013. This was achieved despite declining interest rates, higher non performing loans, paucity of credit growth leading to high levels of liquidity and moderated growth in trade volumes. Profit growth was driven by strong growth in fee based income of 42%, gains from trading and investments and enhanced employee

“Today, the Bank is relevant to the largest corporates in the country as well as to the individuals in newly settled villages, in line with its vision of being Bankers to the Nation”

productivity. The highest contributor to operating income continued to be Net Interest Income (NII) accounting for 68% whilst fee based income accounted for 16% and net gains from trading amounted to a further 9%. NII growth was a challenge amounting to LKR 38.5 billion, a mere 3.5% growth over 2013, reflecting the pressure on Net Interest Margins (NIM) inevitable in a declining interest regime. Net operating income for the year was LKR 48.6 billion which reflected a growth of 15% due to increased operating income. Streamlining processes and implementation of 5S programme to enhance the customer experience coupled with enhanced employee productivity curtailed growth of operating expenses. The resulting Return on Average Equity (ROAE) was 20.5% for 2014, well above the industry average of 16.5%.

Total assets grew by 11% to LKR 1.3 trillion, consolidating our position as the largest bank in Sri Lanka. Disappointing credit growth due to weak investment impacted the entire industry presenting challenges in asset and liability management and managing high liquidity levels whilst balancing short term and long term earnings. Consequently,

treasury portfolios (comprising derivative financial instruments, reverse repurchase agreements, financial assets held for trading, financial investments held to maturity, available for sale and loans & receivable) increased significantly by 31% to LKR 439 billion accounting for 33% of total assets at the close of the year. Monetary policy measures aimed at stimulating credit growth through decreased interest rates results towards the latter half of the year resulting in a modest 3% growth in loans and advances as the Bank was also impacted by the decreased borrowing of state owned enterprises. Accordingly, gross loans and advances increased from LKR 755 billion to LKR 778 billion driven largely by growth of the retail banking portfolio. Key initiatives driving retail growth focussed on enhancing the customer experience by reducing processing times and providing tailored solutions.

Deposit growth was strong at 11% par with the industry growth of 11.9% due to growth in both foreign currency deposits and local currency deposits. Further, strengthening our market leadership in this key area is supported by a network of 570 branches in the country and a presence in 115 countries through three

General Manager's Review

branches, 100 exchange houses and 759 correspondent banks. Accordingly, deposits increased from LKR 842.1 billion in 2013 to LKR 934.0 billion in 2014, and continues to be the main source of funding for the Bank accounting for 70% of total liabilities and equity. Equity increased by 30% during the year from LKR 57.7 billion to LKR 74.8 billion accounting for 6% of total liabilities and equity. Equity growth was driven mainly by an infusion of LKR 5 billion as share capital and retained earnings growth of 43% to LKR 45 billion. The island wide branch network, a growing presence overseas, an enviable customer base and a deep understanding of our customer needs honed over 75 years places the Bank in a strong competitive position for growth.

The Bank's core capital and capital adequacy ratios which stand at 9.5% and 13.6%, are comfortably above regulatory minimums. Additionally, our cost to income ratio also improved from 49% to 44% as we curtailed the growth of expenses through a number of initiatives.

Our Operating Environment

The global economy struggled to gather momentum with weaker than expected growth of 3.3% maintaining the same rate of growth as in 2013 as estimated

by the International Monetary Fund in its January 2015 Update on the World Economic Outlook. Advanced economies continued to struggle with the legacies of the global financial crisis and emerging economic growth moderated in comparison to growth rates that prevailed in 2013. USA, Sri Lanka's top export destination, performed better than expected with growth estimated at 2.4% supported by improvement in labour markets. Sri Lanka's second largest export destination UK also evinced signs of recovery with growth increasing to 2.6% in 2014 in line with forecasts. Performance of other key markets such as India, Germany and Italy were below expectations, mainly due to investment factors and moderation in external demand. Another key development that shaped 2014 was the appreciation of the US dollar by 6% during the year whilst most other currencies depreciated during the year reflecting the divergent growth amongst major economies. The sharp decline in oil prices which continued from September, stemming from weak demand from major economies, is expected to stimulate growth in oil importing countries. Interest rates and risk spreads were trending upward in emerging economies which remained vulnerable to reversals of capital flows adding to the uncertainty on growth.

Sri Lanka's GDP growth rate was 7.4% strongly supported by the growth of the services and industrial sectors and comparing well with countries in South Asia. Fiscal and monetary policy was directed at stimulating private sector investment and included initiatives to maintain a low interest and inflation regime whilst simplifying the tax regime and reducing income tax rates to regionally competitive levels. Measures were also taken to improve the performance of state owned enterprises to reduce Government expenditure. The country experienced a period of low inflation and low interest rates as a result of the policy measures implemented which supported a relatively stable currency which depreciated only 0.26% against a strengthening US Dollar. Growth of the trade deficit was curtailed to 10.5% of GDP due to increased exports driven by strengthening demand in major export markets. Exports grew by 10% driven by textiles and garments, coconut and tea. Imports growth was a more moderate 7.8% driven by petroleum products, motor vehicles and consumer goods. Increased earnings from tourism enhanced the potential of this sector during the year as it won many accolades from travel associations of high repute. The Bank was well positioned to capture a market share of the increased remittances from migrant workers who used the increasingly more convenient

75 Years
'Best Beyond'

1942

Pettah Branch

First branch in the Colombo city, the Pettah Branch, opened to support Commercial activities



1943

Bank declared the First dividend

“2014 has been an exciting year for the Bank as we focussed on our future catering to the Millennials entering the workforce as our customers and employees”

formal channels for their remittances as a result of continuous infrastructure development in rural areas.

Growth of the banking sector was impacted by lacklustre credit growth of 14% as pawning portfolios were rationalised due to the continued volatility of gold prices. Profitability of the sector as measured by ROAE improved marginally from 16% to 16.5% supported by growth in both net interest income and non interest income, enhanced employee productivity and improved cost efficiency ratios across the sector. Asset quality as measured by non performing loans to total loans and advances improved from 5.6% to 4.2% moving in tandem with the net non performing loans to total loans and advances which improved from 3.8% to 2.6%. Liquidity levels increased due to weakness in credit demand as funds were temporarily parked in treasury portfolios. Capital adequacy ratio and the core capital ratio for the sectors declined marginally optimizing the use of funds and remaining comfortably above regulatory minimum levels.

Fit for the Future

2014 has been an exciting year for the Bank as we focussed on our future catering to the Millennials entering the workforce as our customers and employees. A tech savvy and demanding generation expecting services at the click of a mouse presents challenges to many organizations and the Bank determined to move early in this regard to position ourselves to cater to the changing customer preferences. Accordingly, Boston Consulting Group was engaged by the Board to assist the

Bank in facilitating the transformation process which was the outcome of wide stakeholder consultations, internal deliberation, brainstorming and debate. The transformation programme was aptly titled “Wenesa”, the Sinhalese word for change, as it was the only truism and common factor in all the initiatives implemented which was organization wide, varied and impactful. A handpicked team of employees representing the key departments and with a varied combination of skills was deployed on a full time basis to drive the changes identified and prioritized according to a detailed implementation plan. We have already witnessed the results of quick wins implemented, such as the processing of housing loans and leasing which have served to enhance the customer experience through reduced processing times and meaningful documentation. Lean initiatives, increased digitization of processes and the 5S roll out at branch level have supported the “Wenesa” programme outcomes as well as with the concepts permeating our culture at all levels of the organization.

We have also taken steps to ensure that our team is future ready, as they are the owners of the transformed processes and their commitment is key to successful transformation. A comprehensive communication programme was undertaken to apprise all employees of the rationale for change and how it will impact their work. Training opportunities were also provided to ensure that they would be able to work productively and efficiently in a highly digitised environment and also to assist customers

1944

Deposit base exceeded LKR 100 million

1945

The Bank widened into the periphery by opening branches in Jaffna and Trincomalee



General Manager's Review

with the transformation on to digital platforms. Employee productivity has improved as a result of these initiatives enabling us to increase the number of staff engaged in revenue generating activities building more sales focussed teams.

The Board and the Corporate Management team served as steering committees for the transformation projects, monitoring its progress and ensuring sufficient allocation of resources for effective and timely completion of the numerous activities that made up the total project. Guidance of the Board has been invaluable in driving the projects and I appreciate their counsel and guidance in driving these projects to ensure that the Bank is fit to lead the industry and shape how Sri Lankans bank in the future.

Our ability to attract talent has also supported our growth plans as we recruited 236 employees from Generation Y to ensure that there is understanding of the generation within the Bank and the access to different skills developed by this generation in order to compete effectively.

Another key component of the fit for the future initiative was the successful implementation of the new core banking system which enables digitization of more processes, better reporting and analytics. This project also contributed significantly to enhance employee productivity, although the full impact will be felt only in 2015.

Way Forward

We expect the reduced oil prices to stimulate economic growth in the country, particularly in the industrial sector. Recovery in key export markets is also encouraging for growth in exports strengthening trade volumes. Demand for imported goods is also expected to increase as disposable incomes in the country increase further supporting growth in trade volumes. Monetary policy and fiscal policy direction will play a key role in the performance of the sector and will be closely monitored due to heightened uncertainty in this regard. We expect interest rates and inflation to move upwards during the year in line with other developing countries presenting new challenges in asset and liability management for the sector in order to

sustain earnings growth. Exchange rate volatility may increase in comparison to 2014 in response to both external and internal factors.

Bank of Ceylon will continue implementation of its "Wenesa" programme streamlining processes and enhancing employee productivity to improve the customer experience. Increased digitization to enhance both the customer experience as well as support productivity will transform the operations of the Bank, shaping the way Sri Lankans bank throughout the island. The new digital platforms will also enable the launch of more transactional products that will leverage on the country's 100% mobile penetration and the growth in smart phones which now accounts for approximately 20% of the mobile phone market. As disposable incomes are expected to increase we see potential for growth in retail banking with an increased volume of transactions becoming digitised through growth in cards and online transactions. Corporate banking is also expected to grow as investment factors strengthen and reduced oil prices support country competitiveness in exports.

75 Years
'Best Beyond'

1946

Foreign Department

Foreign Department opened in Colombo Fort to facilitate transactions of foreign exchange business



“As disposable incomes are expected to increase we see potential for growth in retail banking with an increased volume of transactions becoming digitised through growth in cards and online transactions.”

Bank of Ceylon is well positioned to reap the benefits of a strong island wide presence and its unparalleled overseas networks in growing both retail and corporate banking segments, gaining market share and consolidating its position as Bankers to the Nation.

A strong employee focus has served us well over our 75 years and we will continue to develop our employees to equip them for career progression in a rapidly evolving operating environment. There is a greater degree of specialization that will be required and our forecasted growth presents exciting opportunities for employees of talent, ability and ambition. We strongly believe that our unique culture, which is the commonality within, is the key differentiator in a very competitive market and ensuring that we continue to maintain this edge is good business. Additionally, a pension fund was set up for employees of the Bank who joined after 1 January 1996 providing a pension to those who retire from the service of the Bank if they have completed 10 years of service. This is extended to all employees who will join the Bank in the future as well, significantly increasing our ability to attract and retain employees.

We remain committed to our sustainable financing business model which goes beyond economic profit to embrace social and environmental aspects in how we measure our results, a philosophy that has served us well over the years.

Acknowledgements

I take this opportunity to thank all our customers for their cooperation and support over the years and the employees of the Bank for their enthusiasm in embracing the changes that are being implemented throughout the organization. I also wish to thank the Board for their wise counsel and guidance in matters of governance and strategic direction which has set strong foundations for sustainable growth. My sincere thanks go to the Secretary to the Treasury, Central Bank Officials and Auditor General who have engaged with us on a proactive basis facilitating compliance on regulatory matters. I also thank the officials of the Ministry of Finance and Planning who have assisted us and paved the way for enhancing our share capital by LKR 10 billion through the 2014/15 Government budget.



D M Gunasekara
General Manager

18 March 2015
Colombo

1949

Beyond local boundaries
First overseas branch opened in London



1953

First native General Manager
The first Ceylonese General Manager of the Bank was appointed



Board of Directors



Left to right

Mr Lalith P Withana

Independent Non- Executive Director

Mr Chandrasiri de Silva

Non- Executive Director

Ms Nalini D Abeywardene

Non- Executive Director

Air Chief Marshal Harsha Abeywickrema

Chairman, Independent Non-Executive Director

Mr Raju Sivaraman

Independent Non-Executive Director

Ms K M A Nelumani Daulagala

Non-Executive Ex officio Director

Mr R M Ananda Ratnayake

Alternate to Non- Executive Ex officio Director

Ms Janaki Senanayake Siriwardane

Secretary to the Board/Secretary, Bank of Ceylon



Board of Directors

Air Chief Marshal (ACM) Harsha Abeywickrema

Chairman, Independent Non-Executive Director

ACM Abeywickrema was appointed as the Chairman of the Board of Bank of Ceylon on 15 March 2014. He is the former Commander of the Sri Lanka Air Force.

He was the Chairman of the Board Human Resources and Remuneration Committee.

During the year under review, he was also the Chairman of Property Development PLC and Koladeniya Hydropower (Private) Limited, which are subsidiaries of the Bank.

He is a Director of Sunshine Holdings PLC.

He brought in his apparent leadership qualities, experience in the public sector, management and administrative skills to the Board.

He holds a Master of Arts (MA) Degree in International Studies from the King's College, University of London, UK and a Master of Science (MSc) in Management from the General Sir John Kotelawala Defence University, Sri Lanka. He is also a graduate of the Royal College of Defence Studies, London, UK and the Air Command and Staff College of the Air University, USA.

ACM Abeywickrema resigned from the Board with effect from 16 January 2015.

Ms K M A Nelumani Daulagala

Non-Executive Ex officio Director

Ms Daulagala was appointed to the Board on 29 January 2014 representing the Ministry charged with the subject of Finance.

She was a member of the Board Audit and Integrated Risk Management Committees.

She served as a member on the Board of Sri Lanka Insurance Corporation Limited, Employees' Trust Fund Board and the Board of Trustees of State Institutions Temporary Surplus Trust Fund. Also served as the Director General, Department of Public Enterprises, Ministry of Finance and Planning.

She brought in her over 20 years of experience at Central Bank of Sri Lanka (CBSL) where she held senior positions of Chief Accountant, Director of Department of Financial Stability Studies. Presently she is serving as Director, Supervision of Non Bank Financial Institutions.

Ms Daulagala holds a Master of Business Administration (MBA) Degree from the University of Sri Jayawardenapura, Colombo and a Master of Science (MSc) Degree in Financial and Business Economics from the University of Essex, UK. She is a Fellow member of the Chartered Institute of Management Accountants (FCMA), UK.

Ms Daulagala ceased to be a Board member with effect from 6 February 2015.

Mr Raju Sivaraman

Independent Non-Executive Director

Mr Sivaraman was first appointed to the Board in 9 January 2006 and re-appointed in June 2007, May 2010 and May 2013. He also functioned as Acting Chairman, Bank of Ceylon during the period 30 December 2013 to 14 March 2014.

He served as the Chairman of the Board Nomination and Corporate Governance Committee and as a member of the Board Audit, Integrated Risk Management and Human Resources and Remuneration Committees.

Mr Sivaraman served as the Chairman of Property Development PLC, Koladeniya Hydropower (Private) Limited and MBSL Insurance Company Limited. He was a member of the National Police Commission. He also served as a Director on many Boards including Merchant Bank of Sri Lanka PLC (now Merchant Bank of Sri Lanka & Finance PLC), MCSL Financial Services Limited (now merged with Merchant Bank of Sri Lanka & Finance PLC), Mireka Capital Land (Private) Limited, Mireka Homes (Private) Limited, Road Development Authority, Design Centre, Milco (Private) Limited and Ceylease Limited (now merged with Merchant Bank of Sri Lanka & Finance PLC). He was also a Council member and the Treasurer of the Sri Lanka Institute of Architects.

He is the Managing Director of Arch-Triad Consultants (Private) Limited and Ram Developers (Private) Limited and also the sole proprietor of M/s Triad Consultants, Chartered Architects and Engineers.

He counts over 30 years of experience in management and architecture. During his tenure of 9 years of services on the Board, he brought a wealth of experience gained in public and private sectors across diverse fields.

He is a Chartered Architect, Fellow member of the Institute of Architects of Sri Lanka and holds a Master's Degree in Architecture from the University of Moratuwa.

He resigned from the Board on 8 January 2015 on completion of 9 years of service on the Board.

Ms Nalini D Abeywardene

Non-Executive Director

Ms Abeywardene was first appointed to the Board in May 2010 and re-appointed in May 2013.

She served on the Board Human Resources and Remuneration Committee.

She was a Commissioner of the Human Rights Commission of Sri Lanka during the period 2006 to 2009. She served as a Director on the Boards of BOC Travels (Private) Limited and Hotels Colombo (1963) Limited which are subsidiaries of the Bank.

She is a member of the Board of Management of the Galle Heritage Foundation of the Ministry of National Heritage.

She brought to the Board her extensive experience in the field of commercial law and more than 25 years of management experience in the private sector tea industry.

Ms Abeywardene is an Attorney-at-Law.

She resigned with effect from 16 January 2015.

Mr Chandrasiri de Silva

Non-Executive Director

Mr Chandrasiri de Silva was first appointed to the Board in May 2010 and re-appointed in May 2013.

He served on the Board Human Resources and Remuneration Committee and Nomination and Corporate Governance Committee during the year under review.

He has served as the Chairman of People's Travels Limited and Director of People's Bank, People's Merchant Bank PLC and People's Insurance Company Limited.

During his tenure as a Director of the Bank, he was the Chairman of BOC Travels (Private) Limited and a Director of Hotels Colombo (1963) Limited, which are subsidiaries of the Bank.

He brought to the Board his specialized experience and knowledge in the fields of law, business and insurance.

He is an Attorney-at-Law and holds a Master's Degree in International Trade Law from the University of Wales, UK.

He resigned from the Board with effect from 16 January 2015.

Mr Lalith P Withana

Independent Non-Executive Director

Mr Withana was appointed to the Board on 19 June 2013. He has served as a Director on the Board during the period 26 May 2004 to 06 December 2005 as well.

He was the Chairman of the Board Audit and Integrated Risk Management Committees and a member of the Nomination and Corporate Governance Committee.

He has served as a Director on the Boards of Dankotuwa Porcelain PLC, Merchant Bank of Sri Lanka PLC (now Merchant Bank of Sri Lanka & Finance PLC), Ceylease Limited (now merged with Merchant Bank of Sri Lanka & Finance PLC) and Seylan Bank PLC and was a Commissioner of the Telecommunication Regulatory Commission.

He is the Chief Operating Officer of Dilmah Group.

Mr Withana brought to the Board his experience over 20 years in management positions in the corporate sector, out of which more than 12 years at senior management levels in diversified fields such as banking, trade, procurement and IT. He has served in organizations such as Brandix Group, M/s Ernst & Young, Chartered Accountants, Amro Bank, IBM World Trade Corporation, Carsons and

Cumberbatch PLC, Yamaha (USA), Orit Apparels Lanka (Private) Limited and Orit Trading Lanka (Private) Limited.

He holds a Master of Business Administration (MBA) Degree from the University of Sri Jayawardenepura and a Bachelor of Arts (BA) Hons. Degree from the University of Manchester, UK. He is a Fellow member of the Chartered Institute of Management Accountants (FCMA), UK, a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and a Project Management Professional (PMP).

Mr Withana resigned from the Board with effect from 16 January 2015.

Mr R M Ananda Ratnayake

Alternate Director to Non-Executive Ex officio Director

Mr Ratnayake was the Alternate to Ex officio Directors on the Board from 30 January 2013.

He is a member on the Boards of West Coast Power (Private) Limited and De La Rue Lanka Currency & Security Print (Private) Limited.

He is presently the Additional Director General of the Department of Treasury Operations of the Ministry of Finance.

Mr Ratnayake has experience in the public sector for over 21 years in several senior capacities.

Mr Ratnayake holds a Master's Degree in Public Management from the National University of Singapore, Post Graduate Diploma in Managerial Control and Management Information Systems from Maastricht School of Management (MSM) of The Netherlands, Post Graduate Diploma in Business and Financial Administration from the Institute of Chartered Accountants of Sri Lanka and Bachelor of Commerce (B.Com.- Special) Hons. Degree from the University of Kelaniya, Sri Lanka. He is a Fellow member of the Association of Public Finance Accountants of Sri Lanka and a member of the Academy of Accounting Technicians of Sri Lanka.

He ceased to be Alternate Director with effect from 6 February 2015.

New Board of Directors



Mr Ronald C Perera PC
Chairman
Independent Non-Executive Director



Mr Ranel T Wijesinha
Independent Non-Executive Director



Ms Pushpa Wellappili
Non-Executive Ex officio Director



Mr Brian J Sinniah
Independent Non-Executive Director



**Mr Aruna Priyadarsha
Kurumbalapitiya**
*Alternate Director to Non-Executive
Ex officio Director*

Mr Ronald C Perera

President's Counsel

Chairman, Independent Non-Executive Director

Mr Perera, PC, has been appointed as the Chairman, Bank of Ceylon with effect from 28 January 2015.

He is the Chairman of the Board Human Resources and Remuneration Committee and a member on the Nomination and Corporate Governance Committee and Intergrated Risk Management Commettee.

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

Mr Perera is a Director of Mireka Capital Land (Private) Limited and Mireka Homes (Private) Limited.

He holds a Bachelor of Laws (LLB) degree from the University of Colombo and also holds a LLM in International Trade Law from Northumbria University, UK.

Ms Pushpa Wellappili

Non-Executive Ex officio Director

Ms Wellappili was appointed as the Ex officio Director representing the Ministry of Finance on the Board of Bank of Ceylon on 12 February 2015. She is a member of all Board subcommittees viz. Audit Committee, Integrated Risk Management Committee, Human Resources and Remuneration Committee and Nomination and Corporate Governance Committee.

She is an Officer of the Sri Lanka Administrative Service and counts over 30 years of experience in management in the public sector. Ms Wellappili has served as a Director on the Boards of Management of Sri Lanka Telecom, Sri Lanka Tea Board, Post Graduate Institute of Science, National Police Academy, Institute of Policy Studies and Sri Lanka Institute of Development Administration until end of 2014. Also she has held the positions of Additional Secretary to the President, Director General, Public Finance Department of the General Treasury, Director in the Ministry of Housing and Urban Development and Assistant Commissioner of Probation and Childcare Services.

She is presently a Deputy Secretary to the Treasury of the Ministry of Finance and serves as a Director of Insurance Board of Sri Lanka.

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

Mr Ranel T Wijesinha

Independent Non-Executive Director

Mr Ranel T Wijesinha, appointed to the Board on 9 February 2015, is Chairman of the Audit Committee and a Director of Hotels Colombo (1963) Limited, which is a subsidiary, of the Bank.

Presently an independent management consultant, he is a Fellow of the Institute of Chartered Accountants of Sri Lanka and holds a Masters Degree in Business Administration from the University of Pittsburgh, in Pennsylvania, USA. A Past President of CA Sri Lanka and a Past President of the 23 nation Confederation of Asian and Pacific Accountants, Mr Wijesinha has a unique blend of work experience, locally and overseas, in public practice and private industry and in advisory and regulatory roles for Governments.

Having begun his career with KPMG Sri Lanka, he worked overseas as a Manager with Deloitte in the Bahamas, where he co-managed projects with the firm's US offices. On his return to Sri Lanka, he set up the first Business Development Division for the John Keells Holdings Group. Functioning as its first director, he designed and implemented several restructuring and turnaround strategies for subsidiaries within the group, advised on new projects, acquisitions and divestments. Pursuant to his move into independent consulting, he was invited to the Partnership of Coopers & Lybrand, to revive its consulting division and served as Partner and Head of Consulting of PricewaterhouseCoopers, Sri Lanka, consequent to the firm's global merger.

Mr Wijesinha has previously served as a regulator, on the Securities and Exchange Commission, the first Consumer Affairs Council and the Sri Lanka Accounting and Auditing Standards Monitoring Board. He has recently performed advisory work in the public sector for foreign Governments

in several post soviet nations, as an independent international consultant to the Asian Development Bank. In February 2015, he was appointed as a Commissioner of the Securities and Exchange Commission of Sri Lanka.

Mr Brian J Sinniah

Independent Non-Executive Director

Mr Sinniah was appointed as a Director to the Board of Bank of Ceylon with effect from 9 February 2015.

He is the Chairman of Board Integrated Risk Management Committee and a member of Audit Committee, Human Resources and Remuneration Committee and Nomination and Corporate Governance Committee.

He is an experienced banker with more than 35 years in the banking industry. He has held various senior positions in branch banking, operations, credit, recoveries and risk and compliance at a leading commercial bank in the country.

He was also a consultant for Sarvodaya Economic Enterprise Development Services (GTE) Ltd (SEEDS), the economic arm of the well-known Sarvodaya Movement, a leading local Non Government Organization, providing micro finance throughout the island and contributed to the floating of Deshodaya Development Finance Company Ltd which is now in operation.

He is a Director of Merchant Bank of Sri Lanka & Finance PLC which is a subsidiary of Bank of Ceylon. He is the Chief Financial Officer of the Global Group of Companies.

Mr Aruna Priyadarsha Kurumbalapatiya

Alternate Director to Non-Executive Ex officio Director

Mr Kurumbalapatiya was appointed as the Alternate to Ex officio Director on 26 February 2015.

He has experience in the public sector and finance and has served as the Deputy Director of Department of Public Finance.

Presently he is the Director of Macro Accounts and Accrual Accounts, Department of State Accounts, Ministry of Finance.

He holds a Bachelor of Science (Public) Special Degree from the University of Sri Jayawardenepura, Higher National Diploma in Accountancy (HNDA) and Postgraduate Diploma in Accounting and Financial Management from the University of Sri Jayawardenepura. He is a Fellow member of Public Finance Accountants of Sri Lanka and Member of Certified Business Accountant, Chartered Accountants in Sri Lanka.

Stakeholder Engagement

Stakeholder Engagement is embedded into the Bank's governance and policy framework through our Corporate Vision. It is also encapsulated in the Sustainability Policy approved by the Board of Directors in 2013. The following table summarises key areas of this policy:

Employees

Primary Engagement Mechanisms

- Employee engagement surveys
- Consultative meetings with the trade unions
- Employee suggestion schemes
- Grievance reporting procedure
- Social entertainment and sport events
- Welfare facilities to staff members

Needs Identified

- Development and career progression
- Performance enabling environment
- Work life balance
- Health and safety
- Collective bargaining
- Equal opportunity
- Special needs of key groups such as women

Stakeholder Management Framework

We will invest in developing our employees in an environment where they are treated with respect, while their professional development and economic wellbeing is enhanced.

Customers

Primary Engagement Mechanisms

- Online and local engagement by branch teams and relationship managers
- Customer satisfaction surveys
- Market research
- Production, promotion campaigns and facilitation programmes
- Province customer day

Needs Identified

- Customer service
- Convenience of transacting
- Upholding customer charter
- Improving financial inclusion through appropriate products, education advice and consultation
- Communication in language of choice

Stakeholder Management Framework

We uphold the rights of our customers in line with our customer charter ensuring that they understand the terms and conditions relating to services accessed by them.

Investors

Primary Engagement Mechanisms

- One to one meetings with large investors
- Relationships with intermediaries
- Investor presentation
- Roadshows

Needs Identified

- Comprehensive but concise information on operations and future outlook at regular intervals
- Returns commensurate with risks assumed
- Exit mechanisms

Stakeholder Management Framework

We commit to providing a balanced review of our performance and prospects in our communications with investors ensuring a competitive return to their investment.

Government and Regulators

Primary Engagement Mechanisms

- Continuous dialogues with the Government ministries and SOE's
- Meetings, policy trend analysis and industry forums
- Continuous updating based on regulatory requirement of Government and regulators

Needs Identified

- Stability and growth of financial sector
- Large funding needs of the Government's capital expenditure
- Responsible business practices
- Alignment of national priorities to Bank's strategy
- Financial inclusion
- Financing and facilitation of infrastructure projects
- Compliance with regulatory direction and contribution to on-going dialogue on financial sector reform
- Value addition

Stakeholder Management Framework

The Bank is committed to meet its economic, social and environmental obligations in line with the country's strategy. The corporate plan of the Bank has adopted a sustainable integration programme with Government's development programme.

Community

Primary Engagement Mechanisms

- Local branch engagement, media, social events and sponsorships.
- Higher degree of participation

Needs Identified

- Responsible business practices
- Community development
- Community empowerment
- Employment
- Financial strength and credibility

Stakeholder Management Framework

We engage with local communities to develop economic activity providing opportunities and facilitating their socio economic wellbeing.

Suppliers and Service Providers

Primary Engagement Mechanisms

- Regular meetings, written communications
- Transparent bidding process
- Relationship building

Needs Identified

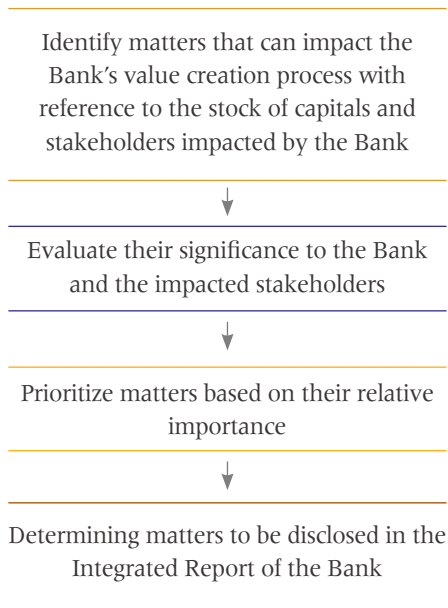
- Business growth
- Responsible business practices
- Ease of transacting
- Strategic partnerships
- Transformation in procurement process
- Open communication

Stakeholder Management Framework

We recognise excellence in service by our suppliers and look to support their growth through mutually rewarding partnerships.

Determining Material Issues

The material issues that impact the Bank and its stakeholders are identified in the Bank's Sustainability Policy which also assigns accountability to the relevant heads of departments to measure and monitor the activities. Progress on the material issues determined are monitored on an organizational basis by the Sustainability Committee which is chaired by the General Manager of the Bank. The process adopted for identifying the material issues is given below:



“In evaluating the impact of issues, we have considered both the frequency of occurrence and the severity of impact on the stakeholder groups and the Bank.”

Members of the Sustainability Committee have collectively identified the material issues taking into account the impact of the Bank's operations on the key stakeholder groups and the Bank's sustainable growth in the long term. In evaluating the impact of issues, we have considered both the frequency of occurrence and the severity of impact on the stakeholder groups and the Bank. The G4 guidelines published by the Global Reporting Initiative (GRI) were used to provide guidance as to material aspects and indicators that should be included in the report, virtuous cycle for measurement, monitoring and improving on the identified indicators.

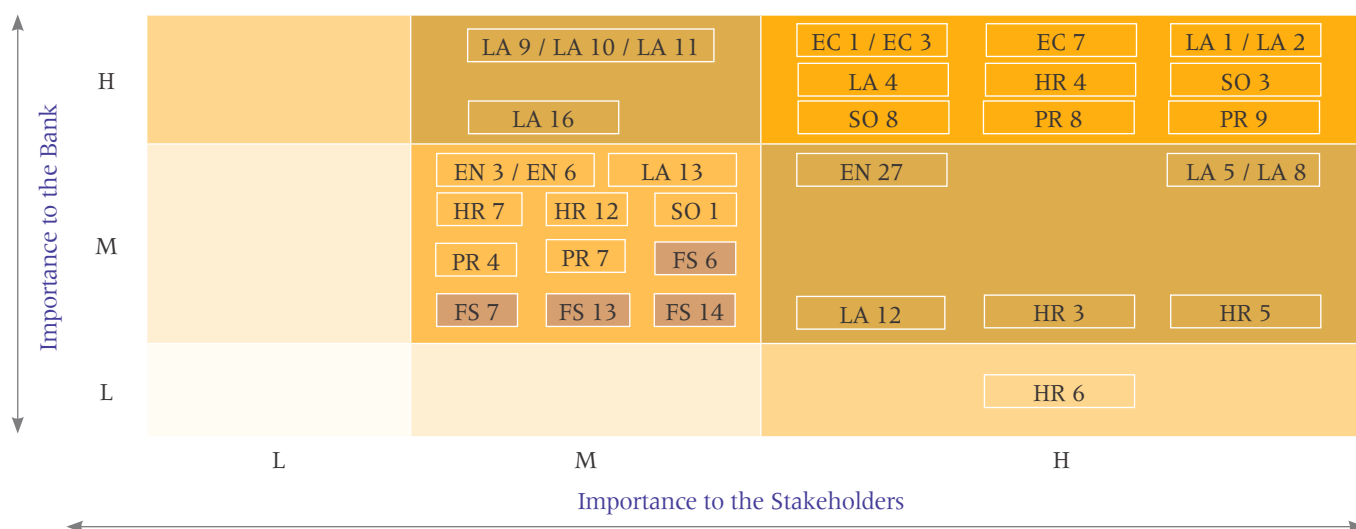
This procedure is followed annually and the list is amended as deemed necessary in order to reflect the changing value creation model of the Bank and stakeholder needs. The Bank found reporting under “core” option is more suitable and accordingly this year the Bank reports, under GRI G4 “in accordance core” option by shifting from comprehensive option adopted last year.



1956

Became the largest lender to the private sector of the economy

Category	Economic	Environmental		
Aspect	Economic Performance (EC 1/EC 3)	Energy (EN 3/EN 6)		
	Indirect Economic Impacts (EC 7)	Products and Services (EN 27)		
Category	Social			
Sub Category	Labour Practices and Decent Work	Human Rights	Society	Product Responsibility
Aspect	Employment (LA 1/LA 2)	Non-discrimination (HR 3)	Local Communities (SO 1) (FS 13) (FS 14)	Product and Services Labelling (PR 4) (FS 6) (FS 7)
	Labour Management Relations (LA 4)	Freedom of Association and Collective Bargaining (HR 4)	Anti-Corruption (SO 3)	Marketing Communication (PR 7)
	Occupational Health and Safety (LA 5/LA 8)	Child Labour (HR 5)	Compliance (SO 8)	Customer Privacy (PR 8)
	Training and Education (LA 9/LA 10/LA 11)	Forced or Compulsory Labour (HR 6)		Compliance (PR 9)
	Diversity and Equal Opportunity (LA 12)	Security Practices (HR 7)		
	Equal Remuneration for men and women (LA 13)	Human Rights Grievance Mechanisms (HR 12)		
	Labour Practices and Grievance Mechanisms (LA 16)			



1956

Bank introduced mobile banking service 'a bank of wheels'



1957

Bank's assets reached LKR 742 million, an increase of LKR 119 million over the previous year

Corporate Management



Left to right

Mr Senarath Bandara
Mr D M Gunasekara
Mr P A Lionel
Mr W P Russel Fonseka

Mr S M S C Jayasuriya
Mr K E D Sumanasiri
Mr P J Jayasinghe
Mr D P K Gunasekara



Left to right

Mr Lalith J Fernando

Ms S H Ranawaka

Mr G L Palitha Jinasoma

Mr G H Chandrasiri

Dr Indunil Liyanage

Ms Janaki Senanayake Siriwardane

Mr P M Liyanage

Mr M M Luxaman Perera

Corporate Management

Mr D M Gunasekara

General Manager

Skills and Experience

Mr Gunasekara is a Career banker with 31 years of diversified banking experience covering corporate and offshore banking, sales and channel management and international banking operations. Prior to his being appointed as the General Manager, he has held a number of key corporate management positions in these areas. He possesses extensive experience in credit management and administration.

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

Appointment to the Corporate Management

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

Positions Held During the Year

He is a Non-Executive nominee Director on the Boards of BOC Travels (Private) Limited, BOC Property Development &

Management (Private) Limited, Property Development PLC., BOC Management & Support Services (Private) Limited., Bank of Ceylon (UK) Limited, Ceybank Holiday Homes (Private) Limited, Hotels Colombo (1963) Limited, Merchant Bank of Sri Lanka & Finance PLC, Ceybank Asset Management Limited, Institute of Bankers of Sri Lanka, Credit Information Bureau of Sri Lanka, Lanka Financial Services Bureau Limited, LankaClear (Private) Limited, Sri Lanka Banks' Association (Guarantee) Limited and the Financial Ombudsman Sri Lanka (Guarantee) Limited.

Career Milestones

Mr Gunasekara commenced his career with the Bank in 1983 and over the years received training and exposure in a number of areas and at different levels concentrating mostly on credit management and administration. He served at the London branch from 1997 – 2000. He has made an important contribution through his services as a resource person of Bank's Central Training Institute and with the Institute of Bankers of Sri Lanka. He is also a Council Member of the Association of Professional Bankers.

Mr P A Lionel

Senior Deputy General Manager

(International, Treasury and Investment)

Skills and Experience

Mr Lionel joined the Bank's service in 1983. He is a career banker counting over 31 years of experience in banking and financial services specializing in the areas of treasury, international operations

and investment banking and has been involved in managing assets and liabilities, fund raising activities, securities trading, risk management in relation to treasury and cross boarder funding. He has flair for developing and marketing treasury products. He obtained his Bachelor of Arts Degree from the University of Colombo, Sri Lanka in 1980.

Appointment to the Corporate Management

He was appointed as the Deputy General Manager (International, Treasury and Investment) in March 2012. Previously, he held the position of Deputy General Manager (HR Operations and Investment Banking) from October 2010 to March 2012.

Positions Held During the Year

Mr Lionel serves as a director on the Boards of Lanka Hospital Corporations PLC, Lanka Hospitals Diagnostics, Property Development PLC, Koladeniya Hydropower (Private) Limited, Ceybank Asset Management Limited, and Lanka Securities (Private) Limited. He is a member of the Governing Board of the Institute of Bankers of Sri Lanka, and also a member of the Cabinet appointed Procurement Committee of Ceylon Petroleum Corporation. Mr Lionel holds the esteemed presidency of the Sri Lanka FOREX Association which is the apex body of treasury and dealing activities. As the president, he has initiated number of activities to enhance knowledge of FOREX community and also to develop FOREX market in Sri Lanka.

Career Milestones

He held the positions of CEO of the Primary Dealer Unit of the Bank and headed the Treasury and Investment Unit. He received a broad exposure and an extensive training in treasury management and FOREX dealing activities in London from 1988 to 1989, and also served as the Head of Treasury at the BoC Branch in Karachi, Pakistan.

He has been functioning in the areas of treasury, international and Investment for over 25 years and innovations of BoC treasury was completely handled by Mr Lionel. All large syndications in the international market have been structured under his patronage. He also led the launch of two USD Bond transactions, mobilizing one billion US Dollars. Recently, launch of rupee option by Bank of Ceylon was also one of his achievements.

Mr Senarath Bandara

Deputy General Manager (Product and Development Banking)

Skills and Experience

Mr Bandara is a career banker counting over 25 years of experience in diversified fields, both in the local and international banking arena.

He is a Physical Science graduate of University of Kelaniya, Sri Lanka and holds a Master of Business Administration with a Merit Pass from the Postgraduate Institute of Management, University of Sri Jayewardenepura, Sri Lanka. He is a Fellow member of the Institute of Bankers of Sri Lanka and obtained a Postgraduate Diploma in Bank Management from the same institute, achieving the best student award in 1998.

Appointment to the Corporate Management

He was appointed as a Deputy General Manager in March 2012. His current business portfolio includes product

management, islamic financing, development banking, electronic banking and credit/debit cards operations.

Positions Held During the Year

He is a nominee director of BoC to Regional Development Bank, Merchant Bank of Sri Lanka & Finance PLC and MBSL Insurance Company Limited and an alternate director to Mireka Capital (Private) Limited and Ceybank Holiday Homes (Private) Limited.

Career Milestones

Mr Bandara was a member of the Executive Management since January 2008 holding the position of Assistant General Manager overseeing diverse business fields, viz. Overseas branches, international, corporate relations and as the Chief Executive Officer of Bank of Ceylon (UK) Limited at different periods.

He joined the Bank in January 1990 as a management trainee and rose up in his career, gaining diverse experience both locally and abroad mainly in the fields of information systems, investments, treasury management, international banking operations and corporate banking. He successfully spearheaded the process of converting Bank of Ceylon operations in London from branch to subsidiary status in 2010 gaining sound fundamental knowledge of regulations and compliances in the banking arena. He presently provides leadership for several technology driven development projects in the Bank "Signature" and "Wenesa" are two such key projects currently being overseen by Mr Bandara. He had been a resource person at the Institute of Bankers of Sri Lanka too, in the field of credit and investment management.

Prior to joining the Bank, he was an Assistant Lecturer at the University of Kelaniya and also served at the Mahaweli Authority.

Mr W P Russel Fonseka

Deputy General Manager (Retail Banking)/ Acting Chief Financial Officer

Skills and Experience

Mr Fonseka possesses over 25 years of hand on experience in banking operations with specialized knowledge in financial management and strategic planning.

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

Appointment to the Corporate Management

Appointed as the Deputy General Manager (Retail Banking) in May 2013. Prior to that, he held the positions of Deputy General Manager (Finance and Planning) from March 2012 to May 2013. He also serves as the Acting Chief Financial Officer of the Bank from 25 July 2014.

Positions Held During the Year

Mr Fonseka is the Chairman on the Board of Transnational Lanka Records Solutions (Private) Limited since November 2012. He has been serving as a nominee director on the Board of Mireka Capital Land (Private) Limited since 2008 and also on the Board of Mireka Homes (Private) Limited. He serves as a director of MBSL Insurance Company Limited since 2013 and also acts as the Chairman of the Audit Committee of MBSL Insurance Company Limited.

Corporate Management

He also serves as an alternate director on the Board of LankaClear (Private) Limited. Mr Fonseka also acts as the Chairman of the Audit Committee, a Board sub committee of LankaClear (Private) Limited since November 2012. He is an Alternate Director on the Board and also acts as the Chairman of the Audit Committee of Merchant Bank of Sri Lanka & Finance PLC, one of the subsidiary company of Bank of Ceylon, from August 2013.

Career Milestones

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

Prior to being appointed to the Corporate Management, he held the position of Assistant General Manager (Budget and Strategic Planning) from 2008 to March 2012.

Mr P J Jayasinghe

Deputy General Manager (Recovery)

Skills and Experience

Mr Jayasinghe is a career banker counting over 37 years of experience in diversified banking operations.

He graduated from the University of Sri Jayewardenepura with a (Special) Degree in Commerce. He is an Associate Member of the Institute of Bankers of Sri Lanka and also holds an Advanced

National Diploma in Human Resource Management from the National Institute of Business Management.

Appointment to the Corporate Management

He was appointed as the Deputy General Manager (Recovery) in April 2014 and prior to that he served as the Deputy General Manager (Human Resource) from March 2012.

Positions Held During the Year

In addition to his portfolio as DGM (Recovery), presently, Mr Jayasinghe serves as a Director on the Boards of BOC Property Development & Management (Private) Limited and Ceybank Holiday Homes (Private) Limited and as a member of ALCO, Credit Committee, NPA Monitoring Committee, Foreclosed Properties Committee, IT Steering Committee. He is an Alternate Member of the Board of Governors of the Institute of Bankers of Sri Lanka (IBSL) and a member of the Audit Committee of IBSL.

Career Milestones

Having joined the Bank in 1977, Mr Jayasinghe has covered the areas of retail banking, wholesale banking, international banking, treasury operations, offshore banking, trade finance operations, credit, recovery and human resource management in the Bank. He has contributed to enhance the knowledge and skills of staff of the Bank, as an associate faculty member on credit evaluation and administration, credit policy, international and trade finance during the last 15 years.

He has served as a member of the Human Resource Policy Committee, Chairman - Scholarships Committee, member of Trustees of BOC Pension Trust Fund, Ex-officio Manager of BOC Widows & Orphans' Fund, and BOC Provident Fund, Operational Risk Management Executive Committee, Judging panel of Quality Circle Competition and on the Judging panel of Sri Lankan Entrepreneurs Award – 2011 organized by the Federation of Chambers of Commerce and Industries of Sri Lanka (FCCISL).

Mr D P K Gunasekara

*Deputy General Manager
(Corporate and Off-Shore Banking)*

Skills and Experience

Mr Gunasekara carries more than 34 years of vast experience in different business operations in the Bank.

He is a Bachelor of Science (Business Administration) graduate of the University of Sri Jayewardenepura and holds a Post Graduate Diploma in Business and Finance Administration from the Institute of Chartered Accountants of Sri Lanka. Mr Gunasekara is an Associate Member of the Institute of Bankers of Sri Lanka. Mr Gunasekara has also obtained a Master of Business Administration from the University of Southern Queensland, Australia.

Appointment to the Corporate Management

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

Positions Held During the Year

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

Career Milestones

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

Mr Gunasekara served as the Manager/ Senior Dealer in the BoC Treasury Bills/ Bonds Unit and as the first Chief Dealer in the Ceybank Securities Limited which was formed, as a separate entity to exclusively deal with Government Securities. He has covered almost all the positions in the Bank of Ceylon Dealing room. He was one of the pioneer members in setting up of middle office in the Bank of Ceylon Treasury Division. Mr Gunasekara also held the positions of Assistant General Manager (Overseas Branches) and Assistant General Manager (Corporate Relations) since October 2010.

Mr K E D Sumanasiri

Deputy General Manager (Human Resource)

Skills and Experience

Mr Sumanasiri possesses 25 years of rich and diversified experience in retail banking, micro finance, corporate finance and human resource development.

He graduated from the University of Sri Jayewardenepura, Sri Lanka with a Bachelor of Science (Hons.) Degree in Business Administration. He is an Associate Member of the Institute of Bankers of Sri Lanka and also successfully completed the Special Management Course for Higher Management and Public Policy for Business Leaders conducted at the Post Graduate Institute for Management Studies (PIM) of University of Sri Jayewardenepura, Sri Lanka.

Appointment to the Corporate Management

Appointed as the Deputy General Manager (Human Resource) in April 2014 and prior to that he served as the Deputy General Manager (Recovery) from May 2013.

Career Milestones

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

He contributed immensely to the boom of the economy of the Northern Province. He provides leadership and guidance to propel BoC to a greater height.

Mr S M S C Jayasuriya

Deputy General Manager (Finance and Planning)

Skills and Experience

Mr Jayasuriya, counting over 28 years of service in Banking, was in the Domestic Banking in the early part of his career and later specialized in treasury, investment banking and international banking.

He graduated from the University of Sri Jayewardenepura, Sri Lanka in 1979 with Bachelor of Science Degree. He is an Associate Member of the Institute of Bankers of Sri Lanka (AIB), an Associate Member of the Chartered Institute of Management Accountants (CIMA) (UK), a Member of the Chartered Global Management Accountants (CGMA) and also a Member of the Chartered Shipbrokers (MICS) (UK).

Appointment to the Corporate Management

He was appointed as the Deputy General Manager (Finance and Planning) in May 2013. His current portfolio includes, financial accounting, budget, strategic planning, MIS, treasury back office, tax and central cash management.

Positions Held During the Year

Mr Jayasuriya serves as a Director on the Boards of Transnational Lanka Records Solutions (Private) Limited and MBSL Insurance Company Limited. He is also an Alternate Director for BOC Property Development & Management (Private) Limited, Credit Information Bureau of Sri Lanka (CRIB). He also serves as a member in the Investment Committee, Assets and Liability

Corporate Management

Management Committee (ALCO), Credit Committee and IT Steering Committee. He is the Chairperson of the Investment Committee of the Bank's Pension Fund/ Provident Fund/W/W&OP Fund and serves as Ex-officio Trustee since 2009. He is also the Chairman of the Damage Assessment and Restoration Committee.

Career Milestones

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

Mr Jayasuriya played a very active role in both USD 500 million international bond issues and was a member of the road show team. In addition, he played key roles in Debenture issues done by BoC to enhance the Tier II Capital and Debenture issue of Urban Development Authority. He has used his relationship with international banks to mobilize a substantial amount of funding through several syndicated loans and bilateral facilities in order to manage the liquidity position of the Bank. Mr Jayasuriya was a member of the Executive Committee of the Sri Lanka FOREX Association for many years.

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

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

Mr G H Chandrasiri

Deputy General Manager (Support Services)

Skills and Experience

Mr Chandrasiri has over 28 years of vast experience in banking operations with special exposure on business process re-engineering, productivity management and organizational restructuring.

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

Appointment to the Corporate Management

He was appointed as the Deputy General Manager (Support Services) in September 2013.

Positions Held During the Year

Mr Chandrasiri serves as a Non-Executive Director on the Board of Hotels Colombo (1963) Limited since September 2013.

Career Milestones

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

Mr G L Palitha Jinasoma

Deputy General Manager (Sales and Channel Management)

Skills and Experience

Mr Jinasoma has over 31 years of experience in the banking field, gaining a vast knowledge in domestic and overseas business operations.

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

Appointment to the Corporate Management

Appointed as the Deputy General Manager (Sales and Channel Management) in June 2014.

Positions Held During the Year

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

Career Milestones

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

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

Ms S H Ranawaka

Chief Legal Officer

Skills and Experience

Ms Ranawaka counts over 28 years of experience in the Bank alone and over 34 years of experience in the legal field.

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

Appointment to the Corporate Management

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

Positions Held During the Year

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

Career Milestones

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

Ms Janaki Senanayake Siriwardane

Secretary to the Board/Secretary, Bank of Ceylon

Skills and Experience

Counting over 17 years of experience in the Bank, Ms Siriwardane specializes in company secretarial work and Corporate Governance practices.

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

Appointment to the Corporate Management

Ms Siriwardane was elevated to the grade of Deputy General Manager in October 2010.

Positions Held During the Year

She is a Nominee Director of Ceybank Holiday Homes (Private) Limited and serves as its Company Secretary and also of BOC Management & Support Services (Private) Limited.

Career Milestones

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

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

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

Mr Lalith J Fernando

Chief Risk Officer

Skills and Experience

Mr Fernando joined the Bank Service in 1986 and counts over 28 years of experience in banking and financial services. He is an expert in diverse fields including branch banking, investment banking, international banking and treasury operations.

Mr Fernando holds a Bachelor of Science Degree in Statistics from the University of Peradeniya, Sri Lanka and

Corporate Management

obtained his Master of Science Degree in Management from the University of Sri Jayewardenepura, Sri Lanka. He is also a Fellow Member of the Institute of Bankers of Sri Lanka.

Appointment to the Corporate Management

He was appointed as the Chief Risk Officer since April 2013.

Positions Held During the Year

Mr Fernando serves as a Director on the Board of BOC Travels (Private) Limited, since 2012.

Career Milestones

Engaged in Risk Management related activities of the Bank for the last 12 years. He was instrumental in establishing the Integrated Risk Management Division of the Bank.

He has been awarded the Financial Risk Manager designation by the Global Association of Risk Professionals - USA. This designation is globally regarded as having gained risk management expertise. He is also a renowned resource person in Risk Management for the University of Sri Jayewardenepura, Sri Lanka, the Institute of Bankers of Sri Lanka and the Centre for Banking Studies of Central Bank of Sri Lanka. On the invitation of

Saudi Monetary Agency, he successfully conducted several programmes on Credit Risk Management to Saudi bankers at the Institute of Banking Riyadh as well.

Prior to joining the Bank, he was a graduate teacher in Mathematics and Physics. He also held the positions of Assistant General Manager (Risk Management/ Compliance) and that of Acting Chief Risk Officer of the Bank before being appointed to the Corporate Management.

Mr M M Luxaman Perera

Head of IT

Skills and Experience

Counting over 29 years in the banking career, he has gained a wide range of experience in ICT in different capacities.

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

Appointment to the Corporate Management

He was appointed as the Head of IT in August 2013.

Career Milestones

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

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

Dr Indunil Liyanage

Chief Marketing Officer

Skills and Experience

Having served for many organizations in the field of marketing since 1989, Dr Indunil Liyanage counts over 25 years of experience in financial services industry, fast moving consumer goods (FMCG), electronics and agriculture sectors in Sri Lanka.

Dr Liyanage holds a Doctor of Philosophy (PhD) from the Faculty of Graduate Studies (FGS), University of Colombo, Sri Lanka. He has a Master of Science (MSc) in Management from the University of Sri Jayewardenepura, Sri Lanka. He also holds a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing UK.

75 Years
'Best Beyond'

1958

Pension scheme was set up for every permanent employee

1961

Nationalization

The Bank was nationalized in terms of the Finance Act no. 65 of 1961



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

Appointment to the Corporate Management

Appointed as the Chief Marketing Officer of Bank of Ceylon in September 2012.

Career Milestones

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

Dr Liyanage was honoured with the “50 Most Talented CMOs Award” at the Golden Globe Tiger Awards 2013, World Marketing Summit held in Malaysia and was the first Sri Lankan selected for the “Intercultural Education for Global Managers” programme at the Japan America Institute of Management Science (JAIMS) in Hawaii, USA. He was awarded a full scholarship by the Fujitsu Foundation of Japan to complete this programme, in recognition of his academic excellence and potential contribution to international understanding and goodwill in 1996.

Mr P M Liyanage

Chief Internal Auditor

Skills and Experience

Mr Maduwantha Liyanage is an Associate Member of the Institute of Chartered Accountants of Sri Lanka with 15 years of post-qualified experience.

He holds a BSc Accountancy and Financial Management (Special) degree from the University of Sri Jayewardenepura, Sri Lanka.

Mr Liyanage has successfully completed the Certified Information Systems Auditor (CISA) Examination conducted by the ISACA – USA.

Appointment to the Corporate Management

Appointed as the Chief Internal Auditor of Bank of Ceylon in December 2014.

Career Milestones

Prior to joining the 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 served Bank of Ceylon in Assistant General Manager grade during the period 2006 – 2008 as the Internal Auditor.

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

1961

Predominant Position

Bank built a market share of 50% in deposits, 60% in investments and 30% of advances reflecting growing public confidence

1964

Celebrated 25th anniversary



Executive Management



Mr D N L Fernando

Chief Executive Officer -
Bank of Ceylon (UK) Ltd



Mr K T Karunaratne

Assistant General Manager -
Support Services



Mr D M L C Kumara

Assistant General Manager -
Accounting and Tax



Mr G D Silva

Assistant General Manager -
Training and Development



Mr W M S Wanasinghe

Assistant General Manager -
Marketing



Mr D K N Piyasoma

Assistant General Manager -
Southern Province



Ms C K Jayarathne

Assistant General Manager -
Pettah Branch



Mr R M Haputhanthiri

Country Manager - Seychelles



Mr H S Jayawardana
Assistant General Manager -
Consumer Product
Management



Mr P M Premadasa
Assistant General Manager -
Sabaragamuwa Province



**Mr W C K
Wickramarachchi**
Assistant General Manager -
Branch Credit



Mr D M G C Devasinghe
Assistant General Manager -
Trade Services



Mr J M D B Jayasundera
Assistant General Manager -
Investigations



Mr C Amarasinghe
Assistant General Manager -
Offshore Banking



Mr K P Anandanadesan
Assistant General Manager -
Eastern Province



Mr H M P B Herath
Assistant General Manager -
North Central Province

Executive Management



Ms W I Hettihewa
Assistant General Manager -
Administrative Services



Mr M T M Jalaldeen
Assistant General Manager -
Organization Transformation
Project



Mr M J P Salgado
Assistant General Manager -
Province Sales Management



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



Mr D M L B Dassanayake
Country Manager - Male



Mr S M W Samarakoon
Assistant General Manager -
International



Mr J M A Ariyaratne
Assistant General Manager -
Business Process
Re-engineering Project



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



Mr G H Wickremasinghe

Assistant General Manager -
Treasury Back Office



Mr P G G Tissera

Assistant General Manager -
Treasury



Mr G A Jayashantha

Assistant General Manager -
Risk Management



Mr R P D K Ratnasinghe

Assistant General Manager -
Western Province North



Mr S Hewavitharana

Assistant General Manager -
Central Province



Mr A De S Pinnaduwa

Assistant General Manager -
Compliance



Mr T M T Tennakoon

Assistant General Manager -
Uva Province



Mr B M Premaratne

Assistant General Manager -
Human Resource Operations

Executive Management



Mr J A A Jayasinghe
Assistant General Manager -
Information Systems Audit



Mr W N P Surawimala
Country Manager - Chennai



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



Mr S A Hemajith
Assistant General Manager -
Metropolitan



Mr E M Jayarathne
Assistant General Manager -
North Western Province



Mr T A D Kularatne
Assistant General Manager -
Corporate Credit



**Mr D S
Muthukudaarachchi**
Assistant General Manager -
Corporate Relations



Mr B Nanthakumar
Assistant General Manager -
Northern Province



Mr D R L Perera
Assistant General Manager -
Recovery Corporate



Mr Y P Warnasekara
Assistant General Manager -
Superannuation Schemes



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



Mr W Y Bandula
Assistant General Manager -
Investment Operations



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



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



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



Ms D Kitulgoda
Deputy Chief Legal Officer
(International and Investment
Banking)



Ms G Jayasinghe
Deputy Chief Legal Officer
(Credit)



Ms M D Munasinghe
Deputy Chief Legal Officer
(Recovery)

Management Discussion and Analysis

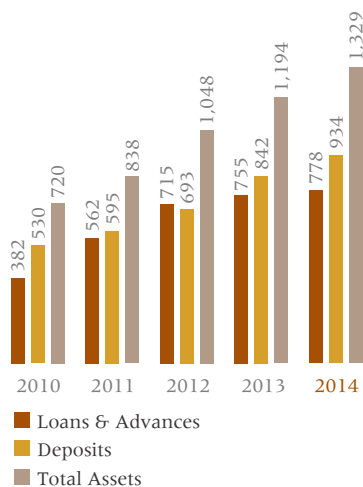
Our Performance at a Glance

Growth

Total assets, loans and advances and deposits grew by 11%, 3% and 11% respectively despite the moderation in growth experienced during the year.

Growth

LKR Bn

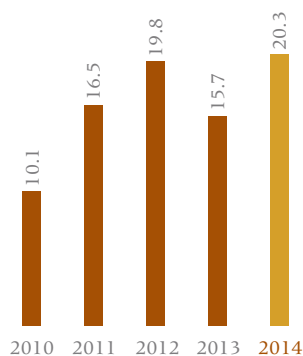


Profitability

Profit before tax increased 29% over the previous year strongly supported by growth in fee based income and gains from treasury operations (net gains from trading and financial investments).

Profitability

LKR Bn



Market Leadership

Market leadership in key drivers:

Deposits - 20%

Loans and advances - 20%

Assets - 19%

Inward remittances - 40%

A household name that is embedded in the socio economic framework of the country with the capacity to finance the nation's largest projects gives us a unique and advantageous position for growth.

Financial Stability

Bank's strong balance sheet which makes up almost 1/5th of that of the industry evinces the soundness of the Bank as well as its systemic importance. The Bank has no solvency issues as short term and long term obligations can be met as they become due in the normal course of business. The Bank also maintains an adequate capital cushion to absorb any economic/ financial shocks which is illustrated by the Bank's Capital Adequacy Ratios which are well above the minimum regulatory requirement.

“Bank of Ceylon is a penetrative mass bank focussing on delivering imaginative financial services to individuals, corporates, Government and other institutions.”

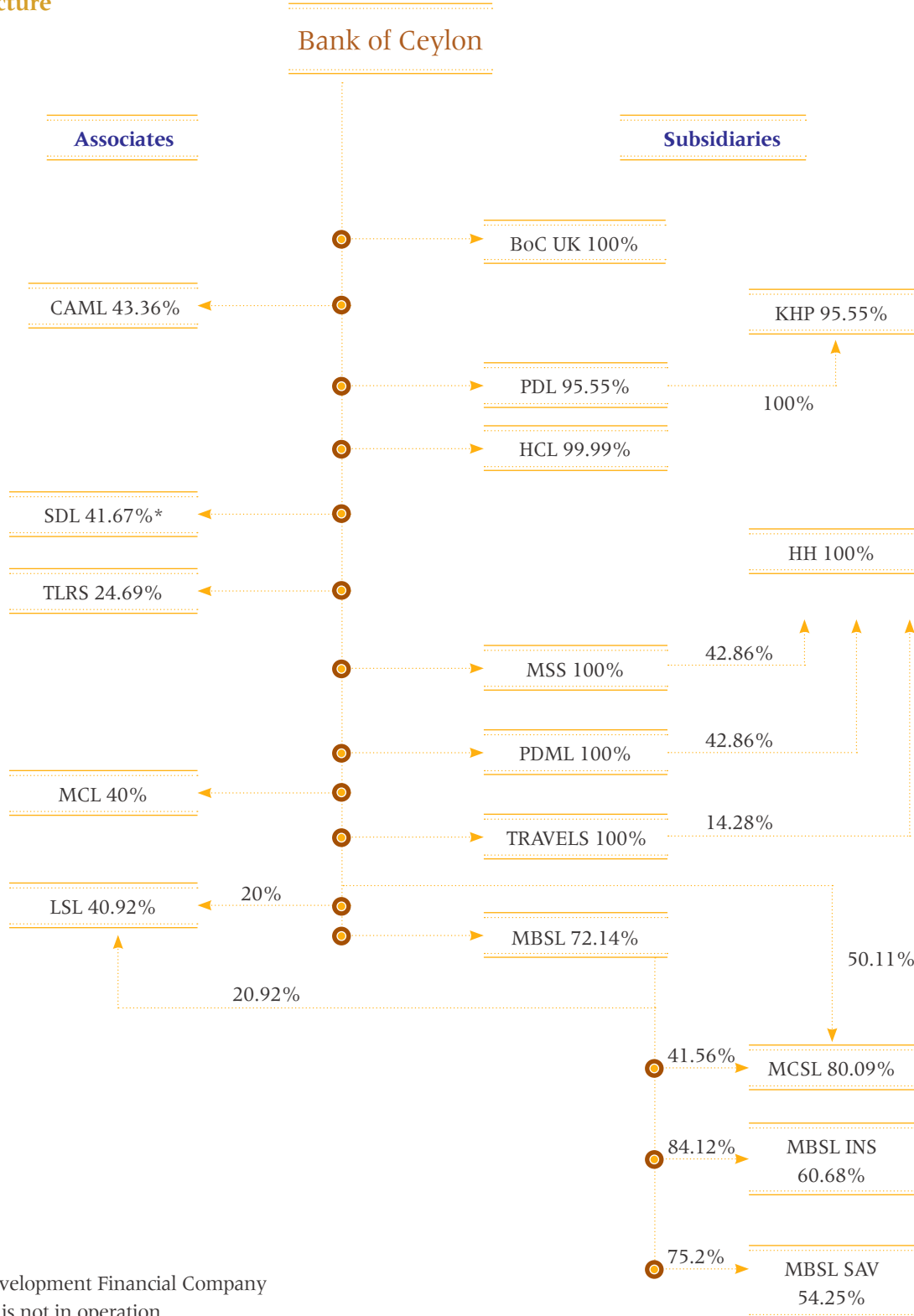
Bank of Ceylon Group

The Group comprises the parent, Bank of Ceylon, 12 subsidiaries and five associate companies. The Bank dominates the results of the Group contributing 95% of the earnings of the Group and 97% of the Group assets

	Total Income	Profit Before Tax	Total Assets	Total Liabilities	Equity	Asset Growth	Profit Growth
	LKR million	LKR million	LKR million	LKR million	LKR million	%	%
Subsidiaries							
Merchant Bank of Sri Lanka & Finance PLC (MBSL)	2,539	326.8	15,527	12,525	3,004	17	86
Bank of Ceylon (UK) Limited (BoC UK)	323	(128.5)	10,555	7,727	2,828	(26)	(65)
MCSL Financial Services Limited (MCSL)	1,775	(228.6)	9,744	9,151	593	2	(484)
Property Development PLC (PDL)	742	512.1	3,919	481	3,439	10	(5)
MBSL Savings Bank Limited (MBSL SAV)	421	(45)	2,728	2,497	231	(13)	56
MBSL Insurance Company Limited (MBSL INS)	1,273	(72.6)	1,762	1,303	460	8	57
BOC Property Development & Management (Private) Limited (PDML)	258	121.3	1,516	80	1,435	3	3
Koladeniya Hydropower (Private) Limited (KHP)	93	55.1	349	29	320	16	28
Hotels Colombo (1963) Limited (HCL)	215	8.8	298	69	223	1	(64)
BOC Travels (Private) Limited (TRAVELS)	101	34	229	52	177	11	(17)
Ceybank Holiday Homes (Private) Limited (HH)	116	0.4	25	21	4	(5)	(33)
BOC Management & Support Services (Private) Limited (MSS)	0.5	0.5	9	0.4	8.8	-	(28)
Associates							
Mireka Capital Land (Private) Limited (MCL)	4,367	949	5,249	1,480	3,769	(26)	84
Lanka Securities (Private) Limited (LSL)	184	59	501	175	326	5	250
Ceybank Asset Management Limited (CAML)	190	103	498	97	401	31	48
Transnational Lanka Records Solutions (Private) Limited (TLRS)	92	57	397	173	224	55	68

Management Discussion and Analysis

Group Structure



* Southern Development Financial Company Limited (SDL) is not in operation.

Core Areas of Operation

Bank of Ceylon is a penetrative mass bank focussing on delivering imaginative financial services to individuals, corporates, Government and other institutions. Our core areas of operations are:

Key Business Lines	Description	Significance
Retail Banking	Caters to the transactional, investment and financing needs of over 11 million customers ranging from high net worth individuals to infants in newly settled villages through the largest banking network in the country.	35% of revenue 46% of loan portfolio 70% of deposits
Corporate and Off-Shore Banking	Provides tailored solutions to medium and large institutions from the corporate and public sector through an innovative range of products leveraging our unparalleled correspondent banking and branch network.	28% of revenue 52% of loan portfolio 28% of deposits 65% of total borrowings
International and Treasury Operations	Responsible for the fund management activities of the Bank and inter bank transactions whilst managing exposure to exchange rate, interest rate and liquidity risk arising from the normal activities of the Bank. It also provides a range of services to customers including trading in treasury bills and bonds, derivative products such as currency and interest rate swaps, forward exchange contracts and investment activities. The division oversees the Bank's foreign subsidiary, foreign branches and correspondent banking relationships in 115 countries.	33% of revenue 75% of total investments 17% of total borrowings

Operating Environment

Global economic growth during 2014 was weaker than expected remaining at 3.3% in line with the growth rate for 2013 as estimated by the International Monetary Fund in its January 2015 update on the World Economic Outlook. Advanced economies grew at 1.8% and USA was the only advanced economy to grow stronger than expected during 2014 with

growth estimated at 2.4% supported by declining unemployment which was a key concern. Growth in the Euro Area was a mere 0.8% which was weaker than expected mainly due to weak investments and declining inflation and inflation expectations. Japan is technically in recession from the third quarter of 2014 but is expected to rebound in 2015 due to policy responses, a weaker yen and

lower oil prices. Emerging market and developing economies growth continues to account for much of the growth but was also weaker than expected with growth estimated to be 4.4% for 2014. Developing Asian economies continue to account for the bulk of the growth at 6.5% marginally lower than the 2013 growth rate of 6.6% due to declining investment and lower growth in China.

Management Discussion and Analysis

There was a sharp decline in oil prices which fell 55% since September due to unexpected demand weaknesses in major economies including emerging economies and supply side factors such as the decision by the Organization of Petroleum Exporting Countries (OPEC) to maintain production although there has been a steady rise in production by non-OPEC producers including the USA. Divergent growth in major advanced economies resulted in the appreciation of the US dollar whilst the euro, the yen and other emerging economy currencies depreciated. Interest rates and risk spreads of emerging economies rose during 2014 and they remain vulnerable to reversals of capital flows. Geopolitical risks remain elevated although oil market disruptions are less likely given the strengthening of the supply factors.

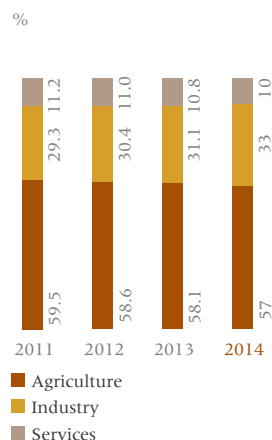
Economic growth in Sri Lanka improved marginally to 7.4% as per Central Bank of Sri Lanka (CBSL) data for 2014, comparing with other South Asian countries which experienced lower growth rates. Per capita income grew to USD 3,654 on target with the goal of achieving a USD 4,677 per capita income by 2016. The Government maintained its monetary policy stance by reducing the Standing Lending Facility Rate by 50 basis points and limiting it to a maximum of three times per month after which the rate would be reduced to 5% to encourage banks to lend at reduced rates. Fiscal policy measures were directed towards simplifying and broad basing the tax regime to generate sufficient Government revenue whilst stimulating private sector investment and economic growth. Accordingly, personal income tax rates were reduced to regionally competitive levels with the highest rate set at 24%, corporate tax rates were set at 12% for emerging sectors including IT, agriculture and SMEs, thresholds were increased for revenue based taxes and tax holidays and concessions were rationalised.

Additionally, emphasis was given to improving the performance of state owned enterprises and reducing Government expenditure. Against this backdrop, the Sri Lankan rupee remained relatively stable depreciating 0.26% against a strengthening US dollar whilst appreciating vis a vis the sterling pound by 5.65% and the euro by 13.19%. Inflation decreased to 2.1% by end 2014 whilst the average for the year was 3.3%.

The services sector grew by 6.7% during the year accounting for 58% of the country's Gross Domestic Product (GDP) due to strong growth in the tourism sub sector, focus on high value added services such as information technology, business process outsourcing, aviation and maritime services. Growth of the industrial sector is estimated to be 12.2% accounting for 33% of GDP reflecting the investments in mega infrastructure projects and expansion in the factory industry sector comparing well with the growth recorded in 2013 of 9.8%. Estimated growth of the agriculture sector was disappointing at 1.2% as bad weather conditions adversely impacted paddy production although fishing, other food crops, coconut and tea sub sectors improved performance.

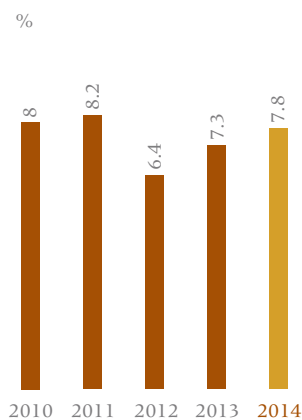
The trade deficit increased from USD 7.6 billion in 2013 to USD 8.3 billion at the close of 2014 although it declined as a percentage of GDP from 11.3% in 2013 to 10.5% in 2014 supported by growth in exports and a moderate increase in imports. Export growth is estimated to be 10.4% amounting to USD 11.4 billion buoyed by strong growth in textiles and garments of 13.7% which accounted for 44.8% of exports whilst agricultural exports of tea, rubber and coconut accounted for 25.7% of GDP. Imports are estimated to reach USD 19.4 billion, a growth rate of 7.8% over 2013 driven by increased imports of petroleum products, the duty concessions for motor vehicles and strong demand for consumer goods. Earnings from tourism are estimated to grow by 35% from USD 1.7 billion in 2013 to USD 2.3 billion in 2014 as tourist arrivals grew by 25% to 1.5 million in 2014. The current account contracted to USD 2.4 billion amounting to 3.1% of GDP mainly due to growth in worker remittances and exports. Worker remittances grew by 9.2% to USD 7 billion due to increased use of formal channels for remittances and higher levels for professional and skilled migration. Capital and finance account inflows were boosted by foreign direct investments estimated to be USD 1.9 billion, project loan borrowing by the Government of LKR 1.53 billion and sovereign bond issues of USD 1.5 billion together with corporate sector inflows of USD 0.8 billion and foreign borrowings by banks of USD 0.98 billion. The Balance of payments surplus improved from USD 985 million in 2013 to USD 1,400 million in 2014. Gross official reserves are estimated at USD 8.2 billion by end 2014, equivalent to 5.2 months of imports.

GDP - Sector Contribution

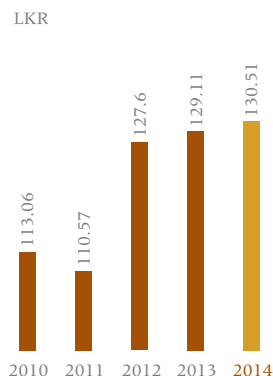


Sri Lankan Economy

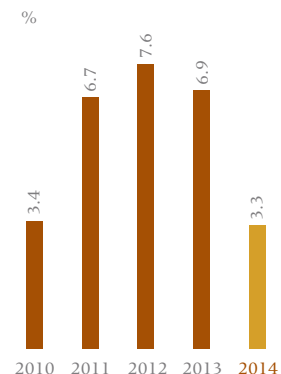
GDP Growth



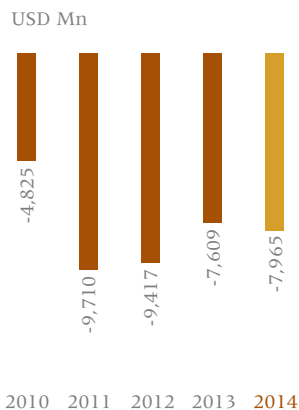
Exchange Rate (LKR : USD)



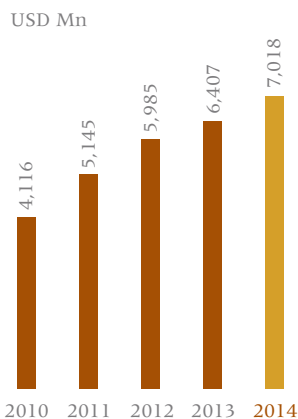
Inflation (Annual Average)



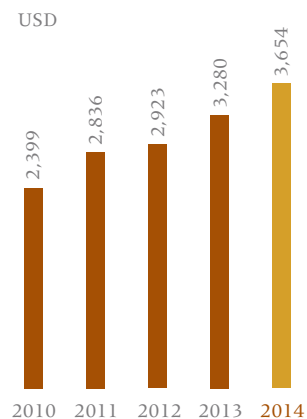
Balance of Payments & Trade Balance



Workers' Remittances



Per Capita Income



Sector Performance

Performance of the banking, insurance and real estate sector moderated but maintained healthy levels reflecting a growth of 5.6% as at the end of the third quarter of 2014, lower than the growth rate of 6.2% in 2013. Moderation is partly attributable to the curtailment of pawning activities in order to rationalise pawning portfolios and to the tepid demand for credit from both public and private sectors. The sector was highly liquid during the year due to the lower credit growth and purchase of foreign currency inflows by CBSL. Interest rates declined which stimulated credit growth in the latter half of the year and

contributed to increased net interest margins in 2014. The financial sector consolidation plans announced in early 2014 gathered momentum during the year. One leasing company license was terminated, the consolidation of seven non bank finance companies were completed whilst 22 non bank financial institutions and four bank acquisitions and mergers are in the pipeline. The banking sector dominates the country's financial system accounting for 84% of the total financial sector's assets and comprises 12 domestic licensed commercial banks, 11 foreign commercial banks and nine licensed specialised banks at the close of 2014. Collectively

this key sub sector has a total of 3,498 branches, 3,046 other service points as end of December 2014 and 2,599 ATMs at the end of November 2014 of which 61 branches, seven other service points and 55 ATMs commenced business during 2014.

A moderated loan growth rate of 5% was witnessed during the first three quarters of 2014 due to the rationalisation of pawning portfolios, rationalised borrowing by the public sector and increase in debenture issues by corporates amounting to LKR 59.7 billion. However, a dramatic growth was evidenced in Q4 improving the

Management Discussion and Analysis

annual average growth to 14% against 8.8% in 2013. Total asset growth was 17% up to November 2014 mainly driven by growth in liquid assets and treasury instruments which moderated towards the last quarter of 2014. Overall asset quality and levels of provisioning improved as the sector had significant levels of provisions in the previous years and had consequently strengthened credit sanctioning and monitoring processes. Deposit growth moderated to 12.4% in 2014 due to declining interest rates and high levels of liquidity. The sector increased its borrowings through both foreign currency borrowings and issue of debentures.

Earnings of the banking sector increased due to declining rates coupled together with the maturity mismatches which resulted in increased Net Interest Margins (NIM). Increased proportions of current and savings accounts in the deposit mix also favourably impacted to the NIM. Focus on cost to income ratios resulted in operational efficiencies for customers and higher productivity for banks. Fee based income declined overall due to intense price competition to attract trade volumes witnessed in both exports and imports and offset the favourable impact from increased remittances. The sector raised foreign currency borrowings of USD 1.59 billion during the year. The banking sector remains well capitalised with core capital adequacy ratio (Tier I) at 13.1% and the total capital adequacy ratio (Tier II) at 15.6% a marginal decrease from 13.7% and 16.3% respectively comparing to 2013.

The Central Bank has issued a number of directives during the year covering a range of topics, including financial reporting, corporate governance, issuance of foreign currency notes, lending rates and risk management.

Banking sector soundness indicators

	2011	2012	2013	2014
Total Capital Adequacy Ratio - (Tier II)	16.0	16.4	16.3	15.6
Core Capital Adequacy Ratio - (Tier I)	14.4	14.7	13.7	13.1
Liquidity Ratio	26.8	26.6	31.9	32.2

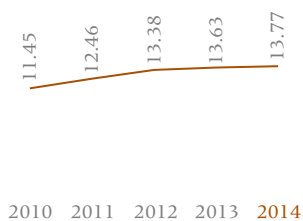
Branch Density by Province*

Province	November 2014	
	Density	Rank
Western	21.18	2
Southern	16.62	4
Sabaragamuwa	13.66	8
North Western	13.12	9
Central	14.49	7
Uva	14.7	6
North Central	16.14	5
Eastern	16.82	3
Northern	21.66	1

* Bank branches per 100,000 population

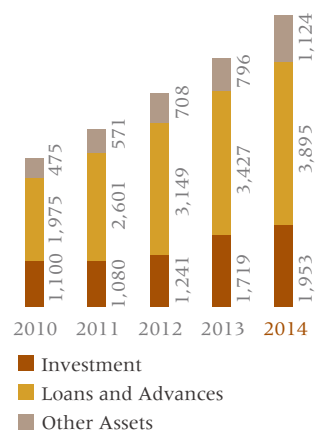
Branch Density

Bank branches per 100,000 population



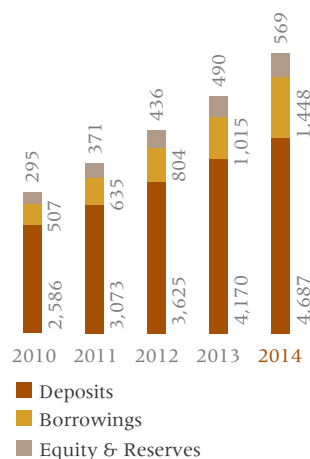
Asset Composition

LKR Bn

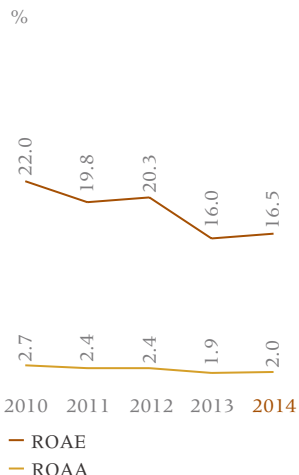


Liabilities

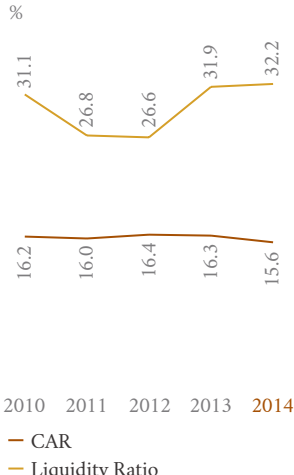
LKR Bn



ROAE & ROAA



CAR and Liquidity Ratio



Strategy

As a state owned bank, our role always focussed on being the catalyst for development in the country. It is a multi-faceted role as it means that we need to be relevant to the under banked populations for their socio economic progress, large corporates who drive economic growth through private enterprise and to the public sector institutions engaging in provision of facilities throughout the island. A nostalgic review of our performance over the 75 years reveals how BoC has touched lives, often being the first bank in a village that is now a town and the first bank for many entrepreneurs who are large corporates today.

Strategy for 2014 was also stakeholder focussed in line with BoC's mission and aligned to the country's goal of increasing per capita income to USD 4,677 by 2016. The Bank will leverage competitive strengths which include market leadership in the financial services sector, a motivated and inspired team, an unparalleled reach across and within country borders, the most valued brand in the country and a technology platform to drive innovation and shape the way Sri Lankans bank.

“Strategy for 2014 was also stakeholder focussed in line with BoC's mission and aligned to the country's goal of increasing per capita income to USD 4,677 by 2016.”

Customers

- Inclusive growth
- Focus on customer convenience
- Comprehensive product range
- Financial Security

Employees

- Talent attraction
- Learning and development
- Reward and recognition
- Post retirement benefits

Owners/Investors

- Sustainable Growth and Profitability
- Safeguard asset quality and soundness of the Bank
- Facilitating financial transactions within and across borders

Government and Regulators

- Good governance
- Compliance with regulatory requirements

Community

- Facilitate socio economic progress in our communities
- Uphold and nurture our cultural heritage and values
- Minimize impact on environment
- Focusing on general wealth

Management Discussion and Analysis

Financial Review

Bank of Ceylon as the largest Sri Lankan bank proved once again that it is a giant that can sail well in stormy seas; by recording the highest ever profit of the Bank's history at LKR 20.3 billion, during a year full of challenges. A glance at the Bank's past performances furthers the impression, since we have consistently posted sound results that are above the industry averages as well as our own past performances. Thus, Bank of Ceylon has been an apt benchmark for the Sri Lankan banking industry over the years, constantly raising the industrial bar of performance. As at the end of the period under review, we had the ownership of the industrial highs in terms of not only profit but also of total assets, loans and advances and deposits. Bank of Ceylon's business strategy of maintaining a strong financial position to optimize the profit generation is discussed further in this report.

A snapshot of our numbers as compared to the previous year is tabulated below.

Description	2014 LKR million	2013 LKR million	Change LKR million	Change %
Pre-tax profits	20,291	15,709	4,582	29.2
Total assets	1,329,020	1,193,581	135,439	11.3
Gross loans and advances	777,505	755,385	22,120	2.9
Deposits	933,966	842,070	91,896	10.9

2014 was a mixed year for the banking sector with growth moderating due to low credit demand, modest growth in trade volumes and a moderation of the economic growth rate whilst earnings were bolstered by declining rates which enhanced net interest margins. Bank of Ceylon has leveraged its key strengths such as its single borrower limit, customer base and footprint to facilitate growth together with its customers.

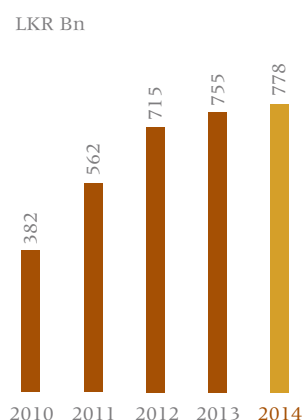
Assets

Total assets of the Bank grew by 11% to LKR 1.3 trillion, maintaining the Bank's position as the largest financial institution in Sri Lanka and accounting for 20% of the industry's loans and advances.

Gross loans and advances to customers represent 59% of total assets of the Bank. Given the challenging operating environment, the impact of the declining pawning portfolio and settlement of short term loans granted just prior to 2013 year end, the Bank grew its loan book

marginally by 3%. Pawning declined by around 42% due to conversion of auction rejected pawning articles to gold stocks, which have been marked to market. Personal loans, leasing, housing loans, term loans and overdraft contributed the most to growth.

Gross Loans

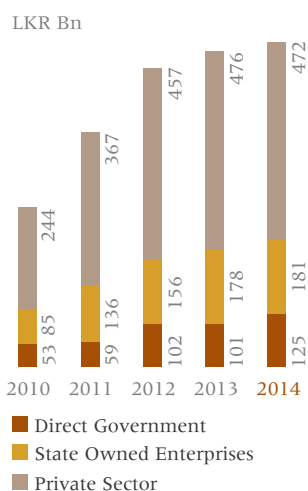


Growth was driven by a concerted sales effort from corporate and retail banking divisions based on a client focussed strategy. Corporate banking division contributed the most to growth through financing infrastructure projects and increased trade activities during the year. Following the drive for SME lending in line with national priorities, contribution from retail banking division was substantial as well. At end 2014, the corporate portfolio accounted for 52% of total advances whilst retail portfolio accounted for 46% and overseas branches accounted for the balance 2%.

Net loans and advances stood at LKR 741 billion which is stated after adjustments for foreseeable losses as per Sri Lanka Accounting Standards (LKASs) and Sri Lanka Financial Reporting Standards (SLFRSs). The portfolio illustrates a healthy balance between the private sector and the public sector and remains well diversified.

“CASA improved to 43.2% from 37.9%, above the industry average of 39%”

Composition of Loan Portfolio



Asset growth was mainly driven by treasury managed portfolios as weak demand for credit necessitated investment of funds in alternative assets on a temporary basis due to excess liquidity which is reflected in the 164% increment of reverse repo balances. Financial investments held to maturity accounted for 16% of assets consisting of Government treasury bills and bonds.

Impairment Provision on Loans and Advances

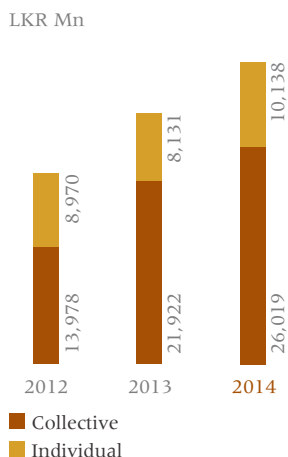
The impairment provision increased from LKR 30.1 billion in 2013 to LKR 36.2 billion in 2014 showing a 20% increase. However, the Bank was able to reduce the non performing advances (NPA) by 9% from previous year which was defined as per CBSL guidelines.

Provision Coverage

	2014 LKR million	2013 LKR million
NPA+Interest receivable	41,228	44,238
Impairment provision	36,157	30,053
Coverage	88%	68%

The increase in impairment provision made as per SLFRSs shows the Bank's prudential aspect on maintaining adequate level of provisioning, compliant with local and international standards. The decline in gold prices since 2012, continued to impact the pawning portfolio which has been marked to market. However, the NPA ratio improved from 4.3% at end 2013, to 3.8% by end 2014 as a result of devolving gold articles to the Bank. Despite the pressure, the Bank continued its trend of maintaining a gross NPA ratio below the industry average due to strengthened credit appraisal and post disbursement monitoring.

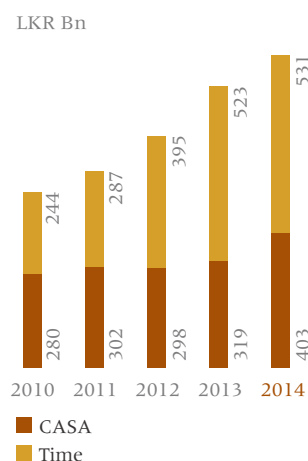
Impairment Provision



Deposits

BoC is the market leader in deposits with a market share of 20%. The Bank engaged in a savings mobilisation campaign during the early part of the year, to increase the low cost fund base and improve the proportion of current and savings account balances (CASA) to

Deposit Composition

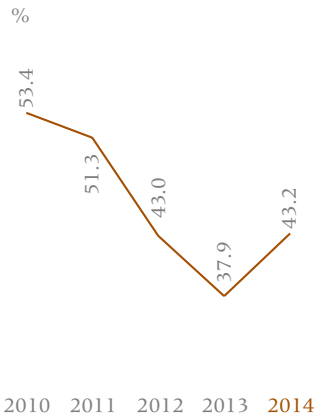


total deposits. Thus CASA improved to 43.2% from 37.9%, above the industry average of 39%, accounting for 22% of banking sector CASA. Leveraging on the confidence instilled by its state ownership and brand franchise, market position and extensive branch network, this growth was achieved in the midst of institutional depositors diverting part of their funds to debt instruments to secure more stability in their portfolio returns. Foreign currency deposits account for 24% of total deposits, sourced mainly from remittances channelled through BoC by migrant workers. Further, repricing of time deposits at lower rate helped the Bank to achieve a favourable deposit mix. These factors combined, BoC enjoyed a relatively lower cost of fund.

Management Discussion and Analysis

Financial Review

CASA

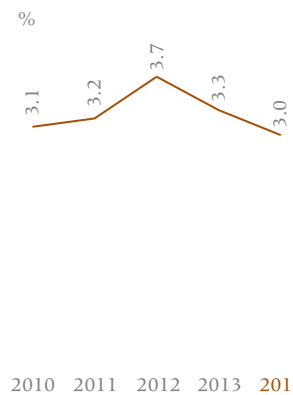


contributed to the increase in profit by LKR 2.9 billion and accounted for 15% of non interest income in 2014. The gain from foreign exchange grew by 20% from LKR 2.7 billion to LKR 3.2 billion mainly due to the growth in trade volumes.

The fact that all of the Bank's sources of income, grew positively in these challenging times, proves that the Bank has a robust revenue generating portfolio, strengthening its resilience in challenging times.

Consequently the NII which contributed 68% (76 % in 2013) to the total operating income increased by 3% to LKR 38.5 billion in 2014 from LKR 37.1 billion in 2013 . Net interest margin (NIM) narrowed to 3% from 3.3% in 2013.

NIM



Borrowings and Debt Securities

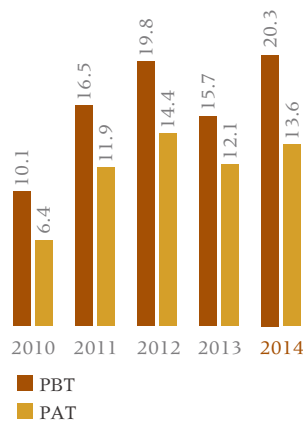
Borrowings and debt securities increased during the year mainly on account of issuance of a debenture and funds raised through securities sold under repurchase agreements. The Bank raised LKR 8 billion in September 2014, through this issue of listed, rated, unsecured, subordinated, redeemable debentures with five and eight year tenures. The proceeds were used to strengthen BoC's Tier II capital base and reduce asset and liability maturity mismatches arising from long term infrastructure project financing, whilst taking advantage of the comparatively low interest rates in the market.

Profitability

A strong balanced performance resulted in a 29% growth of profit before tax to LKR 20.3 billion boosted by positive growth across key sources of income and cost efficiencies. Despite the pressure on interest margins common to the industry, BoC was able to grow its net interest income by 3.5% leveraging on the improved CASA ratio and the re-pricing of term deposits at lower interest rates. Net gains from financial investments

Profit Before Tax and After Tax

LKR Bn



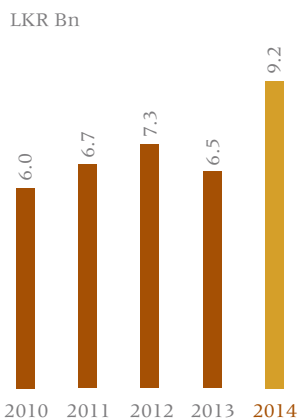
Net Interest Income (NII)

Interest income is the largest contributor to the Bank's total revenue, accounting for 85% of total income. Despite a marginal growth in loans and advances, interest income decreased by 6% from LKR 114.9 billion in 2013 to LKR 107.4 billion in 2014 due to interest rates recording a declining trend given the monetary policy measures adopted by the CBSL since December 2012. Similarly, interest expense decreased by 11% to LKR 68.9 billion in 2014 compared to LKR 77.7 billion in 2013, despite an increase in deposits and borrowings.

Fee and Commission Income

Fee and commission income which represented 16% of the total operating income recorded a significant increase of 42% to LKR 9.2 billion over the previous year driven by growth of business volumes in trade services. Growth in fees was focused on issue of guarantees and bills acceptance. Our market leadership together with the expert knowledge in trade finance ensured a steady stream of recurring fee based income.

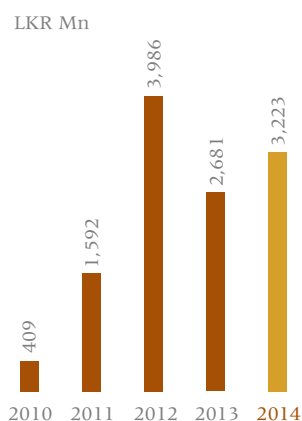
Fee and Commission Income



Net Gains from Trading

Net gains from trading contributed 9% to total operating income growth. This included income earned from purchase and sale of foreign exchange and financial instruments including government securities, corporate debt and equities and dividend income earned from investments in equities. The most significant earnings were derived from trade of foreign exchange being LKR 3.2 billion contributing 66% to the total net gains from trading. Foreign exchange income grew by 20% mainly due to the growth in trade volumes.

Exchange Earnings



Net Gains from Financial Investments

Net gains from financial investments contributed 5% to total operating income and grew by 577% to LKR 2.9 billion. This mainly includes gains from disposal of financial instruments, dividend income and gains through treasury bills and bonds.

Other Operating Income

Other operating income mainly comprises service income, dividend income and other miscellaneous sources of income. Service income being LKR 1.3 billion is the most significant item of which LKR 714 million amounts to loan processing charges.

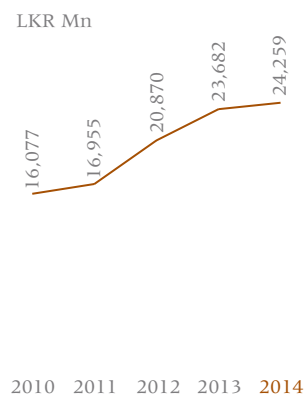
Impairment Charges for Loans and Advances

Impairment charges on loans increased marginally by 4% to LKR 7.2 billion against previous year attributed to an increase in individual impairment. The provision for collective impairment declined by 33% reflecting significant improvement in the quality of the portfolio and initiatives taken to rationalise the pawning portfolio.

Operating Expenses

Consequent to improved operational efficiencies, total operating expenses recorded a mere growth of 2% against the comparative year in contrast to the growth of 13% in 2013. The main contributor for this increase is the provision made on gold stocks. In the event the effect of this provision, which amounts to LKR 562 million is excluded, it can be construed that the Bank's operating expenses have been controlled to the level as that of the comparative year. Personnel expenses comprise of 57% of Bank's operating expenses. Apart from personnel expenses, operating expenses also include office administration and establishment expenses and fixed asset maintenance expenses which are incurred in line with equipping branches with technology development and upgrading of branches to a consistent standard as per the corporate goals.

Operating Expenses



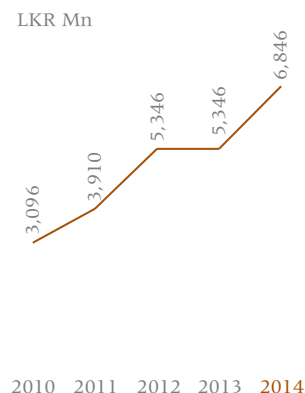
Shareholders' Funds

Shareholders' funds increased significantly from LKR 57.7 billion to LKR 74.8 billion. Stated capital increased by LKR 5 billion to LKR 10 billion, subsequent to the capital infusion by the shareholder, the Government of Sri Lanka, strengthening the Tier I capital adequacy ratio to 9.5% as at year end. The statutory requirement is 5%.

Dividends

The Board of BoC, in consultation with the Ministry of Finance and Planning has paid a dividend of LKR 6.8 billion taking into account the investment plans and capital plans of the Bank.

Dividend Paid



Management Discussion and Analysis

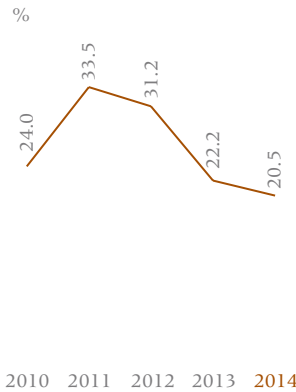
Financial Review

Performance Ratios

The performance ratios provide valuable testimony to the balanced performance delivered in 2014 with key indicators moving positively.

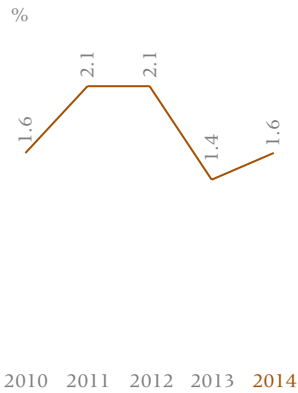
	2014 %	2013 %
Cost to Income Ratio	44.0	49.1
Return on Average Assets (ROAA)	1.6	1.4
Return on Average Equity (ROAE)	20.5	22.2

ROAE

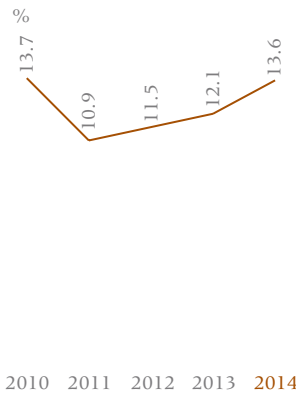


The cost to income ratio improved from 49.1% to 44% compared to previous year due to effective cost management strategies coupled with improved income. We are aggressively pursuing strategies to further improve cost to income ratio such as leveraging on technology to reduce costs, engaging in business process re-engineering to improve efficiency and investing more in our staff to develop a highly productive team. ROAA moved in tandem reflecting the success of this aggressive strategy and effective asset and liability management. ROAE declined marginally due to the LKR 5 billion capital infusion made in December 2014.

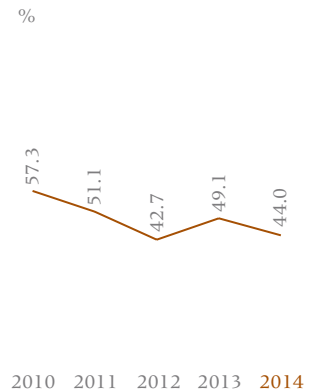
ROAA



CAR



Cost to Income



1966

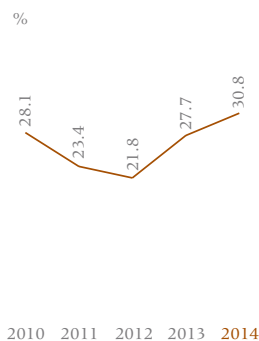
Medical benefit scheme for employees was established

1967

Staff training school established to uplift employees' skills



Liquidity Assets (Domestic)



The Way Forward

Year 2015 continues to remain challenging, with policy interest rates remaining low, thereby affecting banking sector margins and gold prices continuing to remain sluggish. However, we expect the upward trend in credit demand observed in the fourth quarter of 2014, to continue into 2015 with an expected increase in business confidence, given the Government's mandate to create an investor friendly environment and anticipated improvements in the underlying economic conditions, both locally and globally. While we deploy strategies to capture the growing credit demand, we will continue to invest in developing the human capital and technological infrastructure to enhance the robustness of the credit evaluation and disbursement process in order to maintain the asset quality at a healthy level.

At BoC, we are ready to embrace the challenges and opportunities that lie ahead and will drive our strategies toward leveraging on same, whilst improving efficiency and driving fee income to benefit from a low margin environment. We will focus on increasing our business volumes while maintaining our market leadership. We will also continue to play our role in supporting the national policy implementation mandate and in maintaining the financial sector stability by not only being a state bank but also as the bankers to the nation.

Capital Ratios

Regulatory Requirement	2014	2013	Minimum	Industry Average
	%	%	%	%
Statutory Liquid Assets Ratio (domestic)	30.8	27.7	20	32.2
Core Capital Adequacy - Tier I	9.5	8.4	5	13.1
Total Capital Adequacy - Tier II	13.6	12.1	10	15.6

The Bank's capital ratios reflects the soundness of the Bank comparing favourably with regulatory ratios. Improvement in all ratios during the reporting period is commendable and is testimony to the robust capital management processes of the Bank. An equity infusion by the shareholder of LKR 5 billion improved the Tier I Capital whilst Tier II Capital improved by issuing LKR 8 billion worth of rated, unsecured, subordinated, redeemable debentures during the year. CARs benefit from significant state sector exposure, which is largely zero risk weighted, resulting in a significant difference

between Tier I CAR and the equity/assets ratio (5.6% - 2014). The statutory liquid assets ratio improved marginally due to the excess liquidity and maintained at a reasonably high level over the minimum regulatory requirement. It is lower than the industry average of 32.2% as the Bank maintains a prudent trade-off between liquidity and interest earning assets. Progress made in capital management has positioned the Bank for growth in 2015 embracing the opportunities witnessed with the increased demand for credit growth in the last quarter of 2014.

1970

Decentralization began with four Regional Offices in Colombo, Kandy, Galle and Jaffna to monitor the branch network

1973

Bank's sub-branches opened in each Agricultural Service Center to enhance agricultural lending



Management Discussion and Analysis

Operational Review

“The operational review provides a narrative on the performance of our key business segments.”

The divisional performance of the Bank by core area of operation is given below and this report will cover the performance of each division.

	Operating Profit Before Taxes LKR million	Assets LKR million
Retail Banking	3,206	389,085
Corporate Banking	6,245	411,206
International and Treasury	11,903	469,534

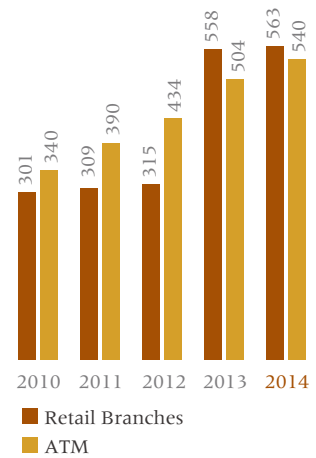
Retail Banking

The Retail Banking business of Bank of Ceylon is relevant across all customer segments island-wide supporting their wealth creation process in investment, financing and transactional needs. This key division that has the largest customer base of the Bank, is driven by a passion for customer service excellence, financial inclusion and facilitating customer convenience.

Growth through customer focus and inclusive banking

Extensive reach

BoC has one of the largest customer reach in the industry of over 2,500 customer touch points, including the common ATM facility. Apart from offering our customers convenience in banking, the Bank offers access to finance to the under-served and rural communities.



1978

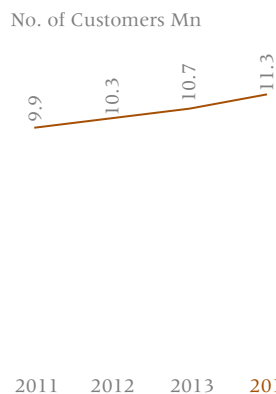
Non Resident Foreign Currency (NRFC) deposits scheme introduced

1979

Foreign Currency Banking Unit set up to undertake off-shore operations

Strong customer base

Retail banking unit serves over 11 million savings customers, more than half the Sri Lankan population of over 20 million. Reinforcing our relationship as a total solution provider, the Bank cross sells products and brick walls customers, whilst maximising its wallet share.



Comprehensive product portfolio

Retail Banking builds customer loyalty by offering a wide product portfolio that is affordable and relevant to the evolving needs of its diverse customer base. 28% of customers have maintained accounts at the Bank for over 10 years.

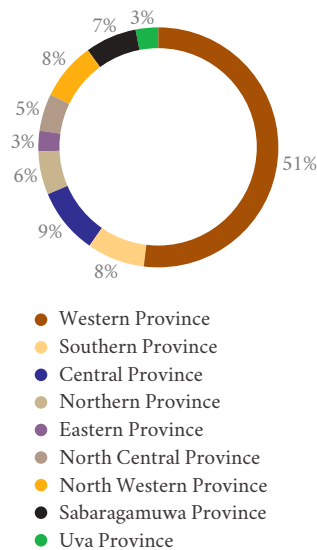
Investment in technology

The division is committed to offer better service to its customers by investing in technology. Initiatives launched during the year include :

- SMS alerts for ATM transactions and online fund transfers
- Upgrade of systems connecting exchange houses
- New banking application, Visa Money

“ 28% of customers have maintained accounts at the Bank for over 10 years. ”

Geographical Distribution of Deposits



36% of the total fee based income of the Bank through marketing of trade services, guarantees, remittances and credit and debit cards. It contributes the most to the Bank's deposit base accounting for 68% of total deposits.

The division serves the consumers, Small and Medium Enterprises (SME) and micro finance markets. BoC is committed towards financial inclusion and has been the first bank in villages that have now become towns playing a key role in their socio economic progress. 96% of the total deposit base comprise of deposit accounts which are less than LKR 100,000 indicating the Bank's reach to low and middle income earning individuals. Further, 47% of deposits were accounted for by branches outside the Western Province, the most economically developed, in which province the main seaport, main airport and capital city are located. Retail Banking strategies are aligned with national priorities and the division is well positioned to support it's clients' growth as they seek to move beyond their traditional markets whether they move to another province or overseas.

- Upgrade of core banking system with enhanced security features
- New Anti-Money Laundering (AML) system

The retail banking division dominates the industry as market leader, growing its loan base to over LKR 353 billion in 2014 and contributed 27% to the total assets of the Bank, 45% to gross lending, 52% to net interest income and generated

1979

Celebrated 40th Anniversary and service awards for employees who completed 25 years in the Bank are introduced



1979

An in-house journal was introduced to coincide with the celebrations



Management Discussion and Analysis

Operational Review - Retail Banking

Performance

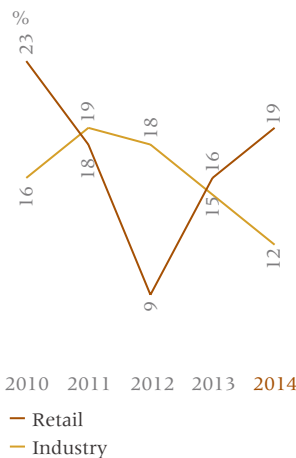
Key Performance Indicators	2014	2013	change %
Financial			
Deposits (LKR million)	642,515	540,241	19
Loans and advances (LKR million)	353,062	347,117	2
Net interest income (LKR million)	20,114	24,892	(19)
Fee and commission (LKR million)	3,350	2,355	42
Operating profit before taxes (LKR million)	3,206	7,644	(58)
Non Performing Advance (NPA) Ratio (%)	5.4	6.6	1.2 bp
Environmental			
Environment friendly lending (LKR million)	175	>1,200	(85)
Social			
Micro finance beneficiaries	108,487	97,985	11
SME Centers	15	14	1

“Growth in retail banking deposits was 19% despite the challenging market environment of declining interest rates”

Deposits

Growth in retail banking deposits was 19% despite the challenging market environment of declining interest rates attributed to the monetary policy adopted by the Central Bank of Sri Lanka and availability of alternative investment options offering a better return. The division continued to exceed industry growth rates by leveraging on the extensive branch network, strong brand franchise and launch of innovative new products.

Retail Banking Deposit Growth Vs Industry Deposit Growth



Growth was mainly from savings accounts, as the division sought to generate sustainable low cost funds for the Bank. A marketing campaign to mobilize accounts targeting minors and senior citizens was launched in early 2014, in which market segments withdrawals are minimal. Abhimana, a new pension scheme was particularly successful with over 21,000 accounts being opened within five months of launch, raising LKR 159 million funds at year end. BoC understood and fulfilled the market need with a comprehensive pension scheme. Consequently, the retail banking division’s ratio of current



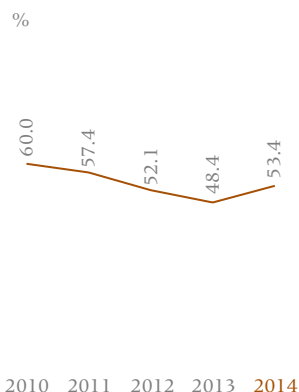
1980
Set up the
Computer Division



1980
The authorised share capital
raised from LKR 120 million
to LKR 1,000 million

and savings accounts to total deposits, commonly termed as CASA, improved from 48% in 2013 to 53% in 2014, comfortably higher than the industry benchmark of 39%. Foreign currency deposits supported by migrant employee remittance flows, accounted for 13 % of total retail deposits.

CASA - Retail Segment



Loans and Advances

Gross loans and advances grew moderately by 2% to LKR 353 billion, attributed to poor credit demand and contraction in the pawning portfolio following the decline in international gold prices. Key products contributing to growth were term loans, leasing and housing.

The NPA ratio improved during the year from 6.6% to 5.4%, stemming from the improvement in quality of the pawning portfolio.

Pawning

Gold prices remained low and the Bank continued to control the growth of the

pawning portfolio whilst addressing the deterioration in asset quality. BoC adopted a prudential method to address troublesome non performing pawning advances by transferring LKR 19 billion worth of long outstanding, auction rejected pawning articles to gold in hand stock by acquiring such articles to the Bank. Exposure to pawning has reduced from 20% of the Bank's total loans and advances in 2012 to 9% in 2014.

Small and Medium Enterprises (SME)

SMEs account for 80-90 per cent of all enterprises in Sri Lanka. Developing the SME sector is therefore, a national priority given their role in sustaining the country's economic growth.

Stemming from the Bank's link to the Government, BoC is passionately committed towards the SMEs, offering traditional long/short-term lending instruments including trade finance, term loans and overdraft through more specific tailor-made products to finance their identified needs, on flexible and affordable terms. The Bank participates in credit lines to lend at concessionary rates. The main sectors assisted include agriculture, fishing, animal husbandry, plantations including tea, rubber and coconut, factory modernisations, infrastructure development, tourism and education.

Apart from providing access to finance, branches and SME centers conduct workshops on technical skills, finance literacy and business knowledge to assist SMEs to remain commercially viable.

During the year, nine entrepreneurial skill development programmes and one dedicated staff training programme have been conducted by the SME unit covering 931 individuals.

Despite the significant opportunity for lending, SMEs remain underserved, considering the inherent risks involved in lending to this market segment. Bank of Ceylon understands these risks better given its island wide positioning through branches and 15 SME centers and close engagement with the communities, facilitating effective mitigation of same. The Division leverages on the strong competencies of its dedicated relationship officers who are well experienced, trained and knowledgeable in SME lending.

Micro Finance

BoC contributes further towards the socio economic development of the rural community by developing micro entrepreneurs and making financial services available, accessible and affordable to them.

The initial step in the 'BOC MITHURU' micro finance programme, is to establish small groups of five to eight members who adopt the articles of association/ constitution and by-laws recommended by the Bank. They are encouraged to cultivate a savings habit, resolve hardships and motivate and inspire each other to improve their socio economic status. These groups have a formal agenda for their meetings and also learn cash management, how to lead, organise and manage micro enterprises. The groups are mentored by a BoC Officer who attends their meetings regularly and monitors

1981

Fully fledged branch opened in Male



1985

New 32 storey Head Office opened at Echelon square, the tallest building in Sri Lanka at the time



Management Discussion and Analysis

Operational Review - Retail Banking

their progress. Once the small groups are established and function credibly, a few groups band together and form development societies through which the Bank is able to actively engage with the communities and finance, monitor and guide their progress. Currently there are 191 such societies consisting of 20,809 small groups and benefiting over 100,000 individuals. During the year we disbursed LKR 168 million to 1,609 groups.

Leasing

The leasing portfolio was affected by intense competition from other banks and financial institutions, weak demand for automobiles given the increased import duties and asset quality challenges common to the industry. Despite the challenges, the retail banking division recorded a growth of 45% to LKR 27.1 billion, following successful targeted marketing campaigns, automation of

leasing process, speedy delivery and competitive interest rates and align with direct sales agents. NPA was managed prudently during the year and the ratio declined from 5.9% to 4.5% by year end.

Housing Loans

Housing loans grew by 14% to LKR 37.5 billion mainly attributed to competitive pricing, prompt approval of loans and flexible terms to suit the repayment capacity. Tie ups with major housing projects at concessionary interest also contributed to growth.

The Bank foresees potential in the housing loan market segment. To secure greater market share, BoC is reviewing the processes and systems to improve customer experience. Regional housing loan centres will be set up in each district to expedite credit evaluation and the turnaround time is expected to reduce to 15 days. Two pilot centers have already been set up in Peliyagoda and Wellawatta.

Multi-Channel Delivery

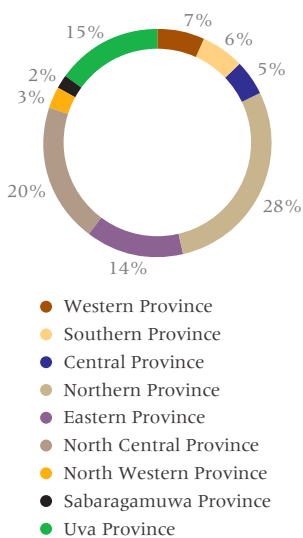
Technology plays a key role in banking today, providing cost effective and convenient solutions to customers to access products and services in their own time and privacy. BoC, readily invests in technology and pursue a multi-channel distribution strategy, to complement existing 'brick and mortar' branch network. Maintaining traditional branch network is also important to the Bank's financial inclusivity policy, to serve customers who may not be as technologically savvy.

Payment Cards

With cards gaining prominence in the world as economies move towards increasing volumes of cashless transactions, use of BoC's Debit Cards is aggressively promoted. Increased volumes of card transactions has the potential to reduce branch costs and improve profitability.

To encourage customers to migrate to ATMs, the Bank issued pre-printed debit cards immediately on account opening, waived off card issuance fees and cash withdrawal fees from BoC ATMs and appointed dedicated Customer Service Officers at branches in the outstations, to assist and train customers in completing basic transactions. Free SMS alerts for ATM transactions were also launched this year, building customer confidence in the system. The Division's efforts were rewarded with the number of ATM transactions growing by 18% during the year.

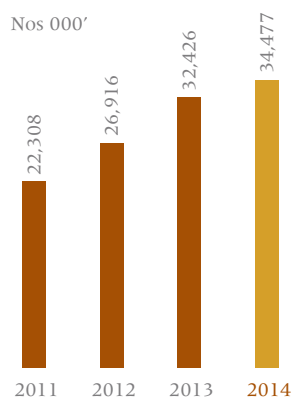
Geographical Distribution of Micro Finance Portfolio



Islamic Banking

The Bank's An-Noor' Islamic Banking Unit, was launched in 2009 as an alternative form of banking in line with the Bank's strategy of financial inclusivity. Key products and services include deposit products and personal financial services. All islamic banking products have been computerized to enable efficient service delivery to BoC's islamic banking clients and dedicated team has been developed to drive the growth of the unit through the Bank's branch network.

Debit Card Transactions



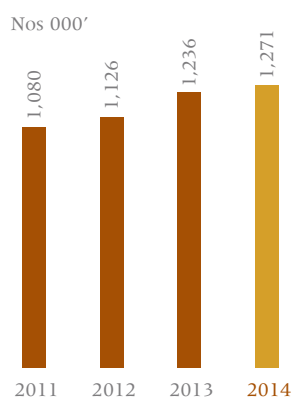
779,671 debit cards were issued during the year, increasing the portfolio to 2,427,161 cards at year end. 608 new merchants were added for Point of Sale (POS) transactions, offering debit card customers access to more than 3,988 merchants in Sri Lanka. Targeted marketing campaigns were successful in growing the number of active cards and debit card purchases contributing to the growth in fee income.

BoC was the first bank to introduce VISA credit cards to Sri Lanka, 25 years ago. Today, competition is fierce with credit card service providers offering discounts and other benefits to gain market share. The Bank consciously limited its portfolio growth to avoid asset quality challenges seen in the industry. However, BoC sees potential for growth and has invested in an enhanced security system, disaster recovery system and data mining system to support future growth in volumes.

Electronic Banking

Online banking and mobile banking have gathered momentum in Sri Lanka, with the growing popularity of modern telecommunication technology and 100% mobile penetration in the country. Given the ease of transacting for customers

Credit Card Transactions



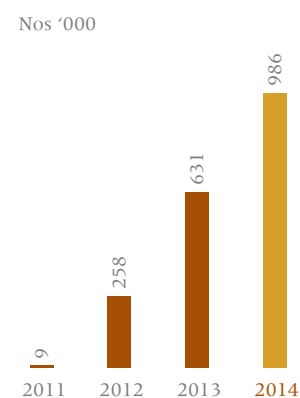
and the potential to enhance fee based income, the Bank focused on increasing its competitive position in this fast growing segment.

Mobile cash products can be used by account holders to make utility bill payments or remit money island wide and are delivered via a secure SMS service.

The Bank invested in system upgrades and new applications to improve service quality for secure and fast online fund transfers. BoC's systems connecting exchange houses were upgraded to provide real time updating of accounts whilst SMS notifications are now being provided within 15 minutes of fund transfer, offering beneficiaries speedy confirmation on the repatriation and receipt of funds.

The web page was re-designed to be more user friendly and the core system was upgraded with enhanced security features to monitor and combat the threat of cyber crime. A new online application, Visa Money Transfer was successfully launched offering real time transfer of funds through Visa International.

Internet Banking Transactions



Way Forward

Competition in deposit mobilisation is expected to intensify in 2015 as demand for credit increases with policy measures taken to stimulate private sector growth. Given the intensified competition, pressure on net interest margins is likely to continue.

Retail banking will focus on increasing fee based income by growing trade volumes to SME and encouraging customers to use multi-channel delivery systems as an alternative to branch banking. Growth of the retail banking credit portfolio will improve with increased demand from pawning (under controlled measures), housing and SME. Supporting the growth of SME will continue to be a high priority, which aligns well with national priorities.

Market leadership will be maintained by offering products with strong value propositions that appeal to diverse customer base and create a positive customer experience.

Management Discussion and Analysis

Operational Review - Corporate and Offshore Banking

Driving growth through deeper relationships

Largest single borrower limit	Capacity to support the growth ambitions of our corporate customers plus financial expertise.	LKR 24.0 billion	
Deeper relationships	A high level of customer engagement has increased the average number of products used by a customer deepening the relationships.	2014 231,060 customers	2013 283,614 customers
Increased market share of import business volumes	Network of 759 correspondent banks and 100 exchange houses. Build customer confidence and ease to trade internationally.	2014 27%	2013 24%
Low NPA	Our prudent risk management system is entwined in aggressive loan growth strategy	<2.1% NPA ratio Below industry average of 4.2%	

The corporate banking division commands an asset base of over LKR 411 billion, serving customers in both the private and public sector. Our customers typically access a range of products that cater to their long, medium and short term financing and transactional needs which are supported by well scattered networks of branches and correspondent banks. Corporate banking has been at the lead of national development since inception with unmatched expertise across all industry sectors.

The corporate banking segment comprises of corporate lending, lending to Government and State Owned Enterprises, trade finance and offshore

banking. Products and services include term lending, cash management, investment services, project finance, working capital finance and dealing in foreign currency transactions.

Performance

Key Performance Indicators	2014 LKR million	2013 LKR million	change %
Financial			
Loans and advances	393,099	374,453	4.1
Net interest income	8,074	7,252	11.3
Fee and commission income	4,089	3,028	35.0
Operating profit before taxes	6,245	6,497	(3.9)
NPA ratio	2.1%	2.1%	-

75 Years
Best Beyond

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

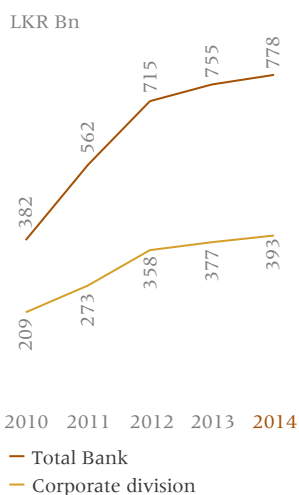


The corporate banking portfolio contributes 31% to the total assets, 21% to net interest income and 26% to operating profit before taxes of the Bank. It is also the largest contributor to loans and advances and fee based income of the Bank accounting for 52% and 44% respectively.

The division's strategic priorities were growth and profitability whilst maintaining asset quality through deeper customer relationships, service excellence and increased transaction volumes. 2014 proved to be a challenging year for corporate banking due to the continued low demand for credit by the private sector exacerbated by the ease of access to foreign financial markets and development of local corporate debt and equity markets. Additionally, the state owned enterprises also rationalised borrowings in line with their improved profitability further reducing overall demand for credit. The excess liquidity in the market increased pressure on net interest margin as the Bank adjusted its interest downward in line with market lending rates. Despite these challenges corporate banking was able to record a growth of 4% in loans and advances mainly due to funding of large ticket deals in infrastructure development and services. We leveraged our single borrower limit and skilful relationship management to successfully negotiate and execute these deals in an intensely competitive market.

Pressure on interest rates resulted the interest income to decline by 9% to LKR 31,242 million, despite the growth in portfolio. However, the lag effect on the decrease in interest rate on loans, attributed to an increase in interest income. Fee and commission income also increased during the year by 35% resulting through commission from trade products such as letters of credit and guarantees.

Gross Loans and Advances



The corporate banking portfolio remains well diversified. Loan concentration has improved during the year compared to the previous year. Whilst the division strived to acquire new customers in the competitive environment through continuous marketing efforts, it focused on a strategy of increasing the share of wallet of existing customers. Staff of

the division is the critical success factor in efforts to strengthen and maintain excellent client service.

Corporate banking continued to maintain a healthy loan portfolio as evident from the low NPA ratio of 2.1%, which is below the industry average of 4.2%. Apart from the Bank's internal controls and systems that support timely monitoring and management of the portfolio, the improvement in NPA ratio was achieved by leveraging on the strong relationship management skills of the staff, the in-depth knowledge of our customer base and assessment of their ability to meet economic challenges and the offer of structured financial solutions that supports the customer's business models.

Due to declining interest rates, deposits declined by 3%. However the division was able to fund as much as 63% of its own asset portfolio through deposits. Leveraging on extensive branch network, large corporates with distributor networks were offered tailored solutions which also facilitated the growth of their business partners enabling mutual growth that reached communities throughout the country. This also increased the opportunities for cross sell to retail banking and facilitated improving the CASA mix for the Bank and growing SME portfolio whilst improving the supply chain management of the customer.

1989

Restructuring process commenced with International Consultants to keep up with the environmental changes

1991

Changed the recruitment process, moving into a district based selection procedure

Management Discussion and Analysis

Operational Review - Corporate and Offshore Banking

“BoC is the market leader in trade services. Our competitive advantage is the wide and well established network of over 759 correspondent banks and expert knowledge in trade finance.”

Off Shore Banking (FCBU)

The FCBU gross loan base increased by 3% from USD 1,329.1 million to USD 1,375.5 million during the year despite the relaxation of exchange controls allowing easier access to foreign currency loans for local companies and reducing the demand for FCBU loans.

FCBU operations are impacted by intense competition for trade finance business from the foreign banks domiciled locally, which banks directly utilized their own low cost fund base to offer lower rates to attract higher business volumes. Thus, the unit differentiates itself through its customized service offering appropriate, timely, well-structured financial solutions under one roof.

Trade services

BoC is the market leader in trade services. Our competitive advantage is the wide and well established network of over 759 correspondent banks and expert knowledge in trade finance. The Bank continuously invest in people, offering training in new areas of international trade and documentation, to be geared to cater to the various working capital needs of customers stemming from their alignment to the strategy of the country.

Products are appropriately priced to capture higher volumes of business. Although trade transactions are centrally processed, the Bank is able to capture trade finance volumes initiated in the provinces, through its document imaging system expanded to 50 branches in 2014, which system is fully integrated into the Bank trade system.

A key strategy is to drive the changes needed to strengthen trade capability and capturing increased trade flows in line with the economic growth of the country. Initiatives being implemented under the “Wenesa” programme to improve effectiveness and efficiency of delivery such as faster turnaround times.

Sri Lanka’s earnings from exports, continued to perform well from last year, growing 7% by 2014. Export growth was mainly driven by textiles, garments, tea and coconut exports and was attributed to favourable economic developments in the export destinations, continuous improvement in domestic industries with new technologies and overall improvement in the macroeconomic environment.

75 Years
Best Beyond

1992

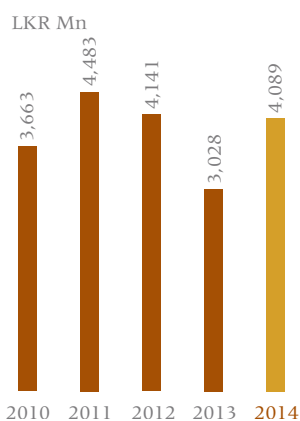
Global Recognition

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.



The country's expenditure on imports increased marginally by 8% in 2014. The lower dependency of the textile and garment industry on imported raw material and the availability of machinery and equipment imported in the past few years lowered import demand during the year. Import trade volume handled by BoC increased by 11% to USD 3 billion in 2014, accounting for market share of 27% of total imports.

Fee and Commission



Way forward

Corporate credit growth is expected to improve in 2015 given policy measures taken to improve market demand for credit during the fourth quarter of 2014, forecast increase in exports with the recovery of the country's main export markets and expected increase in imports driven by the development activities in the country.

Corporate banking will focus the business strategy to grow loan portfolio by contributing actively towards the economic development of the country. Growth is planned through deeper relationships with existing clients as their preferred financial solution provider whilst developing new targeted relationships to increase market penetration. Exposure will be expanded to target sectors maintaining our risk and return in line with the Bank's defined risk appetite. Market share in trade financing will be improved by offering structured trade financing solutions and advisory services, to the importers and exporters which will be mutually beneficial to both the Bank and the customer.

1995

Expanded overseas branches with a branch in Chennai



1999

Celebrated 60th Anniversary

1999

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

Management Discussion and Analysis

Operational Review - International, Treasury, Investment and Overseas Branches

This division comprises of treasury, international, investment and overseas branches. Treasury is responsible for asset and liability management, liquidity management, interest rate risk management, money market dealing, foreign exchange management, investment in Government securities, equity trading, fund management, maintenance of reserve ratio, liquidity ratio and pricing of products.

Performance

	2014	2013	Growth
	LKR million	LKR million	%
Capital gains on sale of shares	2,788	(165)	1,790
Capital gains - Government securities	1,162	674	72
Exchange income	3,195	3,221	(1)
Dividends	858	713	20
Commission and fee income	993	789	26
Profit from overseas branches	1,537	1,283	20

“The Bank structured first ever USD-Rupee currency option allowing clients to hedge exchange rate risk”

All key income sources have shown a significant improvement compared to last year.

Treasury engages in foreign currency transactions on behalf of the customers as well as the Bank. Treasury provides services of trading in treasury bills and bonds, derivative products such as currency swaps, interest rate swaps, forward exchange contracts, currency options etc.

Interest rates were in downward trend during the most part of the year, as the Central Bank of Sri Lanka (CBSL) pursued a relatively relaxed monetary policy stance. In the beginning of the year, the standing repurchase facility where the CBSL absorbed overnight excess liquidity from banking system was renamed as Standing Deposit Facility (SDF) and the standing reverse repurchase facility where the Central Bank injected overnight liquidity was

renamed as Standing Lending Facility (SLF). Accordingly, SLF Rate was reduced by 50 basis points to 8%, thereby compressing the Standing Rate Corridor to 150 basis points. In September 2014, CBSL decided to limit the access for banks to SDF of the Central Bank at the 6.50% to a maximum of three times per calendar month, and any deposits at the SDF window exceeding three times to be accepted at a reduced interest rate of 5%. This resulted in a drop in the interest rate of repo market.

75 Years
‘Best Beyond’

2004

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



Commercial banks' lending and deposit rates continued the downward pattern throughout the year 2014. Monthly Average Weighted Deposit Rate (AWDR) declined to 6.20% from 9.37%, Average Weighted Fixed Deposit Rate (AWFDR) declined to 7.33% from 11.78% and weekly Average Weighted Prime Lending Rate (AWPLR) declined to 6.33% from 9.88% during the year.

Banks' deposit base grew at a healthy pace even in a low interest rate scenario. The Asset and Liability Management Committee (ALCO) decided to reduce fixed deposit rates several times during the year. Consequently the rupee financial cost reduced from 9.9% to 6.9% during 2014, continuing its downward trend.

The division operated in an environment of excess liquidity, low interest rates and a very competitive market.

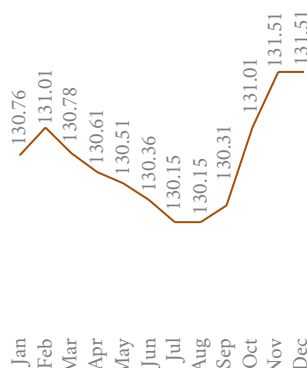
The Bank structured first ever USD-Rupee currency option allowing clients to hedge exchange rate risk with greater flexibility on market rates going beyond the traditional forward exchange contracts. This is a first step in introducing derivative financial instruments to the market providing customers a wider choice in managing risk.

The rupee appreciated during the early part of the 2014 due to the large inflows to the country. The value of the rupee showed slight depreciation during the latter part of the year but overall showed less volatility during the year. USD/LKR rate was depreciated only by 0.26% during the year 2014.

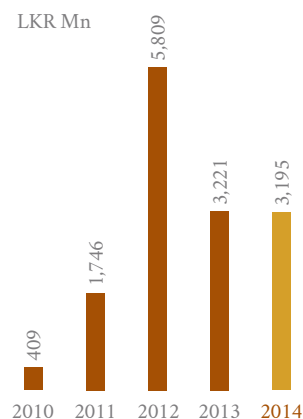
“The division operated in an environment of excess liquidity, low interest rates and a very competitive market.”

Bank made an exchange income of LKR 3.2 billion for the year 2014.

Exchange Rate (USD:LKR)



Exchange Income



Bank's liquidity position remained healthy while managing the expansion of the total assets of the Bank. The Bank maintained its liquidity ratio above the regulatory norm of 20% for both domestic and foreign currency liabilities. Liquid asset ratios as at 31 December 2014 for domestic and foreign banking units were 30.8% and 25.9% respectively. Significant part of the Bank's funding base comprises of customer deposits (76% of the total funding mix). The total growth of the balance sheet of LKR 135.4 billion was mainly funded by deposits (LKR 91.9 billion) and borrowings (LKR 19.5 billion).

Treasury was successful in managing the Bank's excess liquidity position. Bank used excess liquidity to generate US Dollar funds by swapping two currencies at cheaper rates. Further, the Bank also invested in Government securities and other financial instruments to ease the excess liquidity in addition to loan disbursements to the private sector.

2004

Introduction of Bank of Ceylon flag



2005

Balance sheet reached LKR 300 billion, largest asset base of any Sri Lankan Bank at the time

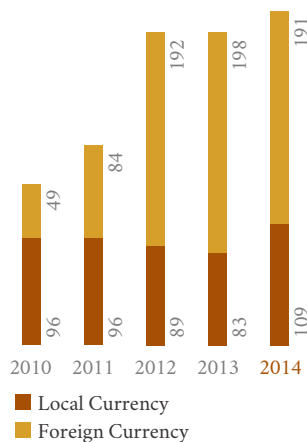
Management Discussion and Analysis

Operational Review - International, Treasury, Investment and Overseas Branches

“We remain the market leader in NRFC deposits with a 35% market share despite intense competition from other Sri Lankan banks who have intensified their overseas operations.”

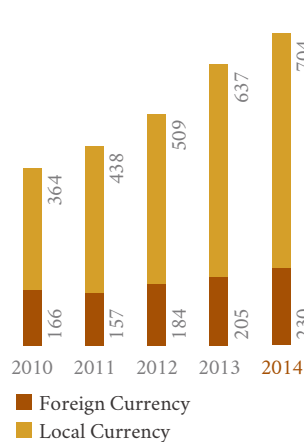
Borrowing Mix

LKR Bn



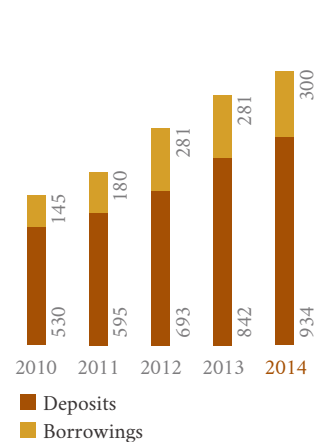
Deposit Mix

LKR Bn



Funding Mix

LKR Bn



International

International Division is responsible for promotion of NRFC deposits, inward remittances and correspondence banking relationships. The Bank maintains relationship with 100 exchange houses and deploys 25 representatives abroad to assist Sri Lankan migrant employees with the remittance transactions covering 115 Countries.

The NRFC/RFC/RNNFC portfolio growth recorded an increase of 13% amounting to USD 1,245 million. As the market leader in NRFC deposits, our market share marginally increased from 34.8% in 2013 to 35.1% in 2014 leveraging our overseas network. Foreign currency deposits grew at 10% from USD 1,575 million to USD 1,726 million.

We remain the market leader in NRFC deposits with a 35% market share despite intense competition from other Sri Lankan banks who have intensified their overseas operations.



2008

Issued first ever listed, subordinate, rupee debentures of 5 years raising LKR 4.2 billion

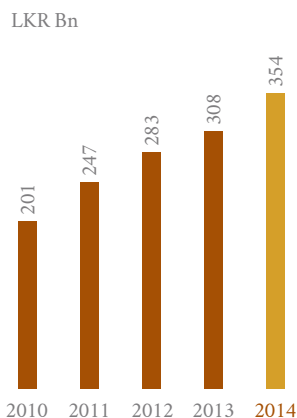


2008

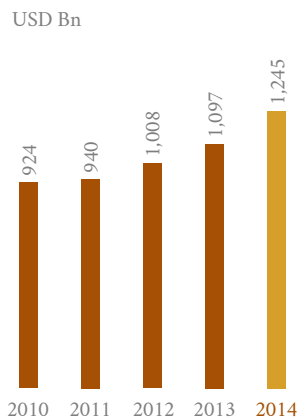
Raised USD 21.6 million via a private placement of 5 year subordinate dollar debentures

Bank introduced “BOC Smart Remit” system to facilitate inward remittances. The Bank is also a participant in global remittance networks such as Money Gram, Xpress Money, Sigue and Ez-Remit. Remittance growth was strong at 15% to record LKR 353 billion reflecting a shift in migrant workers to those with higher levels of skills and our unique customer experience. Market share increased during the year to 40% from 39%. Our island wide presence supports overseas customers with an enhanced experience over competitors as access can be provided through our own networks without dependency on third party networks reducing both lead time and charges.

Inward Remittances



NRFC/RFC/RNNFC Deposits



Investment Banking Division

Bank of Ceylon investment banking division is a leading provider of trustee and custodian services and, provides debt and equity financing to private and public institutions in Sri Lanka. The division facilitates capital to those who need it, thus contributing to the economic growth of the country. The investment banking division engaged in its activities vigorously in the favorable environment that prevailed in the year 2014, in view of the concessions available in tax liability on investments in listed corporate debt instruments and steady performance of the Colombo bourse after painful corrections taken place from the second quarter of 2011. The division became a prominent contributor towards the bottom line of the Bank, with increased earnings on capital gains, fees and commissions, dividends and interest on investments in fixed income securities.

The investor community's appetite for the Bank's debentures was assayed through the sixth successful debenture issuance in September 2014 raising LKR 8 billion. This was structured and managed by the Bank's investment banking division who were also the registrars to the issue. The initial issue that went to market is for LKR 4 billion with an option to increase upto LKR 8 billion in the case of oversubscription, which was exercised in the opening day itself. The debentures were rated 'AA' by Fitch, and structured to appeal to investors with the opportunity to select from five types of debentures. The proceeds were used to strengthen BoC's Tier II capital base and to reduce asset and liability maturity mismatches arising from long term infrastructure project financing, whilst taking advantage of the comparatively low interest rates in the market. In addition to providing capital raising activities for the Bank of Ceylon, the division extends its services to financial institutions and large corporate clients.

BoC is the leading state bank that provides trustee and custodian services for different types of funds/clients amounting to LKR 118 billion. Further, the value of corporate debt issues, listed and unlisted, for which trustee services were provided by the division during year 2014 exceeded LKR 21 billion.

2009

Issued a commemorative stamp to celebrate the 70th anniversary of the Bank and Echelon Square was renamed as Bank of Ceylon Square



2009

Bank is evaluated as 'best brand name of the year' by Brand Finance Institution. BoC has retained the position to-date

Management Discussion and Analysis

Operational Review - International, Treasury, Investment and Overseas Branches

The Investment banking division continues to make progress doubling the profit in year 2014 compared with the previous year. Bank intends to enhance the product mix and invest in key growth areas with the intention of continuing and strengthening the performance of the division.

Overseas Branches

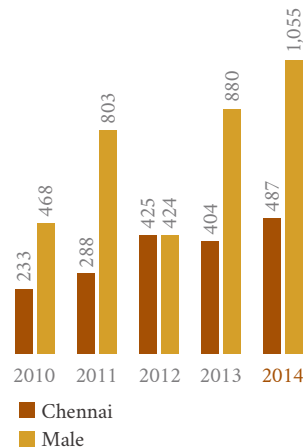
Bank has three overseas branches located in India, Maldives and Seychelles and wholly owned subsidiary in UK. These branches and subsidiary provide deposits, advances, remittances, trade finance facilities and treasury products etc.

Male branch and Chennai branch operations were commenced in 1981 and 1995 respectively. Newly opened Seychelles branch operation commenced in January 2014. Seychelles is the first branch of Bank of Ceylon on the African continent and offers a wide range of financial solutions including corporate, retail, offshore and internet banking. The branch was opened as a step forward in fulfilling BoC's strategic aspiration of becoming Sri Lanka's international bank, to reach potential overseas markets. Two foreign branches namely BoC Chennai and BoC Male were able to attract more corporate and retail customers during the year 2014 leading to low cost of funds. Chennai branch grew its loans and advances portfolio by 37% and Male branch grew its loans and advances portfolio by 39%.

The performance of the two overseas branches is as follows.

Profit from Overseas Branches

LKR Mn



Way Forward

Asset and liability management continues to be the key focus of the Treasury division and the Bank is well positioned to take advantage of growth opportunities in both investment products and loan products. We expect a new Treasury system and ALM system to be implemented in 2015 further enhancing our capabilities to monitor market risk and funding risk and increasing our ability to quickly respond to market changes.

Initiatives have been launched to expand our overseas agent networks and remittance partnerships to support the growth of remittances and foreign

currency deposits. We will also look to new markets for growth opportunities to ensure that our network growth keeps pace with our ambitions providing a strong competitive edge. Improving the customer experience is necessary for growth in this lucrative business and initiatives have been planned for implementation in 2015 to facilitate new customer acquisition and retention and growth of business with existing customers.

Strengthening of equity and debt markets provides increased opportunities for investments and earnings from fee based income by providing intermediary services. The Bank is well positioned to capture market share in this segment. We will continue to build on our success achieved this year to gain a greater market share.

Bank expects the overseas market to further consolidate on its position to establish sustainable foreign currency flow to the country and Bank. In view of this, the Bank is exploring the possibilities to open another branch in India.

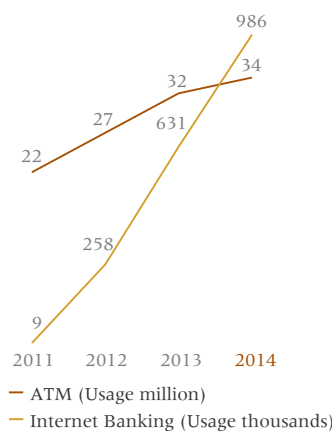
Information Technology

Facilitating the transformation of the Bank, IT is a key support department that impacts all aspects of our business. Like the investment in people, IT also takes time to demonstrate tangible benefits and requires human action to maximise its utility. The results discussed below relate mainly to bold investment decisions taken in previous years coupled with impeccable execution during project implementation.

Technology driven Banking delivered. Anytime, Anywhere.

Electronic transaction volume growth

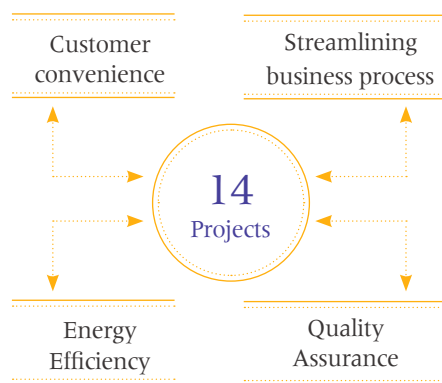
A key indicator of success in IT transformation is the increased volumes of transaction using electronic channels. We are encouraged by the growth we have seen in this area and continue to drive migration by enhancing the customer experience and adding new transactional products.



Smooth transition to new Core Banking System

The transition to the new core banking system will be completed by April 2015 providing a solid foundation for new applications that will further enhance the customer and employee experience. It is the culmination of carefully sequenced and coordinated activities impacting almost every key business process.

Technology driven banking is a key component of our strategy as it enables scalable growth and exciting opportunities to take banking to every Sri Lankan's home. IT also enables operational efficiencies in terms of service lead times which provide a competitive edge as it enhances the customer experience. The Bank's internal controls, compliance and risk management functions place significant reliance on IT systems necessitating upgrades to keep pace with an increasingly complex operating and regulatory environment. Consequently IT is the nerve centre of the Bank managed by an experienced and skilled talent pool who are responsible for delivery of this key strategic pillar. This year's results have been encouraging as we completed 14 projects during the year focusing customer convenience, driving operational efficiencies and quality assurance.



Delivering Customer Convenience

A 100% mobile penetration rate coupled with rapidly increasing penetration rates of smart phones and internet connections creates a conducive environment for rapid progress in delivering customer convenience through electronic platforms. Bank of Ceylon has a number of planned initiatives in this regard and we discuss below the more significant developments completed during the year.

The Bank improved its internet banking product by expanding the range of services that can be facilitated through the portal enabling customers to conduct their transactions from their homes or offices. The growing number of customers registering for online banking and growth in the volume of transactions observed subsequent to the re-launch of the product is encouraging. We expect the trends observed to gather momentum as a tech hungry generation Y demands more services to be delivered via the internet at increasing levels of sophistication.

Launch of the visa fast funds during the year facilitated remittances in real time from our agent network and exchange houses in 115 countries, connecting migrant workers with their families through our island wide branch network. This key development enables the Bank to retain and grow its market share in remittances.

Information Technology

The Bank has worked with the Road Development Authority to support electronic toll collection on the highways enabling customers to pay toll fees with automated top up facility. This enables speedier pass through toll gates resulting in reduced waiting times for users.

Streamlining Business Processes

Embedding operational efficiencies through streamlined business processes has been a passion of the IT department and a key strategic initiative of the Bank. Accordingly many processes were streamlined with IT interventions during the year resulting in significant gains in productivity and cost savings during the year.

The treasury system was implemented during the year providing enhanced asset and liability management and transaction capability with improved internal controls. Treasury staff were provided intensive training on using the system to introduce and promote maximum utilisation of the additional features in the system to ensure that the Bank reaps in full the benefits of its investment.

Driving Energy Efficiency

As a key strategic initiative, Bank of Ceylon embarked on a project to reduce the energy consumption of its

IT infrastructure through virtualization of servers. This has enabled us to save 90% of the energy consumed by physical servers as detailed below amounting to 2400 kwh per day. As the physical servers account for considerable amount of electricity consumption at the Bank, there is a significant favourable impact on the operational cost efficiency of the Bank which will be fully reflected only in 2015. In addition to this, there is a significant saving on cooling and space requirements.

Quality Assurance

A number of projects were completed to enhance the Bank's IT governance structure and project management mechanism to facilitate completion of projects according to specifications within the defined time frame. As information systems security concerns heightened across the globe, the Bank also invested considerable resources in enhancing its network security. We also continued to invest in training our people to ensure that they keep abreast of developments in their highly specialised fields and enhancing their capability to drive the digital strategy of the Bank.

Future Outlook

With the Bank's core banking system completed, we will focus on maximising utility of the additional features

it provides to enhance customer experiences, strengthen internal controls and compliance, provide improved information to facilitate decision making and improve risk management of the Bank. We expect to work together with key business line owners to innovate new products adding to the Bank's value creation capability.

Projects commenced to strengthen the regulatory and compliance aspects of the Bank are expected to be completed during 2015 facilitating the transition from a traditional compliance model to a proactive approach that continuously monitors key indicators and its impacts on the earnings capabilities and the soundness of the Bank.

IT is at the heart of the Bank's transformation programme "Wenesa" and we will continue to focus on supporting new product development, electronic banking channel development, streamlining business processes, safeguard the information systems and enhance the decision making capability within the Bank.

Power Requirement Comparison (Watts)

Location	No. of servers	Maximum power in virtual environment (Watts)	Maximum power consumption of physical servers (Watts)	Estimated power saving (Watts)	Estimated power saving %
Head office	100	5,865	71,437	65,572	91.8
Disaster recovery site	60	4,285	42,862	38,577	90.0

Employee Report

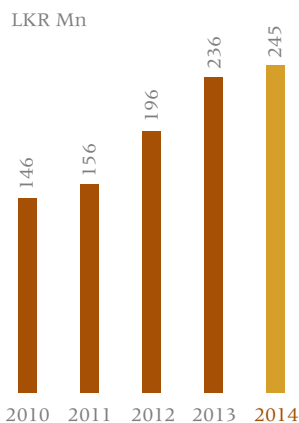
Bank of Ceylon as one of the leading employers in the financial services sector has a comprehensive talent management programme which has consistently produced leaders of high calibre who have grown the Bank to its current position, a fitting testimony to its scope and effectiveness.

Driving Productivity by Developing People

Developing Talent

We invested LKR 244.5 million on training and developing our people in 2014 through our dedicated training facilities and at external and overseas locations achieving a coverage of more than 50% of our team. Our consistent and comprehensive talent development programmes enabled us to promote 920 people during 2014, a ratification of our commitment to developing our people as the majority of our team join the Bank at entry level.

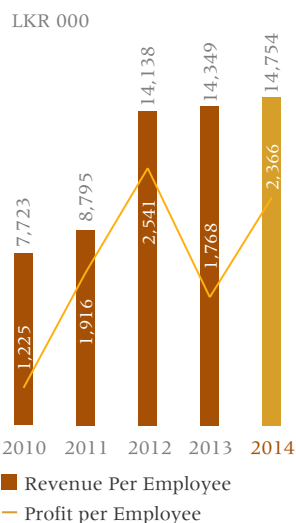
Training Expenses



Employee Productivity

Employee productivity has been a key focus and initiatives such as 5S implementation and team rewards have driven general productivity and achievement of focussed goals. Profit per employee has increased by 18% from LKR 1.36 million to LKR 1.61 million in

2014 as many employees retired during the year and productivity initiatives facilitated the increased workload to be absorbed by the remaining cadre.



Retaining Talent

We are able to retain our talent due to:

- Comprehensive career development initiatives
- Employee benefits including pension benefits
- High levels of employee engagement
- Corporate culture promoting team work

Employee Retention Rate

99%

Freedom for Collective Bargaining

94%
of staff are members of a trade union

The Bank has cordial relations with the trade unions who are signatories to the collective agreement ensuring preservation of the rights of employees and uniform application of the policies of the Bank.

Diversity

Bank of Ceylon is an equal opportunity employer and has a higher rate of female participation than the country's workforce rate of female participation.

Female participation at Bank

54%

Female participation in labour force

35.3%

Our team of 8,577 employees located throughout the island are our key strength as they have delivered the results outlined in this report in pursuit of our strategic goals whilst upholding our values.

Employee Report

We added 237 new recruits to our team and promoted 920 employees to new positions of responsibility based on their performance and the business needs of the Bank. The Bank invested LKR 244.5 million in developing our talent pool through a comprehensive training and development programme as a cornerstone of our Human Resource (HR) strategy which included local, overseas and e-learning training programmes during the year. Retention remains high at 99% due to high satisfaction levels in our team. The Bank maintains cordial industrial relations with key trade unions in the financial services sector and 94% of our team are members of at least one trade union.

Our Team Profile

As an equal opportunity employer we have 47% female participation in our workforce which improves to 54% when considering the permanent cadre. High levels of representation are observed throughout the provinces with the lowest representation of 39% observed in the Eastern Province whilst the Southern Province has a female participation of 64%. However, we observe lower levels of female representation at Executive and Corporate Management levels indicating issues with willingness or circumstances of female employees to undertake greater responsibilities and we are taking necessary action to address these issues through counselling and encouragement. We believe that there has been sufficient inspiration provided institutionally as we have had a number of female leaders

at the highest levels throughout the history of the Bank and are concerned that this trend is more a reflection of the changing social structures in the country which require attention on an industry basis to arrive at holistic solutions. The employee age distribution reflects a healthy talent pipeline up to Branch Manager and allied officer grades, a result of careful succession planning and talent development initiatives of the Bank.

By Nature of Employment and Gender

Employment Base	2014				2013			
	Male	Female	Total	% by nature of employment	Male	Female	Total	% by nature of employment
Permanent – Full time	3,966	4,611	8,577	87	4,240	4,643	8,883	88
Outsourced	1,267	27	1,294	13	1,133	18	1,151	12
On contract	7	1	8	-	10	1	11	-
Total	5,240	4,639	9,879	100	5,383	4,662	10,045	100
% by gender	53	47	100		54	46	100	

75 Years
Best Beyond

2009

Launched the Islamic Banking Unit with an island-wide coverage



By Geographical Distribution

Province	2014			2013		
	Male	Female	Total	Male	Female	Total
Western Province	1,787	2,150	3,937	1,893	2,092	3,985
Central Province	315	378	693	352	398	750
Eastern Province	280	173	453	295	180	475
Northern Province	272	246	518	283	251	534
North Central Province	304	274	578	316	275	591
North Western Province	321	376	697	356	387	743
Sabaragamuwa Province	233	300	533	255	315	570
Southern Province	267	460	727	288	486	774
Uva Province	187	254	441	202	259	461
Total	3,966	4,611	8,577	4,240	4,643	8,883

By Employment Category

Category	2014			2013		
	Male	Female	Total	Male	Female	Total
Corporate Management	12	2	14	12	2	14
Executive Management	44	6	50	38	6	44
Chief Manager	66	34	100	62	25	87
Senior Manager	116	59	175	111	41	152
Branch Manager and other Officer Grades	1,519	2,032	3,551	1,575	1,809	3,384
Banking/ Management Trainees	70	184	254	70	97	167
Staff Assistant and Allied Grades	1,532	2,201	3,733	1,782	2,648	4,430
Office Assistant and Allied Grades	607	93	700	590	15	605
Total	3,966	4,611	8,577	4,240	4,643	8,883

2010

Converted the London Branch into a subsidiary



2011

Fitch Rating Lanka Ltd upgraded the Bank's rating to AA+ (lka) stable outlook, which the Bank maintains upto now

Employee Report

By Age Distribution According to Employment Category

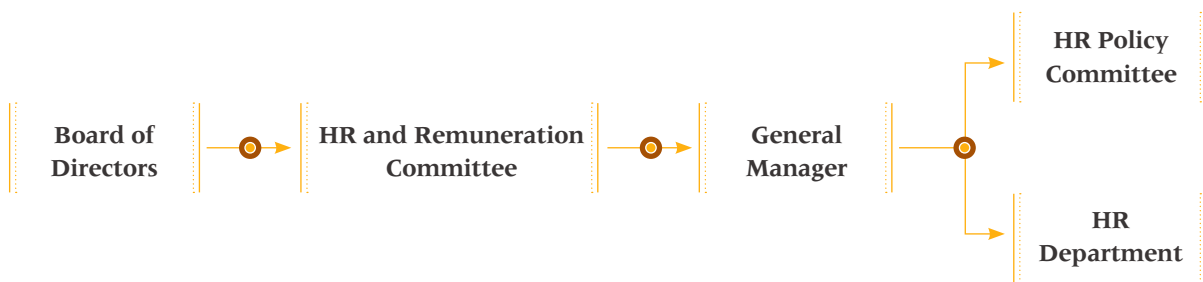
Age Distribution	Corporate Management	Executive Management	Chief Manager	Senior Manager	Branch Manager and other Officer Grades	Banking/ Management Trainees	Staff Assistant and Allied Grades	Office Assistant and Allied Grades	Total 2014	Total 2013
55-60	8	38	71	97	1,216		203	105	1,738	1,904
45-54	6	12	27	40	461		154	142	842	1,084
35-44			2	36	473	3	91	177	782	745
25-34				2	1,401	234	2,260	230	4,127	3,417
18-24						17	1,025	46	1,088	1,733
Total	14	50	100	175	3,551	254	3,733	700	8,577	8,883

Management Approach

The HR and Remuneration Committee of the Board has oversight responsibility for the talent management and succession planning at the Bank. The committee comprises of four Non-Executive Directors and approve reporting and governance structures for the Bank, recruitment, promotion and performance evaluations of General Manager, Deputy

General Managers and members of staff in the allied grades and approve the HR policies and monitor performance of the HR Department. The Board of Directors, the General Manager, Deputy General Managers and members of staff in the allied grades and Compliance Officer are considered as Key Management Personnels.

Goals and targets of the HR Department are set in line with the overall corporate plan to meet the strategic business needs of the Bank by the HR and Remuneration Committee and the Deputy General Manager HR is held responsible for successful implementation. The Bank's HR is as follows:



2012

Became the first bank in Sri Lanka to surpass LKR 1 trillion asset base

2012

Issued US Dollar denominated 500 million, 5 year bonds listed in Singapore Stock Exchange for the first time in Sri Lankan commercial banking history

HR Policy Framework

A comprehensive policy framework based on Sri Lankan labour laws and international best practice such as the Decent Work Programme of the International Labour Organization (ILO) has been developed and approved by the Board of Directors to ensure that human rights are upheld and that the culture of the organisation facilitates high performance. The policy framework has six key components that address the recruitment, development and retention of our employees as depicted below. It also embodies principles of equal remuneration for men and women, no child labour and forced labour in line with international best practice. The Bank's policy is to give first opportunity to internal candidates when filling vacancies prior to recruitment of external candidates. This policy has given greater opportunity for internal candidates who aspire to progress in their careers and

creates a loyal and dedicated team with proven ability to handle challenges.

The policies are reviewed and revised at the necessity of the Bank to ensure that they are relevant and in line with best practice. The employees are issued an Employee Handbook encapsulating the HR ethics to ensure compliance with the policy framework of the Bank and to address other administrative matters. Management of the Bank strictly adheres to the policies and processes specified with regard to transfers and promotions. Dissatisfied employees have recourse to a well defined appeal process which is clearly set out in the Employee Hand Book. A well-defined transfer policy is also in place to ensure the transparency of the transfers.

Talent Acquisition

As one of the largest employers in the financial services sector, the Bank continues to attract talent with a large number of applications for each position filled during the year. The Bank recruits mainly Management Trainees and Trainee Staff Assistants which are entry level positions for new entrants to the workforce. Every new recruit goes through an extensive and transparent selection process. Prior to recruitment of Management Trainees and Trainee Staff Assistants, all candidates face written examinations conducted independently by the Department of Examinations and a rigorous interview process. When recruiting for branches, we strive to maintain a balance of people from the area together with experienced employees from other locations to ensure branches have the required mix of skills. We are an equal opportunity employer and recruit based on business needs, screening applicants in a structured manner irrespective of their gender, ethnicity or geographic location to ensure that our recruits are people of talent, ability and ambition. 99% of the new recruitments consist of employees less than the age category of 30 years and comprise of 69% female representation. Our entry level wage rates are above industry levels.

Talent Management at BOC

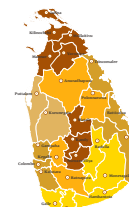
Talent Acquisition		Compensation and Recognition		Development and Retention		Employee Engagement	
Talent Attraction	Equal Opportunity	Compensation and Benefits	Awards and Recognition	Performance-based Appraisal	Career path Development	Skill Development and Training	Industrial Relations
							Work-life Balance
							Grievance Handling

2012

Obtained an international rating equal in par with sovereign rating (Fitch : BB-/Stable, Moody's : B1/Stable)

2012

Exceeded 1,000 customer service points



Employee Report

Recruitments in 2014

Category	Age Group	Gender		Total
		Male	Female	
Assistant Transport Manager	41	1		1
Management Trainee	21 - 28	46	145	191
Trainee Assistant Legal Officer	29		1	1
System Analyst / Programmer (Probation)	25 - 30	11	7	18
Staff Assistant (Probation)	33		1	1
Trainee Audit Assistant	23 - 28	15	10	25
Total		73	164	237

Compensation and Benefits

Employee remuneration is determined by the HR and Remuneration Committee in consultation with the Minister in charge of the subject of Finance and Planning in accordance with the provisions of the Bank of Ceylon Ordinance. The remuneration framework is revised once in three years incorporating the provisions of the collective agreements signed with trade unions. There is no differentiation for gender or age in the remuneration of our employees.

Some non salary benefits provided to permanent staff of the Bank include:

- Housing, vehicle and distress loans at concessionary interest rates
- Comprehensive medical assistance

- Compensation in case of personal accident whilst engaged in official duties
- Financial support for pursuit of professional and post graduate studies and reimbursement of membership fee of professional bodies
- Access to holiday bungalows located at popular locations
- Subsidised meals for staff through the Head Office canteen and transport subsidies for staff
- Encouraging members in sports activities and facilitating Gymnasium, Library, Yoga ,etc
- Funeral expenses of employees to immediate family

Bank of Ceylon has a wide range of benefits under a contributory provident fund and a widows'/widowers' and orphans' pension fund. Additionally, the Bank's pension assures a post retirement financial umbrella. All three funds are managed by Boards of trustees which include team members and pensioner representatives. Trustees ensure that funds are prudently invested yielding value over time. Annual actuarial valuations are done to determine funding gaps and remedial actions. Members raise questions on the management of funds at the annual general meetings.

Employee Development

Our core strategy is to develop our talent pools using external qualifications that enable career progression, provide on the job training, internal technical training programmes and soft skills development. The career progression of our team together with the growth of the Bank is testimony to the effectiveness of this strategy which was developed over decades and the learning and mentoring culture that pervades the remotest branch of the Bank. We continue to recruit mainly at entry levels and therefore rely on our training and development activities to ensure our business growth is achieved and our ability to compete effectively in the market with international and private sector banks. Our success is measured by the gains in employee productivity.



2013

Issued USD 500 million bond for second consecutive year

2014

Celebrated 75th Anniversary



“Both local and overseas training has been provided to ensure that our employees collectively have the skills necessary for our sustained business growth.”

The Bank has a comprehensive development and training programme to facilitate the career progression of our employees within the Bank. Consequently, the Bank invested LKR 244.5 million in training and leadership activities in 2014 including both internal and external training programmes. Both local and overseas training has been provided to ensure that our employees collectively have the skills necessary for our sustained business growth. Purpose built training facilities are available within the Bank for training throughout the year to all employees facilitating uninterrupted delivery of our training catalogue to ensure a high coverage of employees and provide sufficient depth in training.

All employees are covered by the performance based appraisal system in place which measures their performance with agreed quantitative and qualitative objectives which also serve to identify their training needs and readiness for career progression opportunities. The Bank's training and development processes ensure that all staff are provided lifelong learning opportunities in areas relevant to the Bank and have relationships with professional organizations of relevance and repute. The Bank is an approved employer with these institutions to enable completion of their internship with relevant work experience under the guidance of mentors who are qualified in the respective fields. Employees are eligible to an honorarium payment on the

completion of professional qualifications and reimbursement of membership fees. Additionally, the Bank also provides financial assistance to employees who pursue post graduate qualifications in fields relevant to their work. Completion of such professional exams and other profession related achievements are recognised in their performance appraisals.

Succession Planning

It is necessary that the Bank has a sufficient talent pipeline for our business needs which also serves to facilitate realization of the career goals of our employees. The Board and Corporate Management have focussed on succession planning in 2013 and increased the depth of the plan in 2014 to Senior Manager

Number of Employees Trained During 2014

Category	Number of employees				Average hours of training			
	2014		2013		2014		2013	
	Male	Female	Male	Female	Male	Female	Male	Female
Corporate Management	12	2	15	2	51	32	44	12
Executive Management	44	6	39	6	26	31	21	19
Senior Management	303	172	373	179	33	48	18	34
Executives	1,464	2,006	1,445	1,793	20	24	19	16
Trainees and Others	2,143	2,425	2,368	2,663	60	75	59	64
Total	3,966	4,611	4,240	4,643	190	210	161	145

2014

Entered the African continent by opening a branch in Seychelles



2014

Obtained the services of Boston Consulting Group to reshape the business processes

Employee Report

No. of Training Programmes and Participants in 2014

Description	No. of Training Programmes	No. of Participants
In-House	929	45,688
Local Institutions	299	5,815
Other Training	5	1,960
Overseas	107	347
Total	1,340	53,810

“The Employee Development plans support the succession planning process enabling identification of potential talent for grooming.”

level. The Employee Development plans support the succession planning process enabling identification of potential talent for grooming. We are confident that the succession plans put in place go beyond the requirements of the provisions of the banking act direction on Corporate Governance for Licensed Commercial Banks in Sri Lanka enhancing the stability of the Bank.

The Bank has a process in place to identify employees with high potential. These employees are identified early and the necessary training and work experience is provided in order to groom them for future leadership roles.

Industrial Relations

The Bank of Ceylon has six registered Trade Unions that actively engage with the management in the collective bargaining process. Over 94% of the staff are members of these unions and the Bank has collective agreements with the unions from 1989 which were last revised in 2012. Under the latest revision, employees were awarded many benefits and rewards. The Bank has a continuous

dialogue with officials of the trade unions on a proactive basis to facilitate harmonious industrial relations.

Employee Engagement

The Bank has a large number of associations and committees which have been formed by employees with common interests and they organise activities throughout the year providing informal platforms for people to come together building camaraderie amongst our employees and enhancing co-operation between departments. The focus of these associations range from religious activities, literary and cultural interests and sports and provide employees with opportunities for leadership and interactions outside their work role. Many of these activities surface hidden talents and abilities of our employees which enhances their sense of well-being at the workplace.

Ensuring that employees maintain a work life balance appropriate to their circumstances and career goals is necessary for healthy levels of employee engagement and retention. The HR departments seeks to identify and address such issues through the proactive HR forums initiated in 2013 and we are encouraged by the progress made in this

regard. The Bank continuously takes measures to ensure that the health and safety of the employees are assured to a satisfactory level. Prevention of hazards, ill health and occupational diseases are main concerns in implementing safety actions at BoC. During the year, 23 employees have been granted accidental leave. Further the Bank conducted 56 security programmes for internal security personnel during 2014.

The Bank also encourages use of leisure facilities provided to our staff through concessionary rates at rest-inns and holiday homes to ensure that they have affordable opportunities for quality leisure time with their families.

The Bank has an established mechanism for handling alleged grievances and a formal inquiry process that complies with the labour laws of the country. Active trade unions also provide a platform for employees with grievances for aspects covered by the collective agreements ensuring that HR policies are applied in a consistent and fair manner. The “Whistle Blowing Policy” of the Bank enables all employees to submit complaints to the Complaints Overseer.

Our employee retention rate is 99% which is testimony to the effectiveness of the HR policy framework and its implementation. Statistics of employees who terminated their services are given below and are tracked to ensure we remain effective at retaining talent. As may be observed from the employee turnover, 90% of our employee turnover is due to reaching retirement age whilst only 10% have left the organization due to other reasons.

Way Forward

The Bank will continue to drive the transformation work commenced in 2014 through the "Wenesa" programme to embed smarter working within a technology enabled environment to optimise employee productivity throughout the organization. We are excited and inspired by the quick wins witnessed towards the end of the fourth quarter and are focussing efforts to manage the organizational change.



Runner-up IBSL inter-bank quiz competition 2014



75th Anniversary Celebration - BoC Walk



National Productivity Awards 2013 - Conducted by National Productivity Secretariat



Talent show - "Prathiba Prabah"

Streamlining and digitising processes will be a key driver for employee productivity together with rewards and recognition programmes that will support the change.

The Bank will continue to invest in training and developing our people with increased emphasis on nurturing a sales culture and catering to an increasingly technology dependant customer base.

Total number of incidents of discrimination and corrective actions taken	Male	Female	Total
Total number of human rights grievances brought forward from 2013	5	1	6
Total number of human rights grievances reported in 2014	10	4	14
Total number of grievances resolved during the year	7	2	9
Total number of grievances outstanding at the end of the year 2014	8	3	11

Employee Turnover

Resignations During 2014

Age Group	Female	Male	Total
20 - 29	27	12	39
30 - 39	4	4	8
40 - 49	2	1	3
Total	33	17	50
%	66	34	100

Retirements During 2014

Female	Male	Total
156	303	459

Social Report

The Bank's 75th anniversary is a fitting time to review our relevance and significance to the communities we operate in. Often being the first bank in villages, we operationalized our financial inclusion policy to make banking services available to all Sri Lankans by making our services available island wide. The presence of a bank provides a platform for economic activity developing livelihoods as village entrepreneurs are provided convenient access to transactional, investment and financing needs. We are indeed proud to have been the catalyst

for the socio economic development in villages that have transformed to towns and cities over the years providing opportunity for growth to Sri Lankans. Our island-wide customer service point network received special recognition at the National Business Excellence Awards 2014 with the winner's trophy for 'Excellence in Local Market Reach'. Our engagement, at both branch level and corporate level, in activities to address social and cultural needs observed in the community goes beyond mere philanthropy to encompass sustainable

projects and tasks. All branches engage with the local community and carry out philanthropic activities supporting education, health and well-being and local culture. Further, branches with spearheading by the head office, are involved in providing financial assistance and guidance for needy segments with the view of livelihood development. This report captures some significant activities conducted at corporate level in line with disbursing the Bank's corporate social responsibility.



Education

The "Hapana" programme, assists school children to prepare for the Grade five scholarship examination and reduces the disparity in quality of education provided across the island.

74 programmes

were conducted covering more than

33,000 students

over 700 schools

Grade five scholarship students and undergraduate university students who excelled at the respective public examinations were recognised for their achievement by the grant of scholarships to further their studies.

2,000

"Ran Kekulu Scholarships"

LKR 20 million

95

"18+ Scholarships"

LKR 2.95 million

Offered internship at the Bank for under graduates and students studying for professional examinations, providing hands on experience in subject matters

1,069 students



Preserving National Heritage

Sponsored cultural pageants of historical significance including the Kandy Esala Perahera and Kataragama Perahera, protecting our traditions and fostering a cultural and religious identity.

LKR 36.5 million



Infrastructure Development

BoC facilitated for bridging the gap between North and South by sponsoring the construction of Jaffna railway under "Uthuru Mithuru Project" which was completed this year.



Health and well-being

Refurbished and maintain the children's ward at the Cancer Hospital.

Constructed an Ayurveda Hospital for disabled soldiers.

LKR 15.5 million

Given dengue fever has reached an epidemic level in the country, the Bank conducted a dengue prevention awareness programme at branch level

Covering all branches

LKR 5.6 million

Development of Colombo National Hospital landscaping project to provide a clean, healthy environment to the patients

LKR 2 million

Conducted an island wide blood donation campaign for the National Blood Bank

Donated > 744 pints

Assisted villages located in drought stricken areas of the country by distribution of drinking water for

**450 families
in 08 villages**



Sports

Sponsored national athletic events to support a healthy society and promote national harmony.

Relay Carnival and Junior National Athletic Championships in 2014 conducted by National Athletic Association

LKR 5.0 million



Entrepreneurship

The BOC Mithuru micro finance scheme, supports upliftment of livelihoods of the under privileged segment in the country

As at end 2014

> 116,596 beneficiaries

**> LKR 1,776 million
disbursed**

Branches and SME centres conducted knowledge and skills workshops, promoting sustainable business practices amongst rural entrepreneurs.

9 workshops

Precautionary Approach

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

Membership in Industry Related Associations

- Asia Pacific Rural and Agricultural Credit Association (APRACA)
- Association of Banking Sector Risk Professionals, Sri Lanka
- Institute of Bankers of Sri Lanka
- International Chamber of Commerce, Sri Lanka
- The National Chamber of Commerce, Sri Lanka
- Sri Lanka Banks Association (Guarantee) Limited
- Sri Lanka Law Library
- The Ceylon Chamber of Commerce
- The Financial Ombudsman of Sri Lanka (Guarantee) Limited
- Association of Compliance Officers of Banks, Sri Lanka
- Bar Association of Sri Lanka

Value Addition Statement

How we add value to nation

Economic Value Addition

Economic Value Added (EVA) indicates the true economic profit of a company. EVA is an estimate of the amount by which earnings exceed or fall short of required minimum return for shareholders at comparable risks. EVA of the Bank stood at LKR 13,612 million as of 31 December 2014 against LKR 10,805 million in 2013.

	2014	2013	Change
	LKR million	LKR million	%
Invested Capital			
Shareholders' funds	74,806	57,700	30
Add: Cumulative Provision for loan losses and provision for impairment	36,882	30,078	23
	111,688	87,778	27
Return on Invested Capital			
Profit after taxation	13,574	12,087	12
Add: Provision for loan losses	7,911	6,923	14
Less: Loans written off	(55)	(50)	10
Total return on invested capital	21,430	18,960	13
Opportunity cost of invested Capital*	(7,818)	(8,155)	(4)
Economic Value Added	13,612	10,805	26
* Weighted average 12 months Treasury bill rate +1% Risk Premium	7.00%	9.29%	

Value Addition

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

	2014	2013	Change
	LKR million	LKR million	%
Value Added			
Income earned by providing banking services	118,513	123,562	(4.1)
Cost of services	(59,923)	(64,102)	(6.5)
Value added by banking services	58,590	59,460	(1.5)
Non banking income	8,033	3,902	105.9
Impairment charges for loans and other losses	(7,911)	(6,923)	14.3
	58,712	56,439	4.0
Value Allocation			
To employees			
Salaries, wages and other benefits	13,716	14,669	(6.5)
To Government			
Dividends paid to Government of Sri Lanka	6,846	5,346	28.1
Income tax	5,602	3,703	51.3
Value added tax	4,052	2,711	49.5
	16,500	11,760	40.3
To providers of external funds			
Interest on other borrowings	13,808	16,256	(15.1)
Interest on debt issued	5,654	5,977	(5.4)
	19,462	22,233	(12.5)
To expansion and growth			
Retained profit	6,728	6,741	(0.2)
Depreciation and amortization	1,191	1,117	6.6
Deferred taxation	1,115	(81)	1,476.5
	9,034	7,777	16.2
	58,712	56,439	4.0

Environment Report

To be a responsible corporate citizen by operating the business in an environmentally responsible manner, Bank of Ceylon is committed towards its environmental footprint.

Environment sustainable practices adopted in 2014 include the following.



Planted Trees

Planted 100,000 trees at a cost of LKR 11 million, to mark the 75th anniversary of BoC. Of these, chosen types of saplings are being nurtured and maintained by the Bank for a period of three years till they mature into fully grown trees.



Recycled Papers

268,357 kg of waste paper were recycled and saved

- 4,562 fully grown trees
- 470,967 liters of oil
- 1,073,428 kwh of electricity
- 8,528,385 liters of water
- 805 cubic meter of land fill
- Reduced greenhouse gas emission by 268,357 kg of carbon equivalent



Encouraged Environmental Friendly Energy Generation

Committed LKR 175 million to Hydropower energy project.



Responsible lending

Screened projects for environmental impact during the credit evaluation stage.



Animal Protection

Contributes LKR 37,500 per month to the cattle protection trust which creates a positive impact to the Bank and society at large.

2014 contribution: LKR 450,000



Reduced Employee Electricity Consumption

Resource	2014		2013	
	Consumption	Per head Consumption	Consumption	Per head Consumption
Electricity (Mwh)	16,651	1.94	17,490	1.97
Water (Liters)	304,850	35.54	300,156	33.79
Fuel (Liters)	663,689	77.38	681,563	76.73

Snapshots of Social and Environment Reports



1000th "Hapana" programme was conducted in July 2014 at Balangoda Ananda Maithriya Maha Vidyalaya covering 110 schools in the area



Jaffna railway "Uthuru Mithuru" Project



Blood donation campaign



Thuru Mithuru tree planting projects



Dengue prevention campaign



Contribution to the health and well-being

Independent Assurance Report



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Independent Assurance Report to the Stakeholders of Bank of Ceylon on the Sustainability Report – 2014

Introduction and Scope of the Engagement

The management of Bank of Ceylon ("Bank") engaged us to provide an independent assurance on the following elements of the Sustainability Report 2014 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 104 of the Report.
- Limited assurance on key performance indicators and other information presented in the Report, prepared in accordance with the requirements of Global Reporting Initiative G4 in accordance with – core guideline.

Responsibility of the Management on the Report

The Management of the bank is responsible for the preparation and presentation of the Report in accordance with the Bank's sustainability practices and policies which are derived from Global Reporting Initiatives (GRI-G4) Sustainability Reporting Guidelines. Responsibilities include among other things, identification of stakeholders and material issues, determining the sustainable performance criteria for

reporting and establishing appropriate processes and internal control systems to measure and report the sustainability performance criteria.

Our Responsibility

Our responsibility is to perform a reasonable and limited assurance engagement and express conclusions based on the work performed in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ('ICASL').

Reasonable assurance is a high level of assurance. However, reasonable assurance is not an absolute level of assurance because there are inherent limitations of assurance engagement.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

This Report is made solely to the Bank in accordance with our engagement letter dated 04 March, 2015. We disclaim any assumption of responsibility for any reliance on this Report to any person

other than the Bank or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code of Ethics for professional Accountants issued by the ICASL.

Assurance Procedures Carried Out

Financial Information

We reconciled the information on financial performance as reported on page 104 of the Report with the audited financial statements of the Bank for the years ended 31st December, 2013 and 2014.

Key Performance Indicators

We reviewed the reliability of the data/information on Key Performance Indicators for the year ended 31st December, 2014 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 Lanka Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Partners : S. Rajapase FCA, FCMA, M&A, FIsbar; L. Subasinghe FCA, ACMA, CISA, M&A, F&S, F&B&W&A F&A, ACMA, Ashree J.W. Jayasinghe FCA, FCMA (UK), MBA, F&A, F&B&W&A F&A, ACMA, M&A.

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.

Conclusion

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

- The information on financial performance as specified on page 104 of the Report is properly derived from the audited financial statements of the Bank for the years ended 31st December, 2013 and 2014.
- Nothing has come to our attention that causes us to believe that key performance indicators and other information presented in the Report are not presented, in all material respects, in accordance with the Bank's sustainability practices and policies which are derived from GRI (G4) Sustainability Reporting Guidelines.

A handwritten signature in black ink that reads 'BDO Partners'. The signature is written in a cursive style and is positioned above a horizontal line.

CHARTERED ACCOUNTANTS
Colombo

31 March 2015
TS/cc

GRI Index

GRI G4 content index - "In accordance - Core"

No.	Disclosure Item	Location/Reference	Page No.
Strategy and Analysis			
G4-1	Statement from the most senior decision maker	Chairman's Statements	23-28
Organizational Profile			
G4-3	Name of the organization	Corporate Information	Inner Back Cover
G4-4	Primary brands, products, and/or services	From Grassroots to Giants	12-15
G4-5	Location of organization's headquarters	Corporate Information	Inner Back Cover
G4-6	Number of countries where the organization operates and names of countries where the organization has significant operations	About This Report	8
G4-7	Nature of ownership and legal form	Corporate Information	Inner Back Cover
G4-8	Markets served	Reaching Out to Everybody	10-11
G4-9	Scale of the reporting organization	Financial Highlights	6
G4-10	Employee details	Employee Report	93-101
G4-11	Percentage of total employees covered by collective bargaining agreements	Employee Report	100
G4-12	Describe the organization's supply chain	Stakeholder Engagement	43
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	No significant change	-
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	Social Report	103
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Social Report	103
G4-16	Memberships of associations and/or national/international advocacy organizations	Social Report	103
Identified Material Aspects and Boundaries			
G4-17	Entities included in the organization's consolidated financial statements or equivalent documents	Management Discussion and Analysis	63-64
G4-18	Process for defining the content and the Aspect Boundaries	Determining Material Issues	44

GRI Index

No.	Disclosure Item	Location/Reference	Page No.
G4-19	Material aspects	Determining Material Issues	45
G4-20	Aspect boundary within the organization	Determining Material Issues	45
G4-21	Aspect boundary outside the organization	Determining Material Issues	45
G4-22	The effect of any restatement of information provided in previous reports, and the reasons for such restatements	No significant change	
G4-23	Significant changes from previous reporting period in the Scope and Aspect Boundaries.	Determining Material Issues	44-45
Stakeholder Engagement			
G4-24	Stakeholder groups engaged by the organization.	Stakeholder Engagement	42-43
G4-25	The basis for identification and selection of stakeholders	Stakeholder Engagement	42-43
G4-26	Approach to stakeholder engagement	Stakeholder Engagement	42-43
G4-27	Key topics and concerns that have been raised through stakeholder engagement and the organization's response	Stakeholder Engagement	42-43
Report Profile			
G4-28	Reporting period	About This Report	8
G4-29	Date of most recent previous report	31 December 2013	
G4-30	Reporting cycle	Annually	
G4-31	Contact point for questions regarding the report or its contents	Corporate Information	Inner Back Cover
G4-32	Compliance with GRI G4 Guidelines, GRI Content Index and the External Assurance Report.	G4 Standard Disclosures and Assurance Report	107-113
G4-33	Policy and current practice with regard to seeking external assurance for the Report	About This Report	8
Governance			
G4-34	Governance structure of the organization	Corporate Governance	114-115
Ethics and Integrity			
G4-56	Organization's values, principles, standards and norms of behaviour such as codes of conducts and codes of ethics.	Corporate Governance	123

No.	Disclosure Item	Location/Reference	Page No.
Specific Standard Disclosures			
G4-DMA	Disclosures on Management Approach	Throughout the report	
Economic			
Aspect: Economic Performance			
G4-EC1	Direct Economic value generated and distributed	Value Addition Statement	104
G4-EC3	Coverage of the organization's defined benefit plan obligations	Financial Statements	273-279
Aspect: Indirect Economic Impacts			
G4-EC7	Development and impact of infrastructure investments and services supported	Social Report	102-103
Environmental			
Aspect: Energy			
G4-EN3	Energy consumption within the organization	Environment Report	105
G4-EN6	Reduction of energy consumption	Environment Report	105
Aspect: Products and Services			
G4-EN27	Extent of impact mitigation of environmental impacts of product and services	Environment Report	105
Social			
Sub Category: Labour Practices and Decent Work			
Aspect: Employment			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Employee Report	98, 101
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Employee Report	98
Aspect: Labour- Management relations			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	3 months	
Aspect: Occupational Health and Safety			
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees	Employee Report	100
G4-LA8	Health and safety topics covered in formal agreements with trade unions	Covered in collective bargaining agreement	
Aspect: Training and Education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Employee Report	99

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No.	Disclosure Item	Location/Reference	Page No.
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Employee Report	99
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Employee Report	99-100
Aspect: Diversity and Equal Opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age, group, minority group membership, and other indicators of diversity	Employee Report	95-96
Aspect: Equal Remuneration Women and Men			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Male-female basic salary is same	
Aspect: Labour Practices Grievance Mechanisms			
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	Employee Report	101
Sub Category :Human Rights			
Aspect: Non discrimination			
G4- HR 3	Total number of incidents of discrimination actions taken	Employee Report	101
Aspect: Freedom of Association and Collective Bargaining			
G4-HR4	Operations identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	No such operations	
Aspect: Child Labour			
G4-HR5	Operations identified as having significant risk for incidents of child labour	Employee Report	97
Aspect: Forced or compulsory labour			
G4-HR6	Operations identified as having significant risk for incidents of forced or compulsory labour	No compulsory labour	
Aspect: Security Practices			
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	Employee Report	100

No.	Disclosure Item	Location/Reference	Page No.
Aspect: Human Rights Grievance Mechanisms			
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	Employee Report	101
Sub Category: Society			
Aspect: Local communities			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments and development programmes	Social Report	102-103
FS-13	Access points in low-populated or economically disadvantaged areas by type	Reaching Out to Everybody	10-11
FS-14	Initiatives to improve access to financial services for disadvantaged people	Retail Banking	79-80
Aspect: Anti-corruption			
G4-SO3	Operations assessed for risks related to corruption and the significant risks identified	Risk Report	152-157
Aspect: Compliance			
G4- SO8	Monitory value of significant fines and total number of non- monetary sanctions for non compliance with laws and regulations	None	
Sub Category: Product Responsibility			
Aspect : Product and Services Labelling			
G4-PR 4	Total number of incidents of non compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	None	
FS -6	Percentage of the portfolio for business lines by specific region, size and by sector	Management Discussion and Analysis	62
FS- 7	Monetary value of product and services designed to deliver a special social benefit for each business line broken down by purpose	Retail Banking	79-80
Aspect: Marketing Communications			
G4-PR 7	Total number of incidents of non compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	None	
Aspect: Customer Privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	None	
Aspect: Compliance			
G4-PR9	Monetary value of significant fines for non compliance with laws and regulations concerning the provision and use of products and services	None	

Corporate Governance

Commitment to good governance

Bank of Ceylon is committed to upholding high standards of corporate governance to protect the interests of all stakeholders and provide a framework for long term value creation to its shareholder. Corporate Governance of the Bank is in compliance with the Bank of Ceylon Ordinance No.53 of 1938 and amendments thereto, the Banking Act Direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka, Section 7.10 of the Continuing Listing Requirements on Corporate Governance and the voluntary Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission in 2007.

The first part of this report is arranged according to the principles enumerated in the Code of Best Practice on Corporate Governance (jointly issued by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka) which is structured to facilitate comprehensive disclosure in a concise manner.

As the Bank is complying with the Banking Act Direction No.11 of 2007 as set out on pages 123 to 137, the Colombo Stock Exchange has exempted the Bank from disclosure of compliance with the Directions stipulated in Section 7.10 of the Continuing Listing Requirements on Corporate Governance. The Auditor General has reviewed the Bank's compliance with the Banking Act Direction and has provided assurance on

the same to the Central Bank of Sri Lanka in compliance with the direction.

An Effective Board (Principle A.1)

The Board of Directors is the highest decision making body of the Bank of Ceylon. It comprises six Non-Executive Directors appointed by the Minister of Finance of which one will be a representative of the Ministry of Finance referred to as the Ex officio Director in accordance with the Bank of Ceylon Ordinance No.53 of 1938 and its amendments. An Alternate Director is appointed for the Ex officio Director from the Ministry of Finance to ensure representation of the Ministry at all meetings of the Board. Directors are appointed for a period of three years and can be extended.

The Directors as at year end 2014 ;

- Air Chief Marshal Harsha Abeywickrema
Chairman, w.e.f. 15.03.2014
Independent Non-Executive Director
- Ms K M A Nelumani Daulagala
Non-Executive Ex officio Director
(Mr R M Ananda Ratnayake
Alternate to Ex officio Director)
- Mr Raju Sivaraman
(Acting Chairman till 14.03.2014)
Independent Non-Executive Director
- Ms Nalini D Abeywardena
Non-Executive Director
- Mr Chandrasiri de Silva
Non-Executive Director
- Mr Lalith P Withana
Independent Non-Executive Director

All the above Directors resigned in January/February 2015.

With their resignations, the newly appointed Minister of Finance appointed four new Directors in accordance with normal practice due to the change of Government. An Alternate Director also has been appointed for the Ex officio Director. The Board of Directors so appointed are as follows -

- Mr Ronald C Perera, President's Counsel – Chairman,
Independent Non-Executive Director
- Ms Pushpa Wellappili
Non-Executive Ex officio Director
(Mr A P Kurumbalapitiya – Alternate
Director to Ex officio Director)
- Mr Ranel T Wijesinha
Independent Non-Executive Director
- Mr Brian J Sinniah
Independent Non-Executive Director

Profiles of the Directors are given on pages 38 to 41.

Board Balance and Diversity During the year under review

- Three Independent Directors including the Chairman
- 33% Female 67% Male

The Bank is in the process of amending the Bank of Ceylon Ordinance to increase the number of Directors to comply with Section 3(2)(i) of the Banking Act Direction No.11 of 2007 on Corporate Governance which requires the number of Directors to be not less than seven and not more than 13.

The Secretary to the Board/Secretary, Bank of Ceylon, Ms Janaki Senanayake Siriwardane is an Attorney-at-Law and holds a LLB and a MBA.

The Board has appointed four Board subcommittees in compliance with governance codes and best practice to ensure due attention is given to specific areas.

Board Subcommittee	Areas of Oversight	Composition
<p>Audit Committee</p> <p>Report of the Audit Committee is given on pages 138 to 140</p>	<p>Financial Reporting</p> <p>Internal Controls</p> <p>Internal Audit</p> <p>External Audit</p>	<p><u>During the year under review:</u></p> <p>Comprised of three Non-Executive Directors of whom two were Independent Directors including the Chairman.</p> <p><u>Current Committee:</u></p> <p>Comprised three Non-Executive Directors of whom two are Independent Directors including the Chairman.</p>
<p>Nomination and Corporate Governance Committee</p> <p>Report of the Nomination and Corporate Governance Committee is given on pages 145 and 146</p>	<p>Implement procedure for appointment of Key Management Personnel</p> <p>Succession Planning</p> <p>Effectiveness of the Board and its Committees</p> <p>Code of Ethics</p>	<p><u>During the year under review:</u></p> <p>Comprised of three Non-Executive Directors of whom two were Independent Directors including the Chairman.</p> <p><u>Current Committee:</u></p> <p>Comprised three Non-Executive Directors of whom two are Independent Directors including the Chairman.</p>
<p>Integrated Risk Management Committee</p> <p>Report of the Integrated Risk Management Committee is given on pages 141 and 142</p>	<p>Risk appetite</p> <p>Risk governance</p> <p>Risk policy frameworks</p> <p>Risk monitoring and compliance</p> <p>Risk management</p>	<p><u>During the year under review:</u></p> <p>Comprised of three Non-Executive Directors of whom two were Independent Directors including the Chairman.</p> <p><u>Current Committee:</u></p> <p>Comprised three Non-Executive Directors of whom two are Independent Directors including the Chairman.</p>
<p>Human Resources and Remuneration Committee</p> <p>Report of the Human Resources and Remuneration Committee is given on pages 143 and 144</p>	<p>Remuneration policy</p> <p>Goals and targets for General Manager and Key Management Personnel</p> <p>Performance evaluation</p> <p>HR Policy</p> <p>Organization structure</p>	<p><u>During the year under review:</u></p> <p>Comprised of four Non-Executive Directors of whom two were independent Directors including the Chairman.</p> <p><u>Current Committee:</u></p> <p>Comprised three Non-Executive Directors of whom two are Independent Directors including the Chairman.</p>

Corporate Governance

Regular Meetings (Principle A 1.1)

Board meetings were held on a fortnightly basis during the year under review whilst special Board meetings were convened depending on the need. During 2014 the Board held 31 meetings including special meetings. Additionally, the following subcommittees also met regularly. Summary of the attendance at meetings during the year under review is given below -

Directors	Board	Audit Committee	Human Resources and Remuneration Committee	Integrated Risk Management Committee	Nomination and Corporate Governance Committee
Air Chief Marshal Harsha Abeywickrema (Appointed w.e.f 15.03.2014)	25		2		
Mr K M M Siriwardane*	2			1	
Ms K M A Nelumani Daulagala (Appointed w.e.f 29.01.2014)	27	6		2	
Mr Raju Sivaraman	31	9	3	5	2
Ms Nalini D Abeywardene	29		3		
Mr Chandrasiri de Silva	31		3		2
Mr Lalith P Withana	30	9		5	1
Mr R M Ananda Ratnayake (as Alternate Director to Ex officio Director)	1	1		1	
Total No. of Meetings	31	9	3	5	2

* Mr K M M Siriwardane, who was the Director General, Department of Fiscal Policy, Ministry of Finance and Planning was the Ex officio Director of the Bank in the month of January 2014, until the appointment of Ms K M A Nelumani Daulagala as the Ex officio Director.

Board members have been provided with iPads to access their Board papers via secure connections. This ensures that all Directors receive information at the same time.

The General Manager is invited to all Board meetings together with any other executives whose presence may be required and regularly make presentations to the Board on matters including progress in implementation of the strategic goals, financial, social and environmental performance, changes and challenges presented by the operating environment, recommend policy frameworks and executive governance structures.

Executive Committees are also in place with the approval of the Board to facilitate collaboration, deliberation and debate on matters considered critical for the Bank's operations as listed below -

Board Highlights 2014

- “Wenesa” Project - Engaging The Boston Consulting Group to review the Bank's operations and prepare a strategic plan for the Bank.
- Liaising with the Ministry of Finance to obtain additional share capital of LKR 10 billion which was approved in the National Budget 2015.
- Increased the share capital by LKR 5 billion during the year which is pending allotment.
- Upgrading the information technology systems at the Bank in accordance with the IT strategy to become a technologically driven Bank.
- Coinciding with the Bank's 75th Anniversary launching of several CSR activities.

Management Committees	Purpose and tasks
Assets and Liabilities Management Committee	The Bank's Assets and Liabilities Management Committee (ALCO) manages the various financial risks of the Bank such as market, interest rate, liquidity and exchange. The ALCO reviews market and credit portfolio risks, as well as interest rate risk inherent in the Bank's balance sheet and trading book. It meets regularly to ensure that the level of interest rate and foreign exchange exposures are within regulatory and internal limits, to maximize the Bank's net interest income, to ensure adequate liquidity and to maximize the return on the Bank's capital, net of fixed assets.
Credit Committee	The purpose of the Credit Committee is to maintain the quality and review the trends affecting Bank's credit portfolio, oversee the effectiveness and administration of credit-related policies and provide oversight and report to the Board regarding the credit-related aspects of the Bank from time to time.
Human Resource Policy Committee	The objectives of the Human Resource Policy Committee is to assist the Board in fulfilling its responsibilities by recommending to the Board on the effective implementation and application of sound human resource policies that are aligned with the organization's Values, Vision, Mission and Aspirations.
IT Steering Committee	The IT Steering Committee follows-up on the adequate implementation of the Bank's Information Technology strategic plan and ensures that all technology related initiatives are in support of the business strategy. In addition this committee will ensure that all related policies and procedures are well implemented.
Investment Committee	The purpose of the Investment Committee is to monitor the investment portfolio through setting up and reviewing the objectives, guidelines and functions related to investment activities of the Bank and exercise its authority in investment decisions. Primary objectives of investment include preservation of capital, maintenance of liquidity, protection against credit and market risks and maximization of return of the investment portfolio of the Bank.
NPA Committee	The Non Performing Assets Committee is formed at Bank of Ceylon with the main objective of deciding on downgrading non performing loans to Doubtful or Bad, and to ensure a work out plan is put in place, resolve overdue and problematic accounts to reduce risk exposure, enhance overall Bank position and reduce / eliminate provisions.

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Management Committees	Purpose and tasks
Business Continuity Management Steering Committee	The Business Continuity Management Steering Committee is tasked with making strategic recovery and continuity planning decisions for the Bank.
Reward and Recognition Policy Committee	The Bank's Reward and Recognition Policy Committee sets out the process by which staff is rewarded for their commitment to supporting the Bank's objectives in the performance of their duties. The Committee implements policy to provide a coherent and practical approach to recognise employee's performance.
Operational Risk Management Executive Committee	The Operational Risk Management Executive Committee is created within Bank of Ceylon in order to review, discuss and coordinate the various issues relating to Operational Risk Management process for the purpose of ensuring better management and measurement of the various related operational risks.
Fraud Risk Committee	This Committee reviews and assess the effectiveness of risk management and control processes within the organization to mitigate fraud risk of the Bank.
Sustainability Committee	The Committee shall be responsible to the Board for overseeing the Bank's Corporate Sustainability ("CS") policies (principally environmental, social, ethical and economic matters).
Forged Cheque and Fraud Committee	This Committee is formed to review and take required decisions in relation to writing off losses sustained due to forged instruments and other fraudulent activities at branches and business units.
Idle Asset Committee	The Idle Asset Committee manages and monitors the process of disposal of immovable properties vested in the Bank as per rules stipulated in Bank of Ceylon Ordinance and Office Instructions Circulars. Further the Idle Asset Committee is responsible for providing necessary guidelines and instructions to foreclosed properties unit in order to dispose the properties at correct price.

Board Responsibilities (Principle A.1.2)

The Board responsibilities are set out in the Board Charter which includes a schedule of powers reserved for the Board.

Key Board Responsibilities and Powers Reserved for the Board

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

The Board has provided guidance for the formulation of the Bank's three year rolling strategic plan and has reviewed and approved the same at meetings convened specifically for this purpose. Implementation of the strategic plan is monitored by the Board whilst specialised areas identified for oversight by Board subcommittees have been monitored by the subcommittees who have reported on progress and concerns to the Board.

The Nomination and Corporate Governance Committee assists the Board in ensuring that the General Manager and key management personnel have the necessary skills, experience and knowledge to implement strategy by reviewing the appointment criteria. Succession plan for the Bank is also reviewed by the same committee annually to ensure sufficient depth in top management. The Human Resources and Remuneration Committee evaluates the performance of the top management.

The Audit Committee is tasked with ensuring effective systems to secure integrity of information, internal controls and is supported by the Internal Audit function of the Bank. The Directors' Statement on Internal Control over

Financial Reporting on page 171 and the Independent Assurance provided by the Auditor General on the same on page 173 provide further information in this regard. The Board Integrated Risk Management Committee is tasked with risk management and ensuring compliance with laws and regulations and is supported by the Bank's Risk Management and Compliance functions. The Nomination and Corporate Governance Committee also is tasked with review of the Bank's Code of Conduct which communicates the ethical standards expected of all employees and Directors. Activities of the Audit, Integrated Risk Management, Nomination and Corporate Governance and Human Resources and Remuneration Committees are detailed in the relevant Committee reports on pages 138 to 146.

The Board has adopted a customer charter, transparent procurement procedures, Human Resource policies and a Sustainability Policy to ensure that all stakeholder interests are given due consideration in corporate decisions. The activities done under above policies are set out in the Social Report on pages 102 to 103. Additionally, the corporate mission set out on pages 04 to 05 together with the related key performance measures also serves to reinforce this at all levels of the Bank.

The Audit Committee and Board review accounting policies annually to ensure that they are in line with the business model of the Bank and the Sri Lanka Accounting Standards. Clarification is sought from the Auditor General and/or the external audit firm appointed by the Auditor General to assist him when significant changes in accounting policies are deemed necessary.

The Board also engages in other activities considered vital to enhance the growth, soundness and profitability of the Bank. In pursuance of these objectives, the Board engaged The Boston Consulting Group in 2014 to make recommendations and prepare a strategic business plan to ensure that the Bank is able to compete

effectively in a rapidly growing economy with best in class practices. The Board also acted as the Steering Committee in this exercise named as "Wenesa", meaning "change", to ensure that the strategic objectives of the assignment were met and sufficient resources were provided to facilitate implementation of the same.

Act in Accordance with laws (Principle A.1.3)

The Board has put in place a framework of policies, procedures and a risk management framework to ensure compliance with relevant laws, CBSL guidelines and international best practices with regard to the operations of the Bank. The Board obtains independent professional advice as and when necessary in accordance with the Board approved Policy on Independent Professional Advice.

Access to advice and services of Company Secretary (Principle A.1.4)

All Directors have the opportunity to obtain the advice and services of the Company Secretary referred to as Secretary to the Board in the Bank who is responsible for ensuring follow up of Board procedures, compliance with rules and regulations, directions and statutes, keeping and maintaining minutes and relevant records of the Bank. The appointment and removal of the Secretary to the Board is a matter involving the full Board.

Independent judgement (Principle A.1.5)

The Directors bring diverse skills, perspectives and experience to the Board enriching the discussion and debate on matters set before the Board and take decisions using independent judgement including decisions on issues of strategy, performance, resources, key appointments and standards of business conduct. Composition of the Board ensures that there is a sufficient balance of power and contribution by all Directors

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and minimises the tendency for one or few members of the Board to dominate the Board processes or decision making.

Dedicate adequate time and effort to matters of the Board and the Bank (Principle A.1.6)

Dates of regular Board meetings and Board subcommittee meetings are scheduled well in advance and the relevant papers are circulated a week prior to the meeting. There is provision to circulate papers closer to the meeting on an exceptional basis. Each Director spent over 120 hours for deliberation at the Board during the year under review in addition to their preparation time. For subcommittees a minimum of 50 hours for the year were spent at meetings.

Training for Directors (Principle A.1.7)

The Directors are conscious of the need to keep abreast of current developments affecting the sector both globally and locally with particular reference to regulatory changes and the country's economy. During the year, they have attended identified training sessions including Director Forums organised by the Central Bank of Sri Lanka. Newly appointed Directors are provided with an orientation pack with all relevant external and internal regulation documents. Management also makes presentations on technical details and table changes in the regulatory framework to ensure that the Board is aware of key developments affecting the business operations of the Bank.

Division of Responsibilities between the Chairman and CEO (Principle A.2)

The positions of the Chairman and the Chief Executive Officer referred to

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

The Chairman's role (Principle A.3)

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

Financial Acumen (Principle A.4)

When considering the year under review, the Chairman of the Audit Committee, Mr Lalith P Withana is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and both he and Ms K M A Nelumani Daulagala are Fellow members of the Chartered Institute of Management Accountants, UK and hold Master's degrees in Business Administration. The Chairman, Bank of Ceylon has a Master of Science degree in Management whilst other Directors have held positions as Directors in companies in the financial services sector and had business experience.

When considering the current Board of Directors, the Chairman of the Audit

Role of Chairman

- Leading the Board.
- Facilitating effective contribution of Directors.
- Proper briefing of Directors.

Committee, Mr Ranel T Wijesinha is a Fellow member of the Institute of Chartered Accountants of Sri Lanka. Mr Brian Sinniah is an experienced banker whilst Ms Pushpa Wellappili is the Deputy Secretary to the Treasury in the Ministry of Finance. The new Chairman, Bank of Ceylon was a Director of the same Bank at an earlier occasion and has specialised in commercial and banking law.

Board Balance (Principle A.5)

The Board comprises solely of Non-Executive Directors of whom three are Independent Directors. The Non-Executive Directors are professionals/ academics/business leaders, holding senior positions in their respective fields. The independence of the Directors are recognised based on the criteria specified in the Banking Act Direction No.11 of 2007. Accordingly, the following Directors were deemed to be independent during the year under review:

- Air Chief Marshal Harsha Abeywickrema - Chairman
- Mr Raju Sivaraman
- Mr Lalith P Withana

On the same basis, the following current Directors are deemed to be independent:

- Mr Ronald C Perera PC - Chairman
- Mr Ranel T Wijesinha
- Mr Brian J Sinniah

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

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

Supply of Relevant Information (Principle A.6)

The Chairman ensures that all Directors are properly briefed on issues arising at Board Meetings by requiring management to provide comprehensive information including both quantitative and qualitative information for the monthly Board Meetings seven days prior to the Board/Subcommittee meetings. The Chairman, General Manager and Secretary to the Board/Secretary, Bank of Ceylon have pre board meetings with a view to ensuring that all necessary information is provided to the Board. The Board has the right to seek independent professional advice at the Bank's expense. Any Director who does not attend a meeting is updated on proceedings prior to the next meeting through:

- Formally documented minutes of discussions.
- By clarifying matters from the Secretary to the Board.
- Separate discussions at the start of meetings regarding matters arising from the previous meeting.
- Archived minutes and Board papers accessible electronically at the convenience of the Directors.

Directors have the opportunity to interact with senior management at Board Meetings when required.

Appointments to the Board and Re-Election (Principles A.7 and A.8)

Whilst the Board has a Nomination and Corporate Governance Committee with a formal Terms of Reference, Directors are appointed by the Minister of Finance. Profiles of all Directors are published in the Bank's website and on pages 38 to 41 of this report. No Director has exceeded the nine years period of service falling in line with the provisions of the Banking Act Direction No.11 of 2007.

Appraisal of Board Performance (Principle A.9)

The Board and its committees annually appraise their own performance to ensure that they are discharging their responsibilities satisfactorily. This process requires each Director to fill a Board Performance Evaluation Form. The responses are collated by the Secretary to the Board who compiles a report under the guidance of the Nomination and Corporate Governance Committee which is submitted to the Board and discussed at a Board Meeting.

Disclosure of Information in respect of Directors (Principle A.10)

Information specified in the code with regard to Directors are disclosed within this Annual Report as follows:

- Name, qualifications, expertise, material business interests and brief profiles on pages 38 to 41.
- Related party transactions on pages 292 to 293.
- Membership of subcommittees on pages 138 to 146.
- Attendance at Board Meetings and subcommittee meetings on page 116.

Appraisal of Chief Executive Officer (Principle A.11)

The Board discussed and set financial and non-financial targets to be achieved during the year under the leadership

of the Chief Executive Officer referred to as the General Manager in the Bank with reference to the short, medium and long term objectives of the Bank by the beginning of 2014. The targets for 2015 have also been set at the time of reporting. The General Manager's performance is evaluated annually.

Directors' and Executive Remuneration (Principle B.1, B.2 and B.3)

Directors' Remuneration Policy is in accordance with the circulars and letters issued by the Minister of Finance. No Director is involved in determining his/her own remuneration. The Human Resources and Remuneration Committee makes recommendations to the Board with regard to the remuneration of the General Manager and key management personnel which is reviewed and revised every three years. The Board in turn makes recommendations to the Minister of Finance who is the final authority for approval of the General Manager's and key management personnel's remuneration. The composition and report of the Human Resources and Remuneration Committee are given on pages 143 and 144. The aggregate remuneration to Directors is given on page 208.

Relations with Shareholders (Principle C.1)

The Government of Sri Lanka is the sole shareholder of the Bank of Ceylon and the Annual Report is circulated through the Ministry of Finance to the Parliament. The Annual Report is printed in English, Sinhalese and Tamil, the official languages of the country.

The Board liaises with the Ministry of Finance to ensure that there is alignment with the socio economic development goals of the country and for other matters concerning the Ministry in its capacity as the sole shareholder of the Bank. During the year 2014, LKR 10 billion was allocated in the National Budget to increase the share capital of the Bank. Out of that LKR 5 billion was issued and is pending allotment.

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Disclosure of Major Transactions (Principle C.2)

The Bank's future strategies and their potential impact have been disclosed in the following sections of this annual report:

- New Chairman's Message on pages 27 and 28
- General Manager's Review on pages 31 to 35
- Management Discussion and Analysis on pages 62 to 90

Accountability and Audit (Principle D.1.)

The Bank's position and prospects have been discussed in detail in the following sections of this Annual Report:

- Chairmen's Review/Message on pages 22 to 28.
- General Manager's Review on pages 31 to 35
- Management Discussion and Analysis on pages 62 to 90

Every effort has been made to present a balanced and understandable assessment of the Bank's financial position, performance and prospects in compliance with the various legal enactments applicable, the Sri Lanka Accounting Standards, the G4 standard on Sustainability Reporting published by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council.

The Bank has also complied with the requirements of the Central Bank of Sri

Lanka, the Colombo Stock Exchange and published interim financial reports in the English, Sinhala and Tamil newspapers and on the Bank's website within 45 days of each quarter. Price sensitive information which may have an impact on the debt securities issued by the Bank of Ceylon has been disclosed in a comprehensive but concise manner to the Colombo Stock Exchange on a timely basis.

Reports required by regulators including Central Bank of Sri Lanka, the Department of Inland Revenue, Sri Lanka Accounting and Auditing Standards Monitoring Board, and the Colombo Stock Exchange have been filed in a timely manner in compliance with specified requirements. The Directors' Report on pages 162 to 166 contains the declarations required in the Code. The Statement of Directors' Responsibility and Report of the Auditor General includes a statement about their reporting responsibilities and are given on pages 174 and 175 respectively.

The Management Discussion and Analysis is set out on pages 62 to 69. The declaration of the Directors confirming that the business is a going concern is included in the Report of the Directors on page 166.

Audit Committee and Internal Control (Principles D.2. and D.3)

The Board is responsible for formulating and implementing appropriate and adequate internal control systems to safeguard the assets of the Bank and has appointed an Audit Committee to assist in discharge of this duty. The principal responsibility of the Audit Committee is oversight over financial

reporting, internal controls, internal audit and external audit. Its duties include gaining assurance on the control over financial processes and the integrity of the Bank's financial reports, monitoring the performance and reviewing work of the Chief Internal Auditor. The Terms of Reference for the Audit Committee complies with the Code of Best Practice on Corporate Governance issued by the Central Bank of Sri Lanka. The Audit Committee Report is given on page 138 to 140 of this Annual Report and provides information on the composition of the Committee, key responsibilities and activities during the year.

The Audit Committee comprises three Directors and is chaired by an Independent Non-Executive Director. Members are selected to provide a broad set of financial, commercial and other relevant experience to meet the Committee's objectives. The General Manager, the Chief Financial Officer, Deputy General Manager (Finance and Planning), Chief Internal Auditor, Chief Risk Officer and the representative of the Auditor General (AG) and auditors assisting the AG are invited to attend the meetings.

The Board Audit Committee has responsibility to the Board to ensure that the system of internal controls is sufficient and effective. Reviews of the adequacy and effectiveness of these internal control systems are carried out by the Internal Audit Department who reports on a regular basis to the Board Audit Committee. The Committee also has a key role in relation to the Auditor General who conducts the external audit of the Bank, whose primary relationship is with the Committee.

Code of Business Conduct and Ethics and Corporate Governance Report (Principles D.4 and D.5)

The Bank has two Codes of Ethics, one applicable to all Directors and the other to the employees. The Nomination and Corporate Governance Committee of the Board is responsible for review of these. The Corporate Governance Report (which this paragraph is part of) on pages 114 to 137 provides information regarding the Corporate Governance practices in the Bank in compliance with the Banking Act Direction No. 11 of 2007

and amendments thereto on Corporate Governance issued by the Central Bank of Sri Lanka.

Additionally, the Bank has in place a number of mechanisms to prevent bribery and corruption in the workplace.

- All employees and Directors have to submit an annual assets and liability declaration to the Human Resources Department of the Bank and Ministry of Finance respectively.
- Transparent procurement procedures covering Tender Boards at various levels of the Bank are in place.

- Key decisions regarding credit, investment and purchasing are delegated to committees who take decisions on a collective basis.

- Directors declare their interests, obligations if any.

Shareholder Relations (Principles E and F)

As the sole shareholder is the Government of Sri Lanka, the relevant provisions of the Code are not applicable to the Bank.

Level of compliance with the Banking Act Direction No.11 of 2007 and subsequent amendments thereto on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka (CBSL) during the year 2014.

Section	Principle	Compliance and Implementation
3 (1)	Responsibilities of the Board	
	The Board has strengthened the safety and the soundness of the Bank in the following manner:	
a.	Strategic objectives and corporate values	The Bank's strategic objectives and corporate values are determined by the Board and are incorporated in the Corporate Plan for the period 2014 -2016. These are communicated to all levels of staff through regular briefing sessions and at off-site discussion meetings where the Corporate Plan is launched and reinforced by the Corporate Management Team. Additionally the values are included in the Employee Hand Book which is also available on the intranet.
b.	Overall Business Strategy including Risk Policy and Management	The Bank strategy is set by the Board in consultation with the senior management of the Bank for the period 2014 -2016 which has been approved by the Board. The risk appetite, policy, management framework and mechanisms have also been approved by the Board in line with the strategic plan. Measurable goals for the Bank as a whole have been set and performance is measured in line with these goals also at off-site discussion meetings.
c.	Risk management	The Board has appointed a Board Integrated Risk Management Committee tasked with approving the Bank's Risk Policy, defining the risk appetite, identifying principal risks, setting governance structures and implementing systems to measure, monitor and manage the principal risks. The following reports provide further insights in this regard: Risk Management Report on pages 147 to 159. Integrated Risk Management Committee Report on pages 141 and 142.
d.	Communication with all stakeholders	The Board has approved and implemented a Communication Policy covering all stakeholders.

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Section	Principle	Compliance and Implementation
e.	Internal Control System and Management Information Systems	The Board Audit Committee is tasked with reviewing the adequacy and the integrity of the Bank's internal control system and the Board reviews the adequacy of the management information system (MIS). Accordingly, the Audit Committee reviewed reports from the Internal Audit Department which reports directly to the Audit Committee and also from the external auditors in carrying out this function. Board has reviewed the adequacy of MIS and Internal Control System.
f.	Key Management Personnel	The Board has identified as Key Management Personnel, the members of the Board, the General Manager and other members of the Corporate Management and Compliance Officer.
g.	Define areas of authority and Key Responsibilities for Directors and Key Management Personnel	Areas of authority and key responsibilities have been defined for the Directors and Key Management Personnel during 2014 through the Board Charter and position descriptions respectively.
h.	Oversight of affairs of the Bank by Key Management Personnel	Key Management Personnel make regular presentations to the Board on matters under their purview and are also called in by the Board to explain matters relating to their areas.
i.	Assess effectiveness of own Governance practices	The Nomination and Corporate Governance Committee monitors the compliance with the applicable governance practices. The Board appraises their performance by filling the Board Evaluation Form which is filled by each Director in relation to business strategy and contributions of Board members based on their field of expertise. The responses are collated and submitted to the Board generally through the Nomination and Corporate Governance Committee.
j.	Succession Plan for Key Management Personnel	A Succession Plan for the Key Management Personnel is in place. New Succession Plan is being reviewed and has to be approved by the Board.
k.	Regular meetings with Key Management Personnel	Key Management Personnel regularly present or are called in for discussions at the meetings of the Board and its subcommittees on policy and other matters relating to their areas.
l.	Regulatory environment and maintaining an effective relationship with regulator	On appointment as Directors the Board is furnished with all applicable regulatory requirements. They are also briefed about developments in the regulatory environment at Board Meetings to ensure that their knowledge is updated regularly to facilitate effective discharge of their responsibilities. Compliance Reports submitted to CBSL which includes all returns to regulators are presented to the Board monthly and monitored closely by the Board.
m	Hiring external Auditors	As provided for in the constitution of the country, the Auditor General is the external auditor for the Bank as it is a State Owned Enterprise.
3 I (ii)	Appointment of Chairman and CEO and defining and approving their functions and responsibilities	The Board has appointed the Chief Executive Officer referred to as the General Manager with the approval of the Minister of Finance and the Chairman is appointed by the same Minister as provided for in the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Board has also approved their functions and responsibilities maintaining the balance of power between the two roles through the Board Charter.

Section	Principle	Compliance and Implementation
3.1. (iii)	Regular Board Meetings	Regular fortnightly Board meetings are held and special meetings are scheduled as and when the need arises. The Board met 31 times during 2014. The Bank has minimised obtaining approval via circular resolutions and it is done only on an exceptional basis and such resolutions are ratified by the Board at the next meeting.
3.1.(iv)	Arrangements for Directors to include proposals in the agenda	Meetings are scheduled and informed to the Board at the beginning of each calendar year to enable submission of proposals to the agenda for regular meetings.
3.1.(v)	Notice of Meetings	Notice of Meetings are given through an Annual Calendar at the beginning of the year. Agenda and Board papers for the Board meetings are circulated to the Directors seven days prior to the meetings through a secure e-solution.
3.1 (vi)	Directors' Attendance	The Directors are apprised of their attendance in accordance with the Corporate Governance Code. Details of the Directors' attendance are set out on page 116. No Director has been absent from three consecutive meetings.
3.1 (vii)	Company Secretary	The Board has appointed Secretary to the Board who satisfies the provisions of Section 43 of the Banking Act No.30 of 1988 and its amendment and whose primary responsibilities shall be to handle the secretariat services to the Board and carry out other functions specified in the statutes and other regulations.
3.1 (viii)	Director's access to advice and services of Company Secretary	All members of the Board have opportunity to obtain advice and services of the Secretary to the Board who is an Attorney-at-Law and who is responsible to the Board for follow up of Board procedures, compliance with rules and regulations, directions and statutes and keeping and maintaining minutes and relevant records of the Bank.
3.1 (ix)	Maintenance of Board Minutes	Secretary to the Board maintains the minutes of the Board Meetings and circulates same to all Board Members. The minutes are approved at the subsequent Board Meeting. Additionally, the Directors have access to the past Board papers and Minutes through a secure electronic link.
3.1 (x)	Minutes to be of sufficient detail and serve as a reference for regulators and supervisory authorities	The Minutes of the meetings include: <ul style="list-style-type: none"> (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent (d) the testimonies and confirmations of relevant executives with regard to the Board's strategies and policies and adherence to relevant laws and regulations; (e) matters regarding the risks to which the Bank is exposed to and an overview of the risk management measures including reports of the Board Integrated Risk Management Committee; and (f) the decisions and Board resolutions including reports of all Board subcommittees.
3.1 (xi)	Directors' ability to seek independent professional advice	The Directors are able to obtain independent professional advice, as and when necessary, in discharging their responsibilities in accordance with the Policy for Directors' Access to Independent Professional Advice.
3.1 (xii)	Dealing with Conflicts of Interest	The Directors are conscious of their obligation to deal with situations where there is a conflict of interest in accordance with the applicable regulations. Board approved Policy on Conflict of Interest is in place. As a practice at every Board meeting held on a fortnightly basis, Directors are required to declare any interests etc. Directors abstain from participating in the discussions, voicing their opinion or approving in situations where there is a conflict of interest. Additionally he/she is not counted in the quorum in such instances.

Corporate Governance

Section	Principle	Compliance and Implementation
3.1 (xiii)	Schedule of matters reserved for Board decision	The powers reserved for the Board are included in the Board Charter ensuring that the direction and control of the Bank is within the Board's authority in line with regulatory codes, guidelines and international best practice.
3.1 (xiv)	Inform Central Bank if there are solvency issues	The Board is aware of the need to inform the Director of Bank Supervision prior to taking any decision or action if the Bank is about to become insolvent or about to suspend payments to its depositors and other creditors. Monthly financial statements give that assurance to the Board. Such a situation has not arisen.
3.1 (xv)	Capital adequacy	The Board monitors capital adequacy and other prudential measures viz a viz regulatory requirements. The Bank is in compliance with the minimum capital requirements.
3.1 (xvi)	Publish Corporate Governance Report in Annual Report	The Board publishes the Corporate Governance Report in the Bank's Annual Report. These disclosures form part of such report.
3.1 (xvii)	Self-assessment of Directors	The Board has adopted a scheme of self-assessment to be undertaken by each Director annually and records of these assessments are maintained with the Secretary to the Board/ Secretary, Bank of Ceylon
3.(2)	The Boards composition	
3.(2) (i)	Number of Directors	As per CBSL Governance direction, the number of Directors should not be less than seven and not more than thirteen. The Bank's Board comprises six Directors as per Bank of Ceylon Ordinance No.53 of 1938 and its amendments. The Bank is in the process of amending the Bank of Ceylon Ordinance to facilitate compliance with this requirement.
3.(2) (ii)	Period of service of a Director	The period of service of a Director is limited to nine years as per the Corporate Governance Direction for Licensed Commercial Banks. There are no Directors whose tenure of service has exceeded nine years on the Board. Details of their appointments are given on pages 38 and 39
3.(2) (iii)	Board Balance	There are no Executive Directors in Bank of Ceylon.
3.(2) (iv)	Independent Non-Executive Directors	The Bank has three Independent Non-Executive Directors as required by the Direction.
3.(2) (v)	Alternate Independent Directors	No Alternate Director has been appointed to represent an Independent Director.
3.(2) (vi)	Criteria for Non-Executive Directors	The full Board who are Non-Executive Directors are persons with credible track records and can bring in independent judgement to bear on issues of strategy, performance and resources.
3.(2) (vii)	More than half the quorum to comprise Non-Executive Directors	All Directors are Non-Executive Directors.

Section	Principle	Compliance and Implementation
3.(2)(viii)	Identify Independent Non-Executive Directors in communications and disclose categories of Directors in Annual Report	The Independent Non-Executive Directors are expressly identified as such in all corporate communications that disclose the names of Directors of the Bank. The composition of the Board, by category of Directors, including the names of the Chairman, Non-Executive Directors and Independent Non-Executive Directors are given on page 114 of the Corporate Governance Report.
3.(2)(ix)	Succession planning and appointments to the Board	Appointments to the Board are made by the Minister of Finance in terms of the provisions of Bank of Ceylon Ordinance No.53 of 1938 and its amendments.
3.(2)(x)	Re-election of Directors. Filling casual vacancies	This does not arise since Minister of Finance appoints them.
3.(2)(xi)	Communication of reasons for removal or resignation of Directors	The shareholder, the Government of Sri Lanka does the appointments through the Minister of Finance and the resignations are also submitted to him whilst keeping the CBSL and the Colombo Stock Exchange informed.
3.(2)(xii)	Prohibition of Directors or Employees of a bank becoming a Director at another bank	The Minister of Finance takes into account this requirement when considering appointments of Directors. However, a Deputy General Manager has been appointed to the Board of Pradeshiya Sanwardana Bank as per the requirement of the enabling enactment of this Bank (viz. Pradeshiya Sanwardana Bank Act No.41 of 2008).
3.(3)	Criteria to assess fitness and propriety of directors	
3.(3)(i)	Age of Director should not exceed 70	There are no directors who are over 70 years of age.
3.(3)(ii)	Directors should not be Directors of more than 20 companies	No Director holds directorships in 20 companies.
3.(4)	Management Functions delegated by the Board	
3.(4)(i)	Understand and study delegation arrangements	The Board periodically reviews and approves the delegation arrangements in place and ensures that the extent of delegation addresses is the needs of the Bank whilst enabling the Board to discharge their functions effectively.
3.(4)(ii)	Extent of delegation should not hinder Board ability to discharge its functions	
3.(4)(iii)	Review delegation arrangements periodically to ensure relevance to operations of the Bank	
3.(5)	The Chairman and Chief Executive Officer	
3.(5)(i)	Separation of roles	The position of Chairman and the Chief Executive Officer, (General Manager) are held by two different individuals.

Corporate Governance

Section	Principle	Compliance and Implementation
3.(5)(ii)	Non-Executive Chairman and appointment of a Senior Independent Director	Since the Chairman of Bank of Ceylon is an Independent Non-Executive Director, the need to appoint a Senior Independent Director does not arise.
3.(5)(iii)	Disclosure of identity of Chairman and CEO and any relationships with the Board members	<p>The identity of the Chairman and the General Manager are disclosed in the Annual Report on pages 38, 41 and 48 and there are many references to these roles throughout.</p> <p>There are no material financial, business or family relationships between the Chairman, General Manager and other members of the Board as per annual declarations taken as at year end 2014.</p>
3 (5) (iv)	<p>Chairman shall</p> <p>(a) provide leadership to the Board;</p> <p>(b) ensure that the Board works effectively and discharges its responsibilities;</p> <p>(c) ensure that all key and appropriate issues are discussed by the Board in a timely manner.</p>	The Chairman provides leadership to the Board and ensures that the Board functions effectively in discharging its responsibilities. The Board in a timely manner deliberates all key issues.
3 (5) (v)	Responsibility for agenda lies with Chairman but may be delegated to Company Secretary	The Secretary to the Board/Secretary, Bank of Ceylon draws up the agenda for the meetings under the authority delegated by the Chairman based on the memoranda submitted through the General Manager and any other relevant items proposed by any Board member.
3 (5) (vi)	Ensure that Directors are properly briefed and provided adequate information	<p>The Chairman ensures that the Board is adequately briefed and informed regarding the matters arising at Board. The following procedures are in place to ensure this:</p> <ul style="list-style-type: none"> • Board papers are circulated seven days prior to the Board meetings • Relevant members of the Management team are on hand for explanations and clarifications. • Management information is provided in agreed formats on a regular basis to enable Directors to assess the performance and stability of the Bank. • Directors are able to seek independent professional advice on a needs basis at the Bank's expense.

Section	Principle	Compliance and Implementation
3 (5) (vii)	Encourage active participation by all Directors and lead in acting in the interests of the Bank	This requirement is complied with and addressed in the self evaluation process.
3.(5)(viii)	Encourage participation of Non-Executive Directors and relationships between Non-Executive and Executive Directors	Bank's Board consists of all Non-Executive Directors.
3(5)(ix)	Refrain from direct supervision of Key Management Personnel and executive duties	The Chairman does not get involved in the direct supervision of Key Management Personnel or any other executive duties.
3(5)(x)	Ensure effective communication with shareholders	Effective communication is maintained with the Government of Sri Lanka who is the sole shareholder. The Ex officio Director acts as the channel between the Board and the shareholder.
3(5)(xi)	CEO functions as the apex executive in charge of the day to day operations	The day to day operations of the Bank is the responsibility of the General Manager.
3.(6)	Board appointed committees	
3 (6)(i)	Establishing Board sub-committees, their functions and reporting	<p>Four subcommittees have been established by the Board with written Terms of Reference for each. The Secretary to the Board/Secretary, Bank of Ceylon serves as the Secretary for all subcommittees and maintains minutes and records with oversight by the respective Chairpersons. The reports of the subcommittees are included in the Annual Report.</p> <p>Audit Committee on pages 138 to 140.</p> <p>Integrated Risk Management Committee on pages 141 to 142.</p> <p>Human Resources and Remuneration Committee on pages 143 to 144.</p> <p>Nomination and Corporate Governance Committee on pages 145 to 146.</p>
3 (6) (ii)	Audit Committee	
a.	Chairman to be an Independent Non-Executive Director with qualifications and experience in accountancy and/or audit	The Chairman of the Audit Committee is an Independent Non-Executive Director who has the required qualifications as indicated under their profiles.

Corporate Governance

Section	Principle	Compliance and Implementation
b.	Committee to comprise solely of Non-Executive Directors	All members of the Audit Committee are Non-Executive Directors.
c.	Audit Committee functions	<p>In accordance with the Terms of Reference, the Audit Committee makes the following recommendations:</p> <ul style="list-style-type: none"> • The implementation of the Central Bank guidelines issued to auditors from time to time. • The application of the relevant accounting standards. <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>
d.	Review and monitor external auditor's independence and objectivity and the effectiveness of the audit processes	The Bank's auditor being the Auditor General, his independence and effectiveness is guaranteed under the Constitution of Sri Lanka.
e.	Provision of non-audit services by external auditor	This does not arise since the Auditor General is the auditor of the Bank.
f.	Determines scope of audit	The scope and extent of audit have been determined by the Auditor General and it is stated that M/s Ernst & Young (E&Y), Chartered Accountants who assisted the Auditor General could make further changes/amendments to the scope having considered the volume and risks associated.
g.	Review financial information of the Bank	<p>The Audit Committee reviews the financial information of the Bank, in order to monitor the integrity of the financial statements of the Bank, its annual report, accounts and quarterly reports prepared for disclosure, and the significant financial reporting judgments contained therein. The review focuses on the following:</p> <ul style="list-style-type: none"> • major judgmental areas; • any changes in accounting policies and practices; • significant adjustments arising from the audit; • the going concern assumption; • the compliance with relevant accounting standards and other legal requirements. <p>The Audit Committee makes their recommendations to the Board on the above.</p>

Section	Principle	Compliance and Implementation
h.	Discussions with external auditor on interim and final audits	The Audit Committee discusses issues, problems and reservations arising from the interim and final audits. The representative of the Auditor General was present at the Committee meetings along with representatives of E&Y, Chartered Accountants, who assisted the Auditor General in the year 2014 audit. No request was made in the year under review to discuss any matter in the absence of the Management. Going forward, it has now been introduced as a permanent agenda item of the Committee.
i.	Review of Management Letter and Bank's response	The Audit Committee has reviewed the external auditor's Management Letter and the management's response thereto.
j.	Review of Internal Audit function	<p>The Audit Committee has oversight of the Internal Audit function and carries out the following duties with regard to the same:</p> <ul style="list-style-type: none"> • Reviews the adequacy of the scope, functions and resources of the Internal Audit department, and ensures that the department has the necessary authority to carry out its work; • Reviews the Internal Audit programme and results of the audits and ensures that appropriate actions are taken on the recommendations of the internal audit department; • Reviews appraisals of the performance of the head and senior staff members of the Internal Audit department; • Recommends any appointment or termination of the head, senior staff members; • Ensures that the committee is appraised of resignations of senior staff members of the Internal Audit department including the Chief Internal Auditor, and provides an opportunity to the resigning senior staff members to submit reasons for resigning; • Ensures that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care; • There were no outsourced functions of Internal Audit during 2014 and provisions in this regard were not applicable. (In 2015 some IS Audit Functions are outsourced to an external expert with Audit Committee recommendation).
k.	Internal Investigations	The Audit Committee has reviewed the major findings of internal investigations and management's responses thereto.
l.	Attendees at Audit Committee Meetings	The General Manager, Chief Internal Auditor, Chief Risk Officer, Chief Financial Officer and representatives of the external auditors appointed to assist the Auditor General viz. M/s E&Y, Chartered Accountants and Auditor General's representative normally attend meetings. Other Board members may also attend meetings upon the invitation of the Committee.
m.	Explicit authority, resources and access to information	<p>The Audit Committee has:</p> <ul style="list-style-type: none"> • explicit authority to investigate into any matter within its terms of reference; • the resources which it needs to do so; • full access to information; and • authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.
n.	Regular Meetings	The Audit Committee has scheduled regular meetings. Accordingly, the Committee met nine times during the year. Members of the Audit Committee are served with due notice of issues to be discussed and the conclusions in discharging its duties and responsibilities are recorded in the Minutes of the meetings maintained by the Secretary to the Board/Secretary, Bank of Ceylon.

Corporate Governance

Section	Principle	Compliance and Implementation
o.	Disclosure in Annual Report	The Report of the Audit Committee on pages 138 to 140 includes the following: <ul style="list-style-type: none"> • Details of the activities of the Audit Committee; and • The number of Audit Committee meetings held in the year; and Details of attendance of each individual Director at such meetings are given on page 116.
p.	Maintain Minutes of meetings	The Secretary to the Board/Secretary, Bank of Ceylon serves as the Secretary for the Audit Committee and maintains minutes of the committee meetings.
q.	Whistle Blower Policy and relationship with external auditor	The Bank has a Board approved Whistle Blower Policy whereby an employee of the Bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Significant findings are reported to the Audit Committee for follow up action. The Audit Committee is the key representative body for overseeing the Bank's relations with the external auditor.
Human Resources and Remuneration Committee		
3 (6) (iii)	HR and Remuneration Committee	
a	Remuneration policy (salaries, allowances and other financial payments) relating to Directors, Chief Executive Officer (CEO) and key management personnel of the Bank.	The Remuneration for Directors is according to the circulars/letters issued by the Ministry of Finance and the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Bank has also adopted a Remuneration Policy based on the said circulars. The Committee makes recommendations of the remuneration of General Manager and Key Management Personnel once in three years and submit to the Board and finally obtains the approval of the Minister of Finance.
b	Set goals and targets for the Directors, CEO and the Key Management Personnel (KMP).	No targets for the Directors are set since all of them are Non-Executive Directors. Goals and targets for the KMPs are documented and detailed in the Action Plan prepared based on the Corporate Plan of the Bank. The General Manager is responsible for the implementation of the Corporate Plan through the KMPs. Performance on same is reviewed by the full Board on a periodic basis. A separate evaluation of the performance of the General Manager is also carried out on an annual basis by the full Board.
c	Evaluating the performance of the CEO and Key Management Personnel	The Committee evaluated the performance of the General Manager and KMPs.

Section	Principle	Compliance and Implementation
d	The CEO shall be present at all meetings of the committee, except when matters relating to the CEO are being discussed.	This has been complied with.
Nomination Committee		
3(6) (iv) a.	Appointment of Directors, CEO and Key Management Personnel	Directors are appointed by the Minister of Finance. General Manager is appointed by the Board with the approval of the said Minister. There is a Board approved procedure/scheme for the appointment of Key Management Personnel.
b.	Re-election of Directors	Does not arise since the Minister of Finance appoints them.
c.	Eligibility criteria for appointments to key managerial positions including CEO	The General Manager is appointed based on the Bank's accepted procedure with the approval of the Board of Directors and the Minister of Finance as specified in the Bank of Ceylon Ordinance No.53 of 1938 and its amendments. The Board approved promotion schemes stipulate the attributes required to be eligible to be selected or promoted to the other key management positions. This will be relooked at with the assistance of the external consultants the Bank has hired with the review of job descriptions.
d.	Fit and Proper persons	Annual declarations from Directors, ensuring that they are fit and proper persons to hold office as specified in the criteria given in Direction 3(3) and as set out in the Statutes is sent to CBSL.
e.	Succession Plan and new expertise	The Bank has developed a Succession Plan for the Key Management Personnel. The latest succession plan is in placed and has to be approved by the Board.
3 (6) (v)	Integrated Risk Management Committee/Board Risk Management Committee	
a.	Composition of Risk Management Committee	The Committee comprises three Non-Executive Directors, General Manager, Chief Risk Officer who supervises credit, market, liquidity, operational, reputational and strategic risks. The Chief Internal Auditor and Chief Financial Officer participate at all Committee meetings at the request of the Committee. The Committee works closely with Key Management Personnel within the framework of authority and responsibility assigned to the Committee.
b.	Risk Assessment of the Bank and its Group	Independent Integrated Risk Management Division of the Bank assesses the credit, market, liquidity, operational, strategic and reputational risks of the Bank on a monthly basis and the summary reports are submitted to the Committee at least quarterly and then to the next immediate Board meeting. Overall risk assessment of the Bank will be strengthened through the assistance of the external consultants engaged by the Bank. In the case of subsidiaries and associates a risk management dash board has been developed to address the risks.

Corporate Governance

Section	Principle	Compliance and Implementation
c.	Review of management level committees on risk and address specific risks and manage those risk within qualitative and quantitative risk limits as specified by the Committee	Risk indicators which have gone beyond the specified quantitative and qualitative risk limits are submitted to the Committee.
d.	Corrective action to mitigate risks exceeding prudential levels	The Committee takes prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Bank's policies and regulatory and supervisory requirements.
e.	Frequency of meetings	The Committee has regular meetings and schedules additional meetings when required. Measures will be taken to increase the frequency of the meetings depending on the business. The agenda covers matters assessing all aspects of risk management including updated Business Continuity Plan.
f.	Actions against officers responsible for failure to identify specific risks or implement corrective action	Formal documented disciplinary action procedure is in place at the Bank.
g.	Risk assessment report to Board	The minutes of the meeting are submitted to the next immediate Board meeting together with the recommendations and risk management reports.
h.	Compliance function	<p>A compliance function has been established to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. This function is headed by a dedicated Compliance Officer (a Key Management Personnel) who reports to the Integrated Risk Management Committee and is responsible for providing the following:</p> <ul style="list-style-type: none"> • A detailed quarterly report on statutory and mandatory reporting requirements indicating the status of compliance to the Committee and the Board; and • A monthly compliance report to the Board. <p>The compliance function will initiate action to assess the Bank's compliance with internal controls and approved policies on all areas of business operations.</p>

Section	Principle	Compliance and Implementation
3 (7)	Related Party Transactions	
3(7)(i)	Avoid conflict of interest	<p>There is a Board approved Policy on Related Party Transactions. This policy identifies related parties, types of related party transactions and restrictions on offering more favourable treatment to related parties in order for Board members to avoid any Conflict of Interest in this regard.</p> <p>Directors who have related party transactions are individually requested to declare their transactions. Transactions are monitored through an automated system which will be improved.</p>
3(7)(ii)	Related party transactions covered by direction	<p>Definitions of related party transactions covered by the above Board process and declarations by Directors and Key Management Personnel include :</p> <ul style="list-style-type: none"> a) The grant of any type of accommodation, as defined in the Monetary Board's Directions on maximum amount of accommodation, b) The creation of any liabilities of the Bank in the form of deposits, borrowings and investments, c) The provision of any services of a financial or non-financial nature provided to the Bank or received from the Bank, and d) The creation or maintenance of reporting lines and information flows between the Bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.
3 (7) (iii)	Monitoring of related party transactions defined as more favourable treatment	The Bank has implemented a Board approved process to monitor related party transactions which is monitored by the Compliance Unit. This monitory system would be further improved to cover all the products of the Bank.
3 (7) (iv)	Granting accommodation to Directors or close relation to a Director	All accommodations to Directors and/or their close relatives are approved by the Board and prescribed security is taken. The concerned Director does not participate in the deliberations or decisions.
3 (7) (v)	Accommodations granted to persons, or concerns of persons, or close relations of persons, who subsequently are appointed as Directors of the Bank	This situation has not arisen in the Bank to date.
3 (7) (vi)	Favourable treatment or accommodation to Bank employees or their close relations	No favourable treatment /accommodation is provided to Bank employees, close relations other than under general staff benefits. Circular instructions have been issued in this regard. Bank employees are also not given any favourable treatment/accommodation.
3 (7) (vii)	Not remitting accommodations granted under (v) and (vi) above without approval of the Monetary Board	Such a situation has not arisen during the year 2014.

Corporate Governance

Section	Principle	Compliance and Implementation
3(8)	Disclosures	
3.(8) (i)	Publish annual and quarterly financial statements	Annual audited financial statements and quarterly financial statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards in Sinhala, Tamil and English.
3. (8) (ii)	Disclosures in Annual Report	
a.	A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	A statement to this effect is included in the following: Directors' Responsibility to Financial Reporting on page 174. Annual Report of the Board of Directors on the State of Affairs of the Bank on pages 162 to 166.
b.	Report by the Board on the Bank's internal control mechanism	The Annual Report includes the following reports where the Board confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes have been done in accordance with relevant accounting principles and regulatory requirements: Directors' Statement on Internal Control on pages 171 to 172. Annual Report of the Board of Directors on the State of Affairs of the Bank on pages 162 to 166.
c	Auditor's certification on the effectiveness of the internal control mechanism	The Bank has obtained a certificate on the Effectiveness of Internal Controls over Financial Reporting from the Auditor General which is published on page 173.
d	Details of Directors,	Details of Directors are given on pages 38 to 41. Directors' interests in contracts with the Bank are given on pages 167 to 170. Remunerations paid by the Bank are given in Notes to the Financial statements on page 208.

Section	Principle	Compliance and Implementation																				
e	Total net accommodation granted to each category of related party and as a percentage of the Bank's regulatory capital	<p>"Total net accommodation" granted to each category of related party during the year 2014 as a % 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) and their Close Family Members (CFMs)</td> <td>16,021</td> <td>0.02</td> </tr> <tr> <td>Subsidiaries</td> <td>2,160,847</td> <td>2.70</td> </tr> <tr> <td>Associates</td> <td>199,529</td> <td>0.25</td> </tr> <tr> <td>Government and Government related entities (Refer definition in note 55.4)</td> <td>926,446,393</td> <td>1,159.08</td> </tr> </tbody> </table>		LKR '000	%	Key Management Personnels (KMPs) and their Close Family Members (CFMs)	16,021	0.02	Subsidiaries	2,160,847	2.70	Associates	199,529	0.25	Government and Government related entities (Refer definition in note 55.4)	926,446,393	1,159.08					
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f.	Aggregate values of remuneration to, and transactions with Key Management Personnel	<p>The aggregate amount of remuneration paid by the Bank and transactions with KMPs (including their CFMs) for the year 2014 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>92,617</td> </tr> <tr> <td>Post employment benefits</td> <td>24,138</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>58,262</td> </tr> <tr> <td>Overdrafts</td> <td>3,411</td> </tr> <tr> <td>Credit cards</td> <td>1,713</td> </tr> <tr> <td>Due to customers (Deposits)</td> <td>104,469</td> </tr> <tr> <td>Debentures</td> <td>7,569</td> </tr> <tr> <td>Undrawn facilities</td> <td>18,598</td> </tr> </tbody> </table>		LKR '000	Short-term employment benefits	92,617	Post employment benefits	24,138		LKR '000	Loans	58,262	Overdrafts	3,411	Credit cards	1,713	Due to customers (Deposits)	104,469	Debentures	7,569	Undrawn facilities	18,598
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g.	External auditors certification of compliance with these Corporate Governance Directions	The Bank has obtained a certification from the Auditor General in compliance with Corporate Governance Direction. All findings of the Auditors have been incorporated in this Corporate Governance Report and any recommendations will be dealt within 2015.																				
h.	Report confirming compliance with prudential requirements, regulations, laws and internal controls	The Statement of Directors' Responsibility for Financial Reporting on pages 174 clearly sets out details regarding compliance with prudential requirements, regulations, laws and internal controls.																				
i.	Non compliance Report	There were no supervisory concern lapses in the Bank's Risk Management Systems or non compliance with these directions that have been pointed out by the Director of Banks Supervision of the CBSL and to be disclosed to the public if directed by the Monetary Board and therefore there is no disclosure in this regard.																				
3.(9)	Transitional and other general provisions	The Bank has taken all possible measures to comply with all applicable provisions of this Direction that are not inconsistent with the provisions of Bank of Ceylon ordinance No. 53 of 1938 and its amendment, the enabling enactment.																				

Board Subcommittee Reports

Audit Committee Report

Terms of Reference, Principal Focus and Medium of Reporting

The terms of reference of the Audit Committee are governed by the Audit Committee Charter, approved and adopted by the Board. The Audit Committee focuses principally on assisting the Board in fulfilling its duties by providing an independent and objective review of the financial reporting process. The proceedings of the Audit Committee are tabled at the meetings of the Board, follow up action is taken on outstanding matters on a regular basis and approval of the Board is obtained for implementation of the recommendations made by the Committee. The effectiveness of the Committee, is evaluated annually by each member of the Committee and the results are communicated to the Board. The Secretary to the Board functions as the Secretary to the Audit Committee.

Composition

The Audit Committee comprised of the following Non-Executive Directors during the period 01.01.2014 to 31.12.2014 and the wide range of experience brought to the Committee, appears in the Directors' biographical details on pages 38 to 39.

- Mr Lalith P Withana - Chairman
Independent Non-Executive Director
(Resigned w.e.f. 16.01.2015)
- Mr K M M Siriwardane - Member
Non-Executive Ex officio Director
(Ceased to be a Director w.e.f.
28.01.2014)
- Mr Raju Sivaraman - Member
Independent Non-Executive Director
(Resigned w.e.f. 08.01.2015)

- Ms K M A Nelumani Daulagala -
Member
Non-Executive Ex officio Director
(Appointed w.e.f. 06.02.2014 and
resigned w.e.f. 06.02.2015)

Meetings

The Committee met nine times during the year under review and the attendance of Committee members is provided in the table on page 116. The quorum of the Committee is two. A representative of the Auditor General (External Auditor of the Bank), the Chief Internal Auditor, the General Manager, the Chief Financial Officer and the Chief Risk Officer of the Bank are present at the meetings by invitation. Partners and officials of M/s Ernst & Young, Chartered Accountants who were the external auditors appointed by the Auditor General to assist in the annual audit of the Consolidated Financial Statements of the Bank and its subsidiaries for the year 2014, were also present at the meetings during the year. Members of the Management are invited to attend meetings when the Committee requires their presence.

Activities Performed

Regulatory Compliance and Internal Controls

The Committee:

- Reviewed the compliance with mandatory banking and other statutory requirements.
- Reviewed and improved the processes of internal control.
- Reviewed the post implementation review of the application systems in the Bank.

- Reviewed the progress of the actions taken in relation to the findings of the statutory examinations carried out by the regulators.

The Statement by the Directors, on Internal Control and the Auditor General's report thereon is provided on pages 171 to 173. Accordingly, the Committee is of the view that necessary checks and balances are in place to provide reasonable assurance that the Bank's assets are safeguarded and that the financial position and the results disclosed in the Financial Statements are free from any material misstatements.

Financial Reporting

The Committee:

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

Internal Audit

The Committee:

- Reviewed the independence, objectivity and performance of the internal audit function as well as the adequacy of the department's resources
- Reviewed the effectiveness of the implementation of the Internal Audit Plan for year 2014.
- Reviewed the significant internal audit findings and Management's responses thereto with a view to taking timely corrective action.
- Reviewed the adoption of the Risk Based Internal Control Check List, Risk Based Audit Guidelines and Internal Audit Procedures of the Bank.
- Evaluated the performance of the Chief Internal Auditor and reviewed the evaluation of the senior audit staff of the Internal Audit Department.

External Audit

The External Audit is carried out by the Auditor General in terms of the Constitution of the country. The Auditor General, was assisted by M/s Ernst & Young, Chartered Accountants, during the year 2014.

The Committee:

- 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 2013, the Management Letter, the Management's responses thereto and followed up on corrective measures taken by the Bank.
- Reviewed the outcome of the meeting of the Parliamentary Committee on Public Enterprises, in relation to the above.
- Reviewed and followed up upon interim audit issues identified by the Auditors pertaining to the audit for the years 2013 and 2014.

Supervision and Audit of Subsidiaries and Associates of Bank of Ceylon

The Committee:

- Reviewed the audits carried out on certain subsidiaries based on the policy on Internal Audit of subsidiaries.
- Conducted meetings with the Directors of subsidiaries.

Procedure for Complaints

The Committee reviewed the reports submitted, based on the Bank's "Whistleblower Policy" which indicates the procedure for the receipt, retention and treatment of complaints received regarding accounting, internal control and audit matters. The policy was also reviewed during the year.

Reconstitution of the Audit Committee

Pursuant to a reconstitution of the Board, the present Audit Committee comprises of the following members, whose profiles are provided on page 41.

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

Upon the appointment of the above mentioned Audit Committee, the Committee reviewed the Audit Committee Charter, minutes of the immediately preceding Audit Committee meeting and had discussions with key management personnel, the Chief Internal Auditor and the External Auditors appointed by the Auditor General, M/s Ernst & Young, Chartered Accountants, in respect of the Financial Statements for the year ended 31 December 2014. Interim and final audit issues raised by the external auditors and the manner, in which they were resolved,

were also reviewed and where necessary further action initiated.

The Committee at its first meeting, further resolved to begin a process to assess risk exposures, identify gaps and weaknesses and areas of non compliance with procedures, in order to strengthen relevant risk management and mitigation measures.

Initiatives were accordingly undertaken, to review specific systems, procedures and controls and the scope, approach, methodology and effectiveness, of the functions of the office of Chief Internal Auditor, and the office of the Chief Risk Officer, and such other key management positions, as might be deemed necessary. The corresponding structure, composition, qualifications, skills and experience, of resources of these offices were also reviewed.

Arising therefrom, the following specific tasks were undertaken:

- Pursuant to events which occurred subsequent to the year end, the Committee, commissioned M/s Ernst & Young, Chartered Accountants to perform an independent procedural and compliance review of the functions of the Primary Dealer Unit of the Bank.

Approval of the Auditor General's Department was sought and obtained for this limited scope engagement. Gaps and weaknesses in systems, procedures and controls, areas of non compliance with manuals of procedure and related risk exposures, were addressed. Measures were also taken to strengthen, the scope and effectiveness of the work of the office of the Chief Internal Auditor and the office of the Chief Risk Officer in relation to this Unit.

- Pursuant to a review of the rationale and adequacy of the loan loss provisioning effected at year end, and with a view to implementing measures to minimize the incidence and quantum of loan loss provisioning,

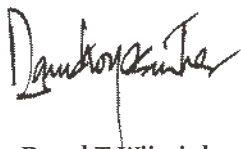
Board Subcommittee Reports

Audit Committee Report

the Committee, through the medium of the office of the Chief Internal Auditor, reviewed the credit evaluation process on account of a selected sample of significant borrowers.

Key issues and concerns were identified, and the following were developed:

- Recommendations for strengthening overall credit evaluation, which inter alia included greater in depth assessment of project concepts and structuring, deeper industry or sectoral insights, more extensive due diligence of project promoters, and strengthening of oversight and monitoring.
- The Committee met with representatives of the Boston Consulting Group, who in the year 2014 had been engaged to perform a transformation assignment for the Bank, and sought their agreement to inter alia review the scope and effectiveness of several functions, including the office of the Chief Risk Officer and the credit evaluation process, by benchmarking these functions, against international best practices.
- Invited proposals from independent professional services firms to perform a limited scope engagement for the following:
 - To review the policies and procedures prevalent in the Bank, and compliance therewith and to report on factual findings, in relation to stocks of pawned gold acquired by the Bank pursuant to auctions.
 - To review the policies and procedures prevalent in the Bank, and compliance therewith and to report on factual findings, in relation to the opening and operation of the Seychelles branch of the Bank of Ceylon.



Ranel T Wijesinha
Chairman, Audit Committee

18 March 2015
Colombo

Integrated Risk Management Committee Report

Chairman's Statement

Roles of the Committee

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

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

- Policies, programmes and Management Committee Charters relating to risk management and compliance.
- Risk limits and policies that establish appetite for credit, market, liquidity, operational and other risks, as recommended by the Chief Risk Officer.
- Adequacy and effectiveness of all Management Level Committees such as the Credit Committee and Assets and Liabilities Management Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.
- Risk management reports on the risk profile of the Bank, as well as emerging market and regulatory risks and actions undertaken to identify, measure, monitor and control such risks.
- Corrective action to mitigate the effects of specific risks in case such risks are beyond the prudent levels decided by the Committee on the basis of the

Bank's policies and regulatory and supervisory requirements.

- Appropriate actions against the officers responsible for failure to identify specific risks and prompt corrective action as directed by the Director of Bank Supervision of Central Bank of Sri Lanka 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 Integrated Risk Management Committee comprised of 3 members of the Board during the year 2014. Presently it comprises 3 members.

The Committee during the year 2014 comprised of the following members:

- Mr Lalith P Withana - Chairman Independent Non-Executive Director (Resigned w.e.f. 16.01.2015)
- Mr K M M Siriwardane - Member Non-Executive Ex officio Director (Ceased to be a Director w.e.f. 28.01.2014)
- Mr Raju Sivaraman - Member Independent Non-Executive Director (Resigned w.e.f. 08.01.2015)
- Ms K M A Nelumani Daulagala - Member Non-Executive Ex officio Director (Appointed w.e.f. 06.02.2014 and resigned w.e.f. 06.02.2015)

The composition of the new committee is as follows:

- Mr Brian J Sinniah - Chairman Independent Non-Executive Director (Appointed w.e.f. 27.02.2015)

- Mr Ronald C Perera PC - Member Independent Non-Executive Director (Appointed w.e.f. 27.02.2015)

- Ms Pushpa Wellappili - Member Non-Executive Ex officio Director (Appointed w.e.f. 27.02.2015)

Permanent management representatives on the Committee:

- Mr D M Gunasekara - General Manager
- Mr Lalith J Fernando - Chief Risk Officer

The experience of the Committee members can be seen from the Directors' biographical details appearing on pages 38 and 39 of this Annual Report.

The quorum of the Committee is two members.

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

Meetings and Activities

The Committee met 5 times during the year under review. The attendance of Committee members at meetings is given in the table on page 116.

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

- Reviewed and/recommended the following policies based on which the risk profile of the Bank is assessed -
 - a) Credit Risk Management Policy
 - b) Market Risk Management Policy

Board Subcommittee Reports

Integrated Risk Management Committee Report

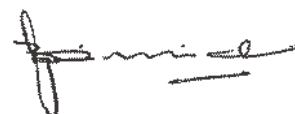
- c) Operational Risk Management Policy
 - d) Stress Testing Policy
 - e) Integrated Risk Management Policy
 - f) Compliance Policy
 - g) Operational Risk Management Policy for Electronic Banking and Electronic Money Activities
 - h) Foreign Exchange Risk Management Policy
- The Independent Integrated Risk Management Division of the Bank assessed the risks of the Bank on a monthly basis and summary reports were submitted before the Committee. The Committee reviewed them and submitted its recommendation to the Board immediately through minutes of the meeting and specific recommendations.
 - Risk Appetite and Limit Setting for 2014 was established.
 - Monitored quantitative and qualitative risks which have gone beyond the limits and made the necessary recommendations.
 - Followed up on the arrangements that are at an advanced stage to purchase a state-of-the-art risk management system for managing credit, operational and market risks and also an Anti Money Laundering Software Solution.
 - Recommended the adoption of the revised Internal Capital Adequacy Assessment Process (ICAAP) for Chennai Branch.
- Reviewed the comprehensive Compliance Reports submitted by the Compliance Officer.
 - Reviewed the implementation of 5S System in the Branches.
 - Improved the Risk Management Dashboard to support the subsidiaries to manage their risk functions. Also a team from the Risk Management Division has been created to assist subsidiaries in their risk matters.
 - Monitored Key Risk Indicators in the Branch network, critical businesses and support divisions.
 - Reviewed the results of the risk and control self assessment at the International and Treasury Division.
 - Recommended adoption of the revised Business Continuity Plan 2014.
 - Recommended adoption of the Terms and Reference of the Operational Risk Management Committee and Fraud Risk Management Committee.
 - Revised/Revisited the Charter of Integrated Risk Management Committee.

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

The members of the Integrated Risk Management Committee collectively evaluated the performance of the Committee.

With a view to strengthening this function further the Committee has embarked on a benchmarking exercise with international best practices of risk management. Plans are also afloat to improve the risk reports that are generated. The Committee is of the view that the Bank is on the right path towards meeting the challenges of risk management and compliance safeguarding the interests of Bank's stakeholders.

On behalf of the Integrated Risk Management Committee.



Brian J Sinniah
Chairman, Integrated Risk Management Committee

18 March 2015
Colombo

Human Resources and Remuneration Committee Report

Chairman's Statement

Role of the Committee

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

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

In the Bank, the Directors, GM, Deputy General Managers (DGMs), members of staff in the allied grade and Compliance Officer are considered as KMPs.

Goals and targets for GM and DGMs are embodied in the rolling Corporate Plan and Action Plan. The GM is responsible for the implementation of the Corporate Plan through the DGMs. Targets for Directors are not given since all the Directors are Non-Executive.

Composition and Quorum

The Committee comprised of 4 members of the Board during the year 2014. Presently it comprises 3 members.

The following Directors served as the members of the Committee during the year under review:

- Air Chief Marshal Harsha Abeywickrema - Chairman
Independent Non-Executive Director
(Resigned w.e.f. 16.01.2015)
- Mr Raju Sivaraman - Member
Independent Non-Executive Director
(Resigned w.e.f. 08.01.2015)
- Mr Chandrasiri de Silva - Member
Non-Executive Director
(Resigned w.e.f. 16.01.2015)
- Ms Nalini D Abeywardene - Member
Non-Executive Director
(Resigned w.e.f. 16.01.2015)

Mr Raju Sivaraman, Director was the Chairman of the Committee until 02.01.2014 till the appointment of ACM Harsha Abeywickrema, as the Chairman of the Committee.

The current Human Resources and Remuneration Committee comprises the following members:

- Mr Ronald C Perera PC - Chairman
Independent Non-Executive Director
(Appointed w.e.f. 18.02.2015)
- Ms Pushpa Wellappili - Member
Non Executive Ex officio Director
(Appointed w.e.f. 18.02.2015)
- Mr Brian J Sinniah - Member
Independent Non Executive Director
(Appointed w.e.f. 18.02.2015)

The quorum of the Committee is two members. The GM is present at all meetings except when matters relating to GM are discussed. The other members of the staff are invited to attend the meetings when the Committee requires their presence. The Secretary of the Bank/Secretary to the Board functions as Secretary to the Committee.

Meetings and Activities

The Committee has met 3 times during the year under review. The attendance of members at meetings is given in page 116. All minutes of the Committee meetings are tabled and ratified at meetings of the Board and approval of the Board thus is obtained for implementation of the recommendations made by the Committee. Follow up action is taken on outstanding matters on a regular basis.

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

Board Subcommittee Reports

Human Resources and Remuneration Committee Report

Directors are fully disclosed in the Annual Report on a yearly basis.

The remuneration of employees is revised once in 3 years with the approval of the Minister in charge of the subject of Finance in accordance with the provisions of Bank of Ceylon Ordinance. Prior to finalizing the salaries of the Senior Management (viz. GM, DGMS and Assistant General Managers), the Committee deliberates on the proposals and makes its recommendation.

During the year under review the Committee has carried out the following activities:

- Reviewed the training needs of the Bank and made the necessary recommendations.
 - Recommended the Man Power Plan of the Bank for the year under review.
 - Revisited/revised the Remuneration Policy of the Chairman and Directors of Bank of Ceylon.
 - Recommended the Disciplinary Code for Chennai Branch.
 - Facilitated the performance evaluation of GM through this Committee.
- Carried out a performance appraisal of the KMPs.
 - Revised/revisited the Human Resources and Remuneration Committee Charter.
 - Evaluated the performance of the Committee and submitted to the Board.

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

On behalf of the Human Resources and Remuneration Committee.



Ronald C Perera PC
Chairman, Human Resources and Remuneration Committee

18 March 2015
Colombo

Nomination and Corporate Governance Committee Report

Chairman's Statement

Roles of the Committee

The Committee is mainly responsible for the following:

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

The Composition of the Committee

The Committee comprised of 3 members of the Board during the year 2014. Presently it comprises 3 members.

The following Directors served as members of the Committee during the year under review:

- Mr Raju Sivaraman - Chairman Independent Non-Executive Director (Resigned w.e.f. 08.01.2015)
- Mr Chandrasiri de Silva - Member Non-Executive Director (Resigned w.e.f. 16.01.2015)
- Mr Lalith P Withana - Member Independent Non-Executive Director (Resigned w.e.f. 16.01.2015)

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

The current Nomination and Corporate Governance Committee comprises the following members:

- Mr Ronald C Perera PC - Chairman Independent Non-Executive Director (Appointed w.e.f. 18.03.2015)
- Ms Pushpa Wellappili - Member Non-Executive Ex officio Director (Appointed w.e.f. 18.03.2015)
- Mr Brian J Sinniah - Member Independent Non-Executive Director (Appointed w.e.f. 18.03.2015)

Meetings

The Committee met 2 times during the year under review. The attendance of Committee Members at meetings is given on page 116.

Reporting to the Board

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

Appointments Made to the Board

According to the aforesaid Banking Act Direction No. 11 of 2007, this Committee has to implement a procedure to select/ appoint new Directors. However, in the case of Bank of Ceylon, which is fully owned by the Government of Sri Lanka, the appointment of Directors are carried out by the Minister in charge of the subject of Finance, 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.

The major initiative during the year under review was the commencement of a transformation exercise for the Bank with the assistance of an international consulting group in order to elevate the Bank to better heights.

Board Subcommittee Reports

Nomination and Corporate Governance Committee Report

Activities that have been performed during the year under review

- Recommended the amended Disciplinary Code of the Bank.
- Recommended benchmarking the Performance Appraisal System of the Bank with industry best practices.
- Reviewed the Communication Policy of the Bank.
- Reviewed the Succession Plan.
- Reviewed the Code of Ethics of employees and Directors.
- Discussed the areas for improvement highlighted in the Auditor General's report of factual findings on the compliance requirements of the Corporate Governance Directions issued by the Central Bank of Sri Lanka.
- The Committee reviewed its own performance and ensured the Committee's effectiveness and smooth functioning.
- Revisited/reviewed the existing charter of the Nomination and Corporate Governance Committee.

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

On behalf of the Nomination and Corporate Governance Committee.



Ronald C Perera PC
Chairman, Nomination and Corporate Governance Committee

18 March 2015
Colombo

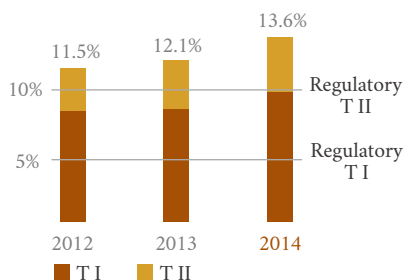
Risk Management

Effective Risk Management

Strong Capital

An effective capital management framework embedded in the risk culture facilitates risk return trade-off. An infusion of fresh capital in both forms of equity and subordinated debt resulted in strengthening capital base along with accumulated retained earnings.

Capital Adequacy



Asset Quality

Improved asset quality that is above the industry norm, was achieved through strong credit sanctioning and monitoring processes along with efficient collection process.

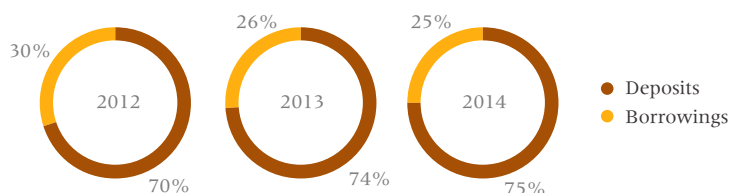
Bank NPA
3.8%

Industry NPA
4.2%

Liquidity Management

A healthy funding mix of borrowings and deposits combined with a deposit base diversified by type and maturity facilitates effective management of liquidity.

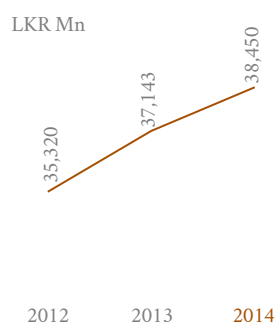
Deposits Vs Borrowings



Improved Margins

Improved deposit mix, better Asset and Liability Management (ALM) initiatives and containment of NPA enabled the Bank to improve Net Interest Income (NII) and in-turn increase profitability.

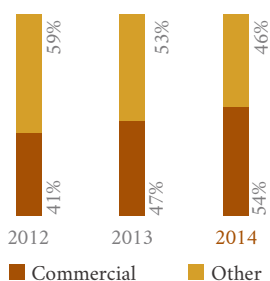
Net Interest Income



Diversified Business Lines

Endeavour to improve commercial loan portfolio proved success during the past three years thus reducing concentration of loans to state sector and pawning advances, which provide a strong foundation for sustainable growth.

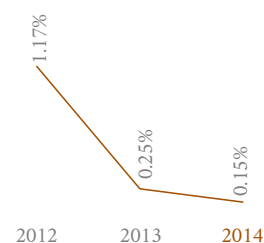
Commercial Loans as % of Total Loans



Strong Risk Culture

Extensive training on risk management principles, the Bank's risk appetite and planned initiatives have enabled the Bank to maintain a disciplined approach and to respond effectively.

Actual Loss as a % of Operational Risk Capital Charge



Risk Management

Evolution of risk management function has been rapid as the financial services industry globally dealt with consequences of insufficient focus on this vital area which is tasked with managing potential risks that may impede achievement of the corporate objectives. Financial industry players assume appropriately priced risks, and prudently manage them within a well-articulated risk management framework.

At Bank of Ceylon, we have a proactive and forward looking risk management philosophy that is clearly communicated throughout the Bank, which is necessary for the creation and evolution of an appropriate risk culture that balances growth and risk. Risk philosophy of the Bank is aligned with the vision, mission, policies, and goals in order to ensure an efficient resource allocation within an appropriate strategic management framework. Our internal processes ensure that the returns are commensurate with the risks assumed and managed within the defined risk appetite.

Three Lines of Defence Model

First Line of Defence Business Operations Ownership	Second Line of Defence Risk Management Insight, Appetite and Review	Third Line of Defence Compliance and Audit Internal and External Assurance
<ul style="list-style-type: none"> • Ensures business activities are conducted in defined controlled environments • Identify, monitor and control risks • Execute the risk appetite 	<ul style="list-style-type: none"> • Develop and review policies, frameworks, tools and processes • Define standards and oversee related consequence management • Establish risk appetite • Oversee, monitor and challenge the business • Provide insights • Carry out stress testing 	<ul style="list-style-type: none"> • Compliance • Internal Audit • Independent assurance and oversight of the robustness of the risk management function

Risk Governance

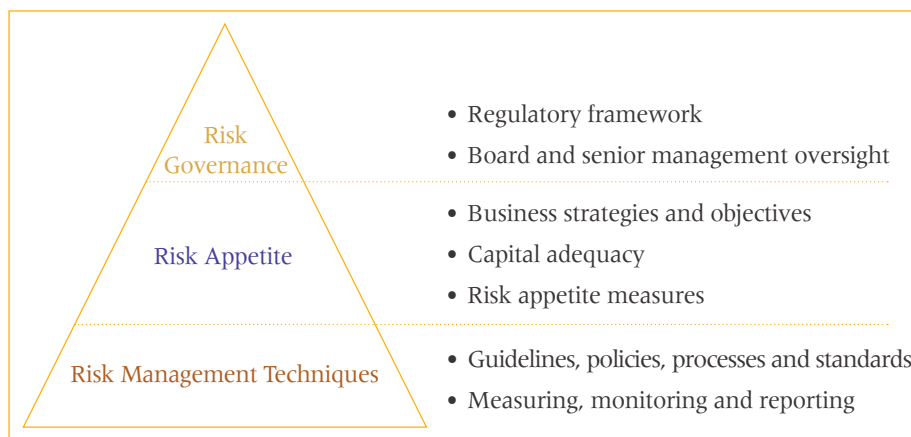
Risk management is effected through a risk governance structure based on the three lines of defence model and a policy framework that is clearly communicated and understood throughout the Bank. The governance structure comprises Board, Board subcommittees and

Management Committees. Chief Risk Officer (CRO), under the supervision of the Integrated Risk Management Committee (IRMC) which is a Board subcommittee, heads the risk management division of the Bank.

Risks arise in the business units of the Bank including departments that are responsible for the initial risk assessments which are then reviewed by the Independent Integrated Risk Management Division (IIRMD) where necessary and escalated to the Board / management level committees as appropriate. An experienced senior team of banking professionals nurture a risk culture throughout the Bank which is enhanced through comprehensive awareness programmes.

The Board has overall responsibility to ensure that the most significant risks to the Bank are competently managed.

Risk Management Framework



Risk Management Governance Structure



The establishment of a sound capital assessment process through defining the risk appetite and setting tolerance for risks also lies with the Board. IRMC assists the Board in fulfilling its oversight responsibilities with respect to the operation and effectiveness of risk management function of the Bank.

As an oversight of the risk management function of the Bank, IIRMD functions as a separate division, independent from revenue generating Strategic Business Units (SBU). New standards for financial institutions introduced by the Basel Committee and Central Bank of Sri Lanka (CBSL) are integrated into the risk management strategy and framework of the Bank through IIRMD.

to accept risks. This is critically important as the Board approves the risk appetite statement and ensures its consistency with the Bank's risk and strategic goals.

The analysis of the Bank's current and future capital requirements in relation to its strategic objectives is a vital element of the strategic planning process.

Risk Appetite

The risk appetite defines the level of risks that the Bank is prepared to tolerate in pursuit of its business strategy. The Board determines the overall risk appetite of the Bank with inputs from the IIRMD, taking into account the risk reward trade-off and the resources available for implementation of the business strategy.

Both the strategic plan and the risk appetite statement of the Bank are guided by a set of principles, where the Bank assigns metrics / thresholds to operationalize the intended behaviour and to evaluate performance against stated goals.

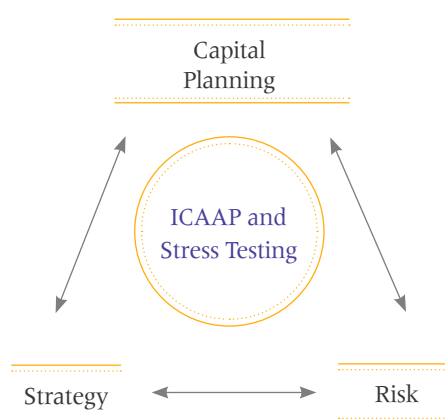
Risk Limiting Thresholds

Top and emerging risks embedded across our operations are addressed in the Risk Appetite through a framework of limits and thresholds. Effective thresholds are essential in managing aggregate risks within acceptable levels. Quantifiable risk limits are cascaded from Risk Appetite through a top down approach and operationalized through formal frameworks. Qualitative risk aspects are guided by expression of principles.

Stress Testing

Stress testing is an integrated, multi-variant and probabilistic test that shows degrees of severity of unforeseen scenarios. Stressed scenarios enable managers to assess the Bank's potential vulnerability to plausible adverse events and also allow them to identify

Risk Appetite and Strategic Planning Process



The strategic planning describes the Bank's philosophy towards risk management and broad measures employed to balance risk and performance. Risk appetite statement formally articulates the Bank's willingness

Risk Appetite Framework

Key Risks	Aspect	Risk Limiting Thresholds
Credit Risk	Default Risk	<ul style="list-style-type: none"> Gross Non Performing Assets Provision Cover
	Concentration Risk	<ul style="list-style-type: none"> Single Borrower Limits for Groups and Individuals Industry Sector
Market Risk	Foreign Exchange Risk	<ul style="list-style-type: none"> Exposure limits VaR limits
	Interest Rate Risk	<ul style="list-style-type: none"> Gap limits PVBP limits
	Equity Price Risk	<ul style="list-style-type: none"> Portfolio limits VaR limits
Liquidity Risk		<ul style="list-style-type: none"> Liquid Assets Ratio Maturity Gap limits Advances to Deposits Ratio Liquidity Coverage Ratio
		<ul style="list-style-type: none"> Loss limits
Operational Risk		<ul style="list-style-type: none"> Loss limits

Risk Management

opportunities for rapid and effective responses.

The Bank runs a stress testing programme on a regular basis and the results are reported to appropriate levels. The stress testing framework will cover a number of different types of scenarios, some are bank specific and some are systemic. Typically stress tests use three levels of severity for each scenario. i.e. mild, moderate and severe.

All stress tests are documented, and the results are used to calibrate the thresholds and boundaries of the risk appetite.

Internal Capital Adequacy Assessment Process (ICAAP)

ICAAP is a strong component of a robust risk management framework to determine the adequate capitalisation of the Bank, given the risks endured as well as future risks arising from growth and changes in the business model. This is necessary as minimum regulatory capital requirements under Pillar I of the Basel II framework address only credit, market and operational risks on an average basis. Through ICAAP, the capital planning process takes into account the demand for capital under Pillar II in addition to the Pillar I requirements and a range of stress scenarios against the available capital. Following Pillar II risks are covered in the ICAAP.

1. Concentration risk
2. Liquidity risk
3. Interest rate risk in the banking book
4. Reputation risk

5. Strategic risk
6. Compliance risk

ICAAP ensures that the Bank's overall risk and rewards are aligned with Risk Appetite through the strategic planning process.

The ICAAP Steering Committee which is headed by the General Manager is the principal management committee responsible for the development and implementation of a sound ICAAP across the Bank to assess, quantify and monitor risk in addition to the regulatory compliance. It comprises Chief Risk Officer, Chief Financial Officer and heads of Strategic Business Units (SBUs).

Credit Risk Management

Credit risk is the potential loss to the Bank due to the failure of a customer or counterparty to meet its obligations in accordance with agreed terms and conditions. The Bank's credit risk that incurs mainly from lending and investment activities account for over 80% of the total risk weighted assets.

As the Bank caters to diversified customer base across the country and three overseas locations, it is paramount to create uniform measures. Our customer base has varied demands ranging from rural credit that amounts to few thousands to the multi-billion facilities for most affluent corporate customers. The goal of the Bank's credit risk management is to maximize risk adjusted rate of return by maintaining credit risk exposures within acceptable parameters. The

successful management of credit risk is a critical factor for the Bank's dominant market position.

Credit Risk Governance

Overall responsibility of credit risk management lies with the Board which approves policies and procedures that are in place for managing credit risk at both individual and portfolio levels. The Credit Committee which is headed by the General Manager of the Bank is the main management level committee responsible for credit risk management.

The Credit Committee

- Formulates, reviews and revises policies and procedures relating to credit facilities, whilst ensuring compliance with statutory and regulatory requirements
- Approves sanctioning of credit up to its delegated authority limit or makes appropriate recommendations to the Board
- Reviews the credit limits from time to time with a view to monitor and ensure maintenance of credit quality
- Monitors, reviews and renews portfolio exposures and concentration risk and takes remedial actions in respect of non-performing advances

IIRMD measures and tracks the status of the credit portfolio, undertakes impact studies and identifies early warning signals pointing to a deterioration of the financial health of the borrowers. Credit risk management reports are presented to

the Credit Committee and the IRMC on a regular basis to ascertain performance and portfolio concentration.

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

Identification, Assessment and Monitoring

The Bank has a well established process for approving new credits 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 referred to IIRMD for independent evaluation.

An internally developed corporate borrower rating model which encompasses both the financial and non-financial parameters in compliance with Basel II guidelines is in place. In addition, credit scoring models are being deployed to assess retail credits. These indicators help to measure the risk profile of the credit portfolios in an objective manner while complementing the Bank's endeavours in progressing towards Basel II advanced approaches.

Collateral Management

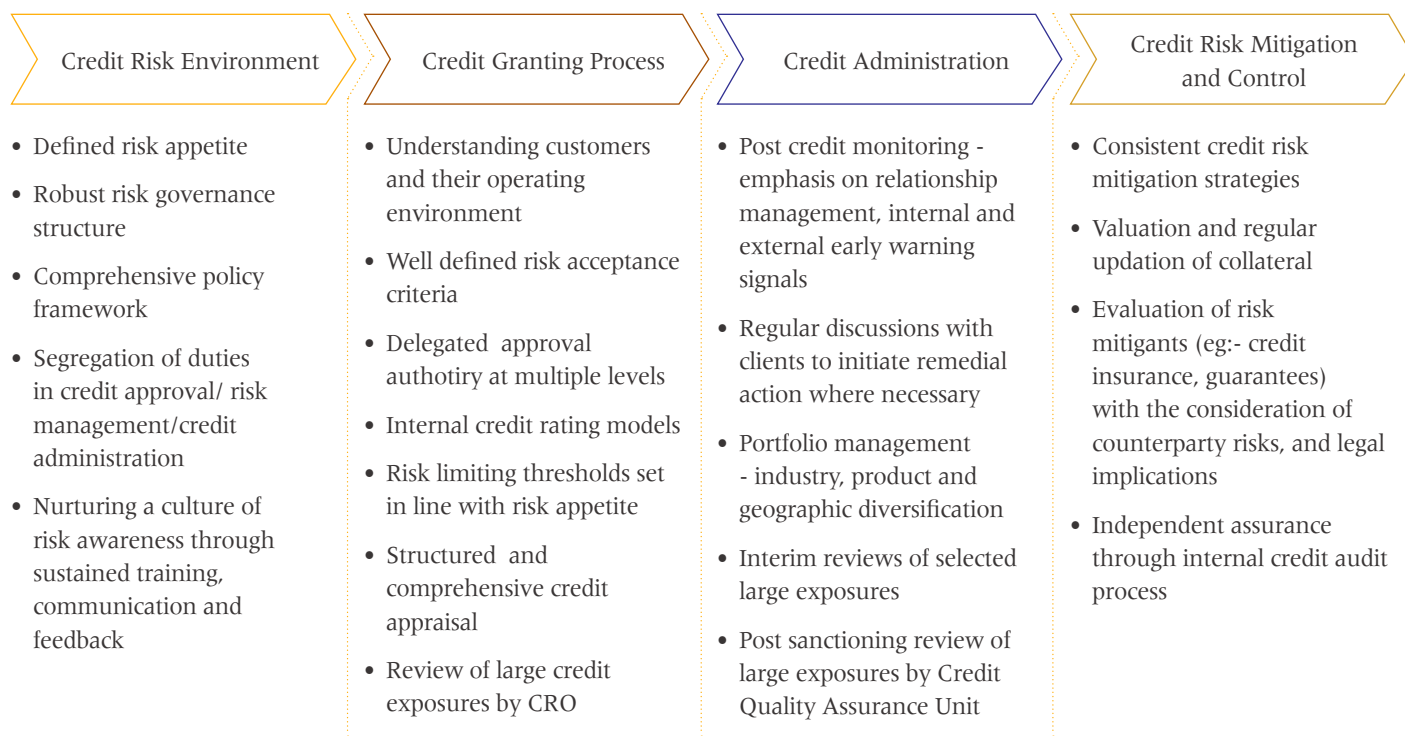
The primary source of repayment of credit exposure being cash flows, collateral obtained by the Bank act as secondary source of recovery. Collateral is the security provided by the borrower, generally in the form of an asset, which can be used by the Bank to mitigate possible credit loss in the event of a default. Procedures have been implemented to ensure that the value of

the collateral is reviewed and updated regularly to provide the anticipated secondary source of repayment in an eventuality.

Concentration Risk

The Bank monitors credit risk on a portfolio basis to manage concentration risk. Concentration risk in credit portfolio arises due to uneven distribution of loans and advances to individual borrowers (single /name concentration) or to industries and geographical regions (sector concentration). The Bank's loan portfolio is diversified across different industries and geographic regions. The Bank has established appropriate limits to maintain concentration risk at an acceptable level and significant concentrations are reported to the Credit Committee, IRMC and the Board for review. Analytical tools are used to quantify the concentration risk of the Bank.

Credit Risk Management Framework



Risk Management

Credit Risk Register

Risk Factor	Risk Indicators	Remarks																								
<p>Default Risk</p> <p>Potential loss due to borrower/counterparty unable or unwilling to meet its obligations</p>	<p>Non Performing Advances</p> <table border="1"> <caption>Non Performing Advances (%)</caption> <thead> <tr> <th>Quarter</th> <th>2013 (%)</th> <th>2014 (%)</th> </tr> </thead> <tbody> <tr> <td>1st Quarter</td> <td>3.35</td> <td>5.42</td> </tr> <tr> <td>2nd Quarter</td> <td>3.67</td> <td>4.28</td> </tr> <tr> <td>3rd Quarter</td> <td>4.33</td> <td>4.47</td> </tr> <tr> <td>4th Quarter</td> <td>3.78</td> <td>4.32</td> </tr> </tbody> </table>	Quarter	2013 (%)	2014 (%)	1st Quarter	3.35	5.42	2nd Quarter	3.67	4.28	3rd Quarter	4.33	4.47	4th Quarter	3.78	4.32	<p>The Bank's continuous reviewing and strong follow up mechanism for speedy recovery of its NPA yielded very good results.</p>									
Quarter	2013 (%)	2014 (%)																								
1st Quarter	3.35	5.42																								
2nd Quarter	3.67	4.28																								
3rd Quarter	4.33	4.47																								
4th Quarter	3.78	4.32																								
	<p>Collateral wise Exposure</p> <table border="1"> <caption>Collateral wise Exposure (%)</caption> <thead> <tr> <th>Category</th> <th>Percentage (%)</th> </tr> </thead> <tbody> <tr> <td>Cash</td> <td>1%</td> </tr> <tr> <td>Property</td> <td>13%</td> </tr> <tr> <td>Govt Securities / Gurantees</td> <td>35%</td> </tr> <tr> <td>Movables</td> <td>7%</td> </tr> <tr> <td>Pledged against Gold</td> <td>10%</td> </tr> <tr> <td>Others</td> <td>4%</td> </tr> <tr> <td>Unsecured</td> <td>30%</td> </tr> </tbody> </table>	Category	Percentage (%)	Cash	1%	Property	13%	Govt Securities / Gurantees	35%	Movables	7%	Pledged against Gold	10%	Others	4%	Unsecured	30%	<p>70% of the credit exposure is collateralized mitigating the default risk.</p>								
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Others	4%																									
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<p>Concentration Risk</p> <p>Credit exposure being concentrated on one or few lending sectors, groups, insufficient diversification</p>	<p>Concentration by Industry Sector</p> <table border="1"> <caption>Concentration by Industry Sector (%)</caption> <thead> <tr> <th>Industry Sector</th> <th>Percentage (%)</th> </tr> </thead> <tbody> <tr> <td>Agriculture and fisheries</td> <td>11%</td> </tr> <tr> <td>Banking finance and insurance</td> <td>1%</td> </tr> <tr> <td>Hotels, travels and services</td> <td>3%</td> </tr> <tr> <td>Housing, construction and infrastructure</td> <td>18%</td> </tr> <tr> <td>Manufacturing</td> <td>6%</td> </tr> <tr> <td>Commercial trade</td> <td>28%</td> </tr> <tr> <td>Sovereign and direct government</td> <td>11%</td> </tr> <tr> <td>Transportation and logistics</td> <td>5%</td> </tr> <tr> <td>Other commercial services</td> <td>1%</td> </tr> <tr> <td>Consumption and others</td> <td>16%</td> </tr> </tbody> </table>	Industry Sector	Percentage (%)	Agriculture and fisheries	11%	Banking finance and insurance	1%	Hotels, travels and services	3%	Housing, construction and infrastructure	18%	Manufacturing	6%	Commercial trade	28%	Sovereign and direct government	11%	Transportation and logistics	5%	Other commercial services	1%	Consumption and others	16%	<p>Sector exposures are within the risk appetite limits (in absolute terms).</p>		
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	<p>Concentration by Geographic Region</p> <table border="1"> <caption>Concentration by Geographic Region (%)</caption> <thead> <tr> <th>Geographic Region</th> <th>Percentage (%)</th> </tr> </thead> <tbody> <tr> <td>Eastern Province</td> <td>4%</td> </tr> <tr> <td>Southern Province</td> <td>4%</td> </tr> <tr> <td>Central Province</td> <td>4%</td> </tr> <tr> <td>North Western Province</td> <td>3%</td> </tr> <tr> <td>Uva Province</td> <td>2%</td> </tr> <tr> <td>Overseas Branches</td> <td>2%</td> </tr> <tr> <td>Northern Province</td> <td>5%</td> </tr> <tr> <td>Western Province</td> <td>48%</td> </tr> <tr> <td>North Central Province</td> <td>3%</td> </tr> <tr> <td>Sabaragamuwa Province</td> <td>2%</td> </tr> <tr> <td>Offshore Banking Unit</td> <td>24%</td> </tr> </tbody> </table>	Geographic Region	Percentage (%)	Eastern Province	4%	Southern Province	4%	Central Province	4%	North Western Province	3%	Uva Province	2%	Overseas Branches	2%	Northern Province	5%	Western Province	48%	North Central Province	3%	Sabaragamuwa Province	2%	Offshore Banking Unit	24%	<p>Significant concentration on Western Province is mainly due to financing infrastructure projects from which the country and economy would benefit as a whole.</p>
Geographic Region	Percentage (%)																									
Eastern Province	4%																									
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Western Province	48%																									
North Central Province	3%																									
Sabaragamuwa Province	2%																									
Offshore Banking Unit	24%																									

Market Risk Management

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

Market Risk Governance

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

- Establishing and maintaining an appropriate structure for managing market risk
- Ensuring treasury operations are efficiently and effectively managed

- Establishing appropriate risk limiting thresholds for all areas of treasury activities, including trading and investments
- Monitoring and managing impacts arising from the operating environment on relevant parameters, including results of stress testing

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

The Middle Office function plays a key role in monitoring market risk and is guided by a comprehensive framework of treasury operating limits approved by the Board.

Identification, Assessment and Monitoring

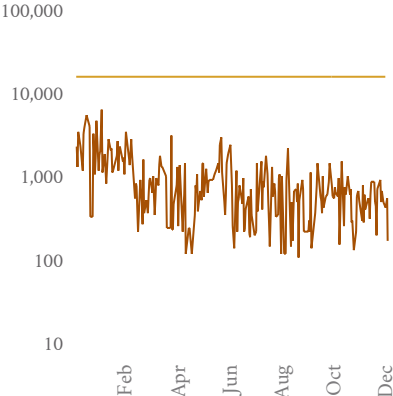
The Bank manages the risk in its trading and non-trading portfolios through a comprehensive market risk management framework which includes risk appetite limits, market limits, Value at Risk (VaR) limits, stress testing and sensitivity analysis.

Equity investments are made in accordance with the Bank's Investment Policy which has defined criteria to manage diversification and portfolio limits to ensure risk reward balance is maintained within the defined risk appetite.

Stress scenarios are evaluated to analyse how the Bank's profitability, liquidity and capital adequacy would be affected if business conditions become more challenging as a result of market volatility.

Limit threshold exceptions are escalated to ALCO, IRMC and the Board at regular intervals.

Market Risk Register

Risk Factor	Risk Indicators	Remarks
Foreign Exchange Risk:	<p data-bbox="110 1436 470 1497">Risk arising from foreign exchange positions</p> <div data-bbox="625 1409 1112 1900"> <p data-bbox="808 1409 930 1434">Forex VaR</p> <p data-bbox="625 1440 792 1486">LKR Mn (Logarithmic Scale)</p>  <p data-bbox="1128 1801 1274 1858">— VaR — Risk Appetite</p> </div>	

Risk Management

Risk Factor	Risk Indicators	Remarks																					
<p>Interest Rate Risk: Risk arising from bond portfolios</p>	<p style="text-align: center;">Duration</p> <table border="1"> <caption>Duration Data (Years)</caption> <thead> <tr> <th>Month</th> <th>HFT - Bonds</th> <th>HTM - Bonds</th> </tr> </thead> <tbody> <tr><td>Feb</td><td>2.5</td><td>3.6</td></tr> <tr><td>Apr</td><td>2.2</td><td>4.3</td></tr> <tr><td>Jun</td><td>3.8</td><td>3.9</td></tr> <tr><td>Aug</td><td>4.5</td><td>3.9</td></tr> <tr><td>Oct</td><td>3.1</td><td>3.8</td></tr> <tr><td>Dec</td><td>2.7</td><td>3.8</td></tr> </tbody> </table>	Month	HFT - Bonds	HTM - Bonds	Feb	2.5	3.6	Apr	2.2	4.3	Jun	3.8	3.9	Aug	4.5	3.9	Oct	3.1	3.8	Dec	2.7	3.8	<p>The duration of the bond portfolio is monitored regularly to assess sensitivity of bond prices to interest rate changes.</p>
Month	HFT - Bonds	HTM - Bonds																					
Feb	2.5	3.6																					
Apr	2.2	4.3																					
Jun	3.8	3.9																					
Aug	4.5	3.9																					
Oct	3.1	3.8																					
Dec	2.7	3.8																					
<p>Equity Price Risk: Adverse movements in stock indices</p>	<p style="text-align: center;">Equity VaR Monthly Average</p> <table border="1"> <caption>Equity VaR Monthly Average Data (LKR Mn)</caption> <thead> <tr> <th>Month</th> <th>VaR</th> <th>Risk Appetite</th> </tr> </thead> <tbody> <tr><td>Feb</td><td>115</td><td>180</td></tr> <tr><td>Apr</td><td>105</td><td>180</td></tr> <tr><td>Jun</td><td>105</td><td>180</td></tr> <tr><td>Aug</td><td>115</td><td>180</td></tr> <tr><td>Oct</td><td>110</td><td>180</td></tr> <tr><td>Dec</td><td>110</td><td>180</td></tr> </tbody> </table>	Month	VaR	Risk Appetite	Feb	115	180	Apr	105	180	Jun	105	180	Aug	115	180	Oct	110	180	Dec	110	180	<p>The equity portfolio is marked to market daily facilitating adjustments to market and immediate recognition of gains or losses.</p>
Month	VaR	Risk Appetite																					
Feb	115	180																					
Apr	105	180																					
Jun	105	180																					
Aug	115	180																					
Oct	110	180																					
Dec	110	180																					
<p>Liquidity Risk Management</p>	<p>which describes the range of strategies to manage liquidity. These include maintenance of sufficient liquid assets, the capacity to borrow from the money markets as well as forms of managerial interventions that improve liquidity. The ALCO together with the ALM Unit are responsible for the management of liquidity risk.</p>	<p>channels. The deposit base is diversified across retail, corporate and institutional customer segments. More recently, the Bank has ventured overseas to raise foreign currency borrowings which found ready acceptance and supported the expansion of its investor base increasing the flexibility and reducing the funding costs. If market conditions lead to insufficient deposits, there is flexibility to fund lending growth with duration matched wholesale funding. In the event of a potential or actual crisis, the Bank has in place a set of liquidity contingency and recovery plans to ensure that decisive actions are taken to arrest the situation.</p>																					
<p>Liquidity Risk Governance</p>	<p>Identification, Assessment and Monitoring The Bank strives to develop a diversified funding base with access to funding sources across retail and wholesale</p>																						

Liquidity Risk Register

Risk Factor	Risk Indicators	Remarks
<p>Liquidity Risk: Inability to meet obligations as and when they fall due</p>	<p>Unencumbered Securities available for Funding</p> <p>LKR Mn</p> <p>200,000 150,000 100,000 50,000</p> <p>Feb Apr Jun Aug Oct Dec</p> <p>— 2013 — 2014</p>	<p>Unencumbered securities available for funding have improved in 2014 indicating a comfortable liquidity position.</p>
<p>Maturity Analysis of Assets and Liabilities</p>		
<p>Over 5 years 3-5 years 1-3 years 9-12 months 6-9 months 3-6 months 1-3 months 0-1 month</p> <p>-15 -10 -5 0 5 10 15 20 25 30 %</p> <p>■ Gap ■ Outflows ■ Inflows</p> <p>As may be observed, the favourable gap in the 1-3 year band provides leverage for growth and there is sufficient time for managing the over 5 year's gap with appropriate strategies as opportunities arise in the operating environment.</p>		

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It originates from both business and support units of the Bank and is distinct and controlled within the criteria set out in the risk appetite through an effective and efficient system of internal controls.

Operational Risk Governance

The Board approves the operational risk management policies and procedures with recommendations from the IRMC. IIRMD is responsible for identification, measurement, monitoring and reporting operational risk and also review of policy frameworks and procedures related to operational risk. It is supported by the Operational Risk Management Executive

Committee (ORMEC) and the Fraud Risk Management Committee headed by the CRO. These committees review reports and recommend corrective actions on a regular basis and make amendments to policies and procedures if required.

Additionally, IIRMD has oversight responsibility for the Business Continuity Plan and reports to the ORMEC and IRMC on a regular basis on its functioning. Also CRO is a member of the Corporate Information Security Committee chaired by the General Manager which directs the information security initiatives of the Bank.

IIRMD is represented in all new product initiative committees and appropriate sign off is provided prior to implementing new or improved products and processes. Similarly, all system developments, new

system acquisitions and upgrades are reviewed by the IIRMD.

Identification, Assessment and Monitoring

IIRMD uses several techniques to identify, assess and monitor operational risks which include Key Risk Indicators (KRI), Risk and Control Self Assessments (RCSA), Internal Loss Data Collection and Analysis, root cause analysis and lessons learned exercises. It also reviews and analyses external events to identify areas of risk and appropriate mitigating activities.

KRIs are used to alert the Bank on impending problems in a timely fashion. Branch level and department level KRIs are captured and reported to appropriate authorities on a regular basis.

Risk Management

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

Loss data reports are evaluated, reviewed and aggregated to ORMEC, IRMC and the Board to take appropriate actions on a regular basis.

Control and Mitigation

The Bank has in place a policy and procedure framework for managing operational risks. These include

segregation of duties, clear management reporting lines, robust internal controls and business continuity planning together with more targeted actions such as insurance, information security and outsourcing.

Insurance instruments are used as a risk transfer strategy to mitigate high severity risk from non-controllable sources. Ceybank Insurance Services Unit of the Bank assesses the risk involved and obtains insurance to adequately cover these risks.

In accordance with the Business Continuity Management Policy all

critical business and support units have developed their own unit business continuity plans. Two test runs were successfully completed during the year under review and detailed results were reported to relevant authorities. A disaster recovery centre is in place outside Colombo City limits with alternate arrangements to facilitate continuing key operations in the event of various pre-defined disaster scenarios.

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

Operational Risk Register

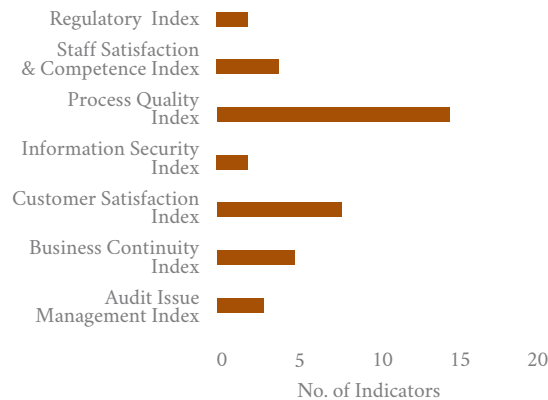
Risk Factor

Key Risk Indicators (KRIs)

KRIs is a measurable metric or indicator that tracks exposure or loss.

Risk Indicators

No of Key Risk Indicators Defined



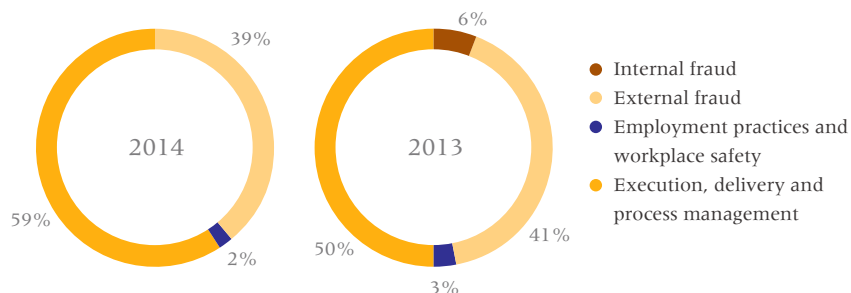
The number of KRIs defined reflect the importance of this area to the Bank. As may be observed, the process quality index and the customer satisfaction index have been the focus of attention with a relative higher number of indicators being tracked to ensure positive results to drive business growth and efficiency in processes enhancing the customer experience.

Risk Factor

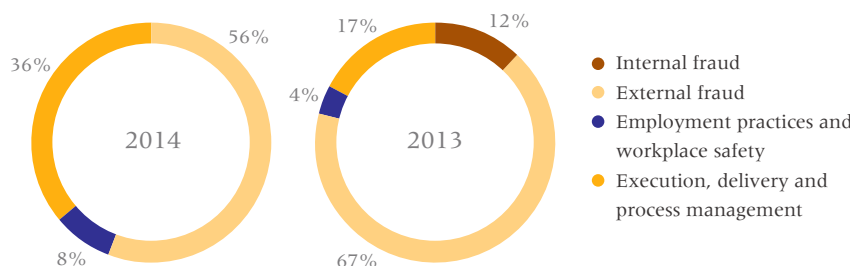
Risk Indicators

Loss data Management

Frequency of Occurrence



Severity of Risk Events



The frequency and severity of loss incidents have reduced with significant reduction in external fraud events due to tightening of controls and security.

Strategic Risk Management

Strategic risk arises from the Bank's inability to implement appropriate business plans, strategies, decision making, resource allocation and to adapt to changes in business environment.

The Bank operates in a highly competitive, dynamic and regulated environment. Inability to respond to frequent changes will adversely affect the profitability, capital adequacy and liquidity. The Bank's strategic direction is well articulated in the Corporate Plan and the Corporate Budget. The Bank has in place a robust mechanism to ensure the congruence of the actual performance with the strategic direction.

As part of the Bank's ICAAP, strategic risk is assessed using a score card based model.

Strategic Risk Index 2014

Risk Indicator	Weighted Score
Industry/System	5.25
Competition	7.81
Strategic Plan	19.69
Access to Capital Markets	3.75
Management	9.38
Total	45.88%

Risk level – Low risk

According to the strategic risk score card parameters the Bank reflects lower risk.

Reputation Risk Management

In a volatile global marketplace, where media coverage is almost simultaneous across the world and where reputation is seen as a key source of competitive advantage, trust and confidence are understood to be the key business drivers. For a bank which deals with public money, reputation is a source of strength.

Reputation risk management can be a matter of corporate trust, and also serves as a tool in crisis prevention.

Risk Management

The Bank is therefore dedicated to managing reputation risk by promoting strong corporate governance and risk management practices at all levels of the organization.

The Bank has not faced any material adverse publicity, deposit runs or regulatory penalties, and has created a strong brand recall in the minds of Sri Lankan customers.

The Bank uses a scorecard approach to assess the reputation risk.

Reputation Risk Index 2014

Risk Indicator	Weighted score
Operational loss events	11.46
Business loss events	6.11
Market perception	24.44
Management	8.33
Total	50.34%

Risk level - Low risk

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

Compliance Risk Management

Compliance risk is the risk of legal or regulatory sanctions, financial losses, or loss to reputation a bank may suffer as a result of its failure to comply with all applicable laws, regulations, and codes of conduct and standards of good practices.

The Bank has a compliance programme to provide a framework that fosters a culture of compliance throughout the Bank.

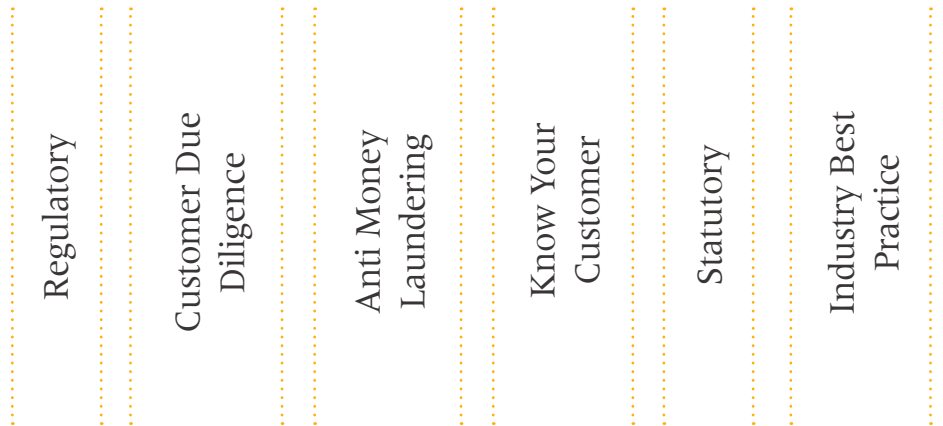
The Bank has a separate division headed by the Compliance Officer who reports to the Board and IRMC to manage the Bank's compliance risk as per CBSL requirements. The compliance division comprises of the regulatory compliance

unit and the Anti-Money Laundering (AML) Unit. This division is responsible for ensuring that the Bank, complies with regulatory requirements, internal guidelines with the Bank's compliance policy.

The Board approved compliance policy of the Bank encapsulates the Bank's compliance philosophy, principles governing the compliance function, the structure and processes to ensure effective and timely management of compliance risk.

The Bank also has an AML policy which comprehensively covers AML compliance standards which apply to all business units within the Bank. The Bank

Compliance Framework



takes into account, the regulatory/legal requirements, the strategic challenges and opportunities that regulatory developments may present for the Bank's business model and how the Bank should discharge its corporate responsibility in formulating these policies.

Monitoring and Risk Assessment

The compliance division assesses and monitors broad areas of compliance risk across the Bank adopting a risk based approach and proactively identifies, monitors, and takes measures to mitigate compliance risk. The unit is responsible for dissemination of regulatory requirements to business units for necessary action and ensuring that they operate within oversight and implementation of compliance program within the boundaries set by the Bank and the regulator. The compliance unit conducts periodic risk assessments to help identify risk and develop a compliance work plan that is reviewed and approved by the IRMC. Other functions include facilitating incorporation of regulatory requirements into operational procedures, corrective actions to remedy instances of non compliance and to mitigate compliance risk exposure.

Reporting

Keeping the Board and Corporate Management informed of regulatory issues and developments is a vital part of the compliance function. Compliance status of the Bank is submitted to the Board monthly and quarterly basis covering the following:

- compliance on statutory/mandatory reporting requirements
- significant new regulations/Directions
- significant non compliance events including regulatory and potential breaches
- training undertaken and identification of training needs
- compliance monitoring on regulatory/AML
- Details of compliance testing carried out

IT solutions have been implemented to identify unusual transaction patterns, suspicious transactions, screening and enable reports to the Financial Intelligence Unit. The new development enables the compliance unit to operate in efficiently and timely manner. The compliance unit activities contribute towards establishing a compliance culture that fosters prudent risk management and strict compliance with regulatory requirements.

CBSL has issued 17 Directions during 2014 of which 15 are applicable to the Bank and the Bank has complied with.

Statutory Compliance

The compliance function at the Bank is performed to comply with all relevant laws, regulations and guidelines inclusive of Convention on the Suppression of Terrorist Financing Act - No.25 of 2005, Prevention of Money Laundering Act - No.5 of 2006, Financial Transaction Reporting Act - No.6 of 2006 and Customer Charter of Licensed Banks issued by CBSL. Further, the Bank has registered with USA to comply with

Foreign Account Tax Compliance Act (FATCA) in the year 2014. Reporting of transactions of USA clients to the Internal Revenue Service (IRS) will commence from March 2015.

Way Forward

We realize that the risks threatening the future are constantly evolving and our capabilities must develop as rapidly. We are continuously increasing our investment in risk management and believe that technology can help, especially in breaking down the barriers between the risk and control oversight functions.

Given the nature of risk management, we focus more on qualitative value drivers together with a limited number of quantitative drivers. After all, when risk management is fully embedded in the Bank's processes and culture, risk management is everyone's responsibility, thus emphasizing the importance of an enterprise wide view of risk through the ICAAP framework.

Amid volatile external environment and persistent regulatory challenges, we strive to achieve strategic objectives through optimum risk return trade-off.



Truly
Everybody's
Bank



Financial *Reports*

Financial Reports

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Annual Report of the Directors on the State of Affairs of Bank of Ceylon

1. General

The Board of Directors of Bank of Ceylon has pleasure in presenting their report on the affairs of the Bank together with the audited consolidated Financial Statements for the year ended 31 December 2014 of the Bank and the Group and the Auditor General's report on those Financial Statements, conforming to the requirements of the Bank of Ceylon Ordinance No.53 of 1938 and Banking Act No.30 of 1988 and its amendments thereto. The report also includes certain disclosures laid down by the Colombo Stock Exchange listing rules and certain disclosures required to be made under the Banking Act Direction No.11 of 2007 on Corporate Governance for licensed commercial banks issued by the Central Bank of Sri Lanka and subsequent amendments thereto. The Directors reviewed and approved the Financial Statements on 18 March 2015.

Bank of Ceylon is a licensed commercial bank under the Banking Act No. 30 of 1988 and amendments thereto and was duly incorporated on 1 August 1939 under Bank of Ceylon Ordinance No.53 of 1938 and amendments thereto. The Bank is wholly owned by Government of Sri Lanka. The unsecured subordinated redeemable debentures issued by the Bank are listed on the Colombo Stock Exchange.

2. Review of the Business

2.1 Principal activities of the Bank

The principal activities of the Bank during the year were commercial banking, personal banking, development financing, mortgage financing, lease financing, investment banking, Islamic banking, bancassurance, corporate financing, dealing in Government securities, pawn broking, credit card facilities, off shore banking, foreign currency operations, electronic banking services and other financial services.

2.2 Subsidiaries and associates

The principal activities of subsidiaries and associates are given under significant accounting policies to the Financial Statements on page 182 and 183.

There were no significant changes in the nature of the principal activities of the Bank and the Group during the year under review, other than changes mentioned under Significant Accounting Policies.

2.3 Changes to the group structure

The changes to the group structure during the year is given in Note 29 and 30 to Financial Statements on pages from 239 to 246 of this Annual Report.

2.4 Vision, mission and corporate conduct

The Bank's Vision and Mission are given on page 4 of this Annual Report. The Bank maintains high ethical standards in its activities whilst pursuing the objectives stated under 'Vision' and 'Mission'.

2.5 Review of the year's performance

The Chairman's message on pages 22 to 28 deals with the year's performance of the Bank /Group and on the Sri Lankan economy.

The General Manager's review on pages 30 to 35 provides a detailed description of the operations of the Bank during the year under review.

Financial review on pages 70 to 75, provides a detailed analysis of business operations of the Bank. These reports that provide a fair review of Bank's affairs form an integral part of the Annual Report.

2.6 Branch expansion during the year

The Bank extended its services through the addition of a new local branch, a new foreign branch and a new extension office during the period under review. The number of other service points upgraded to branch level was four. The network was further expanded enhancing customer convenience. The Bank installed 17 ATMs during the year across the island bringing out the total to 540. This number does not include peer banks' ATMs through which customers of Bank of Ceylon can transact.

2.7 Corporate donations

The Bank has granted no donations for the year 2014 but the Bank has incurred LKR 99 million on Corporate Sustainability and Responsibility (CSR) activities.

2.8 Directors' responsibilities for financial reporting

The Directors are responsible for the preparation of the Financial Statements that will reflect a true and fair view of the state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Banking Act No. 30 of 1988 and its amendments, Bank of Ceylon Ordinance No.53 of 1938 and its amendments and the listing rules of the Colombo Stock Exchange. In the case of subsidiaries, the Financial Statements are prepared also in accordance with the provisions of the Companies Act No.7 of 2007.

The statement of Directors' responsibility for financial reporting is given on page 174 of this annual report and forms an integral part of this report of the Directors.

2.9 Auditor's report

The Auditor General is the Auditor of Bank of Ceylon in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka. Report of the Auditor General on the Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its subsidiaries as at 31 December 2014 is given on page 175 of this Annual Report.

2.10 Accounting policies

The Group and the Bank prepared their Financial Statements in accordance with Sri Lanka Accounting Standards (LKAS) and Sri Lanka Financial Reporting Standards (SLFRS).

The accounting policies adopted in the preparation of Financial Statements are given on pages 182 to 203. There have been no material changes in the accounting policies adopted by the Bank during the year under review.

3 Future Developments

An overview of the future plans and developments of the Bank is presented in the Chairman's message on pages 22 to 28 and financial review on pages 70 to 75 of this Annual Report.

4 Total income

The main income of the Group is interest income, which comprises 84% of the total income. The total income of the

Group for the year 2014 was LKR 133,023 million as against LKR 134,230 million in comparison to the previous year. The Bank's total income accounted for 95% (2013: 95%) of total income of the Group.

5 Dividends and Reserves

5.1 Profit and appropriations

The Bank recorded a pre-tax profit of LKR 20,291 million in 2014 reflecting an increase of 29%, compared to LKR 15,709 million recorded for the previous year. After deducting LKR 6,717 million (2013 : LKR 3,622 million) for income tax, the profit after tax for the year 2014 amounted to LKR 13,574 million, which is a 12% increase compared to LKR 12,087 million profit after tax reported in 2013.

Details of profit relating to the Bank and the Group are given in Table 1.

The pre tax profit of the Group also increased from LKR 16,105 million to LKR 21,431 million, an increase of 33% in comparison to the previous year. After deducting LKR 7,059 million for income tax (2013 : LKR 3,956 million) the profit after tax for the year of the Group increased to LKR 14,372 million in 2014 from the profit after tax of LKR 12,148 million reported in 2013.

Table 1	LKR million			
	Bank		Group	
	2014	2013	2014	2013
Profit for the year after payment of all expenses and providing for depreciation, impairment on loans and other losses, contingencies before taxes	24,343	18,420	25,074	18,632
Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	(4,052)	(2,711)	(4,105)	(2,756)
Share of profit/(loss) associate companies before tax	-	-	462	229
Profit before income tax	20,291	15,709	21,431	16,105
Income tax expense	(6,717)	(3,622)	(7,059)	(3,956)
Profit for the year	13,574	12,087	14,372	12,148
Other comprehensive income, net of tax	5,378	18	6,239	1,501
Total comprehensive income for the year, net of tax	18,952	12,105	20,611	13,649
Appropriations				
Transfers to permanent reserve fund	(272)	(253)	(272)	(253)
Transfers to primary dealer risk reserve	-	(74)	-	(74)
Transfers from primary dealer risk reserve	897		897	
Transfers to investment fund account	(480)	(2,340)	(480)	(2,379)
Transfers from investment fund account	7,537	-	7,709	
Transfers to statutory reserve	-	-	(12)	(18)
Dividends	(6,846)	(5,346)	(6,846)	(5,346)

Annual Report of the Directors on the State of Affairs of Bank of Ceylon

5.2 Dividends

The Bank determines the dividends in consultation with the Government, the shareholder of the Bank, prudently, based on profits after deduction of tax, loan loss provision and any such portion for reserves. Accordingly, a sum of LKR 6,846 million has been paid by the Bank as dividends for the year (2013: LKR 5,346 million).

5.3 Reserves

The total reserves of the Group stood at LKR 74,394 million as at 31 December 2014 (2013 : LKR 60,616 million). The Group reserves consist of the following:

	LKR' million	
	2014	2013
Permanent reserve fund	3,810	3,538
Revaluation reserve	13,808	9,600
Primary dealer special risk reserve	-	897
Exchange translation reserve	710	946
Investment fund account	-	7,229
Available for sale reserve	7,762	4,516
Other reserves	642	629
Retained profits	47,662	33,261
Total	74,394	60,616

6 Property, Plant and Equipment

The total capital expenditure incurred by the Group on the acquisition of property, plant and equipment during the year amounted to LKR 1,869 million (2013 : LKR 1,813 million) the details of which are given in Note 32 of Financial Statements on pages 249 to 265 of this Annual Report.

7 Value of Freehold Properties

The value of freehold properties owned by the Group as at 31 December 2014 is included in Note 32 of Financial Statements at LKR 14,473 million (2013 : LKR 10,878 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 2014 was LKR 5,000 million. During the year 2014 the Government of Sri Lanka has allotted LKR 5,000 million capital to the Bank. This allocation is reported under capital pending allotment as of 31 December 2014.

8.2 Shareholding

The Government of Sri Lanka is the sole shareholder of the Bank.

9 Issue of Subordinated Debentures

The Group had issued subordinated listed debentures amounting to LKR 7,675 million as at 31 December 2014 (2013 : LKR 8,000 million). The proceeds of these debentures were utilized to bridge the maturity gaps and to strengthen the supplementary capital base of the Bank. The details of debentures outstanding as at the date of Statement of Financial Position are given in Note 41 and Note 45 of the Financial Statements on pages 270 to 272 and 279 to 282.

10 Share Information

The earnings per share and net assets per share of the Group were LKR 2,884.82 and LKR 16,878.79 respectively, for the period under review.

11 Corporate Sustainability and Responsibility

The programmes carried out under the Corporate Sustainability and Responsibility (CSR) are detailed on pages 102 to 106 under the Social and Environment Report.

12 Directors

The Board of Directors of Bank of Ceylon as at 31 December 2014 consisted of six members. The Directors of the Bank do not hold any executive positions in the Bank. They bring a wide range of skills and experience to the Board. The qualifications and experience of the Directors are given on pages 36 to 41 of this Annual Report.

12.1 List of Directors

The Directors of the Bank as at the date of the Financial Statements, viz, 31 December 2014 are as follows;

Name of the Director	Executive/ Non Executive Status	Status of Independence
Air Chief Marshal Harsha Abeywickrema	Non-Executive	Independent
Mr Raju Sivaraman	Non-Executive	Independent
Ms K M A Nelumani Daulagala	Non-Executive Ex officio	Non-Independent
Ms Nalini D Abeywardene	Non-Executive	Non-Independent
Mr Chandrasiri de Silva	Non-Executive	Non-Independent
Mr Lalith P Withana	Non-Executive	Independent
Mr R M Ananda Rathnayake (Alternate to Ex officio Director)	Non-Executive Ex officio	Non-Independent

All the above Directors have resigned in January/February 2015.

The present Board of Directors are as follows;

Name of the Director	Executive/ Non-Executive Status	Status of Independence
Mr Ronald C Perera PC	Non-Executive	Independent
Ms Pushpa Wellappili	Non-Executive Ex officio	Non-Independent
Mr Ranel T Wijesinha	Non-Executive	Independent
Mr Brian J Sinniah	Non-Executive	Independent
Mr A P Kurumbalapatiya (Alternate to Ex officio Director)	Non-Executive Ex officio	Non-Independent

The Directors are classified as Independent Directors on the basis given in Banking Act Direction No.11 of 2007 on Corporate Governance for licensed commercial banks issued by Central Bank of Sri Lanka.

12.2 Board subcommittees

The Board has formed four subcommittees complying with the aforesaid Banking Act Direction No.11 of 2007 to ensure oversight control over affairs of the Bank. The subcommittee composition is given on page 115 of this Annual Report.

12.3 Directors' meetings

Attendance of Directors at Board and subcommittee meetings are given on page 116 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 167 to 170. These interests have been declared at meetings of the Board of Directors. Except for the contracts given therein the Directors have no any direct or indirect interest in other contracts or proposed contracts with the Bank.

12.5 Directors' interests in debentures issued by the Bank/ Group

There were no debentures registered in the name of any Director.

12.6 Directors' allowances/fees

The allowances /fees payable to Board of Directors are made in terms of the provisions /contents in the Public Enterprises Circular No. PED 58(2) dated 15 September 2011, letters dated 12 November 2013 and 18 June 2014 all issued by the Department of Public Enterprises of the Ministry of Finance and Planning and Bank of Ceylon Ordinance No. 53 of 1938 and its amendments.

The Directors' remuneration in respect of the Group and the Bank for the financial year ended 31 December 2014 are given on page 208.

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 147 to 159 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 138 to 140 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 171 and 172 of this Annual Report. The Board has confirmed that financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.

The Board has obtained an assurance report from the Auditor General on Directors' statement on internal control and it is given on page 171 of this Annual Report.

14. Corporate Governance

The Board of Directors is committed towards maintaining an effective corporate governance structure and process. The financial, operational and compliance functions of the Bank are directed and controlled effectively within Corporate Governance practices. These procedures and practices that are in conformity with Corporate Governance directions issued by the Central Bank of Sri Lanka under Banking Act Direction No. 11 of 2007 and the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka are described in the

Annual Report of the Directors on the State of Affairs of Bank of Ceylon

Corporate Governance report appearing on pages 114 to 137 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 optimize their contribution towards the achievement of corporate objectives. The Bank's human resource management policies and practices are detailed in the Employee Report on pages 93 to 101 of this report.

16. Compliance with Laws and Regulations

The Directors, to the best of their knowledge and belief confirm that the Group has not engaged in any activities contravening the laws and regulations. Details of the Bank's compliance with the laws and regulations are given on pages 158 to 159 under report on risk and compliance which forms an integral part of this report.

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 sustainability report on page 105.

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

18 March 2015
Colombo

Directors' Interests in Contracts

Related party disclosures as required by the Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures' are detailed in Note 55 to the Financial Statements on pages 292 to 297.

In addition, the Bank carries out transactions in the ordinary course of business in an arm's length basis with entities where the Chairman or a Director of the Bank is the Chairman or a Director of such entities, are detailed below:

Company	Relationship	Nature of transactions	Limit '000*	Balance/ amount outstanding as at 31.12.2014 '000*	Balance/ amount outstanding as at 31.12.2013 '000*	Security
Air Chief Marshal Harsha Abeywickrema						
Property Development PLC	Chairman	Current account		12,231		Related bills of exchange and shipping documents
		Time deposit		1,137,546		
		Debentures		204,036		
		Repo balance		224,358		
		Rent paid in advance		258,518		
		Deposit for fuel		907		
		Letters of credit	5,000	-		
		Letters of guarantee		3,993		
Koladeniya Hydropower (Private) Limited	Chairman	Current account		2,719		
		Repo balance		15,099		
Mr Raju Sivaraman***						
MBSL Insurance Company Limited	Chairman	Current account		10,535		
		Letters of guarantee		100		
MCSL Financial Services Limited	Director	Savings account		17,380	5,084	
		Savings account		USD 11	USD 11	
				**1,451	**1,429	
				EURO 4	EURO 4	
				**683	**769	
				AUD 0.6	AUD 0.5	
				**68	**60	
				SGD 0.2	SGD 0.2	
				**16	**17	
		Current account		71,489	52,648	
		Time deposit		49,290	72,785	

* Currencies not specifically mentioned are in LKR

** LKR equivalent amount

*** Mr Raju Sivaraman is the Managing Director of Arch-Triad Consultants (Private) Limited and the company has been appointed as the consultants for the projects of constructing BoC branch office complex at Nugegoda, Holiday Homes (phase II) at Nuwara Eliya, BoC Hambantota branch and BoC Eastern Province Office.

Directors' Interests in Contracts

Company	Relationship	Nature of transactions	Limit '000*	Balance/ amount outstanding as at 31.12.2014 '000*	Balance/ amount outstanding as at 31.12.2013 '000*	Security
		Series of loan	925,000	52,912	203,948	Lease receivable/ Hire purchase receivable backed by Power of Attorney
		Overdraft	97,000	-	-	
		Money market loan	400,000		350,174	
		Repo balance		-	25,004	
		Letters of credit	10,000		2,500	
		Letters of guarantee	6,500			
		Other payable		5,273	6,180	
Mireka Capital Land (Private) Limited	Director	Current account		891	3,104	Fixed deposits
		Current account		USD 8	USD 13	
				**992	**1,737	
		Time deposit		39,540	94,236	
		Time deposit		USD 64	USD 62	
				**8,437	**8,097	
		Letters of credit		-	USD 11	
		Letters of guarantee		32,140	**1,397	
Mireka Homes (Private) Limited	Director	Current account		112,287	61,050	Fixed deposits
				USD 74	USD 22	
				**9,763	**2,915	
		Time deposit		125,502	21,281	
		Loan	USD 40,000	USD 6,933	USD 14,000	
			**5,260,200	**911,768	**1,832,670	
		Overdraft	100,000			
		Letters of credit	(USD 40,000)	USD 135	USD 2,245	Related bills of exchange and shipping documents
			(**5,260,200)	**17,760	**293,835	
				EURO 2	EURO 15	
				**374	**2,260	
				-	GBP 5	
					**1,150	

* Currencies not specifically mentioned are in LKR

** LKR equivalent amount

Company	Relationship	Nature of transactions	Limit '000*	Balance/ amount outstanding as at 31.12.2014 '000*	Balance/ amount outstanding as at 31.12.2013 '000*	Security	
Merchant Bank of Sri Lanka & Finance PLC	Director	Current account		97,443		Lease agreements backed by Power of Attorney	
		Time deposit		138,627			
		Overdraft	110,000	48,447			
		Repo balance		465,159			
		Letters of guarantee	1,000				Counter Indemnity of the company } Lease agreements backed by Power of Attorney
		Series of loans	600,000				
		Money market loans	100,000				
		Investments in debenture		212,661			
Ms Nalini D Abeywardene							
Hotels Colombo (1963) Limited	Director	Savings account		13,214	3,912		
		Current account		13,449	11,647		
		Time deposit		123,257	114,717		
		Loan		4,773	7,801		
		Other receivable		17,402	23,038		
BOC Travels (Private) Limited	Director	Current account		25,826	9,085	Book debts Time deposits and debentures	
		Time deposit		121,642	110,846		
		Leasing		5,661	6,967		
		Debenture		10,347	10,347		
		Overdraft	7,600				
		Letters of guarantee	55,150				
		Other receivable		-	12		
Other payable		34,597	689				
Mr Chandrasiri de Silva							
Hotels Colombo (1963) Limited	Director	Savings account		13,214	3,912		
		Current account		13,449	11,647		
		Time deposit		123,257	114,717		
		Loan		4,773	7,801		
		Other receivable		17,402	23,038		

* Currencies not specifically mentioned are in LKR

Directors' Interests in Contracts

Company	Relationship	Nature of transactions	Limit '000*	Balance/ amount outstanding as at 31.12.2014 '000*	Balance/ amount outstanding as at 31.12.2013 '000*	Security
BOC Travels (Private) Limited	Chairman	Current account		25,826	9,085	Book debts Time deposits and debentures
		Time deposit		121,642	110,846	
		Leasing		5,661	6,967	
		Debenture		10,347	10,347	
		Overdraft	7,600			
		Letters of guarantee	55,150			
		Other receivable		-	12	
		Other payable		34,597	689	
Ms K M A Nelumani Daulagala						
Sri Lanka Insurance Corporation Limited	Director	Savings account		101,623 USD 241 **31,677		
		Current account		111,422 USD 2 **276		
		Time deposit		5,720,657		
		Overdraft		4		
		Repo balance		13,309		
		Debenture		1,380,015		
Employee Trust Fund Board	Director	Current account		213,944		
		Time deposit		1,833,207		
		Repo balance		398,432		
		Debenture		422,902		
Mr R M Ananda Ratnayake						
De La Rue Lanka Currency & Security Print (Private) Limited	Director	Current account		3,098 GBP 41 **8,447	9,113 GBP 54 **11,602	Mortgage over commercial property Fixed deposits
		Time deposit		9,212	8,253	
		Overdraft	30,000	18,239	26,291	
		Letters of guarantee	400	400	-	
			50	50	-	

* Currencies not specifically mentioned are in LKR

** LKR equivalent amount

Directors' Statement on Internal Control over Financial Reporting

Responsibility

In line with the Banking Act Direction No. 11 of 2007, section 3(8)(ii)(b), the Board of Directors presents this report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at Bank of Ceylon, ("the Bank"). In considering such adequacy and effectiveness, the Board recognizes that the business of banking requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed with a view to highlighting any deviations from the limits and indicators which comprise the risk appetite of the Bank. In this light, the system of internal controls can only provide reasonable, but not absolute assurance, against material misstatement of financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Bank and this process includes enhancing the system of internal control over financial reporting as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and is in accordance with the guidance for Directors of banks on the directors' statement on internal control issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control over financial reporting taking into account principles for the assessment of internal control system as given in that guidance.

The Board is of the view that the system of internal controls over financial reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Key features of the process adopted in applying in reviewing the design and effectiveness of the internal control system over financial reporting

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Various committees are established by the Board to assist the Board in ensuring the effectiveness of bank's daily operations and that the Bank's operations are in accordance with the

corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

- The Internal Audit Division of the Bank checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlights significant findings in respect of any non compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Committee. Findings of the Internal Audit Department 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 Department, 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 138 to 140.
- 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 Department 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 years 2013 and 2014 based on the feedback received from internal and external auditors, regulators and the Board Audit Committee. The Bank is in the process of updating procedures inter alia relating to impairment of loans and advances of the Bank and foreign branches, Financial Statement disclosures related to risk management and related parties. The Bank has also recognized the need to introduce an automated financial reporting process in order to comply with the requirements of recognition, measurement, classification and disclosure of the financial instruments more effectively and efficiently and to facilitate the "Financial Statement Close" process. The assessment did not include subsidiary companies of the Bank.

Directors' Statement on Internal Control over Financial Reporting

- 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 2014 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.

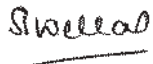
By order of the Board



Chairman - Audit Committee



Chairman



Director

Colombo, Sri Lanka
25 March 2015

Independent Assurance Report



The Chairman
Bank of Ceylon

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 2014. In carrying out this assurance engagement I was assisted by a firm of Chartered Accountants in public practice.

Management's Responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with section 3(8)(ii)(b) of the Banking Act Direction No. 11 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

My Responsibility and Compliance with SLSAE 3050

My responsibility is to issue a report to the Board of Directors on the Statement based on the work performed. I conducted my engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Report for Banks on Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka.

Summary of work performed

My engagement has been conducted to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

The procedures performed were limited primarily to inquiries of bank personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3050 does not require me to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Bank's risk and control procedures.

SLSAE 3050 also does not require me to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

Conclusion

Based on the procedures performed, nothing has come to my attention that causes me to believe that the Statement included in the annual report is inconsistent with my understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Bank.

W P C Wickramaratne
Auditor General (Acting)



Directors' Responsibility for Financial Reporting

This Statement by the Board of Directors is made especially to distinguish the respective responsibilities of the Directors and Auditors in relation to financial reporting. The responsibility of Directors in relation to financial reporting of the Bank of Ceylon and the Group is set out in the following statement.

Financial Statements

In terms of the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments read with the Banking Act No. 30 of 1988 and its amendments and Directions, the Directors of the Bank are responsible for ensuring that the Bank maintains proper books of accounts which disclose with reasonable accuracy at any time the financial position of the Bank and prepares proper Financial Statements for each financial year giving a true and fair view of the state of affairs of the Bank.

The Directors acknowledge that in preparing the Financial Statements for the year 2014 presented in this Annual Report, the most appropriate accounting policies have been used and applied consistently supported by judgements and estimates that are reasonable and prudent. Material departures, if any, have been disclosed and explained.

The Financial Statements for the year 2014 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 2014.

Going concern

The Directors are of the view that the Bank and the Group have adequate resources to continue in business for the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing the Financial Statements.

Internal controls, risk management and compliance

The Directors are also responsible for the system of internal financial controls and risk management and place considerable importance on maintaining a strong control environment to protect and safeguard the Bank's assets and prevent fraud and mismanagement. Whilst inherent and residual risks cannot be completely eliminated, the Bank endeavours to minimize them by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and practiced within predetermined procedures and constraints.

A report by the Directors on the Bank's internal control mechanism confirming that the financial reporting system has been designed to

provide reasonable assurance regarding the reliability of financial reporting is given on pages 171 and 172 of this Annual Report.

The Directors and Management have put in place risk management policies and guidelines. Management committees are established to monitor and manage material risks. Arrangements are made to submit reports on risk to the Integrated Risk Management Committee on a quarterly basis for discussion. Compliance with applicable laws, regulations, rules, directives and guidelines are monitored by the Independent Integrated Risk Management Division and reported to the Board.

The Audit Committee and Integrated Risk Management Committee, on an ongoing basis, have acted in strengthening the effectiveness of internal controls and risk management procedures. The reports of the Audit Committee and Integrated Risk Management Committee are included on page 138 and 142 respectively of this Annual Report.

Audit report

Pursuant to provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka, the Auditor General is the Auditor of the Bank and issues the final opinion on the Financial Statements of the Bank. The responsibilities of the Auditor in relation to the Financial Statements are set out in the Report of the Auditor General on page 175 of this Annual Report. The Auditor General's certification on the effectiveness of the Bank's internal control mechanism is given on page 173 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

18 March 2015
Colombo

Report of the Auditor General



විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம் AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல. } FB/E/BOC/FA/2014
My No. }

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி } 26 March 2015
Date }

The Chairman
Bank of Ceylon

Report of the Auditor General on the Financial Statements of the Bank of Ceylon and its subsidiaries for the year ended 31 December 2014

The audit of the financial statements of the Bank of Ceylon (“the Bank”), the consolidated financial statements of the Bank and its subsidiaries (“Group”), for the year ended 31 December 2014 comprising the statements of financial position as at 31 December 2014, and the income statement and statement of other comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(I) of the Constitution of the Democratic Socialist Republic of Sri Lanka. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice. The financial statements of the subsidiaries were audited by firms of Chartered Accountants in public practice appointed by the members of the respective subsidiaries.

Board’s Responsibility for the Financial Statements

The Board of Directors (“Board”) is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

assessments, the auditor considers internal control relevant to the Bank’s preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion - Group

In my opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Opinion – Bank

In my opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Exemption

The Bank has been exempted from the provisions of Part II of the Finance Act, No. 38 of 1971 by an Order of then Minister of Finance published in the Government Gazette No. 715 of 14 May 1992 by virtue of powers vested in him by Section 5 (1) of the said Finance Act.

Report to Parliament

My report to Parliament in pursuance of provisions in Article 154 (6) of the constitution will be tabled in due course.

W P C Wickramaratne
Auditor General (Acting)

Income Statement

For the year ended 31 December	Note No.	Bank			Group		
		2014 LKR '000	2013 LKR '000	Change %	2014 LKR '000	2013 LKR '000	Change %
Total income	7	126,545,943	127,464,058	(0.7)	133,023,345	134,229,641	(0.9)
Interest income	8.1	107,394,796	114,863,091	(6.5)	111,950,598	119,504,363	(6.3)
Less : Interest expenses	8.2	68,944,411	77,719,731	(11.3)	71,196,536	80,162,512	(11.2)
Net interest income	8	38,450,385	37,143,360	3.5	40,754,062	39,341,851	3.6
Fee and commission income	9	9,188,079	6,457,118	42.3	9,510,215	6,789,600	40.1
Less : Fee and commission expenses	9	1,088,207	720,232	51.1	1,186,436	854,587	38.8
Net fee and commission income	9	8,099,872	5,736,886	41.2	8,323,779	5,935,013	40.2
Net gains /(losses) from trading	10	4,859,913	3,232,748	50.3	5,038,541	3,268,177	54.2
Net gains from financial investments	11	2,880,854	425,543	577.0	2,900,005	469,989	517.0
Net gains/(losses) from financial instruments designated at fair value through profit or loss		-	-	-	-	-	-
Other operating income	12	2,222,301	2,485,558	(10.6)	3,623,986	4,197,512	(13.7)
Total operating income		56,513,325	49,024,095	15.3	60,640,373	53,212,542	14.0
Less : Impairment charge/(reversal) for loans and other losses	13	7,910,916	6,922,902	14.3	7,931,525	7,339,144	8.1
Net operating income		48,602,409	42,101,193	15.4	52,708,848	45,873,398	14.9
Less : Operating expenses							
Personnel expenses	14	13,715,847	14,669,120	(6.5)	15,055,755	15,906,831	(5.4)
Other expenses	15	10,543,654	9,012,465	17.0	12,579,356	11,334,577	11.0
Total operating expenses		24,259,501	23,681,585	2.4	27,635,111	27,241,408	1.4
Operating profit before Value Added Tax (VAT) and Nation Building Tax (NBT)		24,342,908	18,419,608	32.2	25,073,737	18,631,990	34.6
Less : Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services		4,051,951	2,710,836	49.5	4,105,175	2,756,179	48.9
Operating profit after Value Added Tax (VAT) and Nation Building Tax (NBT)		20,290,957	15,708,772	29.2	20,968,562	15,875,811	32.1
Share of profit /(loss) of associate companies before tax	16	-	-	-	462,436	228,813	102.1
Profit before income tax		20,290,957	15,708,772	29.2	21,430,998	16,104,624	33.1
Less : Income tax expense	17	6,716,900	3,621,659	85.5	7,058,656	3,956,302	78.4
Profit for the year		13,574,057	12,087,113	12.3	14,372,342	12,148,322	18.3
Profit attributable to :							
Equity holder of the Bank		13,574,057	12,087,113	12.3	14,424,118	12,234,412	17.9
Non controlling interest		-	-	-	(51,776)	(86,090)	39.9
Profit for the year		13,574,057	12,087,113	12.3	14,372,342	12,148,322	18.3
Earnings per share:							
Basic earnings per share (LKR)	18.1	2,714.81	2,417.42	12.3	2,884.82	2,446.88	17.9
Diluted earnings per share (LKR)	18.2	2,521.39	2,417.42	4.3	2,679.29	2,446.88	9.5
Dividend per share (LKR)	18.3	1,369.28	1,069.28	28.1	1,369.28	1,069.28	28.1

The notes from pages 182 to 324 form an integral part of these Financial Statements.

Statement of Other Comprehensive Income

For the year ended 31 December	Note No.	Bank			Group		
		2014 LKR '000	2013 LKR '000	Change %	2014 LKR '000	2013 LKR '000	Change %
Profit for the year		13,574,057	12,087,113	12.3	14,372,342	12,148,322	18.3
Items that will not be reclassified to profit or loss							
Revaluation gains / (losses) on property, plant and equipment		3,557,500	-	-	4,676,153	1,737,252	169.2
Deferred tax effect on revaluation (gains) / losses		(181,125)	-	-	(492,204)	(480,294)	(2.5)
Actuarial gains / (losses) on defined benefit plans		(1,343,892)	(408,625)	(228.9)	(1,352,033)	(395,668)	(241.7)
Deferred tax effect on actuarial (gains) / losses		376,290	114,415	228.9	376,906	111,824	237.1
		2,408,773	(294,210)	918.7	3,208,822	973,114	229.7
Items that are or may be reclassified to profit or loss							
Exchange differences on translation of foreign operations	48.5	(81,617)	(197,220)	58.6	(235,165)	(52,743)	(345.9)
Net gains /(losses) on re measuring available for sale financial investments		3,050,950	509,527	498.8	3,259,512	574,903	467.0
Share of other comprehensive income of associate companies		-	-	-	5,586	5,543	0.8
		2,969,333	312,307	850.8	3,029,933	527,703	474.2
Other comprehensive income for the year, net of tax		5,378,106	18,097	29,618.2	6,238,755	1,500,817	315.7
Total comprehensive income for the year		18,952,163	12,105,210	56.6	20,611,097	13,649,139	51.0
Attributable to:							
Equity holder of the Bank		18,952,163	12,105,210	56.6	20,611,316	13,684,287	50.6
Non controlling interest		-	-	-	(219)	(35,148)	99.4
Total comprehensive income for the year		18,952,163	12,105,210	56.6	20,611,097	13,649,139	51.0


The notes from pages 182 to 324 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 December	Note No.	Bank			Group		
		2014 LKR '000	2013 LKR '000	Change %	2014 LKR '000	2013 LKR '000	Change %
Assets							
Cash and short term funds	20	29,165,464	24,901,189	17.1	29,958,559	25,182,043	19.0
Balances with Central Banks	21	30,422,373	28,699,132	6.0	30,422,373	28,699,132	6.0
Placements with banks	22	19,766,889	19,315,520	2.3	21,393,574	21,157,190	1.1
Derivative financial instruments	23	1,714,556	3,261,073	(47.4)	1,714,556	3,261,073	(47.4)
Reverse repurchase agreements		58,953,093	22,319,717	164.1	60,236,389	22,851,895	163.6
Financial assets - Held for trading	24	17,862,433	13,539,791	31.9	18,437,958	13,898,242	32.7
Financial investments - Loans and receivables	25	129,145,330	129,108,613	0.0	129,966,806	130,190,296	(0.2)
Loans and advances to customers	26	741,347,635	725,331,966	2.2	763,772,052	746,571,819	2.3
Financial investments - Available for sale	27	14,361,543	10,325,214	39.1	17,611,160	12,852,445	37.0
Financial investments - Held to maturity	28	216,517,438	156,899,761	38.0	216,740,132	157,441,572	37.7
Investment in subsidiary companies	29	6,213,048	6,828,699	(9.0)	-	-	-
Investment in associate companies	30	842,988	842,988	-	1,870,035	1,471,267	27.1
Investment properties	31	-	-	-	148,876	151,914	(2.0)
Property, plant and equipment	32	16,188,333	12,006,180	34.8	25,646,016	20,622,161	24.4
Leasehold properties	33	107,467	83,026	29.4	144,501	121,417	19.0
Intangible assets	34	384,577	501,064	(23.2)	531,667	669,657	(20.6)
Deferred tax assets	35	-	-	-	8,933	47,818	(81.3)
Other assets	36	46,027,228	39,616,967	16.2	46,800,078	40,572,450	15.3
Total assets		1,329,020,395	1,193,580,900	11.3	1,365,403,665	1,225,762,391	11.4
Liabilities							
Due to banks	37	889,876	1,166,427	(23.7)	949,127	1,336,267	(29.0)
Derivative financial instruments	38	734,548	274,948	167.2	734,548	274,948	167.2
Due to customers	39	933,966,169	842,070,000	10.9	943,934,463	850,767,521	11.0
Other borrowings	40	246,736,462	235,370,269	4.8	252,168,157	240,802,111	4.7
Debt securities issued	41	20,762,198	20,968,357	(1.0)	26,218,337	24,986,818	4.9
Current tax liabilities		-	-	-	291,193	251,475	15.8
Deferred tax liabilities	35	1,071,335	151,623	606.6	3,288,860	2,034,216	61.7
Insurance provision - Life	42.1	-	-	-	349,901	220,748	58.5
Insurance provision - Non life	42.2	-	-	-	607,306	670,073	(9.4)
Other liabilities	43	17,534,179	11,521,521	52.2	19,103,242	13,158,933	45.2
Subordinated term debts	45	32,519,715	24,357,595	33.5	32,177,810	24,347,248	32.2
Total liabilities		1,254,214,482	1,135,880,740	10.4	1,279,822,944	1,158,850,358	10.4
Equity							
Share capital	46	10,000,000	5,000,000	100.0	10,000,000	5,000,000	100.0
Permanent reserve fund	47	3,809,955	3,538,455	7.7	3,809,955	3,538,455	7.7
Retained earnings		44,861,045	31,418,794	42.8	47,661,936	33,261,300	43.3
Other reserves	48	16,134,913	17,742,911	(9.1)	22,922,049	23,816,578	(3.8)
Total equity attributable to the Bank		74,805,913	57,700,160	29.6	84,393,940	65,616,333	28.6
Non controlling interest		-	-	-	1,186,781	1,295,700	(8.4)
Total equity		74,805,913	57,700,160	29.6	85,580,721	66,912,033	27.9
Total liabilities and equity		1,329,020,395	1,193,580,900	11.3	1,365,403,665	1,225,762,391	11.4
Commitments and contingencies	50	721,763,406	655,441,409	10.1	722,823,188	656,226,093	10.1
Net assets per share (LKR)		14,961.18	11,540.03	29.6	16,878.79	13,123.27	28.6

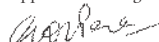
The notes from pages 182 to 324 form an integral part of these Financial Statements.

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 2014 and its profit for the year then ended.



W P Russel Fonseka
Actg. 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 PC
Chairman



Ranel T Wijesinha
Director



D M Gunasekara
General Manager

Statement of Changes in Equity

Bank

	Note No.	Share capital LKR ' 000	Capital pending allotment LKR ' 000	Permanent reserve fund LKR ' 000	Other reserves					Total equity LKR ' 000
					Available for sale reserve [Note 48.6] LKR ' 000	Investment fund account LKR ' 000	Other reserves LKR ' 000	Revaluation reserve LKR ' 000	Retained earnings LKR ' 000	
Balance as at 1 January 2013		5,000,000	-	3,285,955	3,403,188	4,716,685	1,685,594	5,222,314	27,639,146	50,952,882
Total comprehensive income for the year										
Profit for the year		-	-	-	-	-	-	-	12,087,113	12,087,113
Other comprehensive income, net of tax		-	-	-	509,527	-	(197,220)	-	(294,210)	18,097
Total comprehensive income for the year		-	-	-	509,527	-	(197,220)	-	11,792,903	12,105,210
Dividends for 2013	18.3	-	-	-	-	-	-	-	(5,346,410)	(5,346,410)
Transfers to investment fund account	48.1.1	-	-	-	-	2,340,405	-	-	(2,340,405)	-
Transfers to permanent reserve fund	47	-	-	252,500	-	-	-	-	(252,500)	-
Revaluation gains / (losses) on property, plant and equipment	48.2	-	-	-	-	-	-	(16,003)	-	(16,003)
Deferred tax effect on revaluation (gains) / losses	48.2	-	-	-	-	-	-	4,481	-	4,481
Transfers to primary dealer special risk reserve	48.3	-	-	-	-	-	73,940	-	(73,940)	-
Balance as at 31 December 2013		5,000,000	-	3,538,455	3,912,715	7,057,090	1,562,314	5,210,792	31,418,794	57,700,160
Balance as at 1 January 2014		5,000,000	-	3,538,455	3,912,715	7,057,090	1,562,314	5,210,792	31,418,794	57,700,160
Total comprehensive income for the year										
Profit for the year		-	-	-	-	-	-	-	13,574,057	13,574,057
Other comprehensive income, net of tax		-	-	-	3,050,950	-	(81,617)	3,376,375	(967,602)	5,378,106
Total comprehensive income for the year		-	-	-	3,050,950	-	(81,617)	3,376,375	12,606,455	18,952,163
Dividends for 2014	18.3	-	-	-	-	-	-	-	(6,846,410)	(6,846,410)
Shares under pending allotment	46	-	5,000,000	-	-	-	-	-	-	5,000,000
Transfers to investment fund account	48.1.1	-	-	-	-	480,066	-	-	(480,066)	-
Transfers from investment fund account	48.1.1	-	-	-	-	(7,537,156)	-	-	7,537,156	-
Transfers to permanent reserve fund	47	-	-	271,500	-	-	-	-	(271,500)	-
Transfers from primary dealer special risk reserve	48.3	-	-	-	-	-	(896,616)	-	896,616	-
Balance as at 31 December 2014		5,000,000	5,000,000	3,809,955	6,963,665	-	584,081	8,587,167	44,861,045	74,805,913

Group

	Note No.	Share capital LKR ' 000	Capital pending allotment LKR ' 000	Permanent reserve fund LKR ' 000	Other reserves					Non controlling interest LKR ' 000	Total equity LKR ' 000
					Available for sale reserve [Note 48.6] LKR ' 000	Investment fund account LKR ' 000	Other reserves LKR ' 000	Revaluation reserve LKR ' 000	Retained earnings LKR ' 000		
Balance as at 1 January 2013		5,000,000	-	3,285,955	3,970,915	4,849,948	2,432,526	8,367,737	29,318,089	1,417,493	58,642,663
Total comprehensive income for the year											
Profit for the year		-	-	-	-	-	-	-	12,234,412	(86,090)	12,148,322
Other comprehensive income, net of tax		-	-	-	544,746	-	(52,743)	1,216,233	(258,360)	50,941	1,500,817
Total comprehensive income for the year		-	-	-	544,746	-	(52,743)	1,216,233	11,976,052	(35,149)	13,649,139
Dividends for 2013	18.3	-	-	-	-	-	-	-	(5,346,410)	-	(5,346,410)
Subsidiary dividends to non controlling interest		-	-	-	-	-	-	-	-	(30,952)	(30,952)
Transfers to investment fund account	48.1.1	-	-	-	-	2,378,600	-	-	(2,378,600)	-	-
Transfers to permanent reserve fund	47	-	-	252,500	-	-	-	-	(252,500)	-	-
Revaluation gains / (losses) on property, plant and equipment	48.2	-	-	-	-	-	-	(16,003)	-	-	(16,003)
Deferred tax effect on revaluation (gains)/losses	48.2	-	-	-	-	-	-	4,481	-	-	4,481
Transfers to other reserves	48.7	-	-	-	-	-	18,332	-	(18,332)	-	-
Acquisition, disposal, merger and changes in non controlling interest		-	-	-	-	-	-	27,866	36,941	(55,692)	9,115
Transfers to primary dealer special risk reserve	48.3	-	-	-	-	-	73,940	-	(73,940)	-	-
Balance as at 31 December 2013		5,000,000	-	3,538,455	4,515,661	7,228,548	2,472,055	9,600,314	33,261,300	1,295,700	66,912,033
Balance as at 1 January 2014		5,000,000	-	3,538,455	4,515,661	7,228,548	2,472,055	9,600,314	33,261,300	1,295,700	66,912,033
Total comprehensive income for the year											
Profit for the year		-	-	-	-	-	-	-	14,424,118	(51,776)	14,372,342
Other comprehensive income, net of tax		-	-	-	3,237,677	-	(235,165)	4,152,855	(968,169)	51,557	6,238,755
Total comprehensive income for the year		-	-	-	3,237,677	-	(235,165)	4,152,855	13,455,949	(219)	20,611,097
Dividends for 2014	18.3	-	-	-	-	-	-	-	(6,846,410)	-	(6,846,410)
Shares under pending allotment	46	-	5,000,000	-	-	-	-	-	-	-	5,000,000
Subsidiary dividends to non controlling interest		-	-	-	-	-	-	-	-	(30,237)	(30,237)
Transfers to investment fund account	48.1.1	-	-	-	-	480,066	-	-	(480,066)	-	-
Transfers from investment fund account	48.1.1	-	-	-	-	(7,708,614)	-	-	7,708,614	-	-
Transfers to permanent reserve fund	47	-	-	271,500	-	-	-	-	(271,500)	-	-
Transfers to other reserves	48.7	-	-	-	-	-	12,144	-	(12,144)	-	-
Acquisition and changes in non controlling interest		-	-	-	8,666	-	-	54,458	(50,423)	(78,463)	(65,762)
Transfers from primary dealer special risk reserve	48.3	-	-	-	-	-	(896,616)	-	896,616	-	-
Balance as at 31 December 2014		5,000,000	5,000,000	3,809,955	7,762,004	-	1,352,418	13,807,627	47,661,936	1,186,781	85,580,721

The notes from pages 182 to 324 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31 December	Note No.	Bank		Group	
		2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
Cash flows from operating activities					
Profit before income tax		20,290,957	15,708,772	21,430,998	16,104,624
Adjustments for:					
Net interest income	8	(38,450,385)	(37,143,360)	(40,754,062)	(39,341,851)
Dividend income on trading securities	10	(201,667)	(138,173)	(213,504)	(153,098)
Dividends from subsidiaries and associates	12	(291,921)	(244,386)	-	-
Share of profit of associate companies before tax	16	-	-	(462,436)	(228,813)
Change in operating assets	49.1	(73,088,309)	(77,016,684)	(73,103,345)	(82,264,945)
Change in operating liabilities	49.2	125,532,757	119,165,110	125,942,026	119,104,860
Other non cash items included in profit before tax	49.3	14,025,014	6,860,242	14,347,223	7,722,380
Other net gains from investing activities		(2,880,854)	(425,544)	(2,900,005)	(469,989)
		44,935,592	26,765,977	44,286,895	20,473,168
Contribution paid to defined benefit plans		(4,967,636)	(4,668,297)	(4,985,051)	(4,672,881)
Interest received		79,891,805	83,182,750	84,051,193	87,390,368
Interest paid		(54,609,106)	(53,834,481)	(52,811,684)	(49,524,430)
Dividends received		201,667	138,173	213,504	153,098
Net cash from operating activities before income tax		65,452,322	51,584,122	70,754,857	53,819,323
Income tax paid		(2,406,682)	(4,533,553)	(2,619,449)	(4,705,085)
Net cash from operating activities		63,045,640	47,050,569	68,135,408	49,114,238
Cash flows from investing activities					
Net increase in financial investments - Held to maturity		(49,400,784)	(45,566,069)	(49,410,838)	(45,357,623)
Net decrease in financial investments - Available for sale		1,049,153	2,360,218	535,384	2,173,080
Net (increase)/decrease in financial investments - Loans and receivables		(36,717)	(29,901,754)	223,490	(31,007,945)
Increase in interest in subsidiaries		(84,350)	(35,851)	(84,350)	(35,851)
Purchase of investment properties		-	-	-	(7,730)
Purchase of property, plant and equipment and leasehold properties		(1,743,088)	(1,682,211)	(1,896,198)	(1,804,821)
Purchase of intangible assets		(63,900)	(262,860)	(89,845)	(372,298)
Proceeds from sale of property, plant and equipment		42,196	108,919	78,578	137,794
Dividends received		656,373	575,013	434,776	395,804
Interest received		22,359,076	23,053,575	22,757,168	23,413,612
Net cash used in investing activities		(27,222,041)	(51,351,020)	(27,451,835)	(52,465,978)

	Note No.	Bank		Group	
		2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
For the year ended 31 December					
Cash flows from financing activities					
Net increase / (decrease) in other borrowings		(13,380,347)	20,361,456	(13,318,440)	16,248,865
Proceeds from non controlling interest on issue of rights in subsidiary		-	-	1,090	21,954
Proceeds from issue of debentures		8,000,000	8,000,000	9,675,000	11,000,000
Payments on redemption of debentures		-	(9,684,601)	(656,371)	(9,917,054)
Dividends paid to Government of Sri Lanka		(6,846,410)	(5,346,410)	(6,846,410)	(5,346,410)
Dividends paid to non controlling interest		-	-	(30,237)	(30,952)
Interest payments on borrowings and debt securities		(17,292,671)	(17,707,813)	(20,580,967)	(22,966,256)
Net cash used in financing activities		(29,519,428)	(4,377,368)	(31,756,335)	(10,989,853)
Net increase/ (decrease) in cash and cash equivalents during the year		6,304,171	(8,677,819)	8,927,238	(14,341,593)
Cash and cash equivalents at the beginning of the year		38,103,096	46,780,915	40,955,175	55,296,768
Cash and cash equivalents at the end of the year		44,407,267	38,103,096	49,882,413	40,955,175
Note					
Analysis of cash and cash equivalents					
Cash and short term funds	20	29,165,464	24,901,189	29,958,559	25,182,043
Due from banks with maturity less than three months		15,792,334	13,550,595	20,533,636	16,240,285
Bank overdrafts	37	(550,531)	(348,688)	(609,782)	(467,153)
Cash and cash equivalents at the end of the year		44,407,267	38,103,096	49,882,413	40,955,175

The notes from pages 182 to 324 form an integral part of these Financial Statements.

Notes to the Financial Statements

Significant Accounting Policies

1. Reporting Entity

Bank of Ceylon (the "Bank") is a Government owned bank domiciled in Sri Lanka, duly incorporated on 1 August 1939 under the Bank of Ceylon Ordinance No.53 of 1938. It is a licensed commercial bank established under the Banking Act No.30 of 1988 and amendments thereto. The registered office of the Bank is situated at "BOC Square", No.01, Bank of Ceylon Mawatha, Colombo 01, Sri Lanka. The debentures issued by the Bank are listed on Colombo Stock Exchange and the senior notes amounting to USD 1,000 million are listed on Singapore Stock Exchange.

The staff strength of the Bank as at 31 December 2014 was 8,577 (2013: 8,883).

Consolidated Financial Statements

The Consolidated Financial Statements prepared as at and for the year ended 31 December 2014 comprise the Bank ("Parent"), its subsidiaries (together referred to as the "Group") and the Group's interests in its associate companies.

Approval of Financial Statements by the Board of Directors

The Financial Statements for the year ended 31 December 2014 were authorized for issue on 18 March 2015 by the Board of Directors.

1.1 Principal activities

Bank

The principal activities of the Bank during the year were commercial banking, personal banking, development financing, mortgage financing, lease financing, investment banking, Islamic banking, bancassurance, corporate financing, primary dealing, pawning, credit card facilities, off shore banking, foreign currency operations, internet banking and other financial services.

Subsidiaries

The principal activities of the subsidiaries of the Bank are as follows:

Name of the Company	Principal Business Activities
Property Development PLC	Own, maintain and manage the Bank of Ceylon head office building
Merchant Bank of Sri Lanka & Finance PLC	Leasing, hire purchase, corporate and retail credit, corporate advisory services, capital market operations, margin trading, micro financing and agricultural credit facilities.
BOC Management & Support Services (Private) Limited	Provides management services to the Bank
BOC Property Development & Management (Private) Limited	Renting of office space of BOC Merchant Tower in Colombo 03 and Ceybank House in Kandy
BOC Travels (Private) Limited	Engages in travel related services
Hotels Colombo (1963) Limited	Provides hotel services
MCSL Financial Services Limited	Acceptance of deposits, granting lease facilities, hire purchase, loans and other credit facilities, real estate developments and related services
Ceybank Holiday Homes (Private) Limited	Operating of pilgrims rests, holiday homes and guest houses
MBSL Insurance Company Limited	Underwriting of all classes of life and general insurance
Koladeniya Hydropower (Private) Limited	Hydropower generation
Bank of Ceylon (UK) Limited	Registered under the Financial Services Authority of United Kingdom and provides financial services including accepting deposits and dealing in investments
MBSL Savings Bank Limited	Licensed Specialized Bank and provides financial services including accepting deposits, lease financing, hire purchase financing and pawning services.

Associates

The principal activities of the associates of the Bank are as follows

Name of the Company	Principal Business Activities
Ceybank Asset Management Limited	Management of Unit Trust Funds and other private portfolios
Southern Development Financial Company Limited	Not in operation
Lanka Securities (Private) Limited	Registered stock broker engages in equity trading, debt trading and margin trading
Mireka Capital Land (Private) Limited	Purchasing, hiring and acquiring real estate properties, real estate developments and providing
Transnational Lanka Records Solutions (Private) Limited	Renting properties and real estates.

There were no significant changes in the nature of principal activities of the Bank, subsidiaries and associates during the year under review.

Based on the financial institution consolidation process of Central Bank of Sri Lanka MBSL Savings Bank Limited and MCSL Financial Services Limited have been amalgamated with Merchant Bank of Sri Lanka & Finance PLC (formerly known as Merchant Bank of Sri Lanka PLC) consequent to which the amalgamated company or the surviving entity is the Merchant Bank of Sri Lanka & Finance PLC. The amalgamation took effect on 01 January 2015.

The Management of the Southern Development Financial Company Limited (SDFCL) has decided to wind up the company and operations of the company have been closed accordingly. Under this ground the Bank has decided to write off the investment in SDFCL against the impairment provision which has been already made. This investment will be written off from BoC books after obtaining the approval from the Ministry of Finance and Planning.

2. Directors' Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Bank and its subsidiaries and associates in compliance with the requirements of the Bank of Ceylon Ordinance No.53 of 1938 and its amendments, Banking Act No. 30 of 1988 and its amendments thereto and Sri Lanka Accounting Standards.

3. Basis of Preparation

3.1 Statement of compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Bank have been prepared in accordance with Sri Lanka Accounting Standards

comprising of Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka. (together referred to as SLFRS in these Financial Statements). The preparation and presentation of these Financial Statements are in compliance with the requirements of the Bank of Ceylon Ordinance and the Companies Act No.07 of 2007. The presentation of the Financial Statements is also in compliance with the requirements of the Banking Act No.30 of 1988.

The Group has prepared Financial Statements which comply with SLFRSs and LKASs applicable for the year ended 31 December 2014, together with the comparative year data as at and for the year ended 31 December 2013, as described in the accounting policies.

3.2 Basis of measurement

The Consolidated Financial Statements have been prepared on the basis of historical cost convention except for the following:

- Financial assets and liabilities held for trading are measured at fair value
- Derivative financial instruments are measured at fair value
- Available for sale financial assets are measured at fair value
- Owner occupied freehold land and buildings are measured at revalued amount less any subsequent accumulated depreciation and impairment losses
- Defined benefit obligations are actuarially valued and recognized as the present value of the defined benefit obligation less total of the fair value of plan assets

No adjustments have been made for inflationary factors affecting the Financial Statements.

Notes to the Financial Statements

3.3 Functional and presentation currency

Items included in the Consolidated Financial Statements are measured and presented in Sri Lankan Rupees ("LKR") which is the functional currency of the primary economic environment in which the Bank operates. Except as otherwise indicated, financial information presented in LKR has been rounded to the nearest thousand unless indicated otherwise.

3.4 Presentation of Financial Statements

The Bank and the Group present its Statement of Financial Position broadly in order of their relative liquidity.

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Consolidated Income Statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

3.5 Comparative information

The comparative information is reclassified wherever necessary to conform to the current year's presentation.

3.6 Use of significant accounting judgments, estimates and assumptions

The preparation of the Consolidated Financial Statements requires management to exercise judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The judgments, estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and/or in future periods if the revision affects future periods too.

In the process of applying the Group's accounting policies, management has made the following judgments, estimates and assumptions, which have the most significant effect on the amounts recognized in the Consolidated Financial Statements.

Commitment

All discernible risks are accounted for in determining the amount of all known and measurable liabilities.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless its occurrence is remote.

Going concern

The management has made an assessment on the Bank's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

Therefore, the Financial Statements continue to be prepared on the going concern basis.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, however if such data are not available, a degree of judgment is exercised in establishing fair values which minimize the effect of use of unobservable inputs.

Impairment losses on loans and advances

The Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the Income Statement. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made based on incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as loan type, levels of arrears etc.), and judgments on the effect of concentrations of

risks and economic data (including levels of unemployment, real estate price indices, country risk and the performance of different individual groups).

Impairment of available for sale investments

The Group reviews its debt securities classified as available for sale investments at each reporting date to assess whether they are impaired. The Group also records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant or prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its carrying value.

Defined benefit obligation

The cost of the defined benefit pension plans and other post-employment benefit plans are determined using an actuarial valuation. An actuarial valuation involves making various assumptions determining the discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

Fair value of property, plant and equipment

The freehold land and buildings and the buildings on leasehold land of the Group are reflected at fair value. The Group engaged independent valuation specialists to determine fair value of such properties in terms of the SLFRS 13- Fair Value Measurement.

Taxation

The Group is subject to income tax and other taxes including Value Added Tax (VAT) on financial services. The Group recognizes assets and liabilities as current, differed and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and differed tax amounts in the period in which the determination is made.

Useful life time of the property, plant and equipment

The Group reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Classification of investment properties

Management is required to use its judgment to determine whether a property qualified as an investment property. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the group are accounted for as investment properties. On the other hand, a property that is used for operations or in the process of providing services or for administration purposes and which do not directly generates cash flows as stand-alone assets are accounted as property, plant and equipment.

Changes in accounting policies and disclosures, new and amended standards and interpretations

The Bank and the Group has adopted the following new standards, with effect from 1 January 2014.

- Consolidated Financial Statements (SLFRS 10)
The nature and the effect of changes are explained under note No. 4.1 Basis of Consolidation
- Joint Arrangements (SLFRS 11)
This standard replaces LKAS 31- Interest in Joint Ventures and has removed the option to account for jointly controlled entities using proportionate consolidation method by recommending the equity method. SLFRS 11 does not have any effect on the Consolidated Financial Statements of the Group as at the reporting date.
- Disclosure of Interest in Other Entities (SLFRS 12)
SLFRS 12 includes all the disclosures that were previously included under LKAS 27- Consolidated and Separate Financial Statements, LKAS 31- Interest in Joint Ventures and LKAS 28- Investment in Associates. The Group has expanded disclosures about its interest in subsidiaries and involvement with associate companies as per the new disclosure requirements under SLFRS 12.
- Fair Value Measurement (SLFRS 13)
In accordance with the SLFRS 13 "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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The measurement of fair value of financial assets and liabilities are described in more detail under note No. 4.4.11 Determination of fair value of financial assets and liabilities and measurement of fair value of property, plant and equipment is described under note 4.5.2.1 Recognition and measurement of property, plant and equipment.

Notes to the Financial Statements

3.7 Materiality and Aggregation

In compliance with LKAS 01-Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately unless they are immaterial.

4. Significant Accounting Policies

The significant accounting policies applied by the Bank and the Group in preparation of its Financial Statements are included below and have been consistently applied to all periods presented in these Financial Statements of the Group and the Bank, unless otherwise indicated.

4.1 Basis of consolidation

The Group's Financial Statements comprise consolidation of the Financial Statements of the Bank and its subsidiaries in terms of the SLFRS10 – Consolidated Financial Statements and LKAS 27 – Consolidated and separate Financial Statements.

The Bank's Financial Statements comprise the amalgamation of the Financial Statements of the domestic banking unit, the off-shore banking unit and the international operations of the Bank.

4.1.1 Subsidiaries

Subsidiaries are entities controlled by the Bank. The Bank controls an entity if it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The Consolidated Financial Statements are prepared to common financial year end of 31 December.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans and advances. All subsidiaries of the Bank have been incorporated in Sri Lanka except for Bank of Ceylon (UK) Limited, which is incorporated in the United Kingdom.

A list of the Bank's subsidiaries is given in note No.1.1 to the Financial Statements.

4.1.2 Associates

Associates are those entities in which the Bank has significant influence, but not control, over the financial and operating policies. Investments in associate entities are accounted for using the equity method (equity-accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs.

The Consolidated Financial Statements include the Bank's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Bank's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long term investments, is reported at nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the associate subsequently reports profits, the Bank's resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

A list of the Bank's associates is shown in note No.1.1 to the Financial Statements.

4.1.3 Business combinations

Business combinations are accounted for using the acquisition method. As of the acquisition date, the amount of non-controlling interest is measured either at fair value or at the non-controlling interest's proportionate share of the acquirer's identifiable net assets.

Acquisition related costs are costs the acquirer incurs to effect a business combination. Those costs include finder's fees, advisory, legal, accounting, valuation and other professional law consulting fees, general administrative costs, including the cost of maintaining an internal acquisition department, and cost of registering and issuing debt and equity securities. Acquisition related costs, other than those associated with the issue of debt or equity securities are expensed in the periods in which the costs are incurred and the services are received.

The Group elects on a transaction by transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

4.1.4 Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Therefore, no goodwill is recognized as a result of such transactions.

4.1.5 Loss of control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, carrying amount of non-controlling interests and the cumulative translation differences recorded in equity related to the subsidiary. Further parent's share of components previously recognized in Statement of Other Comprehensive Income (OCI) is reclassified to Income Statement or retained earnings as appropriate. Any surplus or deficit arising on the loss of control is recognized in the Income Statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

4.1.6 Transactions eliminated on consolidation

All intra group balances, income and expenses (except for foreign currency translation gains or losses) arising from intra group transactions are eliminated on consolidation. Unrealized gains and losses resulting from transactions between the Group and its associates are also eliminated on consolidation to the extent of the Group's interests in the associates.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

4.2 Foreign currency**4.2.1 Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re translated into the functional currency at the spot exchange rate at that date and all differences arising on non-trading activities are taken to 'Other operating income' in the Income Statement.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re translated into the functional currency at the spot exchange rate at the date on which the fair value is determined.

Foreign currency differences arising on re translation are recognized in the Income Statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction.

Forward exchange contracts are valued at the forward market rates ruling on the reporting date and resulting net unrealized gains or losses are dealt with the income statement.

4.2.2 Foreign operations

The results and financial position of foreign operations, whose functional currencies are not Sri Lankan Rupees, are translated into Sri Lankan Rupees as follows.

The assets and liabilities of foreign operations are translated into Sri Lankan Rupees at spot exchange rates as at the reporting date. The income and expenses of foreign operations are translated at monthly average rate for the year. Foreign currency differences on the translation of foreign operations are recognized in OCI.

When a foreign operation is disposed off, the relevant amount in the translation is transferred to the Income Statement as part of the profit or loss on disposal in other operating expenses or other operating income.

4.3 Cash and cash equivalents

Cash and cash equivalents include local and foreign currency notes and coins on hand, unrestricted balances held with central banks, balances with other banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short term commitments.

Cash and cash equivalents are carried at amortized cost in the Statement of Financial Position.

4.3.1 Cash flow statement

Consolidated Statement of Cash Flows has been prepared by using of 'Indirect Method' in accordance with LKAS 07- Statement of Cash Flows, whereby the profit is adjusted to derive the cash flows from operating activities. Cash and cash equivalents comprise cash in hand, amounts due from / due to other banks, other short term highly liquid investment with maturity less than three months from date of acquisition.

Notes to the Financial Statements

4.4 Financial assets and financial liabilities

4.4.1 Date of recognition

All financial assets and liabilities are initially recognized on the settlement date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes “regular way trades”. Regular way trade means purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

4.4.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management’s intention in acquiring them.

Financial assets and liabilities are initially measured at their fair value plus transaction cost, except in the case of financial assets and liabilities recorded at fair value through profit or loss. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are dealt with in the statement of income.

For the purpose of measuring financial assets and liabilities following classification is made:

- Fair value through profit or loss
- Held to maturity investments
- Loans and receivable
- Available for sale financial assets

4.4.3 Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost are directly attributable to the acquisition are recognized in profit or loss as incurred.

Derivatives recorded at fair value through profit or loss

The Group uses derivatives such as cross currency swaps, forward foreign exchange contracts. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in ‘Net trading income’.

Financial assets and liabilities held for trading

Financial assets and liabilities held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are and dividend recognized in ‘Net trading income’. Interest income or expense is recorded in ‘Interest income’ according to the terms of the contract, or when the

right to the payment has been established. Debt securities that have been acquired principally for the purpose of selling or repurchasing in the near term are included in this classification.

4.4.4 Held to maturity financial investments

Held to maturity (HTM) financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

After initial measurement, HTM financial assets are subsequently measured at amortized cost using the Effective Interest Rate (EIR) less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in ‘Interest income’ in the Income Statement. The losses arising from impairment of such investments are recognized in the Income Statement under “Impairment charge/ (reversal) for loans and other losses”. A sale or reclassification of a more than insignificant amount of HTM investments would result in the reclassification of all HTM investments as available for sale, and would prevent the Group from classifying any financial asset as held to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset’s fair value
- Sales or reclassifications after the Group has collected substantially all of the asset’s original principal
- Sales or reclassifications attributable to non-recurring isolated events beyond the Group’s control that could not have been reasonably anticipated

4.4.5 Placements with banks and loans and advances to customers

‘Placements with banks’ and ‘Loans and advances to customers’ include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss
- Those that the Bank, upon initial recognition, designates available for sale

- Those for which the bank may not recover substantially all of its initial investment, other than those due to credit deterioration

After initial measurement, 'Placements with banks' and 'Loans and advances to customers' are subsequently measured at amortized cost using the EIR, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the Income Statement. The losses arising from impairment are recognized in the Income Statement under 'Impairment charge / (reversal) for loans and other losses'.

The Group writes off certain loans and advances and placements with banks when they are determined to be uncollectible.

4.4.6 Available for sale financial investments

Available for sale (AFS) financial investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through profit or loss.

Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions. The Group has not designated any loans or receivables as AFS.

After initial measurement, AFS financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity (OCI) in the 'Available for sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the Income Statement under 'Other operating income'. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first in first out basis. Interest earned whilst holding available for sale financial investments is reported as interest income using the EIR. Dividends earned whilst holding available for sale financial investments are recognized in the Income Statement as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of investments' are removed from the 'Available for sale reserve' and recognized in the Income Statement in "Impairment (charge) / reversal for loans and other losses".

4.4.7 'Day one' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same

instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognizes the difference between the transaction price and fair value (a 'Day one' profit or loss) in 'Net trading income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the Income Statement over the life of the instrument.

4.4.8 Debt securities issued and other borrowings

Financial instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under 'Debt securities issued and other borrowings', where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt securities issued and other borrowings are subsequently measured at amortized cost using EIR. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of EIR.

4.4.9 De recognition

4.4.9.1 De recognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in transferred financial assets that qualify for derecognition that are created or retained by the Group is recognized as a separate asset or liability in the Statement of Financial Position. On derecognition of a financial assets, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in the Income Statement.

The Group enters into transactions whereby it transfers assets recognized on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the

Notes to the Financial Statements

transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Group retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the service.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4.4.9.2 De recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the Income Statement.

4.4.10 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognized from the Statement of Financial Position as the Group retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognized in the Statement of Financial

Position as an asset with a corresponding obligation to return it, including accrued interest as a liability within 'Other borrowings', reflecting the transaction's economic substance as a borrowing to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using EIR.

Conversely, securities purchased under agreements to resell at a specified future date are not recognized in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within 'Reverse repurchase agreements', reflecting the transaction's economic substance as an advance granted by the Group. The difference between the purchase and resale prices is recorded in 'Interest income' and is accrued over the life of the agreement using the EIR.

4.4.11 Determination of fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument (Level 01 valuation). A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is

recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

4.4.12 Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under LKASs / SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

4.4.13 Impairment of financial assets

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired, when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the estimated future cash flows of the asset(s) that can be estimated reliably.

Those impairment of financial assets carried at amortized cost The Group assesses at each reporting date, whether there is any objective evidence that a financial asset or group of financial assets is impaired.

The Group first assesses individually whether objective evidence of impairment exist for financial assets that are individually significant and that are not individually significant assesses individually or collectively.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the Income Statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'.

All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

In assessing collective impairment the Group uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modeling.

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Impairment of loans and advances portfolios are based on the judgments in past experience of portfolio behavior. However, these portfolios are not gone through the full economic life cycle. It may not encounter any future uncertainties that could arise. Therefore, to avoid this limitation an economic factor adjustment has been incorporated in the Financial Statements.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is recognized in the 'Other operating income'.

Impairment assessment of held to maturity financial assets
Impairment losses on held to maturity financial assets measured at amortized cost are calculated as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in the Income Statement and reflected in an "Impairment (charges)/ reversal for loans and other losses.

Impairment assessment of available for sale investments,
Impairment losses on AFS investment securities are recognized by transferring the cumulative loss that has been recognized in OCI to the Income Statement as a reclassification adjustment. The cumulative loss that is reclassified from OCI to the Income Statement is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in the Income Statement. Changes in impairment provisions attributable to time value are reflected as a component of Interest income.

If, in a subsequent period, the fair value of an impaired AFS debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the Income Statement, the impairment loss is reversed, with the amount of the reversal recognized in the Income Statement. However, any subsequent recovery in the fair value of an impaired AFS equity security is recognized in OCI.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than take possession of collateral. This may involve

extending the payment arrangements and agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Collateral valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit / guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements.

The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by Central Bank of Sri Lanka

Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers and Audited Financial Statements.

Collateral repossessed

The Group's policy is to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group doesn't occupy repossessed properties for business use.

4.5 Non-financial assets

4.5.1 Investment property

4.5.1.1 Recognition and measurement

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for under Cost Model in the Financial Statements. Accordingly, after initial recognition as an asset, the property is carried at its cost, less accumulated depreciation and impairment losses.

4.5.1.2 Depreciation

Depreciation is provided on a straight line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal. Provision for depreciation is made over the period of 20 years at the rate of 5% per annum using the straight-line method for buildings classified as investment property. Land is not depreciated.

4.5.1.3 Derecognition

Investment properties are derecognized when they are disposed of, or permanently withdrawn from use since no future economic benefits are expected. Transfers are made to and from investment 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.

4.5.2 Property, plant and equipment

4.5.2.1 Recognition and measurement

Property, plant and equipment (PPE) are recognized if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be reliably measured.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Items of PPE are measured at cost less accumulated depreciation and accumulated impairment losses. Revaluation model is applied for entire class of freehold land and buildings and buildings on leasehold lands. The Market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use are taken into account in measuring the fair value.

Such properties that carried at revaluation amount being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and building of the Group are revalued every three to five years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date. Any surplus arising on revaluation of an asset is recognized in the OCI except to the extent that surplus reverse a previous revaluation deficit on the same asset recognized in the OCI, in which case the credit to that extent is recognized in the statement of OCI. Any deficit in on revaluation is recognized in the OCI Income except to the extent of that it reverses a previous revaluation surplus on the same asset, in which case the debit to that extent is recognized in OCI.

Accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of assets and the net amount restated to the revalued amount of the assets. Where the carrying value of the PPE 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 PPE have different useful lives, they are accounted for as separate items (major components) of PPE.

4.5.2.2 Subsequent costs

The cost of replacing a part of an item of PPE is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day to day servicing of PPE are recognized in the Income Statement as incurred.

4.5.2.3 Depreciation

Depreciation is recognized in Income Statement on a straight line basis over the estimated useful lives of each part of an item of PPE since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. Further, cost of expansion and major renovations on the building are depreciated over the remaining useful lives of the original buildings.

Provisioning for depreciation of PPE is made on pro rata basis.

The Group's estimated useful lives for the current and comparative periods are as follows:

Freehold buildings	40 - 60 years
Office equipment	08 years
Furniture and fittings	08 years
Computer equipment	05 years
Motor vehicles	04 years
Power plant	20 years

Depreciation methods, useful lives and residual values are reassessed at each financial year end and adjusted if appropriate.

4.5.2.4 Derecognition

The carrying amount of an item of PPE is derecognized on disposal, replacement or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition of an item of PPE is included in the Other

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operating income / expenses in the Income Statement in the year the item is derecognized.

4.5.2.5 Useful life and residual values

Residual value is the amount that an Group could receive for the asset at the reporting date if the asset were already at the age and in the condition that it will be in when the Group expects to dispose of it.

The residual and useful life of an asset are reviewed at least at each reporting date, changes in the residual value and useful life are accounted for prospectively as a change in an accounting estimate only if the residual value is material.

4.5.2.6 Capital work in progress

Capital work in progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, awaiting capitalization.

4.5.3 Leased assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the Income Statement.

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 and the lease term.

Operating lease payments are recognized as an operating expense in the Income Statement on a straight line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Contingent rents are recognized as revenue in the period in which they are earned.

4.5.4 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.5.5 Intangible assets

Intangible assets represent the value of computer application software and licenses, other than software applied to the operation software system of computers.

Intangible assets acquired by the Group are stated at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure incurred on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in the Income Statement on a straight line basis over the estimated useful lives of the intangible assets, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of intangible assets is five years or the best estimate of its useful economic life whichever is lower. The unamortized balances of intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognized as expenses in the Income Statement to the extent that they are no longer probable of being recovered from the expected future benefits. Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Intangible assets are derecognized when it reveals that they will not generate economic benefits or circumstances indicate that the carrying value is impaired.

Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized in Income Statement.

4.5.6 Gold inventory

The gold inventory is valued at lower of cost and net realizable value. Cost includes all cost of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

4.5.7 Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or the fair value of the Cash Generating Unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, in determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other valuable fair value indicators.

4.5.8 Fiduciary Services

The Group provides fiduciary services that result in the holding of the assets on behalf of its customers. Assets held in fiduciary capacity are not reported in the Financial Statements, as they are not assets of the Group.

4.6 Employee benefits

4.6.1 Defined Contribution Plans

A Defined Contribution Plan (DCP) is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an expense in the Income Statement when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a DCP that is due

more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value at the reporting date.

Bank of Ceylon Provident Fund

All employees of the Bank are members of the 'Bank of Ceylon Provident Fund' to which the Bank contributes 12% of employee's monthly gross salary excluding overtime while employees contribute 8%. The Bank's Provident Fund is an approved fund, which is independently administered.

Employees' Provident Fund

The subsidiaries and their employees (other than Bank of Ceylon and its employees) contribute 12% (15% by Property Development PLC) and 8% (10% by Property Development PLC's employees) respectively on salary of each employee to Employees' Provident Fund, in terms of the Employees' Provident Fund Act No. 15 of 1958 as amended.

Employees' Trust Fund

All employees of the Bank and its subsidiaries are members of the Employees' Trust Fund to which the Bank / the Group contributes 3% of the employee's monthly gross salary excluding overtime, in terms of Employees' Trust Fund Act No.46 of 1980.

4.6.2 Defined benefit plans

A Defined Benefit Plan (DBP) is a post-employment benefit plan other than a DCP. The Group's net obligation in respect of DBP's pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value, and then deducting the fair value of any plan assets. The discount rate is the yield at the reporting date on long term treasury bond rate for discount rates actually used that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the Projected Unit Credit method.

The Group recognizes all actuarial gains and losses arising from DBP in the OCI and the expenses related to DBP under personnel expenses in the Income Statement.

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

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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 57% of gross salary. The Fund is valued by a qualified actuary annually. The subsidiaries and associate companies of the Group do not have pension funds.

Pension for Employees Joined after the year 1996

Under the directions of the Ministry of Finance and Planning, this pension scheme was approved by the Board of Directors of the Bank with effect from 16 December 2014 for the employees recruited to the Bank on or after 01 January 1996. Minimum period of 120 months uninterrupted active service in the Bank at the time of retirement is required to be eligible for any retirement benefit under this pension scheme. Further the beneficiaries under this pension scheme will not be entitled for rights and privileges under the current service gratuity scheme of the Bank except death gratuity payment. Contribution to this pension scheme is made monthly, based on the advice of a qualified actuary, currently at 12% of gross salary. The liability under this pension scheme has been valued by a qualified actuary at the year-end. As at the year end the scheme is unfunded. Necessary steps are being made to establish a "Trust "and create a fund which will administrated separately from the other funds of the Bank.

Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund

The Bank is liable for and guarantees the payments to the beneficiaries of the 'Bank of Ceylon Widows' / Widowers' and Orphans' Pension Fund' to which the Bank's employees monthly contribute 8% of their gross salary. The Bank's liability towards the beneficiaries of the employees arises when an employee who has contributed to the fund for five continuous years dies while in service or on the death of a pensioner where the Bank will be liable to pay Widows' and Orphans' Pension to his / her beneficiaries monthly. The pension to the beneficiaries of an employee who dies while in service is based on the last drawn salary excluding certain allowances.

The Fund is valued by a qualified actuary annually. Funding would be done in consultation with the actuary, trustees and beneficiaries.

Both the Pension Fund and the Widows' / Widowers' and Orphans' Pension Fund are approved by the Government and are independently administered.

Provision for gratuity

In compliance with the Gratuity Act No 12 of 1983 provision is made in the accounts from the first year of service for gratuity payable to employees who has not completed ten years of service as they are not in pensionable service of the Bank. Provision has not been made in the Financial Statements for retirement gratuity for the employees who are eligible for the retirement benefits under the pension schemes in force. However, employees whose services are terminated after five years other than by retirement are eligible to receive a terminal gratuity under the Payment of Gratuity Act No. 12 of 1983, at the rate of one half of the basic or consolidated wage or salary, cost of living and all other allowances applicable to the last month of the financial year, for each year of continuous service.

In terms of LKAS 19 -Employee Benefits, The Bank and its subsidiaries have calculated the post employment benefit obligations, based on the actuarial valuation method recommended in the standard. The gratuity liabilities are not externally funded.

4.7 Provisions

A provision is recognized if as a result of a past event, when the Group has a present (legal or constructive) obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash outflows at a current pre tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage at time is recognized as finance cost.

4.8 Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the Financial Statements (within 'Other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the Income Statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the Income Statement under 'Impairment losses'. The premium received is recognized in the Income

Statement under 'Fee and commission income' on a straight line basis over the life of the guarantee.

4.9 Recognition of income and expenditure

4.9.1 Interest

Interest income and expense are recognized in Income Statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the Income Statement include:

Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis

Interest on available for sale investment securities calculated on an effective interest basis

Interest income and expense on all held for trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented in "Interest income" together with all other changes in the fair value of trading assets and liabilities in "Net trading income".

Fair value changes on derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments at fair value through profit or loss in the OCI.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

4.9.2 Fee and commission

The Group earns fee and commission income from a diverse range of services it provides to its customers.

Fee income can be divided into the following two categories:

- Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Credit related fees are deferred and recognized as an adjustment to the EIR on the loan.

- Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

4.9.3 Net trading income

Net trading income comprises gains and losses related Changes in fair value of financial assets and liabilities "Held for trading", related interest and dividend income. Further this includes foreign exchange income too.

4.9.4 Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and includes all realized and unrealized fair value changes, interest and dividend income derived from such instruments.

4.9.5 Dividends

Dividend income is recognized when the right to receive the payment is established.

4.9.6 Rental income

Rental income is recognized on an accrual basis

4.9.7 Other income

Other income is recognized on an accrual basis.

4.9.8 Lease payments

Payments made under operating leases are recognized in the Income Statement on a straight line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

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Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

4.9.9 Other expenses

All other expenses have been recognized in the Financial Statements as they are incurred in the period to which they relate. All expenditure incurred in the operation of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the Group's profit for the year.

4.10 Income tax expense

4.10.1 Current tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the Income Statement except to the extent that it relates to items recognized directly in equity or in OCI.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

4.10.2 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the following temporary differences:

- The initial recognition of goodwill
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss
- Differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and

liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.10.3 Value Added Tax (VAT) on financial services

The base for Value Added Tax computation is arrived by aggregating the accounting profit before income tax and emoluments of employees, which is adjusted for the depreciation computed on prescribed rates.

During the year, the Group's total value addition was subjected to a 12% (2013 : 12%) VAT as per Section 25 (a) of the Value Added Tax Act No.14 of 2002 and amendments thereto. Also the Group is following value attributable method to compute VAT on financial services.

4.10.4 Withholding tax on dividends

- Withholding tax on dividends distributed by the Bank.

No withholding tax is paid by the Bank since Bank distributes dividend to its single shareholder, the Government of Sri Lanka.

- Withholding Tax on dividends distributed by the subsidiaries and associates

Dividend distributed out of taxable profit of the subsidiaries and associate companies attracts a 10% deduction at source and is not available for set off against the tax liability of the Bank, since it is treated as a final tax. Thus, the withholding tax deducted at source is added to the tax expense in preparing the Consolidated Financial Statements as a consolidation adjustment.

4.10.5 Economic Service Charge (ESC)

As per provisions of the Economic Service Charge (ESC) Act No.13 of 2006 and amendments thereafter, ESC is payable at 0.25% on Bank's liable turn over and is deductible from income tax payable. With effect from 1 April 2012 as per the ESC amendment Act No.11 of 2012 ESC is payable only on exempted turnover of the Bank and is deductible from

income tax payable. ESC is not payable on turnover on which income tax is payable.

4.10.6 Crop Insurance Levy (CIL)

As per the provisions of the section 15 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable 1% of the profit after tax to the National Insurance Trust Fund Board.

4.10.7 Nation Building Tax (NBT) on Financial Services

NBT on financial services is calculated in accordance with Nation Building Tax (NBT) Act, No 9 of 2009 and subsequent amendments thereto with effect from 01 January 2014. NBT on financial services is calculated at 2% of the value addition used for the purpose of VAT on Financial Services.

4.11 Stated capital and reserves

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Accordingly they are presented as a component of equity or financial liability.

4.12 Earnings Per Share

The Group presents Basic and Diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

4.13 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relating to transactions with any of the Group's other components, whose operating results are reviewed by the management to make decision about resource allocation to each segment and assess its performance.

The Group comprises the following major business segments: Retail banking, Corporate banking, International treasury and investments, Other non banking and group functions.

4.14 Events after the reporting period

Where necessary all material events after the reporting date have been considered and appropriate adjustments / disclosures have been made in the Financial Statements as per the LKAS 10 -Events after the Reporting Period.

5 Insurance Business

5.1 Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the Income Statement.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognized as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

5.2 Insurance receivables

Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Income Statement.

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,

Notes to the Financial Statements

which vary with and directly related to production of new businesses and/or investment contracts with Discretionary Participation Features (DPF), are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred. Subsequent to initial recognition, DAC for general insurance is amortized over the period on the basis unearned premium is amortized. The reinsurances' share of deferred acquisition cost is amortized in the same manner as the underlying assets amortization is recorded in the Income Statement.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortization period and are treated as a change in an accounting estimate. DAC are derecognized when the related contracts are either expired or cancelled.

5.4 Reinsurance commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortized.

5.5 Insurance contract liabilities

5.5.1 Life Insurance Contract Liabilities

Life insurance liabilities are recognized when contracts are entered into and premiums are received. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used.

The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each reporting date are recorded in the Income Statement. Profits originated from margins of adverse deviations on run-off contracts are recognized in the Income Statement over the life of the contract, whereas losses are fully recognized in the Income

Statement during the first year of run off. The liability is derecognized when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate, net of related Present Value Interest Factor (PVIF) and DAC, by using an existing liability adequacy test. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows, option pricing models and stochastic modelling. To the extent that the test involves discounting of cash flows, the interest rate applied may be based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in the Income Statement, initially by impairing PVIF and DAC and, subsequently, by establishing a technical reserve for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation.

5.5.2 Non-life insurance contract liabilities

Non-life insurance contract liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognized when the contract expires, is discharged or is cancelled.

The liabilities are derecognized when the contract expires, is discharged or is cancelled.

This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognized in the Income Statement by setting up a provision for liability adequacy.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognized as premium income. At each reporting date the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognized in the Income Statement by setting up a provision for liability adequacy.

5.6 Investment contract liabilities

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Investment contract liabilities without DPF are recognized when contracts are entered into and premiums are charged. These liabilities are initially recognized at fair value this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition investment, contract liabilities are measured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the Statement of Financial Position. Fair value adjustments are performed at each reporting date and are recognized in the Income Statement. Fair value is determined through the use of prospective discounted cash flow techniques. For unitized contracts, fair value is calculated as the number of units allocated to the policyholder in each unit linked fund multiplied by the unit price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit prices at the reporting date are valued on a basis consistent with their measurement basis in the Statement of Financial Position

adjusted to take account of the effect on the liabilities of the deferred tax on unrealized gains on assets in the fund.

Non unitized contracts are subsequently also carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic modeling. Models are validated, calibrated and periodically reviewed by an independent qualified person.

The liability is derecognized when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance.

5.7 Discretionary Participation Features (DPF)

A DPF is a contractual right that gives holders of these contracts the right to receive as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio. Under the terms of the contracts surpluses in the DPF funds can be distributed to policyholders and shareholders on a 90/10 basis. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at annually are held within insurance or investment contract liabilities as appropriate.

5.8 Classification of financial instruments between debt and equity

A financial instrument is classified as debt if it has a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Notes to the Financial Statements

5.9 Other financial liabilities and insurance payables

Other financial liabilities are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

5.10 De recognition of financial liabilities and insurance payables

Financial liabilities and insurance payables are derecognized when the obligation under the liability is discharged, cancelled or expired.

5.11 Income recognition

5.11.1 Gross premiums

Gross recurring premiums on life and investment contracts with DPF are recognized as revenue when receivable from the policyholder. For single premium business, revenue is recognized on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy commences.

5.11.2 Reinsurance premiums

Gross reinsurance premiums on life and investment contracts are recognized as an expense when the date on which the policy is effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the balance sheet date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

5.12 Unearned premium reserve

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/24th basis.

5.13 Benefits, claims and expenses recognition

5.13.1 Gross Benefits and Claims

Gross benefits and claims for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts, as well as changes in the gross valuation of insurance and investment contract liabilities with DPF. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Interim payments and surrenders are accounted at the time of settlement.

General insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims expenses and liabilities for outstanding claims are recognized in respect of direct and inward reinsurance business. The liability covers claims reported but not yet paid, Incurred but Not Reported (IBNR) claims and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

5.13.2 Reinsurance claims

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

6. New accounting standards issued but not effective as at the reporting date

The following Sri Lanka Accounting Standards were issued by the Institute of Chartered Accountants of Sri Lanka and is effective for the periods commencing on or after 1 January 2015.

(i) **SLFRS 9 – Financial Instruments: Classification and Measurement**

SLFRS 9 states a logical principle base to classify financial assets and financial liabilities which is driven by cash flow characteristics and the business model in which an assets or liability is held. Further this standard recommends the assessment of impairment based on more timely recognition of expected credit losses and entities are required to account for expected credit losses from the initial recognition of financial instruments and it lowers the threshold for recognition of full life time expected losses. By aligning financial accounting treatment with risk management activities,

SLFRS 9 specifies enhanced models & disclosure requirements for hedge accounting too.

SLFRS 9 will become effective on 1 January 2018 and will have an effect an classification and measurement of the Group's financial assets.

(ii) **SLFRS 14 – Regulatory Deferral Accounts**

SLFRS 14 specifies the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. SLFRS 14 will become effective on 1 January 2016. The impact on implementation of the above standard has not been quantified yet.

(iii) **SLFRS 15 – Revenue from Contracts with Customers**

SLFRS 15 states the principles that an entity shall apply to report useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

SLFRS 15 will become effective on 1 January 2017. The impact on implementation of the above standard has not been quantified yet.

Notes to the Financial Statements

For the year ended 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
7 Total income				
Interest income [Note 8.1]	107,394,796	114,863,091	111,950,598	119,504,363
Fee and commission income [Note 9]	9,188,079	6,457,118	9,510,215	6,789,600
Net gains /(losses) from trading [Note 10]	4,859,913	3,232,748	5,038,541	3,268,177
Net gains from financial investments [Note 11]	2,880,854	425,543	2,900,005	469,989
Other operating income [Note 12]	2,222,301	2,485,558	3,623,986	4,197,512
Total income	126,545,943	127,464,058	133,023,345	134,229,641

8 Net interest income**8.1 Interest income**

Reverse repurchase agreements	2,667,364	2,363,091	2,739,360	2,367,384
Placements with banks	775,648	601,390	853,250	723,697
Financial assets - Held for trading	823,894	1,253,218	867,843	1,280,091
Financial investments - Loans and receivables	6,537,984	5,892,122	6,609,654	6,020,067
Loans and advances to customers	73,539,022	87,143,820	77,657,869	91,342,815
Financial investments - Available for sale	412,305	284,873	495,953	374,253
Financial investments - Held to maturity	22,638,579	17,324,577	22,726,669	17,396,056
Total interest income	107,394,796	114,863,091	111,950,598	119,504,363

Interest income on loans and advances to customers includes interest on impaired loans LKR 328.7 million for the year 2014 (2013 : LKR 153.3 million).

For the year ended 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
8.2 Interest expenses				
Due to banks	93	210,911	46,642	386,302
Due to customers	49,481,400	55,275,008	50,542,334	56,255,147
Other borrowings	13,808,587	16,256,289	14,373,159	17,150,735
Debt securities issued	2,201,824	2,964,431	2,781,894	3,357,236
Subordinated term debts	3,452,507	3,013,092	3,452,507	3,013,092
Total interest expenses	68,944,411	77,719,731	71,196,536	80,162,512
Net interest income	38,450,385	37,143,360	40,754,062	39,341,851
8.3 Net interest income from Sri Lanka Government securities				
Interest income	24,265,949	19,105,110	24,419,518	19,311,770
Less : Interest expenses	3,573,225	5,209,070	3,573,277	5,238,555
Net interest income from Sri Lanka Government securities	20,692,724	13,896,040	20,846,241	14,073,215

8.4 Notional tax credit on secondary market transactions

In terms of the Section 137 of the Inland Revenue Act No. 10 of 2006 and the amendments thereto, a company which derives interest income from the secondary market transactions in Government securities would be entitled to a notional tax credit (being one ninth (1/9) of the net interest income), provided such interest income form a part of statutory income of the company for that year of assessment. Accordingly, the net interest earned by the Bank and the Group on secondary market transactions in Government securities for the year has been grossed up in the Financial Statements and the resulting notional tax credit amounted to a sum of LKR 2,311.8 million (2013 : LKR 1,599.4 million) for the Bank and LKR 2,340.3 million (2013 : LKR 1,629.9 million) for the Group.

For the year ended 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
9 Net fee and commission income				
Fee and commission income	9,188,079	6,457,118	9,510,215	6,789,600
Less : Fee and commission expenses	1,088,207	720,232	1,186,436	854,587
Net fee and commission income	8,099,872	5,736,886	8,323,779	5,935,013
9.1 Net fee and commission income				
Trade and other related activities	3,002,954	2,518,851	3,128,641	2,566,160
Loans	465,614	168,219	474,467	180,258
Credit cards	715,488	631,523	715,488	631,523
Travel and remittances	585,186	477,538	585,186	477,538
Custodial services	43,215	39,254	43,215	39,254
Deposits	1,755,522	942,666	1,755,621	943,781
Guarantees	1,326,689	944,837	1,326,832	944,943
Other financial services	205,204	13,998	294,329	151,556
Net fee and commission income	8,099,872	5,736,886	8,323,779	5,935,013
10 Net gains / (losses) from trading				
Foreign exchange	3,223,299	2,681,323	3,246,895	2,705,249
Interest rates				
Gains / (losses) on mark to market valuation on securities	(47,519)	347,494	(47,519)	347,494
Gains / (losses) on sale of securities	963,865	231,096	963,865	231,206
Equities				
Gains / (losses) on mark to market valuation on securities	461,422	(170,346)	579,419	(157,677)
Gains / (losses) on sale of securities	57,179	5,008	82,377	(11,193)
Dividend income	201,667	138,173	213,504	153,098
Net gains / (losses) from trading	4,859,913	3,232,748	5,038,541	3,268,177

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For the year ended 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
11 Net gains from financial investments				
Financial investments - Available for sale				
Government securities	246,483	94,917	246,542	96,705
Dividend income	364,452	330,626	383,544	373,284
Gains on disposal of financial instruments	2,269,919	-	2,269,919	-
Net gains from financial investments	2,880,854	425,543	2,900,005	469,989
12 Other operating income				
Dividend income	291,921	244,386	-	-
Gains / (losses) on revaluation of foreign exchange	(27,418)	539,423	(27,418)	539,423
Gains / (losses) on sale of property, plant and equipment	64,980	32,242	77,970	45,133
Recovery of loan written off	70,737	44,691	90,046	59,641
Rental income	185,622	153,493	258,127	223,673
Service income	1,351,606	816,489	1,794,101	1,238,915
Profit from sale of gold bullion	40,348	35,162	40,348	35,162
Miscellaneous income	132,990	496,082	179,945	505,463
Gross insurance premium	-	-	1,099,352	1,426,512
Net income from Islamic banking [Note 12.1]	111,515	123,590	111,515	123,590
Total other operating income	2,222,301	2,485,558	3,623,986	4,197,512
12.1 Net income from Islamic banking				
Income from Islamic banking operations	168,705	197,210	168,705	197,210
Profit paid to investors	(57,190)	(73,620)	(57,190)	(73,620)
Net income from Islamic banking	111,515	123,590	111,515	123,590
13 Impairment charge / (reversal) for loans and other losses				
13.1 Net impairment charge / (reversal) for loans and advances				
Individual impairment [Note 13.1.1]	2,007,235	(838,998)	2,395,423	(665,354)
Collective impairment	5,203,681	7,761,900	5,536,102	7,996,490
Net impairment charge / (reversal) for loans and advances	7,210,916	6,922,902	7,931,525	7,331,136
13.1.1 Individual impairment				
Charge during the year	2,721,983	287,989	3,110,171	461,633
Amount reversal / recovered during the year	(714,748)	(1,126,987)	(714,748)	(1,126,987)
Net individual impairment charge / (reversal) during the year	2,007,235	(838,998)	2,395,423	(665,354)

For the year ended 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
13.2 Impairment charge on financial investments				
Impairment on financial investments - Available for sale	-	-	-	8,008
Total impairment charge for financial investments	-	-	-	8,008
13.3 Impairment charge on investment in subsidiaries				
Impairment charge during the year *	700,000	-	-	-
Total impairment charge for investment in subsidiaries	700,000	-	-	-
Total impairment charge / (reversal) for loans and other losses	7,910,916	6,922,902	7,931,525	7,339,144

* The Bank performed its annual impairment test and impairment provision was made on investment in subsidiaries as at 31 December 2014. The recoverable amount of the subsidiaries have been determined based on a value in use computation using cash flows projections from financial budget approved by the Board of Directors.

For the year ended 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
14 Personnel expenses				
Staff emoluments	11,189,934	10,939,430	12,198,601	11,883,030
Contributions to defined benefit plans [Note 14.1]	579,007	1,144,897	636,642	1,197,476
Contributions to defined contribution plans [Note 14.2]	826,861	852,103	927,264	950,544
Other personnel expenses	1,120,045	1,732,690	1,293,248	1,875,781
Total personnel expenses	13,715,847	14,669,120	15,055,755	15,906,831
14.1 Contributions to defined benefit plans				
Employer's contribution to:				
Bank of Ceylon Pension Trust Fund [Note 44.1.1]	981,637	1,046,532	981,637	1,046,532
Bank of Ceylon Widows' / Widowers' and Orphans' Pension Fund [Note 44.2.1]	(43,334)	41,712	(43,334)	41,712
Provision for terminal gratuity [Note 44.3]	(359,296)	56,653	(308,341)	102,566
Pension fund - Bank of Ceylon (UK) Limited	-	-	6,680	6,666
Total contributions to defined benefit plans	579,007	1,144,897	636,642	1,197,476
14.2 Contributions to defined contribution plans				
Employer's contribution to:				
Employees' Provident Fund	662,203	682,459	743,265	761,974
Employees' Trust Fund	164,658	169,644	183,999	188,570
Total contributions to defined contribution plans	826,861	852,103	927,264	950,544

Notes to the Financial Statements

For the year ended 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
15 Other expenses				
Directors' emoluments	6,826	2,852	21,113	60,501
Auditors' remuneration				
Audit fees	20,694	16,786	32,564	26,987
Non audit service fees	-	-	1,125	3,200
Deposit insurance premium *	860,955	917,165	872,987	926,822
Professional and legal expenses	286,193	70,789	367,859	119,132
Donation to approved charities	-	-	70	86
Depreciation of property plant and equipment	1,019,315	977,446	1,414,410	1,327,183
Revaluation loss on buildings	64,010	-	64,010	-
Intangible assets written off	9,970	-	9,970	-
Amortization of leasehold properties	1,562	1,959	2,919	3,316
Amortization of intangible assets	170,417	137,798	213,528	166,741
Fixed assets maintenance expenses	3,313,337	3,006,892	2,910,794	2,510,780
Expenses on gold in hand	562,404	-	562,404	-
Reinsurance premium, claims and other benefits	-	-	914,423	1,076,097
Office administration and establishment expenses	4,227,971	3,880,778	5,191,180	5,113,732
Total other expenses	10,543,654	9,012,465	12,579,356	11,334,577

* As per the Deposit Insurance Scheme (presently known as 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, with effect from 1 October 2010. The premium rate depends on the Capital Adequacy Ratio (CAR) of the immediate preceding Audited Financial Statements.

For the year ended 31 December	Group	
	2014 LKR '000	2013 LKR '000
16 Share of profit /(loss) of associate companies before tax		
Ceybank Asset Management Limited	44,580	30,088
Lanka Securities (Private) Limited	24,282	(16,214)
Mireka Capital Land (Private) Limited	379,649	206,400
Southern Development Financial Company Limited	(79)	208
Transnational Lanka Records Solutions (Private) Limited	14,004	8,331
Total share of profit / (loss) of associate companies before tax	462,436	228,813

For the year ended 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
17 Income tax expense				
17.1 The components of income tax expense				
Current tax expense				
Income tax on profits for the year	5,633,864	3,657,004	5,926,722	3,914,673
Adjustments in respect of prior years	(31,841)	45,415	(46,297)	45,791
Deferred tax expense				
Charge / (reversal) of deferred tax [Note 35]	1,114,877	(80,760)	1,178,231	(4,162)
Income tax expense for the year	6,716,900	3,621,659	7,058,656	3,956,302
17.2 Reconciliation of accounting profit and income tax expense				
Accounting profit before income tax	20,290,957	15,708,772	21,430,998	16,104,624
Less : Share of profit / (loss) of associate companies	-	-	462,436	228,813
	20,290,957	15,708,772	20,968,562	15,875,811
Add : Dividend income from subsidiaries and associates	-	-	291,921	244,386
	20,290,957	15,708,772	21,260,483	16,120,197
Add : Disallowable expenses	24,587,347	12,926,911	26,165,804	17,452,052
	44,878,304	28,635,683	47,426,287	33,572,249
Less: Allowable expenses	18,135,087	9,227,476	19,309,592	13,722,616
Less: Tax exempt income	8,074,710	7,224,487	8,366,631	7,259,433
Taxable income	18,668,507	12,183,720	19,750,064	12,590,200
Current tax at rate of 28% (2013 - 28%)	5,227,182	3,411,442	5,530,018	3,625,266
Effect of different tax rates in the Group	-	-	(48,053)	9,320
Effect of different tax rates in other countries	406,682	245,562	406,682	245,562
10% withholding tax on inter company dividends	-	-	27,311	23,117
Share of tax on profits of associates	-	-	10,764	11,408
Adjustment in respect of current income tax of prior years	(31,841)	45,415	(46,297)	45,791
Deferred tax charge / (reversal) [Note 35]	1,114,877	(80,760)	1,178,231	(4,162)
Income tax expense for the year	6,716,900	3,621,659	7,058,656	3,956,302
The effective income tax rate	33.1%	23.1%	32.9%	24.6%

Notes to the Financial Statements

17 Income tax expense (Contd.)

	2014	2013
17.3 The tax liabilities of resident companies are computed at the standard rate of 28%, except following companies which enjoy full or partial exemptions and concessions		
Tax rates applicable on local operations		
BOC Travels (Private) Limited	12%	12%
Hotels Colombo (1963) Limited	12%	12%
Koladeniya Hydropower (Private) Limited *	Nil	Nil
Tax rates applicable on foreign operations		
Banking operations in Male	25%	25%
Banking operations in Chennai	40%	40%
Banking operation in Seychelles	30%	N/A
Bank of Ceylon (UK) Limited	21%	20%

* In accordance with the agreement with Board of Investment of Sri Lanka (BOI), Koladeniya Hydropower (Private) Limited is entitled to a tax exemption period of five years from the year in which the company commences to make profits or not later than two years from the date of commencement of commercial operations, whichever is earlier, provided the company make the minimum capital investment of USD 2.07 million or its equivalent in Sri Lankan Rupees within a period of two years from the date of agreement. The company has complied with minimum capital investment criteria and therefore is entitled to five years tax exemption commencing from 1 January 2012.

18. Earnings per share and Dividend per share

18.1 Basic earnings per share

In accordance with the Sri Lanka Accounting Standard - LKAS 33 "Earnings Per Share", basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholder of the Bank (the numerator) by the weighted average number of ordinary shares in issue (the denominator) during the year.

For the year ended 31 December	Bank		Group	
	2014	2013	2014	2013
Profit attributable to ordinary shareholder of the Bank (LKR '000)	13,574,057	12,087,113	14,424,118	12,234,412
Weighted average number of ordinary shares in issue	5,000,000	5,000,000	5,000,000	5,000,000
Basic earnings per share (LKR)	2,714.81	2,417.42	2,884.82	2,446.88

18.2 Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholder of the Bank (the numerator) by the weighted average number of ordinary shares in issue during the year after adjusting for effect of all dilutive potential ordinary shares (the denominator).

For the year ended 31 December	Bank		Group	
	2014	2013	2014	2013
Profit attributable to ordinary shareholder of the Bank (LKR '000)	13,574,057	12,087,113	14,424,118	12,234,412
Weighted average number of ordinary shares in issue during the year	5,000,000	5,000,000	5,000,000	5,000,000
Weighted average number of potential ordinary shares under pending allotment during the year	383,562	-	383,562	-
Weighted average number of ordinary shares after adjusting for dilution	5,383,562	5,000,000	5,383,562	5,000,000
Diluted earnings per share (LKR)	2,521.39	2,417.42	2,679.29	2,446.88

18.3 Dividend per share

Dividend per share is calculated by dividing the total profit distributed 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	
	2014	2013	2014	2013
Total profit distributed to shareholder during the year (LKR '000)	6,846,410	5,346,410	6,846,410	5,346,410
Weighted average number of ordinary shares in issue	5,000,000	5,000,000	5,000,000	5,000,000
Dividend per share (LKR)	1,369.28	1,069.28	1,369.28	1,069.28

Notes to the Financial Statements

As at 31 December	2014				
	Held for trading LKR '000	Held to maturity LKR '000	Amortized cost LKR '000	Available for sale LKR '000	Total LKR '000
19 Analysis of financial instruments by measurement basis					
19.1 Bank					
Financial assets					
Cash and short term funds	-	-	29,165,464	-	29,165,464
Balances with Central Banks	-	-	30,422,373	-	30,422,373
Placements with banks	-	-	19,766,889	-	19,766,889
Derivative financial instruments	1,714,556	-	-	-	1,714,556
Reverse repurchase agreements	-	-	58,953,093	-	58,953,093
Financial assets - Held for trading	17,862,433	-	-	-	17,862,433
Financial investments - Loans and receivables	-	-	129,145,330	-	129,145,330
Loans and advances to customers	-	-	741,347,635	-	741,347,635
Financial investments - Available for sale	-	-	-	14,361,543	14,361,543
Financial investments - Held to maturity	-	216,517,438	-	-	216,517,438
Total financial assets	19,576,989	216,517,438	1,008,800,784	14,361,543	1,259,256,754

As at 31 December	2014		
	Held for trading LKR '000	Amortized cost LKR '000	Total LKR '000
Financial liabilities			
Due to banks	-	889,876	889,876
Derivative financial instruments	734,548	-	734,548
Due to customers	-	933,966,169	933,966,169
Other borrowings	-	246,736,462	246,736,462
Debt securities issued	-	20,762,198	20,762,198
Subordinated term debts	-	32,519,715	32,519,715
Total financial liabilities	734,548	1,234,874,420	1,235,608,968

As at 31 December	2013				
	Held for trading LKR '000	Held to maturity LKR '000	Amortized cost LKR '000	Available for sale LKR '000	Total LKR '000
19.1 Bank					
Financial assets					
Cash and short term funds	-	-	24,901,189	-	24,901,189
Balances with Central Banks	-	-	28,699,132	-	28,699,132
Placements with banks	-	-	19,315,520	-	19,315,520
Derivative financial instruments	3,261,073	-	-	-	3,261,073
Reverse repurchase agreements	-	-	22,319,717	-	22,319,717
Financial assets - Held for trading	13,539,791	-	-	-	13,539,791
Financial investments - Loans and receivables	-	-	129,108,613	-	129,108,613
Loans and advances to customers	-	-	725,331,966	-	725,331,966
Financial investments - Available for sale	-	-	-	10,325,214	10,325,214
Financial investments - Held to maturity	-	156,899,761	-	-	156,899,761
Total financial assets	16,800,864	156,899,761	949,676,137	10,325,214	1,133,701,976

As at 31 December	2013		
	Held for trading LKR '000	Amortized cost LKR '000	Total LKR '000
Financial liabilities			
Due to banks	-	1,166,427	1,166,427
Derivative financial instruments	274,948	-	274,948
Due to customers	-	842,070,000	842,070,000
Other borrowings	-	235,370,269	235,370,269
Debt securities issued	-	20,968,357	20,968,357
Subordinated term debts	-	24,357,595	24,357,595
Total financial liabilities	274,948	1,123,932,648	1,124,207,596

Notes to the Financial Statements

19 Analysis of financial instruments by measurement basis (Contd.)

As at 31 December	2014				
	Held for trading LKR '000	Held to maturity LKR '000	Amortized cost LKR '000	Available for sale LKR '000	Total LKR '000
19.2 Group					
Financial assets					
Cash and short term funds	-	-	29,958,559	-	29,958,559
Balances with Central Banks	-	-	30,422,373	-	30,422,373
Placements with banks	-	-	21,393,574	-	21,393,574
Derivative financial instruments	1,714,556	-	-	-	1,714,556
Reverse repurchase agreements	-	-	60,236,389	-	60,236,389
Financial assets - Held for trading	18,437,958	-	-	-	18,437,958
Financial investments - Loans and receivables	-	-	129,966,806	-	129,966,806
Loans and advances to customers	-	-	763,772,052	-	763,772,052
Financial investments - Available for sale	-	-	-	17,611,160	17,611,160
Financial investments - Held to maturity	-	216,740,132	-	-	216,740,132
Total financial assets	20,152,514	216,740,132	1,035,749,753	17,611,160	1,290,253,559

As at 31 December	2014		
	Held for trading LKR '000	Amortized cost LKR '000	Total LKR '000
Financial liabilities			
Due to banks	-	949,127	949,127
Derivative financial instruments	734,548	-	734,548
Due to customers	-	943,934,463	943,934,463
Other borrowings	-	252,168,157	252,168,157
Debt securities issued	-	26,218,337	26,218,337
Subordinated term debts	-	32,177,810	32,177,810
Total financial liabilities	734,548	1,255,447,894	1,256,182,442

As at 31 December	2013				
	Held for trading	Held to maturity	Amortized cost	Available for sale	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
19.2 Group					
Financial assets					
Cash and short term funds	-	-	25,182,043	-	25,182,043
Balances with Central Banks	-	-	28,699,132	-	28,699,132
Placements with banks	-	-	21,157,190	-	21,157,190
Derivative financial instruments	3,261,073	-	-	-	3,261,073
Reverse repurchase agreements	-	-	22,851,895	-	22,851,895
Financial assets - Held for trading	13,898,242	-	-	-	13,898,242
Financial investments - Loans and receivables	-	-	130,190,296	-	130,190,296
Loans and advances to customers	-	-	746,571,819	-	746,571,819
Financial investments - Available for sale	-	-	-	12,852,445	12,852,445
Financial investments - Held to maturity	-	157,441,572	-	-	157,441,572
Total financial assets	17,159,315	157,441,572	974,652,375	12,852,445	1,162,105,707

As at 31 December	2013		
	Held for trading	Amortized cost	Total
	LKR '000	LKR '000	LKR '000
Financial liabilities			
Due to banks	-	1,336,267	1,336,267
Derivative financial instruments	274,948	-	274,948
Due to customers	-	850,767,521	850,767,521
Other borrowings	-	240,802,111	240,802,111
Debt securities issued	-	24,986,818	24,986,818
Subordinated term debts	-	24,347,248	24,347,248
Total financial liabilities	274,948	1,142,239,965	1,142,514,913

20 Cash and short term funds

As at 31 December	Bank		Group	
	2014	2013	2014	2013
	LKR '000	LKR '000	LKR '000	LKR '000
Local currency in hand	23,744,062	19,183,784	23,777,765	17,282,326
Foreign currency in hand	702,854	1,146,014	721,896	1,169,975
Balances with other banks	4,718,548	4,571,391	5,458,898	6,729,742
Total cash and short term funds	29,165,464	24,901,189	29,958,559	25,182,043

Notes to the Financial Statements

21 Balances with Central Banks

As at 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
Central Bank of Sri Lanka [Note 21.1]	26,875,888	24,681,664	26,875,888	24,681,664
Reserve Bank of India [Note 21.2]	123,346	86,813	123,346	86,813
Maldives Monetary Authority [Note 21.3]	3,298,742	3,930,655	3,298,742	3,930,655
Central Bank of Seychelles [Note 21.4]	124,397	-	124,397	-
Total balances with Central Banks	30,422,373	28,699,132	30,422,373	28,699,132

21.1 In terms of the provisions of Section 93 of the Monetary Law Act No. 58 of 1949, the Bank is required to maintain a cash reserve with Central Bank of Sri Lanka. The minimum cash reserve requirement as of 31 December 2014 was 6% (2013 : 6%) of Sri Lankan Rupee deposit liabilities. There is no reserve requirement for foreign currency deposit liabilities maintained by domestic branches and the deposit liabilities of the Off-shore Banking Division in Sri Lanka (2013 : Nil).

21.2 In terms of the provisions of Section 42(1) of the Reserve Bank of India (RBI) Act No. 02 of 1934, the branch in Chennai is required to maintain a cash reserve with RBI. The minimum cash reserve as of 31 December 2014 was 4% (2013 : 4%) on its demand and term deposit liabilities.

21.3 In accordance with the prevailing regulations of Maldives Monetary Authority (MMA), the branch is required to maintain a reserve deposit based on 20% of the branch's commercial deposits and liabilities to the public in the Maldives in Maldivian Rufiyaa and United States Dollar separately (2013 : 25%).

21.4 In accordance with the regulations of Central Bank of Seychelles, the branch is required to maintain a reserve deposit based on 13% of the branch's commercial deposits liabilities to the public in Seychelles.

22 Placements with banks

As at 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
Banks in Sri Lanka				
Local currency	6,081,138	3,896,923	6,081,138	4,158,310
Foreign currency	2,970,505	1,061,037	2,970,505	1,061,037
Banks in abroad				
Foreign currency	10,715,246	14,357,560	12,341,931	15,937,843
Total placements with banks	19,766,889	19,315,520	21,393,574	21,157,190

23 Derivative financial instruments

Forward exchange contracts	225,154	-	225,154	-
Currency SWAPs	1,489,402	3,261,073	1,489,402	3,261,073
Total derivative financial instruments	1,714,556	3,261,073	1,714,556	3,261,073

24 Financial assets - Held for trading

As at 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
Treasury bills	10,207,422	7,372,137	10,207,422	7,372,137
Treasury bonds	4,565,393	3,810,889	4,565,393	3,810,889
Sri Lanka sovereign bonds	141,022	129,949	141,022	129,949
Quoted equities [Note 24.1]	2,948,596	2,226,816	3,518,833	2,583,212
Quoted units in unit trusts [Note 24.2]	-	-	2,784	2,055
Quoted debt securities [Note 24.3]	-	-	2,504	-
Total financial assets - Held for trading	17,862,433	13,539,791	18,437,958	13,898,242

The Bank has not pledged any treasury bills or treasury bonds - held for trading as collateral as at 31 December 2014 (2013 : Nil).

As at 31 December	Bank							
	2014				2013			
	No of ordinary shares	Cost of invest- ment LKR'000	Market price per share LKR	Market value LKR'000	No of ordinary shares	Cost of invest- ment LKR'000	Market price per share LKR	Market value LKR'000
24.1 Quoted equities								
Bank, Finance and Insurance								
Chilaw Finance PLC	-	-	-	-	828,189	21,762	12.40	10,270
Hatton National Bank PLC	84,425	19,345	194.90	16,454	84,425	19,345	147.00	12,410
Softlogic Finance PLC	-	-	-	-	102,201	6,685	25.30	2,586
		19,345		16,454		47,792		25,266
Beverage, Food and Tobacco								
Bairaha Farms PLC	34,900	15,807	125.00	4,363	34,900	15,807	128.80	4,495
Cargills (Ceylon) PLC	1,095,930	238,325	153.00	167,677	809,600	192,779	147.00	119,011
Ceylon Tobacco Company PLC	64,247	73,151	1,060.10	68,108	-	-	-	-
Distilleries Company of Sri Lanka PLC	273,153	55,584	210.00	57,362	249,602	46,334	193.00	48,173
HVA Foods PLC	20,000	905	10.20	204	20,000	905	9.90	198
Lanka Milk Foods (CWE) PLC	236,842	31,378	120.40	28,516	775,151	102,696	105.30	81,623
Lucky Lanka Milk Processing PLC - Voting	1,000,000	6,000	4.90	4,900	-	-	-	-
Lucky Lanka Milk Processing PLC - Non voting	91,900	276	2.80	257	-	-	-	-
Renuka Foods PLC	-	-	-	-	580,146	11,247	16.50	9,572
		421,426		331,387		369,768		263,072

Notes to the Financial Statements

24 Financial assets - Held for trading (Contd.)

As at 31 December	Bank							
	2014				2013			
	No of ordinary shares	Cost of investment LKR'000	Market price per share LKR	Market value LKR'000	No of ordinary shares	Cost of investment LKR'000	Market price per share LKR	Market value LKR'000
24.1 Quoted equities (Contd.)								
Chemicals and Pharmaceuticals								
Chemanex PLC	100,000	16,685	80.00	8,000	100,000	16,685	85.00	8,500
CIC Holdings PLC - Voting	650,100	111,195	85.00	55,259	650,100	111,195	47.90	31,140
CIC Holdings PLC - Non voting	141,400	15,732	66.40	9,389	141,400	15,732	34.50	4,878
Haycarb PLC	251,067	48,262	173.00	43,435	251,067	48,262	189.80	47,653
Lankem Ceylon PLC	72,400	32,703	110.10	7,971	72,400	32,703	122.10	8,840
		224,577		124,054		224,577		101,011
Construction and Engineering								
Access Engineering PLC	1,259,532	30,208	32.10	40,431	1,467,036	30,585	22.10	32,421
Colombo Dockyard PLC	851,183	194,360	193.00	164,278	413,700	106,214	189.60	78,438
MTD Walkers PLC	-	-	-	-	815,205	47,540	32.00	26,087
		224,568		204,709		184,339		136,946
Diversified Holdings								
Aitken Spence PLC	1,633,360	263,949	103.50	169,053	1,522,400	252,738	102.30	155,742
Browns Investments PLC	3,073,412	13,317	1.90	5,839	3,073,412	13,317	2.30	7,069
Carson Cumberbatch PLC	167,623	82,400	430.40	72,145	167,623	82,400	350.00	58,668
C T Holdings PLC	141,348	22,417	143.00	20,213	323,495	52,967	140.10	45,322
Expolanka Holdings PLC	1,657,820	15,481	8.60	14,257	857,820	6,226	7.50	6,434
F L C Holdings PLC	200,000	991	2.00	400	200,000	991	2.20	440
Hayleys PLC	73,984	22,578	339.90	25,147	99,184	29,843	293.00	29,061
Hemas Holdings PLC	131,574	5,512	74.30	9,776	484,800	20,035	34.00	16,483
John Keells Holdings PLC	725,649	182,208	250.00	181,412	149,997	36,515	227.30	34,094
John Keells Holdings PLC - Warrants 0023	25,000	1,947	72.50	1,813	-	-	-	-
Richard Pieris and Company PLC	6,673,126	88,850	8.50	56,722	4,832,300	71,707	6.30	30,443
Softlogic Holdings PLC	595,300	15,704	16.50	9,822	595,300	15,704	8.40	5,001
Sunshine Holdings PLC	-	-	-	-	626,800	31,361	28.00	17,550
The Colombo Fort Land & Building PLC	149,500	10,307	28.30	4,231	149,500	10,307	28.20	4,216
Vallibel One PLC	1,567,604	48,546	23.90	37,466	1,265,400	41,487	16.50	20,879
		774,207		608,296		665,598		431,402
Footware and Textiles								
ODEL PLC	197,400	8,796	22.00	4,343	197,400	8,796	21.00	4,145
		8,796		4,343		8,796		4,145
Health Care								
Asiri Surgical Hospital PLC	-	-	-	-	233,046	2,357	10.30	2,400
Nawaloka Hospitals PLC	90,700	392	3.30	299	130,700	565	3.00	392
The Lanka Hospital Corporation PLC	2,500	111	48.00	120	2,500	111	40.50	101
		503		419		3,033		2,893

Bank

As at 31 December	2014				2013			
	No of ordinary shares	Cost of investment LKR'000	Market price per share LKR	Market value LKR'000	No of ordinary shares	Cost of investment LKR'000	Market price per share LKR	Market value LKR'000
Hotels and Travels								
Aitken Spence Hotel Holdings PLC	2,357,252	217,402	78.50	185,044	1,625,600	156,566	69.90	113,629
Amaya Leisure PLC	527,635	49,801	85.00	44,849	102,000	12,801	74.00	7,548
Asian Hotels & Properties PLC	2,367,741	225,781	67.80	160,533	2,232,400	216,192	64.20	143,320
Citrus Leisure PLC	100,000	10,112	16.80	1,680	100,000	10,112	14.60	1,460
Eden Hotel Lanka PLC	609,600	38,087	25.70	15,667	609,600	38,087	29.00	17,678
Galadari Hotels (Lanka) PLC	61,030	927	14.50	885	-	-	-	-
John Keells Hotels PLC	833,487	13,531	17.00	14,169	-	-	-	-
Marawila Resorts PLC	50,000	632	6.00	300	50,000	631	5.30	265
Tal Lanka Hotels PLC	447,400	30,043	34.40	15,391	447,400	30,043	27.80	12,438
Tangerine Beach Hotels PLC	50,000	5,056	83.80	4,190	50,000	5,056	68.00	3,400
The Fortress Resorts PLC	1,461,100	50,506	16.90	24,693	1,461,100	50,506	13.40	19,579
The Kingsbury PLC	208,008	3,308	18.00	3,744	153,184	2,282	13.20	2,022
The Lighthouse Hotel PLC	100,000	6,124	55.00	5,500	100,000	6,124	44.00	4,400
Trans Asia Hotels PLC	477,200	48,407	92.10	43,950	477,200	48,407	79.90	38,128
		699,717		520,595		576,807		363,867
Investment Trust								
Ceylon Guardian Investment Trust PLC	91,700	29,682	194.90	17,872	66,700	24,626	181.90	12,133
Ceylon Investment PLC	442,000	72,718	97.50	43,095	442,000	72,718	77.00	34,034
Lanka Century Investments PLC	385,000	23,271	15.60	6,006	385,000	23,271	14.10	5,429
Renuka Holdings PLC	524,645	18,444	31.50	16,526	176,723	9,568	30.60	5,408
		144,115		83,499		130,183		57,004
Land and Property								
C T Land Development PLC	-	-	-	-	1,025,674	33,138	30.90	31,693
East West Properties PLC	103,282	1,560	12.80	1,322	307,216	4,649	11.50	3,533
Overseas Realty (Ceylon) PLC	62,987	1,776	26.30	1,657	300,000	5,435	18.30	5,490
		3,336		2,979		43,222		40,716

Notes to the Financial Statements

24 Financial assets - Held for trading (Contd.)

As at 31 December	Bank							
	2014				2013			
	No of ordinary shares	Cost of invest- ment LKR'000	Market price per share LKR	Market value LKR'000	No of ordinary shares	Cost of invest- ment LKR'000	Market price per share LKR	Market value LKR'000
24.1 Quoted equities (Contd.)								
Manufacturing								
Abans Electricals PLC	17,880	4,931	118.50	2,119	17,880	4,931	105.10	1,879
ACL Cables PLC	456,324	32,995	76.40	34,863	201,419	14,369	64.90	13,072
Acme Printing & Packaging PLC	1,078,700	35,020	11.00	11,866	1,078,700	35,020	9.70	10,463
Alumex PLC	196,882	2,756	15.90	3,130	-	-	-	-
Central Industries PLC	48,525	3,729	86.00	4,173	-	-	-	-
Ceylon Grain Elevators PLC	71,800	16,089	41.00	2,944	71,800	16,089	35.50	2,549
Chevron Lubricants Lanka PLC	31,557	10,850	399.60	12,610	-	-	-	-
Dipped Products PLC	-	-	-	-	792,400	98,031	90.00	71,316
Hayleys Fibre PLC	145,300	7,867	42.60	6,190	145,300	7,867	25.00	3,633
Kelani Tyres PLC	715,996	50,997	78.80	56,420	800,130	42,343	49.50	39,606
Lanka Cement PLC	9,583,809	83,858	6.60	63,253	9,583,809	83,858	6.60	63,253
Lanka Tiles PLC	973,200	130,512	110.00	107,052	973,200	130,512	78.90	76,785
Lanka Walltiles PLC	409,515	37,754	97.30	39,846	410,040	37,802	53.90	22,101
Orient Garments PLC	348,900	10,906	15.00	5,234	348,900	10,906	8.00	2,791
Piramal Glass Ceylon PLC	3,288,600	32,322	4.90	16,114	3,288,600	32,322	4.50	14,799
Royal Ceramics Lanka PLC	1,754,958	206,116	116.90	205,155	711,339	86,729	84.60	60,179
Sierra Cables PLC	2,400	14	3.90	9	2,400	14	1.80	4
Textured Jersey Lanka PLC	510,308	8,683	20.60	10,512	980,308	14,413	15.20	14,901
Tokyo Cement Company (Lanka) PLC - Voting	-	-	-	-	894,477	24,944	28.50	25,493
Tokyo Cement Company (Lanka) PLC - Non voting	513,007	20,948	46.90	24,060	717,420	29,024	23.40	16,788
		696,347		605,550		669,174		439,612
Motors								
C M Holdings PLC	50,857	17,422	129.10	6,566	50,857	17,422	83.60	4,252
Diesel & Motor Engineering PLC	36,356	55,836	636.00	23,122	36,356	55,836	481.00	17,487
Sathosa Motors PLC	16,000	6,198	245.00	3,920	16,000	6,198	259.10	4,146
United Motors Lanka PLC	264,916	27,230	103.60	27,445	-	-	-	-
		106,686		61,053		79,456		25,885
Oil Palms								
Bukit Darah PLC	47,957	37,098	715.00	34,289	47,957	37,098	619.90	29,729
		37,098		34,289		37,098		29,729

Bank

As at 31 December	2014				2013			
	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
Plantations								
Agalawatte Plantations PLC	45,600	4,608	27.10	1,236	45,600	4,608	23.90	1,090
Balangoda Plantations PLC	30,000	2,184	26.50	795	30,000	2,184	31.00	930
Elpitiya Plantations PLC	-	-	-	-	700	22	16.60	12
Horana Plantations PLC	513,000	43,752	24.10	12,363	513,000	43,752	23.80	12,209
Kahawatte Plantations PLC	838,629	33,921	35.50	29,771	931,300	37,669	38.80	36,134
Kegalle Plantations PLC	50,600	13,703	94.00	4,756	50,600	13,703	102.90	5,207
Kotagala Plantations PLC	486,665	34,711	31.60	15,379	486,665	34,711	37.00	18,007
Namunukula Plantations PLC	80,000	12,458	89.40	7,152	80,000	12,458	84.70	6,776
Watawala Plantations PLC	350,100	10,998	18.80	6,582	350,100	10,998	9.90	3,466
		156,335		78,034		160,105		83,831
Power and Energy								
F L C Hydro Power PLC	173,194	1,427	5.70	987	223,194	1,839	5.00	1,116
Laugfs Gas PLC - Voting	168,727	4,688	40.50	6,833	168,727	4,688	28.40	4,792
Laugfs Gas PLC - Non voting	3,420,538	142,754	37.20	127,244	3,212,400	134,532	21.50	69,066
Panasian Power PLC	1,029,200	6,407	3.20	3,293	1,029,200	6,407	2.50	2,573
Resus Energy PLC	1,117,700	45,609	18.10	20,230	1,117,700	45,609	17.60	19,672
Vallibel Power Erathna PLC	1,650,000	14,025	7.20	11,880	850,000	9,111	5.80	4,930
		214,910		170,467		202,186		102,149
Services								
John Keells PLC	250,200	22,759	90.30	22,593	41,287	3,426	71.20	2,940
		22,759		22,593		3,426		2,940
Stores and Supplies								
Hunters & Company PLC	27,100	21,923	386.20	10,466	27,100	21,923	271.50	7,358
		21,923		10,466		21,923		7,358
Telecommunications								
Dialog Axiata PLC	562,308	5,950	13.30	7,479	7,279,132	76,523	9.00	65,512
Sri Lanka Telecom PLC	214,000	7,496	49.90	10,679	214,000	7,496	37.00	7,918
		13,446		18,158		84,019		73,430
Trading								
Brown & Company PLC	396,073	82,233	107.00	42,380	314,700	73,471	82.70	26,025
Ceylon & Foreign Trades PLC	830,100	8,533	7.50	6,226	830,100	8,533	6.40	5,313
Singer Sri Lanka PLC	22,437	2,308	117.90	2,645	47,437	4,879	89.00	4,222
		93,074		51,251		86,883		35,560
Total quoted equities		3,883,168		2,948,596		3,598,385		2,226,816

Notes to the Financial Statements

24 Financial assets - Held for trading (Contd.)

As at 31 December	Group							
	2014				2013			
	No of ordinary shares	Cost of invest- ment LKR'000	Market price per share LKR	Market value LKR'000	No of ordinary shares	Cost of invest- ment LKR'000	Market price per share LKR	Market value LKR'000
24.1 Quoted equities (Contd.)								
Banks, Finance and Insurance								
A I A Insurance Lanka PLC	2,078	667	302.00	628	-	-	-	-
Amana Takaful PLC	-	-	-	-	174,639	265	1.60	279
Asia Asset Finance PLC	1,020,000	1,889	1.90	1,938	-	-	-	-
Asia Capital PLC	-	-	-	-	4,200	202	17.00	71
Chilaw Finance PLC	4,753	110	27.10	129	832,942	21,872	12.40	10,328
Citizens Development Business Finance PLC - Non voting	9,639	732	74.00	713	-	-	-	-
Commercial Bank of Ceylon PLC - Voting	-	-	-	-	52,095	5,504	120.40	6,272
Commercial Bank of Ceylon PLC - Non voting	33,018	3,681	125.10	4,131	14,428	1,287	93.00	1,342
DFCC Bank PLC	120,000	24,993	219.00	26,280	91,868	18,235	129.00	11,851
First Capital Holdings PLC	17,714	935	47.00	833	147,696	2,688	17.50	2,585
Hatton National Bank PLC - Voting	84,425	19,345	194.90	16,454	84,425	19,345	147.00	12,410
Hatton National Bank PLC - Non voting	-	-	-	-	137,469	18,324	119.00	16,359
HNB Assurance PLC	28,600	2,584	83.50	2,388	38,852	2,555	52.50	2,040
Janashakthi Insurance Company PLC	-	-	-	-	392,000	7,744	12.70	4,978
Lanka Orix Leasing Company PLC	75,000	9,626	88.00	6,600	75,000	9,625	72.60	5,445
Lanka Ventures PLC	-	-	-	-	900	40	41.00	37
National Development Bank PLC	-	-	-	-	227,950	37,481	160.50	36,586
Nations Trust Bank PLC	50,000	4,804	97.00	4,850	113,940	8,206	62.20	7,087
People's Leasing & Finance PLC	-	-	-	-	199,300	3,587	13.40	2,671
Sampath Bank PLC	5,000	1,416	236.30	1,182	39,637	8,888	171.90	6,814
Sanasa Development Bank PLC	152,350	12,059	90.90	13,849	-	-	-	-
Seylan Bank PLC - Voting	199,968	18,115	95.00	18,997	212,152	19,145	64.20	13,620
Seylan Bank PLC - Non voting	445,138	22,587	57.50	25,595	30,272	1,045	31.00	938
SMB Leasing PLC	-	-	-	-	712,740	889	0.80	570
Softlogic Capital PLC	70,999	504	7.20	511	-	-	-	-
Softlogic Finance PLC	-	-	-	-	102,201	6,685	25.30	2,586
Swarnamahahal Financial Services PLC	25,831	143	2.10	54	25,831	143	2.10	54
Union Bank of Colombo PLC	662,300	14,969	25.30	16,756	67,300	1,411	16.60	1,117
Vallibel Finance PLC	319,054	14,399	46.00	14,676	-	-	-	-
		153,558		156,564		195,166		146,040

As at 31 December	Group							
	2014				2013			
	No of ordinary shares	Cost of invest- ment LKR'000	Market price per share LKR	Market value LKR'000	No of ordinary shares	Cost of invest- ment LKR'000	Market price per share LKR	Market value LKR'000
Beverage, Food and Tobacco								
Bairaha Farms PLC	34,900	15,807	125.00	4,363	45,899	19,053	128.80	5,912
Cargills (Ceylon) PLC	1,095,930	238,325	153.00	167,677	809,600	192,779	147.00	119,011
Ceylon Tobacco Company PLC	64,247	73,151	1,060.10	68,108	-	-	-	-
Distilleries Company of Sri Lanka PLC	459,770	91,629	210.00	96,552	330,602	60,285	193.00	63,806
HVA Foods PLC	20,000	905	10.20	204	20,000	905	9.90	198
Lanka Milk Foods (CWE) PLC	236,842	31,378	120.40	28,516	775,151	102,696	105.30	81,623
Lucky Lanka Milk Processing PLC								
- Voting	4,053,822	24,251	4.90	19,864	-	-	-	-
Lucky Lanka Milk Processing PLC								
- Non voting	226,600	680	2.80	634	-	-	-	-
Raigam Wayamba Salterns PLC	-	-	-	-	1,100,000	4,050	2.20	2,420
Renuka Agri Foods PLC	80,521	372	4.80	387	347,100	1,389	3.70	1,284
Renuka Foods PLC	1,318	28	23.90	32	580,146	11,247	16.50	9,572
Three Acre Farms PLC	201,581	10,853	51.00	10,281	25,876	1,160	36.90	955
		487,379		396,618		393,564		284,781
Chemical and Pharmaceuticals								
Chemanex PLC	109,519	17,521	80.00	8,762	101,000	16,844	85.00	8,585
CIC Holdings PLC - Voting	667,200	112,622	85.00	56,712	673,107	113,000	47.90	32,242
CIC Holdings PLC - Non voting	186,249	18,717	66.40	12,367	162,735	17,186	34.50	5,614
Haycarb PLC	265,827	50,844	173.00	45,988	281,067	53,509	189.80	53,347
Lankem Ceylon PLC	72,400	32,703	110.10	7,971	72,400	32,703	122.10	8,840
PC Pharma PLC	1,400,000	4,045	1.40	1,960	-	-	-	-
Muller and Phipps (Ceylon) PLC	375,000	700	1.50	563	150,000	334	1.10	165
		237,152		134,323		233,576		108,793
Construction and Engineering								
Access Engineering PLC	1,754,974	46,850	32.10	56,335	1,467,036	30,585	22.10	32,421
Colombo Dockyard PLC	858,710	196,184	193.00	165,731	426,505	109,057	189.60	80,865
Lankem Developments PLC	-	-	-	-	175,063	1,651	5.10	893
MTD Walkers PLC	-	-	-	-	815,205	47,540	32.00	26,087
		243,034		222,066		188,833		140,266

Notes to the Financial Statements

24 Financial assets - Held for trading (Contd.)

As at 31 December	Group							
	2014				2013			
	No of ordinary shares	Cost of invest- ment LKR'000	Market price per share LKR	Market value LKR'000	No of ordinary shares	Cost of invest- ment LKR'000	Market price per share LKR	Market value LKR'000
24.1 Quoted equities (Contd.)								
Diversified Holdings								
Aitken Spence PLC	1,794,357	280,225	103.50	185,716	1,527,400	253,238	102.30	156,253
Browns Investments PLC	8,718,326	28,391	1.90	16,565	6,473,412	29,922	2.30	14,889
Carson Cumberbatch PLC	167,623	82,400	430.40	72,145	167,623	82,400	350.00	58,668
C T Holdings PLC	161,348	26,623	143.00	23,073	343,495	57,173	140.10	48,124
Expolanka Holdings PLC	1,814,861	16,989	8.60	15,608	1,778,820	13,557	7.50	13,341
F L C Holdings PLC	302,300	1,558	2.00	605	377,300	1,931	2.20	830
Hayleys PLC	73,984	22,578	339.90	25,147	99,184	29,843	293.00	29,061
Hemas Holdings PLC	131,574	5,512	74.30	9,776	832,300	35,027	34.00	28,298
John Keells Holdings PLC	815,478	203,574	250.00	203,870	150,122	36,540	227.30	34,123
John Keells Holdings PLC - Warrants 0022	48,297	3,837	68.00	3,284	-	-	-	-
John Keells Holdings PLC - Warrants 0023	305,323	22,088	72.50	22,136	-	-	-	-
PCH Holdings PLC	1,000,000	2,730	2.40	2,400	-	-	-	-
Richard Pieris & Company PLC	6,673,126	88,850	8.50	56,722	4,832,300	71,707	6.30	30,443
Softlogic Holdings PLC	702,953	17,541	16.50	11,599	895,300	18,469	8.40	7,521
Sunshine Holdings PLC	-	-	-	-	626,800	31,361	28.00	17,550
Taprobane Holdings PLC	2,000,000	10,063	4.60	9,200	70,757	304	2.80	198
The Colombo Fort Land & Building PLC	149,500	10,307	28.30	4,231	212,299	15,502	28.20	5,987
Vallibel One PLC	2,548,339	69,093	23.90	60,905	2,447,013	64,335	16.50	40,376
		892,359		722,982		741,309		485,662
Footware and Textiles								
Hayleys MGT Knitting Mills PLC	166,239	2,927	17.40	2,893	-	-	-	-
ODEL PLC	197,400	8,796	22.00	4,343	197,400	8,796	21.00	4,145
		11,723		7,236		8,796		4,145
Health Care								
Asiri Hospital Holdings PLC	50,000	1,150	21.60	1,080	-	-	-	-
Asiri Surgical Hospital PLC	-	-	-	-	233,046	2,357	10.30	2,400
Nawaloka Hospitals PLC	4,575,085	17,642	3.30	15,098	2,130,700	8,905	3.00	6,392
The Lanka Hospital Corporation PLC	2,500	111	48.00	120	32,500	1,668	40.50	1,316
		18,903		16,298		12,930		10,108

Group

As at 31 December	2014				2013			
	No of ordinary shares	Cost of investment LKR'000	Market price per share LKR	Market value LKR'000	No of ordinary shares	Cost of investment LKR'000	Market price per share LKR	Market value LKR'000
Hotels and Travels								
Aitken Spence Hotel Holdings PLC	2,420,471	223,197	78.50	190,007	1,639,600	158,152	69.90	114,608
Amaya Leisure PLC	536,405	50,515	85.00	45,594	118,700	14,807	74.00	8,784
Asian Hotels & Properties PLC	2,573,955	241,212	67.80	174,514	2,350,998	226,046	64.20	150,934
Beruwala Resorts PLC	108,992	205	1.90	207	-	-	-	-
Citrus Leisure PLC	100,000	10,112	16.80	1,680	210,900	13,387	14.60	3,079
Dolphin Hotels PLC	15,000	533	55.20	828	25,000	888	44.90	1,123
Eden Hotel Lanka PLC	737,343	41,764	25.70	18,950	722,850	41,399	29.00	20,963
Galadari Hotels (Lanka) PLC	479,146	7,158	14.50	6,948	-	-	-	-
John Keells Hotels PLC	864,428	14,050	17.00	14,695	-	-	-	-
Marawila Resorts PLC	529,584	3,849	6.00	3,178	50,000	631	5.30	265
Palm Garden Hotels PLC	36,868	4,845	80.00	2,949	24,020	3,971	62.60	1,504
Pegasus Hotels of Ceylon PLC	-	-	-	-	29,968	1,240	35.10	1,052
Serendib Hotels PLC - Non voting	39,037	958	23.30	910	40,940	702	15.60	639
Tal Lanka Hotels PLC	447,400	30,043	34.40	15,391	447,400	30,043	27.80	12,438
Tangerine Beach Hotels PLC	50,000	5,056	83.80	4,190	50,000	5,056	68.00	3,400
The Fortress Resorts PLC	1,461,100	50,506	16.90	24,693	1,461,100	50,506	13.40	19,579
The Kingsbury PLC	2,122,089	44,759	18.00	38,198	2,836,984	60,406	13.20	37,448
The Lighthouse Hotel PLC	100,000	6,124	55.00	5,500	108,000	6,592	44.00	4,752
Trans Asia Hotels PLC	477,200	48,407	92.10	43,950	477,200	48,407	79.90	38,128
		783,293		592,382		662,233		418,696
Information Technology								
PC House PLC	-	-	-	-	343,278	2,432	0.60	206
						2,432		206
Investment Trust								
Ceylon Guardian Investment Trust PLC	96,700	30,682	194.90	18,847	67,200	24,709	181.90	12,224
Ceylon Investment PLC	478,020	76,512	97.50	46,607	442,000	72,718	77.00	34,034
Gurdian Capital Partners PLC	18,472	1,006	43.50	804	18,470	1,538	29.00	536
Lanka Century Investments PLC	437,500	24,109	15.60	6,825	385,000	23,271	14.10	5,429
Renuka Holdings PLC	651,632	24,363	31.50	20,526	560,569	38,980	30.60	17,153
		156,672		93,609		161,216		69,376

Notes to the Financial Statements

24 Financial assets - Held for trading (Contd.)

As at 31 December	Group							
	2014				2013			
	No of ordinary shares	Cost of invest- ment LKR'000	Market price per share LKR	Market value LKR'000	No of ordinary shares	Cost of invest- ment LKR'000	Market price per share LKR	Market value LKR'000
24.1 Quoted equities (Contd.)								
Land and Property								
Colombo Land & Development Company PLC	231,283	9,274	36.80	8,511	80,500	4,254	39.20	3,156
C T Land Development PLC	-	-	-	-	1,025,674	33,138	30.90	31,693
East West Properties PLC	195,393	2,837	12.80	2,501	307,216	4,649	11.50	3,533
Equity One PLC	26,664	977	44.50	1,187	29,540	2,051	26.20	774
Seylan Developments PLC	30,066	436	14.10	424	55,000	508	9.00	495
On'ally Holdings PLC	-	-	-	-	1,282	105	47.50	61
Overseas Realty (Ceylon) PLC	122,987	3,092	26.30	3,235	460,050	8,075	18.30	8,419
		16,616		15,858		52,780		48,131
Manufacturing								
Abans Electricals PLC	149,953	21,416	118.50	17,769	25,200	6,507	105.10	2,649
ACL Cables PLC	488,824	35,505	76.40	37,346	201,719	14,396	64.90	13,092
ACL Plastics PLC	12,200	1,639	125.00	1,525	-	-	-	-
Acme Printing & Packaging PLC	1,078,700	35,020	11.00	11,866	1,310,700	41,289	9.70	12,714
Alumex PLC	196,882	2,756	15.90	3,130	-	-	-	-
Bogala Graphite Lanka PLC	34,830	878	31.30	1,090	34,829	1,416	18.40	641
Central Industries PLC	203,128	15,638	86.00	17,469	193,627	14,757	55.50	10,746
Ceylon Grain Elevators PLC	155,410	20,281	41.00	6,372	120,410	18,771	35.50	4,275
Chevron Lubricants Lanka PLC	31,557	10,850	399.60	12,610	-	-	-	-
Dankotuwa Porcelain PLC	188,753	2,747	14.50	2,737	-	-	-	-
Dipped Products PLC	-	-	-	-	792,400	98,031	90.00	71,316
Hayleys Fibre PLC	145,300	7,867	42.60	6,190	146,423	7,914	25.00	3,661
Kelani Cables PLC	-	-	-	-	1,070	81	74.00	79
Kelani Tyres PLC	743,796	53,019	78.80	58,611	800,130	42,343	49.50	39,606
Lanka Aluminium Industries PLC	-	-	-	-	37,500	1,476	29.60	1,110
Lanka Cement PLC	9,583,809	83,858	6.60	63,253	9,639,259	85,790	6.60	63,619
Lanka Tiles PLC	973,200	130,512	110.00	107,052	973,200	130,512	78.90	76,785
Lanka Walltiles PLC	409,515	37,754	97.30	39,846	410,040	37,802	53.90	22,101
Laxapana Batteries PLC	-	-	-	-	188,935	1,297	4.00	756
Orient Garments PLC	348,900	10,906	15.00	5,234	348,900	10,906	8.00	2,791
Pelwatte Sugar Industries PLC	68,400	2,925	23.50	1,607	68,400	2,925	23.50	1,607
Piramal Glass Ceylon PLC	3,288,600	32,322	4.90	16,114	6,144,534	53,500	4.50	27,650
Printcare PLC	-	-	-	-	25,000	1,293	27.00	675
Royal Ceramics Lanka PLC	1,799,958	211,263	116.90	210,415	756,339	91,876	84.60	63,986
Sierra Cables PLC	2,400	14	3.90	9	92,400	477	1.80	166
Textured Jersey Lanka PLC	1,007,754	18,387	20.60	20,760	980,308	14,413	15.20	14,901
Tokyo Cement Company (Lanka) PLC - Voting	-	-	-	-	894,477	24,944	28.50	25,493
Tokyo Cement Company (Lanka) PLC - Non voting	513,007	20,948	46.90	24,060	882,820	33,213	23.40	20,658
		756,505		665,065		735,929		481,077

As at 31 December	Group							
	2014				2013			
	No of ordinary shares	Cost of investment LKR'000	Market price per share LKR	Market value LKR'000	No of ordinary shares	Cost of investment LKR'000	Market price per share LKR	Market value LKR'000
Motors								
C M Holdings PLC	66,857	19,533	129.10	8,631	52,285	17,671	83.60	4,371
Diesel & Motor Engineering PLC	36,356	55,836	636.00	23,122	37,356	56,948	481.00	17,968
Sathosa Motors PLC	20,648	7,944	245.00	5,059	30,980	11,824	259.10	8,027
United Motors Lanka PLC	264,916	27,230	103.60	27,445	40,000	5,015	113.70	4,548
		110,543		64,257		91,458		34,914
Oil Palms								
Bukit Darah PLC	47,957	37,098	715.00	34,289	47,957	37,098	619.90	29,729
		37,098		34,289		37,098		29,729
Plantations								
Agalawatte Plantations PLC	52,830	4,825	27.10	1,432	52,830	4,864	23.90	1,263
Balangoda Plantations PLC	517,609	16,972	26.50	13,717	39,734	2,843	31.00	1,232
Elpitiya Plantations PLC	225,379	5,667	22.70	5,116	700	22	16.60	12
Horana Plantations PLC	513,000	43,752	24.10	12,363	513,000	43,752	23.80	12,209
Kahawatte Plantations PLC	838,629	33,921	35.50	29,771	931,300	37,669	38.80	36,134
Kegalle Plantations PLC	63,600	15,004	94.00	5,978	50,600	13,703	102.90	5,207
Kotagala Plantations PLC	623,762	40,085	31.60	19,711	499,665	35,366	37.00	18,488
Namunukula Plantations PLC	80,000	12,458	89.40	7,152	80,000	12,458	84.70	6,776
Talawakelle Tea Estate PLC	85,025	2,970	33.00	2,806	-	-	-	-
Watawala Plantations PLC	350,100	10,998	18.80	6,582	375,190	11,302	9.90	3,714
		186,652		104,628		161,979		85,035
Power and Energy								
F L C Hydro Power PLC	173,194	1,427	5.70	987	223,194	1,839	5.00	1,116
Lanka IOC PLC	100,000	6,000	60.00	6,000	-	-	-	-
Laugfs Gas PLC - Voting	176,227	4,955	40.50	7,137	177,227	5,118	28.40	5,033
Laugfs Gas PLC - Non voting	3,421,628	142,778	37.20	127,285	3,303,490	136,439	21.50	71,025
Panasian Power PLC	1,029,200	6,407	3.20	3,293	1,029,200	6,407	2.50	2,573
Resus Energy PLC	1,290,582	49,020	18.10	23,360	1,320,051	50,346	17.60	23,233
Vallibel Power Erathna PLC	1,650,000	14,025	7.20	11,880	1,298,650	11,713	5.80	7,532
		224,612		179,942		211,862		110,512
Services								
John Keells PLC	250,200	22,759	90.30	22,593	41,287	3,426	71.20	2,940
Kalamazoo Systems PLC	135	172	1,133.20	153	109	194	1,033.30	113
		22,931		22,746		3,620		3,053

Notes to the Financial Statements

24 Financial assets - Held for trading (Contd.)

As at 31 December	Group							
	2014				2013			
	No of ordinary shares	Cost of investment LKR'000	Market price per share LKR	Market value LKR'000	No of ordinary shares	Cost of investment LKR'000	Market price per share LKR	Market value LKR'000
24.1 Quoted equities (Contd.)								
Stores and Supplies								
Colombo City Holdings PLC	1,215	792	627.50	762	-	-	-	-
Hunters & Company PLC	27,100	21,923	386.20	10,466	27,100	21,923	271.50	7,358
		22,715		11,228		21,923		7,358
Telecommunications								
Dialog Axiata PLC	812,308	9,200	13.30	10,804	7,279,132	76,523	9.00	65,512
Sri Lanka Telecom PLC	214,000	7,496	49.90	10,679	214,000	7,496	37.00	7,918
		16,696		21,483		84,019		73,430
Trading								
Brown & Company PLC	418,073	85,293	107.00	44,734	321,700	74,867	82.70	26,605
Ceylon & Foreign Trades PLC	930,100	9,575	7.50	6,976	1,524,110	15,687	6.40	9,754
C. W. Mackie PLC	42,483	3,060	59.00	2,506	21,700	1,806	60.80	1,319
Tess Agro PLC - Non voting	165,570	215	1.30	215	-	-	-	-
Singer Sri Lanka PLC	23,985	2,492	117.90	2,828	47,437	4,879	89.00	4,222
		100,635		57,259		97,239		41,900
Total quoted equities		4,479,076		3,518,833		4,097,962		2,583,212

As at 31 December	Group							
	2014				2013			
	No of units	Cost of investment LKR'000	Market price per unit LKR	Market value LKR'000	No of units	Cost of investment LKR'000	Market price per unit LKR	Market value LKR'000
24.2 Quoted units in unit trusts								
Namal Acuity Value Fund	30,900	2,863	90.10	2,784	30,900	2,863	66.50	2,055
Total quoted units in unit trusts		2,863		2,784		2,863		2,055

As at 31 December	Group						
	2014			2013			
	No of debentures	Cost of investment LKR '000	Market value LKR '000	No of debentures	Cost of investment LKR '000	Market value LKR '000	Market value LKR '000
24.3 Quoted debt securities							
Commercial Credit and Finance PLC	20,000	2,141	2,504	-	-	-	-
Total quoted debt securities		2,141	2,504		-	-	-

As at 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
25 Financial investments - Loans and receivables				
Sri Lanka Development Bonds [Note 25.1]	113,120,697	113,184,772	113,120,697	113,184,772
Government of Sri Lanka Restructuring Bonds [Note 25.2]	8,968,474	8,968,474	8,968,474	8,968,474
Debentures [Note 25.3]	2,086,851	1,727,207	1,974,776	1,600,933
Trust certificates [Note 25.4]	85,667	49,995	85,667	78,217
Commercial papers [Note 25.5]	101,465	105,341	139,358	340,112
Government securities - Other countries	4,782,176	5,072,824	4,782,176	5,072,824
Other investments	-	-	895,658	944,964
Total financial investments - Loans and receivables	129,145,330	129,108,613	129,966,806	130,190,296

As at 31 December	Bank/Group					
	2014			2013		
	Date of maturity	Cost of investment LKR '000	Carrying value LKR '000	Date of maturity	Cost of investment LKR '000	Carrying value LKR '000
25.1 Sri Lanka Development Bonds (US Dollar bonds)						
6 months LIBOR plus 230 basis points	-	-	-	16.03.2014	3,927,150	3,963,478
6 months LIBOR plus 225 basis points	-	-	-	13.03.2014	6,545,250	6,604,681
6 months LIBOR plus 365 basis points	-	-	-	29.06.2014	3,272,625	3,273,345
6 months LIBOR plus 365 basis points	-	-	-	18.08.2014	1,963,575	1,993,497
6 months LIBOR plus 265 basis points	16.03.2015	9,862,875	9,949,993	-	-	-
6 months LIBOR plus 385 basis points	26.03.2015	657,525	664,897	26.03.2015	654,525	661,930
6 months LIBOR plus 400 basis points	22.02.2016	2,630,100	2,671,699	22.02.2016	2,618,100	2,660,408
6 months LIBOR plus 325 basis points	30.06.2017	1,972,575	1,972,967	-	-	-
6 months LIBOR plus 375 basis points	30.06.2017	3,287,625	3,288,368	-	-	-
6 months LIBOR plus 415 basis points	01.07.2018	92,457,220	94,572,773	01.07.2018	92,035,378	94,027,433
Total Sri Lanka Development Bonds		110,867,920	113,120,697		111,016,603	113,184,772

As at 31 December	Bank/Group						
					2014		2013
	Rate	Date of issue	Date of maturity	Cost of investment LKR '000	Carrying value LKR '000	Cost of investment LKR '000	Carrying value LKR '000
25.2 Government of Sri Lanka Restructuring Bonds							
For recapitalization purposes	12%	24.09.1993	24.03.2023	4,780,000	5,015,714	4,780,000	5,015,714
For settlement of loans	12%	24.03.1993	24.03.2023	3,767,000	3,952,760	3,767,000	3,952,760
Total Government of Sri Lanka Restructuring Bonds				8,547,000	8,968,474	8,547,000	8,968,474

Notes to the Financial Statements

25 Financial investments - Loans and receivables (Contd.)

As at 31 December	Bank					
	2014			2013		
	No of debentures	Cost of investment LKR '000	Amortized cost LKR '000	No of debentures	Cost of investment LKR '000	Amortized cost LKR '000
25.3 Debentures						
Abans (Private) Limited						
Fixed rate of 14.00% LKR 100/- each maturing in December 2016	720,700	72,070	77,153	720,700	72,070	72,364
Alliance Finance Company PLC						
Fixed rate of 18.50% LKR 100/- each maturing in September 2015	1,000,000	100,000	104,667	1,000,000	100,000	104,664
Central Finance Company PLC						
Fixed rate of 14.25% LKR 1,000/- each maturing in June 2016	8,800	8,800	9,113	8,800	8,800	9,112
HDFC Bank of Sri Lanka						
Fixed rate of 15.00% LKR 100/- each maturing in October 2017	779,400	77,940	80,883	779,400	77,940	79,947
Hayleys PLC						
Fixed rate of 14.25% LKR 1,000/- each maturing in July 2016	57,700	57,700	59,759	57,700	57,700	59,766
Hemas Holdings PLC						
Fixed rate of 11.00% LKR 100/- each maturing in April 2019	173,500	17,350	17,818	-	-	-
Kotagala Plantations PLC						
Fixed rate of 14.25% LKR 100/- each maturing in May 2018	165,975	16,598	18,019	-	-	-
Fixed rate of 14.50% LKR 100/- each maturing in May 2019	165,975	16,598	17,806	-	-	-
Fixed rate of 14.75% LKR 100/- each maturing in May 2020	165,975	16,598	17,826	-	-	-
Fixed rate of 15.00% LKR 100/- each maturing in May 2021	165,975	16,598	17,847	-	-	-
Lanka Orix Leasing Company PLC						
Fixed rate of 11.70% LKR 100/- each maturing in September 2015	1,000,000	100,000	105,907	1,000,000	100,000	105,881
Fixed rate of 9.00% LKR 100/- each maturing in November 2019	1,000,000	100,000	100,907	-	-	-
LB Finance PLC						
Fixed rate of 12.30% LKR 100/- each maturing in December 2016	1,000,000	100,000	100,864	100,000	100,000	100,872
Fixed rate of 15.00% LKR 100/- each maturing in November 2018	445,200	44,520	51,337	445,200	44,520	45,068

As at 31 December	Bank					
	2014			2013		
	No of debentures	Cost of investment LKR '000	Amortized cost LKR '000	No of debentures	Cost of investment LKR '000	Amortized cost LKR '000
Merchant Bank of Sri Lanka & Finance PLC						
Fixed rate of 11.60% LKR 100/- each maturing in November 2014	-	-	-	1,400,000	140,000	148,203
Fixed rate of 16.70% LKR 100/- each maturing in March 2018	938,600	93,860	97,845	938,600	93,860	97,807
Fixed rate of 9.00% LKR 100/- each maturing in November 2019	1,135,200	113,520	114,816	-	-	-
National Development Bank PLC						
Fixed rate of 13.42% LKR 100/- each maturing in December 2018	542,700	54,270	57,823	542,700	54,270	54,495
People's Leasing Company PLC						
Fixed rate of 11.55% LKR 100/- each maturing in December 2014	-	-	-	1,000,000	100,000	105,833
Fixed rate of 9.63% LKR 100/- each maturing in September 2018	73,500	7,350	7,535	-	-	-
Richard Pieris Company PLC						
Fixed rate of 10.75% LKR 100/- each maturing in May 2017	156,500	15,650	16,062	-	-	-
Sampath Bank PLC						
Fixed rate of 8.25% LKR 100/- each maturing in December 2019	1,000,000	100,000	100,348	-	-	-
Sampath Leasing & Factoring Limited						
Fixed rate of 16.65% LKR 100/- each maturing in July 2015	500,000	50,000	54,211	500,000	50,000	54,196
Senkadagala Finance PLC						
Fixed rate of 17.00% LKR 100/- each maturing in May 2016	181,097	18,110	18,877	181,097	18,110	18,875
Fixed rate of 15.00% LKR 100/- each maturing in December 2018	817,653	81,765	82,462	817,653	81,765	82,426
Seylan Bank PLC						
Fixed rate of 8.60% LKR 100/- each maturing in December 2019	1,500,000	150,000	150,271	-	-	-
Singer Sri Lanka PLC						
Fixed rate of 17.00% LKR 100/- each maturing in October 2015	377,713	37,771	37,761	377,713	37,771	37,761
Softlogic Finance PLC						
Fixed rate of 10.00% LKR 100/- each maturing in August 2019	190,900	19,090	19,565	-	-	-
Urban Development Authority						
Fixed rate of 11.00% LKR 100/- each maturing in October 2015	5,352,400	538,266	549,369	5,352,400	538,266	549,937
Total debentures		2,024,424	2,086,851		1,675,072	1,727,207

Notes to the Financial Statements

25 Financial investments - Loans and receivables (Contd.)

25.3 Debentures (Contd.)

As at 31 December	Group					
	2014			2013		
	No of debentures	Cost of investment LKR '000	Amortized cost LKR '000	No of debentures	Cost of investment LKR '000	Amortized cost LKR '000
Abans (Private) Limited						
Fixed rate of 14.00% LKR 100/- each maturing in December 2016	720,700	72,070	77,153	720,700	72,070	72,364
Alliance Finance Company PLC						
Fixed rate of 18.50% LKR 100/- each maturing in September 2015	1,000,000	100,000	104,667	1,000,000	100,000	104,664
Central Finance Company PLC						
Fixed rate of 14.25% LKR 1,000/- each maturing in June 2016	8,800	8,800	9,113	8,800	8,800	9,112
HDFC Bank of Sri Lanka						
Fixed rate of 15.00% LKR 100/- each maturing in October 2017	779,400	77,940	80,883	779,400	77,940	79,947
Hayleys PLC						
Fixed rate of 14.25% LKR 1,000/- each maturing in July 2016	57,700	57,700	59,759	57,700	57,700	59,766
Hemas Holdings PLC						
Fixed rate of 11.00% LKR 100/- each maturing in April 2019	173,500	17,350	17,818	-	-	-
Kotagala Plantations PLC						
Fixed rate of 14.25% LKR 100/- each maturing in May 2018	165,975	16,598	18,019	-	-	-
Fixed rate of 14.50% LKR 100/- each maturing in May 2019	165,975	16,598	17,806	-	-	-
Fixed rate of 14.75% LKR 100/- each maturing in May 2020	165,975	16,598	17,826	-	-	-
Fixed rate of 15.00% LKR 100/- each maturing in May 2021	165,975	16,598	17,847	-	-	-
Lanka Orix Leasing Company PLC						
Fixed rate of 11.70% LKR 100/- each maturing in September 2015	1,050,000	105,000	111,151	1,050,000	105,000	111,141
Fixed rate of 9.00% LKR 100/- each maturing in November 2019	1,000,000	100,000	100,907	-	-	-
LB Finance PLC						
Fixed rate of 12.30% LKR 100/- each maturing in December 2016	1,000,000	100,000	100,864	100,000	100,000	100,872
Fixed rate of 15.00% LKR 100/- each maturing in November 2018	445,200	44,520	51,337	445,200	44,520	45,068
National Development Bank PLC						
Fixed rate of 13.42% LKR 100/- each maturing in December 2018	542,700	54,270	57,823	542,700	54,270	54,495

As at 31 December	Group					
	2014			2013		
	No of debentures	Cost of investment LKR '000	Amortized cost LKR '000	No of debentures	Cost of investment LKR '000	Amortized cost LKR '000
People's Leasing Company PLC						
Fixed rate of 11.30% LKR 1,000/- each maturing in June 2014	-	-	-	200,000	20,000	21,139
Fixed rate of 11.55% LKR 100/- each maturing in December 2014	-	-	-	1,000,000	100,000	105,833
Fixed rate of 17.00% LKR 100/- each maturing in March 2018	500,000	50,000	58,445	500,000	50,000	56,434
Fixed rate of 9.63% LKR 100/- each maturing in September 2018	73,500	7,350	7,535	-	-	-
Richard Pieris Company PLC						
Fixed rate of 10.75% LKR 100/- each maturing in May 2017	156,500	15,650	16,062	-	-	-
Sampath Bank PLC						
Fixed rate of 8.25% LKR 100/- each maturing in December 2019	1,000,000	100,000	100,348	-	-	-
Sampath Leasing & Factoring Limited						
Fixed rate of 16.65% LKR 100/- each maturing in July 2015	500,000	50,000	54,211	500,000	50,000	54,196
Senkadagala Finance PLC						
Fixed rate of 17.00% LKR 100/- each maturing in May 2016	362,194	36,220	37,758	362,194	36,220	37,749
Fixed rate of 15.00% LKR 100/- each maturing in December 2018	817,653	81,765	82,462	817,653	81,765	82,426
Seylan Bank PLC						
Fixed rate of 15.50% LKR 100/- each maturing in February 2018	150,000	15,000	17,018	150,000	15,000	17,019
Fixed rate of 8.60% LKR 100/- each maturing in December 2019	1,500,000	150,000	150,271	-	-	-
Singer Sri Lanka PLC						
Fixed rate of 15.50% LKR 100/- each maturing in July 2015	10,000	1,000	998	10,000	1,000	1,010
Fixed rate of 17.00% LKR 100/- each maturing in October 2015	377,713	37,771	37,761	377,713	37,771	37,761
Softlogic Finance PLC						
Fixed rate of 10.00% LKR 100/- each maturing in August 2019	190,900	19,090	19,565	-	-	-
Urban Development Authority						
Fixed rate of 11.00% LKR 100/- each maturing in October 2015	5,352,400	538,266	549,369	5,352,400	538,266	549,937
Total debentures		1,906,154	1,974,776		1,550,322	1,600,933

Notes to the Financial Statements

25 Financial investments - Loans and receivables (Contd.)

As at 31 December	Bank				Group			
	2014		2013		2014		2013	
	Cost of investment LKR '000	Carrying value LKR '000	Cost of investment LKR '000	Carrying value LKR '000	Cost of investment LKR '000	Carrying value LKR '000	Cost of investment LKR '000	Carrying value LKR '000
25.4 Trust certificates								
Associated Motor Finance Company PLC	-	-	-	-	-	-	14,550	14,550
Commercial Credit and Finance PLC	75,660	85,667	-	-	75,660	85,667	-	-
Mercantile Investments and Finance PLC	-	-	-	-	-	-	12,000	13,672
Senkadagala Finance PLC	-	-	22,592	28,169	-	-	22,592	28,169
Vallibel Finance PLC	-	-	17,579	21,826	-	-	17,579	21,826
Total trust certificates	75,660	85,667	40,171	49,995	75,660	85,667	66,721	78,217
25.5 Commercial papers								
Abans (Private) Limited	-	-	98,877	105,341	-	-	98,877	105,341
First Capital Holdings PLC	-	-	-	-	33,980	37,893	33,980	34,771
Commercial Credit and Finance PLC	-	-	-	-	-	-	100,000	100,000
Softlogic Finance PLC	99,590	101,465	-	-	99,590	101,465	100,000	100,000
Total commercial papers	99,590	101,465	98,877	105,341	133,570	139,358	332,857	340,112

26 Loans and advances to customers

26.1 Net loans and advances to customers

As at 31 December	2014				2013			
	Individually significant loans		Total		Individually significant loans		Total	
	LKR '000	Retail loans LKR '000	Staff loans LKR '000	Total LKR '000	LKR '000	Retail loans LKR '000	Staff loans LKR '000	Total LKR '000
26.1.1 Bank								
Gross loans and advances	434,156,401	330,540,200	12,808,314	777,504,915	397,512,598	344,935,201	12,937,347	755,385,146
Less : Individual impairment	10,057,121	-	80,881	10,138,002	7,994,362	-	136,405	8,130,767
Collective impairment	472,421	25,546,857	-	26,019,278	295,583	21,626,830	-	21,922,413
Net loans and advances	423,626,859	304,993,343	12,727,433	741,347,635	389,222,653	323,308,371	12,800,942	725,331,966
26.1.2 Group								
Gross loans and advances	443,107,569	345,645,854	12,831,052	801,584,475	403,691,920	361,082,306	13,153,138	777,927,364
Less : Individual impairment	10,844,181	-	80,881	10,925,062	8,623,763	-	136,405	8,760,168
Collective impairment	482,644	26,404,717	-	26,887,361	310,473	22,284,904	-	22,595,377
Net loans and advances	431,780,744	319,241,137	12,750,171	763,772,052	394,757,684	338,797,402	13,016,733	746,571,819

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
26.2 Movement in individual and collective impairment for loans and advances to customers				
26.2.1 Movement in individual impairment				
As at 1 January	8,130,767	8,969,765	8,760,168	8,991,553
Charge during the year	2,721,983	287,989	3,110,171	461,633
Amount recovered / reversed during the year	(714,748)	(1,126,987)	(714,748)	(1,126,987)
Amount written off	-	-	(345)	(412)
Other movements	-	-	(230,184)	434,381
As at 31 December	10,138,002	8,130,767	10,925,062	8,760,168
26.2.2 Movement in collective impairment				
As at 1 January	21,922,413	13,977,744	22,595,377	14,781,310
Charge during the year	5,203,681	7,761,900	5,536,102	7,996,490
Amount written off	(54,691)	(50,371)	(224,057)	(101,201)
Other movements	3,669	233,140	35,733	(81,222)
Impairment adjustment for gold stock*	(1,055,794)	-	(1,055,794)	-
As at 31 December	26,019,278	21,922,413	26,887,361	22,595,377
Total individual and collective impairment	36,157,280	30,053,180	37,812,423	31,355,545

* This represents the impairment charge relating to the auction rejected pawned articles devolved by the Bank during the year.

As at 31 December	2014			2013		
	Local currency loans LKR '000	Foreign currency loans LKR '000	Total LKR '000	Local currency loans LKR '000	Foreign currency loans LKR '000	Total LKR '000
26.3 Analysis of gross loans and advances - By product						
26.3.1 Bank						
Term loans	124,099,056	186,862,571	310,961,627	107,828,340	171,111,928	278,940,268
Loans under schemes	35,334,191	825,587	36,159,778	34,017,331	-	34,017,331
Housing loans	38,169,603	-	38,169,603	33,711,540	-	33,711,540
Trade finance	16,892,456	43,908,470	60,800,926	17,431,503	44,011,953	61,443,456
Personal loans	57,902,737	-	57,902,737	40,882,088	-	40,882,088
Overdrafts	127,539,066	12,965,821	140,504,887	117,018,469	9,283,688	126,302,157
Credit cards	2,829,387	-	2,829,387	2,651,703	-	2,651,703
Lease rentals receivable [Note 26.5]	30,239,149	598,066	30,837,215	22,044,606	641,727	22,686,333
Pawning	76,434,744	-	76,434,744	131,386,116	-	131,386,116
Foreclosed properties	657,434	480,139	1,137,573	839,056	-	839,056
Staff loans	12,808,314	12,937	12,821,251	12,937,347	-	12,937,347
Other	7,303,635	1,641,552	8,945,187	9,587,751	-	9,587,751
Gross loans and advances	530,209,772	247,295,143	777,504,915	530,335,850	225,049,296	755,385,146

Notes to the Financial Statements

26 Loans and advances to customers (Contd.)

26.3 Analysis of gross loans and advances - By product (Contd.)

As at 31 December	2014			2013		
	Local currency loans LKR '000	Foreign currency loans LKR '000	Total LKR '000	Local currency loans LKR '000	Foreign currency loans LKR '000	Total LKR '000
26.3.2 Group						
Term loans	130,526,349	188,313,799	318,840,148	112,094,142	172,299,818	284,393,960
Loans under schemes	35,761,416	825,587	36,587,003	34,665,221	-	34,665,221
Housing loans	38,195,506	301,370	38,496,876	33,711,540	300,912	34,012,452
Trade finance	17,878,989	43,908,470	61,787,459	18,328,059	44,011,953	62,340,012
Personal loans	58,991,509	-	58,991,509	41,501,777	-	41,501,777
Overdrafts	127,490,619	12,965,821	140,456,440	116,943,334	9,687,350	126,630,684
Credit cards	2,829,387	-	2,829,387	2,651,703	-	2,651,703
Lease rentals receivable [Note 26.5]	43,173,127	598,066	43,771,193	32,352,554	641,727	32,994,281
Pawning	76,608,119	-	76,608,119	131,660,366	-	131,660,366
Foreclosed properties	657,434	480,139	1,137,573	839,056	-	839,056
Staff loans	13,057,327	31,261	13,088,588	13,147,526	5,612	13,153,138
Other	7,348,628	1,641,552	8,990,180	13,084,714	-	13,084,714
Gross loans and advances	552,518,410	249,066,065	801,584,475	550,979,992	226,947,372	777,927,364

As at 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
26.4 Analysis of gross loans and advances - By currency				
Sri Lankan Rupee	530,209,772	530,335,850	552,518,410	550,979,992
United States Dollar	234,853,588	210,686,897	234,853,588	211,391,470
Great Britain Pound	399,683	400,856	2,170,605	1,594,359
Euro	447,480	1,264,644	447,480	1,264,644
Maldivian Rufiyaa	7,668,892	9,481,549	7,668,892	9,481,549
Indian Rupee	3,886,909	3,052,378	3,886,909	3,052,378
Other currencies	38,591	162,972	38,591	162,972
Gross loans and advances	777,504,915	755,385,146	801,584,475	777,927,364
26.5 Lease rentals receivable				
Gross lease rentals receivable				
Less than one year	13,703,533	10,303,899	17,946,217	15,070,619
One to five years	24,190,374	17,634,964	35,854,360	26,394,153
More than five years	43,169	14,800	43,169	14,800
	37,937,076	27,953,663	53,843,746	41,479,572
Unearned finance income	(7,099,861)	(5,267,330)	(10,072,553)	(8,485,291)
Gross lease rentals receivable	30,837,215	22,686,333	43,771,193	32,994,281
Allowance for impairment losses	(1,406,191)	(606,205)	(2,161,554)	(1,072,805)
Net lease rentals receivable	29,431,024	22,080,128	41,609,639	31,921,476

As at 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
27 Financial investments - Available for sale				
Quoted investments				
Treasury bills - Investment fund account	-	11,110	-	168,008
Treasury bonds - Investment fund account	-	-	-	449,531
Treasury bills	1,932,324	440,100	2,599,681	602,834
Treasury bonds	478,575	23,536	1,477,887	664,390
Government securities - Other countries	1,383,460	1,186,224	1,593,537	1,408,777
Equities and unit trusts [Note 27.1]	10,144,583	7,023,942	11,496,886	7,894,394
	13,938,942	8,684,912	17,167,991	11,187,934
Unquoted investments				
Equities [Note 27.2]	422,601	1,640,302	443,169	1,664,511
Total financial investments - Available for sale	14,361,543	10,325,214	17,611,160	12,852,445

As at 31 December	2014			2013		
	No of ordinary shares / units	Cost of investment LKR'000	Market value LKR '000	No of ordinary shares / units	Cost of investment LKR'000	Market value LKR '000
27.1 Quoted equities and unit trusts - Bank						
27.1.1 Quoted equity shares						
National Development Bank PLC	16,371,076	691,862	4,092,769	16,371,076	691,862	2,627,558
People's Leasing & Finance PLC	11,453,600	206,165	280,613	11,453,600	206,165	153,478
Seylan Bank PLC	13,198,305	466,700	1,253,839	13,198,305	466,700	847,331
		1,364,727	5,627,221		1,364,727	3,628,367
27.1.2 Units in unit trusts						
Ceybank Unit Trust	116,860,134	1,772,504	3,774,582	109,257,002	1,553,990	2,819,923
Ceybank Century Growth Fund	8,284,896	146,101	628,741	8,036,697	130,027	459,297
Ceybank Surekum Gilt Edged Fund	11,007,965	110,246	114,039	11,007,965	110,246	116,355
		2,028,851	4,517,362		1,794,263	3,395,575
Total quoted equities and unit trusts		3,393,578	10,144,583		3,158,990	7,023,942
27.1 Quoted equities and unit trusts - Group						
27.1.3 Quoted equity shares						
National Development Bank PLC	16,371,076	691,862	4,092,769	16,371,076	691,862	2,627,558
People's Leasing & Finance PLC	11,453,600	206,165	280,613	11,453,600	206,165	153,478
Seylan Bank PLC	13,198,305	466,700	1,253,839	13,198,305	466,700	847,331
The Lanka Hospital Corporation PLC	21,329,000	213,290	1,023,792	21,329,000	213,290	863,824
		1,578,017	6,651,013		1,578,017	4,492,191

Notes to the Financial Statements

27 Financial investments - Available for sale (Contd.)

27.1 Quoted equities and unit trusts - Group (Contd.)

As at 31 December	2014			2013		
	No of ordinary shares / units	Cost of investment LKR'000	Market value / Fair value LKR '000	No of ordinary shares / units	Cost of investment LKR'000	Market value / Fair value LKR '000
27.1.4 Units in unit trusts						
Ceybank Unit Trust	116,860,134	1,772,504	3,774,582	109,257,002	1,553,990	2,819,923
Ceybank Century Growth Fund	8,284,896	146,101	628,741	8,036,697	130,027	459,297
Ceybank Surekum Gilt Edged Fund	11,007,965	110,246	114,039	11,007,965	110,246	116,355
Comtrust Money Market Fund	163,821	1,500	1,919	163,821	1,500	1,628
Eagle Money Plus Fund	24,187,135	318,154	321,120	-	-	-
First Capital Asset Management Limited	4,725	5,000	5,472	4,725	5,000	5,000
		2,353,505	4,845,873		1,800,763	3,402,203
Total quoted equities and unit trusts		3,931,522	11,496,886		3,378,780	7,894,394
27.2 Unquoted Investments - Bank						
27.2.1 Unquoted equity shares						
Credit Information Bureau of Sri Lanka	46,600	41,542	41,542	46,900	41,810	41,810
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	-	194,884	-	-	-
Regional Development Bank	16,418,448	162,300	162,300	7,418,448	72,000	112,167
SriLankan Airlines Limited	-	-	-	12,115,571	3,250,450	1,462,450
		232,072	422,601		3,392,490	1,640,302
Fair value adjustment		194,884			40,167	
Provision for impairment [Note 27.3]		(4,355)			(1,792,355)	
Total unquoted investments		422,601	422,601		1,640,302	1,640,302
27.2 Unquoted Investments - Group						
27.2.2 Unquoted equity shares						
Ceylinc Investment Company Limited	500,000	5,000	-	500,000	5,000	-
Credit Information Bureau of Sri Lanka	47,040	41,585	41,585	47,430	41,864	41,864
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 Export Limited	300,000	4,355	-	300,000	4,355	-
MasterCard Incorporated	17,200	-	194,884	-	-	-
Mega Containers Limited	1,000,000	10,000	19,760	1,000,000	10,000	19,790
Regional Development Bank	16,418,448	162,300	162,300	7,418,448	72,000	112,167
Ranwan Industries (Private) Limited	165,790	3,600	-	165,790	3,600	3,600
SriLankan Airlines Limited	-	-	-	12,115,571	3,250,450	1,462,450
UB Finance Company Limited	2,506,562	17,546	765	2,506,562	17,546	765
		268,261	443,169		3,428,690	1,664,511
Fair value adjustment		201,044			49,957	
Provision for impairment [Note 27.3]		(26,136)			(1,814,136)	
Total unquoted investments		443,169	443,169		1,664,511	1,664,511

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
As at 31 December				
27.3 Movement in provision for impairment on unquoted investments				
Balance as at 1 January	1,792,355	1,792,355	1,814,136	1,806,128
Provision made / (reversal) during the year	(1,788,000)	-	(1,788,000)	(8,008)
Balance as at 31 December	4,355	1,792,355	26,136	1,814,136
28 Financial investments - Held to maturity				
28.1 Government securities				
Treasury bills	19,059,875	21,915,732	19,157,253	22,303,978
Treasury bonds	197,457,563	134,984,029	197,512,789	135,036,637
	216,517,438	156,899,761	216,670,042	157,340,615
28.2 Debt securities	-	-	70,090	100,957
	-	-	70,090	100,957
Total financial investments - Held to maturity	216,517,438	156,899,761	216,740,132	157,441,572

The Bank has pledged treasury bonds held to maturity of LKR 57,873.5 million as collateral as at 31 December 2014 (2013 : LKR 44,792.1 million).

29 Investment in subsidiary companies

	Bank	
	2014 LKR '000	2013 LKR '000
As at 31 December		
Investment in quoted subsidiaries [Note 29.3]	2,982,905	2,898,556
Investment in unquoted subsidiaries [Note 29.4]	3,930,143	3,930,143
Total investment in subsidiaries	6,913,048	6,828,699
Provision for impairment of investment in subsidiaries [Note 29.2]	(700,000)	-
Carrying value of investment in subsidiary companies	6,213,048	6,828,699
29.1 Movement in investment in subsidiary companies		
Balance as at 1 January	6,828,699	6,792,848
Increase in investment	84,349	35,851
Balance as at 31 December	6,913,048	6,828,699
29.2 Movement in provision for impairment of investment in subsidiaries		
Balance as at 1 January	-	-
Impairment charge during the year	700,000	-
Balance as at 31 December	700,000	-

Notes to the Financial Statements

29 Investment in subsidiary companies (Contd.)

As at 31 December	2014		2013	
	Cost LKR '000	Market value/ Directors' valuation LKR '000	Cost LKR '000	Market value/ Directors' valuation LKR '000
29.3 Investment in quoted subsidiaries				
Property Development PLC (63,064,957 Ordinary shares)	860,270	6,085,835	775,921	4,098,624
Merchant Bank of Sri Lanka & Finance PLC (97,392,136 Ordinary shares)	2,122,635	1,704,362	2,122,635	1,324,533
Total investment in quoted subsidiaries	2,982,905	7,790,197	2,898,556	5,423,157
29.4 Investment in unquoted subsidiaries				
BOC Management & Support Services (Private) Limited (100,000 Ordinary shares)	1,000	1,000	1,000	1,000
BOC Property Development & Management (Private) Limited (100,999,998 Ordinary shares)	1,010,000	1,010,000	1,010,000	1,010,000
BOC Travels (Private) Limited (250,004 Ordinary shares)	2,500	2,500	2,500	2,500
Bank of Ceylon (UK) Limited (15,000,000 Ordinary shares)	2,683,859	1,983,859	2,683,859	2,683,859
Hotels Colombo (1963) Limited (10,073,667 Ordinary shares)	100,737	100,737	100,737	100,737
MCSL Financial Services Limited (61,499,807 Ordinary shares)	132,047	132,047	132,047	132,047
Total investment in unquoted subsidiaries	3,930,143	3,230,143	3,930,143	3,930,143

	Place of business	Ownership interest % held by the Bank	
		2014	2013
29.5 Information relating to subsidiaries of the Bank			
Property Development PLC (PDL)	Colombo, Sri Lanka	95.55	94.09
Merchant Bank of Sri Lanka & Finance PLC (MBSL) **	Colombo, Sri Lanka	72.14	72.14
BOC Management & Support Services (Private) Limited (MSS)	Colombo, Sri Lanka	100.00	100.00
BOC Property Development & Management (Private) Limited (PDML)	Colombo, Sri Lanka	100.00	100.00
BOC Travels (Private) Limited (TRAVELS)	Colombo, Sri Lanka	100.00	100.00
Hotels Colombo (1963) Limited (HCL)	Colombo, Sri Lanka	99.99	99.99
MCSL Financial Services Limited (MCSL) **	Colombo, Sri Lanka	80.09	80.09
Ceybank Holiday Homes (Private) Limited (HH) *	Colombo, Sri Lanka	100.00	100.00
MBSL Insurance Company Limited (MBSL INS) *	Colombo, Sri Lanka	60.68	56.34
MBSL Savings Bank Limited (MBSL SAV) * & **	Colombo, Sri Lanka	54.25	54.25
Koladeniya Hydropower (Private) Limited (KHP) *	Colombo, Sri Lanka	95.55	94.09
Bank of Ceylon (UK) Limited (UK)	London, United Kingdom	100.00	100.00

* Ceybank Holiday Homes (Private) Limited, MBSL Insurance Company Limited, MBSL Savings Bank Limited and Koladeniya Hydropower (Private) Limited are indirect subsidiaries of Bank of Ceylon.

** MCSL Financial Services Limited and MBSL Savings Bank Limited have been amalgamated with Merchant Bank of Sri Lanka & Finance PLC (formally known as Merchant Bank of Sri Lanka PLC) with effect from 1 January 2015 and will operate as a finance company registered under the Finance Business Act No. 42 of 2011.

	2014					
	PDL	MBSL	MCSL	MBSL INS	MBSL SAV	KHP
29.6 Material Non Controlling Interest (NCI) of subsidiaries						
Equity interest % held by the NCI	4.45	27.86	19.91	39.32	45.75	4.45
Profit / (Loss) allocated during the year (LKR'000)	16,427	67,665	(45,505)	(37,425)	(20,585)	1,688
Accumulated balance of NCI as at 31 December (LKR'000)	153,018	836,539	118,139	175,616	(8,024)	14,258
Dividends paid to NCI (LKR'000)	11,431	18,806	-	-	-	-

	2013					
	PDL	MBSL	MCSL	MBSL INS	MBSL SAV	KHP
Equity interest % held by the NCI	5.91	27.86	19.91	43.66	45.75	5.91
Profit / (Loss) allocated during the year (LKR'000)	23,214	32,580	9,867	(48,596)	(48,684)	2,105
Accumulated balance of NCI as at 31 December (LKR'000)	183,720	774,752	163,529	174,154	11,402	16,699
Dividends paid to NCI (LKR'000)	10,724	18,806	1,421	-	-	-

Notes to the Financial Statements

29 Investment in subsidiary companies (Contd.)

29.7 Summarized financial information of subsidiaries with material non controlling interest

	2014					
	PDL LKR '000	MBSL LKR '000	MCSL LKR '000	MBSL INS LKR '000	MBSL SAV LKR '000	KHP LKR '000
Income Statement						
Total income	742,461	2,539,186	1,774,636	1,431,028	420,822	92,885
Profit/ (Loss) before tax	512,077	326,833	(228,551)	(85,720)	(44,994)	55,080
Profit / (Loss) after tax	369,148	242,876	(228,551)	(85,720)	(44,994)	37,923
Other comprehensive income	158,843	46,401	578	(6,344)	2,534	(59)
Total comprehensive income	527,991	289,277	(227,973)	(92,064)	(42,460)	37,864
Statement of Financial Position						
Total assets	3,919,232	15,527,333	9,743,811	1,749,305	2,728,250	349,318
Total liabilities	480,618	12,524,680	9,150,444	1,302,672	2,497,038	28,904
Net assets	3,438,614	3,002,653	593,367	446,633	231,212	320,414
Dividends paid	198,000	67,500	-	-	-	-
Statement of Cash Flows						
Operating cash flows	215,264	(1,627,251)	306,476	(132,529)	22,047	60,302
Investing cash flows	10,551	(187,854)	(7,448)	(11,350)	(27,515)	951
Financing cash flows	(180,782)	1,459,348	-	199,298	-	-
Net increase / (decrease) in cash and cash equivalents	45,033	(355,757)	299,028	55,419	(5,468)	61,253

2013

	PDL LKR '000	MBSL LKR '000	MCSL LKR '000	MBSL INS LKR '000	MBSL SAV LKR '000	KHP LKR '000
Income Statement						
Total income	755,066	2,355,366	1,673,560	1,461,135	475,261	82,126
Profit/ (Loss) before tax	536,573	175,882	59,514	(170,791)	(103,057)	42,955
Profit / (Loss) after tax	392,786	116,940	49,558	(170,791)	(103,057)	35,610
Other comprehensive income	35,619	37,777	3,911	8,104	26,930	(74)
Total comprehensive income	428,405	154,717	53,469	(162,687)	(76,127)	35,536
Statement of Financial Position						
Total assets	3,575,094	13,268,800	9,510,821	1,629,452	3,151,822	302,115
Total liabilities	466,472	10,487,924	8,689,480	1,290,053	2,878,150	19,565
Net assets	3,108,622	2,780,876	821,341	339,399	273,672	282,550
Dividends paid	181,500	67,500	10,000	-	-	-
Statement of Cash Flows						
Operating cash flows	243,386	(70,420)	110,805	(71,174)	(151,836)	61,633
Investing cash flows	(107,252)	(164,392)	48,003	(69,342)	28,419	(3,663)
Financing cash flows	(111,837)	942,145	(10,000)	(101,237)	148,750	(52,500)
Net increase / (decrease) in cash and cash equivalents	24,297	707,333	148,808	(241,753)	25,333	5,470

Notes to the Financial Statements

30 Investment in associate companies

30.1 Unquoted associates

As at 31 December	Bank				Group			
	2014		2013		2014		2013	
	Cost LKR '000	Directors' valuation LKR '000	Cost LKR '000	Directors' valuation LKR '000	Equit 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	173,919	173,919	139,679	139,679
Lanka Securities (Private) Limited (3,495,000 Ordinary shares)	41,940	41,940	41,940	41,940	133,279	133,279	130,375	130,375
Mireka Capital Land (Private) Limited (75,000,000 ordinary shares)	750,000	750,000	750,000	750,000	1,507,515	1,507,515	1,147,342	1,147,342
Southern Development Financial Company Limited (2,500,001 ordinary shares)	25,000	-	25,000	-	-	-	4,221	4,221
Transnational Lanka Records Solutions (Private) Limited (2,000,000 ordinary shares)	20,000	20,000	20,000	20,000	55,322	55,322	49,650	49,650
Total investment in unquoted associates	867,988	842,988	867,988	842,988	1,870,035	1,870,035	1,471,267	1,471,267
Provision for impairment of investment in associates	(25,000)	-	(25,000)	-	-	-	-	-
Net investment in unquoted associates	842,988	842,988	842,988	842,988	1,870,035	1,870,035	1,471,267	1,471,267

	Bank		Group	
	Cost		Equity value	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
30.2 Movement in investment in associate companies				
Balance as at 1 January	867,988	867,988	1,471,267	1,268,995
Share of profit/(loss) before tax	-	-	462,436	228,813
Share of tax	-	-	(10,764)	(11,408)
Share of other comprehensive income	-	-	5,586	5,543
Dividends	-	-	(51,232)	(22,520)
Other adjustments	-	-	(7,258)	1,844
Balance as at 31 December	867,988	867,988	1,870,035	1,471,267

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
30.3 Movement in provision for impairment of investment in associate companies				
Balance as at 1 January	25,000	25,000	-	-
Amount provided during the year	-	-	-	-
Balance as at 31 December	25,000	25,000	-	-
Carrying value of investment in associate companies	842,988	842,988	1,870,035	1,471,267

30.4 Share holding structure of associate companies of the Bank

Name of the company	Place of business	Equity interest %		Shareholding structure	
		2014	2013	Name	Holding %
Ceybank Asset Management Limited (CAML)	Colombo, Sri Lanka	43.36	43.36	Bank of Ceylon	43.36
				Sri Lanka Insurance Corporation	26.57
				Administrator to the Unit Trust of India	17.48
				Carson Cumberbatch PLC	12.59
Lanka Securities (Private) Limited (LSL)	Colombo, Sri Lanka	40.92	40.92	First Capital Securities Corporation Limited	51.00
				Merchant Bank of Sri Lanka & Finance PLC	29.00
				Bank of Ceylon	20.00
				(Bank of Ceylon total holding 40.92%)	
Mireka Capital Land (Private) Limited (MCL)	Colombo, Sri Lanka	40.00	40.00	Overseas Realty Ceylon PLC	60.00
				Bank of Ceylon	40.00
Southern Development Financial Company Limited (SDFC)*	Matara, Sri Lanka	41.67	41.67	Bank of Ceylon	41.67
				People's Bank	41.67
				Southern Development Authority of Sri Lanka	16.66
Transnational Lanka Records Solutions (Private) Limited (TLRS)	Colombo, Sri Lanka	24.69	24.69	Transnational (Pte) Ltd - Singapore	62.96
				Bank of Ceylon	24.69
				Seylan Bank PLC	12.35

* A provision of LKR 25 million, which is also the Bank's investment in SDFC was made in view of the continuous losses incurred by the company.

The Board of Directors of Bank of Ceylon has granted approval for the writing off of the investment of LKR 25 million of SDFC subject to obtaining a written consent of the Minister in charge. The Ministry of Finance and Planning approval for the above decision is pending.

Notes to the Financial Statements

30 Investment in associate companies (Contd.)

30.5 Summarized financial information of associates

	2014			
	LSL LKR '000	CAML LKR '000	TLRS LKR '000	MCL LKR '000
Income Statement				
Total income	184,405	190,367	92,176	4,367,019
Profit/ (Loss) before tax	59,339	102,814	56,721	949,122
Profit / (Loss) after tax	52,237	87,482	54,890	947,227
Other comprehensive income	(3,200)	15,827	-	81
Total comprehensive income	49,037	103,309	54,890	947,308
Statement of Financial Position				
Current assets	483,946	405,251	16,033	4,029,305
Total assets	501,450	498,407	396,669	5,249,133
Current liabilities	151,367	76,660	26,262	1,476,012
Total liabilities	175,746	97,302	172,595	1,480,347
Net assets	325,704	401,105	224,074	3,768,786
Total dividends paid	21,844	17,160	31,914	46,875
Dividends received to the Bank (net)	15,445	6,737	7,745	16,875

	2013				
	LSL LKR '000	CAML LKR '000	TLRS LKR '000	MCL LKR '000	SDFC LKR '000
Income Statement					
Total income	72,815	152,575	57,337	3,234,419	4,076
Profit/ (Loss) before tax	(39,623)	69,390	33,743	516,000	499
Profit / (Loss) after tax	(49,031)	56,785	33,369	510,999	499
Other comprehensive income	1,336	4,025	-	-	7,802
Total comprehensive income	(47,695)	60,810	33,369	510,999	8,301
Statement of Financial Position					
Current assets	450,133	311,758	14,666	7,073,834	25,834
Total assets	477,862	379,018	256,331	7,093,993	30,408
Current liabilities	131,264	36,927	36,927	4,225,639	916
Total liabilities	159,255	56,879	55,232	4,225,639	20,278
Net assets	318,607	322,139	201,099	2,868,354	10,130
Total dividends paid	-	14,300	66,100	-	-
Dividends received to the Bank (net)	-	5,733	15,498	-	-

31 Investment properties

	Group	
	2014 LKR '000	2013 LKR '000
Cost		
Balance as at 1 January	165,876	158,146
Additions during the year	-	7,730
Balance as at 31 December	165,876	165,876
Less : Accumulated depreciation		
Balance as at 1 January	13,962	11,099
Charge for the year	3,038	2,863
Balance as at 31 December	17,000	13,962
Net investment properties	148,876	151,914

Investment properties were not held by the Bank for the current year and for the previous year.

Rental income earned from investment properties of the Group was LKR 14.4 million in 2014 (2013 : LKR 16.6 million).

Notes to the Financial Statements

31.1 Investment properties held by the Group

As at 31 December	2014						2013		
	Building (sq.ft)	Extent of land (Perches)	Cost			Fair value	Cost Total LKR '000	Fair value Total LKR '000	
			Land LKR '000	Building LKR '000	Total LKR '000	Total LKR '000			
No. 64 and 66, Nonagama Road, Pallegama, Embilipitiya.	*	-	16.61	1,750	-	1,750	13,000	1,750	13,000
No. 300/8, Thalawathugoda Road, Madiwela, Kotte.	*	2,000	16.15	2,465	2,635	5,100	14,727	5,100	14,727
No. 385/1, Kotte Road, Pittakotte.	*	2,896	19.01	2,958	1,730	4,688	5,298	4,688	5,298
No. 116/4,116/7,116/25,116/26, 116/27,116/29 1 st Cross Street, Colombo 01.	*	-	12.35	1,249	-	1,249	2,602	1,249	2,602
No. 43,45,49,51 and 53, New Olcott Mawatha, Colombo 11.	*	-	7.50	9,950	-	9,950	75,000	9,950	75,000
No. 102 & 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.	*	-	80.00	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, Boraesgamuwa.	**	44,877	364.35	65,604	44,396	110,000	297,000	110,000	298,015
No. 64, Gabadawa Estate, Pitipana, Homagama	*	-	20.80	1,427	-	1,427	2,900	1,427	2,900
No. 2, Plan No. 1206, Silverberst Estate, Pitipana, Homagama	*	-	107.00	991	-	991	2,014	991	2,014
Total				105,126	60,750	165,876	649,541	165,876	650,556

Note :

* The fair value of the investment properties as at 31 December 2014 was based on market valuations carried out in the year 2010, 2011 and 2013 by Mr D N Dhammika Baranage [RICS (UK), DIV AIS (SL)] and Mr H A W Perera [B Sc Estate Management and Valuation (Special)] and Mr Samantha Kumara Madawan Arachchi [B Sc Estate Management and Valuation (Special), City Planning (JP), Dip(UPM)NI, AIREV], who are independent valuers not connected with the company. The directors have reviewed values of the investment properties as at 31 December 2014 and concluded that there was no impairment.

** Professional valuation has been carried out by Mr A G Gunarathna [B Sc Estate Management and Valuation- (Sri Lanka)] on 31 December 2014.

31.2 Fair value of investment properties

The company uses unobservable market inputs in determining the fair value of the investment properties (i.e. falling under Level 3 of the fair value hierarchy)

The significant assumptions used by the valuer are as follows:

Valuation technique	Significant unobservable inputs
Investment method	<ul style="list-style-type: none"> - Estimated rental value per sq. ft. - Growth in future rentals - Anticipated maintenance cost - Discount rate
Market approach	<ul style="list-style-type: none"> - Current depreciated value of the building

32 Property, plant and equipment

	Freehold land LKR '000	Freehold building LKR '000	Buildings on leasehold land LKR '000	Equipment [Note 32.12.1] LKR '000	Motor vehicles LKR '000	Leasehold motor vehicles LKR '000	Capital work in progress LKR '000	2014 Total LKR '000	2013 Total LKR '000
32.1 Bank									
Cost or valuation									
As at 1 January	5,790,472	2,458,029	1,345,956	8,815,160	968,161	50,377	130,516	19,558,671	18,210,197
Additions during the year									
Acquisitions	25,633	36,214	8,509	1,241,355	53,309	-	350,834	1,715,854	1,682,211
Capitalizations	-	180,574	-	17,523	-	-	(198,097)	-	-
Revaluation during the year									
Revaluation surplus	2,853,249	704,251	-	-	-	-	-	3,557,500	-
Impairment to profit /loss	(6,633)	(57,377)	-	-	-	-	-	(64,010)	-
Transfer of accumulated depreciation on asset revaluation	-	(275,937)	-	-	-	-	-	(275,937)	-
Disposals during the year	-	-	-	(107,596)	(29,532)	-	(4,952)	(142,080)	(293,407)
Exchange rate adjustments	-	-	-	(1,654)	(77)	-	-	(1,731)	(6,319)
Transfers/ adjustments	1,232	40,496	(42,999)	(306)	-	-	-	(1,577)	(34,011)
	8,663,953	3,086,250	1,311,466	9,964,482	991,861	50,377	278,301	24,346,690	19,558,671
Accumulated depreciation									
As at 1 January	-	196,831	420,925	6,305,530	582,018	47,187	-	7,552,491	6,779,370
Charge for the year	-	73,595	82,697	724,501	135,332	3,190	-	1,019,315	977,446
Transfer of accumulated depreciation on assets revaluation	-	(275,937)	-	-	-	-	-	(275,937)	-
Disposals during the year	-	-	-	(105,178)	(28,748)	-	-	(133,926)	(200,727)
Exchange rate adjustments	-	-	-	(3,539)	(47)	-	-	(3,586)	(3,598)
Transfers/ adjustments	-	5,511	(5,511)	-	-	-	-	-	-
	-	-	498,111	6,921,314	688,555	50,377	-	8,158,357	7,552,491
Net book value as at									
31 December 2014	8,663,953	3,086,250	813,355	3,043,168	303,306	-	278,301	16,188,333	
Net book value as at									
31 December 2013	5,790,472	2,261,198	925,031	2,509,630	386,143	3,190	130,516		12,006,180

Notes to the Financial Statements

32 Property, plant and equipment (Contd.)

	Freehold land LKR '000	Freehold building LKR '000	Buildings on leasehold land LKR '000	Equipment [Note 32.12.1] LKR '000	Motor vehicles LKR '000	Leasehold motor vehicles LKR '000	Capital work in progress LKR '000	2014 Total LKR '000	2013 Total LKR '000
32.2 Group									
Cost or valuation									
As at 1 January	6,113,433	4,764,073	7,703,608	9,966,227	1,053,241	66,941	130,517	29,798,040	27,024,922
Additions during the year									
Acquisitions	25,633	88,598	30,073	1,299,137	74,689	-	350,834	1,868,964	1,812,813
Capitalizations	-	180,574	-	17,523	-	-	(198,097)	-	-
Revaluation during the year									
Revaluation surplus	2,853,249	847,344	975,561	-	-	-	-	4,676,154	1,737,252
Impairment to profit /loss	(6,633)	(57,377)	-	-	-	-	-	(64,010)	-
Transfer of accumulated depreciation on assets revaluation	-	(327,552)	(635,091)	-	-	-	-	(962,643)	(488,755)
Disposals during the year	-	(2,452)	-	(161,389)	(36,509)	-	(4,952)	(205,302)	(331,853)
Exchange rate adjustments	(16,108)	(16,664)	-	(3,241)	(77)	-	-	(36,090)	26,938
Transfers/ adjustments	1,232	25,895	(42,999)	14,295	-	-	-	(1,577)	16,723
As at 31 December	8,970,806	5,502,439	8,031,152	11,132,552	1,091,344	66,941	278,302	35,073,536	29,798,040
Accumulated depreciation									
As at 1 January	-	563,455	1,078,611	6,854,717	624,612	54,484	-	9,175,879	8,587,059
Charge for the year	-	129,659	313,137	814,239	148,101	6,232	-	1,411,368	1,324,320
Transfer of accumulated depreciation on assets revaluation	-	(327,552)	(635,091)	-	-	-	-	(962,643)	(505,493)
Disposals during the year	-	(2,144)	-	(158,393)	(31,866)	-	-	(192,403)	(228,583)
Exchange rate adjustments	-	(41)	-	(4,593)	(47)	-	-	(4,681)	(1,483)
Transfers/ adjustments	-	335	(5,510)	5,175	-	-	-	-	59
As at 31 December	-	363,712	751,147	7,511,145	740,800	60,716	-	9,427,520	9,175,879
Net book value as at									
31 December 2014	8,970,806	5,138,727	7,280,005	3,621,407	350,544	6,225	278,302	25,646,016	-
Net book value as at									
31 December 2013	6,113,433	4,200,618	6,624,997	3,111,510	428,629	12,457	130,517	-	20,622,161

32.3 Title restriction on property, plant and equipment

There were no restrictions that existed in the title of the property, plant and equipment of the Bank and the Group as at the reporting date.

32.4 Property, plant and equipment pledged as security for liabilities

No freehold property, plant and equipment have been pledged as security for any liability.

32.5 Compensation from third parties for items of property, plant and equipment

There were no compensation received / receivable from third parties for items of property, plant and equipment which were impaired or given up.

32.6 Fully depreciated property, plant and equipment

The initial cost of fully depreciated property, plant and equipment which are still in use as are as follows :

As at 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
Motor vehicles	547,205	389,929	547,687	391,634
Computer equipments	2,847,124	2,783,091	2,866,185	2,824,048
Equipment, furniture and fittings	840,822	687,665	918,881	763,960
Buildings on leasehold lands	139,578	106,721	139,578	106,721
Plant and machinery	789,087	657,064	789,087	657,064
	5,163,816	4,624,470	5,261,418	4,743,427

32.7 Temporarily idle property, plant and equipment

There were no temporarily idle property, plant and equipment as at the reporting date.

32.8 Property, plant and equipment retired from active use

The Bank held no property, plant and equipment retired from active use and which were not classified as held for sale in accordance with SLFRS 5 - " Non-current assets held for sale and discontinued operations".

32.9 Freehold properties (revalued freehold properties)

The carrying value of the freehold revalued properties, if they were carried at cost less accumulated depreciation would be as follows :

As at 31 December	2014			2013		
	Cost LKR '000	Accumulated depreciation LKR '000	Net book value LKR '000	Cost LKR '000	Accumulated depreciation LKR '000	Net book value LKR '000
32.9.1 Bank						
Land	269,654	-	269,654	244,021	-	244,021
Building	1,004,223	(454,788)	549,435	968,009	(429,683)	538,326
	1,273,877	(454,788)	819,089	1,212,030	(429,683)	782,347
32.9.2 Group						
Land	279,615	-	279,615	253,982	-	253,982
Building	2,034,813	(847,063)	1,187,750	1,946,215	(820,648)	1,125,567
	2,314,428	(847,063)	1,467,365	2,200,197	(820,648)	1,379,549

Notes to the Financial Statements

32 Property, plant and equipment (Contd.)

32.10 Revaluation of leasehold / freehold properties - Group

The following buildings on leasehold / freehold lands of the subsidiaries were revalued during the year by professionally qualified independent valuers.

Leasehold properties

Details of properties	Valuer	Basis of valuation	2014		
			Carrying value LKR '000	Revalued amount of building LKR '000	Surplus/ (Loss) of building LKR '000
Property Development PLC Bank of Ceylon Head Office Building "BOC Square", Colombo 01 (Revalued as at 31 December 2014)	M/s P B Kalugalagedara & Associates	Investment method	5,045,433	6,015,937	970,504
BOC Property Development & Management (Private) Limited Bank of Ceylon - Ceybank house No. 86, Sri Dalada Veediya, Kandy (Revalued as at 31 December 2014)	M/s P B Kalugalagedara & Associates	Market value method	445,441	450,498	5,057

Freehold properties

Details of properties	Valuer	Basis of valuation	2014		
			Carrying value	Revalued amount of building LKR '000	Surplus/ (Loss) of building LKR '000
BOC Property Development & Management (Private) Limited Bank of Ceylon - Merchant Tower St. Micheal's Road, Kollupitiya (Revalued as at 31 December 2014)	M/s P B Kalugalagedara & Associates	Investment method	1,554,907	1,698,000	143,093

32.11 Unobservable inputs considered in measuring fair value

The following table depicts information about significant unobservable inputs used in measuring fair value of the assets categorized under Level 3 of the fair value hierarchy.

32.11.1 Bank

Type of asset	Fair value as at 31.12.2014 LKR '000	Valuation technique	2014			
			Significant unobservable inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs	
Freehold land	8,663,953	Market comparable method	Estimated cost per perch	LKR 17,500 - LKR 10,000,000	Positively correlated sensitivity	
Freehold buildings	3,086,251	Market comparable method	Estimated cost per square feet	LKR 1,000 - LKR 10,000	Positively correlated sensitivity	
			Rental value basis	Estimated rental value per square feet	LKR 38 - LKR 150	Positively correlated sensitivity
			Expected market rental growth	0%	Positively correlated sensitivity	
			Discount rate	3.33% - 5.55%	Negatively correlated sensitivity	

32.11.2 Group

Type of asset	Fair value as at 31.12.2014 LKR '000	Valuation technique	2014			
			Significant unobservable inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs	
Freehold land	8,970,807	Market comparable method	Estimated cost per perch	LKR 17,500 - LKR 10,000,000	Positively correlated sensitivity	
Freehold buildings	5,138,727	Market comparable method	Estimated cost per square feet	LKR 1,000 - LKR 10,000	Positively correlated sensitivity	
			Rental value basis	Estimated rental value per square feet	LKR 38 - LKR 150	Positively correlated sensitivity
			Expected market rental growth	5%	Positively correlated sensitivity	
			Discount rate	3.3% - 5.5%	Negatively correlated sensitivity	
			Investment method	Discount rate	3.3% - 5.5%	Negatively correlated sensitivity

Notes to the Financial Statements

32 Property, plant and equipment (Contd.)

32.12 Equipment

	Computer equipment LKR '000	Furniture and fittings LKR '000	Office equipment LKR '000	2014 Total LKR '000	2013 Total LKR '000
32.12.1 Bank					
Cost					
Balance as at 1 January	4,411,570	2,393,508	2,010,082	8,815,160	8,034,015
Additions during the year					
Acquisitions	758,472	328,786	154,097	1,241,355	974,750
Capitalizations	2,656	14,867	-	17,523	-
Disposals during the year	(61,985)	(23,335)	(22,276)	(107,596)	(186,928)
Exchange rate adjustments	(1,515)	(41)	(98)	(1,654)	(5,945)
Adjustments / Transfers	-	(196)	(110)	(306)	(732)
Balance as at 31 December	5,109,198	2,713,589	2,141,695	9,964,482	8,815,160
Accumulated depreciation					
Balance as at 1 January	3,604,745	1,453,455	1,247,330	6,305,530	5,799,523
Charge for the year	332,714	225,151	166,636	724,501	694,623
Disposals during the year	(61,399)	(22,318)	(21,461)	(105,178)	(185,326)
Exchange rate adjustments	(3,175)	(354)	(10)	(3,539)	(3,290)
Balance as at 31 December	3,872,885	1,655,934	1,392,495	6,921,314	6,305,530
Net book value as at 31 December 2014	1,236,313	1,057,655	749,200	3,043,168	-
Net book value as at 31 December 2013	806,825	940,053	762,752	-	2,509,630

	Computer equipment LKR '000	Furniture and fittings LKR '000	Office equipment LKR '000	Power Plant LKR '000	2014 Total LKR '000	2013 Total LKR '000
32.12.2 Group						
Cost						
Balance as at 1 January	4,739,114	2,830,285	2,097,829	298,999	9,966,227	9,092,202
Additions during the year						
Acquisitions	771,158	366,616	161,315	48	1,299,137	1,075,599
Capitalizations	2,656	14,867	-	-	17,523	4,882
Disposals during the year	(107,316)	(30,277)	(23,796)	-	(161,389)	(202,514)
Exchange rate adjustments	(1,995)	(1,148)	(98)	-	(3,241)	(5,099)
Adjustments / Transfers	27	6,015	8,253	-	14,295	1,157
Balance as at 31 December	5,403,644	3,186,358	2,243,503	299,047	11,132,552	9,966,227
Accumulated depreciation						
Balance as at 1 January	3,858,902	1,672,469	1,298,794	24,552	6,854,717	6,268,869
Charge for the year	358,441	264,045	176,803	14,950	814,239	786,209
Disposals during the year	(106,685)	(28,693)	(23,010)	(5)	(158,393)	(198,353)
Exchange rate adjustments	(3,442)	(1,141)	(10)	-	(4,593)	(2,756)
Adjustments / Transfers	26	4,027	1,122	-	5,175	748
Balance as at 31 December	4,107,242	1,910,707	1,453,699	39,497	7,511,145	6,854,717
Net book value as at						
31 December 2014	1,296,402	1,275,651	789,804	259,550	3,621,407	-
Net book value as at						
31 December 2013	880,212	1,157,816	799,035	274,447	-	3,111,510

Notes to the Financial Statements

32 Property, plant and equipment (Contd.)

Name of premises	Extent (Perches)	Building (Square feet)	Date of valuation	Valuer	Basis of valuation
32.13 Details of revaluation of freehold properties					
Central Province					
Galaha Branch 59/37, Deltota Road, Galaha	15.00	8,410	30.11.2014	R H Jayawardana	Contractor's method
Gampola Branch 79, Kadugannawa Road, Gampola	175.00	9,832	30.11.2014	R H Jayawardana	Contractor's method
Hatton Branch 46, Circular Road, Hatton	85.65	8,784	30.11.2012	K T D Tissera	Contractor's method
Hatton Staff Quarters 110, Hatton House Road, Hatton	40.00	5,560	30.11.2012	K T D Tissera	Contractor's method
Kandy 2nd City Branch 22, Dalada Veediya, Kandy	42.81	27,081	30.11.2012	A G Gunarathne	Depreciated replacement cost
Maskeliya Branch 66, Upcot Road, Maskeliya	42.05	6,402	30.11.2012	K T D Tissera	Contractor's method
Nawalapitiya Branch 106, Gampola Road, Nawalapitiya	21.92	6,150	30.11.2012	T B Balasuriya	Market value
Nuwara Eliya Branch 43, Lawson Street, Nuwara Eliya	133.50	17,737	30.11.2012	K T D Tissera	Contractor's method
Nuwara Eliya Staff Quarters 14,19, Hill Street, Nuwara Eliya	96.39	4,646	31.12.2014	K T D Tissera	Contractor's method
Thalawakele Branch 23,25,29, Hatton Road, Talawakelle	25.30	7,236	30.11.2014	R H Jayawardana	Contractor's method
Thalawakele Staff Quarters Talawakele Estate Plantation	160.00	4,898	30.11.2014	R H Jayawardana	Contractor's method
Nuwara Eliya Property 12, Hill Street, Nuwara Eliya	67.54	3,820	31.12.2014	K T D Tissera	Contractor's method
Eastern Province					
Batticaloa Branch 21 & 21 1/1 Govington Road, Batticaloa	65.00	6,997	30.11.2014	S Sivaskantha	Market value
Mutur Branch Main street, Mutur	71.00	11,847	30.11.2014	P P T Mohideen	Market value
Potuvil Branch Main Street, Pottuvil	10.70	4,977	30.11.2014	S Sivaskantha	Market value
Trincomalee Branch 88, Inner Harbour Road, Trincomalee	90.00	10,710	30.11.2014	P P T Mohideen	Investment method
Trincomalee City Branch 09, Main Street, Trincomalee	21.90	2,670	30.11.2014	P P T Mohideen	Market value
Valachchenai Branch Main Street, Valachchenai	47.34	6,391	30.11.2014	P P T Mohideen	Market value

Carrying value of land LKR '000	Revalued amount of land LKR '000	Surplus/(Loss) of land LKR '000	Carrying value of buildings LKR '000	Revalued amount of buildings LKR '000	Surplus/(Loss) of buildings LKR '000	Total revaluation surplus/(loss) LKR '000
1,991	15,000	13,009	6,268	17,661	11,393	24,402
74,836	180,675	105,839	15,259	15,806	547	106,386
86,667	120,000	33,333	12,000	20,000	8,000	41,333
33,962	48,000	14,038	9,934	12,000	2,066	16,104
182,170	214,000	31,830	14,977	16,000	1,023	32,853
24,659	31,000	6,341	9,307	13,000	3,693	10,034
13,000	14,000	1,000	9,600	14,000	4,400	5,400
309,867	460,000	150,133	37,038	40,000	2,962	153,095
33,778	56,000	22,222	3,733	3,000	(733)	21,489
12,454	29,920	17,466	5,079	14,305	9,226	26,692
7,747	9,600	1,853	10,128	12,240	2,112	3,965
58,712	55,000	(3,712)	19,185	25,000	5,815	2,103
839,843	1,233,195	393,352	152,508	203,012	50,504	443,856
19,209	26,000	6,791	11,417	16,000	4,583	11,374
4,626	8,000	3,374	238	25,200	24,962	28,336
4,722	10,750	6,028	13,377	15,750	2,373	8,401
34,450	49,500	15,050	11,492	22,180	10,688	25,738
28,209	24,000	(4,209)	868	4,800	3,932	(277)
19,953	28,400	8,447	10,440	19,000	8,560	17,007
111,169	146,650	35,481	47,832	102,930	55,098	90,579

Notes to the Financial Statements

32 Property, plant and equipment (Contd.)

Name of premises	Extent (Perches)	Building (Square feet)	Date of valuation	Valuer	Basis of valuation
32.13 Details of revaluation of freehold properties (Contd.)					
Northern Province					
Jaffna Area Office and Branch 56, Stanley Road, Jaffna	166.25	21,393	30.11.2014	S Sivaskantha	Market value
Mannar Branch 52, Pallimunai Road, Grand Bazaar, Mannar	63.22	5,720	30.11.2014	S Sivaskantha	Market value
Nelliadi Branch Thikkam Road, Karaveddy, Nelliady	162.04	7,661	30.11.2014	S Sivaskantha	Contractor's method
Karainagar Branch Post Office View, Karainagar	22.11	2,718	30.11.2014	S Sivaskantha	Contractor's method
North Western Province					
Alawwa Branch 64, Giriulla Road, Alawwa	31.80	7,300	30.11.2014	D C Sosa	Market value
Chilaw Branch Radaguru Edmund Peiris Mawatha, Chilaw	37.75	8,304	11.12.2014	G H K Wickrematilleke	Depreciated replacement cost
Dummalasooriya Branch 227, Kuliypitiya - Madampe Road, Dummalasooriya	41.68	5,611	30.11.2014	Sumedha Hapugoda	Contractor's method
North Western Province Office 18, Mihindu Mawatha, Kurunegala	225.00	17,210	30.11.2012	D C Sosa	Market value
Kurunegala Super Grade Branch Commercial Complex, Kurunegala	-	12,242	30.11.2014	R H Jayawardana	Investment method
Kurunegala 2 nd City Branch (bazaar) 34, Colombo Road, Kurunegala	49.75	16,677	30.11.2014	R H Jayawardana	Contractor's method
Madampe Branch 10, Station Road, Madampe	114.50	7,032	30.11.2014	Sumedha Hapugoda	Contractor's method
Narammala Branch 139, Negombo Road, Narammala	117.50	9,296	30.11.2014	D C Sosa	Depreciated replacement cost
Madurankuliya Branch No 66 , Colombo Road, Madurankuliya	46.00	5,746	30.11.2014	G H K Wickrematilleke	Depreciated replacement cost
Sabaragamuwa Province					
Balangoda Branch 137, Main Street, Balangoda	14.50	3,516	30.11.2012	A G Gunarathne	Investment method
Dehiowita Branch 62 Main Street, Dehiowita	38.69	3,819	30.11.2014	H A Jayaratne	Market value
Kegalle Branch 110, Colombo Road, Kegalle	118.24	15,447	30.11.2014	H A Jayaratne	Market value
Ratnapura Branch 6, Dharmapala Mawatha, Ratnapura	99.70	9,808	30.11.2014	W D P Rupananda	Contractor's method
Ratnapura Branch (BMC.1/L) 58, Main Street, Ratnapura	31.69	-	30.11.2014	W D P Rupananda	Market value

Carrying value of land LKR '000	Revalued amount of land LKR '000	Surplus/(Loss) of land LKR '000	Carrying value of buildings LKR '000	Revalued amount of buildings LKR '000	Surplus/(Loss) of buildings LKR '000	Total revaluation surplus/(loss) LKR '000
64,749	249,500	184,751	31,412	36,500	5,088	189,839
5,570	9,500	3,930	5,381	7,850	2,469	6,399
16,000	17,750	1,750	63,765	28,750	(35,015)	(33,265)
2,848	3,300	452	6,432	5,700	(732)	(280)
89,167	280,050	190,883	106,990	78,800	(28,190)	162,693
42,000	32,440	(9,560)	16,969	21,900	4,931	(4,629)
38,750	47,000	8,250	10,429	19,000	8,571	16,821
7,460	23,000	15,540	6,786	12,000	5,214	20,754
126,402	157,500	31,098	18,333	29,975	11,642	42,740
-	-	-	36,047	69,778	33,731	33,731
102,555	174,125	71,570	20,426	18,616	(1,810)	69,760
11,994	34,900	22,906	9,455	13,100	3,645	26,551
38,437	63,000	24,563	52,781	34,243	(18,538)	6,025
13,200	11,000	(2,200)	30,631	25,000	(5,631)	(7,831)
380,798	542,965	162,167	201,857	243,612	41,755	203,922
18,643	21,750	3,107	2,489	1,770	(719)	2,388
3,498	8,000	4,502	1,352	6,000	4,648	9,150
80,250	104,190	23,940	18,964	22,047	3,083	27,023
49,000	69,500	20,500	11,742	7,600	(4,142)	16,358
28,000	58,000	30,000	-	-	-	30,000
179,391	261,440	82,049	34,547	37,417	2,870	84,919

Notes to the Financial Statements

32 Property, plant and equipment (Contd.)

Name of premises	Extent (Perches)	Building (Square feet)	Date of valuation	Valuer	Basis of valuation
32.13 Details of revaluation of freehold properties (Contd.)					
Southern Province					
Ambalangoda Branch 274, Main Street, Ambalangoda	58.00	5,600	14.12.2012	D P L C De Silva	Rental value basis
Ambalantota Branch 11 Wanduruppa Road, Ambalantota	38.00	5,981	30.11.2012	G A Gunawardene	Depreciated replacement cost
Beliatta Branch No.67, Walasmulla Road, Beliatta	53.02	6,200	30.11.2014	Upali Rajapaksa	Contractor's method
Galle Province Office 2, Light House Street, Fort, Galle	32.62	13,160	01.01.2015	K T D Tissera	Contractor's method
Galle Branch 2, Gamini Road, Galle	31.50	12,600	01.01.2015	K T D Tissera	Contractor's method
Hakmana Branch Beliatta Road, Hakmana	36.70	3,490	30.11.2014	Upali Rajapaksa	Contractor's method
Imaduwa Branch Ahangama Road, Imaduwa	83.50	3,395	30.11.2014	Upali Rajapaksa	Contractor's method
Matara Branch 11, Kumaratunga Mawatha, Matara	104.40	15,905	30.11.2014	Upali Rajapaksa	Contractor's method
Matara City Branch Gunawardena Mawatha, Matara	49.25	7,105	30.11.2014	Upali Rajapaksa	Contractor's method
Nagoda Branch, Nagoda	40.00	-	30.11.2014	Upali Rajapaksa	Market value
Tangalle Branch No. 145/147, Sea Street, Tangalle	21.05	5,373	30.11.2014	W D P Rupananda	Contractor's method
Weeraketiya Branch Belliatta Road, Weeraketiya	36.89	4,055	30.11.2014	S Sivaskantha	Contractor's method
Weligama Branch 239, Main Street, Weligama	97.75	8,100	30.11.2014	W D P Rupananda	Contractor's method
Uva Province					
Badulla Uva Province Office Bank Road, Badulla	118.75	7,366	30.11.2014	D P L C De Silva	Market value
Bandarawela Branch 230, Badulla Road, Bandarawela	9.52	7,731	30.11.2012	K T D Tissera	Contractor's method
Ettampitiya Branch No 23, Nuwara Eliya Road, Ettampitiya	20.35	2,560	30.11.2014	D P L C De Silva	Market value
Haputale Branch 20, Station Road, Haputale	130.63	5,200	30.11.2014	D P L C De Silva	Market value
Monaragala Branch and Manager's Quarters and Staff Quarters 401, Wellawaya Road, Moneragala	160.00	15,000	30.11.2014	D P L C De Silva	Market value

Carrying value of land LKR '000	Revalued amount of land LKR '000	Surplus/(Loss) of land LKR '000	Carrying value of buildings LKR '000	Revalued amount of buildings LKR '000	Surplus/(Loss) of buildings LKR '000	Total revaluation surplus/(loss) LKR '000
40,000	49,000	9,000	36,001	15,000	(21,001)	(12,001)
8,369	14,000	5,631	9,567	12,000	2,433	8,064
20,383	37,800	17,417	43,932	31,000	(12,932)	4,485
49,000	130,000	81,000	16,192	20,000	3,808	84,808
49,940	155,000	105,060	22,104	20,000	(2,104)	102,956
5,282	28,700	23,418	3,514	8,300	4,786	28,204
12,838	20,000	7,162	2,367	8,000	5,633	12,795
47,220	186,600	139,380	11,447	18,150	6,703	146,083
43,000	114,350	71,350	50,656	34,600	(16,056)	55,294
9,359	9,400	41	-	-	-	41
12,500	19,000	6,500	37,202	23,000	(14,202)	(7,702)
1,231	20,250	19,019	36,212	13,500	(22,712)	(3,693)
16,835	44,000	27,165	12,749	24,000	11,251	38,416
315,957	828,100	512,143	281,943	227,550	(54,393)	457,750
15,000	11,750	(3,250)	9,000	9,844	844	(2,406)
17,973	25,000	7,027	15,452	20,000	4,548	11,575
8,216	5,792	(2,424)	7,578	9,721	2,143	(281)
18,577	18,313	(264)	8,430	7,760	(670)	(934)
30,018	50,000	19,982	30,600	31,650	1,050	21,032
89,784	110,855	21,071	71,060	78,975	7,915	28,986

Notes to the Financial Statements

32 Property, plant and equipment (Contd.)

Name of premises	Extent (Perches)	Building (Square feet)	Date of valuation	Valuer	Basis of valuation
32.13 Details of revaluation of freehold properties (Contd.)					
Western Province North					
Borella Branch 71, Danister de Silva Mawatha, Borella	42.29	19,280	30.11.2012	P P T Mohideen	Investment method
City Office 41, Bristol Street, Colombo 1	39.50	24,952	30.11.2012	K T D Tissera	Contractor's method
York Street Branch York Street, Colombo 01	170.00	261,610	31.12.2014	K T D Tissera	Contractor's method
Grand Pass Branch 703, Sirimavo Bandaranayake Mawatha, Grandpass	20.12	6,210	30.11.2014	A G Gunaratna	Cost and income approaches
Gampaha Branch No.170, Colombo Road, Gampaha	34.06	-	30.11.2014	D C Sosa	Market value
Ja-Ela Branch 19, Negombo Road, Ja-Ela	40.64	8,090	30.11.2014	D C Sosa	Market value
Kadawatha Branch 469, Ragama Road, Kadawatha	28.86	6,181	30.11.2012	D H W Disanayake	Market value
Negombo Branch 118, Rajapakse Broadway, Negombo	97.25	16,760	30.11.2014	D C Sosa	Market value
Pettah Branch 212/63, Gas Work Street, Colombo 11	28.29	24,530	22.12.2014	K T D Tissera	Contractor's method
Western Province South					
Aluthgama Branch 267, Galle Road, Aluthgama	36.60	7,151	30.11.2012	A G Gunaratna	Depreciated replacement cost
Bambalapitiya Branch No.10, Unity Plaza Bldg., Galle Road, Colombo 4	-	7,776	30.11.2014	A G Gunaratna	Income method
Beruwala Branch No.165A, Galle Road, Beruwala	21.50	4,712	30.11.2014	L S K De Silva	Market value
Dehiwala Branch 207, Galle Road, Dehiwela	22.00	12,422	24.12.2014	R W M S B Rajapakse	Contractor's method
Horana Branch 87, Anguruwathota Road, Horana	70.00	8,568	30.11.2012	A G Gunaratna	Depreciated replacement cost
Idama Branch 707, Galle Road, Moratuwa	60.00	8,272	22.12.2014	R W M S B Rajapakse	Contractor's method
Kalutara Area Office 108, Old Road, Kalutara	52.65	3,300	30.11.2014	L S K De Silva	Market value
Kalutara Branch 218, Galle Road, Kalutara South, Kalutara	45.86	11,436	30.11.2014	D P L C De Silva	Market value
Maharagama Branch and Central Training Institute No.88, Highlevel Road, Maharagama	185.10	82,121	30.11.2014	A G Gunaratna	Cost and income approaches
Matugama Branch No72, Agalawatte Road, Matugama	9.00	4,400	30.11.2014	D P L C De Silva	Market value
Nugegoda Branch 174, Highlevel Road, Nugegoda	67.50	53,419	24.12.2014	R W M S B Rajapakse	Market value

Carrying value of land LKR '000	Revalued amount of land LKR '000	Surplus/(Loss) of land LKR '000	Carrying value of buildings LKR '000	Revalued amount of buildings LKR '000	Surplus/(Loss) of buildings LKR '000	Total revaluation surplus/(loss) LKR '000
167,899	163,000	(4,899)	43,470	62,000	18,530	13,631
211,000	280,000	69,000	80,100	95,000	14,900	83,900
660,328	1,000,000	339,672	665,778	750,000	84,222	423,894
59,000	70,420	11,420	24,697	21,480	(3,217)	8,203
58,446	102,180	43,734	-	-	-	43,734
58,594	81,280	22,686	15,473	19,836	4,363	27,049
22,420	24,500	2,080	12,658	14,830	2,172	4,252
103,988	171,160	67,172	31,196	39,950	8,754	75,926
177,978	212,000	34,022	18,499	36,000	17,501	51,523
1,519,653	2,104,540	584,887	891,871	1,039,096	147,225	732,112
23,000	25,620	2,620	34,309	37,800	3,491	6,111
-	-	-	99,683	171,600	71,917	71,917
28,173	42,800	14,627	10,072	4,200	(5,872)	8,755
71,120	77,500	6,380	25,992	33,500	7,508	13,888
52,478	60,000	7,522	7,006	8,950	1,944	9,466
55,938	135,000	79,062	14,366	9,750	(4,616)	74,446
10,283	34,000	23,717	1,336	3,500	2,164	25,881
66,028	77,630	11,602	9,888	23,194	13,306	24,908
326,692	443,458	116,766	138,836	171,542	32,706	149,472
10,391	27,000	16,609	4,835	14,298	9,463	26,072
229,000	235,000	6,000	96,889	265,000	168,111	174,111

Notes to the Financial Statements

32 Property, plant and equipment (Contd.)

Name of premises	Extent (Perches)	Building (Square feet)	Date of valuation	Valuer	Basis of valuation
32.13 Details of revaluation of freehold properties (Contd.)					
Panadura Branch No.4, Super Grade Branch, Susantha Mawatha, Panadura	80.00	10,529	30.11.2014	D P L C De Silva	Market value
Wadduwa Branch 557A, Galle Road, Wadduwa	27.70	-	30.11.2014	D P L C De Silva	Market value
Wellawatte Branch 149, Galle Road, Colombo 6	51.25	15,832	30.11.2014	A G Gunaratna	Cost approach
Bulathsinhala Branch 09, Bulathsinhala-Horana Road, Bulathsinhala	53.85	6,304	30.11.2014	S Sivaskantha	Contractor's method
Holiday Homes and Rests					
Badulla Fernham Bungalow and Property 153, Spring Valley Road, Badulla	222.25	4,580	30.11.2012	P P T Mohideen	Market value
Bandarawela Holiday Home Bandarawela	115.00	3,028	30.11.2012	K T D Tissera	Contractor's method
Dickoya Upper Glencarn Bungalow Dickoya	189.65	8,665	30.11.2012	P P T Mohideen	Market value
Dickoya lower Glencarn Bungalow Dickoya	100.00	5,925	30.11.2012	P P T Mohideen	Market value
Haputale Woodland Bungalow Haputale	120.00	3,010	30.11.2012	P P T Mohideen	Market value
Jaffna Bank Rest 34-34/3, Rasavinthoddam Road, Jaffna	166.25	-	30.11.2014	S Sivaskantha	Market value
Lindula Ridge Holiday Home Lindula	175.00	3,010	30.11.2012	P P T Mohideen	Market value
Nuwara Eliya Holiday Home 16, Hill Street, Nuwara Eliya	35.27	3,388	31.12.2014	K T D Tissera	Contractor's method
Others					
General Manager's Bungalow 75, Ananda Kumaraswamy Mawatha, Colombo 7	79.80	6,380	30.11.2014	A G Gunaratna	Cost approach
Darley Road Stores 481, T B Jayah Mawatha, Colombo 10	151.00	29,946	22.12.2014	K T D Tissera	Contractor's method
Walker's & Sons Limited 28, St. Michael's Road, Colombo 03	57.00	-	30.11.2014	P P T Mohideen	Market value
World Trade Centre 08, 8-2/1, Bank of Ceylon Mawatha, Colombo 01	-	6,345	30.11.2014	P P T Mohideen	Rental value basis
Total					

* Since the building has been condemned, the valuer has not considered the value of the building.

Carrying value of land LKR '000	Revalued amount of land LKR '000	Surplus/(Loss) of land LKR '000	Carrying value of buildings LKR '000	Revalued amount of buildings LKR '000	Surplus/(Loss) of buildings LKR '000	Total revaluation surplus/(loss) LKR '000
48,447	120,000	71,553	12,173	22,948	10,775	82,328
18,850	34,625	15,775	-	-	-	15,775
184,500	230,625	46,125	36,450	36,962	512	46,637
6,770	29,750	22,980	2,276	11,250	8,974	31,954
1,131,670	1,573,008	441,338	494,111	814,494	320,383	761,721
14,400	20,000	5,600	2,640	*	-	5,600
45	8,000	7,955	607	6,000	5,393	13,348
2,571	3,800	1,229	12,960	17,450	4,490	5,719
1,429	2,500	1,071	7,199	14,800	7,601	8,672
8,120	10,800	2,680	3,104	5,900	2,796	5,476
66,224	86,250	20,026	-	-	-	20,026
1,250	3,000	1,750	3,150	6,800	3,650	5,400
30,116	35,000	4,884	6,198	10,000	3,802	8,686
124,155	169,350	45,195	35,858	60,950	27,732	72,927
315,250	359,100	43,850	3,800	7,975	4,175	48,025
590,000	880,000	290,000	13,500	20,000	6,500	296,500
130,500	174,700	44,200	-	-	-	44,200
-	-	-	103,500	168,800	65,300	65,300
1,035,750	1,413,800	378,050	120,800	196,775	75,975	454,025
5,817,337	8,663,953	2,846,616	2,439,377	3,083,611	646,874	3,493,490

Notes to the Financial Statements

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
33 Leasehold properties				
Cost				
Balance as at 1 January	100,712	100,703	166,945	166,936
Additions during the year	27,234	-	27,234	-
Transfers during the year	(1,231)	-	(1,231)	-
Capitalized during the year	-	9	-	9
Balance as at 31 December	126,715	100,712	192,948	166,945
Accumulated amortization				
Balance as at 1 January	17,686	15,727	45,528	42,212
Amortization during the year	1,562	1,959	2,919	3,316
Balance as at 31 December	19,248	17,686	48,447	45,528
Net book value	107,467	83,026	144,501	121,417

Leasehold properties represent the leasehold interest in the lands held for own use. The value of buildings situated in the leasehold land is shown separately under property, plant and equipment. The interest on leasehold land is stated at cost less accumulated amortization.

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
34 Intangible assets				
Cost				
Balance as at 1 January	2,193,067	1,930,207	2,444,545	2,068,778
Additions during the year	63,900	262,860	89,845	372,298
Derecognized during the year	(207,189)	-	(207,189)	(310)
Exchange rate adjustment	-	-	(7,150)	3,779
Balance as at 31 December	2,049,778	2,193,067	2,320,051	2,444,545
Accumulated amortization				
Balance as at 1 January	1,692,003	1,554,205	1,774,888	1,606,823
Amortization during the year	170,417	137,798	213,528	166,741
Derecognized during the year	(197,219)	-	(197,219)	(310)
Exchange rate adjustment	-	-	(2,813)	1,634
Balance as at 31 December	1,665,201	1,692,003	1,788,384	1,774,888
Net book value	384,577	501,064	531,667	669,657

Intangible assets represent the value of computer applications, software and subsequent modifications including costs directly attributable in customizing for its intended use, and are carried at cost less accumulated amortization and any impairment losses.

34.1 Fully amortized intangible assets

The initial cost of fully amortized intangible assets which are still in use are as follows:

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
As at 31 December				
Computer software	1,204,306	1,384,871	1,204,306	1,384,871
	1,204,306	1,384,871	1,204,306	1,384,871

35 Deferred tax (assets) / liabilities

The following table shows deferred tax recorded in the Statement of Financial Position and charge/ (reversal) recorded in the income tax expense.

	2014				2013			
	Deferred tax assets	Deferred tax liabilities	Income Statement	OCI / Equity	Deferred tax assets	Deferred tax liabilities	Income Statement	OCI/ Equity
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
35.1 Bank								
Retirement benefits	-	(558,775)	36,542	(376,290)	-	(219,027)	67,608	(114,415)
Impairment allowance for loans and advances	-	(890,683)	-	-	-	(890,683)	-	-
Revaluation of property, plant and equipment	-	486,706	-	181,125	-	305,581	-	(4,481)
Other temporary differences	-	2,034,087	1,078,335	-	-	955,752	(148,368)	-
	-	1,071,335	1,114,877	(195,165)	-	151,623	(80,760)	(118,896)
35.2 Group								
Retirement benefits	(6,627)	(566,631)	71,743	(376,906)	(3,967)	(264,128)	88,988	(111,824)
Impairment allowance for loans and advances	-	(890,683)	-	-	-	(890,683)	-	-
Revaluation of property, plant and equipment	3,703	2,454,030	-	492,204	(33,816)	1,999,345	-	475,813
Share of undistributed profit of associates	-	95,067	39,612	-	-	55,455	55,455	-
Other temporary differences	(6009)	2,197,077	1,066,876	-	(10,035)	1,134,227	(148,605)	-
	(8,933)	3,288,860	1,178,231	115,298	(47,818)	2,034,216	(4,162)	363,989

Notes to the Financial Statements

As at 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
36 Other assets				
Consumable stock in hand	508,916	378,941	667,016	475,925
Pre paid staff cost	6,758,431	7,586,328	6,761,021	7,588,623
Cheques in transit - Foreign	37,400	78,788	37,400	78,788
Cheques in transit - Local	1,178,953	1,747,372	1,178,953	1,747,372
Tax recoverable	594,397	1,681,305	648,637	1,718,122
Gold bullion and coins in hand	28,580	20,766	28,580	20,766
Gold and silver stock	18,372,267	-	18,372,267	-
Other	18,548,284	28,123,467	19,106,204	28,942,854
Total other assets	46,027,228	39,616,967	46,800,078	40,572,450
37 Due to banks				
Call money borrowings	-	550,115	-	601,490
Deposits from other banks	339,345	267,624	339,345	267,624
Bank overdrafts	550,531	348,688	609,782	467,153
Total due to banks	889,876	1,166,427	949,127	1,336,267
38 Derivative financial instruments				
Forward exchange contracts	734,548	274,948	734,548	274,948
Total derivative financial instruments	734,548	274,948	734,548	274,948
39 Due to customers				
39.1 By product				
Local currency deposits				
Current account deposits	87,398,313	65,933,070	87,145,245	65,743,929
Current account deposits with Islamic banking	340,231	121,480	340,231	121,480
Savings deposits	234,761,158	179,304,839	235,271,986	179,779,726
Savings deposits with Islamic banking	1,591,176	1,460,610	1,591,176	1,460,610
Time deposits	379,759,684	387,972,612	388,469,837	395,417,150
Certificates of deposit	4,315	4,315	15,691	17,822
Other deposits	3,387,893	2,093,399	3,387,940	2,093,448
Total local currency deposits	707,242,770	636,890,325	716,222,106	644,634,165
Foreign currency deposits				
Current account deposits	14,748,715	16,462,897	15,111,128	16,868,071
Savings deposits	64,510,392	55,658,778	64,960,644	56,112,521
Savings deposits with Islamic banking	96,618	116,000	96,618	116,000
Time deposits	146,962,493	132,296,839	147,138,786	132,391,603
Other deposits	405,181	645,161	405,181	645,161
Total foreign currency deposits	226,723,399	205,179,675	227,712,357	206,133,356
Total deposits	933,966,169	842,070,000	943,934,463	850,767,521

As at 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
39.2 By currency				
Sri Lankan Rupee	704,269,427	636,848,749	713,248,764	644,592,589
United States Dollar	166,375,143	144,321,189	166,452,745	144,370,621
Great Britain Pound	28,274,652	27,768,614	29,173,928	28,663,797
Maldivian Rufiyaa	12,957,947	12,527,691	12,957,947	12,527,691
Seychellois Rupee	792,587	-	792,587	-
Euro	9,160,804	9,039,374	9,172,884	9,048,440
Australian Dollar	8,024,573	7,743,147	8,024,573	7,743,147
Indian Rupee	2,781,700	2,488,616	2,781,700	2,488,616
Other	1,329,336	1,332,620	1,329,335	1,332,620
Total deposits	933,966,169	842,070,000	943,934,463	850,767,521

Note : The maturity analysis of deposits is given in Note 54.

As at 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
40 Other borrowings				
Senior notes	132,513,748	131,768,257	132,513,748	131,768,257
Promissory notes	-	-	-	14,875
Term borrowings from banks abroad	46,249,909	60,392,602	46,626,407	60,707,194
Term borrowings from banks and other financial institutions in Sri Lanka	12,945,087	6,602,834	18,363,274	12,166,412
Refinance borrowings	3,744,881	4,616,649	3,744,881	4,616,649
Securities sold under repurchase agreements	51,282,837	31,989,927	50,919,847	31,528,724
Total other borrowings	246,736,462	235,370,269	252,168,157	240,802,111
40.1 Maturity of borrowings				
Within 12 months	90,448,767	86,636,783	94,511,016	91,894,729
After 12 months	156,287,695	148,733,486	157,657,141	148,907,382
Total other borrowings	246,736,462	235,370,269	252,168,157	240,802,111

	Notes	Interest payable frequency	Issue date	Maturity date	Coupon rate		Amount as at 31 December			
					2014	2013	Bank		Group	
					%	%	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
41.4 Types of senior debentures										
Sri Lanka Rupee debentures										
Fixed interest rate										
Unsecured, redeemable debentures		Annually	01.07.2010	30.06.2015	13.20	13.20	1,063,602	1,063,602	1,063,602	1,063,602
Unsecured, redeemable debentures		Annually	14.07.2010	13.07.2015	13.20	13.20	2,118,737	2,118,737	2,118,737	2,118,737
Unsecured, redeemable debentures		Annually	17.09.2010	16.09.2015	11.00	11.00	1,472,780	1,472,780	1,472,780	1,472,780
Unsecured, redeemable debentures		Semi annually	18.06.2012	17.06.2017	14.75	14.75	1,286,404	1,286,404	1,286,404	1,286,404
Unsecured, redeemable debentures		Annually	07.12.2012	06.12.2017	15.50	15.50	2,140,654	2,140,654	2,140,654	2,140,654
Unsecured, redeemable debentures	(a)	Annually	28.03.2013	27.03.2018	17.50	17.50	-	-	733,859	706,124
Unsecured, redeemable debentures	(a)	Annually	28.03.2013	27.03.2017	17.25	17.25	-	-	568,677	547,320
Unsecured, redeemable debentures	(a)	Quarterly	28.03.2013	27.03.2018	16.70	16.70	-	-	655,822	654,126
Unsecured, redeemable debentures	(a)	Monthly	28.03.2013	27.03.2018	16.50	16.50	-	-	168,793	168,453
Unsecured, redeemable debentures	(a)	Annually	17.12.2013	16.12.2017	14.25	14.25	-	-	770,790	677,122
Unsecured, redeemable debentures	(a)	Annually	17.12.2013	16.12.2017	13.50	13.50	-	-	336,174	297,201
Unsecured, redeemable debentures	(a)	Quarterly	17.12.2013	16.12.2017	13.50	13.50	-	-	18,136	17,601
Unsecured, redeemable debentures	(a)	Monthly	17.12.2013	16.12.2017	13.25	13.25	-	-	11,599	11,510
Unsecured, redeemable debentures	(a)	Annually	13.11.2014	12.11.2019	9.00	-	-	-	805,567	-
Unsecured, redeemable debentures	(a)	Annually	13.11.2014	12.11.2019	8.75	-	-	-	1,102,653	-
Secured, redeemable debentures	(a)	Semi annually	16.11.2011	15.11.2014	11.60	11.60	-	-	-	622,838
Secured, redeemable debentures	(a)	Semi annually	16.11.2011	15.11.2015	11.80	11.80	-	-	284,069	282,633
							8,082,177	8,082,177	13,538,316	12,067,105

Notes to the Financial Statements

41 Debt securities issued (Contd.)

	Notes	Interest payable frequency	Issue date	Maturity date	Coupon rate		Amount as at 31 December			
					2014	2013	Bank		Group	
					%	%	2014	2013	2014	2013
						LKR '000	LKR '000	LKR '000	LKR '000	
41.4 Types of senior debentures (Contd.)										
Floating interest rate										
Unsecured, redeemable debentures										
(6 months TB rate (Gross) plus 150 basis points)										
(b)	Semi annually	31.03.2010	30.03.2014	-	12.78	-	-	-	-	7,019
Unsecured, redeemable, debentures										
(12 months TB rate (Gross) plus 150 basis points)										
(c)	Annually	03.08.2010	02.08.2015	8.81	13.19	5,382,540	5,470,052	5,382,540	5,470,052	
Unsecured, redeemable, debentures										
(12 months TB rate (Gross) plus 150 basis points)										
(c)	Annually	03.08.2010	02.08.2015	8.81	13.19	1,811,431	1,840,883	1,811,431	1,840,883	
Unsecured, redeemable debentures										
(12 months TB rate (Gross) plus 150 basis points)										
(c)	Annually	03.08.2010	02.08.2015	8.81	13.19	5,486,050	5,575,245	5,486,050	5,575,245	
Secured, redeemable debentures										
(6 months TB rate (Gross) plus 150 basis points)										
(b)	Semi annually	10.01.2010	09.01.2014	12.28	12.28	-	-	-	-	26,472
Secured, redeemable debentures										
(6 months TB rate (Gross) plus 160 basis points)										
(a)/ (b)	Semi annually	16.11.2011	15.11.2014	12.47	12.47	-	-	-	-	42
						12,680,021	12,886,180	12,680,021	12,919,713	
Total debt securities issued						20,762,198	20,968,357	26,218,337	24,986,818	

Notes :

- Debentures that are listed in Colombo Stock Exchange.
- Weighted average 6 months treasury bill interest rate before deducting 10% withholding tax at the primary quotations as announced by Central Bank of Sri Lanka, at the preceding week of the interest resetting date.
- Weighted average 12 months treasury bill interest rate before deducting 10% withholding tax at the primary quotations as announced by Central Bank of Sri Lanka, at the preceding week of the interest resetting date.

42 Insurance provision

	Group	
	2014 LKR '000	2013 LKR '000
42.1 Insurance provision - Life		
Balance as at 1 January	220,748	166,087
Increase in life fund	114,508	49,462
Fair value reserve	1,091	1,150
Unclaimed benefits	13,554	4,049
Balance as at 31 December	349,901	220,748
42.2 Insurance provision - Non life		
Provision for reported claims by policy holders	111,263	135,651
Provision for claims on Incurred But Not Reported (IBNR)	47,733	34,690
Outstanding claims provision	158,996	170,341
Provision for unearned premiums	448,310	499,732
Balance as at 31 December	607,306	670,073

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
As at 31 December				
43 Other liabilities				
Cheques sent on clearing	731,212	1,238,087	731,212	1,238,087
Lease creditors				
Within 12 months	2,467	5,077	6,842	15,785
Later than 12 months	-	2,467	17,214	53,012
Employee benefit liabilities	1,995,622	1,338,312	2,300,104	1,602,502
Other	14,804,878	8,937,578	16,047,870	10,249,547
Total other liabilities	17,534,179	11,521,521	19,103,242	13,158,933

44 Employee retirement benefit plans

The Bank has a pension scheme established under an Industrial Award which is solely funded by the Bank. There is also a Widows'/ Widowers' and Orphans' Pension Scheme established by the members who joined the Bank before 1 January 1996.

The assets of these two plans are held independently of the Bank's assets and administered by Boards of Trustees/ Managers, representing the management and the employees, as provided in the Trust Deed/ Rules of the respective funds.

Both funds are subject to annual audits independent to the audit of the Bank, by a firm/s of Chartered Accountants appointed by the members and actuarial valuations are carried out at least once in three years, as per the rules governing these funds.

44.1 Bank of Ceylon Pension Trust Fund

An actuarial valuation of the Pension Trust Fund as at 31 December 2014 was carried out by M/s Piyal S Goonetilleke and Associates.

The valuation has been done using the "Projected Unit Credit Method", which is recommended in the Sri Lanka Accounting Standard -LKAS 19 "Employee Benefits". The benefit is available to all permanent employees who have joined the Bank prior to 1 January 1996. The results of the actuarial valuation of the Pension Trust Fund is summarized as follows:

Notes to the Financial Statements

44 Employee retirement benefit plans (Contd.)

44.1 Bank of Ceylon Pension Trust Fund (Contd.)

As at 31 December	Bank/Group	
	2014 LKR '000	2013 LKR '000
44.1.1 Net benefit expense (recognized under personnel expense)		
Current service cost	638,870	728,127
Interest cost on benefit obligation	5,400,215	5,109,473
Interest income on plan assets	(5,057,448)	(4,791,068)
Net benefit expense	981,637	1,046,532
44.1.2 Retirement benefit liability		
Fair value of plan assets	53,839,059	51,725,608
Defined benefit obligation	(55,816,255)	(52,685,023)
Total retirement benefit liability	(1,977,196)	(959,415)
44.1.3 Changes in fair value of plan assets		
Opening fair value of plan assets	51,725,608	48,989,562
Expected return	5,057,448	4,791,068
Contribution by employer	1,268,167	1,494,423
Benefits paid	(4,402,156)	(4,148,850)
Actuarial gains	189,992	599,405
Closing fair value of plan assets	53,839,059	51,725,608
44.1.4 Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	52,685,023	49,848,517
Interest cost	5,400,215	5,109,473
Current service cost	638,870	728,127
Benefits paid	(4,402,156)	(4,148,850)
Loss due to change in assumptions	783,172	-
Actuarial losses on obligation	711,131	1,147,756
Closing defined benefit obligation	55,816,255	52,685,023
44.1.5 Plan assets consist of the following		
Fixed deposits	13,102,360	18,215,000
Treasury bonds	4,144,337	4,733,268
Debentures	23,253,230	16,458,710
Investments in shares	5,261,613	4,838,507
Government bonds	3,000,000	3,000,000
Others	5,077,519	4,480,123
Total plan assets	53,839,059	51,725,608

	Bank/Group	
	2014	2013
44.1.6 Actuarial assumptions		
Future salary increment rate	6.50% p.a	7.00% p.a
Increase in future Cost of Living Allowance (COLA)	5.50% p.a	6.50% p.a
Increase in pension in payment (basic)	Nil	Nil
Discount rate	9.50% p.a	10.25% p.a
Rate of return on plan assets	9.00% p.a	10.00% p.a
Attrition rate	Nil	Nil
Mortality table	A67-70	A67-70

Increase / decrease in the following assumptions will change the present value of defined benefit obligation as illustrated below;

	1% increase	1% decrease
	LKR'000	LKR'000
Discount rate	51,841,940	60,372,790
Salary increment	56,109,260	55,533,690

Further, the remaining years of benefit payments are expected to be 17.7 years.

The following payments are expected from the Pension Trust Fund in future years.

	Bank/Group	
	2014	2013
As at 31 December	LKR '000	LKR '000
Within the next 12 months	1,063,418	1,264,425
Between 2 and 5 years	2,469,592	3,632,960
Between 5 and 10 years	886,665	1,685,935
Beyond 10 years	281,751	730,798
Total expected payments	4,701,426	7,314,118

44.2 Bank of Ceylon Widows' / Widowers' and Orphans' Pension Fund

An actuarial valuation of the Widows'/Widowers' and Orphans' Pension Fund as at 31 December 2014 was carried out by M/s Piyal S Goonetilleke and Associates.

The valuation has been done using the "Projected Unit Credit Method", which is recommended in the Sri Lanka Accounting Standard -LKAS 19 "Employee Benefits".

Notes to the Financial Statements

44 Employee retirement benefit plans (Contd.)

44.2 Bank of Ceylon Widows' / Widowers' and Orphans' Pension Fund (Contd.)

The results of the actuarial valuation of the Widows'/Widowers' and Orphans' Pension Fund is summarized as follows;

	Bank/Group	
	2014	2013
As at 31 December	LKR '000	LKR '000
44.2.1 Net benefit expense (recognized under personnel expenses)		
Current service cost	66,884	76,101
Interest cost on benefit obligation	1,368,547	1,267,255
Interest income on plan assets	(1,478,765)	(1,301,644)
Net benefit expense	(43,334)	41,712
44.2.2 Retirement benefit assets		
Fair value of plan assets	16,362,449	14,730,725
Defined benefit obligation	(13,476,610)	(13,351,682)
Retirement benefit assets *	2,885,839	1,379,043

* The above retirement benefit asset have not been recognized in the Financial Statements.

	Bank/Group	
	2014	2013
As at 31 December	LKR '000	LKR '000
44.2.3 Changes in fair value of plan assets		
Opening fair value of plan assets	14,730,725	12,976,540
Expected return	1,478,765	1,301,644
Contribution paid in to plan	149,488	176,983
Actual employer contribution	456,000	456,000
Benefits paid	(560,791)	(512,470)
Actuarial gains on plan asset	108,262	332,028
Closing fair value of plan assets	16,362,449	14,730,725

As at 31 December	Bank/Group	
	2014 LKR '000	2013 LKR '000
44.2.4 Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	13,351,682	12,363,460
Interest cost	1,368,547	1,267,255
Current service cost	66,884	76,101
Benefits paid	(560,791)	(512,470)
Gain due to change in assumptions	(155,812)	-
Actuarial (gains)/losses on obligation	(593,900)	157,336
Closing defined benefit obligation	13,476,610	13,351,682
44.2.5 Plan assets consist of the following		
Fixed deposits	8,640,000	6,882,000
Treasury bonds	501,175	501,176
Debentures	5,504,950	5,504,950
Smart saver	827,188	827,188
Others	889,136	1,015,411
Total plan assets	16,362,449	14,730,725
44.2.6 Actuarial assumptions		
Future salary increment rate	6.50% p.a	7.00% p.a
Increase in future Cost of Living Allowance (COLA)	4.50% p.a	6.50% p.a
Increase in widows' /widowers' and orphans' pension in payment (basic)	Nil	Nil
Discounting rate	9.50% p.a	10.25% p.a
Rate of return on plan assets	9.00% p.a	10.00% p.a
Attrition rate	Nil	Nil
Mortality table	RP 2000	A67-70

Increase / decrease in the following assumptions will have an impact on the present value of defined benefit obligation as illustrated below;

	1% increase LKR '000	1% decrease LKR '000
Discount rate	12,001,550	15,241,950
Salary increment	13,485,370	13,468,150

Further, the remaining years of benefit payments are expected to be 16.5 years.

Notes to the Financial Statements

44 Employee retirement benefit plans (Contd.)

44.3 Provision for terminal gratuity

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
Balance as at 1 January	378,897	294,220	643,087	533,447
Provision / (reversal) during the year	(359,296)	56,653	(308,341)	102,566
Actuarial losses	3,514	35,001	17,999	22,045
Payment made during the year	(4,689)	(6,977)	(22,104)	(18,537)
Adjustment / transfers	-	-	(7,733)	3,566
Balance as at 31 December	18,426	378,897	322,908	643,087
Total employee benefit liabilities	1,995,622	1,338,312	2,300,104	1,602,502

44.3.1 Gratuity Fund

Provision had been made to meet the Bank's obligation to pay gratuity in terms of the Payment of Gratuity Act No. 12 of 1983, to all those employees who have joined after 1 January 1996. Provision also included those who have joined the Bank prior to 1 January 1996 and leave the Bank without being entitled to a pension.

Consequent to the entitlement of pension rights for employees who joined subsequent to 1 January 1996, the Bank's obligation to pay gratuity has ceased since beneficiaries of the new pension scheme will not be entitled for rights and privileges under the Gratuity Fund.

Therefore, major part of provisions made by the Bank o/a of gratuity has been transferred to the pension scheme established for employees who joined after 1 January 1996. However, employees whose services are terminated other than by retirement are eligible to receive a terminal gratuity under the Payment of Gratuity Act No. 12 of 1983, at the rate of one half of the basic or consolidated wage or salary, cost of living and all other allowances applicable to the last month of the financial year, for each year of continuous service.

An actuarial valuation of the Gratuity Fund as at 31 December 2014 was carried out by M/s Piyal S Goonetilleke and Associates, a firm of professional actuaries.

The valuation has been done using the "Projected Unit Credit Method", which is recommended in the Sri Lanka Accounting Standard -LKAS 19 "Employee Benefits".

The principal actuarial assumptions used in the valuation were as follows :

	Bank/Group	
	2014	2013
Future salary increment rate	6.50% p.a	7.00% p.a
Increase in future Cost of Living Allowance (COLA)	5.50% p.a	6.50% p.a
Discount rate	9.50% p.a	10.25% p.a
Mortality table	RP2000	GA1983

Increase / decrease in the following assumptions will change the present value of defined benefit obligation as illustrated below:

	1% increase	1% decrease
	LKR '000	LKR '000
Discount rate	15,990	21,390
Salary increment	21,450	15,900

44.4 Post 1996 pension reserve

Employees who joined the Bank subsequent to 1 January 1996 were not entitled to a pension plan until their pension rights were approved by the Board of Directors of Bank of Ceylon under the directions of the Ministry of Finance and Planning on 16 December 2014.

Permanent employees who were recruited to the Bank on or after 1 January 1996 and who are in active service of the Bank as at 16 December 2014 as well as those who will be recruited to the permanent cadre of the Bank on or after 16 December 2014 are covered under the new pension scheme.

Subsequent to the establishment of pension rights for all Bank employees, the provision for retirement gratuity payable does not exist.

An actuarial valuation of the post 1996 pension reserve as at 31 December 2014 was carried out by M/s Piyal S Goonetilleke and Associates a firm of professional actuaries.

The results of the actuarial valuation of the pension reserve indicates an obligation of LKR 2,487 million as at 31 December 2014. The provisions made by the Bank on prudential grounds and the gratuity liability balance is adequate to meet the post 1996 pension obligations in full.

45 Subordinated term debts

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
As at 31 December				
Unsecured, subordinated, redeemable debentures of LKR 100 each	32,519,715	24,357,595	32,177,810	24,347,248
Total subordinated term debts	32,519,715	24,357,595	32,177,810	24,347,248

All subordinated debentures are listed in Colombo Stock Exchange

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
45.1 The movement in subordinated term debts				
Balance as at 1 January	24,357,595	23,818,024	24,347,248	23,801,505
Issued during the year	8,000,000	8,000,000	7,675,000	8,000,000
Redemptions	-	(7,641,985)	-	(7,635,813)
Amortization adjustments	162,120	181,556	155,562	181,556
Balance as at 31 December	32,519,715	24,357,595	32,177,810	24,347,248
45.2 Maturity of subordinated terms debts				
Within 12 months	5,519,715	-	5,514,431	-
After 12 months	27,000,000	24,357,595	26,663,379	24,347,248
Total subordinated term debts	32,519,715	24,357,595	32,177,810	24,347,248

Notes to the Financial Statements

45 Subordinated term debts (Contd.)

	Notes	Interest payable frequency	Issue date
45.3 Types of debentures			
Sri Lanka Rupee debentures			
Fixed interest rate			
Unsecured, subordinated, redeemable debentures	(a)	Annually	28.06.2010
Unsecured, subordinated, redeemable debentures	(a)	Annually	08.12.2011
Unsecured, subordinated, redeemable debentures	(a)	Semi annually	08.12.2011
Unsecured, subordinated, redeemable debentures	(a)	Annually	30.11.2012
Unsecured, subordinated, redeemable debentures	(a)	Semi annually	30.11.2012
Unsecured, subordinated, redeemable debentures	(a)	Annually	25.10.2013
Unsecured, subordinated, redeemable debentures	(a)	Semi annually	25.10.2013
Unsecured, subordinated, redeemable debentures	(a)	Annually	25.10.2013
Unsecured, subordinated, redeemable debentures	(a)	Annually	25.10.2013
Unsecured, subordinated, redeemable debentures	(a)	Annually	22.09.2014
Unsecured, subordinated, redeemable debentures	(a)	Annually	22.09.2014
Unsecured, subordinated, redeemable debentures	(a)	Annually	22.09.2014
Floating interest rate			
Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 75 basis points)	(a)/(b)	Semi annually	28.06.2010
Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 75 basis points)	(a)/(b)	Semi annually	08.12.2011
Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 125 basis points)	(a)/(b)	Semi annually	30.11.2012
Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 100 basis points)	(a)/(b)	Semi annually	25.10.2013
Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 100 basis points)	(a)/(b)	Semi annually	25.10.2013
Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 50 basis points)	(a)/(b)	Semi annually	22.09.2014
Unsecured, subordinated, redeemable debentures (6 months TB rate (gross) plus 50 basis points)	(a)/(b)	Semi annually	22.09.2014
Total subordinated debentures			

Maturity date	Coupon rate		Amount as at 31 December			
	2014 %	2013 %	Bank		Group	
			2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
27.06.2015	11.50	11.50	1,135,783	1,135,783	1,130,499	1,130,499
07.12.2016	11.00	11.00	3,926,514	3,926,514	3,926,514	3,926,514
07.12.2016	10.50	10.50	2,315	2,315	2,315	2,315
29.11.2017	16.00	16.00	6,034,052	6,034,052	6,028,990	6,028,990
29.11.2017	15.25	15.25	40,189	40,189	40,189	40,189
24.10.2018	13.00	13.00	3,869,827	3,869,827	3,869,827	3,869,827
24.10.2018	12.60	12.60	220,369	220,369	220,369	220,369
24.10.2021	13.25	13.25	1,226,594	1,226,594	1,226,594	1,226,594
24.10.2022	13.25	13.25	1,227,617	1,227,617	1,227,617	1,227,617
24.10.2023	13.75	13.75	1,638,142	1,638,142	1,638,142	1,638,142
21.09.2019	8.00	-	5,234,969	-	5,234,969	-
21.09.2019	7.75	-	216,182	-	216,182	-
21.09.2022	8.25	-	1,873,793	-	1,873,793	-
			26,646,346	19,321,403	26,636,000	19,311,056
27.06.2015	7.24	9.47	3,927,586	3,928,928	3,927,586	3,928,928
07.12.2016	7.24	10.36	1,102,401	1,105,616	1,102,401	1,105,616
29.11.2017	7.74	11.03	423	424	423	424
24.10.2018	7.92	11.12	203	204	203	204
24.10.2021	7.92	11.12	1,014	1,020	1,014	1,020
21.09.2019	7.42	-	841,711	-	510,152	-
21.09.2022	7.42	-	31	-	31	-
			5,873,369	5,036,192	5,541,810	5,036,192
			32,519,715	24,357,595	32,177,810	24,347,248

Notes to the Financial Statements

45 Subordinated term debts (Contd.)

45.3 Types of debentures (Contd.)

Notes :

- (a) Debentures that are listed in Colombo Stock Exchange. Some of these have been traded in Colombo Stock Exchange during the year 2014.
- 2010/2015 - (Highest price - LKR 100.00, lowest price - LKR 100.00, last transaction price - LKR 100.00)
 2011/2016 - (Highest price - LKR 100.00, lowest price - LKR 100.00, last transaction price - LKR 100.00)
 2012/2017 - (Highest price - LKR 104.00, lowest price - LKR 104.00, last transaction price - LKR 104.00)
 2013/2018 - (Highest price - LKR 111.85, lowest price - LKR 111.85, last transaction price - LKR 111.85)
 2013/2021 - (Highest price - LKR 125.55, lowest price - LKR 125.55, last transaction price - LKR 125.55)
 2013/2023 - (Highest price - LKR 131.43, lowest price - LKR 131.43, last transaction price - LKR 131.43)
 2013/2019 - (Highest price - LKR 99.94, lowest price - LKR 99.94, last transaction price - LKR 99.94)
- (b) Weighted average 6 months treasury bill interest rate before deducting 10% withholding tax at the primary quotations as announced by Central Bank of Sri Lanka, at the preceding week of the interest resetting date.

46 Share capital

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
Authorized				
50,000,000 ordinary shares	50,000,000	50,000,000	50,000,000	50,000,000
Balance as at 1 January (issued and fully paid) (5,000,000 ordinary shares)	5,000,000	5,000,000	5,000,000	5,000,000
Assigned capital * (5,000,000 ordinary shares)	5,000,000	-	5,000,000	-
Balance as at 31 December (10,000,000 ordinary shares)	10,000,000	5,000,000	10,000,000	5,000,000

* Assigned capital

Government of Sri Lanka has allotted LKR 5,000 million capital to the Bank as the first phase of the total allotment of LKR 10,000 million as stipulated in the National Budget 2015. This allocation is reported under capital pending allotment as of 31 December 2014. The Bank is making arrangements to issue five million ordinary shares at LKR 1,000 each to Government of Sri Lanka.

47 Permanent reserve fund

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
Balance as at 1 January	3,538,455	3,285,955	3,538,455	3,285,955
Transfers during the year	271,500	252,500	271,500	252,500
Balance as at 31 December	3,809,955	3,538,455	3,809,955	3,538,455

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 271.5 million was transferred to the reserve during the year 2014 (2013 : LKR 252.5 million).

The balance in the permanent reserve fund will be used only for the purposes specified in the Section 20 (2) of the Banking Act No. 30 of 1988.

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
48 Other reserves				
Investment fund account [Note 48.1.1]	-	7,057,090	-	7,228,548
Revaluation reserve [Note 48.2]	8,587,167	5,210,792	13,807,627	9,600,314
Primary dealer special risk reserve [Note 48.3]	-	896,616	-	896,616
Free reserve [Note 48.4]	169,067	169,067	366,644	366,644
Exchange translation reserve [Note 48.5]	415,014	496,631	710,383	945,548
Available for sale reserve [Note 48.6]	6,963,665	3,912,715	7,762,004	4,515,661
Statutory reserve - Other [Note 48.7]	-	-	275,391	263,247
	16,134,913	17,742,911	22,922,049	23,816,578

48.1 Investment Fund Account (IFA)

As per the guidelines issued by Central Bank of Sri Lanka, based on Government budget proposals - 2011, banks were required to establish and operate a fund, titled as "Investment Fund Account (IFA)" with effect from 1 January 2011. As and when taxes are paid, after 1 January 2011, the Bank should transfer 8% of profits calculated for VAT on financial services and 5% of the adjusted profit calculated for income tax purposes (before tax).

The Circular No.02/17/800/0014/02 dated 31 July 2014 issued by Central Bank of Sri Lanka stated that the operations of the investment fund account will cease with effect from 1 October 2014.

Therefore we have transferred the remaining balance in IFA to retained earnings through the Statement of Changes in Equity.

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
48.1.1 Movement in investment fund account				
Balance as at 1 January	7,057,090	4,716,685	7,228,548	4,849,948
Transfers from retained earnings	480,066	2,340,405	480,066	2,378,600
Transfers to retained earnings	(7,537,156)	-	(7,708,614)	-
Balance as at 31 December	-	7,057,090	-	7,228,548

Notes to the Financial Statements

48 Other reserves (Contd.)

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
48.2 Revaluation reserve				
Balance as at 1 January	5,210,792	5,222,314	9,600,314	8,367,737
Net gains / (losses) on revaluation of properties	3,557,500	(16,003)	4,632,965	1,664,685
Deferred tax effect on revaluation (gains)/losses	(181,125)	4,481	(480,110)	(459,977)
Acquisition, disposal and changes in non controlling interest	-	-	54,458	27,869
Balance as at 31 December	8,587,167	5,210,792	13,807,627	9,600,314

The revaluation reserve represents the surpluses arising on the revaluation of freehold properties which are still in use.

The Bank has carried out a revaluation of all its freehold land and buildings and recognized LKR 3.6 billion revaluation surplus as of 31 December 2014.

According to the regulatory directives, issued by Central Bank of Sri Lanka, the Bank can consider the revaluation surplus as supplementary capital in computing capital adequacy ratio, once in every seven years.

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
48.3 Primary dealer special risk reserve				
Balance as at 1 January	896,616	822,676	896,616	822,676
Transfers during the year	(896,616)	73,940	(896,616)	73,940
Balance as at 31 December	-	896,616	-	896,616

The Bank has been maintaining the primary dealer special risk reserve since 2005 as per the direction issued by the Public Debt Department of Central Bank of Sri Lanka. However according to the confirmation received from the Public Debt Department of Central Bank of Sri Lanka on the cessation of maintaining a special risk reserve in 2014, the Bank transferred the balance to the retained earnings.

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
48.4 Free reserve				
Balance as at 1 January	169,067	169,067	366,644	366,644
Balance as at 31 December	169,067	169,067	366,644	366,644

Free reserve has been created for unforeseeable risks and future losses.

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
48.5 Exchange translation reserve				
Balance as at 1 January	496,631	693,851	945,548	998,291
Exchange differences on translation of foreign operations	(81,617)	(197,220)	(235,165)	(52,743)
Balance as at 31 December	415,014	496,631	710,383	945,548

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.

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
48.6 Available for sale reserve				
Balance as at 1 January	3,912,715	3,403,188	4,515,661	3,970,915
Net gains/(losses) on remeasuring financial investments	3,050,950	509,527	3,246,343	544,746
Balance as at 31 December	6,963,665	3,912,715	7,762,004	4,515,661
48.7 Statutory reserve - Other				
Balance as at 1 January	-	-	263,247	244,915
Transfers during the year	-	-	12,144	18,332
Balance as at 31 December	-	-	275,391	263,247

Statutory reserve - other, represents the reserve funds maintained by Merchant Bank of Sri Lanka & Finance PLC in terms of Direction No. 05 of 2006 issued by Central Bank of Sri Lanka under Section No.34 of the Finance Leasing Act No.56 of 2000 and MCSL Financial Services Limited in terms of Direction No. 01 of 2003 issued by Central Bank of Sri Lanka.

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
For the year ended 31 December				
49 Notes to the Statement of Cash Flows				
49.1 Change in operating assets				
Change in deposits with regulatory authorities	(1,723,241)	1,264,108	(1,723,241)	1,264,108
Loans and advances to customers	(26,621,248)	(32,652,885)	(28,197,251)	(36,266,683)
Net (increase)/ decrease in financial assets - Held for trading	(996,620)	149,415	1,196,104	(885,299)
Net increase in reverse repurchase agreements	(36,633,376)	(21,522,292)	(37,384,494)	(21,428,100)
Net (increase)/ decrease in derivative financial instruments	1,546,517	(2,753,622)	1,546,517	(2,753,622)
Change in other operating assets	(8,660,341)	(21,501,408)	(8,540,980)	(22,195,349)
	(73,088,309)	(77,016,684)	(73,103,345)	(82,264,945)

Notes to the Financial Statements

49 Notes to the Statement of Cash Flows (Contd.)

For the year ended 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
49.2 Change in operating liabilities				
Decrease in deposits from banks	(478,394)	(9,165,515)	(529,769)	(9,229,140)
Increase in deposits from customers	95,068,191	141,272,381	95,665,201	141,892,610
Net increase/ (decrease) in securities lent and repurchase agreements	19,292,910	(7,316,045)	19,391,123	(8,020,511)
Net increase/ (decrease) in short term borrowings	5,495,066	(10,468,558)	5,334,802	(11,564,825)
Net increase in derivative financial instruments	459,600	200,634	459,600	200,634
Change in other operating liabilities	5,695,384	4,642,213	5,621,069	5,826,092
	125,532,757	119,165,110	125,942,026	119,104,860
49.3 Other non cash items included in profit before tax				
Exchange revaluation	27,418	(396,660)	27,418	(396,660)
Contribution paid to defined benefit plans	579,007	1,144,897	636,642	1,197,476
Loan impairment charges	7,210,916	6,922,902	7,931,525	7,331,136
Depreciation of property, plant and equipment	1,019,315	977,446	1,414,410	1,327,183
Amortization of intangible assets and leasehold lands	171,979	139,757	216,447	170,057
Accrual for expenses and other non cash items	5,016,379	(1,928,100)	4,120,781	(1,906,812)
	14,025,014	6,860,242	14,347,223	7,722,380

50 Commitments and contingencies

In the normal course of business, the Bank undertakes commitments and incurs contingent liabilities with legal recourse to its customers to accommodate the financial and investment needs of clients, to conduct trading activities, and to manage its own exposure to risk. These financial instruments generate interest or fees and carries elements of credit risk in excess of those amounts recognized as assets and liabilities in the Statement of Financial Position. However no material losses are anticipated as a result of these transactions.

These commitments and contingencies are quantified below :

As at 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
Contingent liabilities [Note 50.1]	416,395,424	364,749,512	417,177,851	365,190,796
Undrawn and undisbursed facilities [Note 50.2]	297,007,904	285,944,245	297,016,457	285,953,702
Capital commitments [Note 50.3]	6,611,334	3,936,404	6,858,547	4,209,094
Lease commitments [Note 50.4]	1,748,744	811,248	1,770,333	872,501
Total commitments and contingencies	721,763,406	655,441,409	722,823,188	656,226,093

As at 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
50.1 Contingent liabilities				
Acceptances and documentary credit	179,707,248	163,754,104	179,963,895	163,977,738
Bills for collection	4,626,332	3,947,225	4,626,332	3,947,225
Forward exchange contracts	128,030,237	127,685,402	128,030,237	127,685,402
Guarantees	99,102,841	69,275,083	99,300,121	69,441,991
Other commitments	4,928,766	87,698	5,257,266	138,440
Total contingent liabilities	416,395,424	364,749,512	417,177,851	365,190,796
50.2 Undrawn and undisbursed facilities				
Undisbursed amount of loans	38,917,230	38,496,890	38,925,783	38,506,347
Undrawn limits of overdrafts	69,574,333	75,172,736	69,574,333	75,172,736
Undrawn limits of credit cards	5,398,764	4,796,756	5,398,764	4,796,756
Undrawn limits of letters of credit	104,954,776	71,903,943	104,954,776	71,903,943
Undrawn limits of letters of guarantee	78,162,801	95,573,920	78,162,801	95,573,920
Total undrawn and undisbursed facilities	297,007,904	285,944,245	297,016,457	285,953,702

50.3 Capital commitments

Capital expenditure approved by the Directors for which no provision has been made in the Financial Statements, amounts to:

As at 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
50.3.1 Capital commitments in relation to property, plant and equipment				
Approved and contracted for	1,688,548	1,439,648	1,741,657	1,439,648
Approved but not contracted for	3,989,026	2,033,207	4,061,544	2,181,934
	5,677,574	3,472,855	5,803,201	3,621,582
50.3.2 Capital commitments in relation to intangible assets				
Approved and contracted for	382,760	221,549	382,760	221,549
Approved and not contracted for	551,000	242,000	672,586	365,963
	933,760	463,549	1,055,346	587,512
Total capital commitments	6,611,334	3,936,404	6,858,547	4,209,094

50.4 Lease commitments**50.4.1 Operating lease commitments**

Future minimum lease payments under non cancellable operating leases where the Bank is the lessee are as follows;

As at 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
Not later than 1 year	978,805	326,763	978,805	326,763
Later than 1 year and not later than 5 years	756,694	475,429	756,694	475,429
Later than 5 years	10,778	1,512	10,778	1,512
	1,746,277	803,704	1,746,277	803,704

Notes to the Financial Statements

50 Commitments and contingencies (Contd.)

50.4 Lease commitments (Contd.)

Future minimum lease payments under non cancellable financing leases where the Bank is the lessee are as follows;

50.4.2 Finance lease commitments

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
As at 31 December				
Not later than 1 year	2,467	5,077	6,842	15,785
Later than 1 year and not later than 5 years	-	2,467	12,368	53,012
Later than 5 years	-	-	4,846	-
	2,467	7,544	24,056	68,797
Total lease commitments	1,748,744	811,248	1,770,333	872,501

51 Litigation

Litigations are anticipated in the context of business operations due to the nature of the transactions involved. The Bank and the Group's companies are involved in various such legal actions and the controls have been established to deal with such legal claims. There are pending litigations existing as at the end of the reporting period against the Bank resulting through normal business operations.

Litigations against the Bank have been assessed in terms of the probability of any claims or damages arising against the Bank, which require provisions to be made in the Financial Statements as per LKAS 37 - "Provisions, Contingent Liabilities and Contingent Assets."

As at 31 December 2014, claims for the legal cases against the Bank amounted to LKR 320 million. The Bank is of the view that there is no probability of such pending cases having any significant or material impact to the Bank's business operations, liquidity or financial position. Accordingly, no provision has been made in these Financial Statements in respect of pending litigations against the Bank.

52 Assets pledged as security

The securities sold under repurchase agreements, debentures and debt securities issued by the Bank and the Group and details of assets pledged by the Bank and the Group, to secure those liabilities are given below:

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
As at 31 December				
Securities sold under repurchase agreements	51,282,837	31,989,927	51,282,837	31,528,724
Refinance purposes	-	-	1,156,609	1,659,900
	51,282,837	31,989,927	52,439,446	33,188,624
Secured by ;				
Treasury bonds	57,837,480	44,792,077	57,837,480	44,792,077
Lease / hire purchase rentals receivable	-	-	1,151,859	1,652,150
Fixed deposits	-	-	4,750	7,750
	57,837,480	44,792,077	58,994,089	46,451,977

53 Events after the reporting date

No circumstances have arisen since the reporting date which would require adjustments to or disclosure in these Financial Statements other than the item disclosed below.

53.1 Super gain tax

Government of Sri Lanka, in its interim budget 2015 presented to the Parliament on 29 January 2015, has imposed a super gain tax of 25% on the profits of any company or an individual exceeding LKR 2,000 million earned in the year of assessment 2013/14 as a one off tax, which is yet to be enacted.

53.2 Merger

Subsequent to the reporting date three of the Bank's subsidiaries namely Merchant Bank of Sri Lanka & Finance PLC, MBSL Savings Bank Limited and MCSL Financial Services Limited merged as single entity in 1 January 2015 in line with the banking sector consolidation road map introduced by Central Bank of Sri Lanka.

54 Maturity analysis of assets and liabilities

The analysis of total assets and liabilities of the Bank and the Group into relevant maturity groupings based on the remaining period as at 31 December 2014 in to the contractual maturity date is given in the table below :

As at 31 December 2014	Bank			Group		
	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Assets						
Cash and short term funds	29,165,464	-	29,165,464	29,958,559	-	29,958,559
Balances with Central Banks	29,016,252	1,406,121	30,422,373	29,016,252	1,406,121	30,422,373
Placements with banks	19,766,889	-	19,766,889	21,393,574	-	21,393,574
Derivative financial instruments	1,714,556	-	1,714,556	1,714,556	-	1,714,556
Reverse repurchase agreements	58,953,093	-	58,953,093	60,236,389	-	60,236,389
Financial assets - Held for trading	17,862,433	-	17,862,433	18,437,958	-	18,437,958
Financial investments - Loans and receivables	16,857,588	112,287,742	129,145,330	18,013,335	111,953,471	129,966,806
Loans and advances to customers	512,970,459	228,377,176	741,347,635	521,477,898	242,294,154	763,772,052
Financial investments - Available for sale	2,562,402	11,799,141	14,361,543	3,908,582	13,702,578	17,611,160
Financial investments - Held to maturity	42,052,438	174,465,000	216,517,438	42,219,906	174,520,226	216,740,132
Investment in subsidiary companies	-	6,213,048	6,213,048	-	-	-
Investment in associate companies	-	842,988	842,988	-	1,870,035	1,870,035
Investment properties	-	-	-	96,865	52,011	148,876
Property, plant and equipment	-	16,188,333	16,188,333	-	25,646,016	25,646,016
Leasehold properties	-	107,467	107,467	-	144,501	144,501
Intangible assets	-	384,577	384,577	-	531,667	531,667
Deferred tax assets	-	-	-	-	8,933	8,933
Other assets	45,567,511	459,717	46,027,228	46,212,846	587,232	46,800,078
Total assets	776,489,085	552,531,310	1,329,020,395	792,686,720	572,716,945	1,365,403,665
Percentage	58.4%	41.6%	100.0%	58.1%	41.9%	100.0%

Notes to the Financial Statements

54 Maturity analysis of assets and liabilities (Contd.)

As at 31 December 2014	Bank			Group		
	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Liabilities						
Due to banks	889,876	-	889,876	949,127	-	949,127
Derivative financial instruments	734,548	-	734,548	734,548	-	734,548
Due to customers	890,798,299	43,167,870	933,966,169	898,753,216	45,181,247	943,934,463
Other borrowings	90,448,767	156,287,695	246,736,462	94,511,016	157,657,141	252,168,157
Debt securities issued	17,362,198	3,400,000	20,762,198	17,646,268	8,572,069	26,218,337
Current tax liabilities	-	-	-	291,193	-	291,193
Deferred tax liabilities	-	1,071,335	1,071,335	-	3,288,860	3,288,860
Insurance provision - Life	-	-	-	-	349,901	349,901
Insurance provision - Non life	-	-	-	-	607,306	607,306
Other liabilities	17,526,012	8,167	17,534,179	18,540,135	563,107	19,103,242
Subordinated term debts	5,519,715	27,000,000	32,519,715	5,514,431	26,663,379	32,177,810
Equity	-	74,805,913	74,805,913	-	85,580,721	85,580,721
Total liabilities and equity	1,023,279,415	305,740,980	1,329,020,395	1,036,939,934	328,463,731	1,365,403,665
Percentage	77.0%	23.0%	100.0%	75.9%	24.1%	100.0%
Net gap	(246,790,330)	246,790,330	-	(244,253,214)	244,253,214	-

The analysis of total assets and liabilities of the Bank and the Group in to relevant maturity groupings based on the remaining period as at 31 December 2013 in to the contractual maturity date is given in the table below :

As at 31 December 2013	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	
Assets						
Cash and short term funds	24,901,189	-	24,901,189	25,182,043	-	25,182,043
Balances with Central Banks	27,501,904	1,197,228	28,699,132	27,501,904	1,197,228	28,699,132
Placements with banks	19,315,520	-	19,315,520	21,157,190	-	21,157,190
Derivative financial instruments	3,261,073	-	3,261,073	3,261,073	-	3,261,073
Reverse repurchase agreements	22,319,717	-	22,319,717	22,851,895	-	22,851,895
Financial assets - Held for trading	10,245,314	3,294,477	13,539,791	10,556,130	3,342,112	13,898,242
Financial investments - Loans and receivables	21,776,780	107,331,833	129,108,613	21,998,930	108,191,366	130,190,296
Loans and advances to customers	389,989,285	335,342,681	725,331,966	395,251,159	351,320,660	746,571,819
Financial investments - Available for sale	860,666	9,464,548	10,325,214	1,410,592	11,441,853	12,852,445
Financial investments - Held to maturity	48,819,056	108,080,705	156,899,761	48,969,258	108,472,314	157,441,572
Investment in subsidiary companies	-	6,828,699	6,828,699	-	-	-
Investment in associate companies	-	842,988	842,988	-	1,471,267	1,471,267
Investment properties	-	-	-	-	151,914	151,914
Property, plant and equipment	-	12,006,180	12,006,180	6,528	20,615,633	20,622,161
Leasehold properties	-	83,026	83,026	-	121,417	121,417
Intangible assets	-	501,064	501,064	-	669,657	669,657
Deferred tax assets	-	-	-	33,548	14,270	47,818
Other assets	39,150,680	466,287	39,616,967	39,939,370	633,080	40,572,450
Total assets	608,141,184	585,439,716	1,193,580,900	618,119,620	607,642,771	1,225,762,391
Percentage	51.0%	49.0%	100.0%	50.4%	49.6%	100.0%

Notes to the Financial Statements

54 Maturity analysis of assets and liabilities (Contd.)

As at 31 December 2013	Bank			Group		
	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	After 12 months LKR '000	Total LKR '000
Liabilities						
Due to banks	1,166,427	-	1,166,427	1,336,267	-	1,336,267
Derivative financial instruments	274,948	-	274,948	274,948	-	274,948
Due to customers	806,941,764	35,128,236	842,070,000	809,457,102	41,310,419	850,767,521
Other borrowings	86,636,783	148,733,486	235,370,269	91,894,729	148,907,382	240,802,111
Debt securities issued	-	20,968,357	20,968,357	656,372	24,330,446	24,986,818
Current tax liabilities	-	-	-	251,457	18	251,475
Deferred tax liabilities	-	151,623	151,623	-	2,034,216	2,034,216
Insurance provision - Life	-	-	-	-	220,748	220,748
Insurance provision - Non life	-	-	-	-	670,073	670,073
Other liabilities	10,183,316	1,338,205	11,521,521	11,237,731	1,921,202	13,158,933
Subordinated term debts	-	24,357,595	24,357,595	-	24,347,248	24,347,248
Equity	-	57,700,160	57,700,160	-	66,912,033	66,912,033
Total liabilities and equity	905,203,238	288,377,662	1,193,580,900	915,108,606	310,653,785	1,225,762,391
As at 31 December 2013	75.8%	24.2%	100.0%	74.7%	25.3%	100.0%
Net gap - 2013	(297,062,054)	297,062,054	-	(296,988,986)	296,988,986	-

55 Related party disclosures

The Bank has entered into transactions with parties who are defined as related parties in Sri Lanka Accounting Standard - LKAS 24 - "Related Party Disclosures", i.e. significant investors, subsidiary and associate companies, post employment benefit plans for the Bank's employees, Key Management Personnel (KMPs), Close Family Members (CFMs) of KMPs and other related entities. Those transactions include lending activities, acceptance and placements, off balance sheet transactions and provision of other banking and financial services that are carried out in the ordinary course of business on an arm's length basis at commercial rates, except for the transactions that KMPs have availed under schemes uniformly applicable to all the staff at concessionary rates.

55.1 Parent and the ultimate controlling party

Bank of Ceylon is a Government owned bank.

55.2 Key Management Personnel (KMPs), their Close Family Members (CFMs) and other related entities

55.2.1 Compensation to Key Management Personnel (KMPs) and their Close Family Members (CFMs)

As per the Sri Lanka Accounting Standard -LKAS 24 - "Related Party Disclosures", the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Bank. Accordingly, the Board of Directors and selected key members of the Corporate Management are identified as KMPs who meet the above criteria.

CFMs are defined as family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity, i.e. spouse, children under 18 years of age and dependants of KMPs. Dependant is defined as anyone who depends on the respective KMP for more than 50% of his or her financial needs.

For the year ended 31 December	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
Compensation to KMPs of the Bank				
Short term employment benefits	15,352	11,010	18,214	13,320
Post employment benefits	2,587	2,613	2,587	2,613
	17,939	13,623	20,801	15,933

In addition to the above, the Bank has also provided non cash benefits such as vehicles to KMPs in line with the approved benefit plan of the Bank.

55.2.2 Transactions, arrangements and agreements involving Key Management Personnel (KMPs), their Close Family Members (CFMs) and other related entities

Other entities are those entities in which the KMPs and /or their CFMs have an interest over 50% of total shareholding.

For the year ended 31 December	KMPs & CFMs		Other entities	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
(a) Items in income statement				
Interest income	627	683	-	-
Interest expenses	880	1,190	-	-
Other expenses *	-	-	9,353	3,732

* excluding the payments made as shown in Note 55.2.1

As at 31 December	KMPs & CFMs		Other entities	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
(b) Items in statement of financial position				
Assets				
Loans	6,092	6,255	-	-
Overdrafts	1,026	1,275	-	-
Credit cards	674	224	-	-
	7,792	7,754	-	-
Liabilities				
Due to customers	21,759	8,361	-	-
	21,759	8,361	-	-
(c) Off balance sheet items				
Undrawn facilities	5,005	9,550	-	-
	5,005	9,550	-	-
(d) Average accommodations / due to customer balances				
Loans	6,132	6,444	-	-
Overdrafts	923	1,094	-	-
Due to customers	14,781	12,947	-	-

Notes to the Financial Statements

55 Related party disclosures (Contd.)

55.3 Transactions with Group related parties

The Group related parties include the subsidiaries and associate companies of the Bank.

55.3.1 Transactions with subsidiaries and associates 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 summarized below.

For the year ended 31 December	Subsidiary companies of the Bank		Associate companies of the Bank	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
(a) Items in income statement				
Interest income	24,632	179,354	14,663	5,795
Interest expenses	244,673	425,040	17,230	22,070
Other income	356,921	293,874	42,940	21,582
Other expenses	646,720	612,251	20,672	25,468
As at 31 December	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
(b) Items in statement of financial position				
Assets				
Loans	66,660	573,045	144,529	31,524
Overdrafts	48,447	75,174	-	91
Investments	212,661	246,010	-	-
Placements	5,784,156	9,215,854	-	-
Other receivables	276,827	356,413	-	-
	6,388,751	10,466,496	144,529	31,615
Liabilities				
Due to customers	2,106,587	2,541,851	270,968	250,439
Securities sold under repurchase agreements	805,160	461,203	57,606	-
Debentures	341,906	10,347	-	-
Other liabilities	94,849	200,376	2,058	1,780
	3,348,502	3,213,777	330,632	252,219
(c) Off balance sheet items				
Letters of credit	-	-	-	1,397
Guarantees	59,243	62,593	32,140	32,640
Undrawn facilities	2,175,741	1,643,304	55,000	79,909
	2,234,984	1,705,897	87,140	113,946
(d) Average accommodations / due to customer balances				
Loans	228,925	966,387	131,766	35,173
Overdrafts	42,892	116,489	133	7,975
Due to customers	2,319,143	2,342,249	231,518	189,523

55.3.2 Transactions with subsidiaries and associate companies of the Group

In addition to the transactions between the Bank and its subsidiaries and associate companies, transactions which were taken place between the subsidiaries and associate companies are also included in the section below:

	Subsidiary companies		Associate companies	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
For the year ended 31 December				
(a) Items in Income Statement				
Interest income	57,456	207,283	14,663	5,795
Interest expense	277,497	452,969	17,230	33,366
Other income	606,123	372,188	42,940	21,582
Other expenses	892,549	687,196	24,045	28,838
	Subsidiary companies		Associate companies	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
As at 31 December				
(b) Items in Statement of Financial Position				
Assets				
Loans	66,660	577,012	144,529	31,524
Overdrafts	48,447	75,174	-	91
Investments	212,661	246,010	-	-
Placements	5,784,156	9,215,854	-	-
Other receivables	286,938	417,350	-	-
	6,398,862	10,531,400	144,529	31,615
Liabilities				
Due to customers	2,113,304	2,594,062	270,968	250,439
Securities sold under repurchase agreements	805,160	461,203	57,606	-
Debentures	341,906	10,347	-	-
Other liabilities	101,175	213,069	2,058	1,780
	3,361,545	3,278,681	330,632	252,219
(c) Off balance sheet items				
Letters of credit	-	-	-	1,397
Guarantees	59,243	62,593	32,140	32,640
Undrawn facilities	2,175,741	1,643,304	55,000	79,909
	2,234,984	1,705,897	87,140	113,946
(d) Average accommodations / due to customer balances				
Loans	231,625	969,470	131,766	35,173
Overdrafts	46,677	116,489	133	7,975
Due to customers	2,325,860	2,394,460	231,518	189,523

Notes to the Financial Statements

55 Related party disclosures (contd.)

55.4 Transactions with the significant investors having significant influence over the Bank and the post employment benefit plans for Bank's employees.

Significant investor of the Bank is the Government as it is a state owned entity. Government refers to the Government of Sri Lanka, Government Corporations, Provincial Councils, Local Government bodies, other Government entities and their subsidiaries. Post employment benefit plans are arrangements made by the Bank to provide post employment benefit for its employees.

Transactions and arrangements entered into by the Bank with the Government and Government controlled entities (significant investor) and post employment benefit plans which are individually significant and for other transactions that are collectively, but not individually significant are as follows:

55.4.1 Transactions which are collectively significant

For the year ended 31 December	Significant investor		Post employment benefit plans	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
(a) Items in Income Statement				
Interest income	53,523,188	44,324,998	-	-
Other income	2,176,547	1,328,749	-	-
Interest expenses	12,261,228	8,858,532	6,264,541	10,619,058
Dividends paid	6,846,410	5,346,410	-	-
Contribution made	-	-	2,693,384	2,960,719
(b) Items in Statement of Financial Position				
Assets				
Loans and advances	328,914,682	290,790,922	-	-
Investment in securities and bonds	414,040,863	290,710,779	-	-
Investment in equity instruments	1,126,648	4,277,026	-	-
	744,082,193	585,778,727	-	-
Liabilities				
Due to customers	164,152,416	113,565,125	34,598,638	36,273,553
Securities sold under repurchase agreements	41,484,975	20,434,888	1,570,389	367,628
Debentures	8,179,136	6,935,766	33,662,577	29,291,849
	213,816,527	140,935,779	69,831,604	65,933,030
(c) Off balance sheet items				
Letters of credit	56,640,701	60,311,651	-	-
Bills and acceptances	55,202,462	74,146,782	-	-
Guarantees	17,499,071	13,274,268	-	-
Forward exchange contracts	72,327,750	68,725,125	-	-
	201,669,984	216,457,826	-	-
(d) Other transactions				
Gross foreign exchange transactions				
Sales	127,238,018	23,489,593	-	-
Purchases	81,993,003	19,197,218	-	-

As at 31 December	Significant investor		Post employment benefit plans	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
(e) Average accommodations / due to customers				
Loans and advances	277,953,375	252,110,896	-	-
Due to customers	115,432,228	101,502,713	32,907,367	32,846,278
Off balance sheet facilities	209,063,905	184,592,285	-	-

55.4.2 Transactions which are individually significant

The Bank uses internal assessment methodology in order to identify significance of the transactions with the Government and Government related entities. Accordingly, the transactions which have been considered in normal day to day business operations which are carried on normal market conditions are considered as individually significant transactions and reported below:

- i The Government of Sri Lanka has allotted LKR 5,000 billion capital to the Bank as the first phase of the total allotment of LKR 10,000 million as stipulated in National Budget 2015.
- ii As stipulated in the Budget 2014, Bank of Ceylon's investment in SriLankan Airlines was taken over by the Government of Sri Lanka. This share buy back generated gains to the Bank by way of a provision reversal made on the fall in value of the investment.
- iii The Government of Sri Lanka, in terms of National Budget 2014 also made arrangements to settle long outstanding loans to Bank of Ceylon from British Ceylon Corporation Lanka Ltd (BCC Lanka Ltd) and Lanka Salusala amounting to LKR 294.2 million and LKR 35.0 million respectively.

55.4.3 Transactions with the significant investor - Group

Other than the transactions carried out by the Bank and balances held by the Bank with the Government, subsidiaries of the Group have carried out following transactions with the Government and balances held with the Government as follows:

As at 31 December	Significant investor	
	2014 LKR '000	2013 LKR '000
Investment in securities and bonds	1,818,605	2,100,514
Nostro balance with CBSL	137,486	106,922
Income from investment in securities and bonds	143,114	233,726

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 2014 on comparable terms which are applicable to transactions between the Group and its unrelated customers.

56 Financial reporting by segment

Segmental information is presented in respect of Group business distinguishing the component of the Group that is engaged in different business segments or operations within a particular economic environment which is subject to risk and returns that are different from those of other segments.

56.1 Primary segment information - Operating segments -Group

Operating segments provide products and services whose risk and returns are different from other segments which represents retail banking, corporate banking, international, treasury and investment, Group function and unallocated segment.

Notes to the Financial Statements

56 Financial reporting by segment (Contd.)

56.1 Primary segment information - Operating segments -Group (Contd.)

For the year ended 31 December	Retail banking		Corporate banking	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
Revenue from external customers:				
Net interest income	20,114,226	24,892,002	8,073,919	7,251,504
Net fee and commission income	3,031,727	2,140,666	3,995,194	2,840,164
Other income	1,297,070	1,828,360	274,697	679,252
Total operating income	24,443,023	28,861,028	12,343,810	10,770,920
Impairment (charge)/reversal for loans and other losses	(5,145,535)	(6,653,066)	(2,120,903)	258,247
Total operating expenses	(16,091,497)	(14,564,091)	(3,977,846)	(4,531,944)
Total expenses	(21,237,032)	(21,217,157)	(6,098,749)	(4,273,697)
Operating profit before VAT and NBT	3,205,991	7,643,871	6,245,061	6,497,223
VAT and NBT on financial services	-	-	-	-
Operating profit after VAT and NBT				
Share of profit/(loss) of associate companies before tax	-	-	-	-
Profit/ (loss) before income tax	3,205,991	7,643,871	6,245,061	6,497,223
Income tax expense	-	-	-	-
Profit for the year				
Total assets	389,085,482	356,467,732	411,205,706	397,754,640
Total liabilities	367,185,220	339,314,332	388,060,374	378,614,493
Cash flows from operating activities	33,628,329	31,075,094	13,498,527	9,053,754
Cash flows used in investing activities	(543,552)	(593,062)	(574,454)	(661,752)
Cash flows used in financing activities	(9,110,991)	(3,217,857)	(9,628,968)	(3,590,556)
Capital expenditure to non current assets	-	-	-	-
Depreciation and amortization expenses	348,765	333,735	368,593	372,389

Being the major customer of the Bank, "Government and State Owned Enterprises (SOEs)" represents 18% of revenue of the Bank, (2013 : 18%) and included under Retail and Corporate segments. More details are given in the Note 55 - 'Related party disclosures'.

International, treasury and investment		Group function		Unallocated		Total	
2014	2013	2014	2013	2014	2013	2014	2013
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
9,449,501	4,367,552	2,304,007	2,196,565	812,409	634,228	40,754,062	39,341,851
609,055	578,630	215,719	192,479	472,084	183,074	8,323,779	5,935,013
6,098,856	3,397,706	2,833,378	2,808,777	1,058,531	(778,417)	11,562,532	7,935,678
16,157,412	8,343,888	5,353,104	5,197,821	2,343,024	38,885	60,640,373	53,212,542
-	-	(720,610)	(408,234)	55,523	(536,091)	(7,931,525)	(7,339,144)
(4,254,298)	(3,433,278)	(3,286,891)	(4,037,428)	(24,579)	(674,667)	(27,635,111)	(27,241,408)
(4,254,298)	(3,433,278)	(4,007,501)	(4,445,662)	30,944	(1,210,758)	(35,566,636)	(34,580,552)
11,903,114	4,910,610	1,345,603	752,159	2,373,968	(1,171,873)	25,073,737	18,631,990
-	-	-	-	-	-	(4,105,175)	(2,756,179)
-	-	-	-	-	-	20,968,562	15,875,811
-	-	462,436	228,813	-	-	462,436	228,813
11,903,114	4,910,610	1,808,039	980,972	2,373,968	(1,171,873)	21,430,998	16,104,624
-	-	-	-	-	-	(7,058,656)	(3,956,302)
-	-	-	-	-	-	14,372,342	12,148,322
469,534,357	348,980,825	46,651,202	49,044,743	48,926,918	73,514,451	1,365,403,665	1,225,762,391
443,105,909	332,187,698	33,935,230	36,270,114	47,536,211	72,463,721	1,279,822,944	1,158,850,358
15,798,318	5,452,438	3,851,995	2,742,185	1,358,239	791,767	68,135,408	49,114,238
(26,115,957)	(50,971,408)	(149,522)	(117,448)	(68,350)	(122,308)	(27,451,835)	(52,465,978)
(10,994,816)	(3,150,272)	(842,037)	(343,964)	(1,179,523)	(687,204)	(31,756,335)	(10,989,853)
-	-	-	-	-	-	1,986,043	2,184,849
420,877	326,725	223,915	210,197	268,707	254,194	1,630,857	1,497,240

Notes to the Financial Statements

56 Financial reporting by segment (Contd.)

56.2 Secondary segment information - Geographical segments

Geographical Segments provide products or services within a particular economic environment where risk and returns are different from those of other economic environments. These segment comprise domestic operations, Off shore Banking Division and Overseas Banking Units.

	Bank				Group			
	2014		2013		2014		2013	
	LKR '000	%	LKR '000	%	LKR '000	%	LKR '000	%
Assets								
Domestic Banking Unit	1,069,304,673	80.5	927,016,489	77.6	1,095,133,083	80.2	944,942,649	77.1
Off shore Banking Division	241,154,979	18.1	250,329,609	21.0	241,154,979	17.7	250,329,609	20.4
Overseas Banking Units	18,560,743	1.4	16,234,802	1.4	29,115,603	2.1	30,490,133	2.5
	1,329,020,395	100.0	1,193,580,900	100.0	1,365,403,665	100.0	1,225,762,391	100.0
Total income								
Domestic Banking Unit	111,700,828	88.3	110,407,209	86.6	117,854,788	88.6	116,820,090	87.0
Off shore Banking Division	12,174,722	9.6	14,920,266	11.7	12,174,722	9.2	14,920,266	11.1
Overseas Banking Units	2,670,393	2.1	2,136,583	1.7	2,993,835	2.2	2,489,285	1.9
	126,545,943	100.0	127,464,058	100.0	133,023,345	100.0	134,229,641	100.0
Profit before tax								
Domestic Banking Unit	18,101,977	89.2	12,196,170	77.6	19,370,527	90.4	12,651,614	78.6
Off shore Banking Division	786,463	3.9	2,671,545	17.0	786,463	3.7	2,671,545	16.6
Overseas Banking Units	1,402,517	6.9	841,057	5.4	1,274,008	5.9	781,465	4.8
	20,290,957	100.0	15,708,772	100.0	21,430,998	100.0	16,104,624	100.0
Profits after tax								
Domestic Banking Unit	12,011,966	88.5	9,568,106	79.2	12,938,760	90.1	9,688,907	79.8
Off shore Banking Division	566,254	4.2	1,923,512	15.9	566,254	3.9	1,923,512	15.8
Overseas Banking Units	995,837	7.3	595,495	4.9	867,328	6.0	535,903	4.4
	13,574,057	100.0	12,087,113	100.0	14,372,342	100.0	12,148,322	100.0

57 Fair value of assets and liabilities

57.1 Valuation models

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Bank uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair values are determined according to the following hierarchy:

Level 1 : Quoted market price (unadjusted) : financial instruments with quoted price in active markets.

Level 2 : Valuation technique using non observable inputs : financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments are valued using models where all significant inputs are observable.

Level 3 : Valuation technique with significant unobservable inputs : financial instruments are valued using valuation techniques where one or few significant inputs are non observable.

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

Notes to the Financial Statements

57 Fair value of assets and liabilities (Contd.)

As at 31 December 2014	Bank				Group			
	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
57.2 Assets measured at fair value - Fair value hierarchy								
Financial assets								
Derivative Financial instruments								
Currency SWAPs	-	-	1,489,402	1,489,402	-	-	1,489,402	1,489,402
Forward exchange contracts	-	225,154	-	225,154	-	225,154	-	225,154
	-	225,154	1,489,402	1,714,556	-	225,154	1,489,402	1,714,556
Financial assets - Held for trading								
Treasury bills	10,207,422	-	-	10,207,422	10,207,422	-	-	10,207,422
Treasury bonds	4,088,760	476,633	-	4,565,393	4,088,760	476,633	-	4,565,393
Sri Lanka sovereign bonds	141,022	-	-	141,022	141,022	-	-	141,022
Other debt securities	-	-	-	-	2,504	-	-	2,504
Quoted equities	2,948,596	-	-	2,948,596	3,518,833	-	-	3,518,833
Unit trusts	-	-	-	-	2,784	-	-	2,784
	17,385,800	476,633	-	17,862,433	17,961,325	476,633	-	18,437,958
Financial investments - Available for sale								
Quoted investments								
Treasury bills	1,932,324	-	-	1,932,324	2,599,681	-	-	2,599,681
Treasury bonds	413,604	64,971	-	478,575	1,412,916	64,971	-	1,477,887
Government securities - Other countries	1,383,460	-	-	1,383,460	1,593,537	-	-	1,593,537
Equities	5,627,221	-	-	5,627,221	6,651,013	-	-	6,651,013
Unit trusts	-	4,517,362	-	4,517,362	-	4,845,873	-	4,845,873
Unquoted investments								
Equities	-	194,884	227,717	422,601	-	194,884	248,285	443,169
	9,356,609	4,777,217	227,717	14,361,543	12,257,147	5,105,728	248,285	17,611,160
Non financial assets								
Property, plant and equipment	-	-	16,188,333	16,188,333	-	-	25,646,016	25,646,016
	-	-	16,188,333	16,188,333	-	-	25,646,016	25,646,016
Total	26,742,409	5,479,004	17,905,452	50,126,865	30,218,472	5,807,515	27,383,703	63,409,690
Financial Liabilities								
Derivative financial instruments								
Forward exchange contracts	-	734,548	-	734,548	-	734,548	-	734,548
Total	-	734,548	-	734,548	-	734,548	-	734,548

As at 31 December 2013	Bank				Group			
	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial assets								
Derivative financial instruments								
Currency SWAPs	-	-	2,889,583	2,889,583	-	-	2,889,583	2,889,583
Forward exchange contracts	-	371,490	-	371,490	-	371,490	-	371,490
	-	371,490	2,889,583	3,261,073	-	371,490	2,889,583	3,261,073
Financial assets - Held for trading								
Treasury bills	7,372,137	-	-	7,372,137	7,372,137	-	-	7,372,137
Treasury bonds	3,810,889	-	-	3,810,889	3,810,889	-	-	3,810,889
Sri Lanka sovereign bonds	129,949	-	-	129,949	129,949	-	-	129,949
Quoted equities	2,226,816	-	-	2,226,816	2,585,267	-	-	2,585,267
	13,539,791	-	-	13,539,791	13,898,242	-	-	13,898,242
Financial investments - Available for sale								
Quoted investments								
Treasury bills	451,210	-	-	451,210	770,842	-	-	770,842
Treasury bonds	18,254	5,282	-	23,536	1,113,921	-	-	1,113,921
Government securities - Other countries	1,186,224	-	-	1,186,224	1,408,777	-	-	1,408,777
Equities	3,628,367	-	-	3,628,367	4,492,191	-	-	4,492,191
Unit trusts	-	3,395,575	-	3,395,575	-	3,402,203	-	3,402,203
Unquoted investments								
Equities	-	-	1,640,302	1,640,302	-	-	1,664,511	1,664,511
	5,284,055	3,400,857	1,640,302	10,325,214	7,785,731	3,402,203	1,664,511	12,852,445
Non financial assets								
Property, plant and equipment	-	-	12,006,180	12,006,180	-	-	20,622,161	20,622,161
	-	-	12,006,180	12,006,180	-	-	20,622,161	20,622,161
Total	18,823,846	3,772,347	16,536,065	39,132,258	21,683,973	3,773,693	25,176,255	50,633,921
Financial Liabilities								
Derivative financial instruments								
Forward exchange contracts	-	274,948	-	274,948	-	274,948	-	274,948
Total	-	274,948	-	274,948	-	274,948	-	274,948

Notes to the Financial Statements

57 Fair value of assets and liabilities (Contd.)

57.3 Movements in level 3 assets measured at fair value

The following table shows a reconciliation of the opening and closing amounts of level 3 assets and liabilities which are recorded at fair value.

	Bank				As at 31 December 2014 LKR '000	Group				
	As at 1 January 2014 LKR '000	Total gains/ (losses) recorded in profit or loss LKR '000	Total gains/ (losses) recorded in OCI LKR '000	Purchases/ (sales) and adjust- ments LKR '000		As at 1 January 2014 LKR '000	Total gains/ (losses) recorded in profit or loss LKR '000	Total gains (losses) recorded in OCI LKR '000	Purchases/ (sales) and adjust- ments LKR '000	As at 31 December 2014 LKR '000
Financial assets										
Derivative financial instruments										
Currency SWAPs	2,889,583	-	-	(1,400,181)	1,489,402	2,889,583	-	-	(1,400,181)	1,489,402
Financial investments - Available for sale										
Unquoted investments										
Equities	1,640,302	-	(40,168)	(1,372,417)	227,717	1,664,511	-	(43,809)	(1,372,417)	248,285
Total Level 3 financial assets	4,529,885	-	(40,168)	(2,772,598)	1,717,119	4,554,094	-	(43,809)	(2,772,598)	1,737,687
Non financial assets										
Property, plant and equipment	12,006,180	(64,010)	3,557,500	688,663	16,188,333	20,622,161	(64,010)	4,676,153	411,712	25,646,016
Total Level 3 assets	16,536,065	(64,010)	3,517,332	(2,083,935)	17,905,452	25,176,255	(64,010)	4,632,344	(2,360,886)	27,383,703
Financial liabilities										
Total Level 3 financial liabilities	-	-	-	-	-	-	-	-	-	-

	Bank					Group				
	As at 1 January 2013 LKR '000	Total gains/ (losses) recorded in profit or loss LKR '000	Total gains/ (losses) recorded in OCI LKR '000	Purchases/ (sales) and adjust- ments LKR '000	As at 31 December 2013 LKR '000	As at 1 January 2013 LKR '000	Total gains/ (losses) recorded in profit or loss LKR '000	Total gains (losses) recorded in OCI LKR '000	Purchases/ (sales) and adjust ments LKR '000	As at 31 December 2013 LKR '000
Financial assets										
Derivative financial instruments										
Currency SWAPs	65,000	-	-	2,824,583	2,889,583	65,000	-	-	2,824,583	2,889,583
Financial investments - Available for sale										
Unquoted investments										
Equities	1,640,480	-	-	(178)	1,640,302	1,667,866	(8,008)	1,221	3,432	1,664,511
Total Level 3 financial assets	1,705,480	-	-	2,824,405	4,529,885	1,732,866	(8,008)	1,221	2,828,015	4,554,094
Non financial assets										
Property, plant and equipment	11,430,827	-	-	575,353	12,006,180	18,437,863	-	173,252	2,011,046	20,622,161
Total Level 3 assets	13,136,307	-	-	3,399,758	16,536,065	20,170,729	(8,008)	174,473	4,839,061	25,176,255
Financial liabilities										
Total Level 3 financial liabilities	-	-	-	-	-	-	-	-	-	-

Notes to the Financial Statements

57 Fair value of assets and liabilities (Contd.)

57.4 Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used as at 31 December 2014 in measuring financial instruments categorized as level 3 in the fair value hierarchy

Type of financial instrument	Fair value at 31 December 2014 LKR'000	Valuation technique	Significant unobservable input	Range of estimates (Weighted average) for unobservable input	Fair value measurement sensitivity to unobservable input
Derivative financial instruments					
Currency SWAPs	1,489,402	Forward pricing model	Foreign exchange forward rate. Discount for counterparty credit risk.	Negative 0.01 to positive 0.01 basis point.	Unfavourable or favourable impact on derivative assets value of LKR 5.5 million respectively.
AFS financial assets in unquoted equity shares					
Regional Development Bank	162,300	Discounted cash flow method	Constant dividend model	Decreased by 5% and increased by 5% for existing cost of capital.	Impact to the fair value will be within negative and positive LKR 8 million no significant impact to the investment.
Credit Information Bureau of Sri Lanka	41,542	Value at cost*			* Fair value cannot be reliably measured, These are investments in mutual entities that provide transaction processing and transaction services to members on a pricing basis intended to recover the entities operating cost.
Fitch Ratings Lanka Limited	625	Value at cost*			
LankaClear (Private) Limited	21,000	Value at cost*			
Lanka Financial Services Bureau Limited	2,250	Value at cost*			

57.5 Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets for which fair value approximates carrying value

For financial assets and liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair value.

For certain instruments which have contractual maturity of more than one year, the fair value is determined using reasonable basis.

Given below is the bases adopted by the Bank in order to establish the fair values of such financial instruments.

- **Loans and advances to customers**

More than 50% of the total portfolio of loans and advances to customers have a remaining contractual maturity of less than one year and 95% of balance loans are granted at floating rate. Therefore fair value of loans and advances to customers approximates to their carrying value as at the reporting date.

- **Due to other customers**

More than 90% of the customer deposits are either repayable on demand or have a remaining contractual maturity of less than one year. Customer deposits with a contractual maturity of more than one year are subject to pre mature upliftment. Amounts paid to customers in the event of pre mature upliftment would not be materially different to its carrying value as at date. Therefore fair value of customer deposits approximates to their carrying value as at the reporting date.

As at 31 December	2014		2013	
	Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000
57.5.1 Bank				
Financial assets				
Cash and short term funds	29,165,464	29,165,464	24,901,189	24,901,189
Balances with Central Banks	30,422,373	30,422,373	28,699,132	28,699,132
Placements with banks	19,766,889	19,766,889	19,315,520	19,315,520
Derivative financial instruments	1,714,556	1,714,556	3,261,073	3,261,073
Reverse repurchase agreements	58,953,093	58,953,093	22,319,717	22,319,717
Financial assets - Held for trading	17,862,433	17,862,433	13,539,791	13,539,791
Financial investments - Loans and receivables	129,145,330	129,148,753	129,108,613	129,067,922
Loans and advances to customers	741,347,635	741,347,635	725,331,966	725,331,966
Financial investments - Available for sale	14,361,543	14,361,543	10,325,214	10,325,214
Financial investments - Held to maturity	216,517,438	239,985,759	156,899,761	167,225,942
Total financial assets	1,259,256,754	1,282,728,498	1,133,701,976	1,143,987,466
Financial liabilities				
Due to banks	889,876	889,876	1,166,427	1,166,427
Derivative financial instruments	734,548	734,548	274,948	274,948
Due to customers	933,966,169	933,966,169	842,070,000	842,070,000
Other borrowings	246,736,462	255,925,290	235,370,269	233,820,632
Debt securities issued	20,762,198	20,790,180	20,968,357	20,968,357
Subordinated term debts	32,519,715	33,144,080	24,357,595	24,303,862
Total financial liabilities	1,235,608,968	1,245,450,143	1,124,207,596	1,122,604,226

Notes to the Financial Statements

57 Fair value of assets and liabilities (Contd.)

As at 31 December	2014		2013	
	Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000
57.5.2 Group				
Financial assets				
Cash and short term funds	29,958,559	29,958,559	25,182,043	25,182,043
Balances with Central Banks	30,422,373	30,422,373	28,699,132	28,699,132
Placements with banks	21,393,574	21,393,574	21,157,190	21,157,190
Derivative financial instruments	1,714,556	1,714,556	3,261,073	3,261,073
Reverse repurchase agreements	60,236,389	60,236,389	22,851,895	22,851,895
Financial assets - Held for trading	18,437,958	18,437,958	13,898,242	13,898,242
Financial investments - Loans and receivables	129,966,806	129,970,229	130,190,296	130,149,465
Loans and advances to customers	763,772,052	763,772,052	746,571,819	746,571,819
Financial investments - Available for sale	17,611,160	17,611,160	12,852,445	12,852,445
Financial investments - Held to maturity	216,740,132	240,208,453	157,441,572	167,579,630
Total financial assets	1,290,253,559	1,313,725,303	1,162,105,707	1,172,202,934
Financial liabilities				
Due to banks	949,127	949,127	1,336,267	1,336,267
Derivative financial instruments	734,548	734,548	274,948	274,948
Due to customers	943,934,463	943,934,463	850,767,521	850,767,521
Other borrowings	252,168,157	261,356,985	240,802,111	239,252,474
Debt securities issued	26,218,337	26,246,320	24,986,818	24,986,818
Subordinated term debts	32,177,810	32,802,175	24,347,248	24,293,515
Total financial liabilities	1,256,182,442	1,266,023,618	1,142,514,913	1,140,911,543

58 Risk management

58.1 Introduction

58.1.1 Overview

The Bank considers Credit risk, Market risk, Liquidity risk and Operational risk as key risks faced by the Bank. Information presented in this note focuses on the Bank's exposure to above risks.

58.1.2 Group risk management

Bank of Ceylon Group consist of 12 subsidiaries and five associate companies. Their principal activities spread over diverse range. Their income and expenses are less than 5% of the Group's income and expenses and their total assets and liabilities are less than 3% of the Group's total assets and liabilities. Therefore the affairs of subsidiaries and associates do not have significant impact to the risk management.

However, the Bank is managing the strategic risk through comprehensive review of group activities on a quarterly basis. Senior officers of the Bank are representing on such boards and these officers, are involved in risk and audit committees, so that the Bank closely involves in risk and audit affairs of subsidiaries. On special circumstances Internal Auditor of the Bank carries out audits in subsidiaries. In addition, the Bank has developed and implemented a reporting mechanism for subsidiaries through risk dash boards. The dash board includes all the headline risk indicators of the respective subsidiary companies.

58.1.3 Risk management framework

Risk management governance structure of the Bank, begins with oversight by the Board of Directors, which assures the performance of overall risk management framework. The Board establishes the risk appetite and sets strategic direction through risk management policies. The Bank's Independent Integrated Risk Management Division (IIRMD) is headed by the Chief Risk Officer (CRO), who directly reports to the Integrated Risk Management Committee (IRMC), which is a subcommittee of the Board. CRO is also a member of management level committees such as Credit Committee, Asset and Liability Management Committee (ALCO), Operational Risk Management Executive Committee (ORMEC), IT Steering Committee and Non Performing Advances Monitoring Committee, which assist in managing various risks that the Bank is exposed to.

58.1.4 Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur, in fact, do occur.

Monitoring and controlling risks are primarily performed based on limits established by the Bank. The risk appetite and limits for the Bank are approved by the IRMC based on inputs from the IIRMD by considering the operating business environment and the types of risk taking activities that are assumed in pursuit of the Bank's strategic and financial objectives. In the limits setting process through risk appetite statement, the Bank is controlling the risk-taking activities within the tolerance limits for Credit, Market, and Operational risk.

In addition to that the Bank has an internal process for assessing its overall capital adequacy in relation to the Bank's risk profile and a strategy for maintaining its capital levels. The Internal Capital Adequacy Assessment Process (ICAAP) sets out the framework for the Bank's internal governance, and the operation of the risk and capital planning. The process provides an assurance that the Bank has adequate capital to support all risks in its business and an appropriate capital buffer based on its business profile.

The IRMC receives a comprehensive risk report on a regular basis which is designed to provide all the necessary information to assess and manage risks of the Bank.

58.1.5 Risk mitigation

As part of its overall risk management, the Bank uses mitigation techniques and strategies to reduce the risk. In managing credit risks the Bank actively uses counterparty evaluation to reduce its credit risks. Collaterals are used to further mitigate losses. Market risk is mitigated using derivative instruments in limited context. Strong internal control mechanism is in place to manage operational risks and insurance is used as a operational risk transfer strategy where necessary.

58.2 Credit risk

Credit risk management process is based on credit risk management policy and lending guidelines approved by the Board of Directors. These documents lay down the conditions and guidelines for granting, maintenance, monitoring and management of credit, at both transaction and portfolio levels.

58.2.1 Maximum exposure to credit risk

58.2.1.1 Collateral and other credit enhancements

The Bank obtains collateral from borrowers/ counterparties in order to mitigate credit risk. The amount / types of collateral required depend on the credit risk assessment of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are as follows.

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over immovable properties, inventory and trade receivables
- For personal lending, mortgages over properties, cash and cash equivalents and gold articles
- For Government and State Owned Enterprises, Sovereign Guarantee

The Bank monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The following table shows the maximum exposure to credit risk, total fair value of collateral, any surplus collateral and the net exposure to credit risk.

Notes to the Financial Statements

58 Risk management [Contd.]

58.2 Credit risk [Contd.]

58.2.1 Maximum exposure to credit risk [Contd.]

58.2.1.2 Types of collateral or other credit enhancements

As at 31 December 2014	Maximum exposure to credit risk LKR '000	Fair value of collateral and		
		Cash LKR '000	Gold LKR '000	GOSL securities /
				Guarantees LKR '000
Cash and short term funds	29,165,464	24,446,916	-	-
Balances with Central Banks	30,422,373	30,422,373	-	-
Placements with banks	19,766,889	-	-	-
Derivative financial instruments	1,714,556	-	-	-
Reverse repurchase agreements	58,953,093	-	-	58,953,093
Financial assets - Held for trading	17,862,433	-	-	14,913,836
Financial investments - Loans and receivables	129,145,330	-	-	126,871,348
Loans and advances to customers	777,504,915	32,178,836	102,506,473	269,326,338
Less : Impairment on loans and advances	(36,157,280)	-	-	-
Financial investments - Available for sale	14,361,543	-	-	3,794,359
Financial investments - Held to maturity	216,517,438	-	-	158,643,938
Total financial assets	1,259,256,754	87,048,125	102,506,473	632,502,912

As at 31 December 2013	Maximum exposure to credit risk LKR '000	Fair value of collateral and		
		Cash LKR '000	Gold LKR '000	GOSL securities /
				Guarantees LKR '000
Cash and short term funds	24,901,189	20,371,373	-	-
Balances with Central Banks	28,699,132	28,699,132	-	-
Placements with banks	19,315,520	-	-	-
Derivative financial instruments	3,261,073	-	-	-
Reverse repurchase agreements	22,319,717	-	-	22,319,717
Financial assets - Held for trading	13,539,791	-	-	11,312,975
Financial investments - Loans and receivables	129,108,613	-	-	127,226,070
Loans and advances to customers	755,385,146	45,037,932	176,422,361	205,389,764
Less : Impairment on loans and advances	(30,053,180)	-	-	-
Financial investments - Available for sale	10,325,214	-	-	1,660,970
Financial investments - Held to maturity	156,899,761	-	-	112,107,661
Total financial assets	1,133,701,976	94,108,437	176,422,361	480,017,157

other credit enhancements held						
Movables	Property	Others	Surplus collateral	Net collateral	Net exposure	
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
-	-	-	-	24,446,916	4,718,548	
-	-	-	-	30,422,373	-	
-	-	-	-	-	19,766,889	
-	-	-	-	-	1,714,556	
-	-	-	-	58,953,093	-	
-	-	-	-	14,913,836	2,948,597	
-	-	-	-	126,871,348	2,273,982	
74,463,145	131,950,477	31,105,556	(87,680,794)	553,850,031	223,654,884	
-	-	-	-	-	(36,157,280)	
-	-	-	-	3,794,359	10,567,184	
-	-	-	-	158,643,938	57,873,500	
74,463,145	131,950,477	31,105,556	(87,680,794)	971,895,894	287,360,860	

other credit enhancements held						
Movables	Property	Others	Surplus collateral	Net collateral	Net exposure	
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
-	-	-	-	20,371,373	4,529,816	
-	-	-	-	28,699,132	-	
-	-	-	-	-	19,315,520	
-	-	-	-	-	3,261,073	
-	-	-	-	22,319,717	-	
-	-	-	-	11,312,975	2,226,816	
-	-	-	-	127,226,070	1,882,543	
57,976,312	132,462,987	33,584,099	(108,333,627)	542,539,828	212,845,318	
-	-	-	-	1,660,970	(30,053,180)	
-	-	-	-	112,107,661	8,664,244	
57,976,312	132,462,987	33,584,099	(108,333,627)	866,237,726	44,792,100	
					267,464,250	

Notes to the Financial Statements

58 Risk management [Contd.]

58.2 Credit risk [Contd.]

58.2.2 Credit quality by class of financial assets

IIRMD internally developed a corporate borrower rating system and credit scoring models. The borrower rating system categorizes all performing corporate credits into nine grades on the basis of underlying credit quality. For consumer lending, the Bank has developed credit-scoring models for processing loan applications and monitoring credit quality.

At each reporting date the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that there is an incurred loss.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an impairment charges against loans and advances.

A detailed note on impairment of loans and advances is in note 26 to the Financial Statements.

The Bank writes off certain loans and advances and investment securities when they are determined to be uncollectible.

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system and intrinsic risk of the financial assets. High grade includes advances granted to GOSL and loans and advances granted to corporate borrowers whose internal credit ratings are AAA, AA or A. Standard grade consists of corporate borrowers whose internal credit rating is BBB, BB or B. Substandard grade includes corporate borrowers whose credit rating is CCC, CC or C.

As at 31 December 2014	Neither past due/Nor impaired							Total LKR '000
	High grade	Standard grade	Substandard grade	Grades not allocated / Unrated	Past due but not individually impaired	Individually impaired		
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Cash and short term funds	29,165,464	-	-	-	-	-	-	29,165,464
Balances with Central Banks	30,422,373	-	-	-	-	-	-	30,422,373
Placements with banks	10,715,246	-	-	9,051,643	-	-	-	19,766,889
Derivative financial instruments	1,714,556	-	-	-	-	-	-	1,714,556
Reverse repurchase agreements	58,953,093	-	-	-	-	-	-	58,953,093
Financial assets - Held for trading	14,913,836	-	-	2,948,597	-	-	-	17,862,433
Financial investments - Loans and receivables	126,871,348	-	-	2,273,982	-	-	-	129,145,330
Loans and advances to customers	196,133,149	40,964,259	131,266,488	241,123,639	148,178,332	19,839,048	-	777,504,915
Less : Impairment on loans and advances	-	-	-	-	-	-	-	(36,157,280)
Financial investments - Available for sale	3,794,359	-	-	10,567,184	-	-	-	14,361,543
Financial investments - Held to maturity	216,517,438	-	-	-	-	-	-	216,517,438
Total financial assets	689,200,862	40,964,259	131,266,488	265,965,045	148,178,332	19,839,048	-	1,259,256,754

Age analysis of past due but not individually impaired loans	Past due but not individually impaired						Total LKR '000
	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 days and over		
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Loans and advances to customers	72,325,934	21,884,127	2,037,933	5,743,706	46,186,632	-	148,178,332

Note : Age analysis of past due but not individually impaired loans include facilities in arrears of one day and above.

Notes to the Financial Statements

58 Risk management [Contd.]

58.2 Credit risk [Contd.]

58.2.2 Credit quality by class of financial assets (Contd.)

As at 31 December 2013	Neither past due/Nor impaired				Past due but not individually impaired	Individually impaired	Total
	High grade	Standard grade	Substandard grade	Grades not allocated / Unrated			
	LKR '000	LKR '000	LKR '000	LKR '000			
Cash and short term funds	24,901,189	-	-	-	-	-	24,901,189
Balances with Central Banks	28,699,132	-	-	-	-	-	28,699,132
Placements with banks	14,357,560	-	-	4,957,960	-	-	19,315,520
Derivative financial instruments	3,261,073	-	-	-	-	-	3,261,073
Reverse repurchase agreements	22,319,717	-	-	-	-	-	22,319,717
Financial assets - Held for trading	11,312,975	-	-	2,226,816	-	-	13,539,791
Financial investments - Loans and receivables	127,226,070	-	-	1,882,543	-	-	129,108,613
Loans and advances to customers	140,091,047	35,210,823	147,334,945	298,375,117	119,440,120	14,933,094	755,385,146
Less : Impairment on loans and advances	-	-	-	-	-	-	(30,053,180)
Financial investments - Available for sale	1,660,970	-	-	7,201,794	-	1,462,450	10,325,214
Financial investments - Held to maturity	156,899,761	-	-	-	-	-	156,899,761
Total financial assets	530,729,494	35,210,823	147,334,945	314,644,230	119,440,120	16,395,544	1,133,701,976

Age analysis of past due but not individually impaired loans	Past due but not individually impaired					Total
	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 days and over	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Loans and advances to customers	61,467,451	22,062,143	5,933,429	5,296,425*	24,680,672*	119,440,120

* This include LKR 11,860.4 million of pawning advances, which are secured by gold.

Note : Age analysis of past due but not individually impaired loans include facilities in arrears of one day and above.

58.2.3 Analysis of risk concentration

At portfolio level, risk arise from concentration of exposures to individual / group of borrowers, industry / sectors and geographical regions.

Country wise exposure

The Bank maintains exposures outside Sri Lanka mainly due to its three branches in India, Maldives and Seychelles and the fully owned subsidiary operating in United Kingdom namely Bank of Ceylon (UK) Limited. All overseas branches are operating with pre-set limits (credit limits as well as country limits) and are approved by the Board of Directors while the credits are managed through delegated authority where the higher levels of authority is retained within Head Office in Colombo.

Bank of Ceylon (UK) Limited is operating under regulatory purview of United Kingdom Prudential Regulation Authority and by having the control over the decentralized credit decision through the Board of Directors appointed by the Bank. The key staff including Chief Executive Officer and Deputy Chief Executive Officer are the employees seconded from Bank of Ceylon. Subsidiary operations have established risk exposure levels as part of its risk management framework.

Exposures in other countries include placements with banks and nostro account balances with correspondent banks whose risks are managed through Board approved bank limits and country limits.

Borrowings in other countries include two senior notes, worth USD 500 million each, which are listed in Singapore Stock Exchange.

Notes to the Financial Statements

58 Risk management [Contd.]

58.2 Credit risk [Contd.]

58.2.3 Analysis of risk concentration (Contd.)

Country wise exposure

As at 31 December 2014	United Kingdom		United States of America		Other countries		Total	
	Sri Lanka LKR '000	Maldives LKR '000	India LKR '000	Seychelles LKR '000	LKR '000	LKR '000		
Financial assets								
Cash and short term funds	24,408,036	444,469	92,171	59,811	2,744,287	33,358	1,383,332	29,165,464
Balances with Central Banks	26,612,011	-	3,298,742	387,223	-	124,397	-	30,422,373
Placements with banks	9,160,983	9,555,918	-	1,049,988	-	-	-	19,766,889
Derivative financial instruments	1,714,556	-	-	-	-	-	-	1,714,556
Reverse repurchase agreements	58,953,093	-	-	-	-	-	-	58,953,093
Financial assets - Held for trading	17,862,433	-	-	-	-	-	-	17,862,433
Financial investments - Loans and receivables	111,920,245	-	16,130,311	1,094,774	-	-	-	129,145,330
Loans and advances to customers	727,910,751	-	9,149,503	4,082,744	-	204,637	-	741,347,635
Financial investments - Available for sale	14,166,659	-	-	-	194,884	-	-	14,361,543
Financial investments - Held to maturity	216,517,438	-	-	-	-	-	-	216,517,438
Total financial assets	1,209,226,205	10,000,387	28,670,727	6,674,540	2,939,171	362,392	1,383,332	1,259,256,754
Financial liabilities								
Due to banks	889,876	-	-	-	-	-	-	889,876
Derivative financial instruments	734,548	-	-	-	-	-	-	734,548
Due to customers	917,433,933	-	12,957,947	2,781,701	-	792,588	-	933,966,169
Other borrowings	67,934,622	-	-	193,539	550,531	-	178,057,770	246,736,462
Debt securities issued	20,762,198	-	-	-	-	-	-	20,762,198
Subordinated term debts	32,519,715	-	-	-	-	-	-	32,519,715
Total financial liabilities	1,040,274,892	-	12,957,947	2,975,240	550,531	792,588	178,057,770	1,235,608,968

As at 31 December 2013	United Kingdom			United States of America		Other countries		Total
	Sri Lanka LKR '000	Kingdom LKR '000	Maldives LKR '000	India LKR '000	of America LKR '000	Seychelles LKR '000	LKR '000	
Financial assets								
Cash and short term funds	20,296,769	335,096	217,736	60,898	2,344,337	-	1,646,353	24,901,189
Balances with Central Banks	24,513,439	-	3,930,655	255,038	-	-	-	28,699,132
Placements with banks	4,993,602	9,402,682	-	1,908,421	-	-	3,010,815	19,315,520
Derivative financial instruments	3,261,073	-	-	-	-	-	-	3,261,073
Reverse repurchase agreements	22,319,717	-	-	-	-	-	-	22,319,717
Financial assets - Held for trading	13,539,791	-	-	-	-	-	-	13,539,791
Financial investments - Loans and receivable	124,051,825	-	5,056,788	-	-	-	-	129,108,613
Loans and advances to customers	715,797,622	-	6,566,096	2,968,248	-	-	-	725,331,966
Financial investments - Available for sale	9,335,877	-	-	989,337	-	-	-	10,325,214
Financial investments - Held to maturity	156,899,761	-	-	-	-	-	-	156,899,761
Total financial assets	1,095,009,476	9,737,778	15,771,275	6,181,942	2,344,337	-	4,657,168	1,133,701,976
Financial liabilities								
Due to banks	877,499	-	-	-	288,928	-	-	1,166,427
Derivative financial instruments	274,948	-	-	-	-	-	-	274,948
Due to customers	827,053,693	-	12,527,691	2,488,616	-	-	-	842,070,000
Other borrowings	46,429,962	2,183,495	-	-	-	-	186,756,812	235,370,269
Debt securities issued	20,968,357	-	-	-	-	-	-	20,968,357
Subordinated term debts	24,357,595	-	-	-	-	-	-	24,357,595
Total financial liabilities	919,962,054	2,183,495	12,527,691	2,488,616	288,928	-	186,756,812	1,124,207,596

Notes to the Financial Statements

58 Risk management [Contd.]

58.2 Credit risk [Contd.]

58.2.3 Analysis of risk concentration (Contd.)

Sector wise exposure

As at 31 December 2014	Agriculture and fisheries LKR '000	Banking finance and insurance business LKR '000	Hotels, travels and services LKR '000	Housing, construction and infrastructure LKR '000
Cash and short term funds	-	4,718,548	-	-
Balances with Central Banks	-	-	-	-
Placements with banks	-	19,766,889	-	-
Derivative financial instruments	-	1,714,556	-	-
Reverse repurchase agreements	-	-	-	-
Financial assets - Held for trading	443,711	99,954	520,594	396,314
Financial investments - Loans and receivables	-	1,293,096	-	549,369
Loans and advances to customers	85,648,355	9,248,650	22,649,081	137,240,838
Less : Impairment on loans and advances	-	-	-	-
Financial investments - Available for sale	-	10,567,184	-	-
Financial investments - Held to maturity	-	-	-	-
Total financial assets	86,092,066	47,408,877	23,169,675	138,186,521

As at 31 December 2013	Agriculture and fisheries LKR '000	Banking finance and insurance business LKR '000	Hotels, travels and services LKR '000	Housing, construction and infrastructure LKR '000
Cash and short term funds	-	6,513,731	-	-
Balances with Central Banks	-	-	-	-
Placements with banks	-	19,315,520	-	-
Derivative financial instruments	-	3,261,073	-	-
Reverse repurchase agreements	-	-	-	-
Financial assets - Held for trading	346,904	82,269	363,868	177,661
Financial investments - Loans and receivables	-	1,777,202	-	-
Loans and advances to customers	115,795,394	6,814,722	23,323,850	97,347,861
Less : Impairment on loans and advances	-	-	-	-
Financial investments - Available for sale	-	7,023,942	-	-
Financial investments - Held to maturity	-	-	-	-
Total financial assets	116,142,298	44,788,459	23,687,718	97,525,522

* This excludes exposure to State Owned Enterprises (SOEs).

Manufacturing	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	LKR '000
-	-	-	-	-	24,446,916	29,165,464
-	-	30,422,373	-	-	-	30,422,373
-	-	-	-	-	-	19,766,889
-	-	-	-	-	-	1,714,556
-	-	58,953,093	-	-	-	58,953,093
733,946	61,717	14,913,834	61,053	23,014	608,296	17,862,433
-	431,518	122,089,171	-	-	4,782,176	129,145,330
48,374,369	215,272,526	87,281,104*	35,639,400	8,533,336	127,617,256	777,504,915
-	-	-	-	-	-	(36,157,280)
-	-	2,410,899	-	-	1,383,460	14,361,543
-	-	216,517,438	-	-	-	216,517,438
49,108,315	215,765,761	532,587,912	35,700,453	8,556,350	158,838,104	1,259,256,754

Manufacturing	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	LKR '000
-	-	-	-	-	18,387,458	24,901,189
-	-	28,699,132	-	-	-	28,699,132
-	-	-	-	-	-	19,315,520
-	-	-	-	-	-	3,261,073
-	-	22,319,717	-	-	-	22,319,717
575,636	567,972	11,312,975	106,672	5,834	-	13,539,791
-	105,341	127,226,070	-	-	-	129,108,613
51,467,301	231,904,246	74,561,982*	26,116,228	12,707,933	115,345,629	755,385,146
-	-	-	-	-	-	(30,053,180)
-	-	1,660,970	-	1,640,302	-	10,325,214
-	-	156,899,761	-	-	-	156,899,761
52,042,937	232,577,559	422,680,607	26,222,900	14,354,069	133,733,087	1,133,701,976

Notes to the Financial Statements

58 Risk management [Contd.]

58.2 Credit risk [Contd.]

58.2.4 Commitments and contingencies

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognized on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Bank.

The table below shows the Bank's maximum credit risk exposure for commitments and contingencies.

As at 31 December	Bank	
	2014 LKR '000	2013 LKR '000
Acceptances and documentary credits	179,707,248	163,754,104
Forward exchange contracts	128,030,237	127,685,402
Guarantees	99,102,841	69,275,083
	406,840,326	360,714,589

58.3 Liquidity risk and funding management

ALCO being the main management committee for taking important decisions on managing liquidity and market risk, the Bank's funding plan is reviewed regularly and remedial measures are proposed to rectify any material deviation which might lead to a stressed liquidity situation.

Treasury division prepares the maturity gap analysis on a monthly basis and submits to ALCO for decision making purpose. Assets and liabilities of the Bank are positioned in to pre-defined time bands according to their residual term to maturity. Assets and liability mis-matches are monitored against the limits to mitigate liquidity risk of the Bank.

The table below presents the contractual undiscounted maturity of the Bank's financial liabilities as at 31 December 2014.

As at 31 December 2014	On demand LKR '000	Less than 3 months LKR '000	3 to 12 months LKR '000	1 to 5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Due to banks	-	889,876	-	-	-	889,876
Derivative financial instruments	-	734,548	-	-	-	734,548
Due to customers	403,450,918	236,850,325	257,768,988	59,201,398	96,749	957,368,378
Other borrowings	-	70,021,433	28,714,737	177,251,262	857,915	276,845,347
Debt securities issued	-	-	19,554,494	4,469,324	-	24,023,818
Subordinated debentures	-	-	8,695,771	32,221,920	5,807,569	46,725,260
Total financial liabilities	403,450,918	308,496,182	314,733,990	273,143,904	6,762,233	1,306,587,227

As at 31 December 2013	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	550,115	616,312	-	-	-	1,166,427
Derivative financial instruments	-	274,948	-	-	-	274,948
Due to customers	236,585,484	326,874,514	255,745,428	52,285,006	28,359	871,518,791
Other borrowings	-	36,369,823	41,589,663	157,074,075	711,378	235,744,939
Debt securities issued	-	-	2,686,344	23,799,957	-	26,486,301
Subordinated debentures	-	-	3,150,100	28,797,934	6,212,936	38,160,970
Total financial liabilities	237,135,599	364,135,597	303,171,535	261,956,972	6,952,673	1,173,352,376

Balances in the above tables do not tally directly with those in the Statement of Financial Position as these tables incorporate, on an undiscounted basis, all cash flows relating to principal and future interest payments.

58.4 Market risk

Market risk is the risk that the fair value of the future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, equity prices and commodity prices. The Bank classifies exposures into either trading or non trading portfolios and manages each of these portfolios separately. The market risk for the foreign exchange and equity trading portfolio are managed and monitored based on a Value at Risk (VaR) methodology that reflects the interdependency between risk variables. Interest rate risk of the trading portfolio is managed through Price Value per Basis Point (PVBp) and duration analysis.

Non trading portfolios are managed and monitored using sensitivity analysis and stress testing.

58.4.1 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to foreign exchange rates. The Bank carries moderate level of open positions and therefore does not have significant sensitivity to profit and loss over foreign currency trading transactions. A detailed limit structure along with VaR limits prescribed by the IIRMD govern the foreign exchange risk. Currency VaR as at 31 December 2014 LKR 69,531 (2013: LKR 481,956) and our risk appetite limit is LKR 15,000,000 (2013: LKR 7,210,000)

Notes to the Financial Statements

58 Risk management [Contd.]

58.4 Market risk [Contd.]

58.4.1 Currency Risk (Contd.)

As at 31 December	2014		2013	
	Net overall long	Net overall short	Net overall long	Net overall short
	LKR '000	LKR '000	LKR '000	LKR '000
Currency				
United States Dollar	-	(14,527)	185,858	-
Great Britain Pound	661	-	158	-
Euro	329	-	1,659	-
Japanese Yen	82	-	238	-
Australian Dollar	47	-	232	-
Canadian Dollar	277	-	56	-
Swiss Franc	1,213	-	-	(331)
Singapore Dollar	1,254	-	-	(1,861)
Hong Kong Dollar	-	(1,043)	-	(1,513)
Sub total	3,863	(15,570)	188,201	(3,705)
Other currencies	1,684	(3,254)	4,159	(129)
Grand total	5,547	(18,824)	192,360	(3,834)
Higher of long or short		(18,824)	192,360	

Impact on Income Statement due to exchange rate shocks.

As at 31 December	2014		2013	
	Net open position (after rate shocks)	Impact on Income Statement as at 31 December 2014	Net open position (after rate shocks)	Impact on Income Statement as at 31 December 2013
	LKR '000	LKR '000	LKR '000	LKR '000
Exchange rate shocks				
5%	(17,883)	941	201,978	9,618
10%	(16,941)	1,882	211,596	19,236
-5%	(19,765)	(941)	182,742	(9,618)
-10%	(20,706)	(1,882)	173,124	(19,236)

58.4.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rate will affect future cash flows or the fair value of the financial instruments.

PVBP and duration analysis are monitored weekly to assess the impact of interest rate changes on Bank's trading portfolios of treasury bonds and treasury bills.

As at 31 December	2014	2013
Held for trading bond portfolio		
PVBP	LKR 1.4 million	LKR 1.3 million
Duration	3.2 Years	1.9 Years
Held for trading bill portfolio		
PVBP	LKR 0.1 million	LKR 0.1 million
Duration	0.7 Years	0.7 Years
Available for sale bond portfolio		
PVBP	LKR 0.2 million	LKR 0.2 million
Duration	4.3 Years	3.5 Years

Interest rate risk in the banking book is monitored by placing the interest sensitive assets and liabilities in pre determined maturity buckets considering its residual time to maturity and setting and monitoring gap limits and the repricing profile.

As at 31 December 2014	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	11.5%	14.9%	6.5%	10.1%	13.8%	13.8%	7.5%	7.5%	14.4%
Rate sensitive liabilities	14.6%	11.9%	9.2%	14.2%	7.2%	7.2%	7.6%	7.6%	20.6%
Gap	(3.1%)	3.0%	(2.7%)	(4.1%)	6.6%	6.6%	(0.1%)	(0.1%)	(6.2%)

As at 31 December 2013	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	10.7%	16.9%	10.5%	16.1%	4.6%	4.6%	8.1%	8.1%	20.4%
Rate sensitive liabilities	11.9%	14.1%	8.9%	13.1%	4.6%	4.6%	4.5%	17.4%	20.9%
Gap	(1.2%)	2.8%	1.6%	3.0%	0.0%	0.0%	3.6%	(9.3%)	(0.5%)

Notes to the Financial Statements

58 Risk management [Contd.]

58.4 Market risk [Contd.]

58.4.3 Equity risk

Equity risk is the risk that the fair value of equity portfolio decreases due to a change in the level of equity indices and individual stocks. Equity risk is monitored by stipulating overall portfolio limits and use of VaR methodology.

Equity VaR during the year ended 31 December	2014 LKR '000	2013 LKR '000
Highest	133,852	167,768
Lowest	105,152	119,750
Average	117,044	138,910
As at 31 December	123,183	121,513

58.5 Operational risk

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

The Bank recognizes the significance of operational risk, which is inherent in all areas of business. The Bank seeks to minimize exposure to operational risk, through implementing improved management and control mechanisms.

The Bank uses Basic Indicator Approach (BIA) to allocate capital for operational risk. Even though the capital allocated for operational risk was significant, the actual operational loss was far below the allocated capital.

58.6 Capital management

The primary objective of capital management is to ensure maintenance of minimum regulatory capital requirement. The Bank ensures that adequate capital has been allocated to achieve strategic objectives and within the risk appetite of the Bank.

58.6.1 Capital adequacy

Capital Adequacy Ratio (CAR) is a measure of the Bank's capital expressed as a percentage of risk weighted assets of credit, market and operational aspects of the banking business. It is a measure of financial strength of the Bank which indicates its ability to maintain adequate capital to face with unforeseen scenarios.

Central Bank of Sri Lanka (CBSL) defines and monitors CAR to ensure that banks are not participating or holding investments that increase the risk of default and that they have enough capital to sustain operating losses and thereby maintaining confidence in the banking system.

The Bank calculates CAR based on international convergence of capital measurement and capital standards, revised framework, which is commonly known as Basel II framework. IIRMD actively and continuously monitor the CAR, while stressing rigorously for worst possible scenarios. ICAAP factors out all possible risks such as reputation risk, strategic risk, compliance risk, concentration risk and interest rate risk on banking book.

Supplementary *Information*

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Capital Adequacy

Capital Management and Planning

The Bank seeks to optimize the use of its financial capital to provide an attractive return to providers of capital in accordance with regulatory requirements and additional safeguards included in the defined risk appetite of the Bank. Accordingly the Chief Financial Officer (CFO) is delegated with the task of capital management and planning with oversight responsibility exercised by the Integrated Risk management Committee and the Board. The CFO is assisted in his task by the Asset and Liability Management Committee who provides information regarding their capital requirements and the availability of capital, review the gaps and provide insights on mechanisms available for managing the same. The regulatory requirements in Sri Lanka for managing capital are based on the International Convergence of Capital Measurement and Capital Standards – a revised framework, widely known as Basel II, issued by the Basel Committee on banking supervision

of the Bank for International Settlements (BIS) in June 2004 and revised thereafter in June 2006. Although a revised Basel II capital framework has been issued including many changes in response to issues arising from the global financial crisis, the Central Bank of Sri Lanka has not announced a date for transition. It is noteworthy that even advanced economies implemented Basel III only commencing 2013.

Capital Adequacy

Capital adequacy is the measure of a bank's capital, expressed as a percentage of a bank's risk weighted asset exposures. For financial institutions, capital is a buffer against insolvency. It is available to absorb unforeseen losses so the bank can remain

in business. The more capital a bank has relative to the risks it takes, the more confident stakeholders are that it will meet its obligations to them.

The Bank uses the Internal Capital Adequacy Assessment Process (ICAAP) as a key tool for capital management and planning. In accordance with ICAAP, the Bank assesses its forecast capital requirement over a 3 year horizon, taking into account the demand and supply of capital, regulatory thresholds and internal risk appetite using various scenarios, including stress scenarios of varying scope and severity.

$$\text{CAR} = \frac{\text{Tier One Capital} + \text{Tier Two Capital}}{\text{Risk Weighted Assets}}$$

Capital Structure

The table below sets out the Bank's capital structure, identifying separately Tier I and Tier II capital which adds up to the numerator of the capital adequacy ratio. The Bank raised LKR 8 billion in debentures during the year and also received LKR 5 billion as share capital during the year.

	Bank		Group	
	2014 LKR million	2013 LKR million	2014 LKR million	2013 LKR million
Tier I: Core capital				
Paid up ordinary shares	10,000	5,000	10,000	5,000
Permanent reserve fund	3,810	3,538	3,810	3,538
Published retained profit	44,861	31,419	47,662	33,261
General and other reserves	584	8,619	1,352	9,701
Non controlling interest (consistent with the above capital constituents)	-	-	1,187	1,296
Deductions				
50% of investments in unconsolidated banking and financial subsidiaries	(2,529)	(2,469)	-	-
Other deductions	(999)	(809)	(999)	(809)
Total eligible core capital (Tier I capital)	55,727	45,298	63,012	51,987
Tier II: Supplementary capital				
Revaluation reserve (as approved by Central Bank of Sri Lanka)	2,373	2,373	2,373	2,373
General provision	3,163	2,694	3,163	2,694
Approved subordinated term debt	21,800	17,800	21,800	17,800
Deductions	(3,134)	(2,777)	(604)	(308)
Total eligible supplementary capital (Tier II capital)	24,202	20,090	26,732	22,559
Total capital base	79,929	65,388	89,744	74,546

Capital Adequacy

Risk Weighted Assets

Risk weighted assets are computed as per the CBSL direction which specifies the risk weight factors to be assigned to various asset classes as enumerated below.

Computation of risk weighted assets

	Risk weight factor	Bank				Group			
		2014		2013		2014		2013	
		On balance sheet assets & credit equivalent of off balance sheet assets	Risk weighted assets	On balance sheet assets & credit equivalent of off balance sheet assets	Risk weighted assets	On balance sheet assets & credit equivalent of off balance sheet assets	Risk weighted assets	On balance sheet assets & credit equivalent of off balance sheet assets	Risk weighted assets
		LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million	LKR million
Assets									
Claims on Government of Sri Lanka and Central Bank of Sri Lanka	0	575,180	-	441,851	-	579,936	-	442,742	-
Claims on foreign sovereigns and their Central Banks	0-150	13,939	13,198	10,232	9,610	13,939	13,198	10,232	9,610
Claims on Public Sector Entities (PSEs)	20-150	56,576	56,576	66,296	66,296	56,576	56,576	66,296	66,296
Claims on banks	20-150	27,198	13,209	35,554	20,910	28,825	14,836	37,396	22,752
Claims on financial institutions	20-150	3,180	1,897	4,123	3,181	3,180	1,897	4,123	3,181
Claims on corporates	20-150	136,589	134,942	125,984	123,104	160,283	158,637	150,112	147,233
Retail claims	75-100	181,805	151,471	155,881	133,290	181,805	151,470	155,881	133,290
Claims secured by residential property	50-100	49,258	32,906	35,457	23,220	49,258	32,906	35,457	23,220
Non Performing Assets (NPAs)	50-150	12,811	18,572	20,662	29,828	12,812	18,572	20,662	29,828
Cash items	0-20	48,613	1,153	42,295	4,389	49,406	1,153	42,576	4,389
Exposures collateralized by cash, gold and government securities	0	269,080	-	300,699	-	269,080	-	300,699	-
property, plant and equipment	100	12,802	12,802	12,089	12,089	22,446	22,446	20,909	20,909
Other assets	100	52,825	52,825	39,786	39,786	59,240	59,240	40,944	40,944
Total exposure		1,439,856	489,551	1,290,909	465,703	1,486,786	530,931	1,328,029	501,652

Off balance sheet exposures

	Credit conversion factor %	Bank				Group			
		2014		2013		2014		2013	
		Assets	Credit equivalent	Assets	Credit equivalent	Assets	Credit equivalent	Assets	Credit equivalent
Direct credit substitutes	100	43,042	43,042	30,310	30,310	43,042	43,042	30,310	30,310
Transaction related contingencies	50	36,170	18,085	30,389	15,195	36,170	18,085	30,389	15,195
Short term self liquidating trade related contingencies	20	190,964	38,193	178,554	35,711	190,964	38,193	178,554	35,711
Other commitments with an original maturity of up to one year or which can be unconditionally cancelled at any time	0	72,946	-	79,300	-	72,946	-	79,300	-
Commitments with an original maturity up to 1 year and maturity of over one year	20-50	36,988	17,942	38,029	17,522	36,988	17,942	38,029	17,522
Foreign exchange contracts	2-5	128,030	2,561	127,685	2,554	128,030	2,561	127,685	2,554
Total off balance sheet exposure		508,140	119,823	484,267	101,292	508,140	119,823	484,267	101,292

Capital Adequacy

Market risk- The standardized measurement approach

	Bank		Group	
	2014 LKR million	2013 LKR million	2014 LKR million	2013 LKR million
Capital charge for				
Interest rate risk	315	141	315	141
Equity	533	422	533	422
Foreign exchange and gold	1,841	21	1,841	21
Total capital charge for market risk	2,689	584	2,689	584
Total risk weighted assets for market risk	26,894	5,838	26,894	5,838

Operational risk - The basic indicator approach

	Bank		Group	
	2014 LKR million	2013 LKR million	2014 LKR million	2013 LKR million
Capital charge for operational risk				
Total gross income of three consecutive years	146,714	134,422	169,932	145,577
Average gross income	48,905	44,807	56,644	48,526
Total capital charge for operational risk-(15%)	7,336	6,721	8,496	7,279
Total risk weighted assets for operational risk	73,357	67,211	84,966	72,789

In the Basic Indicator Approach (BIA), bank shall calculate its annual gross income for the most recent year by aggregating the gross income of the last four financial quarters and follow same to calculate annual gross income for each of the two years preceding the most recent year.

Central Bank of Sri Lanka has given the guidelines to the Sri Lankan banks to move to The Standardized Approach (TSA) or Alternative Standardized Approach (ASA) subject to the prior approval.

A Bank adopting TSA shall classify their business activities into eight business lines, namely, corporate finance, trading and sales, payment and settlement, agency services, asset management, retail brokerage, retail banking and commercial banking. (Beta factor varies from 12% - 18%)

Under ASA, the operational risk capital requirement/methodology is the same as under TSA, except for two business lines, retail banking and commercial banking business lines. For these business lines, use outstanding amount of loans and advances after multiplying by a fixed factor 'm' (0.035) as the exposure indicator which replaces gross income.

Market risk- The standardized measurement approach

	Bank		Group	
	2014 LKR million	2013 LKR million	2014 LKR million	2013 LKR million
Computation of ratios				
Total risk weighted assets				
Total risk weighted assets for credit risk	489,551	465,703	530,931	501,652
Total risk weighted assets for market risk	26,894	5,838	26,894	5,838
Total risk weighted assets for operational risk	73,357	67,211	84,966	72,789
Sub total	589,802	538,752	642,791	580,279
Minimum capital charge				
Credit risk	48,955	46,570	53,093	50,165
Market risk	2,689	584	2,689	584
Operational risk	7,336	6,721	8,496	7,279
Total eligible core capital (Tier 1 capital)	55,727	45,298	63,012	51,987
Total eligible supplementary capital (Tier II capital)	24,202	20,090	26,732	22,559
Total capital base	79,929	65,388	89,744	74,546
Core capital ratio	9.5%	8.4%	9.8%	8.9%
Capital adequacy ratio	13.6%	12.1%	14.0%	12.9%

The Bank's capital adequacy ratios have improved during the year and are comfortably above regulatory requirements and also above industry average indicating the soundness of the Bank.

The Way Forward

The Liquidity Coverage Ratio (LCR) will be implemented in Sri Lanka from 1 April 2015 with a minimum requirement of 60% and the minimum requirement will be enhanced on a staggered basis to reach 100% by April 2019. There are additional proposals for systemically important banks, including requirements for supplementary capital, augmented contingent capital and strengthened arrangements for cross border supervision and resolution.

Compliance Requirements Enforced by Colombo Stock Exchange (CSE)

Compliance to the Listing Rules on contents of Annual Report, which were applicable to the Bank for the year ended 31 December 2014 are summarized below:

Rule No.	Requirement	Period	Date submitted
7.4 a (i)	The Interim Financial Statements prepared on quarterly basis, approved by the Board of Directors to be submitted to CSE within 45 days from respective quarter ends for the first three quarters and within two months at the end of fourth quarter	Quarter 1 ended 31 March 2014 Quarter 2 ended 30 June 2014 Quarter 3 ended 30 September 2014 Quarter 4 ended 31 December 2014	13 May 2014 14 August 2014 14 November 2014 27 February 2015
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 2014 was submitted on 27 March 2015. Annual Report for the year 2014 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	164
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 Significant Accounting Policies	162 182
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Government of Sri Lanka is the sole shareholder of Bank of Ceylon	344
7.6 (iv)	The public holding percentage	Not applicable	
7.6 (v)	A statement of each director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year	Not applicable	
7.6 (vi)	Information pertaining to material foreseeable risk factors of the entity	Risk Report	147-159
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the entity	No material issues occurred during the year under review	
7.6 (viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	Note 31 and 32 to the Financial Statements	247-248 249-265

Rule No.	Disclosure requirement	Reference/Comments	Page No.
7.6 (ix)	Number of shares representing the entity's stated capital	Note 46 to the Financial Statements	282
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and percentage of their total holdings	Investor Information	344
7.6 (xi)	Ratios and market price information:		
	1. Dividend per share, net assets value per share, interest rate of comparable government securities, debt/equity ratio, interest cover and liquid asset ratio	Note 18 to the Financial Statements, Investor Information	210-211 343
	2. Market information on listed debentures	Note 45 to the Financial Statements, Investor Information	279-282 344-345
	3. Any changes in credit rating	Awards	7
7.6 (xii)	Significant changes in the entity's or its subsidiaries' fixed assets and the market value of the land, if the value differs substantially from the book value	Note 32 to the Financial Statements	249-265
7.6 (xiii)	During the year the entity has raised funds either through a public issue, rights issue and private placement	Note 41 and 45 to the Financial Statements	270-272 279-282
7.6 (xiv)	Information in respect of each employee share ownership or stock option scheme	Not applicable	
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 (c) and 7.10.6 (c) of Section 7 of the Rules	Exempted under Section 7.10 of Listing Rules since the Bank complies with direction laid down in the Banking Act Direction No.11 of 2007 on Corporate Governance	
7.6 (xvi)	Related party transactions exceeding 10% of the equity or 5% of the total assets of the entity as per Audited Financial Statements, whichever is lower	Investor Information	348

Compliance Requirements Enforced by Central Bank of Sri Lanka (CBSL)

Compliance to the directions on Interim Financial Statements, which were applicable to the Bank for the year ended 31 December 2014 are summarized below:

Circular No.	Requirement	Period	Date published in Sinhala, Tamil and English news papers
02/04/003/0401/001 30 September 2005	The publication should be made within two months from the end of each quarter, at least once in an English, Sinhala and Tamil newspaper	Quarter 1 ended 31 March 2014 Quarter 2 ended 30 June 2014 Quarter 3 ended 30 September 2014	28 May 2014 28 August 2014 27 November 2014
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 2014 (Audited)	30 March 2015

Compliance to other disclosure requirements on Annual Financial Statements, which were applicable to Licensed Commercial Banks are summarized below:

1. Information about the significance of financial instruments for financial position and performance		
1.1	Statement of Financial Position	
1.1.1	Disclosures on categories of financial assets and financial liabilities	Note 19 to the Financial Statements
1.1.2	Other disclosures	
(i)	Special disclosures about financial assets and financial liabilities designated to be measured at fair value through profit or loss, including disclosures about credit risk and market risk, changes in fair value attributable to these risks and the methods of measurement	Note 4.4 to the Financial Statements
(ii)	Reclassifications of financial instruments from one category to another	None
(iii)	Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral	Note 52 to the Financial Statements
(iv)	Reconciliation of the allowance account for credit losses by class of financial assets	Note 26.2 to the Financial Statements
(v)	Information about compound financial instruments with multiple embedded derivatives	None
(vi)	Breaches of terms of loan agreements	None

1.2	Statement of Comprehensive Income	
1.2.1	Disclosures on items of income, expense, gains and losses	Note 7 to 15 to the Financial Statements
1.2.2	Other disclosures	
	(i) Total interest income and total interest expense for those financial instruments that are not measured at fair value through profit and loss	Note 8 to the Financial Statements
	(ii) Fee income and expense	Note 9 to the Financial Statements
	(iii) Amount of impairment losses by class of financial assets	Note 13 to the Financial Statements
	(iv) Interest income on impaired financial assets	Note 8.1 to the Financial Statements
1.3	Other disclosures	
1.3.1	Accounting policies for financial instruments	Note 4 to the Financial Statements
1.3.2	Information on hedge accounting	None
1.3.3	Information about the fair values of each class of financial assets and financial liability, along with:	Note 23, 24, 27, 38 and 57 to the Financial Statements
	(i) Comparable carrying amounts	Note 4.4.11 and 57 to the Financial Statements
	(ii) Description of how fair value was determined	Note 4.4.11 and 57 to the Financial Statements
	(iii) The level of inputs used in determining fair value	Note 57 to the Financial Statements
	(iv) Reconciliations of movements between levels of fair value measurement hierarchy, additional disclosures for financial instruments that fair value is determined using level 3 inputs	Note 57 to the Financial Statements
	(v) Information of fair value cannot be reliably measured	None

2.	Information about the nature and extent of risks arising from financial instruments	
2.1	Qualitative disclosures	
2.1.1	Risk exposures for each type of financial instrument	Risk Report and Note 58 to the Financial Statements
2.1.2	Management's objectives, policies, and processes for managing those risks.	Risk Report
2.1.3	Changes from the prior period	None
2.2	Quantitative disclosures	
2.2.1	Summary of quantitative data about exposure to each risk at the reporting date	Note 58 to the Financial Statements
2.2.2	Disclosures about credit risk, liquidity risk, market risk, operational risk, interest rate risk and how these risks are managed	Note 58 to the Financial Statements
	(i) Credit Risk	
	(a) Maximum amount of exposure (before deducting the value of collateral), description of collateral, information about credit quality of financial assets that are neither past due nor impaired and information about credit quality of financial assets	Note 58.2.1 to the Financial Statements
	(b) For financial assets that are past due or impaired, disclosures on age, factors considered in determining as impaired and the description of collateral on each class of financial asset	Note 58.2.2 to the Financial Statements
	(c) Information about collateral or other credit enhancements obtained or called	Note 58.2.1 to the Financial Statements

Compliance Requirements Enforced by Central Bank of Sri Lanka (CBSL)

(d)	For other disclosures, refer Banking Act Direction No. 7 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H)	Note 58.1.3 to the Financial Statements
(ii)	Liquidity Risk	
(a)	A maturity analysis of financial liabilities	Note 58.3 to the Financial Statements
(b)	Description of approach to risk management	Risk Report and Note 58.3 to the Financial Statements
(c)	For other disclosures, refer Banking Act Direction No. 7 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H)	Note 58.3 to the Financial Statements
(iii)	Market Risk	
(a)	A sensitivity analysis of each type of market risk to which the entity is exposed	Note 58.4 to the Financial Statements
(b)	Additional information, if the sensitivity analysis is not representative of the entity's risk exposure	Note 58.4 to the Financial Statements
(c)	For other disclosures, refer Banking Act Direction No. 7 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H)	Note 58.4 to the Financial Statements
(iv)	Operational Risk	
	Refer Banking Act Direction No. 7 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H)	Note 58.5 to the Financial Statements
(v)	Equity risk in the banking book	
(a)	Qualitative disclosures	
	<ul style="list-style-type: none"> Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons 	Note 4.4.3 and 4.4.6 to the Financial Statements
	<ul style="list-style-type: none"> Discussion of important policies covering the valuation and accounting of equity holdings in the banking book 	Note 4.4.3 and 4.4.6 to the Financial Statements
(b)	Quantitative disclosures	
	<ul style="list-style-type: none"> Value disclosed in the Statement of Financial Position of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value 	Note 24.1, 24.2 ,27.1 and 27.2 to the Financial Statements
	<ul style="list-style-type: none"> The types and nature of investments 	Note 24.1, 24.2 ,27.1 and 27.2 to the Financial Statements
	<ul style="list-style-type: none"> The cumulative realized gains /(losses) arising from sales and liquidations in the reporting period 	Note 10 to the Financial Statements
(vi)	Interest rate risk in the banking book	
(a)	Qualitative disclosures	
	Nature of Interest Rate Risk in the Banking Book (IRRBB) and key assumptions	Note 58.4.2 to the Financial Statements
(b)	Quantitative disclosures	
	The increase /(decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant)	None
2.2.3	Information on concentrations of risk	Note 58.2.3 to the Financial Statements

3.	Other Disclosures	
3.1	Capital	
3.1.1	Capital structure	
	(i) Qualitative disclosures	
	Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of innovative, complex or hybrid capital instruments	Debt - Note 45 to the Financial Statements Equity – None
	(ii) Quantitative disclosures	
	(a) The amount of Tier I capital, with separate disclosure of:	
	• Paid up share capital / common stock	Capital Adequacy
	• Reserves	Capital Adequacy
	• Non controlling interests in the equity of subsidiaries	Capital Adequacy
	• Innovative instruments	None
	• Other capital instruments	None
	• Deductions from Tier I capital	Capital Adequacy
	(b) The total amount of Tier 2 and Tier 3 capital	Capital Adequacy
	(c) Other deductions from capital	Capital Adequacy
	(d) Total eligible capital	Capital Adequacy
3.1.2	Capital adequacy	
	(i) Qualitative disclosures	
	A summary discussion of the bank's approach to assessing the adequacy of its capital or support current and future activities	Risk Report and Note 58.6 to the Financial Statements
	(ii) Quantitative disclosures	
	(a) Capital requirements for credit risk, market risk and operational risk	Capital Adequacy
	(b) Total and Tier 1 capital ratio	Capital Adequacy

Income Statement in USD

For the year ended 31 December	Bank		Group	
	2014 USD'000	2013 USD'000	2014 USD'000	2013 USD'000
Total income	962,290	973,714	1,011,546	1,025,397
Interest income	816,659	877,454	851,303	912,909
Less : Interest expenses	524,272	593,711	541,398	612,372
Net interest income	292,387	283,743	309,905	300,537
Fee and commission income	69,869	49,327	72,318	51,867
Less : Fee and commission expenses	8,275	5,502	9,022	6,528
Net fee and commission income	61,594	43,825	63,296	45,339
Net gains /(losses) from trading	36,956	24,695	38,314	24,966
Net gains from financial investments	21,907	3,251	22,052	3,590
Other operating income	16,899	18,987	27,559	32,065
Total operating income	429,743	374,501	461,126	406,497
Less : Impairment charge / (reversal) for loans and other losses	60,157	52,885	60,313	56,065
Net operating income	369,586	321,616	400,813	350,432
Less : Operating expenses				
Personnel expenses	104,299	112,059	114,488	121,514
Other expenses	80,177	68,847	95,657	86,586
Total operating expenses	184,476	180,906	210,145	208,100
Operating profit before Value Added Tax (VAT) and Nation Building Tax (NBT)	185,110	140,710	190,668	142,332
Less : Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services	30,812	20,708	31,217	21,055
Operating profit after Value Added tax (VAT) and Nation building tax (NBT)	154,298	120,002	159,451	121,277
Share of profit / (loss) of associate companies before tax	-	-	3,516	1,748
Profit before income tax	154,298	120,002	162,967	123,025
Less : Income tax expense	51,077	27,666	53,676	30,223
Profit for the year	103,221	92,336	109,291	92,802
Profit attributable to :				
Equity holder of the Bank	103,221	92,336	109,685	93,460
Non controlling interest	-	-	(394)	(658)
Profit for the year	103,221	92,336	109,291	92,802
Earnings per share :				
Basic earnings per share (USD)	20.64	18.47	21.94	18.69
Diluted earnings per share (USD)	19.17	18.47	20.37	18.69
Dividend per share (USD)	10.41	8.17	10.4	8.17

Exchange rate of 1 USD was LKR 131.5050 as at 31 December 2014 (LKR 130.9050 as at 31 December 2013).

The Income Statement given on this page does not form part of the Audited Financial Statements and it is solely for the convenience of the shareholders, investors, bankers and other interested parties of the Financial Statements of the Bank.

Statement of Other Comprehensive Income in USD

	Bank		Group	
	2014 USD'000	2013 USD'000	2014 USD'000	2013 USD'000
For the year ended 31 December				
Profit for the year	103,221	92,335	109,291	92,803
Items that will not be reclassified to profit or loss				
Revaluation gains / (losses) on property, plant and equipment	27,052	-	35,559	13,271
Deferred tax effect on revaluation (gains) / losses	(1,377)	-	(3,743)	(3,669)
Actuarial gains / (losses) on defined benefit plans	(10,219)	(3,122)	(10,281)	(3,023)
Deferred tax effect on actuarial (gains) / losses	2,861	874	2,866	854
	18,317	(2,248)	24,401	7,434
Items that are or may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	(620)	(1,506)	(1,788)	(403)
Net gains /(losses) on re measuring available for sale financial assets	23,200	3,892	24,786	4,392
Share of other comprehensive income of associate companies	-	-	42	42
	22,580	2,386	23,040	4,031
Other comprehensive income for the year, net of tax	40,897	138	47,441	11,465
Total comprehensive income for the year	144,118	92,473	156,732	104,268
Attributable to:				
Equity holder of the Bank	144,118	92,473	156,734	104,536
Non controlling interest	-	-	(2)	(268)
Total comprehensive income for the year	144,118	92,473	156,732	104,268

Exchange rate of 1 USD was LKR 131.5050 as at 31 December 2014, (LKR 130.9050 as at 31 December 2013).

The Statement of Other Comprehensive Income given on this page does not form part of the Audited Financial Statements and it is solely for the convenience of the shareholders, investors, bankers and other interested parties of the Financial Statements of the Bank.

Statement of Financial Position in USD

As at 31 December	Bank		Group	
	2014 USD '000	2013 USD '000	2014 USD '000	2013 USD '000
Assets				
Cash and short term funds	221,782	190,223	227,813	192,369
Balances with Central Banks	231,340	219,236	231,340	219,236
Placements with banks	150,313	147,554	162,683	161,622
Derivative financial instruments	13,038	24,912	13,038	24,912
Reverse repurchase agreements	448,296	170,503	458,054	174,569
Financial assets - Held for trading	135,831	103,432	140,207	106,170
Financial investments - Loans and receivables	982,056	986,277	988,303	994,540
Loans and advances to customers	5,637,410	5,540,903	5,807,932	5,703,157
Financial investments - Available for sale	109,209	78,876	133,920	98,181
Financial investments - Held to maturity	1,646,458	1,198,577	1,648,151	1,202,716
Investment in subsidiary companies	47,246	52,165	-	-
Investment in associate companies	6,410	6,440	14,220	11,239
Investment properties	-	-	1,132	1,160
Property, plant and equipment	123,101	91,717	195,019	157,535
Leasehold properties	817	634	1,099	928
Intangible assets	2,924	3,828	4,043	5,116
Deferred tax assets	-	-	68	365
Other assets	350,004	302,639	355,881	309,940
Total assets	10,106,235	9,117,916	10,382,903	9,363,755
Liabilities				
Due to banks	6,767	8,910	7,217	10,208
Derivative financial instruments	5,586	2,100	5,586	2,100
Due to customers	7,102,134	6,432,680	7,177,936	6,499,122
Other borrowings	1,876,252	1,798,024	1,917,556	1,839,518
Debt securities issued	157,881	160,180	199,371	190,877
Current tax liabilities	-	-	2,214	1,921
Deferred tax liabilities	8,147	1,158	25,009	15,540
Insurance provision - Life	-	-	2,661	1,686
Insurance provision - Non life	-	-	4,618	5,119
Other liabilities	133,334	88,014	145,266	100,522
Subordinated term debts	247,289	186,071	244,689	185,992
Total liabilities	9,537,390	8,677,137	9,732,123	8,852,605
Equity				
Share capital	76,043	38,196	76,043	38,196
Permanent reserve fund	28,972	27,031	28,972	27,031
Retained earnings	341,136	240,012	362,434	254,087
Other reserves	122,694	135,540	174,306	181,938
Total equity attributable to the Bank	568,845	440,779	641,755	501,252
Non controlling interest	-	-	9,025	9,898
Total equity	568,845	440,779	650,780	511,150
Total liabilities and equity	10,106,235	9,117,916	10,382,903	9,363,755
Commitments and contingencies	5,488,486	5,007,001	5,496,545	5,012,995
Net assets per share (USD)	113.77	88.16	128.35	100.25

Exchange rate of 1 USD was LKR 131.5050 as at 31 December 2014 (LKR 130.9050 as at 31 December 2013).

The Statement of Financial Position given on this page does not form part of the Audited Financial Statements and it is solely for the convenience of the shareholders, investors, bankers and other interested parties of the Financial Statements of the Bank.

Quarterly Performance

Summary of the Income Statement					LKR million			
For the quarter ended	2014				2013			
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec
Bank								
Net interest income	8,241	7,088	9,696	13,425	8,094	9,216	8,880	10,953
Non interest income	5,442	4,472	4,654	4,582	2,467	3,474	3,193	3,466
Non interest expense	(5,858)	(7,139)	(6,694)	(5,656)	(5,154)	(6,050)	(6,277)	(6,920)
Impairment (charge)/reversal for loans and other losses	(3,346)	1,209	(440)	(5,334)	(1,113)	(2,387)	(2,605)	(817)
Operating profit before VAT and NBT	4,479	5,630	7,216	7,017	4,294	4,253	3,191	6,682
VAT and NBT on financial services	(683)	(849)	(830)	(1,690)	(612)	(782)	(632)	(685)
Profit before income tax	3,796	4,781	6,386	5,327	3,682	3,471	2,559	5,997
Income tax expense	(1,203)	(1,183)	(1,384)	(2,946)	(1,084)	(1,017)	(881)	(640)
Profit after income tax	2,593	3,598	5,002	2,381	2,598	2,454	1,678	5,357
Other comprehensive income	588	601	1,689	2,500	696	(191)	(50)	(437)
Total comprehensive income	3,181	4,199	6,691	4,881	3,294	2,263	1,628	4,920
Group								
Net interest income	8,832	7,661	10,315	13,946	8,607	9,724	9,528	11,483
Non interest income	5,701	4,493	5,772	5,106	2,958	3,347	4,172	4,247
Non interest expense	(6,544)	(7,669)	(8,112)	(6,496)	(5,947)	(6,419)	(7,675)	(8,055)
Impairment (charge)/reversal for loans and other losses	(3,522)	990	(5,77)	(4,822)	(1,183)	(2,431)	(2,846)	(879)
Operating profit before VAT and NBT	4,467	5,475	7,398	7,734	4,435	4,221	3,179	6,796
VAT and NBT on financial services	(691)	(858)	(851)	(1,705)	(622)	(790)	(644)	(700)
Operating profit after VAT and NBT	3,776	4,617	6,547	6,029	3,813	3,431	2,535	6,096
Share of profit/(loss) of associate companies	91	76	160	135	33	22	94	80
Profit before income tax	3,867	4,693	6,707	6,164	3,846	3,453	2,629	6,176
Income tax expense	(1,254)	(1,261)	(1,470)	(3,074)	(1,147)	(1,117)	(930)	(762)
Profit after income tax	2,613	3,432	5,237	3,090	2,699	2,336	1,699	5,414
Other comprehensive income	642	719	1,848	3,031	397	47	156	901
Total comprehensive income	3,255	4,151	7,085	6,121	3,096	2,383	1,855	6,315

Quarterly Performance

Summary of the Statement of Financial Position					LKR million			
As at	2014				2013			
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec
Bank								
Assets								
Investments	382,315	410,807	413,939	443,896	278,758	298,272	361,737	339,865
Loans and advances to customers	733,431	698,209	708,865	741,348	737,133	734,602	697,768	725,332
Property, plant and equipment	12,579	12,592	12,842	16,680	11,988	12,199	12,523	12,590
Other assets	100,355	132,396	134,840	127,096	126,545	126,247	123,013	115,794
Total assets	1,228,680	1,254,004	1,270,486	1,329,020	1,154,424	1,171,320	1,195,041	1,193,581
Liabilities and equity								
Due to customers	854,864	876,270	893,929	933,966	741,198	770,345	801,029	842,070
Debt securities and borrowed funds	300,913	297,855	291,088	300,018	328,598	328,771	322,113	280,696
Other liabilities	12,196	17,473	17,045	20,230	30,554	17,368	17,357	13,115
Equity	60,707	62,406	68,424	74,806	54,074	54,836	54,542	57,700
Total liabilities and equity	1,228,680	1,254,004	1,270,486	1,329,020	1,154,424	1,171,320	1,195,041	1,193,581
Group								
Assets								
Investments	381,899	411,143	414,539	444,862	275,835	296,784	360,356	338,706
Loans and advances to customers	755,345	719,622	730,879	763,772	756,178	754,119	718,497	746,572
Property, plant and equipment	21,475	21,412	21,555	26,471	19,168	19,374	19,698	21,565
Other assets	108,451	136,995	137,628	130,299	134,922	133,227	127,963	118,919
Total assets	1,267,170	1,289,172	1,304,601	1,365,404	1,186,103	1,203,504	1,226,514	1,225,762
Liabilities and equity								
Due to customers	864,237	886,184	903,868	943,934	752,522	777,941	808,684	850,768
Debt securities and borrowed funds	315,825	309,153	300,726	310,564	337,247	341,521	334,144	290,136
Other liabilities	17,115	22,320	22,081	25,325	34,892	21,684	21,540	17,946
Equity	68,726	70,384	76,761	84,394	60,067	60,938	60,781	65,616
Non controlling interest	1,267	1,131	1,165	1,187	1,375	1,420	1,365	1,296
Total liabilities and equity	1,267,170	1,289,172	1,304,601	1,365,404	1,186,103	1,203,504	1,226,514	1,225,762

Summary of the Financial Measures

As at	2014				2013			
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec
Bank								
Profitability								
Interest margin (%)	2.7	2.5	2.7	3.1	2.9	3.1	3.1	3.3
Return on assets (before tax) (%)	1.3	1.4	1.6	1.6	1.3	1.3	1.2	1.4
Return on equity (after tax) (%)	17.5	20.6	23.7	20.5	19.8	19.1	17.0	22.2
Investor information								
Interest cover (times)	1.8	1.9	2.0	2.0	1.7	1.6	1.6	1.7
Net assets value per share (LKR)	12,141	12,481	13,685	14,961	10,815	10,967	10,908	11,540
Capital adequacy ratio								
Core capital adequacy ratio, % (Tier I)	8.5	8.5	8.3	9.5	7.9	7.9	7.7	8.4
Total capital adequacy ratio, % (Tier I + II)	12.3	12.1	12.9	13.6	11.1	10.9	10.6	12.1
Assets quality								
Gross non performing advances ratio (%) (Net of interest in suspense)	5.4	4.3	4.3	3.8	3.4	3.7	4.5	4.3
Net non performing advances ratio (%) (Net of interest in suspense and provisions)	3.7	2.6	2.5	1.6	2.2	2.5	3.1	2.8
Regulatory liquidity								
Statutory liquid assets ratio								
- Domestic banking unit (%)	28.8	30.5	29.4	30.8	24.4	27.1	27.2	27.7
- Off shore banking unit (%)	28.8	26.6	26.0	25.9	26.3	23.5	34.6	31.4
Group								
Profitability								
Interest margin (%)	2.8	2.6	2.8	3.2	3.0	3.2	3.2	3.4
Return on assets (before tax) (%)	1.2	1.4	1.6	1.7	1.4	1.3	1.2	1.4
Return on equity (after tax) (%)	15.3	17.5	20.8	18.9	18.0	16.6	14.9	19.4
Investor information								
Net assets value per share (LKR)	13,745	14,077	15,352	16,879	12,013	12,188	12,156	13,123
Capital adequacy ratio								
Core capital adequacy ratio, % (Tier I)	8.9	9.1	8.8	9.8	8.7	8.6	8.5	8.9
Total capital adequacy ratio, % (Tier I +II)	12.8	12.8	13.8	14.0	12.2	11.9	11.8	12.8

Share and Debenture Information

Share Information

As at 31 December	2014		2013	
	No. of ordinary shares	Holding %	No. of Ordinary shares	Holding %
Government of Sri Lanka	10,000,000 *	100	5,000,000	100

* This includes 5,000,000 nos of shares under pending allotment as of 31 December 2014

Debenture Information

The Bank has issued the following debentures which are listed on Colombo Stock Exchange (CSE)

Unsecured, subordinated, redeemable debentures (par value LKR 100)	Type	Interest payable frequency	Interest rate (per annum)
June 2010/2015 series	A	Annually	11.50%
	B	Semi annually	6 months TB rate (gross) plus 75 basis points
December 2011/2016 series	A	Annually	11.00%
	B	Semi annually	6 months TB rate (gross) plus 75 basis points
	C	Semi annually	10.50%
November 2012/2017 series	A	Annually	16.00%
	B	Semi annually	6 months TB rate (gross) plus 125 basis points
	C	Semi annually	15.30%
October 2013/2023 series	A	Annually	13.00%
	B	Annually	12.60%
	C	Semi annually	6 months TB rate (gross) plus 100 basis points
	D	Annually	13.20%
	E	Semi annually	6 months TB rate (gross) plus 100 basis points
	F	Annually	13.20%
September 2014/2022 series	H	Annually	13.70%
	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)

Information on listed debentures

Following debentures have traded during the year and all other debentures have not been traded during the year ended 2013 and 2014.

31 December	2014					2013				
	Highest	Lowest	Last traded	Interest yield	Yield to maturity	Highest	Lowest	Last traded	Interest yield	Yield to maturity
	LKR	LKR	LKR	%*	%*	LKR	LKR	LKR	%*	%*
BoC Debentures 2008/2013 , Unsecured, subordinated, redeemable, 5 years, fixed rate (19.0%)	N/A	N/A	N/A	N/A	N/A	95.50	95.50	95.50	43.77	19.90
BoC Debentures 2010/2015 , Unsecured, subordinated, redeemable, 5 years, fixed rate (11.5%)	95.00	95.00	95.00	16.04	12.11	91.00	91.00	91.00	18.76	12.64
Unsecured, subordinated, redeemable, 5 years, floating rate (06 months TB rate (gross) plus 75 basis points)	100.00	100.00	100.00	10.62	10.67	N/T	N/T	N/T	N/T	N/T
BoC Debentures 2011/2016 , Unsecured, subordinated, redeemable, 5 years, fixed rate (11.0%)	N/T	N/T	N/T	N/T	N/T	95.00	89.00	89.00	15.96	12.36
Unsecured, subordinated, redeemable, 5 years, floating rate (06 months TB rate (gross) plus 75 basis points)	100.00	100.00	100.00	10.20	10.26	N/T	N/T	N/T	N/T	N/T
BoC Debentures 2012/2017 , Unsecured, subordinated, redeemable, 5 years, fixed rate (16.0%)	104.00	104.00	104.00	14.46	15.38	N/T	N/T	N/T	N/T	N/T
BoC Debentures 2013/2023 , Unsecured, subordinated, redeemable, 5 years, fixed rate (13.0%)	N/T	N/T	N/T	N/T	N/T	100.00	100.00	100.00	12.96	13.00
Unsecured, subordinated, redeemable, 5 years, fixed rate (12.60%)	111.85	111.85	111.85	8.86	11.27	N/T	N/T	N/T	N/T	N/T
Unsecured, subordinated, redeemable, 8 years, fixed rate (13.25%)	125.55	111.13	125.55	8.26	10.55	N/T	N/T	N/T	N/T	N/T
Unsecured, subordinated, redeemable, 10 years, fixed rate (13.75%)	131.43	112.50	131.43	8.59	10.46	N/T	N/T	N/T	N/T	N/T
BoC Debentures 2014/2022 , Unsecured, subordinated, redeemable, 5 years, fixed rate (8.0%)	99.94	99.94	99.94	8.01	8.00	N/A	N/A	N/A	N/A	N/A

* as at date of last trade done.

N/T - Not Traded, N/A - Not Applicable

Ten Year Statistical Summary - Bank

LKR million										
For the year ended 31 December	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating results										
Income	27,324	35,192	50,159	60,182	63,461	63,363	70,457	110,138	127,464	126,546
Interest income	20,595	26,823	42,286	49,684	53,077	50,843	61,222	95,022	114,863	107,395
Interest expense	(11,231)	(15,744)	(29,453)	(35,989)	(38,267)	(31,200)	(36,216)	(59,701)	(77,720)	(68,944)
Net interest income	9,364	11,079	12,833	13,695	14,810	19,643	25,006	35,321	37,143	38,451
Other operating income	6,731	8,368	7,873	10,498	10,385	12,515	9,235	15,116	12,601	19,151
Other operating expense	(12,059)	(13,543)	(14,315)	(16,889)	(17,992)	(18,104)	(15,241)	(27,428)	(31,324)	(33,259)
Operating profit before										
VAT and NBT	4,036	5,904	6,391	7,304	7,203	14,054	19,000	23,009	18,420	24,343
VAT and NBT on financial services	(916)	(1,767)	(1,873)	(2,073)	(2,995)	(4,001)	(2,516)	(3,214)	(2,711)	(4,052)
Profit before income tax	3,120	4,137	4,518	5,231	4,208	10,053	16,484	19,795	15,709	20,291
Income tax expense	(1,225)	(1,510)	(1,675)	(1,670)	(1,124)	(3,688)	(4,567)	(5,378)	(3,622)	(6,717)
Profit for the year	1,895	2,627	2,843	3,561	3,084	6,365	11,917	14,417	12,087	13,574
As at 31 December										
Assets										
Cash and short term funds	6,127	7,790	9,244	10,168	13,509	14,104	18,671	31,545	24,901	29,165
Balances with Central Banks	13,933	17,106	17,253	15,629	16,263	25,642	30,223	29,963	28,699	30,422
Placements with banks	36,851	23,735	19,722	16,403	45,867	42,709	14,581	19,394	19,315	19,767
Loans and advances to customers	166,604	224,962	284,496	271,105	265,065	368,302	543,149	691,899	725,332	741,348
Other financial assets	71,972	82,178	80,635	144,913	168,481	241,205	195,444	239,089	335,455	438,554
Investment in subsidiaries and associates	4,225	3,711	3,650	3,603	4,037	6,124	7,084	7,636	7,672	7,056
Investment properties	1,236	1,088	559	-	-	-	-	-	-	-
Property, plant and equipment	4,769	5,145	4,982	5,018	5,724	5,621	10,595	11,516	12,089	16,296
Intangible assets	467	420	399	233	111	164	343	376	501	385
Other assets	13,537	12,164	16,961	17,304	19,184	16,377	18,183	16,803	39,617	46,027
Total assets	319,721	378,299	437,901	484,376	538,241	720,248	838,273	1,048,221	1,193,581	1,329,020

LKR million										
As at 31 December	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Liabilities										
Due to banks *						2,215	6,508	10,128	1,166	890
Due to customers	232,822	262,990	308,856	316,070	408,607	530,092	595,774	693,441	842,070	933,966
Debt securities issued and subordinated term debts	7,350	3,850	9,150	17,988	18,045	40,115	42,591	47,114	45,326	53,282
Other borrowings	54,686	81,106	84,658	111,100	67,302	105,169	138,389	233,795	235,370	246,736
Current tax liabilities	76	727	885	1,079	190	2,200	1,139	2,208	-	-
Other liabilities	8,436	11,714	13,302	15,037	19,198	10,551	12,518	10,582	11,949	19,340
Total liabilities	303,370	360,387	416,851	461,274	513,342	690,342	796,919	997,268	1,135,881	1,254,214
Equity										
Share capital	4,000	4,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	10,000
Permanent reserve fund	1,915	2,455	2,515	2,585	2,650	2,777	3,008	3,286	3,538	3,810
Retained earnings	9,475	10,298	12,161	14,335	15,820	14,564	21,733	27,639	31,419	44,861
Other reserves	961	1,159	1,374	1,182	1,429	7,565	11,613	15,028	17,743	16,135
Total equity	16,351	17,912	21,050	23,102	24,899	29,906	41,354	50,953	57,700	74,806
Total liabilities and equity	319,721	378,299	437,901	484,376	538,241	720,248	838,273	1,048,221	1,193,581	1,329,020
Commitments and contingencies	80,187	105,502	134,713	164,813	246,245	313,040	409,747	455,181	655,441	721,763
Ratios										
Return on average assets (%)	1.1	1.2	1.1	1.1	0.8	1.6	2.1	2.1	1.4	1.6
Return on average equity (%)	11.9	15.3	14.6	16.1	12.9	24.0	33.5	31.2	22.2	20.5
Income growth (%)	14.1	28.8	42.5	20.0	5.5	(0.2)	11.2	56.3	15.7	(0.7)
Capital adequacy ratio (%)										
- Tier I	12.7	11.9	11.4	11.3	11.2	10.3	7.8	8.3	8.4	9.5
- Tier I + Tier II	13.2	12.3	11.4	15.9	14.2	13.7	10.9	11.5	12.1	13.6
Capital funds to liabilities including contingent liabilities (%)	4.3	3.8	3.8	3.7	3.3	3.1	3.4	3.5	3.2	3.8
Liquidity ratio - domestic (%)	26.9	22.2	21.2	24.2	21.1	28.7	23.4	21.8	27.7	30.8
Cost to income ratio (%)	72.6	68.9	67.5	64.2	68.3	53.7	51.1	42.7	49.1	44.0

Note : Highlighted information is based on LKASs/SLFRSs.

* From 2005 to 2009 due to banks amount is included in due to customers and other borrowings

Ten Year Statistical Summary - Bank

As at 31 December	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other information										
No of employees	8,891	8,363	8,253	7,912	7,538	8,204	8,115	7,790	8,883	8,577
No of branches	304	305	307	309	310	309	318	324	567	573
No of ATMs	104	190	203	251	329	352	404	451	523	540
No of advances ('000)	1,285	1,541	1,867	1,839	2,011	2,261	2,837	3,363	3,193	2,384
No of deposits ('000)	5,782	6,248	6,993	7,494	8,440	9,321	10,179	10,955	11,606	12,311

LKR million

As at 31 December	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Cash flows from operating activities	(8,961)	(24,200)	(13,713)	30,262	100,115	10,271	(42,348)	(19,271)	47,051	63,046
Cash flows from investing activities	(6,315)	(8,998)	3,034	(67,091)	(20,775)	(59,418)	6,924	(52,965)	(51,351)	(27,222)
Cash flows from financing activities	25,309	21,746	8,120	34,433	(45,144)	46,554	12,476	89,640	(4,377)	(29,519)
Capital expenditure on purchase of property plant and equipments	(927)	(912)	(544)	(647)	(1,446)	(1,168)	(1,905)	(1,483)	(1,682)	(1,743)

Disclosure in terms of section 7.6 (xvi) of the Listing Rules of Colombo Stock Exchange on related party transactions exceeding 10% of the equity or 5% of the total assets of the Bank

The Bank did not carry out any transactions exceeding 10% of the equity or 5% of the total assets of the Bank, whichever is lower, with the related parties given in Note 55 to the Financial Statements, except for the transactions engaged with Government of Sri Lanka and Government related entities.

Government of Sri Lanka, who holds 100% shareholding in Bank of Ceylon and Government related entities carry out transactions with the Bank, in the ordinary course of business and the aggregate monetary value of these transactions exceeded the threshold given in Section 7.6 (xvi) of the Listing Rules of Colombo Stock Exchange. These transactions include;

1. Overdraft facility granted to the Deputy Secretary to the Treasury
2. Foreign currency loans granted to the Government of Sri Lanka and State Owned Enterprises
3. Investment in Sri Lanka Development Bonds and Restructuring Bonds issued by Government of Sri Lanka
4. Extending of trade finance credit and other related services to facilitate import transactions of the Government of Sri Lanka and State Owned Enterprises
5. Deposits made by the Government and Government related entities with the Bank.

Most of these transactions are considered as recurrent nature transactions and the outstanding balances as at 31 December 2014 and the transactions during the year 2014 are given in the Note 55.4 to the Financial Statements.

Subsidiaries and Associates

Subsidiary companies	Directors *
Property Development PLC	
19th Floor, BoC Head Office Building, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01	Air Chief Marshal Harsha Abeywickrema (Chairman) Mr D M Gunasekara Mr P A Lionel Dr M S Perera Mr L N de Silva Wijeyeratne Mr S E de Silva
Tel : 011 2544328	
Fax : 011 2544329	Secretaries
e-mail : pdlhrm@slnet.lk	M/s Varners International (Private) Limited

Merchant Bank of Sri Lanka & Finance PLC

BOC Merchant Tower, No. 28, St. Michael's Road, Colombo 03	Mr M R Shah (Chairman) Mr D M Gunasekara Mr Senarath Bandara
Tel : 011 4711711 011 2565636	Mr C R Jayawarna Mr P G Rupasinghe
Fax : 011 2565666	Mr M S S Paramananda
e-mail : mbslbank@mbslbank.com	Mr W P Russel Fonseka (Alternate director to Mr D M Gunasekara)
Website: www.mbslbank.com	Mr A M P Amarakoon (Alternate Director to Mr M S S Paramananda)
	Secretary Ms Karnika Jayathilake

BOC Management & Support Services (Private) Limited

25th Floor, BoC Head Office Building, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01	Mr D M Gunasekara (Chairman) Mr D P K Gunasekera Mr W A C Tissera
Tel : 011 2446790	Secretary Ms Janaki Senanayake Siriwardane

Subsidiary companies	Directors *
BOC Property Development & Management (Private) Limited	
10th Floor, BOC Merchant Tower, No. 28, St. Michael's Road, Colombo 03	Mr D M Gunasekara (Chairman) Mr P J Jayasinghe Ms S H Ranawaka Mr K T Karunaratne Mr S M S C Jayasuriya (Alternate director to Mr D M Gunasekara)
Tel : 011 2301911	
Fax : 011 2370607	
e-mail : pdmlacct@slnet.lk	Secretaries M/s Corporate Services (Private) Limited

BOC Travels (Private) Limited

1st Floor, BoC Super Grade Branch Building, Baseline Road, Colombo 08	Mr Chandrasiri de Silva (Chairman) Ms Nalini D Abeywardene Mr D M Gunasekara Mr D P K Gunasekara Mr Lalith J Fernando Mr G L Palitha Jinasoma Mr C Amarasinghe (Alternate director to Mr D M Gunasekara)
Tel : 011 2688154-8	
Fax : 011 2688175	
e-mail : ceybank@eureka.lk	
Website: www.boctravels.com	Secretaries M/s S S P Corporate Services (Private) Limited

MBSL Savings Bank Limited

No.519, T B Jayah Mawatha, Colombo 10	Mr M R Shah (Chairman) Mr T Mutugala Mr A B L A de Silva Mr K D A Fernando Mr H M A B Weerasekara Mr H D P Jayathilaka
Tel : 011 2374000	
Fax : 011 2374044	
e-mail : savingsbank@mbslsavingsbank.com	
Website: www.mbslsavingsbank.com	Secretary Ms T T K Attanayake

* as at 31 December 2014

Subsidiaries and Associates

Subsidiary companies	Directors *
Hotels Colombo (1963) Limited	
No.02, York Street, Colombo 01	Mr Rohan Jayasinghe (Chairman) Ms Nalini D Abeywardene Mr Chandrasiri de Silva
Tel : 011 2320320 011 5221144	Mr D M Gunasekara Mr G H Chandrasiri
Fax : 011 2380433	Mr D P K Gunasekara
e-mail : info@grandoriental.com	Mr C D K Walisundara
Website: www.grandoriental.com	Mr J C Ratwatte Ms W I Hettihewa
	Secretaries M/s S S P Corporate Services (Private) Limited

MCSL Financial Services Limited

11th Floor, BOC Merchant Tower, No. 28, St. Michael's Road, Colombo 03	Mr A B L A de Silva (Chairman) Mr Raju Sivaraman Ms C K Jayaratne Dr Thiran de Silva
Tel : 011 2301501	Mr M R Shah
Fax : 011 4627850	Ms W A Nalini
e-mail : mcslmail@yahoo.com	Dr M Ramasubbu
Website: www.mcsl.lk	Mr U Chandrasekara Mr B Premalal
	Secretary Ms Kamini Dissanayake

Koladeniya Hydropower (Private) Limited

19th Floor, BoC Head Office Building, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01	Air Chief Marshal Harsha Abeywickrema (Chairman) Mr P A Lionel Dr M S Perera Mr S E de Silva Mr L N de Silva Wijeyeratne
Tel : 011 2544328 011 2541113	Secretaries
Fax : 011 2544329	M/s Em En Es (Assignments)
e-mail : pdlfin@sltnet.lk	(Private) Limited

Subsidiary companies	Directors *
Ceybank Holiday Homes (Private) Limited	
12th Floor, BoC Head Office Building, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01	Mr D M Gunasekara (Chairman) Mr P J Jayasinghe Mr K E D Sumanasiri Mr W C K Wickramarachchi Ms Janaki Senanayake Siriwardane
Tel : 011 2447845 011 2204103-4	Ms H I Hettihewa
Fax : 011 2447845	Mr Senarath Bandara
e-mail : ceybankhh@gmail.com	(Alternate director to Mr D M Gunasekara)
Website: www.cebantourism.com	Secretary Ms Janaki Senanayake Siriwardane

MBSL Insurance Company Limited

No. 122, Kew Road, Colombo 02	Mr Raju Sivaraman (Chairman) Mr M R Shah Dr A D N De Zoysa
Tel : 011 2304500	Mr T Mutugala
Fax : 011 2300499	Mr Senarath Bandara
e-mail : info@mbslinsurance.lk	Mr A B L A De Silva
Website: www.mbslinsurance.lk	Mr W P Russel Fonseka Mr S M S C Jayasuriya Mr Shashika Senarath
	Secretaries M/s Waters Secretarial Services (Private) Limited

Bank of Ceylon (UK) Limited

No.1, Devonshire Square, London EC2M 4WD United Kingdom	Mr D M Gunasekara Mr D N L Fernando Mr M P R Kumara Mr W D R Swanney Mr R England
Tel : +44 207 3771 888	Secretary
Fax : +44 207 3775 430	Mr John Dale
e-mail : info@bankofceylon.co.uk	
Website: www.bankofceylon.co.uk	

Associate companies	Directors*
Lanka Securities (Private) Limited	
No.228/2, Galle Road, Colombo 04	Ms Aamna Taseer (Chairperson) Mr P A Lionel Mr M Eshan ul-Haq
Tel : 011 4706757 011 2554942	Mr Farooq Bin Habib Mr K U D Gamage
Fax : 011 4706767	Mr M R Shah
e-mail : lankasec@sltnet.lk	Mr S A Taseer (Alternate director to Mr M Eshan ul-Haq)
Website: www.lsl.lk	Mr S Taseer (Alternate director to Mr Farooq Bin Habib)
	Mr I Hafeez (Alternate director to Ms Aamna Taseer)
	Secretaries M/s S S P Corporate Services (Private) Limited

Mireka Capital Land (Private) Limited	
No. 324, Havelock Road, Colombo 06	Mr S P Tao (Chairman) Mr Raju Sivaraman
Tel : 011 2596793 011 2505100 011 2346333	Mr W P Russel Fonseka Mr H S Jayawardana Mr M T Ong
Fax : 011 2449303	Mr H Z Cassim
e-mail : info@mireka.com	Mr L R de Lanerolle
Website: www.havelockcity.com	Mr A M de S Jayaratne Dr Ranee Jayamaha Mr Senarath Bandara (Alternate director to Mr Raju Sivaraman)
	Ms S H Ranawaka (Alternate director to Mr W P Russel Fonseka)
	Mr E P Ong (Alternate director to Mr S P Tao)
	Secretary Ms Minoka Sirajinie Fernando

Associate companies	Directors*
Transnational Lanka Records Solutions (Private) Limited	
160/16, Kirimandala Mawatha, Narahenpita, Colombo 05	Mr W P Russel Fonseka (Chairman) Mr S M S C Jayasuriya Mr D K W Liew
Tel : 011 7574574 011 7574575	Mr S J Jebarathnam Mr D M H Liew
Fax : 011 4514588	Mr C R Norwood
e-mail : tlrs@prontolanka.com	
Website: www.transnational-grp.com	Secretaries M/s P W Corporate Secretarial (Private) Limited

Ceybank Asset Management Limited	
No.54/C1, Ward Place, Colombo 07	Mr K L Hewage (Chairman) Mr D M Gunasekara Mr P A Lionel
Tel : 011 7602000-2	Mr M Selvanathan
Fax : 011 2683095	Mr C Sathkumara
e-mail : ceybank@slt.lk	Mr M S P R Perera
Website: www.ceybank.com	Mr P Kudabalage Shri B Babu Rao Mr G A Jayashantha (Alternate director to Mr D M Gunasekara)
	Mr U D Liyanagamage (Alternate director to Mr P Kudabalage)
	Mr A P Weeratunge (Alternate director to Mr M Selvanathan)
	Secretaries M/s Carsons Management Services (Private) Limited

Note : Southern Development Financial Company Limited is not in operation
* as at 31 December 2014

BoC Correspondent Banks by Country

AFGHANISTAN

1. DA Afghanistan Bank

ALBANIA

2. Raiffeisen Bank

ALGERIA

3. Banque Exterieur d'Algerie

ARGENTINA

4. Banco Credicoop Cooperativo Ltd
5. Banco Finansur SA
6. Banco Macro SA

ARMENIA

7. ArdshinInvest Bank CJSC

AUSTRALIA

8. Australia & New Zealand Banking Group Ltd
9. HSBC Bank Australia Ltd.
10. National Australia Bank Ltd
11. Westpac Banking Corporation

AUSTRIA

12. Allgemeine Sparkasse Oberosterreich Bank AG
13. Uni Credit Bank Austria AG (Bank Austria Creditanstalt AG)
14. BAWAG PSK Bank
15. BKS Bank AG
16. Erste Bank der Oesterreichischen Sparkassen AG
17. Erste Group Bank AG
18. Oberbank AG
19. Osterreichische Volksbanken AG
20. Raiffeisen Bank International AG
21. Raiffeisenlandesbank Oberosterreich Aktiengesellschaft
22. Salzburger Landes Hypothekenbank AG
23. Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

BAHRAIN

24. Ahli United Bank
25. Al Baraka Islamic Bank
26. Bahrain Islamic Bank
27. Arab Banking Corporation
28. BBK(Formerly Bank of Bahrain & Kuwait BSC)

29. BMI Bank B S C (C)
30. Gulf International Bank
31. Habib Bank Limited
32. HSBC Bank Middle East
33. National Bank of Bahrain
34. The Arab Investment Company

BANGLADESH

35. Agrani Bank
36. Bangladesh Krishi Bank
37. BASIC Bank Ltd (Bangladesh Small Industries & Commerce Bank Ltd)
38. Janata Bank
39. Prime Bank Ltd
40. Pubali Bank Ltd
41. Sonali Bank
42. The Premier Bank Ltd
43. Uttara Bank Ltd

BELARUS

44. Belarus Bank
45. Belvnesheconombank

BELGIUM

46. Antwerpse Diamant Bank NV
47. Banca Monte Paschi, Belgio
48. Byblos Bank Europe SA
49. Deutsche Bank SA/NV
50. Fortis Bank NV/SA
51. ING Belgium SA/NV
52. KBC Bank NV

BERMUDA

53. Bank of Bermuda Ltd

BOTSWANA

54. Barclays Bank of Botswana Ltd

BRAZIL

55. Banco ABC Brazil S.A
56. Banco do Brazil
57. Banco Fibra SA
58. Banco Industrial eCommercial S.A (BICBANCO)
59. Banco Indusval S.A

BULGARIA

60. Raiffeisenbank (Bulgaria) EAD
61. Teximbank
62. UniCredit BulBank AD (Formerly Bulbank AD)

63. United Bulgarian Bank AD
64. Central Cooperative Bank
65. Investbank PLC
66. Municipal Bank PLC

CAMBODIA

67. ACLEDA Bank PLC

CANADA

68. Bank of Montreal
69. Bank of Nova Scotia
70. Canadian Imperial Bank of Commerce
71. HSBC Bank Canada
72. Royal Bank of Canada
73. Toronto Dominion Bank

CHILE

74. Corpbanca

CHINA

75. Bank of Changsha
76. Bank of China
77. Bank of Communications
78. Bank of Hangzhou Co. Ltd
79. Bank of Jiangsu Co. Ltd
80. Bank of Jiujiang Co. Ltd
81. Bank of Nanjing
82. Bank of Shaoxing Co.Ltd
83. Bank of Xi'an Co. Ltd
84. Changshu Rural Commercial Bank
85. China Construction Bank Corporation
86. China Development Bank Corporation
87. China Everbright Bank Co. Ltd
88. Evergrowing Bank Co. Ltd
89. Export Import Bank of China
90. OCBC Bank (CHINA) Ltd
91. Zhejiang Nanxun Rural Cooperative Bank
92. Zhejiang Xiaoshan Rural Cooperative Bank

COLOMBIA

93. Banco Popular

COOK ISLANDS

94. WSBC Bank Co. Ltd

CROATIA

95. Zagrebacka Banka dd

CYPRUS

- 96. Alpha Bank Cyprus Ltd
- 97. Bank of Cyprus Public Company Ltd
- 98. Hellenic Bank Public Company Ltd.
- 99. National Bank of Greece (Cyprus) Ltd

CZECH REPUBLIC

- 100. Ceska Sporitelna A.S.
- 101. Ceskoslovenska Obchodni Banka A.S.
- 102. GE Money Bank A.S.
- 103. Komerčni Banka A.S.
- 104. LBBW Bank CZ A.S.
- 105. Raiffeisen Bank A.S.
- 106. UniCredit Bank CZECH Republic A.S.

DENMARK

- 107. ALS Skiern Bank
- 108. Danmarks National Bank
- 109. Danske Bank A/S
- 110. Jyske Bank A/S
- 111. Nordea Bank Danmark A/S
- 112. Nordjyske Bank A/S
- 113. Rinkjobing Landbo - bank
- 114. Skjern Bank
- 115. Spar Nord Bank A/S
- 116. Sparebank Vest
- 117. Sydbank A/S
- 118. Vestjysk Bank

ECUADOR

- 119. Banca International Produbanco

EGYPT

- 120. ABC Egypt (Arab Banking Corp.)
- 121. Arab International Bank
- 122. Bank of Alexandria (ALEXBANK)
- 123. Banque Du Caire SAE
- 124. Banque Misr
- 125. Central Bank of Egypt
- 126. Commercial International Bank (Egypt) SAE

EGYPT

- 127. Calyon Bank (Egypt) SAE
- 128. Egyptian Saudi Finance Bank
- 129. Faisal Islamic Bank of Egypt SAE
- 130. Mohandes Bank
- 131. National Bank of Egypt
- 132. Suez Canal Bank SAE

ESTONIA

- 133. SEB Bank

ETHIOPIA

- 134. Commercial Bank of Ethiopia

FIJI

- 135. National Bank of Fiji Limited

FINLAND

- 136. Aktia Bank PLC
- 137. Nordea Bank Finland PLC
- 138. OKO Osuuspankkien Keskuspankki OYJ
- 139. Pohjola Bank PLC
- 140. Sampo Bank PLC

FRANCE

- 141. AL Khaliji France SA
- 142. Bank of India (Paris Branch)
- 143. Banque BIA
- 144. Banque De Neuflyze, Schlumberger, Mallet, Demachy
- 145. Banque D'Escompte
- 146. Banque Federative DU Credit Mutuel
- 147. Banque Palatine
- 148. Banque SBA
- 149. BNP Paribas
- 150. Calyon
- 151. CIC Lyonnaise De Banque
- 152. Credit Agricole
- 153. Credit Cooperatif
- 154. Credit DU Nord
- 155. Credit Industrial DEL'Quest
- 156. Credit Industrial ET Commercial (CIC)
- 157. Credit Lyonnais
- 158. HSBC Private Bank France SA
- 159. NATIXIS (Formerly Natexis Banque Populaires)
- 160. Societe Generale
- 161. Union De Banques A Paris (UBAF)-(Union De Banques Arabes ET Francaises)
- 162. VTB Bank (France) SA (Formerly Banque Commerciale Pour L'Europe Du Nordeurobank)

GEORGIA

- 163. Bank of Georgia

GERMANY

- 164. Baden Wuttenbergische Bank AG
- 165. Bankhaus Carl Plump & Co.
- 166. Bankhaus Neelmeyer AG
- 167. Bayerische Landesbank
- 168. Berenberg Bank
- 169. Berliner Volksbank EG
- 170. BHF Bank Aktiengesellschaft
- 171. Bremer Landesbank
- 172. CommerzBank AG (Dusseldorf)
- 173. CommerzBank AG (Frankfurt)
- 174. Degussa Bank
- 175. Deutsche Bank AG
- 176. Deutsche Bundesbank
- 177. Deutsche PostBank AG
- 178. DVB Bank AG
- 179. DZ Bank AG
- 180. Frankfurter Volksbank EG
- 181. Hamburger Sparkasse AG
- 182. HSBC Trinkaus & Burkhardt KGA
- 183. ING BHF – Bank AG
- 184. Kreissparkasse Esslingen-Nurtingen
- 185. Kreissparkasse Goppingen
- 186. Kreissparkasse Heilbronn
- 187. Landesbank Baden-Wurttemberg
- 188. Landesbank Berlin AG (Merger of Bankgesel-Ischaft Berlin AG & Landesbank Berlin AG)
- 189. Landesbank Hessen Thuringen Girozentrale
- 190. LRP Landesbank Rheinland PFALZ
- 191. Mainzer Volksbank eG
- 192. Nassauische Sparkasse
- 193. Nordeutsche Landes-bank Girozentrale
- 194. NRW Bank
- 195. Oldenburgische Landesbank AG
- 196. Sparkasse Bielefeld
- 197. Sparkasse Dortmund
- 198. Sparkasse Duren
- 199. Sparkasse Essen (Stadtsparkasse Essen)
- 200. Sparkasse Hannover
- 201. Sparkasse Herford
- 202. Sparkasse Pforzheim Calw
- 203. Stadtsparkasse Dusseldorf
- 204. Stadtsparkasse Monchengladbach
- 205. Stadtsparkasse Wuppertal
- 206. Standard Chartered Bank (Frankfurt)
- 207. UniCredit Bank AG (Bayerische Hypo-und Vereinsbank AG)
- 208. Westlab AG

GHANA

- 209. Ghana Commercial Bank Ltd

BoC Correspondent Banks by Country

GREECE

- 210. Alpha Bank
- 211. Aspis Bank
- 212. EFG Eurobank Ergasias SA
- 213. Marfin Egnatia Bank SA
- 214. National Bank of Greece
- 215. Piraeus Bank

HONG KONG

- 216. Bank of East Asia Ltd
- 217. Cathay Bank
- 218. Chiyu Banking Corporation Limited
- 219. Chong Hing Bank Limited
- 220. DAH Sing Bank Limited
- 221. DBS Bank (Hong Kong) Ltd
- 222. Hang Seng Bank Ltd
- 223. Hong Kong & Shanghai Banking Corporation
- 224. Industrial & Commercial Bank of China (Asia) Ltd
- 225. Nan Yang Commercial Bank Ltd
- 226. Oversea-Chinese Banking Corporation
- 227. Shanghi Commercial Bank Ltd
- 228. UBAF (Hong Kong Ltd (Union De Banques Arabes ET Francaises – UBAF)
- 229. OCBC Wing Hang Bank Ltd

HUNGARY

- 230. Bank of Hungarian Savings Cooperatives Co. Ltd
- 231. Budapest Bank RT
- 232. Central-European Int'l Bank Ltd (CIC Bank)
- 233. Erst Bank Hungary NYRT
- 234. Kereskedelmi ES HitelBank (K and H Bank NYRT)
- 235. National Bank of Hungary (Magyar Nemzeti Bank)
- 236. Raiffeisen Bank ZRT
- 237. UniCredit Bank Hungary ZRT

ICELAND

- 238. Glitnir Banki HF (Formerly Islandbanki FAB Ltd)

INDIA

- 239. Allahabad Bank
- 240. Andhra Bank
- 241. Axis Bank
- 242. Bank of Baroda
- 243. Bank of India (Mumbai)

- 244. Bank of Maharashtra
- 245. Canara Bank
- 246. Central Bank of India Corporation Bank
- 247. Corporation Bank
- 248. Development Credit Bank Ltd
- 249. HDFC Bank
- 250. ICICI Bank Ltd
- 251. IDBI Bank Ltd
- 252. Indian Bank
- 253. Indian Overseas Bank
- 254. Indusind Bank Ltd
- 255. Jammu & Kashmir Bank Ltd
- 256. Karur Vysya Bank
- 257. Punjab & Sind Bank Ltd
- 258. Punjab National Bank
- 259. Saraswat- Cooperative Bank Ltd
- 260. State Bank of India
- 261. State Bank of Hyderabad
- 262. State Bank of Travancore
- 263. Syndicate Bank
- 264. Tamilnad Mercantile Bank Ltd
- 265. The Bank of Rajasthan Ltd
- 266. UCO Bank
- 267. Union Bank of India
- 268. United Bank of India
- 269. YES Bank

INDONESIA

- 270. Bank Artha Graha
- 271. Bank International Indonesia
- 272. Bank Mega
- 273. PT Bank Bukopin
- 274. PT Bank Central Asia TBK
- 275. PT Bank Ekspor Indonesia
- 276. PT Bank Mandiri (PERSERO)
- 277. PT Bank Negara Indonesia TBK
- 278. PT Bank Pan Indonesia TBK (Panin Bank)
- 279. PT Bank Permata TBK
- 280. PT Bank Rabobank International
- 281. PT Bank Rakyat Indonesia

IRAQ

- 282. Central Bank of Iraq
- 283. Rafidain Bank
- 284. Rasheed Bank

IRELAND

- 285. Allied Irish Bank PLC

ISRAEL

- 286. Bank Hapoalim Bank
- 287. Bank Leumi Le Israel BM

- 288. Bank of Palestine
- 289. First International Bank of Israel Ltd
- 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
- 305. Banca Popolare Soc. Coop. (Banca Popolare DI Verona E Novara SCRL) – Verona
- 306. Banca Popolare – Volksbank (Banca Popolare Dell Alto ADIGE)
- 307. Banca Popolare Dell' Emilia Romagna
- 308. Banca Popolare DI Milano
- 309. Banca Popolare DI Ravenna SpA
- 310. Banca Popolare DI Sondrio
- 311. Banca Popolare DI Vicenza SCPARL
- 312. Banca Regionale Europea SpA
- 313. Banca Toscana SpA
- 314. Banca UBAE SpA
- 315. Banca Valsabbina SCPA
- 316. Banco Carim– Cassa DI Risparmio DI Rimini SpA
- 317. Banca DI Desio E Della Brianza SpA
- 318. Banco DI Sardegna SpA
- 319. Banco DI Sicilia
- 320. Bipop – Carires
- 321. Cassa DI Risparmio DI Parma e Piacenza SpA, (CARIPARMA SPA)
- 322. Cassa DI Risparmio DI Ascoli Piceno SpA
- 323. Cassa DI Risparmio DI Bolzano SpA
- 324. Cassa DI Risparmio DI Carrara SpA
- 325. Cassa DI Risparmio DI Prato SpA (CARIPRATO)
- 326. Cassa DI Risparmio DI San Miniato SpA
- 327. Credito Valtellinese
- 328. Deutsche Bank SpA

- 329. Hypo Alpe-Adria-Bank SpA
- 330. Intesa San Paolo SpA
(Formerly Banca Intesa SpA)
- 331. UBI Banca
- 332. UGF Banca
- 333. UniCredit Bank AG
(UniCredito Italiano SpA)
- 334. Unipol Banca SpA

JAMAICA

- 335. National Commercial Bank of
Jamaica Ltd

JAPAN

- 336. 77 Bank Ltd
- 337. Aozora Bank Ltd
- 338. Australia & New Zealand Banking
Group Ltd
- 339. AWA Bank Ltd
- 340. Bank of Kochi Ltd
- 341. Bank of Kyoto
- 342. Bank of Tokyo - Mitsubishi UFJ Ltd
- 343. Bank of Yokohama Ltd
- 344. Chiba Kogyo Bank Ltd
- 345. Chukyo Bank Ltd
- 346. Chuo Mitsui Trust and Banking Co.
Ltd
- 347. Gunma Bank Limited
- 348. Higashi-Nippon Bank
- 349. Hokuriku Bank Ltd
- 350. Kinki Osaka Bank Ltd
- 351. Kiyo Bank Ltd
- 352. Kyoto Shinkin Bank
- 353. Minato Bank Ltd
(Formerly Midori Bank Ltd)
- 354. Mitsubishi Trust & Banking Co
- 355. Mizuho Bank Ltd
- 356. Nishi Nippon City Bank Ltd
- 357. Okazaki Shinkin Bank
- 358. Osaka City Shinkin Bank
- 359. Resona Bank Limited
- 360. Saitama Resona Bank Ltd
- 361. SETO Shinkin Bank
- 362. Shiga Bank Ltd
- 363. Shinkin Central Bank
- 364. Shinsei Bank Ltd
(Formerly Long Term
Credit Bank of Japan)
- 365. Standard Chartered Bank
- 366. Sugamo Shinkin Bank
- 367. Sumitomo Mitsui Banking
Corporation
- 368. The Asahi Shinkin Bank
- 369. The Ashikaga Bank Ltd

- 370. The Hokkaido Bank Limited
- 371. The Shikoku Bank Ltd
- 372. The Shizuoka Bank Ltd
- 373. The Yokohama Shinkin Bank
- 374. Tokushima Bank Ltd
- 375. Tokyo Tomin Bank Ltd
- 376. Tomato Bank Ltd
- 377. Towa Bank Ltd
- 378. Yamagata Bank Ltd
- 379. Yamaguchi Bank Ltd
- 380. Yamanashi Chuo Bank Ltd

JORDAN

- 381. Arab Bank PLC
- 382. Arab Jordan Investment Bank
- 383. Bank AL Etihad
- 384. Bank Audi SAL Audi Saradar Group
- 385. Bank of Jordan PLC
- 386. Cairo Amman Bank
- 387. Housing Bank for Trade & Finance
- 388. InvestBank (JIF Bank)
(Formerly Jordan Investbank &
Finance Bank)
- 389. Islamic International Arab Bank Ltd
- 390. Jordan Ahli Bank PLC
- 391. Jordan Commercial Bank
- 392. Jordan Dubai Islamic Bank
- 393. Jordan Kuwait Bank

KAZAKHSTAN

- 394. JSC Bank CenterCredit

KENYA

- 395. Barclays Bank of Kenya Ltd
- 396. Kenya Commercial Bank Ltd

KOREA

- 397. CitiBank Korea Inc
- 398. Hana Bank
- 399. Kookmin Bank
- 400. Korea Development Bank
- 401. Korea Exchange Bank
- 402. Kyongnam Bank
- 403. Pusan Bank
- 404. The Kwangju Bank Ltd
- 405. Woori Bank

KUWAIT

- 406. AL Ahli Bank of Kuwait
- 407. Bank of Kuwait & The Middle East
- 408. Burgan Bank SAK
- 409. Commercial Bank of Kuwait SAK

- 410. Gulf Bank
- 411. Kuwait International Bank
- 412. National Bank of Kuwait

KYRGYSTAN

- 413. Asia Universal Bank

LATVIA

- 414. Parex Bank
- 415. Rietumu Bank
- 416. SEB Banka

LEBANON

- 417. Al Ahli International Bank SAL
- 418. Arab African International Bank
- 419. Arab Bank PLC
(Lebanon Branches
Centre) Beirut
- 420. Audi Private Bank SAL
- 421. Bank Audi SAL
- 422. Bank Bemo SAL
- 423. Bankmed SAL
- 424. Bank of Beirut SAL
- 425. Banque Libano Francaise
- 426. BBAC SAL
- 427. BLC Bank SAL
- 428. BLOM Bank SAL
- 429. Byblos Bank SAL
- 430. Credit Libanais SAL
- 431. First National Bank SAL
- 432. Fransbank SAL
- 433. IBL Bank
- 434. Jamal Trust Bank SAL
- 435. MEAB Bank
(Middle East & African Bank
SAL)
- 436. Near East Commercial Bank SAL
- 437. Societe Generale
Banque AU Liban SAL
- 438. Societe Nouvelle DE LA Banque De
Syrie Et Liban SAL

LIBYA

- 439. Gumhoria Bank
- 440. National Commercial Bank SAL
- 441. Umma Bank SAL
- 442. Wadha Bank

LITHUANIA

- 443. AB Bankas Hansa Bankas
- 444. AB Bankas Snoras
- 445. SEB Bank
- 446. UKIO Bank AS

BoC Correspondent Banks by Country

MACAU

447. Banco Weng Hang SA

MADAGASCAR

448. Bank of Africa – Madagascar
449. Banque Centrale De Madagascar

MALAWI

450. National Bank of Malawi

MALAYSIA

451. Alliance Bank Malaysia, Berhad
452. Ambank Berhad
453. Bank Islam Malaysia Berhad
454. CIMB Bank Berhad
455. EON Bank Berhad
456. Malayan Banking Berhad (MAYBANK)
457. OCBC (Malaysia) Berhad
458. Oversea-Chinese Banking Corporation Ltd (Kuala Lumpur)
459. Public Bank Berhad
460. RHB Bank Berhad
461. Royal Bank of Scotland
462. United Overseas Bank (Malaysia) Berhad

MALDIVES

463. Bank of Maldives PLC
464. Habib Bank Ltd

MALTA

465. Bank of Valleta
466. FIM Bank PLC Ltd
467. HSBC Bank Malta PLC

MAURITIUS

468. State Bank of Mauritius Ltd
469. The Mauritius Commercial Bank Ltd

MEXICO

470. Banco Nacional De Mexico SA
471. Banco Santander Mexicano SPA
472. BBVA Bancomer SA
473. HSBC Mexico SA

MONGOLIA

474. Trade & Development Bank of Mongolia

MOROCCO

475. Credit DU Marco SA

MOZAMBIQUE

476. Banco Internacional de Mocimboa SARL

NAMIBIA

477. Bank Windhoek Ltd

NEPAL

478. Himalayan Bank Ltd
479. Nepal Bank Ltd
480. Nepal Credit Commercial Bank
481. Standard Chartered Bank Nepal Ltd

NETHERLANDS

482. ABN Ambro Bank – Royal Bank of Scotland
483. F Van Lanschot Bankiers NV
484. Hollandsche Bank – UNIE NV
485. ING Bank NV
486. Rabobank Nederland
487. SNS Bank NV
488. The Economy Bank NV
489. Yapi Ve Kredi Bankasi AS

NEW ZEALAND

490. ANZ Bank National Bank Ltd
491. ASB International Bank
492. Bank of New Zealand
493. Westpac Banking Corporation

NIGERIA

494. First Bank of Nigeria PLC
495. Union Bank of Nigeria PLC

NORWAY

496. DNB NOR Bank ASA
497. Nordea Bank Norge AS
498. Sparebanken Hedmark
499. Sparebanken More
500. Sparebanken Nord Norge

OMAN

501. Bank Dhofar SAOG
502. Bank Sohar SAOG
503. Bankmuscat SAOG
504. National Bank of Oman SAOG
505. Oman Arab Bank SAOG
506. Oman International Bank

PAKISTAN

507. Allied Bank of Pakistan
508. Askaribank Limited
509. Atlas Bank
510. Bank Al Habib Limited
511. Bank of Khyber
512. Bank of Punjab
513. Dawood Islamic Bank Ltd
514. Faysal Bank Ltd
515. Habib Bank Ltd
516. Habib Metropolitan Bank Ltd
517. KASB Bank
518. MCB Bank Ltd
519. Meezan Bank Ltd
520. Mybank Ltd
521. National Bank of Pakistan
522. Soneri Bank Ltd
523. Standard Chartered Bank (Pakistan) Ltd
524. United Bank Limited

PALESTINIAN AUTONOMOUS AREA

525. Arab Islamic Bank

PAPUA NEW GUINEA

526. Westpac Bank PNG Ltd.

PARAGUAY

527. Banco Amambay SA

PERU

528. Banco DE Creditio DEL Peru

PHILIPPINES

529. Metropolitan Bank & Trust Co.
530. Philippine National Bank

POLAND

531. Bank BGZ
532. Bank Gospodarstwa Krajowego
533. Bank Handlowy Warszawa SA
534. Bank Millennium SA
535. Bank Pekao SA
536. PKO Bank Polski SA (Powszechna Kasa Oszczednosci Bank Polski SA)
537. Kredyt Bank SA
538. Raiffeisen Bank Polska SA

PORTUGAL

- 539. Banco BPI SA
- 540. Banco Espirito Santo SA
- 541. BNP-Banco Portugues DE Negocios SA
- 542. Finibanco SA
- 543. Millennium BCP

QATAR

- 544. Barwa Bank
- 545. Doha Bank
- 546. Qatar International Islamic Bank
- 547. Qatar Islamic Bank SAQ

ROMANIA

- 548. Banca Commerciala Carpatica
- 549. Banca Commericla Romana SA
- 550. Banca Transilvania
- 551. BRD-Groupe Societe Generale SA
- 552. UniCredit Tiriac Bank

RUSSIA

- 553. Bank of Moscow
- 554. Bank for Development & Foreign Economic Affairs
- 555. Bank Jugra
- 556. BIN Bank
- 557. International Moscow Bank
- 558. Bank Otkritie Financial Corporation (JSC) (Formerly Nomos Bank)
- 559. M D M Bank
- 560. ROS Bank
- 561. Sberbank
- 562. Trans Credit Bank
- 563. Vnesheconombank
- 564. VTB-24 (PJSC) (Formerly JSC VTB Bank)

SAUDI ARABIA

- 565. Al Rajhi Bank
- 566. Bank Al Bilad
- 567. Bank Al Jazira
- 568. Banque Saudi Fransi
- 569. National Commercial Bank Limited
- 570. Riyadh Bank
- 571. SAMBA Financial Group
- 572. Saudi British Bank
- 573. Saudi Hollandi Bank
- 574. Arab National Bank

SCOTLAND

- 575. Royal Bank of Scotland

SERBIA

- 576. Banca Intesa AD Beograd
- 577. National Bank of Serbia

SEYCHELLES

- 578. Seychelles International Mercantile Banking (NOUVOBNQ)

SINGAPORE

- 579. Bank of India
- 580. DBS Bank Ltd
- 581. Dexia Banque Internationale A Luxembourg
- 582. Far Eastern Bank Limited
- 583. Indian Bank
- 584. Oversea-Chinese Banking Corporation Ltd
- 585. Skandinaviska Enskilda Banken AB
- 586. Standard Chartered Bank
- 587. State Bank of India
- 588. The Bank of East Asia Ltd
- 589. UCO Bank
- 590. Union DE Banques Arabes ET Francaises (UBAF)
- 591. United Overseas Bank Ltd
- 592. VTB Bank Europe PLC
- 593. ABN AMRO

SLOVAKIA

- 594. Ceskoslovenska Obchodni Banka AS
- 595. Postova Bank AS
- 596. Slovenska Sporitelna AS
- 597. TARTA Bank AS
- 598. UniCredit Bank Slovakia AS
- 599. Vseobecna Uverova Bank AS

SLOVENIA

- 600. Abanka Vipa DD
- 601. Gorenjska Banka
- 602. Nova Kreditna Banka Maribor DD
- 603. Nova Ljubljanska Banka DD Ljubljana

SOLOMON ISLANDS

- 604. National Bank of Solomon Islands

SOMALIA

- 605. Commercial & Savings Bank of Somalia

SOUTH AFRICA

- 606. ABSA Bank Ltd
- 607. FirstRand Bank Ltd
- 608. Nedcord Bank Ltd (NED Bank)
- 609. Standard Bank of South Africa Ltd
- 610. The Standard Chartered Bank of South Africa, Johannesburg.

SPAIN

- 611. Banco Bilbao Vizcaya Argentaria SA
- 612. Banco DE Europa SA
- 613. Banco De Sabadell SA
- 614. Banco De Valencia
- 615. Banco Guipuzcoano SA
- 616. Banco Intercontinental Espanol (BANKINTER)
- 617. Banco Pastor SA
- 618. Banco Santander Central Hispano
- 619. Caixa'd Estalvis DE Catalunya
- 620. Caja DE Ahorrosy Pensiones DE Barcelona LA Caixa
- 621. Caja Madrid

SWEDEN

- 622. Nordbanken AB (PUBL)
- 623. SEB Merchant Banking
- 624. Skandinaviska Enskilda Banken AB (PUBL)
- 625. Svenska Handelsbanken AB (PUBL)
- 626. SWED Bank

SWITZERLAND

- 627. Banque Cantonale DE Genève
- 628. Banque Cantonale Vandoise
- 629. Banque DE Commerce ET DE Placements
- 630. BNP Paribas (Sussie) SA
- 631. BSI SA
- 632. Credit Agricole (Sussie) SA
- 633. Credit Sussie
- 634. Faisal Private Bank (Switzerland) SA
- 635. Habib Bank AG, Zurich
- 636. Luzerner Kantonal Bank
- 637. UBS AG (Union Bank of Switzerland)
- 638. Zurcher Kantonalbank

TAIWAN

- 639. Bank of Taiwan
- 640. CTBC Bank Co. Ltd
- 641. Chinfon Commercial Bank
- 642. E-Sun Commercial Bank Ltd
- 643. First Commercial Bank
- 644. HUA NAN Commercial Bank

BoC Correspondent Banks by Country

- 645. Mega International Commercial Bank
- 646. Shanghi Commercial & Savings Bank Ltd
- 647. Shin Kong Bank
- 648. Taipei Fubon Commercial Bank
- 649. Taiwan Cooperative Bank
- 650. Union Bank of Taiwan

TANZANIA

- 651. NBC Limited
(National Bank of Commerce)

THAILAND

- 652. Bangkok Bank Public Company Ltd
- 653. Bank of Ayudhya Public Company Ltd
- 654. Export Import Bank of Thailand
- 655. Kasikornabank Public Company Ltd
- 656. Krung Thai Bank Public Company Ltd
- 657. Siam City Bank Public Company Ltd
- 658. Siam Commercial Bank PCL
- 659. Standard Chartered Bank (THAI) Public Company Ltd
- 660. United Overseas Bank (Thai) Public Co. Ltd

TUNISIA

- 661. Banque Nationale Agricole
- 662. Attijari Bank
- 663. Societe Tunisienne DE Banque

TURKEY

- 664. AK Bank TAS
- 665. Anadolu Bank
- 666. Arab Turkish Bank
- 667. ASYA Katilim Bankasi AS
- 668. EURO Tekfen AS
- 669. ING Bank AS
- 670. Kuvoyt Turk Katilim Bankasi AS
- 671. Tekstil Bankasi AS
- 672. Turk Ekonomi Bankasi
- 673. Turkiye Finance Katilinyu Bankasi AS
- 674. Turkiye Halk Bankasi AS
- 675. Turkiye Garanti Bankasi AS
- 676. Turkiye IS Bankasi AS
- 677. Turkiye Vakiflar Bankasi TAO
- 678. Turkland Bank – T Bank
- 679. Yapi VE Kredi Bankasi AS

UNITED ARAB EMIRATES (UAE)

- 680. Abu Dhabi Commercial Bank
- 681. Abu Dhabi Islamic Bank
- 682. Arab Bank for Investment & Foreign Trade
- 683. Commercial Bank International PLC
- 684. Commercial Bank of Dubai PSC
- 685. Dubai Islamic Bank PLC
- 686. Emirates Bank NBD PJSC
- 687. First Gulf Bank
- 688. Mashreqbank PSC
- 689. Middle East Bank PJSC
- 690. National Bank of Abu Dhabi
- 691. National Bank of Fujirah
- 692. Noor Islamic Bank
- 693. Union National Bank
- 694. United Arab Bank

UGANDA

- 695. Barclays Bank of Uganda Ltd

UNITED KINGDOM (UK)

- 696. AIB Group
- 697. Barclays Bank PLC
- 698. Clydesdale Bank PLC
- 699. Gulf International Bank (UK) Limited
- 700. Habib Bank AG Zurich
- 701. Habibsons Bank Ltd
- 702. HSBC Bank PLC
- 703. Investec Bank (UK) Ltd
- 704. Lloyds TSB Bank PLC
- 705. National Westminster Bank PLC
- 706. Royal Bank of Scotland PLC
- 707. Standard Bank PLC
- 708. Standard Chartered Bank

UKRAINE

- 709. UKREXIMBANK
(State Export-Import Bank of Ukraine)
- 710. Calyon Bank
- 711. First Ukrainian International Bank PJSC
- 712. OTP Bank – Public Joint Stock Company
- 713. PJSC –ALFA Bank
- 714. Prominvest Bank

URUGUAY

- 715. The Banco DE LA Republic Oriental Del Uruguay

UNITED STATES OF AMERICA (USA)

- 716. American Express Bank Ltd
- 717. Banco Del Pichincha CA
- 718. Bank of America NA
- 719. The Bank of New York Mellon
- 720. Bank of TAMPA
- 721. Branch Banking & Trust Co.
- 722. Brown Brothers Harriman & Co.
- 723. CITIBANK NA
- 724. COBank ACB
- 725. Commerce Bank NA
- 726. Deutsche Bank Trust Company Americas
- 727. First Hawian Bank
- 728. French American Banking Corp
- 729. Habib American Bank
- 730. Hibernia National Bank
- 731. HSBC Bank USA
- 732. Huntington National Bank
- 733. Israel Discount Bank of New York
- 734. JP Morgan Chase Bank
- 735. LA Salle Bank Midwest
- 736. M & T Bank (Formerly Allfirst Bank)
- 737. National City Bank of Indiana
- 738. National Penn Bank
- 739. Northern Trust Company
- 740. PNC Bank NA
- 741. SAN Diego National Bank
- 742. Silicon Valley Bank
- 743. Sovereign Bank
- 744. Standard Chartered Bank
- 745. State Street Bank & Trust Co.
- 746. Sun Trust Bank Ltd
- 747. UMB Bank NA
- 748. Union Bank of California NA
- 749. US Bank NA
- 750. Wells Fargo Bank NA

VIETNAM

- 751. Bank For Foreign Trade of Vietnam
- 752. Bank For Investment & Development of Vietnam

YEMEN

- 753. National Bank of Yemen
- 754. Yemen Bank for Reconstruction & Development
- 755. Yemen Commercial Bank
- 756. Yemen Kuwait Bank
- 757. International Bank of Yemen YSC

ZAMBIA

- 758. Barclays Bank of Zambia Ltd

ZIMBABWE

- 759. Barclays Bank of Zimbabwe Limited

Exchange Companies by Country

AUSTRALIA

1. Auscey Financial Services Pty Ltd
2. Aussie Forex & Finance Pty Ltd
3. Cash Plus Forex Pty Ltd
4. Ceylon Exchange Pty Ltd
5. Ezy Processing Ltd
(US Virgin Islands)
6. Kapruka Pty Ltd
7. Serendib Financial Pty Ltd
8. SL Money Transfer Pty Ltd

BAHRAIN

9. Bahrain Financing Co.
10. Ezremit Ltd
11. National Finance &
Exchange Co. WLL
12. Zenj Exchange Co.
13. Zenj Exchange Co. WLL
(Turbo Cash)

CYPRUS

14. Masari Payment Services Ltd

GREECE

15. International Express
Remittance Services SA (IERS)

HONG KONG

16. Lotus Forex Ltd

ISRAEL

17. Tifco Logistics & Trade Ltd

ITALY

18. Valutrans SpA.

JAPAN

19. Japan Remit Finance Co. Ltd
20. Unidos Co. Ltd

JORDAN

21. Al Samhour Exchange Company
22. Alwaneh Exchange Co.
23. Shift Financial Services Ltd

KUWAIT

24. Al Mulla International
Exchange Co. Wll
25. Al Muzaini Exchange Co.
KSC (Closed)
26. Bahrain Exchange Co. WLL

27. City International
Exchange Co. WLL
28. Dollarco Exchange Co. Ltd
29. Etemadco Exchange Co. WLL
30. International Financial Line Co.
31. Joyalukkas Exchange Co. WLL
32. Kuwait Asian International Exchange
Co. WLL
33. Kuwait Bahrain International
Exchange Co.
34. Kuwait India International Exchange
Co.
35. National Exchange Co. WLL
36. National Money Exchange Co.WLL
37. Oman Exchange Co. Ltd
38. Security Exchange Co.WLL
39. UAE Exchange Centre WLL

LEBANON

40. Services Exchange Co.

MALAYSIA

41. IME (M) SDN BHD
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
Exchange Ltd
65. Islamic Exchange
66. National Exchange Co. WLL

SINGAPORE

67. HBZ International Exchange Co.
(Singapore) Pvt Ltd
68. Mustafa Foreign Exchange

SWITZERLAND

69. Motherhouse GMBH

UAE

70. Al Ahalia Money Exchange Bureau
71. Al Ansari Exchange EST
72. Al Fardan Exchange
73. Al Mona Exchange Co.LLC
74. Al Razouki International Exchange
Co. LLC
75. Al Rostamani International Exchange
76. Delma Exchange
77. Dubai Exchange Centre LLC
78. Emirates India International
Exchange Co.
79. Habib Exchange Co.LLC
80. Hadi Express Exchange
81. Joyalukkas Exchange
82. Lari Exchange Establishment
83. Lulu International Exchange LLC
84. National Exchange Co.
85. Orient Exchange Co.LLC
86. Redha Al Ansari Exchange Est.
87. UAE Exchange Centre
88. Wall Street Exchange Centre
89. Xpress Money Services Ltd
90. Zareen Exchange

UNITED KINGDOM

91. 3R Telecom Ltd
92. An Express Ltd
93. Currency Exchange Corporation
94. Global Exchange Ltd
95. INTL FC Stone Ltd (IFL)
96. Sigue Global Services Ltd

USA

97. Moneygram
98. Prabhu Group INC
99. RIA Financial Services
(Continental Exchange
Solutions INC)
100. Trans-fast Remittance LLC

Glossary of Financial/Banking Terms

A

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

To recognize the effects of transactions and other events as they occur, without waiting for the receipt or payment of related cash or its equivalent.

Actuarial Assumptions

An entity's unbiased and mutually compatible best estimates of the demographic and financial variables that will determine the ultimate cost of providing post employment benefits.

Actuarial Gains and Losses

Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

Actuarial Present Value of Promised Retirement Benefits

The present value of the expected payments by a retirement benefit plan to existing and past employees, attributable to the service already rendered.

Actuarial Valuation

Fund value determined by computing its normal cost, actuarial accrued liability, actuarial value of its assets, and other relevant costs and values.

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 'amortization' 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 amortization using the effective interest method of the difference between that initial amount and maturity amount.

Anti Money Laundering (AML)

A set of procedures, laws or regulations designed to prevent money laundering. Money laundering is an activity which aims to disguise the ownership of money that has an illegal origin such as trading of drugs, organized crimes, fraud and terrorism.

Associate Company

A company other than a subsidiary in which a holding company has a participating interest and exercises a significant influence over its operating and financial policies.

Attrition Rate

A measure of how many employees leave over a certain period of time.

B

Basis Points

One hundredth of one percentage point. Often used in quotations of spreads between interest rates or to change in yield in securities.

Bills of Exchange

A signed, written unconditional order addressed by one person (the drawer) directing another person (the drawee) to pay a specified sum of money to the order

of a third person (the payee). The terms bills of exchange and drafts are often used interchangeably.

Borrowing Costs

Interest and other costs incurred by an entity in connection with the borrowing of funds.

C

Capital Adequacy Ratio (Car)

The percentage of the risk adjusted assets supported by capital, as defined under the framework of risk based capital standards developed by the Bank for International Settlements (BIS) and as modified to suit local requirements by Central Bank of Sri Lanka.

Capital Reserves

Capital reserves consist of revaluation reserves arising from revaluation of properties owned by the Bank and permanent reserve fund set aside for specific purposes defined under the Banking Act No. 30 of 1988 and shall not be reduced or impaired without the approval of the Monetary Board.

Cash Equivalents

Investments/assets that are readily convertible to cash, subject only to an insignificant risk of change in their value.

Collectively Assessed Loan Impairment Provisions

Impairment assessment which carried out on a collective basis for homogeneous groups of loans that are not considered individually significant, in order to cover losses that has been incurred but has not yet been identified at the reporting date.

Compound Annual Growth Rate (CAGR)

The year over year growth rate over a specified period of time.

Consolidated Financial Statements

The Financial Statements of the Group presented as those of a single entity.

Contingencies

A condition or situation at the reporting date, the ultimate outcome of which, gain or loss, will be confirmed only on the occurrence or non occurrence of one or more uncertain future events.

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 compared to net income.

Country Risk

The credit risk associated with lending to borrowers within a particular country, sometimes taken to include sovereign risk.

Credit Risk

The risk of loss due to non payment of a loan or other line of credit (either the principal or interest or both), by the borrower or a counter party.

Credit Ratings

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

D

Dealing Securities

Securities acquired and held with the intention of reselling them in the short term.

Debt Equity Ratio

Long term borrowings (refinance borrowings + debentures) divided by shareholder's equity.

Deferred Taxation

Sum set aside for tax in the Financial Statements that will become payable/receivable in a financial year other than the current financial year.

Defined Benefit Plans

Retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' remuneration and/or years of service.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derivatives

A financial instrument, the price of which has a strong relationship with an underlying commodity, currency variable or financial instrument.

Dividend Per Share (DPS)

Dividend per share is calculated by dividing the total profit distributed to shareholders

by the weighted average number of ordinary shares in issue during the year.

Documentary Letters of Credit (LC)

Written undertakings by a bank on behalf of its customers (typically an importer), authorizing a third party (eg. an exporter) to draw drafts on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

E

Earnings Per Share (Eps)

Net profits earned during a period attributable to ordinary shareholders of a company divided by weighted average number of shares in issue during the year.

Equity Method

A method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the investor's share of net assets of the invested. The income statement reflects the investor's share of the results of operations of the invested.

Events After the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the balance sheet date and the date when the Financial Statements are authorised for issue.

Effective Annual Rate

Return as a percentage of market value of the investment.

Exchange Company/House

An overseas location where the Bank's representatives provide banking services as a promotional tool.

Glossary of Financial/Banking Terms

F

Fair Value

The amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Finance Lease

Leases which transfer risks and rewards of ownership. Title may or may not eventually be transferred.

Financing Activities

Activities that result in changes in the size and composition of the equity capital and borrowings of the entity.

Financial Asset or Financial Liability at Fair Value Through Profit or Loss

Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as at fair value through profit or loss.

Financial Investments Available for Sale

Available for sale financial investments are those non derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity or financial assets at fair value through profit or loss.

Financial Investments Held to Maturity

Held to maturity financial investments are non derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Foreclosed Properties

Properties acquired in full or partial settlement of debts, which will be held with the intention of re sale at the earliest opportunity.

Foreign Exchange Income

The gain recorded when assets or liabilities denominated in foreign currencies are translated into Sri Lankan rupees on the balance sheet date at prevailing rates which differ from those rates in force at inception or on the previous balance sheet date.

Foreign exchange income also arises from trading in foreign currencies.

Forward Exchange Contracts

Agreements between two parties to exchange one currency for another at a future date at a rate agreed upon today.

G

Gross Domestic Product (GDP)

The value of all goods and services produced domestically in an economy during a specified period, usually a year. Nominal GDP, adjusted for inflation, gives GDP in real terms.

Group

A parent and all its subsidiaries.

Guarantees

Primarily represent irrevocable assurances that a bank will make payments in the event that its customer is unable to perform its financial obligations to third parties. Certain other guarantees represent non financial undertakings such as bid and performance bonds.

H

Historical Cost Convention

Recording transactions at the actual value received or paid.

I

Impairment

This occurs when recoverable amount declines below 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 Properties

Property that is held to earn rentals or for capital appreciation or both and not for sale or use in the ordinary course of business.

Investment Securities

Securities acquired and held for yield or capital growth purposes and usually held to maturity.

K

Key Management Personnel

Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Key Performance Indicators (KPI)

KPIs are quantifiable measurements, agreed before hand that reflects the critical success factors of a company.

L

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange, treasury bills.

Liquid Assets Ratio

Liquid assets expressed as a percentage of total liabilities other than shareholders' funds.

Loss Given Default (LGD)

LGD is the percentage of an exposure that a lender expects to lose in the event of default.

M

Mark to Market

The practice of periodically revaluing marketable securities to their current market value.

Market Risk

The risk that the value of an investment will change due to changes in market factors.

Materiality

The relative significance of a transaction or an event the omission or misstatement

of which could influence the economic decisions of users of Financial Statements.

Minority Interest

That portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

Mortality Rate

A measure of the number of deaths in 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 on assets such as loans and securities and what it pays on liabilities such as deposits, refinance funds and interbank borrowings.

Net Realisable Value

The estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Nostro Account

A foreign currency current account maintained with another bank, usually but not necessarily a foreign correspondent bank. At the other bank, the deposit is called a nostro account.

O

Off Balance Sheet Transactions

Transactions not recognised as assets or liabilities in the balance sheet but which give rise to contingencies and commitments.

Operating Activities

The principal revenue producing activities of an entity and other activities that are not investing or financing activities.

Operational Risk

The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

P

Parent Company

A parent company is an entity that has one or more subsidiaries.

Plan Assets of an Employee Benefit Plan

Assets held by a long term employee benefit fund.

Price Value Per 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 an internal estimation for each homogeneous groups of loans on the likelihood that loans in a particular homogeneous group being default.

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.

Glossary of Financial/Banking Terms

Property, Plant and Equipment (PPE)

Tangible assets that:

- (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- (b) are expected to be used during more than one period.

Prudence

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty such that assets or income are not overstated and liabilities or expenses are not understated.

R

Redemption

Repayment of principal monies.

Related Parties

Two parties where one controls the other or exercise significant influence in financial and operating decisions, directly or indirectly.

Repos

Repurchase agreements relating to securities sold to creditors (who lend money for funding purposes), with the intention of buying them back at a set price.

Return On Average Assets (ROAA)

Profit before tax expressed as a percentage of average total assets. Used along with ROAE, as a measure of profitability and as a basis of intra industry performance comparison.

Return On Average Equity (ROAE)

Profit after tax less preferred share dividends, if any, expressed as a percentage of average ordinary shareholders' equity.

Revenue Reserves

Reserves set aside for future distribution and investment.

Reverse Repos

The purchase of securities under an agreement to resell at a given price on a specific future date.

Risk Adjusted Assets

Used in the calculation of risk based capital ratios. The face amount of lower risk assets is discounted using risk weighting factors in order to reflect a comparable risk per rupee among all types of assets. The risk inherent in off balance sheet instruments is also recognised, first by adjusting notional values to balance sheet (or credit) equivalents and then by applying appropriate risk weighting factors.

Risk Weighted Assets

On balance sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

S

Shareholders' Equity

Shareholders' equity consist of issued and fully paid ordinary share capital plus capital and revenue reserves.

Significant Influence

Significant influence is the power to participate in the financial and operating policy decisions of an investee but is not controlled or jointly controlled over those policies.

Solvency

The availability of cash over the long term to meet financial commitments as they fall due.

Subordinated Debenture

The claims of the debenture holders shall in the event of winding up, rank after all the claims of the secured and unsecured creditors and any preferential claims under any statutes, but in priority to and over claims and rights of the shareholders.

Subsidiary Company

A company is a subsidiary of another company if the parent company has the all of the followings.

- a) Power over the investee.
- b) Exposure or rights to variable returns from its involvement with the investee.
- c) The ability to use its power over the investee to effect the amount of the investor's returns.

Swaps

The simultaneous purchase and sale of foreign exchange or securities, with the purchase executed at once and the sale back to the same party. Carried out on an agreed upon price to be completed at a specified future date. Swaps include interest rate swaps, currency SWAPs and credit SWAPs.

Syndicated Loan

A large loan by a group of banks to a large multinational firm or Government. Syndicated loans allow the participating banks to maintain diversification by not lending too much to a single borrower.

T

Tier I Capital

Consists of the sum total of paid up ordinary shares, non cumulative, non redeemable preference shares, share premium, statutory reserve fund, published retained profits, general and other reserves, less goodwill.

Tier II Capital

Consists of the sum total of revaluation reserves, general provisions, hybrid capital instruments and approved subordinated debentures.

Total Capital

The sum of Tier I and Tier II capital.

U

Unit Trust

An undertaking formed to invest in securities under the terms of a trust deed.

Unsecured

Repayment of the principal and interest not being secured by any specific asset.

V

Value 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 (compare with nostro account).

Corporate and Overseas Offices

BoC Card Centre

“Issuing and managing VISA and Master credit cards. Franchising and servicing merchants using point of sales machines and internet payment gateway facility”

Level - 1, West Tower, World Trade Centre
Echelon Square, Colombo 1, Sri Lanka.

Tel : +94 11 2445799, 2325088, 2395806,
2205600, 2205620, 2205680

Fax : +94 11 2325099, 2325092, 2395807

Email : agmccc@boc.lk / cmcardrec@boc.lk/
cmccc@boc.lk

Branch code : 731

Credit Support Department

“Issuing of local and international guarantees and documentation of credit facilities”

3rd Floor, Bank of Ceylon Head Office,
“BOC Square”,
No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.

Tel : +94 11 2541943

Fax : +94 11 2446820

Email : corpcrsupport@boc.lk
: crsupport@boc.lk

Branch code : 660

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, atmbal@boc.lk,
debitcard@boc.lk, ebank@boc.lk,
mobilebanking@boc.lk

Branch code : 777

BoC Premier Centre

“Dedicated centre for private banking”

21, Sir Ernest De Silva Mawatha,
Colombo 7, Sri Lanka.

Tel : +94 11 2694282 - 86

Fax : +94 11 2694280

Email : pbc@boc.lk

Branch code : 788

Dealing Room

“Providing money market and foreign exchange related services”

7th Floor, Bank of Ceylon Head Office,
“BOC Square”,
No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.

Tel : +94 11 2445785-7, 2386862

Fax : +94 11 2445788

Email : chiefdealer@boc.lk

Branch code : 760

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

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

Branch code : 087

Inward Remittances Department

“Facilitator in processing inward remittances to Sri Lanka”

8th Floor, Bank of Ceylon Head Office,
“BOC Square”,
No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.

Tel : +94 11 2445792, 2541933

Fax : +94 11 2344845

Email : irdept@boc.lk

Branch code : 087

Islamic Banking Unit

"Brand house for all islamic banking products and services"

25th Floor, Bank of Ceylon Head Office, "BOC Square",
No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.

Tel : +94 11 2205030

Fax : +94 11 2445811

Email : ibu@boc.lk

Branch code : 776

Primary Dealer Unit

"Retail 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

Fax : +94 11 2448207

Email : pdu@boc.lk

Branch code : 099

Trade Promotion Department

"Service provider for migrant employee community"

7th Floor, Bank of Ceylon Head Office, "BOC Square",
No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.

Tel : +94 11 2447831, 2203626

Fax : +94 11 2346841

Email : intrade@boc.lk

Branch code : 087

Trade Services Department

"Providing trade finance facilities and advisory services"

2nd Floor, Bank of Ceylon Head Office, "BOC Square", No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.

Tel : +94 11 2394310, 2203310

Fax : +94 11 2542170

Email : agmtradefinance@boc.lk

Branch code : 660

Overseas Branches

Male Branch

"Aage"12, Boduthakurufaanu Magu, Henvairu, Male. 20094,
Republic of Maldives.

Tel : 00960 3323045

Email : bcmale@dhivehinet.net.mv

SWIFT code : BCEYMVMV

Branch code : 632

Chennai Branch

No.2, Zerat Garden, 2nd Lane, Off Casa Major Road, Egmore, Chennai - 600 008.

Tel : 0091 44 2819 0972

0091 44 3951 9999

Email : ceybank@vsnl.com

SWIFT code : BCEYIN5M

Branch code : 758

Seychelles Branch

2-05, Capital City Building, Independence Avenue, Victoria, Mahe,
Republic of Seychelles.

Tel : 00248 461 1880

00248 461 1889

Email : boc807@boc.lk

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 01 August 1939 under the Bank of Ceylon Ordinance No. 53 of 1938.

* A licensed commercial bank established under the Banking Act No. 30 of 1988.

REGISTERED OFFICE

“BOC Square”, No.01
Bank of Ceylon Mawatha
Colombo 01, Sri Lanka

Tel : +94 11 2203333 (Hotline)
+94 11 2446790-811 (22 lines)
+94 11 2338741-47 (7 lines)
+94 11 2445815-20 (6 lines)
+94 11 2544340-44 (5 lines)
+94 11 2544333-37 (5 lines)

Facsimile : +94 11 2321160

Bank Code : 7010

SWIFT Code : BCEYLKX

E-mail : boc@boc.lk, customercare@boc.lk

Website : www.boc.lk

CALL CENTRE

Tel : +94 11 2204444

Facsimile : +94 11 2320864

24 HOUR SERVICE CENTRE

Travel Counter, Ground Floor

Bank of Ceylon Head Office

“BOC Square”, No. 01

Bank of Ceylon Mawatha

Colombo 01, Sri Lanka

Tel : +94 11 2203044/45

Facsimile : +94 11 2445801

ACCOUNTING YEAR END

31 December

TAX PAYER IDENTIFICATION NUMBER (TIN)

409000070

BOARD OF DIRECTORS

Mr Ronald C Perera PC (Chairman)

Ms Pushpa Wellappili (Ex officio director)

Mr Ranel T Wijesinha

Mr Brian J Sinniah

Mr Aruna Priyadarsha Kurumbalapitiya

(Alternate Director to Ms Pushpa Wellappili)

SECRETARY TO THE BOARD/SECRETARY

BANK OF CEYLON

Ms Janaki Senanayake Siriwardane

CLARIFICATIONS ON THE REPORT, PLEASE CONTACT

Deputy General Manager (Finance & Planning)

10th Floor, Bank of Ceylon Head Office, “BOC Square”,

No. 01, Bank of Ceylon Mawatha, Colombo 01, Sri Lanka

Tel : +94 11 2432680, +94 11 2203900

Facsimile : +94 11 2448203

E-mail : dgmpf@boc.lk

VAT REGISTRATION NUMBER

409000070 – 7000

SVAT REGISTRATION NUMBER

SVAT002898

STOCK EXCHANGE LISTING

The Unsecured, Subordinated Redeemable Debentures of June 2010/June 2015 series, December 2011/December 2016 series, November 2012 / November 2017 series, and October 2013/October 2023 series and September 2014/September 2022 series with fixed & floating interest rates are listed on the Colombo Stock Exchange.

The USD senior notes of May 2012/ May 2017 and April 2013 /April 2018 with fixed rate are listed on Singapore Stock Exchange.

CREDIT 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

USD senior notes :

‘BB -’ by Fitch Ratings and ‘B 1’ by Moody’s Investors Service

LAWYERS

Ms S H Ranawaka

Chief Legal Officer of Bank of Ceylon

and her assistants

Tel : +94 11 2445813

Facsimile : +94 11 2321167

E-mail : clo@boc.lk

COMPLIANCE OFFICER

Mr A de S Pinnaduwaage (Assistant General Manager - Compliance)

Tel : + 94 11 2448532

Facsimile : + 94 11 2544306

E-mail : agmcmpl@boc.lk

AUDIT COMMITTEE

Mr Ranel T Wijesinha (Chairman)

Ms Pushpa Wellappili

Mr Brian J Sinniah

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Mr Ronald C Perera PC (Chairman)

Ms Pushpa Wellappili

Mr Brian J Sinniah

AUDITOR

The Auditor General

The Auditor General’s Department

306/72, Polduwa Road

Battaramulla, Sri Lanka

Tel : + 94 11 2887028-34 (6 lines)

Facsimile : + 94 11 2887223

E-mail : oaggov@sltnet.lk

(Appointed in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka)

REGISTRARS TO THE DEBENTURE ISSUES

Bank of Ceylon

Investment Banking Division

11th Floor, Bank of Ceylon Head Office

“BOC Square”, No. 01

Bank of Ceylon Mawatha

Colombo 01, Sri Lanka

Tel : +94 11 2448348

+94 11 2440081

+94 11 2346845

Facsimile : +94 11 2346842

E-mail : investment@boc.lk

(Kindly direct any queries about the administration of the debentures to the above division.)

REGISTRARS TO THE USD SENIOR NOTES

Citigroup Global Markets Deutschland AG

Reuterweg

1660323

Frankfurt, Germany

Tel : +49 69 1366 2216

E-mail : dirk.loscher@citi.com

The Bank of New York Mellon (Luxembourg) S.A

Vertigo Building, Polaris

2-4 rue Eugene Ruppert, L-2453

Luxembourg

Tel : +352 24 524 1

NOMINATION AND CORPORATE

GOVERNANCE COMMITTEE

Mr Ronald C Perera PC (Chairman)

Ms Pushpa Wellappili

Mr Brian J Sinniah

INTEGRATED RISK MANAGEMENT

COMMITTEE

Mr Brian J Sinniah (Chairman)

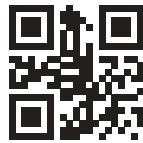
Mr Ronald C Perera PC

Ms Pushpa Wellappili

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