

The Bank of Ch😊ice



VISION

BANKERS TO THE NATION

MISSION

CUSTOMERS

FOSTER MUTUALLY REWARDING CUSTOMER RELATIONSHIPS WITH ALL OUR CUSTOMERS EXCEEDING THEIR EXPECTATIONS.

STAFF

GIVE ALL OUR STAFF THE RECOGNITION AND REWARDS TO BE THE BEST TEAM OF ACHIEVERS IN SERVICE EXCELLENCE.

OWNERS

BE A PROFITABLE CATALYST FOR EQUITABLE DEVELOPMENT COVERING URBAN AND RURAL AREAS.

SOCIETY

PROVIDE WORLD-CLASS BANKING SERVICES ACROSS THE NATION AS A BEACON FOR PROGRESS AND GROWTH.

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**It is by chance
we met, by choice
we became friends**



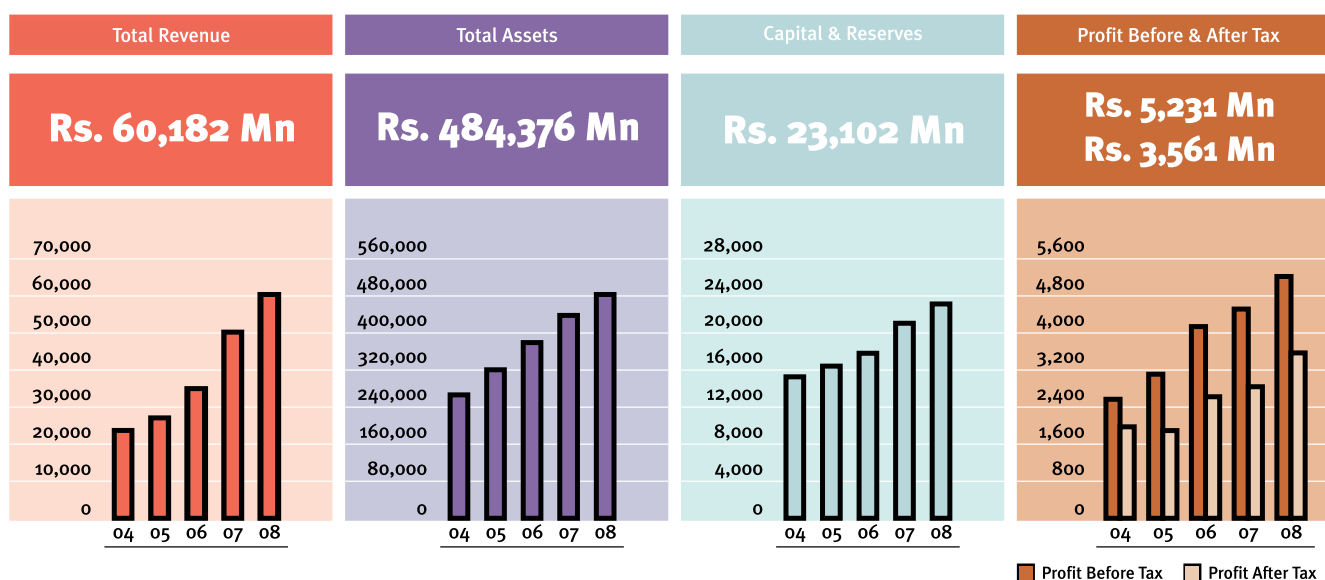
**“It is by chance we met,
by choice we became friends”**

In the beginning, way back in 1939, every customer walked through our doors on an “informed chance decision” to be a customer or not for we were new. Established with tested credentials and a vision to build, over the years we grew close... the Bank and the Customer. This relationship remains rooted on user-friendly products, caring service, being where they are when they need us with a ready ear for their voice. As we progressed they felt secure in our company - with most needs fulfilled, it solidified over the 70 years we’ve been banking into a firm friendship with growing trust.

Today, although we acknowledge that it is easier for a first time customer to walk through our doors with a greater degree of trust, we never take it for granted. Through the years, Bank of Ceylon has built an unshakable foundation earning the trust of its customers. It is this trust and friendship that we so cherish that have led us to become Bankers to the Nation in every sense of its meaning.

Indeed that is why we are and will remain the Bank of Choice for millions of our customers both in Sri Lanka and abroad. In these times of stress, we remain a beacon of trust and stability.

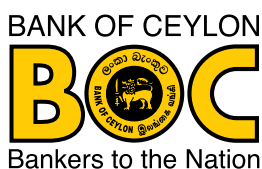
FINANCIAL HIGHLIGHTS



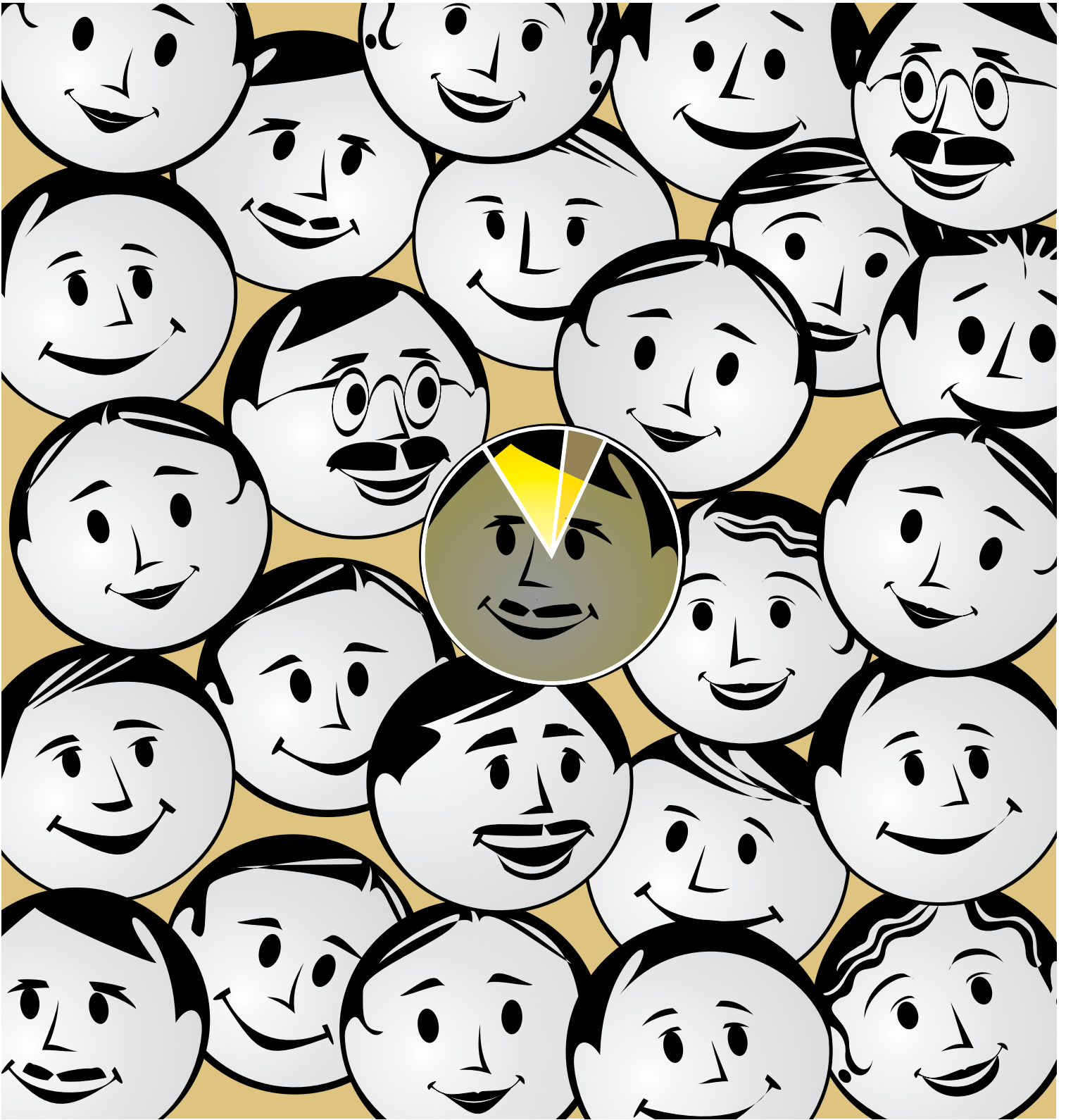
Key Financial Data

	2008	Bank 2007	% Change	2008	Group 2007	% Change
Results for the Year (Rs. million)						
Total revenue	60,182	50,160	20.0	62,427	52,330	19.3
Net interest income	13,695	12,833	6.7	14,592	13,730	6.3
Profit before financial VAT and taxation	7,304	6,391	14.3	7,912	7,020	12.7
Profit before taxation	5,231	4,518	15.8	5,865	5,191	13.0
Provision for taxation	1,670	1,675	(0.3)	1,916	1,857	3.2
Profit after taxation	3,561	2,843	25.2	3,949	3,334	18.4
Value to the Government	4,589	4,394	4.4	4,873	4,619	5.5
Position at Year End (Rs. million)						
Total assets	484,376	437,901	10.6	491,749	444,199	10.7
Shareholders' funds	23,102	21,050	9.7	25,547	23,156	10.3
Deposits	316,070	308,856	2.3	318,178	310,551	2.5
Gross loans and advances	280,879	293,410	(4.3)	287,856	299,817	(4.0)
Non-performing assets	13,816	11,334	21.9	14,870	11,872	25.2
Net non-performing assets	5,979	3,844	55.5	6,632	3,998	65.9
Per Share Data (Rs.)						
Earnings per share	712	711	0.2	774	811	(4.5)
Net assets per share	4,620	5,263	(12.2)	4,978	5,640	(11.7)
Profitability Ratios (%)						
Return on average equity	16.13	14.59	10.6	16.22	15.61	3.9
Return on average assets	1.13	1.11	1.8	1.25	1.25	-
Interest margin	2.97	3.14	(5.4)	3.13	3.31	(5.4)
Cost to income	63.22	66.57	(5.0)	62.04	65.04	(4.6)
Loan to deposit ratio	88.87	95.00	(6.5)	90.47	96.54	(6.3)
Assets Quality Ratios (%)						
NPA ratio	4.92	3.86	27.5	5.17	3.96	30.6
Net NPAs/Shareholder's equity	25.88	18.26	41.7	25.96	17.27	50.4
Statutory Ratios (%)						
Capital adequacy ratio						
Tier I Capital (minimum required 5%)	11.29	11.38	(0.8)	12.21	12.02	1.6
Tier I & II Capital (minimum required 10%)	15.88	11.40	39.3	16.86	12.59	33.9
Liquid assets ratio (minimum required 20%)	24.21	21.20	14.2	N/A	N/A	N/A

BUSINESS HIGHLIGHTS



- BoC rated No. 1 Brand in the country by Brand Finance Lanka
- Only Sri Lankan commercial bank with security of state ownership rated 'AA (Ika)/Stable Outlook' by Fitch
- Highest ranked Sri Lankan bank in the Bankers Almanac
- Stable capital base exceeding Rs. 23 billion with a 15.9% Capital Ratio, the highest among Sri Lankan banks
- Asset base valued at Rs. 484 billion, the largest in the Sri Lanka banking system
- Rs. 60 billion in turnover, 20% of all banks in the country
- Single borrower exposure capacity in excess of Rs. 10 billion
- Widest customer base with circa 7.5 million accounts
- Leader in treasury operations with over 50% of local foreign exchange market
- Leader in NRFC accounts with 30% market share
- Leader in corporate & retail lending with a portfolio exceeding Rs. 281 billion coupled with lowest NPA Ratio at 4.9%
- Worldwide network with over 600 foreign correspondents
- Only Sri Lankan bank operating in London, Chennai and Male
- Leader in inward foreign remittances with over 50% market share
- Largest islandwide network with over 700 service points; 673 connected on-line.
- Raised a total of Rs. 6.7 billion from the Sri Lanka capital market via two subordinated 5-year debentures, one denominated in rupees and listed, the other denominated in US\$



Trust and Choice Well Protected...

At 15.9% highest capital ratio in country's banking system, 50% more than regulatory minimum

CHAIRMAN'S MESSAGE

Bank of Ceylon continues to be the undisputed leader in inward remittances handling **Rs. 154 billion** representing 51% of remittances in 2008.



Dear Stakeholders,
I am pleased to report that Bank of Ceylon performed strongly in what has been a difficult year for the financial sector globally. In Sri Lanka we operated in an environment of tight monetary conditions, high interest rates and inflation. Towards the latter end of 2008, stress within the financial system culminated in the Central Bank of Sri Lanka vesting the management of another commercial bank with BoC.

Revenue from Group operations was recorded at Rs. 62 billion and Group pretax profits amounted to Rs. 5.9 billion, a 19.3% and 13% increase respectively from the previous year. The Bank on its own made

pretax profits of Rs. 5.2 billion, reflecting a Year on Year increase of 15.8%.

Year 2008 also saw the first listed debt issue by BoC culminate successfully. It was oversubscribed, raising Rs. 4.2 billion thereby strengthening the capital base and fortifying the ability to enhance business volumes in the future.

Bank of Ceylon continues to be the undisputed leader in inward remittances handling Rs. 154 billion representing 51% of remittances in 2008. The strengths of the Bank have been recognised by Fitch yet again with the rating confirmed at AA (lka) for the fourth consecutive year.

ORGANIC GROWTH

With organic growth as a key strategy, we have started to reinforce our product capabilities in diverse areas including bancassurance, corporate finance and new savings products. Arresting the compression in margins suffered over the recent past will be central to the core banking strategy. We will continue to embark on deploying the initiatives aimed at enhancing the capital base and risk management framework. Preliminary steps in diversifying revenues resulted in rethinking traditional approaches even on the international banking side. The subsidiarisation of the London branch is one such endeavour. It will provide

CHAIRMAN'S MESSAGE

significant opportunities to engage in diasporic business as well as acting as a platform for expanding international banking from Eurozone countries and later across the globe. It is also significant that the London branch is currently in profit with further improvement forecast after converting it to a subsidiary.

SOCIAL DIVIDENDS

Our vision 'Bankers to the Nation' signifies that we are mindful of creating value for society as a whole. Accordingly, although reported pretax profits amount to Rs. 5.2 billion, adjusting for development activities undertaken by the Bank, would increase it by Rs. 2.5 billion to Rs. 7.7 billion. In 2008, the Bank contributed Rs. 4.6 billion in value added taxes, income tax and dividends equivalent to 62.8% of operating profits. Our corporate responsibility towards sustainable development goes hand-in-hand with business enhancement. The Gam Udana programme continued its way forward successfully securing approximately one million new savings accounts with deposits amounting to Rs. 6 billion.

Our Bank of Ceylon family believes in contributing to a better world where social well-being, fairness, business ethics and economic growth find a fine balance. In recent times, we have undertaken towards redressing the inequalities that affect the disadvantaged particularly concerning access to employment. We have over the year initiated a recruitment policy to provide job access of up to 1% of our permanent cadre to differently-abled persons. We intend to increase it up to 3% by the end of 2009.

In 2009, we will focus on long term development strategies which can help spur economic growth in the current

context of the impending resolution of the conflict. Supporting the Government in socio-economic revival of the North and East will be of special interest to us. Some sectors of interest would be Agriculture, Livestock and Fisheries, Access to Microfinance, Human Capital Development and Tourism with a view to optimising the economic potential of these provinces, which have been impeded by the war.

GOVERNANCE

We continuously seek to meet the highest levels of sound business ethics. Our approach to governance is predicated on the belief that high quality governance and the creation of stakeholder value are linked.

ACKNOWLEDGEMENTS

In early October, Mr. Sumith Abeysinghe retired from the Board and I wish to express my sincere gratitude and appreciation for his significant contribution to the Bank's affairs.

Dr. R H S Samaratinga was welcomed to the Board on 8th October as his successor and brings a wealth of experience in diverse business sectors to our midst.

During periods of uncertainty and challenge our senior management and staff continued to work with great professionalism to achieve the best possible results for our customers and stakeholders. I extend special thanks to all our employees for their contribution and dedication. I wish to thank the trade unions, our customers and stakeholders for their loyalty.


I wish to thank my Board colleagues for their important contribution to the Bank's strategic thinking and most recently for their strong leadership in view of the current operating environment. Their support and commitment during the year were invaluable.

I thank His Excellency Mahinda Rajapaksa, the President who also acts as the Minister of Finance and Planning, Mr. Sumith Abeysinghe, in his capacity as the Secretary to the Treasury/Secretary to the Ministry of Finance and Planning, Mr. Ajith Nivard Cabraal, the Governor of the Central Bank of Sri Lanka, Mr. S Swarnajothi, the Auditor General, Mr. C R de Silva, the former Attorney General, Mr. Mohan Pieris, the current Attorney General and respective officials for their guidance and support. I also wish to extend my gratitude for the support extended by Dr. P B Jayasundera, the former Secretary to the Treasury/Secretary to the Ministry of Finance and Planning.

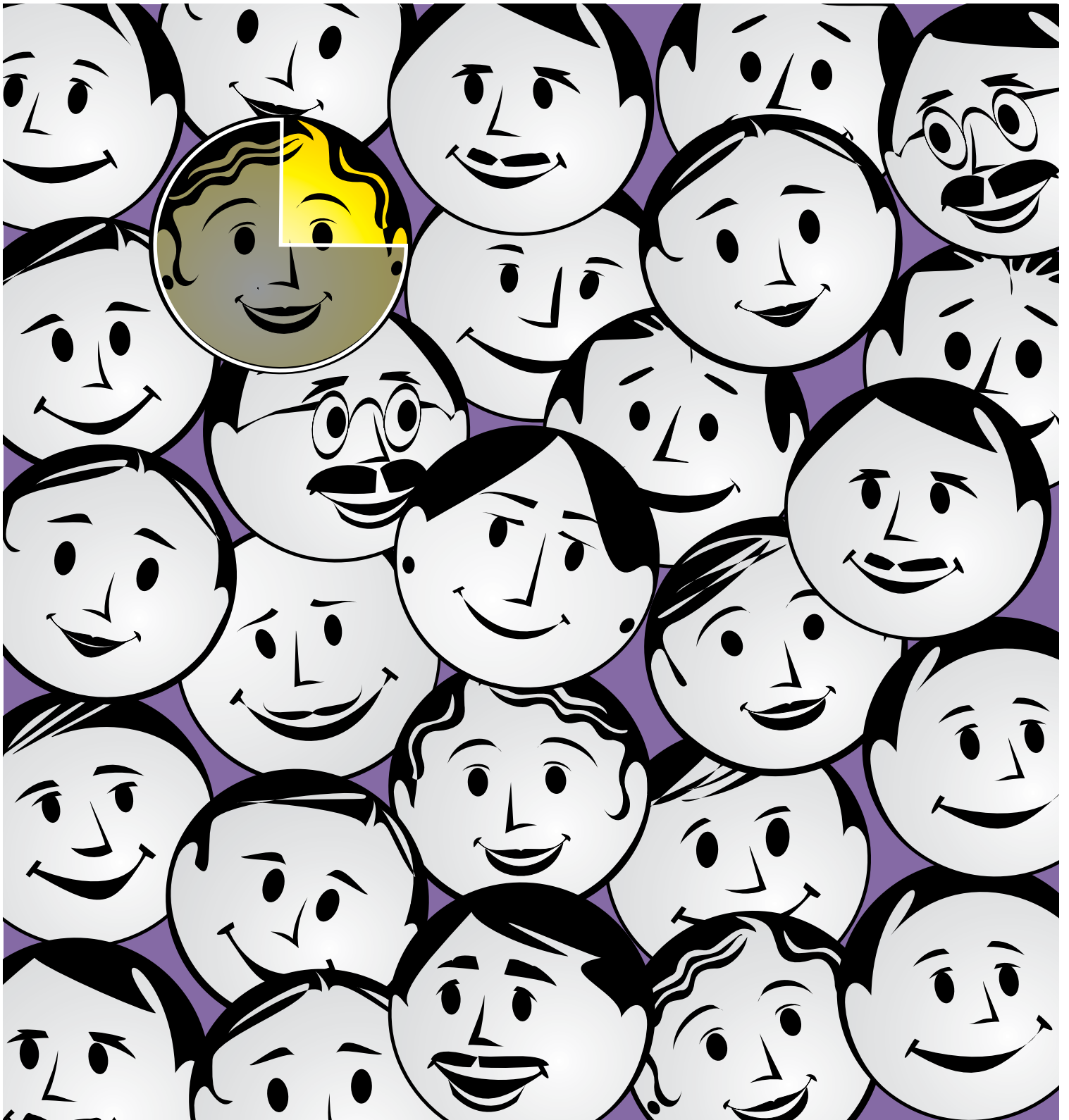
OUTLOOK

We have firm plans both to improve existing performance and grow and develop our business further. The priorities for the Bank are clear and despite trying market conditions we aim to make full use of strategic opportunities presented to us. We see ourselves as a Bank with a quality set of businesses, strong and effective management, well able, in relative terms, to face with confidence world market uncertainties.

Despite financial market volatility, we will be executing action plans to seek reasonable stability in the coming year. Given the strong fundamentals of the Bank and our sharpened strategic direction, I am confident of Bank of Ceylon's growth prospects going into year 2009.


Dr. Gamini Wickramasinghe
Chairman

19 March 2009
Colombo



Trust and Choice Well Secured...

Rs. 484 billion in assets constituting 25% of country's banking assets

GENERAL MANAGER'S MESSAGE



Holding a steady course - a solid and balanced performance

2008 was a challenging but successful year for the Bank of Ceylon. The distinctive features of the Bank's performance in 2008 could be grouped into three categories. One - the Bank maintained the successful trends shown in 2006 and 2007. Two - for the first time in its history it raised a substantial amount from the market through a listed instrument. Three - it continued its traditional role of acting as a catalyst in national development, setting the standard for banking professionalism, and offering the broadest coverage of the island with a complete range of products and services. I am happy to report that 2008 ended with the Bank having achieved the targets set

for the year and consolidating its dominant position as Sri Lanka's No. 1 bank.

The Bank improved its financial performance for the third consecutive year keeping up a successful trend set in 2006. It recorded the highest ever profit before tax of Rs. 5.2 billion - an increase of 15.8% over the previous year. Its revenue rose 20% to reach Rs. 60 billion - another record.

The Bank's asset base also increased by 11% to a record Rs. 484 billion. Our asset base, which has become a symbol of our dominance, remains the largest of any local bank outstripping its closest competitor by a comfortable margin.

For the Bank the year 2008 will go down in history as the year in which it first raised funds through an instrument listed on the stock exchange indicating to the markets that the Bank is broadening its funding sources. It is also the first time the general public was allowed to invest in the debt capital of a state bank. The Bank's unsecured subordinated redeemable 5-year listed debenture was issued in October. Its success, achieved at a time that many believed to be unfavourable for raising capital from the markets, is an indication of investor confidence in the Bank's strength.

In an intensely competitive market our deposit base grew by 2% to Rs. 316 billion. Our customer base covers the widest geographical area including areas generally under served by other banks and includes all areas of economic activity. Our capital position - a key priority - has grown stronger with a Capital Adequacy Ratio of 15.88%.

RETAIL BANKING

With the bulk of its branches connected on-line the Bank's capacity to add value when serving the retail banking market has been enhanced. The leverage provided by this capacity was used more efficiently to market a complete and varied range of retail banking products and services covering virtually all segments of the retail banking market. As in previous years our products and services were modified and adapted in response to changes in customer needs and competition. I am happy to report that the market responses to our efforts are positive.

INTERNATIONAL

A global network of over 600 correspondents with whom the Bank maintains close relationships supports the Bank's international activities. This year too, the Bank continued with its dominance of the remittances market with over 50% of the country's foreign remittances being channelled through us. I am happy to report that, as with our domestic retail operations, foreign remittances markets too have responded positively to our efforts. Foreign remittances form an important part of our operations. Our inward remittances department is equipped with software to interface with our core banking system and the BoC e-Cash system is in place in a number of locations including the Middle East, Australia, Singapore, Greece and London.

The Bank has also joined several fund transfer schemes with its correspondents. All these facilities were put in place to give an efficient service to our migrant workers abroad and we are now being rewarded with an enhanced and steady inflow of foreign currency remittances. This year too, the Bank continued to expand its fund transfer networks. Additional representatives have been deployed in the Middle East and in Italy, and promotional assistants have been appointed to Japan, Italy, South Korea and the USA.

CORPORATE BANKING AND OFF-SHORE BANKING

As in the years before we continued to hold our share of the corporate and off-shore banking markets. Our competitive strength in this area is the result of our ability to understand closely the business needs of our customers and the reputation built as a reliable and strong partner. This year too, the Bank worked hard to maintain and strengthen its relationships with corporate businesses offering packages that closely fit their special needs.

Our capacity to serve our corporate clients has been enhanced by our investments in IT providing us with an added competitive advantage. Our corporate customers are responding well to the benefits of 'BankTrade' and 'ClientTrade' for their trade finance needs. Another facility 'I-Net' allows viewing transactions on-line.

As in the past we continued to maintain a well-diversified portfolio of clients covering virtually all areas of business activity and all sectors of the economy. Such diversification includes economic activity of strategic importance.

Special vigilance was placed this year on facilities to businesses that are

considered vulnerable to the economic downturn in overseas markets. The Bank is focused on maintaining the quality of its advances portfolio by managing its exposure to such businesses. This vigilance will be enhanced in the future as a feature of risk management.

TREASURY

This was another successful year for the treasury. With the international financial system in turmoil and with inter bank lending internationally almost drying up, it was a challenging year. The treasury was very successful in managing the Bank's liquidity and foreign currency requirements.

Treasury continued with its initiatives to upgrade the facilities and enhance the capabilities during the year. Policies and procedures have been improved to be on par with international standards. With the treasury infrastructure marked for continuous improvement, the Dealing Floor has been fully refurbished and the middle office was made fully operational during the year.

INFORMATION TECHNOLOGY

An important part of our strategy has been to achieve and maintain a competitive edge in IT. The Bank kept investing in state-of-the-art IT systems during the last few years. The aim is to deploy the capacity to provide modern banking services to our customers. The Bank's plans to have all its branches connected on-line-a task it kept working on for the last few years - is almost complete. Only four branches remain unconnected to the head office server. As a result, our on-line network at the end of 2008 reads as follows: 303 branches and 117 extension offices making a total of

GENERAL MANAGER'S MESSAGE

420 fully automated centralised customer service points and 253 ATMs on 222 locations. We have achieved the largest ATM reach and coverage country-wide for any local bank. To supplement our reach we have also introduced a number of value added services to our ATM facilities.

Each year, as a matter of policy, we add new capabilities and new facilities to enhance our competitive edge. In 2008 we introduced a mobile payment facility that allows a customer to pay bills or make purchases using any mobile phone.

Each year we also enhance and upgrade the capability of the facilities already installed. In 2008 too we made a number of such upgrades.

WAY FORWARD-FOCUSING ON FOUR AREAS AND STRONG CORE VALUES

Our plans for the next year will cover two aspects - plans that are focused on growth and plans as a response to the global financial crisis. Our plans for future growth will focus mainly on four key areas next year. They are human resources, foreign remittances and deposit mobilisation, IT and risk management. As a response to the global financial crisis and the economic problems in a number of countries we will be exercising extra vigilance in a number of areas.

A key part of our growth plans will be the continuing investment in human resources and their development. The staff will be given a range of opportunities to develop themselves into capable, competent and dependable bankers. We believe that we

cannot merely stop by creating competent bankers - we have to go further and develop leaders. Our goal is to create leaders who are technically skilled, sober in judgment with demonstrated integrity, to lead the institution in the years to come.

Deposit mobilisation will continue to be a part of our growth-focused plans. Remittances will receive special attention as we seek to expand vigorously our remittances market in order to expand our deposit base. The advantages provided by our large on-line branch network will be harnessed fully to expand our deposit base.

IT will be another critical area that we will focus on. Our investments in the recent past are already paying dividends. We intend to retain the competitive edge provided by IT. We will continue to invest in new technologies. These will be accompanied by improved support systems and staff training to ensure that the advantages are fully realised as competitive capabilities. Marketing our capabilities will receive special attention.

Risk management is the other area that will be developed. The Bank intends to develop this area with the appropriate technology and skilled staff so that its practices are in line with modern risk management approaches. The division has been formed and training has already commenced. More appropriately skilled staff will be assigned to this function and more technology is to be brought in.

In response to the global financial crisis and economic downturn, the Bank has increased its vigilance and monitoring

activities. The Bank will adopt a cautious approach when dealing with industries exposed to foreign markets.

ACKNOWLEDGEMENT

To the banking sector, 2008 was a year filled with anxiety and unusual challenges. Our Bank has faced these challenges successfully and has consolidated our dominant position so that we continue as Sri Lanka's No. 1 bank. We look forward to 2009 with confidence.

I would like to acknowledge the support provided by the Secretary to the Treasury, the Governor of the Central Bank of Sri Lanka, the Auditor General, the Attorney General, the Chairman of the Strategic Enterprises Management Agency and all officials involved with those institutions.

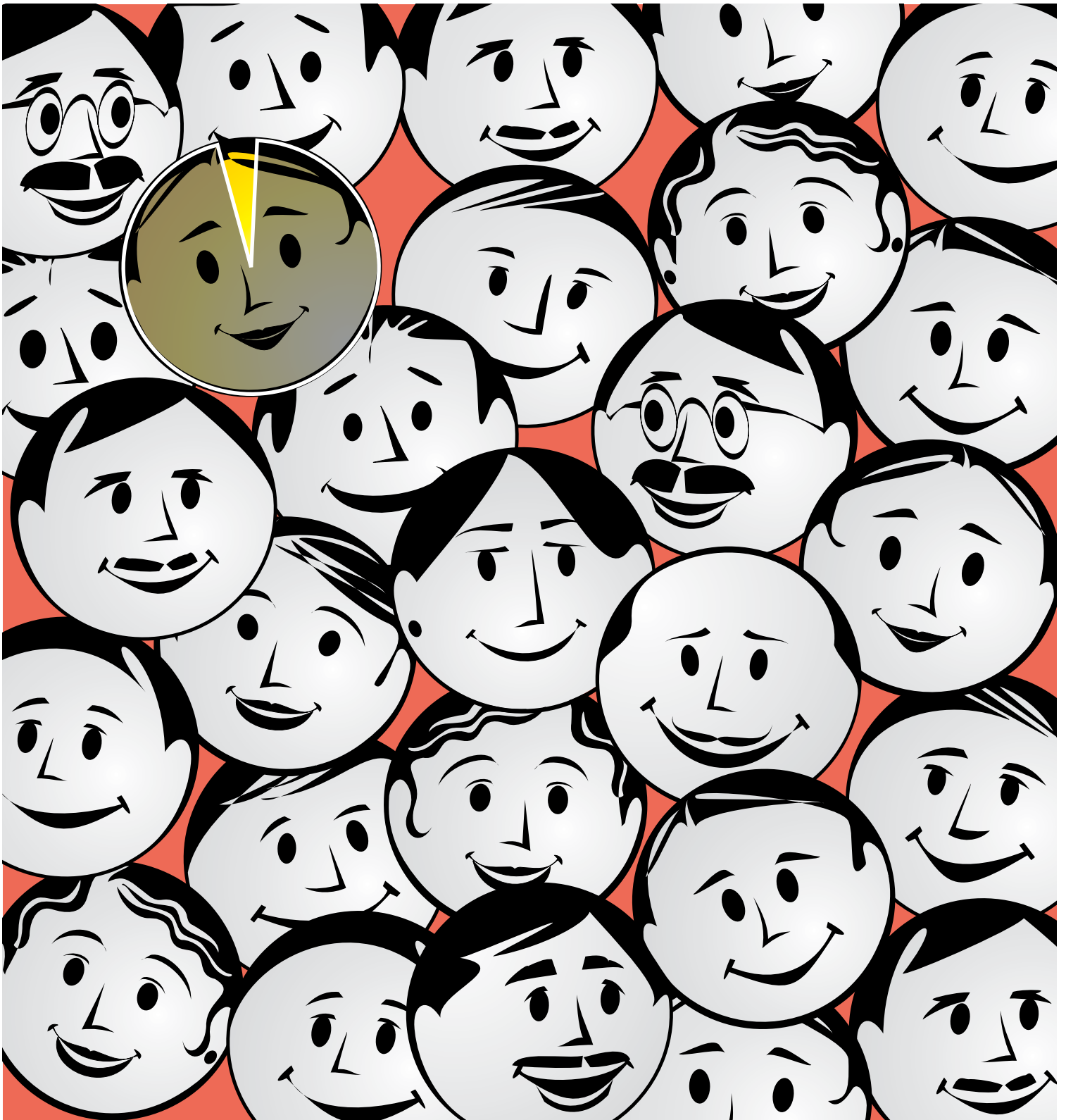
I thank specially the employees and the trade unions for their dynamism, loyalty and support for the institution they serve. Their commitment and drive will be crucial success factors in the years to come.

I acknowledge gratefully the guidance and support provided by the Chairman and other members of the Board of Directors and look forward to another successful year.



B A C Fernando
General Manager

19 March 2009
Colombo



Trust and Choice Well Placed...

NPA Ratio at 4.9%... lowest among major commercial banks in the country

BOARD OF DIRECTORS



Dr. Gamini Wickramasinghe



Sumith Abeysinghe



Dr. R H S Samaratunga



G K A Chaminda K Kularatne



Raju Sivaraman



Gunaratna Gallage



Dr. Buddhadasa Kaluarachchi



V Kanagasabapathy



Ms. Janaki Senanayake Siriwardane
Secretary, Bank of Ceylon/Secretary to the Board
Attorney-at-Law, LLB, MBA

DR. GAMINI WICKRAMASINGHE
Chairman

Dr. Gamini Wickramasinghe was appointed to the Board of Bank of Ceylon as the Chairman in May 2007. He holds a Master's Degree in Systems Analysis from the University of Aston, Birmingham, UK and a Doctorate in Business Administration (DBA) from the Manchester Metropolitan University, UK. He is a Fellow of the Chartered Management Institute (FCMI), UK and a Fellow of the British Computer Society (FBCS).

Dr. Wickramasinghe is the Managing Director of the Informatics Group of Companies, one of the largest software development houses in the country. He held the positions of Chairman, Securities and Exchange Commission of Sri Lanka and Insurance Board of Sri Lanka. He also holds directorships in several subsidiary & associate companies of Bank of Ceylon.

SUMITH ABEYSINGHE
Ex Officio Director
(Resigned with effect from 07.10.2008)

Mr. Abeysinghe was appointed to the Board of Bank of Ceylon in May 2004. He was the Ex Officio Director on the Board up to 07.10.2008. He holds a Bachelor of Arts (Hons.) Degree in Geography from the University of Kelaniya, Sri Lanka and a Master's Degree in Economics from the University of New England, Australia.

Mr. Abeysinghe has previously held senior positions in the Ministry of Finance and Planning such as Deputy Secretary to the Treasury, Director General of National Budget and the Director of Fiscal Policy

BOARD OF DIRECTORS

and Economic Affairs. He was also an Ex Officio Director of Securities and Exchange Commission of Sri Lanka and Insurance Board of Sri Lanka and held Board positions in several other Government institutions. Mr. Abeysinghe relinquished his position as the Ex Officio Director of Bank of Ceylon pursuant to his appointment as Secretary to the Treasury and Secretary to the Ministry of Finance and Planning.

DR. R H S SAMARATUNGA **Ex Officio Director**

Dr. R H S Samaratunga was appointed to the Board of Bank of Ceylon in October 2008 with the resignation of Mr. Sumith Abeysinghe on 7 October 2008. He is the present Ex Officio Director on the Board.

He holds a Bachelor of Arts (Hons.) Degree in Economics from the University of Peradeniya, Sri Lanka, Master of Science (M.Sc.) in Agriculture Economics from the University of Wisconsin-Madison, USA, Master of Business Administration (MBA) from the University of Sri Jayewardenepura, Sri Lanka. He also holds a Doctor of Philosophy (Ph.D.) from La Trobe University, Australia.

Dr. Samaratunga is a Deputy Secretary to the Treasury with over twenty-five years of experience in public service in several capacities. He has previously held senior positions in the Ministry of Finance and Planning. Among them were, Additional Director General, Department of Fiscal Policy and Economic Affairs and Director General, Department of Trade, Tariff and Investment Policy.

He is on the Boards of several Public Enterprises and Government-linked Companies such as The Development Lotteries Board, Sri Lanka Export Credit Insurance Corporation, Sri Lanka Export Development Board, State Trading (Co-operative Wholesale) Company Limited, Mihin Lanka Limited, Board of Investment of Sri Lanka (Observer), De La Rue Lanka Currency and Security Print (Private) Limited and The Postgraduate Institute of Management.

G K A CHAMINDA K KULARATNE **Director**

Mr. Kularatne was first appointed to the Board of Bank of Ceylon in December 2005. He was reappointed in June 2007. He holds a Bachelor of Laws Degree (LLB) from the University of Colombo, Sri Lanka and is an Attorney-at-Law.

Mr. Kularatne is an Assistant Secretary to the President and is the President's Co-ordinating Secretary, Ministry of Finance and Planning. He is on the Board of Hotels Colombo (1963) Limited (GOH).

RAJU SIVARAMAN **Director**

Mr. Sivaraman was first appointed to the Board of Bank of Ceylon in January 2006. He was reappointed in June 2007.

He is a Chartered Architect holding a Master's Degree in Architecture (M.Sc. Arch.) and is also a Fellow Member of the Sri Lanka Institute of Architects. His experience in the field of Architecture and Management runs over twenty-five years.

He is the Associate Consultant of Plan 3 Architects in India, Managing Director of Arch - Triad Consultants (Private) Limited, an architectural consultancy firm since 1980, Director of Ram Developers (Private) Limited, Mireka Capital Land (Private) Limited and also of Ceylease Financial Services Limited. He is also a Member of the National Police Commission of Sri Lanka.

GUNARATNA GALLAGE **Director**

Mr. Gallage was first appointed to the Board of Bank of Ceylon in January 2006. He was reappointed in June 2007. He is an Attorney-at-Law by profession counting over twenty years practice in the Civil Courts and title work. He also holds a Bachelor's Degree in Arts from Vidyodaya - Sri Jayewardenepura University of Sri Lanka and a Postgraduate Diploma in Education.

Mr. Gallage had been a member of the Compensation Tribunal at People's Bank and a Member of the Rent Board of Review for two consecutive terms. He is on the Board of Hotels Colombo (1963) Limited (GOH).

DR. BUDDHADASA KALUARACHCHI **Director**

Dr. Kaluarachchi was first appointed to the Board of Bank of Ceylon in January 2006 and reappointed in June 2007. He holds a MBBS degree from the University of Ceylon, Faculty of Medicine, Colombo.

Dr. Kaluarachchi has served as a Medical Officer in several Government Hospitals in Sri Lanka. He has also been a Company

Medical Officer for leading Hotels in Colombo, several International Airlines and a Consultant to several Multinational Companies. In addition, he had been involved in their administration and marketing services. He has also been a Medical Officer to several Embassies and High Commissions located in Sri Lanka. He was a Founder Director of Asiri Hospitals Limited.

Dr. Kaluarachchi has undergone Postgraduate Training and has worked in the fields of General Medicine, Pediatrics, Chest Medicine and Cardiology in leading National Health Service Hospitals in the United Kingdom. He has also been a General Medical Practitioner (Principal) in the National Health Service in the United Kingdom. Whilst in the United Kingdom he has also served as a Consultant to several Multinational Companies and as a Clinical Assistant at the regional local hospitals.

Presently, Dr. Kaluarachchi is the President of the Ceylon Association for the Prevention of Tuberculosis (CNAPT), the President of the Ruhunu Cultural Institution and also a Member on the Board of Management of Colombo Young Men's Buddhist Association (YMBA). He is also the Chairman of Hotels Colombo (1963) Limited (GOH) and a Director of Lanka Hospitals Corporation Limited (Apollo Hospitals).

V KANAGASABAPATHY
Alternate Director

Mr. Kanagasabapathy is the Alternate Director to Dr. R H S Samaratunga, Ex Officio Director. He was appointed as the Alternate Director initially to Mr. S Abeysinghe in March 2006 and with Mr. Abeysinghe's resignation to Dr. Samaratunga. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds a Master's Degree in Public Administration from Harvard University.

Mr. Kanagasabapathy is presently the Financial Management Advisor of the Ministry of Finance and Planning with over thirty years of public service in several senior capacities. He is the President of the Institute of Public Finance and Development Accountancy and a member of the Governing Council of the Association of Accounting Technicians of Sri Lanka. He is also Chairman of the Board of Directors of Distance Learning Centre, Sri Lanka.

Mr. Kanagasabapathy is on the Boards of several Public Enterprises and Government-linked Companies such as Hotel Developers Lanka PLC & De La Rue Lanka Currency and Security Print (Private) Limited. He is also a Board Member of Merchant Bank of Sri Lanka PLC.

HISTORICAL OVERVIEW

Bank of Ceylon has evolved continuously over the years, undergoing changes in its business operations, branch network, ownership, people, products and services to emerge as the largest financial service provider in Sri Lanka. Such progress is summarised below:

1939

Bank of Ceylon established as the nation's first modern, locally-owned bank. Ceremonially opened on 1 August by Governor, Sir Andrew Caldecott, at the present-day premises of the City Office.

1941

Operations commence in Kandy with opening of a branch office. Other branches opened subsequently in other large outstation towns: Galle, Jaffna and Trincomalee.

1946

Foreign Department established. Operates from offices at the Grand Oriental Hotel (GOH) Building, Colombo Fort.

1949

First overseas branch opens in London shortly after Independence; it is the thirteenth bank branch to be opened.

1953

C Loganathan becomes first Sri Lankan General Manager.

1954

Central Office moves from City Office to premises at GOH Building.

1959

Authorised capital enhanced to Rs. 50 million by Act of Parliament.

1961

Nationalisation. The Government of Ceylon becomes sole owner of Bank of Ceylon.

Kachcheri branch network set up in alignment with the Government's District Administration System.

1973

Agriculture Service Centre concept implemented. Operations commence at over 350 Agricultural Service Centre Branches. Comprehensive Rural Credit Scheme implemented.

1978

Non-Residents Foreign Currency (NRFC) deposit scheme introduced.

1979

Offshore banking operations commence with the establishment of the Foreign Currency Banking Unit.

1980

Computer Division established; automation of business operations commences.

1981

Branch opened in Malé, Republic of Maldives.

1985

Head Office moves to 32-storey BoC Tower in Colombo.

1988

Installation of the first BoC ATMs ushers in the electronic banking era.

1989

Ceybank Visa credit card introduced in collaboration with Visa International.

1995

Overseas branch network augmented with offices in Madras and Karachchi.

1996

Joint venture with Nepal Bank establishes Nepal Bank of Ceylon Limited.

1998

MoU with Government results in greater management autonomy and target-based performance.

2000

Authorised capital further enhanced to Rs. 50 billion by Act of Parliament.

2004

Real estate subsidiary Mireka Capital Land (Pvt) Limited formed to invest in Havelock City, the largest single condominium development in Sri Lanka.

2005

Balance Sheet footings top Rs. 300 billion, the largest asset base of any Sri Lankan bank.

Wide range of relief, rehabilitation and reconstruction activities undertaken and financed in the aftermath of the December 2004 tsunami.

2006

Wins IBM/FISERV prize for the fastest deployment of an online core banking system in Asia-Pacific region.

2007

Raises US\$ 210 million, the largest internationally syndicated debt by any Sri Lankan issuer; appointed Co-Manager of historic US\$ 500 million debut bond issued by the Government of Sri Lanka; commences Village Development Programme focused on engaging rural communities.

2008

Achieves largest on-line bank status in Sri Lanka with 303 branches, 117 extension offices and 253 ATM facilities; extends on-line banking in the Maldives enabling expatriate customers to access their accounts; raises Rs. 4.2 billion via a listed subordinated rupee debenture of 5 years; raises US\$ 21.6 million via a private placement of a 5-year subordinated dollar debenture.

STRATEGIC INTENT & BRAND SUMMARY

STRATEGIC INTENT

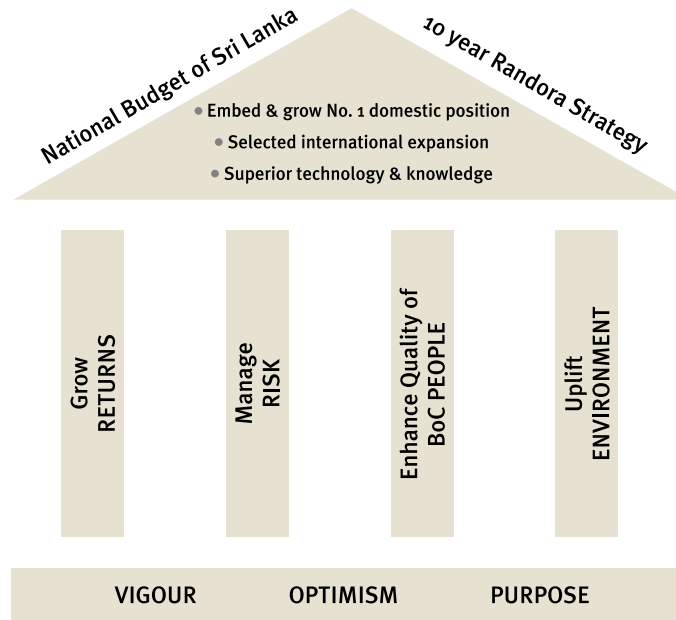
The strategic intent of the Bank is to embed and grow as No.1 domestically and expand internationally on a selective basis reinforced by the 4 Pillars of growing RETURNS, managing RISK, enhancing the quality of its PEOPLE and uplifting the ENVIRONMENT. Our quest for leadership envisages compatibility with the national budget of Sri Lanka, the 10 year 'Randora' Strategy and the Knowledge Economy whilst steering the business with vigour, optimism and purpose.

In summary, the strategic intent of the Bank is composed of the following tactical initiatives to create sustainable value:

- Embed and grow the franchise in Sri Lanka
- Selected international growth
- Continued progress through the application of the 4 Pillars
- Investment in technology

BRAND SUMMARY

The Bank has made much headway in fortifying Brand Value during a year of intricate economic dynamics. Increasingly more effort has been expended on identifying the valuable attributes of our brand and the roles they play in driving customer preference. We have diligently analysed the competitive landscape, market trends, opportunities and challenges in the current macro context. Hence, our Brand Value as experienced by our customers is not simply one that



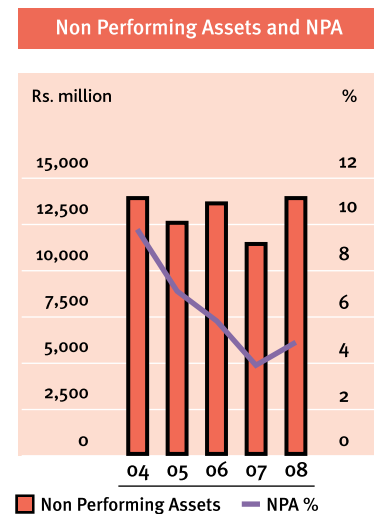
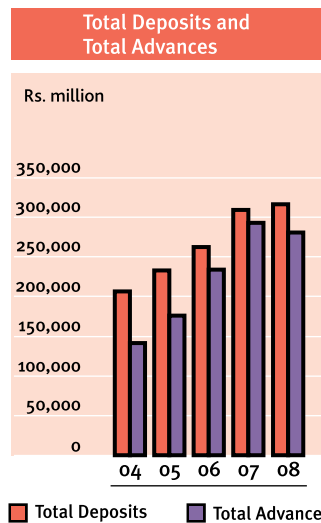
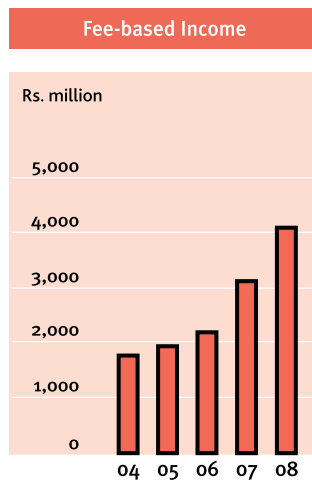
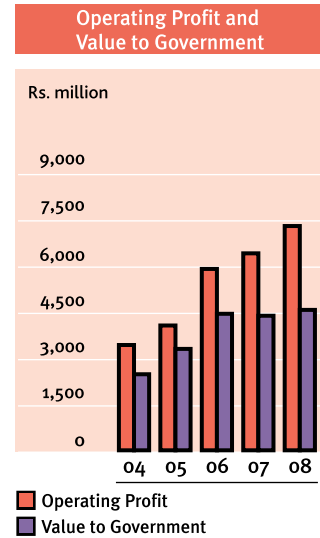
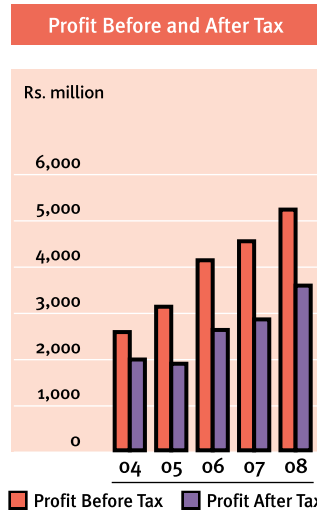
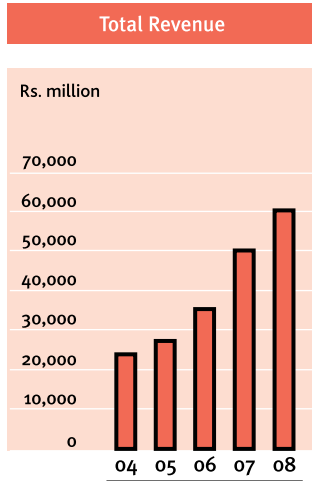
delights, but one which also provides security, differentiation, quality service and efficiency.

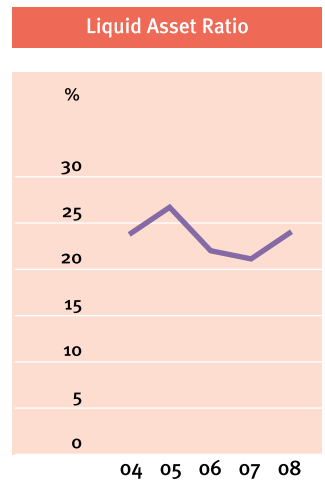
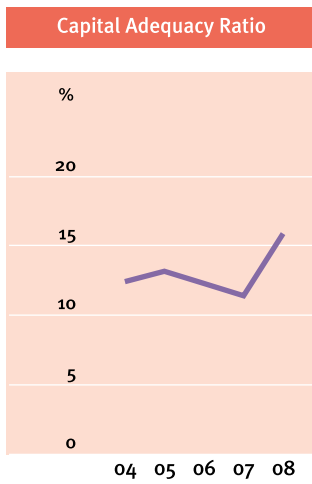
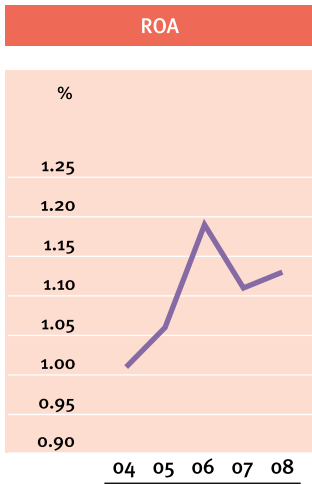
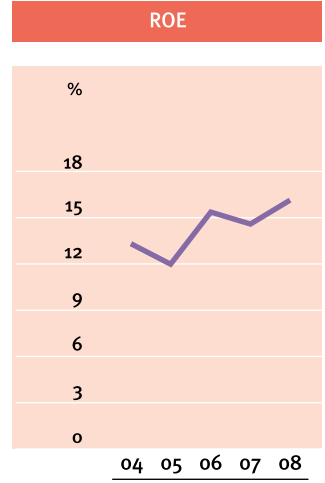
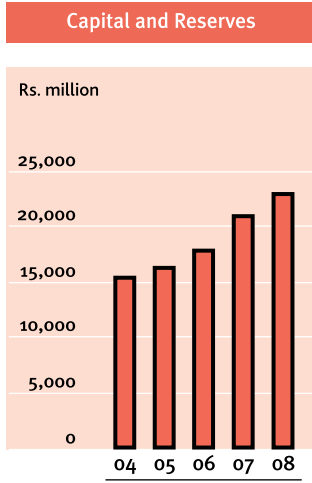
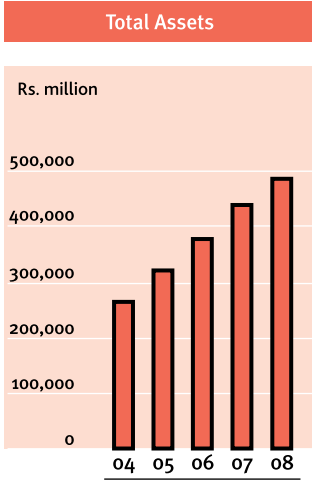
Value in our multi-dimensional brand independently acknowledged as No. 1 in the country is captured in the corporate positioning statement, 'Bankers to the Nation'. Key initiatives and characteristics that bring the brand to life encompass the following:

- Provide the business community and Government with world class banking solutions
- Serve individuals through a range of responsible borrowing products
- Encourage and spread the Savings and Investment habit
- Deliver superior customer service via state-of-the-art technology

- Retain undoubted financial capacity at all times
- Inculcate the banking habit among lower income groups to promote nationwide financial literacy and financial inclusion
- Nurture self-employment and small businesses to broad-base and obtain equitable national development via entrepreneurship
- Provide efficient and low cost money transfer services to migrant workers and assist their families locally
- Fund a major portion of the country's imports
- Help stabilise exchange and interest rates
- Mobilise foreign financial resources for Sri Lanka
- Nurture the development of all communities

GRAPHICAL REVIEW





MANAGEMENT DISCUSSION & ANALYSIS

BACKGROUND

Bank of Ceylon (BoC) is the first state-owned commercial bank in Sri Lanka established on 1 August 1939 by special statute, namely the Bank of Ceylon Ordinance. Now a diversified financial services organisation, its business is to provide a broad range of banking and financial services to consumers, corporate customers and the Government of Sri Lanka (GOSL). Today, it banks *circa* 7.5 million customer accounts across all 9 provinces via 306 full service branches in Sri Lanka and 3 overseas locations. Its branch in the City of London is one of the oldest, the respective banking licence dating back to 1949. BoC is subject to examination and regulation by the Central Bank of Sri Lanka (CBSL) and is currently rated AA (lka)/Stable Outlook by Fitch. Its Board of Directors reflecting state ownership comprises Government nominees who are professionals from a variety of disciplines and experiences and includes representation from the Ministry of Finance. At year-end 2008, BoC employed 7,912 full time permanent and 1,016 contractual, outsourced and casual employees in Sri Lanka and in its overseas branches. In terms of the domestic market, BoC is market leader or holds significant market shares in Loans & Advances, Deposits, NRFC Accounts, Inward Remittances, Off-shore Banking, Treasury and Micro-banking. The Bank is managed along the following segments and product lines:

- Retail Group - Consumer Lending & Finance (Real Estate/Mortgages, Student Loans, Auto Loans); Retail Distribution & Banking (Branches); Commercial Business (SMEs & Middle Market Commercial Banking); Micro-finance; Development Banking, Leasing, Pawning.

- Corporate Banking Group - Debt-based products (Term Loans, Overdrafts, Trade Finance, Project Finance, Leasing, etc. and Transaction Services (Cash Management, Trade Services, Agency Services) for Corporate and Off-shore banking.
- Treasury Operations - Foreign Exchange, Money Market, Local & Foreign Currency Funding, Fixed Income & Equity Trading, Correspondent Banking.

ECONOMIC/POLITICAL ENVIRONMENT

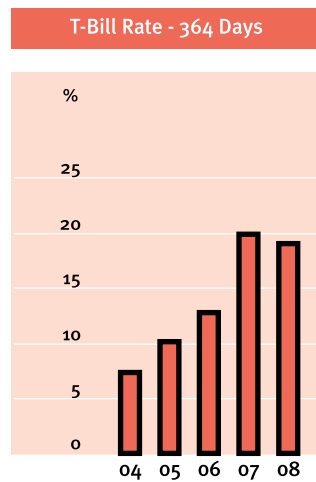
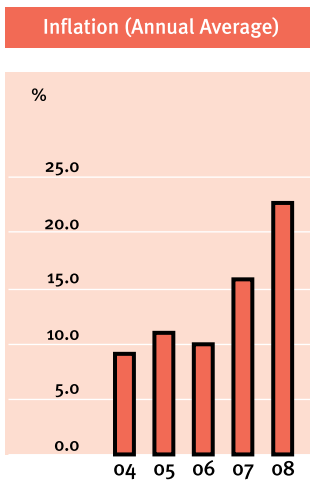
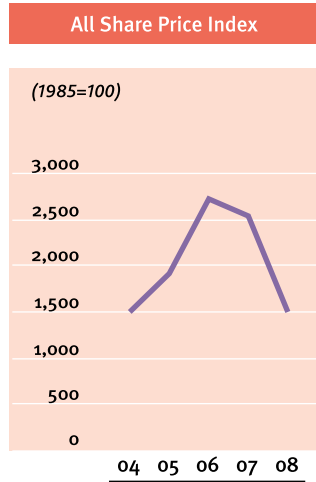
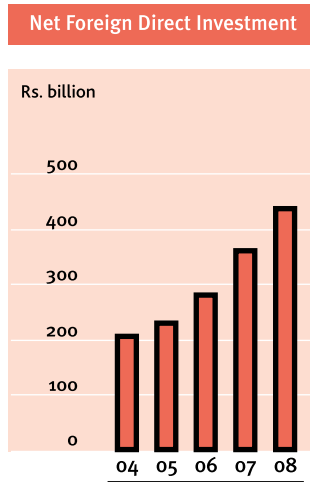
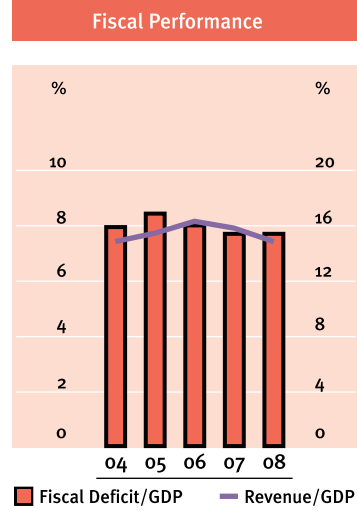
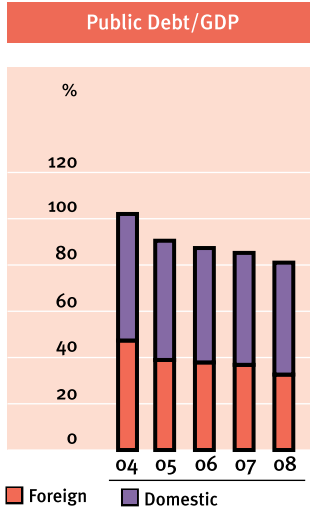
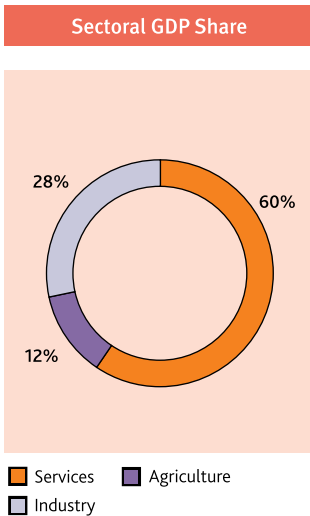
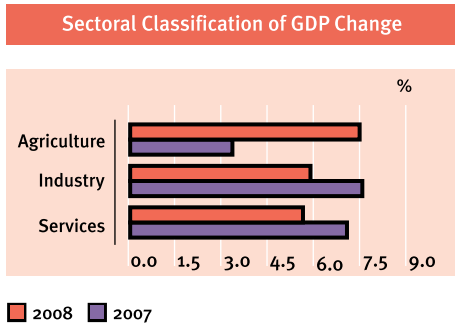
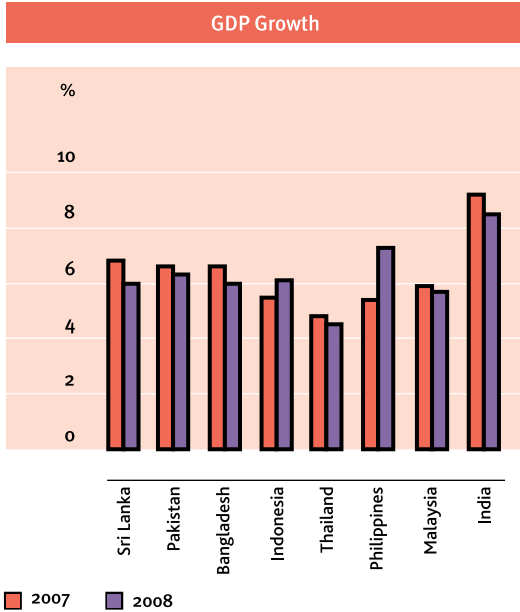
We expressed in our 2007 Annual Report, concern at a US-led global recession in 2008. For Sri Lanka in general and BoC in particular, we feared a contraction in export markets and restrictions in foreign borrowings as capital write-downs resulting from stressed real-estate assets within the international banking system took its toll. Equally, we anticipated Central Banks globally to provide liquidity at low rates in their efforts to avert a full-scale worldwide recession. At the time we expected a rebalancing of the global economy with oil as well as other commodities stabilising at lower levels.

Our forecast for the local economy was also somewhat similar with growth patterns and export earnings under some stress, inflation and interest rates remaining high with no end to terrorist activity. Although, still beset by various threats and shocks such as Oil, Tsunami, Weather and Security, the Sri Lanka economy was expected to be resilient and continue to perform positively in 2008. In terms of the Bank, our view was that it was exposed to a mix of risks and opportunities and would close 2008 on a relatively secure note with enhanced profits and capital.

Much as we had forecast, came true in 2008. We in common with many other market players, however, did not anticipate the severity of the US-led downturn and how rapidly, deeply and quickly it will engulf the world. The contagion effect was largely underestimated and whatever circuit breakers were embedded in the system was either not tripped or was not effective. Hence, the rapid spread of the contagion effect across the globe catching most regulators unaware. In Sri Lanka for much of 2008, the economy performed as expected providing growth with the external sector also holding the course. As the global financial meltdown induced recession began to take its toll on the export markets closely linked to commodities and manufactured products made in Sri Lanka, the final quarter of 2008 began to record the distress on the local economy. With no direct linkages to so-called toxic assets on the Balance Sheets of global banks, there was no visible negative impact resulting from them on the local financial system. As the toxic assets, however, began to impact the real economy of the US and Europe including the UK, Middle East and Asia, the external economy of Sri Lanka began to suffer. The inexorable rise in oil prices reversed with the major Sri Lankan export commodities like tea and rubber prices also declining. Excessively leveraged consumers in the recession hit export markets had seen their real-estate based wealth evaporate and had simply run out of buying power. Accordingly, the garments industry together with other export-oriented businesses weakened with declining order books and revenues.

Except for the shock in the 4th quarter of 2008, the economy performed well.

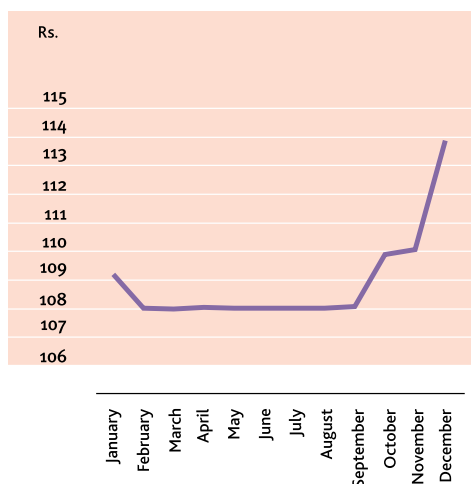
A graphical presentation that conveys a holistic view of the economy is provided below:



MANAGEMENT DISCUSSION & ANALYSIS

GDP continued to grow and recorded a growth of 6% for 2008, some 1.0% below the expected level. The economy is seen to be moving from agriculture to higher value-added sectors in industry and services. The US\$:Rupee rate was steady for much of 2008 due to the relative weakness of the US\$ as well as intervention by CBSL. As per the exhibit below, the rate reversed sharply around October 2008 with the Rupee depreciating against the US\$ as the reserve position of Sri Lanka came under pressure.

Average Monthly Exchange Rates - 2008 - US\$ Vs LKR



Accordingly, the rate when we commenced operations in January 2008 of 109.2550 was reported at 113.8800 when we closed the year indicating a depreciation of 4.2% for the period.

Another event generally unanticipated also occurred in mid-2008. Given the debilitating effect on life in general and the economy in particular, GOSL took firm action in an effort to eradicate the scourge of terrorism from its midst. By year end 2008 after a set of

successive victories, terrorism was confined to a small area with a final positive outcome expected in 2009. Pursuing such a policy has proved to be a severe drag on economic performance as cost of military expenditure increased substantially against falling Government revenue. In doing so, GOSL is incurring an expanded budget deficit and in turn Government debt, sustaining not only inflation at a high level but also crowding out private sector borrowing. The defeat of terrorism will, however, finally enable GOSL to bring not only peace to the entire nation but also effectively enhance economic activity of the whole country and engage the people of the North and the East of the island.

RESULTS OF OPERATIONS

Focused on building a significant market presence geographically and across several businesses, we pursued a mixed strategy

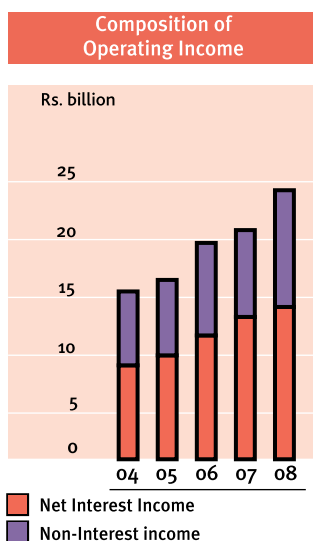
of revenue enhancement and increased penetration of several market sectors. To remain competitive and stable at all times, particularly given the deteriorating global conditions and stresses locally, we also ensured that the pursuit of such a business model did not compromise our capital ratios and indeed enhanced them. Such strategic imperatives resulted in the Bank pursuing a mix of Government and private sector business via a mix of products yielding not only interest as earnings but also fees and commissions.

As per the synopsis of the Income Statement below, we generated total revenues in excess of Rs. 60 billion in 2008, representing a 20% increase compared to 2007. It is not only the largest aggregate revenue in our 70-year history but also one of the largest, if not the largest, across the banking industry in Sri Lanka.

INCOME STATEMENT

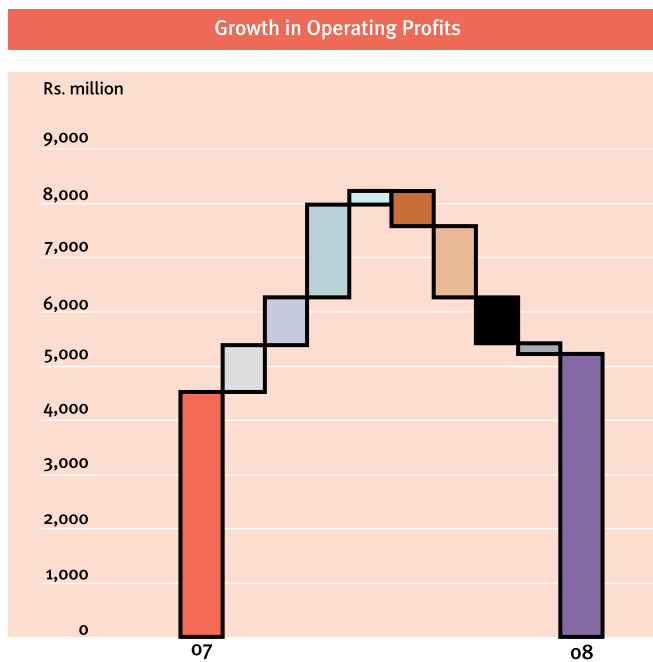
	2007 Rs. million	2008 Rs. million	Growth Rs. million	Growth %
Summary of Financial Performance				
Total income/revenue	50,160	60,182	10,022	20.0
Net interest income	12,833	13,695	862	6.7
Other operating income	7,874	10,499	2,625	33.3
Operating income	20,707	24,194	3,487	16.8
Operating expenses	(14,978)	(16,589)	1,611	10.8
Profit before provision	5,729	7,605	1,876	32.7
Provision for loan losses	(1,211)	(2,374)	1,163	96.0
Profit before tax	4,518	5,231	713	15.8
Income tax	(1,675)	(1,670)	(5)	(0.3)
Profit after tax	2,843	3,561	718	25.3
Earning per share (Rs.)	710.81	712.20	1.39	0.20

Growth of the loan business across the Government, Corporate, SME and Consumer Sectors accounts for much of this revenue performance. Growth of other business also, such as Trade Finance, Cash Management, Treasury Operations, etc. contributed in terms of fees and commissions. Below we show the growth of non-interest income in comparison to net interest income.



Based on such revenues, the Bank posted pretax profits at Rs. 5.2 billion, over Rs. 700 million more than the Rs. 4.5 billion reported in 2007. Representing a 16% increase over 2007 pretax profits, it indicates that the pursuit of market share strategies has enabled the Bank to report profits close to the rate of inflation thereby largely preserving and not eroding its operating capacity. Notably Return on Assets (ROA) remained intact at 1.1%.

A pictorial representation to aid easy understanding of the many changes that occurred in the growth of the Income Statement is provided below:



	Rs. million	Change %
Operating profit for 2007	4,518	-
Add/(Less): Favourable/(Unfavourable) change		
Increase in net interest income	863	6.7
Increase in net fee and commission income	884	34.4
Increase in foreign exchange profit	1,708	144.9
Increase in other operating income	259	37.7
Decrease in income from investment activities	(642)	(39.5)
Increase in other operating expenses	(1,309)	(10.4)
Increase in net impact on provision for loan losses	(850)	(1,133.3)
Increase in VAT on financial services	(200)	(10.7)
Operating profit for 2008	5,231	

As per the exhibit, non-interest income for 2008 comprising fees, commissions, foreign exchange and other income items increased by over 200%. Expanding operating expenses and provisions for loan losses, however, restricted profit growth to only 16%.

For easy reference, results reported for 2008 and comparative numbers for the previous year are provided on the next page with analysis of important and significant amounts. Among them are Net Interest Income, Other Operating Income and Expenses and Loan Loss Provisions.

MANAGEMENT DISCUSSION & ANALYSIS

NET INTEREST INCOME (NII)

	2007 Rs. million	2008 Rs. million	Growth Rs. million	Growth %
Total Interest Income	42,286	49,684	7,398	17.5
Total Interest Expense	29,453	35,989	6,536	22.2
Net Interest Income	12,833	13,695	862	6.7
Net Interest Margin (NIM) (%)	30.3	27.6	(2.7)	(8.9)
Net Interest Spread (%)	3.36	3.41	0.05	1.5

As indicated above, aggregate interest income in 2008 amounted to Rs. 49.6 billion, representing a 17.5% increase over 2007. Much of this increase resulted from not only rising interest rates but also from expanded customer advances and investment in Government securities. A larger Treasury bill and bond portfolio together with a significant holding of Sri Lanka Development Bonds yielded increased interest income. Interest expense on the other hand amounted to Rs. 36 billion in 2008, an increase of 22% attributable to rising interest-bearing liabilities, both deposits and borrowed money from the market. As interest costs expanded at a faster rate than interest revenue indicating customer resistance to increases in pricing, Net Interest Margin (NIM) came under pressure. Accordingly,

over the 12-month period in 2008, NIM was squeezed by 9% to 27.6%, the 3rd continuous year in which NIM showed a decline. The temptation to contain such diminishing NIM by underwriting weaker credits at higher yields was resisted by maintaining our credit standards. In the event, NIM decline of only 9% is tolerable versus hefty provisions to cover bad credit that would have generated an altogether worse result.

Measures are afoot to mitigate the above margin compression mainly by structurally reducing the reliance on borrowed funds in the market and high cost deposits. Of particular importance is to reduce the reliance on borrowed funds as a strategic initiative.

Much to the chagrin of many global banks that so financed themselves, found that under the recent stressed conditions such funding sources dry up at the first hint of trouble. Re-balancing the deposit mix, generating lower priced deposits and refraining from competitive bidding for large deposit balances sourced within the state sector are among the strategies in place to counter the expensive deposit base.

OTHER OPERATING INCOME (OOI)

	2007 Rs. million	2008 Rs. million	Growth Rs. million	Growth %
Foreign Exchange Income	1,179	2,887	1,708	144.8
Recovery of Non-Performing Advances	1,286	1,600	314	24.4
Fee-Based Income	3,099	4,084	985	31.8
Other inclusive of Income from				
Investments	2,310	1,928	(382)	(16.5)
Non-Interest Income	7,874	10,499	2,625	33.3

Aggregate Other Operating Income (OOI) increased significantly during 2008 compared to 2007 - an increase of over Rs. 2.6 billion or of 33% during the year. This reversal was occasioned mainly by the decline, in sharp contrast to 2007, suffered by the Sri Lanka Rupee against the US\$ generating valuation gains as well as realised business gains in terms of foreign exchange operations. Indicating the substantial size of our foreign exchange business, together both unrealised and realised gains increased by 145% to Rs. 2.9 billion in 2008. Adding to this substantial increase during 2008 was the sharp increase in net fee income, which expanded by over 32% to Rs. 4.1 billion in 2008 from Rs. 3.1 billion in 2007. Such expansion is a testament to the strategic focus on income generation that minimises capital utilisation and hence enhances return on capital via fee income as opposed to loan interest. Focused recovery efforts also continued to generate better than expected results, thereby contributing to enhanced OOI performance. NPA recoveries yielded Rs. 1.6 billion, more than 24% up on 2007. Finally, in contrast to 2007, investment income together with mark-to-market valuations was restrained to an aggregate of Rs. 1.9 billion in 2008. The decline was contained to only 16% compared to the All Share Price Index which declined by 40% during 2008.

OPERATING EXPENSES

Operating Expenses continued to escalate during 2008 but at a much slower pace. Accordingly, aggregate expenses increased by 11% during the year to nearly Rs. 17 billion, an average Rs. 1.4 billion a month. Although, the annual rise has been kept below the prevailing level of inflation during the year, nearly a third of aggregate revenues continue to be absorbed by operating expenses indicating that the whole area of costs requires further management attention.

Almost all expense items comprising this segment of the Income Statement require new initiatives to control its impact. In 2007, the expense base increased by nearly a billion Rupees. In 2008, the annual increase is Rs. 1.6 billion or 11% over 2007. A sharp contrast is visible between people and non-people related costs. Whereas people-related costs such as salaries and pensions escalated by an average 6%, non-people related overhead expenses increased by an average 20% during 2008.

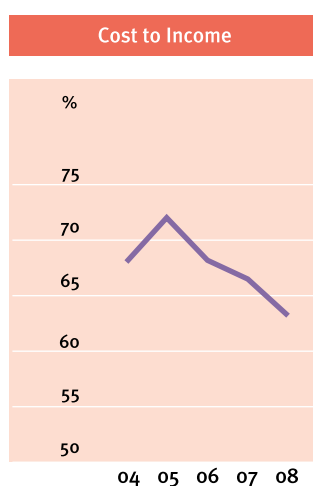
Personnel costs representing 42.1% of the total operating expense base increased from Rs. 6.6 billion to nearly Rs. 7 billion mainly due to the rise in the cost of living index. Premises, equipment & establishment costs and other overhead expenses also reported increases on account of inflation during this year. Despite the unfavourable increase in the operating expense base, measured against aggregate revenues generated, the improvement which commenced in 2007 continued in 2008. As noted above, the 9% decline during 2007 to 29% compared to 38% in 2006 continued in 2008 by a further drop of 2.3% to 27.6% - indicating that efficiency and productivity gains are being harnessed which bodes well for the future.

OPERATING EXPENSES

	2007 Rs. million	2008 Rs. million	Growth Rs. million	Growth %
Personnel Costs	6,574	6,978	404	6.1
Staff Retirement Benefits	2,195	2,295	100	4.5
Premises, Equipment & Establishment Costs	2,123	2,568	445	21.0
Other Overhead Expenses	2,214	2,675	461	20.8
VAT on Financial Services	1,872	2,073	201	10.7
Total	14,978	16,589	1,611	10.8
As % of Total Revenue	29.9%	27.6%		

MANAGEMENT DISCUSSION & ANALYSIS

The improvement when measured in terms of Cost to Income is more pronounced in 2008 than what was visible in 2007. For 2008, the Cost to Income has reduced to 63%, a further 4% below the level reported in 2007. The exhibit below shows the trend over the past few years:



Among the proposals under consideration to obtain further gains are the following - the introduction of a pay for performance scheme, a review of the Pension Fund to minimise the burden of contributions and investment in IT without incremental headcount.

LOAN LOSS PROVISION

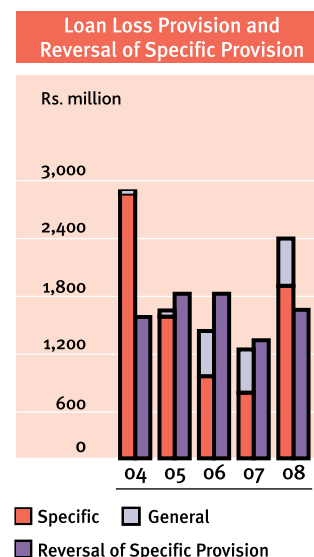
	2007 Rs. million	2008 Rs. million	Growth Rs. million	Growth %
Specific Provision	710	1,855	1,145	161.3
General Provision	461	519	58	12.6
Total	1,171	2,374	1,203	102.7
Specific Provision as a % of Gross Advances	0.2%	0.7%		
General Provision as a % of Performing and Overdue Advances	0.5%	0.9%		

An amount of Rs. 1.9 billion was set aside in provisions for losses in terms of Non-Performing Loans (NPLs) in 2008 compared to Rs. 0.7 billion in 2007. The increase in specific provisioning reflects the possible impact of deteriorating global export markets although we have been cautious in our origination of loans coupled to closer monitoring of the loan portfolio.

In terms of the Direction issued by CBSL, from 5 December 2006, all licensed commercial banks were required to maintain a general provision of 1% of total performing and overdue advances net of cash securities and interest in suspense. Further, the creation of a general provision of 1% has been phased out with a 0.1% provision as at 31 December 2006 and an incremental provision of 0.1% every quarter thereafter till 31 March 2009.

Accordingly, a general provision of 0.5% of total performing and overdue advances that had been set aside as at 31 December 2007 has been increased to 0.9%, providing a further sum of Rs. 519 million during 2008.

The exhibit below explains the behaviour of loan loss provision and recoveries over the past 5 years.



The specific provision for loan losses over the past 5 years aggregated Rs. 7,820 million whereas the reversals made on account of recoveries amounted to Rs. 7,984 million. In addition, general provisions made for the past 5 years amounted to Rs. 1,564 million. Accordingly, the net impact of provision for loan losses to the Income Statement for the past 5 years amounted to only Rs. 1,400 million, indicating the prudent application of lending policies.

SOURCES AND UTILISATION OF INCOME

Below we analyse the sources and utilisation of income and its behaviour for the past 5 years.

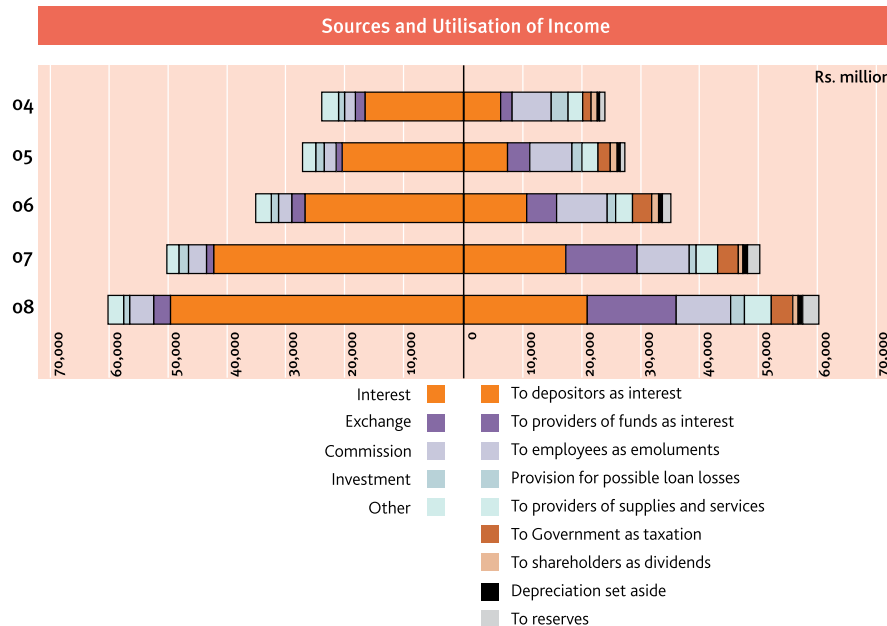
For the year ended 31 December	2004	2005	2006	2007	2008	Compounded Growth Rate (%)
	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million	
Source of Income						
Interest	16,609	20,595	26,823	42,286	49,684	32
Exchange	1,781	1,015	2,261	1,179	2,887	13
Commission	1,771	1,931	2,196	3,099	4,084	23
Investment	918	1,586	1,370	1,624	982	2
Other	2,877	2,197	2,541	1,972	2,545	(3)
	23,956	27,324	35,192	50,160	60,182	26
Utilisation of Income						
To depositors as interest	6,252	7,364	10,636	17,328	21,004	35
To providers of funds as interest	2,004	3,867	5,108	12,125	14,985	65
To employees as emoluments	6,538	7,157	8,599	8,769	9,273	9
Provision for possible loan losses	2,880	1,590	1,369	1,171	2,374	(5)
To providers of supplies and services	2,476	2,730	2,882	3,615	4,488	16
To Government as taxation						
- Income tax	589	1,225	1,510	1,675	1,670	30
- VAT on financial services	872	915	1,767	1,873	2,073	24
To shareholders as dividends	1,000	1,150	1,173	846	846	(4)
Depreciation set aside	377	581	694	761	755	19
To reserves	969	745	1,454	1,997	2,715	29
	23,956	27,324	35,192	50,160	60,182	26

Interest income grew by 32% over the past 5 years whereas interest expenses on deposits and borrowings increased by 35% and 65% respectively over the same period. It reflects the pressure faced by the Bank in passing the rising cost of funds to its borrowing customers.

Over a period of 5 years, fee income grew by nearly 23% reflecting our successful efforts to diversify the revenue base. It is pertinent to note that the employee and non-employee costs increased only by 9% and 16% respectively over the period of 5 years due to measures taken to control such costs.

AGGREGATE ASSETS

When we reported in 2006, BoC was the first to breach the Rs. 300 billion mark in total footings for any Sri Lankan bank. In 2008, we have raised the peg again - Balance Sheet footings are in excess of Rs. 484 billion - just Rs. 16 billion short of another historical milestone - the Rs. 500 billion Balance Sheet - the largest Bank by asset size and hence the dominant building block of the local economy. The increase in total assets representing an uplift of 10.6% over 2007 resulted from growth across the various activities of the Bank including loans outstanding, inter-bank activity and investment securities. The percentage increase and the absolute size of the asset base signifies not only another milestone but a deepening of the embedded bank strategy of the Bank - the strategy to become embedded in the activities of the country as it develops, a building block in the national economy and be the infrastructure supplier of credit and liquidity to the nation, truly embodying the



MANAGEMENT DISCUSSION & ANALYSIS

aspiration, Bankers to the Nation, much like suppliers of essential services such as water or power to a country. The embedded bank strategy seeks to ensure that BoC remains plugged into national commercial and development activity in Sri Lanka and retain its No. 1 position in Sri Lanka under any operating condition.

Below we provide an analysis of the Balance Sheet in some detail. First we review the asset base then the liabilities and finally the capital base.

BALANCE SHEET ASSETS

Common sized Balance Sheet for 2008 with comparatives:

(Rs. million)	2008		2007		2006	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Cash and Short Term Funds	10,168	2.1	9,245	2.1	7,790	2.1
Balances with Central Banks	15,629	3.2	17,253	3.9	17,106	4.5
Other Liquid Assets	44,253	9.1	62,111	14.2	70,724	18.7
GOSL Restructuring Bond	8,547	1.8	8,547	2.0	8,547	2.3
Gross Loans & Advances	280,879	57.9	293,410	67.0	233,618	61.8
Provision for Loan Losses	(9,774)	(1.9)	(8,914)	(2.0)	(10,380)	(2.7)
Investment Securities	108,515	22.4	29,648	6.8	26,643	7.0
Non-Interest Earning Assets	26,157	5.4	26,551	6.0	24,251	6.4
Total Assets	484,376	100.0	437,901	100.0	378,299	100.0

LIQUID ASSETS

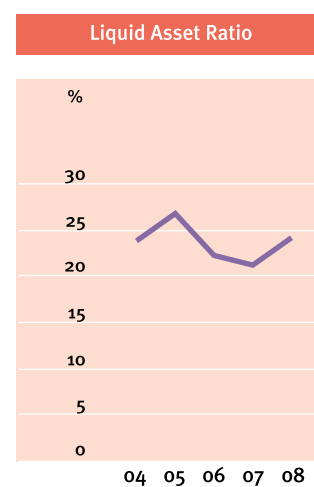
Several changes have occurred to the asset base in terms of liquid assets. The Balance Sheet above indicates an apparent erosion in liquidity - counting

cash and other liquid assets as indicated above, the reduction is from around 21% in 2006 to about 11% in 2008.

This reduction does not in anyway indicate a decline in the liquidity position of the Bank - it continues to maintain the Statutory Liquidity Ratio (SLR) at 24%, which is well above the minimum SLR of 20% stipulated by CBSL. In the main, the SLR computation takes into consideration the Sri Lanka Development Bonds (SLDBs), a US\$ denominated security issued by GOSL with tenors up to 2 to 5 years generating market standard returns. Included within the item labelled

risk to ensure capital preservation with capacity to withstand stress if and when the local economy deteriorates in the short term.

Given the liquidity stress now experienced globally, the SLR is a key ratio tracked closely to ensure that the Bank remains well above the CBSL minimum at all times. The exhibit below explain the liquidity position of the Bank over the past five years.

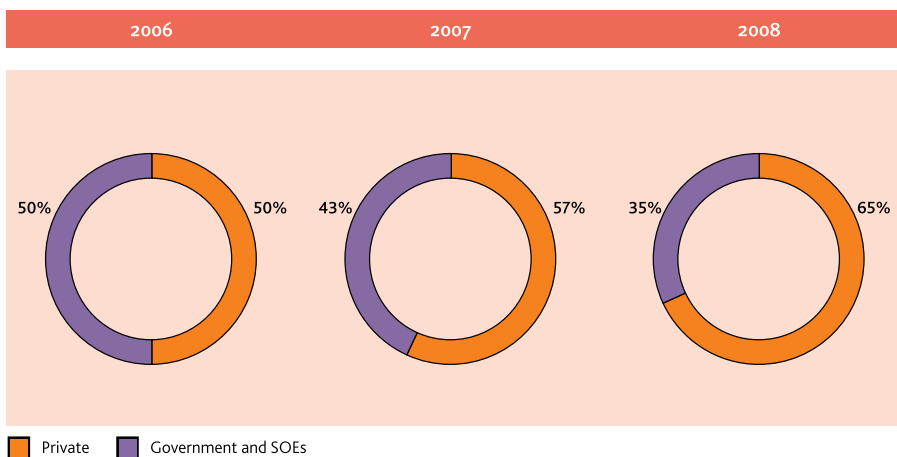


LOANS & ADVANCES

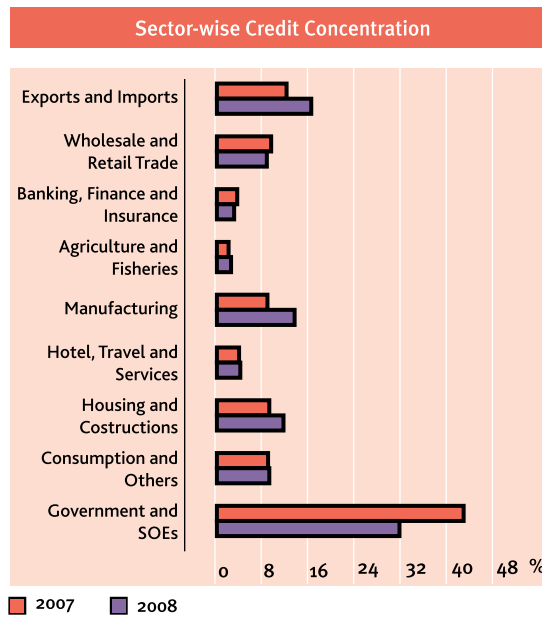
Loans & Advances is the other asset category indicating major change over the years - moving from constituting 55% of the Balance Sheet in 2005 to 66% in 2007 and 58% in 2008. Although such movements indicate a declining loan base, in absolute terms it records an increase of around

Rs. 50 billion in 2008. As mentioned elsewhere, it results from a strategy to grow market share and build a significant and robust banking business encompassing a diverse customer base across several industries and geographies within the country. The strategy remains to engage the major players in the market as well as those aspiring to follow them. The plans include support for individual consumers be it for education, housing or any other need in support of their selected lifestyle.

Much of this expansion has come from lending to the private sector with significant decline in direct loans to Government. Such diversification away from direct Government lending is also in accordance with the strategic intent of the Bank to ensure that a robust business base is available to it when hostilities end and reliance on Government business declines. The declining portfolio of direct GOSL loan business is indicated in the exhibit below:



Diversification has not occurred only in terms of Government and Non-Government. The Loan Portfolio is diversified across the major industry sectors as follows:



As indicated, the portfolio remains well diversified with no particular concentrations. Growth in Export & Import exposure results to some extent from price escalations during the year

for commodities such as tea and rubber that are exported and oil and oil-based products which are imported. Expansion of the manufacturing portfolio results from adding new customers as well as increased activity with existing ones. It should be noted that the expansion in the housing and construction portfolio includes no lending to the high rise apartments sector.

We have also controlled the extension of credit to the Banking and Finance sector, now undergoing some stress resulting from a lack of confidence. Early intervention by CBSL has contained the contagion effect of the issue with Bank of Ceylon playing a pivotal role.

Under the direction of CBSL, we were requested to provide support to a banking entity that was undergoing some distress which may have posed a threat to the entire local banking system. The situation has now been stabilised with the systemic threat diminished. Our short term engagement should soon come to a successful end. To manage the stress

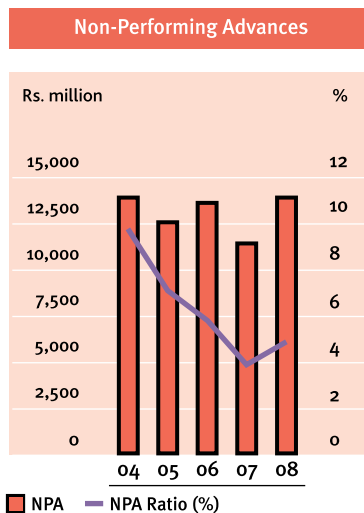
MANAGEMENT DISCUSSION & ANALYSIS

within the finance and leasing sector, CBSL has provided a refinancing package which should prove adequate for the purpose.

Expansion of the Loan Portfolio is managed within strict parameters encompassing origination and regular review as well as a rigorous internal audit programme. To ensure risk management is practiced across the portfolios, changes are envisaged, particularly via the adoption of Good Governance practices, in the approval and renewal of all loans. Such practices are explained in some detail in the section devoted to Risk Management.

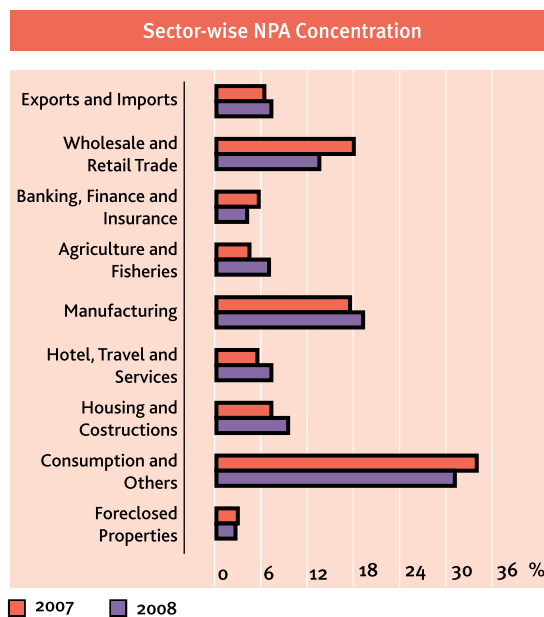
NON-PERFORMING ADVANCES (NPAs)

As shown by the exhibit below, we have achieved a significant downward movement in NPAs.



As at 31 December 2008 NPAs amounted to Rs. 13.8 billion, an increase of 22% over the previous year NPAs of Rs. 11.3 billion. During the year, loans to GOSL amounting to Rs. 6.4 billion were converted to

Sri Lanka Development Bonds (SLDBs) thereby reducing the loan base. As a result, with both the absolute level of NPAs increasing and the loan base decreasing, the NPA Ratio increased to 4.9% in 2008 from 3.9% in 2007. The distribution of NPAs across the Loan Portfolio in terms of industry sectors is as follows:



Since 2002, the decrease in NPAs and the NPA Ratio has resulted from a combination of write-offs (i.e., loans fully provided for but exhausted all reasonable attempts at collection) and loans re-scheduled from NPA to Performing in compliance with rules issued by CBSL and Sri Lanka Accounting Standards (SLAS). Over the past 5 years, write-offs have amounted to Rs. 5.2 billion thereby depriving us of essential capital resources for expansion and growth. Accordingly, we have placed more emphasis not only on applying tight credit standards on loan originations but also on regular and continuous review as

well as on managing NPAs via specialist work-out teams in efforts to reduce the level of write-offs.

Recent CBSL estimates indicate island-wide NPAs across the banking and finance industry at close to Rs. 100 billion - a poor reflection of recent lending practices across the industry. Given currently

stressed global economic conditions, it is most likely that the Rs. 100 billion will increase in 2009. It is indeed a price that is unsustainable and unacceptable in an industry that is not generating adequate capital accumulation to accommodate an increasingly risky business environment. Such high levels of NPAs debilitate any economy.

We echo the recent publicly-stated concern of CBSL in carrying high levels of NPA. As indicated by CBSL, among the negative outcomes of high NPAs are the following:

- Generally decreasing business confidence;
- Tighter new lending rules with access to debt capital denied or delayed;
- Cost of capital increasing with Lenders having to recover the losses from the remaining 'good loans';
- Widespread wastage of physical capital stock with large tracts of land and buildings including plant and machinery being 'mothballed' and taken out of use only to perish and deteriorate beyond repair;
- Wastage of educated and trained human capital with managers and staff being dislocated with their careers interrupted, reputations shattered and looked upon by society with suspicion;

- Risk takers and entrepreneurs being pushed to impossible limits, losing their private wealth with the national stock of entrepreneurs diminishing to alarming levels; and
- Continuous demand for Treasury/ Government hand-outs to maintain staff and property with decreasing levels of productivity and returns.

Accordingly, NPAs need to be dealt with both effectively and urgently. Doing so generally relates to how the financial system recovers the funds embedded in that asset category at a given time. There are many different options available and it is possible that several others may evolve in the market with the efflux of time.

Recovery via action filed in Court is a widely used process. Rescheduling of NPAs is also a popular mechanism. Neither, however, provides an adequate response to a high level of problem loans. Fortunately experiences elsewhere, particularly in business recovery and special laws to promote such processes and their implementation on a professional basis indicate that other methods can be more effective.

Such laws provide for indemnities covering new incoming directors, guaranteed preferential treatment for new capital injection, preferential treatment for new debt, recognition of loan work-outs as a specialist skill and 'freezing' of status. Incorporation of Asset Management Companies (AMCs), issuance of asset-backed securities divided between 'good' and 'bad' assets at deep discounts and markets for the sale and purchase of NPAs are some others.

The best strategy for dealing with NPAs is their prevention. Leading the field in prevention is business turnaround before NPAs arise. Business Recovery and Turnaround has not received sufficient attention in Sri Lanka. Developing and

economy to nurture them to health if they fall sick. With Rs. 13.8 billion in NPA and Write-offs amounting to Rs. 5.2 billion in the last 5 years, we intend taking a lead in developing an appropriate health care system for managing NPAs.

LIABILITIES & CAPITAL

(Rs. million)	2008		2007		2006	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Customers' Deposits	316,069	65.3	308,856	70.5	262,676	69.4
Borrowed Funds	129,088	26.6	93,808	21.4	84,956	22.5
Non Interest Bearing Liabilities (NIBLs)	16,116	3.3	14,186	3.2	12,754	3.4
Total Liabilities	461,274	95.2	416,851	95.2	360,387	95.3
Capital	23,102	4.8	21,050	4.8	17,912	4.7
Total Liabilities & Capital	484,376	100.0	437,901	100.0	378,299	100.0

applying such skill is important for several reasons. Commencing and continuing a business, particularly in trying and volatile market conditions is not an easy task. Failure means a waste of such effort. Businesses use many resources - capital, assets both tangible and intangible, invaluable foreign exchange, business ideas and human skill. All such factors will be wasted on failure, weakening the related business sectors, the banks, the financial system and the economy. Hence, business turnaround is an essential exercise for all concerned be they investors, entrepreneurs, lenders, managers or staff.

In terms of the aggregate economy, such a response to the issue of NPAs is likely to yield a better outcome for all its stakeholders by eliminating or minimising wastage. As pointed out by CBSL, in the final analysis, good entrepreneurs and businesses are few and far between and should be treated as national assets. Hence, it is in the interest of the national

LIABILITIES

No major structural differences are visible in the funding side of the Balance Sheet. Deposits continue to dominate the liability side but its relative importance has slipped slightly with dependence on borrowed funds increasing. Accordingly, the funding composition of the Balance Sheet has not changed much over the past 3 years. Their absolute size, however, has changed substantially.

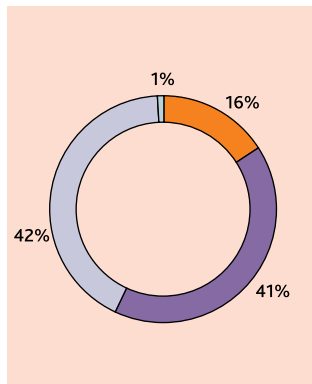
Between 2006 and 2008, the deposit base expanded by 20% to Rs. 316 billion, perhaps the largest deposit base at any financial institution within Sri Lanka. This growth, was matched by the expansion in loans & advances, which also increased by 20%. The growth in investment securities, however, expanded over the same 3 years from Rs. 26 billion to Rs. 108 billion, a growth of over 300% with the mis-match being financed in the money market via borrowed funds. The 50% growth in borrowed funds between 2006 and 2008 amounting to Rs. 44 billion, includes the historic debut

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listed rupee debenture issued in 2008 for a total of Rs. 4.2 billion. The debenture counts as Tier II capital and formed part of another US\$ denominated subordinated 5-year debenture that was issued as a private placement and raised \$ 21.6 million (Rs. 2.5 billion).

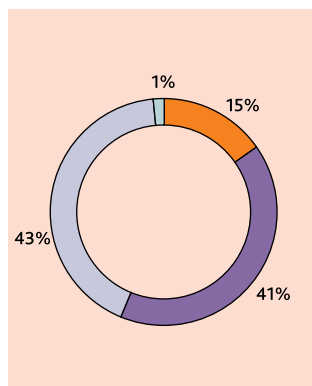
The composition of the deposit base changed during 2008. Although insignificant in percentage terms, the change is substantial in absolute rupee terms and hence carries heavy cost penalties. The exhibits below depict the change in the deposit mix:

Deposit Mix 2007



Legend: Demand (orange), Savings (purple), Time (light blue), Other (teal)

Deposit Mix 2008



Legend: Demand (orange), Savings (purple), Time (light blue), Other (teal)

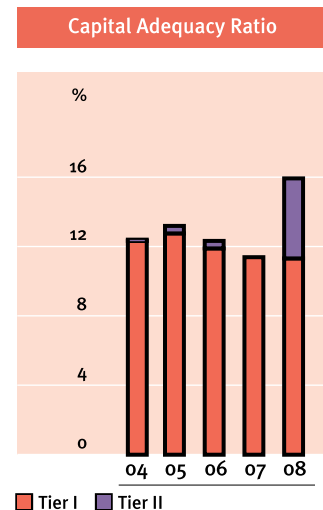
It shows low cost Savings Deposits stable at 41% in both 2007 and 2008 while Demand Deposits contracting by 1% to 15% in the same period. Conversely, Time Deposits increased during the period from 42% in 2007 to 43% in 2008. This changing mix of the Deposit base added substantially to funding costs thereby reducing the net interest margin.

CAPITAL

The Capital base of the Bank continued to expand not only by way of retained earnings but also by the issue of Tier II Capital. The Government dividend for 2008 was contained at Rs. 0.8 billion for the second successive year. It remains a drag on internal capital formation, particularly in the context of the significant contribution made by BoC to both Government and Society at large via concessionary funding of several development banking loan schemes and projects. For 2008, we compute such contribution at Rs. 3.1 billion, up from Rs. 2.4 billion contributed in 2007. Despite such explicit and implicit dividends, the Bank is able to report a pure equity capital position at year end 2008 of Rs. 23 billion, an expansion of 29% since 2006. Another major reason for such somewhat poor expansion of the capital base and internal generation of capital is the tax policy affecting the banking industry in Sri Lanka. In the case of BoC, over 50% of operating profits are deducted as VAT and Corporate Taxes.

Extraction of such high taxes weakens not only the all important Capital Adequacy Ratio (CAR) but also the

capacity to provide assistance to customers in difficult times. Finally poor credit underwriting resulting in NPAs and ultimately in write-offs also impair capital formation. In recent years, BoC has written-off some Rs. 5.2 billion in bad loans. The exhibit below shows the CAR declining under BASEL I from a high of 13.2% in 2005 to 11.4% in 2007 and its reversal in 2008.



Under BASEL II, the ratio declined to 10.7% and hence it became a key goal to reverse the decline as we commenced operations in 2008. The strategy to achieve and restore the capital ratio was a combination of retained profits, issue of Tier II Capital and due to the different risk weights, a judicious mix of Government and Non-Government business. We are proud to state that we have achieved the objective and able to report an outstanding CAR at 15.9%, a historic best and perhaps the highest across the banking system in Sri Lanka.

CAR reflects our capacity to withstand risks and shocks and undertake expansion and is a key regulatory ratio tracked by CBSL. Given the commitment of the Bank to comply with all regulatory requirements, we have complied with CAR on a continuous basis in 2008 as per each quarterly report made to CBSL.

IMPLEMENTATION OF BASEL II

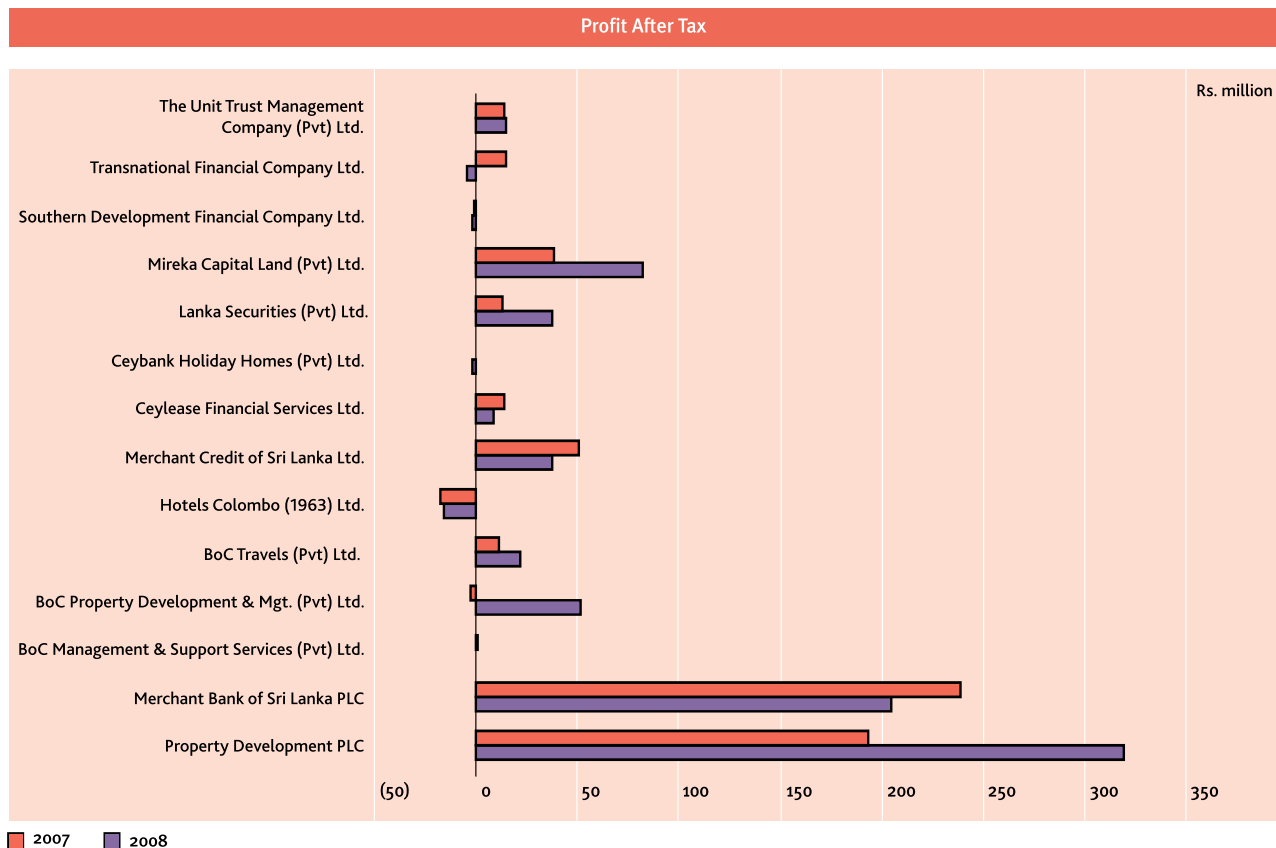
In addition to credit and market risk considered under BASEL I, the BASEL Committee introduced a new capital accord incorporating a capital charge for operational risk. Known as BASEL II, CBSL required all commercial banks to be in full compliance with it effective 1 January 2008 with parallel reporting under it from 2007. Exceeding expectations, we have been doing so and in compliance under BASEL II since 2006. The Bank

follows the standardised approach for the measurement of credit and market risk while following the basic indicator approach for operational risk.

It should be noted that the capital base of the Bank consists mainly of Tier I Capital being issued equity and retained profits with a limited amount in Tier II Capital which consists of subordinated debentures having tenors of 5 years. Such configuration of the capital base implies further capacity to issue subordinated debentures that can attract capital treatment under BASEL II if and when necessary. It also indicates that the existing capital base composed of a high level of pure equity is of significantly high quality in that it is not subject to any charge and available to absorb unforeseen shocks and systemic risks.

SUBSIDIARIES & ASSOCIATES

Investments across the nine Subsidiaries and five Associates remain at Rs. 3.6 billion. Dividends and share of income from these investments decreased during 2008 from Rs. 265 million in 2007 to Rs. 238 million in 2008 indicating the need for better management of these resources. The investments are both quoted and unquoted and cover a range of businesses in finance, travel, hotels and real estate. Several of the investments have unique characteristics and carry high reputation in their respective business sectors. Reviews are under way to optimise the investments with a view to enhancing returns. The exhibit below underlines their performance in 2008 compared with 2007.



MANAGEMENT DISCUSSION & ANALYSIS

VALUE ADDITION

The goal of every enterprise should be to create and realise value, be it for its shareholders or other stakeholders. BoC with its vision firmly fixed on its status as Bankers to the Nation, is focused fully on creating maximum value, both directly and indirectly, to benefit of all its stakeholders.

DIRECT VALUE ADDITION

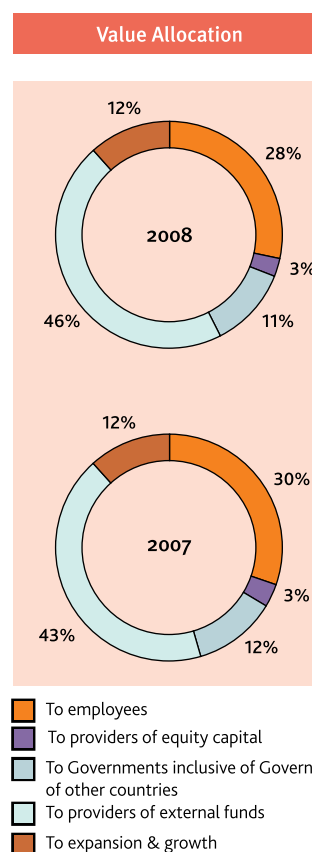
Below, Direct Value Addition is analysed by way of a conventional value added statement.

The statement shows that value addition during 2008 improved by Rs. 4.4 billion, an increase of 15% over 2007. In contrast to 2007 and indicating severe competition that exists within the market, growth in value addition fell by 75% from Rs. 7.7 billion in 2007 to Rs. 4.4 billion in 2008. The distribution of such added value, also in contrast to 2007, shows no substantial difference between 2007 and 2008. External providers of funds continue to absorb substantial amount of

the added value with Employees in second place. Only 12% of the value added was retained in the business for expansion and growth. The task of management will be to readdress the distribution of value addition and retain more within the business in the future years.

DIRECT VALUE ADDITION AND ITS ALLOCATION

	2008		2007	
	Rs. million	%	Rs. million	%
VALUE ADDED				
Income Earned by Providing Banking Services	60,916	57.5	50,256	48.0
Cost of Services	(25,227)	(26.7)	(20,791)	(20.4)
Value Added by Banking Services	35,689	32.8	29,464	27.6
Non-Banking Income	873	0.9	1,545	1.6
Provision for Bad Debts	(2,483)	(2.1)	1,275	(1.2)
Provision for fall in Value of Investments		5.1		(14.8)
Direct Value Added	34,084	31.6	29,720	28.0
	2008	%	2007	%
VALUE ALLOCATION				
To Employee				
Salaries, Wages & Other Benefits	9,607	28.2	9,034	30.4
To Providers of Equity Capital				
Dividends	846		846	
Minority Interest	78		90	
	924	2.7	936	3.2
To Government				
Income Tax	1,812		1,668	
Value Added Tax	2,110		1,915	
	3,923	11.5	3,584	12.1
To Providers of External Funds				
Interest on Refinance & Borrowings	13,065		11,451	
Interest on Debentures	2,589		1,272	
	15,654	45.9	12,723	42.8
To Expansion & Growth				
Retained Profit	3,024		2,397	
Depreciation	847		855	
Deferred Taxation	103		188	
	3,974	11.7	3,441	11.6
	34,084	100.0	29,720	100.0



HIDDEN VALUE ADDITION

Over the last 70 years we have played a dominant and robust role in national development and continue to do so encompassing the entire country. Such development work is not only reflected in a branch network that is closer to the customer than ever before but also connects major sectors of the economy to provide life changing banking services.

Such services take various forms - from direct lending to, be it farmers, industrialists, large corporations or other Government-owned businesses or indirectly by facilitating trade across national and international borders. For the most part, such services are priced on commercial terms taking into consideration costs and expenses normally incurred in the course of engaging in such activities. On a continuous basis, however, we also undertake activities that are not so commercially priced but provided at much lower rates in order to develop selected areas of the country, its people and their businesses. The returns from such activities are distant and remote but not at all intangible if efforts are sustained as first intended.

Our rich history is full of examples where such development activity has generated beneficial results over time. A conservative estimate of the financial burden and impact of such development activity computed on the basis of credit extended at less than commercial rates is a revenue loss at the Interest Income level of Rs. 3.1 billion for 2008 compared to Rs. 2.4 billion in 2007. Such a high level of earnings would have not only enhanced value addition as per the statement shown

earlier but would have changed reported profits in the following manner:

For the year ended 31 December		
	2008 Rs. billion	2007 Rs. billion
Interest income as reported	49.7	42.3
Interest income with development banking priced commercially	52.8	44.7
Pretax profit as reported	5.2	4.5
Pretax profit with development banking priced commercially	7.7	6.4
Net profit as reported	3.5	2.8
Net profit with development banking priced commercially	5.4	4.2

ECONOMIC VALUE ADDITION

For the first time we report Economic Value Added (EVA) by the Bank via its operations. As noted in the exhibit below, EVA is calculated from post-tax profits adjusted for any surplus/depreciation arising from property revaluation and takes into account cost of total Capital invested in our operations and benefits resulting from the subsidised development activities undertaken during the year.

On the above basis, EVA was Rs. 1,644 million for 2008, an increase of Rs. 180 million or 12% compared to 2007.

In this growth computation, increases in 2008 for both post-tax profit adjusted for subsidised development of Rs. 1,132 million and cost of invested capital of Rs. 952 million are included. Accordingly, EVA which measures the surplus after covering both operating costs and cost of equity capital i.e., the contribution generated by Management and Staff to the value embedded within BoC was not only positive but also increased during 2008.

ECONOMIC VALUE ADDITION

	2008 Rs. million	%	2007 Rs. million	%
AVERAGE INVESTED CAPITAL				
Average shareholders' funds	22,076		19,481	
Revaluation reserves	(127)		(129)	
Bonus Issue in 2006	(1,400)		(1,400)	
	20,549	100.0	17,952	100.0
RETURN ON INVESTED CAPITAL				
Profit after taxation as reported	3,561		2,843.3	
Depreciation attributable to the revaluation surplus	21		21.2	
Subsidisation on developmental lending	1,872		1,458.0	
	5,454	26.5	4,322.5	24.1
Opportunity cost of Invested Capital*	3,810	18.5	2,857.9	15.9
Economic Value Added	1,644	8.0	1,464.6	8.2

* Weighted average 12 months Treasury bill rate 18.54%

15.92%

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CUSTOMER GROUP PERFORMANCE

We operate on the basis of three major customer segments. Contributions made by each of these segments i.e., Corporate, Treasury and Personal & Retail to the performance of the Bank are noted below:

CORPORATE BANKING

• Overview

Our corporate segment provides technologically advanced domestic, international and off-shore banking solutions mainly aimed at the state sector, large and medium scale private sector corporates.

As demanded by the customer base, an experienced team well-versed in complex transactions supports this business.

• Solutions

The solutions span pure financing to trade - related funding. Among them are -

1. syndicated loans,
2. finance for large scale projects,
3. trade & working capital-financing,
4. lease finance,
5. advisory work,
6. worldwide fund transfers,
7. cash management facilities.

• Achievements

We added a new dimension to corporate banking by introducing Prestige Personalised Banking. Focused on the Corporate Executive, it has generated much interest. The latest trade finance software packages namely 'Bank Trade' and 'Client Trade' installed and implemented in our corporate segment provide centralised

services to customers. Our corporate customers are responding well to the benefits of these systems by undertaking their trade finance transactions with BoC from their own premises. In addition the 'I Net' facility, which allows viewing transactions on-line is also heavily used by our corporate clients.

CONTRIBUTION FROM CORPORATE BANKING

	2008		2007	
	Rs. million	Segment's share %	Rs. million	Segment's share %
Interest Income	16,102	33	17,331	41
Fee-based Income	2,456	60	1,601	52
Profit before VAT & Tax	3,307	45	2,612	40
Loans & Advances (Gross)	167,886	59	189,707	64
Deposits	70,650	22	72,198	23

The Corporate Banking Segment increased its fee-based activities such as issuing guarantees, letters of credit etc. significantly resulting in a 41% increase in fee income.

• Challenges

The macro economic situation and limitation of liquidity in the local banking system continued to squeeze the growth in loans and advances. Hence, as a strategy, we focused on credit quality, pricing and yields rather than volume growth and also on structured products to grow fee-based income.

With changes in market conditions and regulations especially with the emphasis on risk management, the need has arisen for further improvement in human resources, systems and processes. In this regard, several training programmes covering various dimensions of Corporate Banking was conducted to improve productivity of the staff while assuring high level of customer service thereby preserving our competitive edge. Further, existing procedures were reviewed and revisions implemented by way of amendments and adjustments with a view to enhancing their effectiveness thereby creating a more business conducive environment via the application of IT.

TREASURY

Overview

The Treasury is responsible for managing the asset and liabilities of the Bank in terms of liquidity and their relative yields. Given an environment of high inflation, high interest rates and volatile exchange rates, their focus in 2008 covered interest spreads, mitigating market risks, mobilisation of funds from domestic and international markets and managing foreign currency positions.

• Services offered to customers

The Treasury continued to pursue its strategy of enhancing trading activities and providing more sophisticated products for both corporate and retail customers with close involvement in Government finance. Among the products and services offered were:

1. Spot and forward transactions
2. Currency swaps
3. Interest rate swaps
4. Investments
5. Mobilisation of funds both local and foreign currencies to meet liquidity requirement
6. Fixed income and equity trading

• Achievements

During the year, BoC successfully raised Rs. 8.8 billion by issuing several debentures. Two out of them stand out as landmark transactions for the Treasury.

- i. First is the debenture issued as a private placement that raised US\$ 21.6 million. This is the first ever issue of a US\$ denominated debenture by any local commercial bank in Sri Lanka.
- ii. Treasury also successfully raised a sum of Rs. 4.2 billion by the issue of debentures through a public issue, which has been listed in the Colombo Stock Exchange. This is the first time

that BoC in its 70-year history tested the local capital market to raise funds.

These two debenture issues helped the Bank to boost its Tier II Capital opening a wide array of new business opportunities. Such funding bodes well for the anticipated development activities in the Eastern and Northern Provinces of Sri Lanka with the cessation of terrorism.

The Treasury was also able to roll-over, with the consent of investors, the syndicated loan of US\$ 190 million. Given trying market conditions, the new roll-over for a further period of two years at an interest rate of 75 basis points over LIBOR can be considered an outstanding achievement indicating continuing market confidence in BoC.

CONTRIBUTION FROM TREASURY

	2008		2007	
	Rs. million	Segment's share %	Rs. million	Segment's share %
Interest Income	14,996	30	11,204	26
Foreign Exchange Income	2,887	100	1,179	100
Profit before VAT & Tax	2,037	28	2,260	35
Treasury Assets	153,745	100	100,357	100
Borrowings	129,088	100	93,808	100

The Treasury made the contribution shown above while offering an acceptable transfer price to the branches for their deposits. Such transfer pricing is reviewed on a regular basis.

• Challenges

During the year, Treasury was confronted with managing assets and liabilities in an environment of rising funding costs. Inflation and interest rates were high throughout the year. Inflation averaged 22.6% for 2008. As per our funding

structure over 28% of the total fund requirement is provided by borrowings. The high interest rates commanded by providers of such funds could not be completely passed on due to heavy resistance from corporate and retail customers and intense competitor pricing with the issue continuing to impact profitability. As we move into 2009, some stress resulting from the global recession is seen to be entering the local economy adding to the challenges.

In terms of exchange rates, the Sri Lanka Rupee appreciated against hard currencies such as the Sterling Pound by 24.2% and the Euro by 7.4%. However, our trading activities, which reacted in a timely manner to such moves and also the depreciation

of the Sri Lanka Rupee against US Dollar by some 4%, brought a substantial foreign exchange income during the year.

We expect such volatility to continue and will trade to enhance profitability again in 2009. Anticipating further stress in the money markets and in readiness for increased activity, the Treasury has invested not only in human resource development but also in substantial infrastructure by way of trading terminals and screens, etc.

MANAGEMENT DISCUSSION & ANALYSIS

PERSONAL & RETAIL BANKING

Overview

The Retail Banking Segment is responsible for successful operation of the branch network spread throughout the country. It seeks to fulfil the needs of retail customers and also assist the Small and Medium Enterprises involved in diversified fields of economic activity.

• Special services during 2008

During the year, a number of regional deposit mobilisation campaigns across the island were undertaken with the aim of encouraging the habit of saving. We recognise that over reliance on both the housing and the stock market to accumulate savings has been among the reasons for much of the global turmoil. Regular savings out of annual income became unfashionable. Accordingly, we intend promoting the habit with renewed vigor. In response to market research, two new deposit products were introduced in 2008.

- BoC Prestige Plus Account with several value added features was created to provide a personalised service to the growing community of professionals.
- BoC Super Deposit Account, a term deposit product, gained high popularity with the offer of periodical lottery draws with cash and other attractive prizes.

Focusing on the growing local population who aspire to transact via interest-free banking, an Islamic Banking Unit was also established.

The existing mobile payment system was further improved adding special features, enabling customers to purchase goods and services and pay their utility bills through any mobile phone. Technological enhancements to inward remittance services now ensure same day credit to the account.

• Achievements

- (i) The Bank continued to upgrade its technological capabilities in improving customer service and efficiency. As a result of our continuous efforts, the total fully automated centralised customer service points increased to 420, thus lifting Bank of Ceylon to be the largest on-line banking operator in Sri Lanka.
- (ii) During the year, 2 more branches in Atchuveley and Vishaka Vidyalyaya, Colombo 4, and 14 extension offices were opened raising the branch network to 306 and extension offices to 146 island-wide.
- (iii) Also an additional 47 ATMs were installed during the year increasing the total ATMs to 251.
- (iv) A full list of the expanding number of BoC service points is available on page 192 of this Report.

• Challenges

Deposit mobilisation remains a significant challenge. In the face of intense competition, all efforts to mobilise in 2008 generated a 2% growth. Similar pressures continue in 2009. New products with non-interest related incentives may prove to be more acceptable. During 2008, the Sri Lankan economy experienced high inflationary pressure due to rise in oil prices and local interest rates. Such increases have weakened the local industries as well as reduced the real income of individual to some extent resulting in a rising wave of NPA across all the economic sectors. Although, such increases have now subsided, particularly with the price of oil falling, the global environment can still inflict further damage. Accordingly, damage limitation strategies and relief packages are likely to become the norm as we progress into 2009.

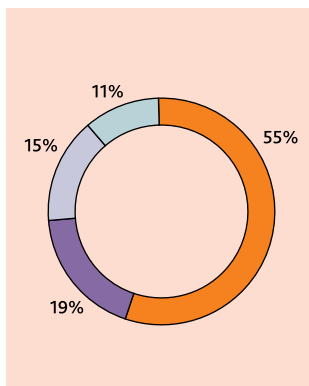
CONTRIBUTION FROM PERSONAL AND RETAIL BANKING

	2008		2007	
	Rs. million	Segment's share %	Rs. million	Segment's share %
Total Interest Income	18,585	38	13,750	33
Fee Income	1,628	40	1,497	48
Profit before VAT & Tax	1,960	27	1,619	25
Loans & Advances (Gross)	112,992	40	103,703	35
Deposits	245,419	78	236,657	77

HUMAN RESOURCES

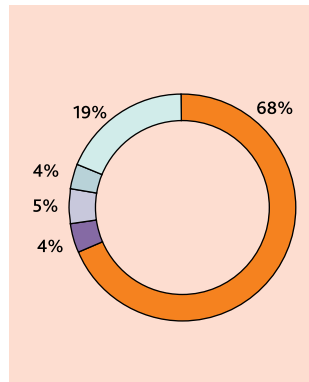
Our commitment to explore strategies to unleash the full potential of Human Capital within the Bank was accelerated during 2008. We developed new and enhanced processes, re-structured the department and employed consultants to assist with gaps in our in-house expertise. Among policies that have been renewed during the year were one covering Transfers and another in reference to Disciplinary Action. A revision to the policy in relation to Promotions is under way. During the year, we also installed a new Time Attendance Management System and automated the Medical Assistance Scheme, both introduced as part of our commitment to increase efficiency through process improvement.

Age Analysis of Employees



■ 51 - 60 years ■ 41 - 50 years
■ 31 - 40 years ■ 21 - 30 years

Service Analysis of Employees



■ Above 20 years ■ 16-20 Years
■ 11-15 Years ■ 6-10 years
■ Below 5 years

In terms of age, over 55% of full-time employees are aged between 51-60 years and form the largest segment. The remaining 45% is distributed somewhat evenly with 18% in the 41-50 year age group, 15% in the 31-40 year age group and 12% in the 21-30 year age group.

RESOURCING

During the year 2008, we continued to recruit as per our approved Manpower Plan and ended the year with total full-time employees of 7,912 together with 1,016 subcontracted workers. As per the

plan we expect to recruit 200 Management Trainees and 1,000 Trainee Staff Assistants during the next two years.

CAREER DEVELOPMENT

As part of our Career Development Programme, we continued to offer promotions to a large segment of employees in 2008. Employees were promoted to higher grades both in the Banking Stream as well as in the Non-Banking Stream motivating all towards better performance.

TRAINING AND DEVELOPMENT

We recognise training and development as a key driver of competitive advantage. Accordingly, nearly 300 training programmes across many diverse subjects were conducted at our purpose-built Central Training Institute, Head Office and in the provinces. In addition, 1,263 employees were given opportunities to participate in national and international programmes conducted by external organisations.

Total cost on training activities increased from Rs. 48 million in 2007 to Rs. 65 million in 2008, a 35% increase. Below, we provide some salient features split between in-house and external training.

IN-HOUSE AND EXTERNAL TRAINING

	2008	2007
In-house Training		
- No. of Training programmes conducted	283	180
- Total training days	435	332
- Total employee participation	17,275	10,866
External Training		
- No. of training programmes participated	213	168
- Total employees participation	1,263	592
Average training cost per employee (Rs.)	8,182	5,774

MANAGEMENT DISCUSSION & ANALYSIS

Welfare

During 2008, we held the Long Service Award Ceremony for those completing 25 years of unbroken service. 574 employees were awarded at the ceremony. We also continued with the Annual Blood Donation Campaign organised to mark the Anniversary of our incorporation. The two well-stocked staff libraries within the Bank maintained in the interest of encouraging the reading habit also received new additions which both deepened and widened the coverage of subjects.

In terms of physical fitness and health care we continued to maintain the qualified Medical Officer as well as two gymnasiums at the head office building. Finally, we continued to maintain at a high standard the two pilgrim rest houses and five holiday bungalows for the benefit of all staff. During 2008, the spending on staff welfare increased by Rs. 7 million to Rs. 42 million, an increase of 20% over 2007.

Sports

Impressive achievements were recorded by members in various fields of sports at tournaments conducted by the Nationalised Services Sports Federation and the Interbank Sports Festival. We were able to win several national tournaments in Cricket, Badminton and Netball. In recognition of the performance of our volleyball players, they were offered a tour of Bangalore.

Compensation

We review the aggregate compensation package on a regular basis against market movements. In the interests of industrial peace, such reviews are preceded by negotiations with the Trade Unions to arrive at a Collective Agreement every

3 years conducted with the concurrence of the Ministry of Finance. The Board of Directors is compensated in terms of two Public Services Circulars, namely PED 35 (dated 17 January 2006) and PE/COMC/BoC (dated 24 March 2008) issued by the Department of Public Enterprises within the Ministry of Finance.

Productivity

All of the above measures have contributed to enhancing productivity of employees. The following table exhibits rising levels of employee productivity over the past 5 years.

EMPLOYEE PRODUCTIVITY

	2004 Rs. '000	2005 Rs. '000	2006 Rs. '000	2007 Rs. '000	2008 Rs. '000
Profit per employee	293	351	455	547	661
Income per employee	2,748	3,073	4,208	6,078	7,606
Business per employee	39,746	45,954	59,344	72,975	75,449

Core-Banking System (ICBS) in 303 branches, thus interconnecting all the branches and facilitating banking from any branch. However, the branches located in the far northern areas of the island, namely Kilinochchi, Mankulam, Atchuveley and Mullaithivu were not linked to the Head Office Server due to the security situation in the country. In addition, 117 Extension Offices were automated and linked to the ICBS to increase the linked branches tally in the country to 420.

Another noteworthy achievement for the year was the rollout of the ICBS solution

INFORMATION TECHNOLOGY

The year under review saw the Bank continue with its new initiatives in technological advancements through enhancements to investments already made and also through new investments where essential. The primary focus in these initiatives was the enhancement of customer convenience and retention of business with BoC. Given below are some areas that made significant contributions to IT-related performance and progress during the year under review.

On-Line Banking Operations

The major achievement towards improving On-line Banking Operations was to complete deployment of the International

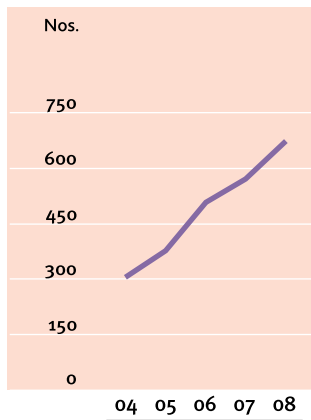
to Male Branch. In addition to the ICBS, the two ATM's at Male Branch too were connected with only minimum interruption to customer and processing activity.

Automated Teller Machines

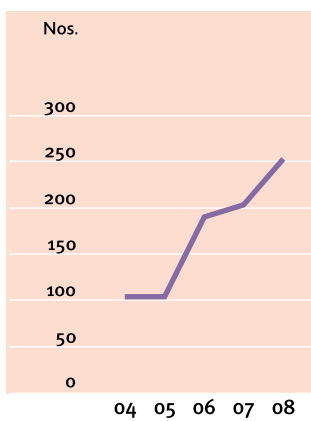
In 2008, we procured 124 new ATMs with latest technology of which 58 were successfully installed in locations throughout the country including 4 ATMs in Jaffna, the northern most major city in the island. Accordingly, the total number of ATMs reached 253 and the number of ATM locations increased to 222 providing BoC with an island-wide coverage second to none. This wide geographic footprint was further supplemented with the value-added services that were introduced to

serve BoC ATM Cardholders. These include the facility to Transfer Funds and effect Utility Payments via ATMs.

No. of Automated Delivery Points



No. of ATMs



Mobile Payment Facilities

We enhanced customer convenience via the Multi Channel Gateway, the existing mobile payment facility enabling the purchase of goods and services via the mobile phone. The salient feature of this product is that approval could be granted without the customer having to be at the purchase location, unlike for Credit and Debit Card transactions.

Internet Banking Facilities

Focusing on solutions for corporate customers, Internet Banking functionalities too were enhanced during 2008. Multi Level Authorisations were provided for transactions, thus strengthening both security and internal controls whilst maintaining the flexibility to customise for specific customer needs.

Also in 2008, we were the first bank to provide a facility for employers to pay Employees' Trust Fund contributions/ surcharges and upload monthly member contribution details through the internet. Such upgrades eliminate the need to fill forms, draw and post cheques to ETF etc. This facility could be used to improve the overall efficiency of the ETF payment process.

Credit Card Operations

BoC implemented systems that support both VISA and MasterCard acquiring facilities. We further upgraded systems to be Chip-enabled and EMV compliant on VISA thus enhancing security in line with international standards. Such enhancements enabled BoC to be the first in the country to acquire Chip enabled cards. It is envisaged that the Bank would issue EMV compliant Chip cards for MasterCard during 2009.

Introduction of Automated Inward Remittance Products

Our IT System has the capacity to automatically process Inward Remittances received through multiple channels and credit the beneficiary accounts immediately. The technological enhancements implemented on our Inward Remittances System, particularly

on the BoC e-cash product have contributed to the boosting of Inward Remittance Flows in 2008.

Centralised Treasury Bills System

A fully automated, centralised Treasury Bills System, fully integrated with the core-banking system was developed in-house and implemented with many added features and enhanced security. It has the capability of processing investments in Treasury Bills from prospective clients at any branch in our network. This system now caters to the script-less system introduced by CBSL.

Disaster Recovery Centre

Our Disaster Recovery System is fully functional for key systems with real time on-line replication. During 2008, disaster recovery facilities were extended to cover Trade Finance and SWIFT.

Server Upgrade and Other Hardware Requirements

In 2008, plans were finalised to upgrade our centralised production and backup servers in order to support business growth. Such upgrading stabilises the process and provides efficient and uninterrupted customer service. After detailed evaluation in 2008, processes are under way to purchase new computer hardware now essential for better customer care and efficiency.

MANAGEMENT DISCUSSION & ANALYSIS

OUTLOOK FOR 2009

The outlook for consumers and businesses in all sectors will be shaped by the adjustment process now under way in the global economy and financial markets. Banks across the globe have been weakened by the adverse economic and financial market conditions. Fragility within the global banking system has been met with unprecedented policy prescriptions. Liquidity remains difficult, especially term money. Further shocks cannot be ruled out. To survive and progress in these conditions, banks will need to stay away from short term profit maximisation, focus on longer term survivability and manage for sustainable growth. For BoC adopting such strategies should not be difficult. Over the years with no share price to maintain and no return hungry shareholders to satisfy, its policies and strategies were by and large focused on sustainable longer term objectives. Accordingly, we will base our strategies within a framework that takes into consideration ample liquidity, robust capitalisation, prudent risk management and sustainable models for each one of our customer businesses that includes a portfolio of Government business.

Although, financial institutions in Sri Lanka have not experienced any 'big blows' directly from the financial meltdown, significant negative impact can be expected across several industry sectors in 2009 and perhaps even beyond. Export markets for garments, accounting for over 50 % of national aggregate export revenues, are under heavy pressure as they decline due to evaporating buying power. Equally, outlook is poor for the more traditional exports of tea and other commodities, although some resurgence is visible.

Remittances too are likely to be impacted as the lower prices for oil take its toll in the Middle East labour markets and recession impacts production capacity in other remittance sources such as Canada, Korea and Japan where significant numbers of the Sri Lanka Diaspora are resident.

Among the positive aspects are the prevailing low cost of oil and other commodities. The significant decline of the oil bill should help restore some stability to the Balance of Payments (BOP). The decline of the export markets as well as the flow of inward remittances is likely to be deep and of a longer duration deteriorating the BOP. Hence, access to an IMF Package is likely. Nearing the end of the long war against terrorism is another positive indicator. The expenditure on such efforts, the peace dividend, can be diverted to rebuilding the newly liberated areas in the North and East of the island, thereby stimulating and contributing to the domestic economy. When peace is restored, some US\$ 250 million annually may be available for developing the Sri Lanka economy generally and the North and East in particular. Overcoming the terrorists and initiation of peace efforts may also attract external funds for reconstruction and rehabilitation.

GOALS FOR 2009

For BoC, specific goals for 2009 within the framework indicated above include the following elements:

- Improve core banking profitability ensuring the pricing of both lending and funding to be under constant review to enable stable financial margins at the net interest income level. Focus

here will be to arrest and manage the compression in financial margins suffered over the past few years.

- Competition for longer term saving deposits is likely to increase threatening the low cost base of what has been a stable source of funds. Accordingly, fresh strategies will need to be employed to retain them.
- As the price of deposits, loans and other products become less important in the customer 'buying' decision, we will be focusing more on service as a differentiator to both gain and retain customers. Culturally, we will need to become a service centred business with the customer as one of its most important real assets that ensures longer term sustainability. Accordingly, formulating a Customer Charter in partnership with GOSL sponsored Strategic Enterprises Management Agency (SEMA), that will generate a deep-rooted change will be among our main objectives for 2009.
- Reliance on money markets to fund the Balance Sheet, particularly at times of stress, has taught a bitter lesson to many global banks. Accordingly, strategically we will avoid such dependence on wholesale markets and will focus more on generating deposits to fund the loan portfolio.
- One of the singularly important messages of the ongoing crisis is the need for undiluted application of risk management across the banking system. At BoC, we will undertake a cultural change process to upgrade

risk management with the message of a new partnership between business units and risk management spread across the institution.

- Given the unfolding recession, the need to control costs takes a new more imperative note. Indeed, if margin compression at the financial level is difficult to arrest, then control of other costs will become even more crucial. Efficiency of operations is the ultimate goal here.
- Maximising the benefit of emerging enabling technologies to communicate, respond, innovate and simplify the business of banking is also in the agenda. At the very least, the Bank will strive to retain its current technological advantage, a key differentiator among Sri Lankan banks.
- Leveraging the banking licence and operation in London is also a key goal in 2009. Supervised by the UK authorities, we see significant opportunities for the London business to expand not only by engaging the Diaspora in London but also within the Euro Zone Countries.
- Focus on managing people more effectively, to reward them for demonstrated performance and ensuring that key people are fit for the purpose are also in the scope for the future. As people ultimately make the difference between growth and stagnation, their effective deployment and management will be critical.
- New initiatives for the North and the East of the island with the

arrival of total peace. We expect to intervene productively in the resulting significant development effort and financial flows.

- Finally, although profitability is likely to be under strain, we will continue with our social responsibility and sustainability programme. In response to diminishing internal resources, the programme is likely to be subdued but more focused and purposeful.

As we write this Report, the latest events with meetings of the G20 countries provide much hope that the ongoing global recession will take a turn for the better soon. Some further dislocation in the meantime is to be expected as the G20 while promising much wanted stimulation did not offer any immediate injections. The outcome of the meeting, however, provides much comfort. Among its many outcomes was US\$ 1 trillion of incremental financing for the IMF to on-lend to countries caught in the global recession, provisions for a global regulator and further stimulus packages across several countries.

Among the implications for Sri Lanka is the possibility that the recession will be short lived with markets reversing from their down trend sooner rather than later. Timing as to when such reversal is likely is almost impossible to forecast given the many variables at play. Many of the export markets are still in disarray although some stabilisation is visible. Whether such stabilisation is of a permanent nature remains to be seen. How soon aggregate global demand resurges remains an open question. Major economies such as India and China are likely to remain active by

feeding their large domestic markets but for smaller countries such as Sri Lanka such an option is not available although some domestic demand may be stimulated. Hence, progress over 2009 is going to be uneven with some countries bouncing back quickly as the stimulus Dollars have their impact while others with significant structural problems taking longer as excesses are worked out of the economy.

For Sri Lanka, the short term looks stressed with further deterioration in the economy. Some significant negative micro aspects of local industry is likely to delay the upturn. Among these are the relatively expensive cost structures, an export-unfriendly exchange rate, lack of high quality management, poor logistical support for exports, etc. Over time, as traditional export markets recover and new ones come on stream, Sri Lanka will prosper. In the meantime an IMF Package may stimulate the export effort as the exchange rate falls in response to economic fundamentals thereby easing export prices. Cheaper credit for longer tenors will become widespread as customers seek to reduce costs, live and operate within reduced levels of cash flow. Other domestic conditions are no less trying. The rising budget deficit, the stress and loss of confidence in the finance industry, high but falling inflation and interest rates are among them. In the circumstances, for BoC assisting customers in distress will be its over-riding concern in 2009. Our more than adequate capital ratio and ample liquidity augurs well for this task. Accordingly, we look forward for another eventful year proving to be a really customer-friendly financial institution trusted and appreciated in equal measure.

RISK MANAGEMENT

As shown by recent turmoil affecting the credit markets and its constituent financial institutions, prudent Risk Management is essential for longer-term stability. Risk Management at Bank of Ceylon strives to ensure that only well calculated risks are undertaken while at the same time ensuring that the integrity and reputation of the institution is protected. We believe that systematic identification of risks and a structured process for managing them, which includes well-defined responsibilities and demarcated areas of accountability, are vital for the longer-term success of the Bank.

The volatile and fragile condition of markets in the world today renders Risk Management not only essential but also more challenging than ever before. Against this backdrop, the capacity to capture and measure risks, to monitor their impact in real time and to manage their outcome, is increasingly becoming both a competitive advantage and an essential requirement to remain in the business of banking.

The Bank constantly reviews its Risk Management process and every year takes steps to refine it further. As approved by the Corporate Plan, an Independent Integrated Risk Management Division (IIRMD) has commenced functioning as a separate Division, independently from the revenue generating Strategic Business Units (SBUs). The Division has a reporting line to the Chief Risk Officer (CRO) who in turn reports to the Risk Management Committee, a subcommittee of the Board

and ultimately to the main Board of Directors. New standards for financial institutions introduced by BASEL II will be integrated into the new Risk Management strategy and framework and it will be concentrated in the office of the CRO. In response to the new Risk Management Guidelines issued by the Central Bank of Sri Lanka (CBSL), we will introduce some new Risk Management processes and structures. The CRO will set standards for each business unit, approve business-level Risk Management processes and control major risk exposures across the different portfolios. At the business unit level, every independent risk manager will be responsible for establishing and implementing Risk Management policies and practices within their units.

On a daily basis, the Bank manages in the main, three types of risks as indicated below:

- Credit risks, which result mainly from the inability of either a borrower or counterparty to meet its obligations;
- Market risks, which arise from fluctuations in the market, including changes in value caused by fluctuating interest rates, exchange rates, equity prices and commodity prices; and
- Operational risks which result from inadequate or failed internal processes, people, systems or external events.

The section below reviews how the Bank manages these different types of risks.

MANAGING CREDIT RISK

Credit risk is the potential for financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations. Credit risk arises in many normal business activities, including lending, whether secured or clean, trading transactions and when acting as an intermediary on behalf of customers and other third parties. In terms of managing credit risk, the Credit Policy Committee (CPC) formulates overall policy and recommends the delegation of approval authorities and borrower exposure limits. All exposures outside the delegated authorities are subject to approval by the Board of Directors. Additionally, the credit Risk Management process relies on oversight mechanisms to ensure consistency with business-specific policies and practices. Finally the Internal Audit Unit reviews the portfolio and process and individual exposures on a regular basis. Large exposures attract more frequent and early review by Internal Audit.

CONSUMER RISK

One of the fundamentals in this area is establishing sound consumer credit policies and ensuring that they are applied across portfolios in a consistent manner. As seen by the sub-prime debt/mortgage crisis continuing to unfold in the US, the problem is rooted in a lack of application of simple policies and process steps. Beyond such policies, Risk Management entails approving business specific processes, monitoring business risk, management performance, providing ongoing assessment of portfolio credit risk and approving new products and new

risks. Credit approval for a product or business is tailored to meet internal audit requirements, profitability and credit risk portfolio performance.

The consumer business is managed so as to obtain an island-wide portfolio diversified by customer type, product and location. Credit loss is expressed in terms of annualised net credit losses as a percentage of average loans. Consumer credit includes loans and leases made to small and middle-market businesses.

CORPORATE RISK

For corporate and large SME clients, the credit process will be grounded in a series of fundamental principles and policies as the new plan reaches full implementation. The main elements of these principles and policies are noted below, some of which are already implemented:

- Joint business and independent Risk Management responsibility for approving and managing credit risks - this aspect will receive greater emphasis as implementation progresses;
- Portfolio limits to ensure diversification and maintain risk/capital alignment;
- A minimum two credit officers sign-off on any extension of credit - one from a sponsoring credit officer in the business and one from a credit officer in independent credit Risk Management - again this standard will receive greater emphasis as implementation progresses;
- Risk rating standards, applicable to every obligor and facility; and

- Consistent standards for documentation and remedial management.

In terms of portfolio mix, although some concentration is visible, it is diversified by geography, industry, currency and tenor. The maintenance of accurate and consistent risk ratings across the corporate credit portfolio facilitates the comparison of credit exposure across a variety of variables such as industries, geographic regions and credit products. Upgrades will include Obligor Risk Ratings reflecting an estimated probability of default derived primarily through the use of statistical models. Among other enhancements that will come into force are Facility Risk Ratings based on the Obligor Risk Ratings and factors that affect the loss-given-default of the facility such as support or collateral.

MANAGING MARKET RISK

Market risk includes liquidity risk and price risk, both of which arise in the normal course of business of any financial institution. Liquidity risk is the risk that an entity may be unable to meet a financial commitment to a customer, creditor or investor when contractually due. Price risk is the risk to earnings arising from fluctuations in interest rates, foreign exchange rates, equities and commodity prices and may be incurred in both non-trading and trading portfolios.

PRICE RISK

Non-trading portfolios are managed using a common set of standards that define, measure, limit and report market risk. Reporting metrics measure the change in

either income or value of positions taken under various rate scenarios and how it differs from market expectations. In the case of floating rates, the timing of the rate resets and market indices need constant monitoring. These customer transactions result in risk exposures, which may be related to differences in the timing of maturities, rate resetting for assets and liabilities or the resetting of positions.

Among the functions of the Treasury is one to evaluate the risk arising from customer transactions and to manage its impact so that unexpected changes in the markets do not adversely impact the Net Interest Income (NII) of the Bank. In order to manage these risks effectively, the Treasury modifies customer pricing or enters into transactions with other institutions that may have opposite risk positions.

The principal measure of risk to earnings from non-trading portfolios due to changes in interest rates is the Interest Rate Exposure (IRE). The IRE measures the change expected in the Net Interest Margin (NIM) in each currency that results from unexpected changes in market rates. Other factors such as changes in volumes, spreads, margins, and the impact of prior period pricing decisions can also change current period interest income, but these are not captured by IRE. Other tools are also employed in managing these risks. Among them is stress testing the impact of non-linear interest rate movements on the value of the Balance Sheet, analysis of portfolio duration and volatility, particularly as they relate to mortgages and other longer-term assets to manage these additional risks.

RISK MANAGEMENT

Price risk in trading portfolios is measured through a complementary set of tools, including factor sensitivities, value-at-risk and stress testing. Each trading portfolio has its own market risk limit framework. Factor sensitivities are defined as the change in the value of a position for a defined change in a market risk factor (e.g., the change in the value of a Treasury Bill for one basis point change in interest rates). It is the responsibility of Independent Market Risk Management to ensure that factor sensitivities are calculated, monitored and limited, for all relevant risks taken with regard to a trading portfolio.

Value-at-Risk (VAR) estimates are also used in managing market risk. It estimates the potential decline in the value of a position or a portfolio, under normal market conditions, over a particular holding period at a specific confidence level. The VAR method incorporates the factor sensitivities of the trading portfolio with the volatilities and correlations of those factors. VAR for the whole Bank is based on the volatilities of and correlations between several market risk factors.

Under the new framework stress testing will be emphasised on individual trading portfolios and on aggregations of portfolios and businesses. It will be the responsibility of Independent Market Risk Management together with the businesses, to develop stress scenarios, review the output of periodic stress testing exercises and use the information to make judgments on the appropriateness of exposure levels and limits.

Risk capital for market risk in trading portfolios is based on an annualised VAR figure with adjustments for intra-day trading activity. Total revenues of the trading business consist of customer revenue, which includes spreads from customer flows and positions taken to facilitate customer orders; proprietary trading activities and net interest revenue. All trading positions are marked-to-market with the result reflected in earnings. In 2008, negative trading-related revenue (net losses) was recorded for 15 days out of 188 trading days. Of the 15 days on which negative revenue (net losses) was recorded, not even one day was greater than US\$ 2,000 (Rs. 228,000).

LIQUIDITY RISK

Inability to meet current and future financial obligations in time triggers liquidity risk. The task of managing liquidity and liquidity risk and ensuring bank solvency at all times is vested in the Asset & Liability Management Unit. The unit analyses a number of factors in evaluating liquidity such as potential sources of funds, historical funding requirements, customer liquidity position, earning capacity and asset quality. In addition, the Treasury and Finance Divisions together have the task of maintaining the relevant Statutory Reserve Requirement (SRR) and ensuring short term liquidity.

The Treasury also analyses cash flows by currency and carries out liquidity balancing for different currencies and generates cash flow forecasts. Based on these forecasts, liquid holdings of various currencies are maintained by the Treasury.

MANAGING OPERATIONAL RISKS

Operational risk is part of any business undertaking. It relates to losses resulting from inadequate or failed internal processes, people or systems and external events and includes reputation and franchise risk associated with business practices or market conduct that maybe undertaken by the Bank. The operational risk framework carries a system of checks and balances that includes ownership of the risk by the businesses, independent Risk Management, and oversight by the Audit Committee.

Going forward, the Risk and Control Self-Assessment (RCSA) Policy and Operational Risk Policy will become central in managing operational risk. The RCSA Policy provides the overall direction, oversight and lays down a consistent approach to assessing risk and its management across the Bank. It also integrates the relevant regulatory requirements including BASEL II. The process will be subject to review by Internal Audit, which in turn reports to the Board.

Under this overall framework each SBU sets its own operational risk procedures, identifies its key operational risks, sets controls to mitigate those risks, and ensures compliance with laws and the regulatory framework. Each SBU then reports on their performance for each year according to this framework.

Steps have already been taken to enhance Risk Management practices in relation to information security and continuity of business. In this connection, the Bank is reviewing, among other things, data protection, entitlement management, and

the response to major incidents impacting core systems. An IT Risk Officer will oversee this process.

Implementation of a new Business Continuity Plan under the guidance of CBSL is continuing. A country-wide preparedness plan to mitigate business continuity risks by reviewing and testing recovery procedures will also be instituted from time to time. In addition to these procedures, the Treasury maintains a test contingency facility to support operations in the event of a disaster. A model dealing room will be placed in the disaster recovery site for this purpose.

CAPITAL RESOURCES & LIQUIDITY

CAPITAL RESOURCES

The capital management framework of BoC is designed to ensure that it maintains adequate capital resources in relation to its risk profile. Market and public confidence is obtained and retained by such self-

regulation and attention to all applicable legislation, regulatory supervision and external rating agency recommendations.

The process is subject to continuous review. Capital is generated principally via retained earnings, issuance of stock and subordinated debt and utilised in the main to support the growth of business. Excess capital, alternatively, is used to pay dividends or restructure the business. Capital targets for both the Bank and its subsidiaries are set at levels that exceed regulatory standards. A new committee, namely the Finance and Capital Committee (FinCC) consisting of the Chief Financial Officer (CFO), Treasurer, Deputy General Manager (DGM) Finance, CRO and the Business Heads is been formed to supervise the capital management process. The Committee reviews, among others, the following key areas: Financial Structure; Annual Funding Plan; Liquidity; Dividend Payments and Capital Expenditure.

The Bank is subject to risk-based capital ratios issued by CBSL. Basically capital adequacy is measured under two risk-based ratios, namely Tier I and Total Capital (Tier I + Tier II Capital). Tier I Capital is considered core capital while Total Capital includes other items such as subordinated debt and loan loss provisions. Both measures are stated as a percentage of risk adjusted assets, which are measured in terms of their perceived credit risk and include selected off-balance sheet items such as unfunded loan commitments, letters of credit and foreign exchange contracts.

REGULATORY CAPITAL RATIOS

The regulatory capital ratios of the Bank and their computation are disclosed in some detail below. In the interest of fuller disclosure on this important aspect, the full Capital Adequacy Ratio (CAR) computation according to BASEL II with comparatives for 2007 are also included.

Computation of Risk-Weighted Assets

	Bank			
	Assets		Risk-Weighted Assets	
	2008 Rs. billion	2007 Rs. billion	2008 Rs. billion	2007 Rs. billion
On-Balance Sheet - Exposure				
Claims on Government of Sri Lanka and CBSL	226.4	214.9	–	–
Claims on Foreign Sovereigns and their Central Banks	4.5	5.4	4.2	4.4
Claims on Public Sector Entities (PSEs)	31.8	–	0.8	–
Claims on Banks	21.8	27.6	7.6	12.3
Claims on Financial Institutions	5.2	4.8	3.9	3.4
Claims on Corporates	67.0	59.0	65.6	58.6
Retail Claims	16.9	34.5	12.7	25.9
Claims Secured by Residential Property	16.1	8.9	11.3	4.5
Non-Performing Assets (NPAs)	5.9	1.1	7.6	1.3
Cash Items	72.9	66.9	0.6	1.2
Property, Plant & Equipment	5.0	5.4	5.0	5.4
Other Assets	11.3	7.0	11.3	7.0
Total	484.9	435.8	130.8	124.0

RISK MANAGEMENT

	Bank			
	Assets		Risk-Weighted Assets	
	2008 Rs. billion	2007 Rs. billion	2008 Rs. billion	2007 Rs. billion
Off-Balance Sheet - Exposure				
Direct Credit Substitutes	20.7	87.4	20.7	28.5
Transaction-related Contingencies	93.8	10.2	11.5	5.1
Short Term Self-Liquidating Trade-Related Contingencies	27.2	10.7	1.4	2.1
Obligations Under an Ongoing Underwriting Agreement	15.8	14.9	–	–
Foreign Exchange Contracts	23.0	20.9	0.5	0.5
Total	180.6	144.3	34.1	36.2

Total Risk-Weighted Assets

	Bank	
	2008 Rs. billion	2007 Rs. billion
Credit Risk (On+Off Balance Sheet Exposure)	164.9	160.2
Market Risk	3.6	9.2
Operational Risk	27.9	23.6
Total	196.5	193.1

Capital Ratios

	Bank		Bank		CBSL Norm
	2008 Rs. billion	2007 Rs. billion	2008 %	2007 %	%
Core Capital (Tier I Capital)	22.19	19.66	11.29	10.18	5
Capital Base (Tier I + Tier II)	31.22	20.94	15.88	10.84	10

In the computation of Risk-Weighted Assets, the table shows that total on - balance sheet assets increased from Rs. 436 billion in 2007 to Rs. 485 billion in 2008, an increase of 11% during 2008. Equally, the total off-balance sheet exposure increased from Rs. 144 billion in 2007 to Rs. 181 billion in 2008, an increase of 26% during 2008. In comparison with both, total risk-weighted assets increased from Rs. 193 billion in 2007 to Rs. 196 billion in 2008, an increase of only 1.5% during 2008. BASEL II takes into consideration aggregate Credit, Market and

Operational Risk in the calculation of risk-weighted assets. Accordingly, while total risk-weighted assets increased by only 1.5% in 2008, Core Capital expanded by 13% i.e., from Rs. 19.7 billion in 2007 to Rs. 22.2 billion in 2008. Hence the CAR based on Core Capital reflects a strong position i.e., increasing from 10.18% in 2007 to 11.29% in 2008.

A noteworthy increase in the Total Capital Base of the Bank occurred in 2008, as a result of issuing both USD and Rupee Debentures. As these are subordinated

instruments and carry initial tenors up to 5 years, they are eligible for capital treatment and hence inclusion in calculating the Total Capital Base. Accordingly, the capital base including both debentures expanded by Rs. 10.28 billion i.e., from Rs. 20.94 billion to Rs. 31.22 billion in 2008, an increase of 49% during 2008. Hence, based on both a marginal increase in risk-weighted assets and a strong improvement in the Total Capital Base, the CAR moved from 10.84% in 2007 to 15.88% in 2008, historically the highest ratio reported by BoC and perhaps the highest in the Sri Lanka banking system.

REGULATORY CAPITAL

The Bank supports the move to the new risk-based regulatory structure to ensure that the international banking system is sufficiently capitalised. Established in 1988 (first published in June 2004 and revised in November 2005), it was formulated by a Committee of Central Bankers in conjunction with the Bank for International Settlements in Basel, Switzerland and has since become known as the Basel Capital Accord.

BASEL II can be treated as an update to the original Accord. It is designed to be more flexible and risk sensitive than its predecessor. The Accord provides a set of regulations that will alter significantly the way that banks are capitalised. Fifteen years ago, a commercial bank's major risk was its loan portfolio. Today, as a result of innovative financial instruments such as securitisation, derivatives, etc., and extensive trading in them, capital is exposed to not only credit risk but also interest, market and operational risk. On the implementation of BASEL II, operational risk will feature directly in the assessment of capital adequacy for the first time.

In time BASEL II will permit us to take advantage of internal rating methodologies to measure Credit, Market and Operational Risk in arriving at regulatory capital computations. The current Sri Lanka implementation timetable consists of calculating the

regulatory capital under BASEL II, commencing January 2008 and implementing a transition period for advanced approach commencing January 2009 through to 2011. Irrespective of these dates, the Bank will monitor and analyse developments, particularly in the US and the UK, as regards regulatory capital allocation and evaluate their collective impact.

LIQUIDITY

Managing the Liquidity of the Bank is a key responsibility of the Treasury. Given the controlled access to the CBSL window, close management of funding and liquidity is now a fundamental necessity. Under a Liquidity Risk Management Policy, there is a single set of standards for the measurement of liquidity risk that ensures stability in methodology and transparency of risk. Liquidity is managed and monitored on a daily basis with the Asset and Liability Management Committee (ALCO) playing a role. The starting place for managing liquidity is the annual strategic funding and liquidity plan. The plan includes an analysis of the Balance Sheet together with economic and business conditions. It sets out liquidity limits, liquidity ratios, market triggers and criteria for periodic stress tests.

Liquidity limits establish boundaries for market access in business-as-usual conditions and are monitored against the liquidity position on a daily basis. These limits are based on Balance Sheet size, market depth, stability of liabilities and liquidity of the assets. The results from stress test are also considered in setting the limit. The general strategic intention is to set limits that enable self-funding or provide liquidity to the market.

A series of Standard Liquidity Ratios is in the process of further development to monitor the structural elements of liquidity. These include core deposits to loans, long term liabilities to long term assets, cash capital (defined as Core Deposits, long term debt and capital compared to illiquid assets) and liquid assets versus liquidity gaps. Potential concentration of funding by name, product, industry and geography is also monitored. Among the stress test criteria will be included changes in key funding sources, credit ratings, political and economic events. The final outcome is to arrive at alternatives that contain policies, processes, roles and responsibilities and an action plan that can be used depending on the contingent liquidity event.

Provided below are the year end Liquidity Ratios as reported to CBSL since 2004:

Year end	2008	2007	2006	2005	2004
Liquidity Ratio	24.21%	21.20%	22.19%	26.87%	23.82%

PRODUCTS & SERVICES



DEPOSITS

LOCAL CURRENCY DEPOSIT ACCOUNTS

Normal Savings

- Ran Kekulu Ginum
- 14+ Teen Savings
- 18+ Youth Savings
- Sisu Saviya Savings
- Kantha Ran Ginum
- Senior Citizens Savings

Special Purpose Accounts

- Ran Govi Thenpathu
- Ranaviru Ran Ginum
- Samurdhi Savings
- TECO Savings
- Dheevara Thenpathu
- Smart Savings Account
- Prestige+ Current Account

Maturity Deposits

- 7-day Call Deposits
- Savings Certificates
- Normal Fixed Deposits
- Moving Rate Fixed Deposits
- Senior Citizens Fixed Deposits
- Special Savings Certificate (scratch savings)

FOREIGN CURRENCY DEPOSIT ACCOUNTS

NRFC Accounts

- Normal NRFC Savings
- NRFC Fixed Deposits
- Foreign Currency Savings Account for Professional Service Providers
- Foreign Currency Fixed Deposit for Professional Service Providers
- Foreign Currency Current Account for Professional Service Providers

RFC Accounts

- Normal RFC Savings
- RFC Fixed Deposits

Other Accounts

- Ethera Thilina Savings
- Ran Kekulu Foreign Currency Children Savings
- Resident Non-National Foreign Currency Savings
- Export Foreign Currency Accounts

TREASURY

PRIMARY DEALER UNIT

- Treasury Bills
- Treasury Bonds
- REPO's
- Reverse REPO's

FOREX & FUND MANAGEMENT

- Forwards
- SWAPS
- Import/Export Financing
- Custodian Services
- Money Market Lending & Borrowing
- Interest Rate Swap

SPECIAL SERVICES

Cash Services

- ATM Services
- Cheque Encashment
- SLT Direct Debit
- Foreign Currency
- RTGS Fund Transfer

Funds Transfer

- Inter-Branch Money Transfers
- SWIFT
- SLIPS
- Telegraphic Transfers
- Mail Transfers
- e-Cash Inward Remittance Service
- Xpress Inward Remittance Service
- Issuing and Encashing Foreign Drafts

Travel Services

- Bureau de Exchange
- Traveller's Cheques

Value Added Services

- Gold Shop
- Safe Custody Vault
- Insurance Desk
- Left Handers' Cheque Book
- Ran Kekulu Gift Vouchers
- Money & Banking Museum
- Small Entrepreneur Consultancy
- Trade Information and Help Desk
- e-Channelling
- Ran Kekulu Sansada (School Savings Units)
- SMS Banking
- BoC Paymate
- Phone Banking
- BoC Internet Banking

Credit Cards

- Visa Credit Card - Local
- Visa Credit Card - International
- Master Credit Card
- Apsara Ladies Credit Card
- Visa/Master Card Acquiring Services
- Visa Electron Debit Card

ADVANCES

Loans

- Term Loans
- Short term Loans
- Pledge Loans
- Hypothecation Loans
- Trust Receipt Loans
- Series of Loans
- Export Packing Credit Loans
- Foreign Currency Loans
- Ran Surekum Pawning
- Bridging Loans
- Scheme Loans

Overdrafts

- Permanent Overdrafts
- Export Packing Credit Overdrafts
- Ran Surekum Overdrafts
- Temporary Overdrafts

Letters of Guarantee

- Credit Purchase Guarantee
- Tender Guarantee
- Bid Guarantee (Bid Bond)
- Performance Guarantee (Performance Bond)
- Advance Payment Guarantee (Advance Bond)
- Retention Guarantee (Retention Money Bond)
- Customs Duty Guarantee for Imports (Custom Duty Bond)
- Shipping Guarantee

Lease Financing

- BoC Leasing Scheme
- Special Leasing Scheme with DIMO

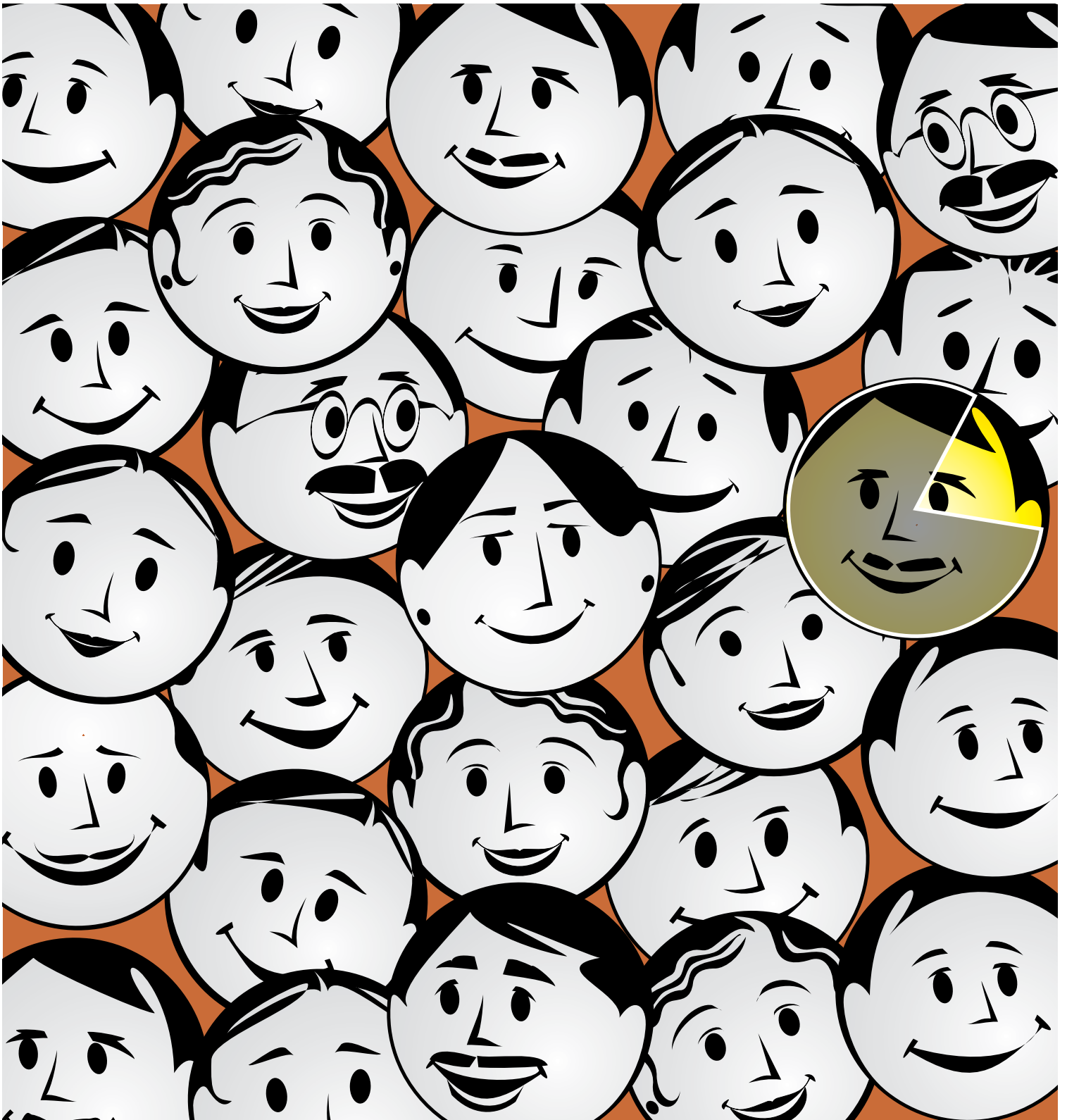
Other Services

- Letters of Credit
- Negotiation of Bills (DP/DA Terms, deferred payment terms)
- Purchase of Export Bills (DA/DP)
- Purchasing of Cheques
- Encashment Facilities

Development Credit Schemes

- Comprehensive Higher Educational Loans
- Personal Computer Loans
- BoC Housing Loan Scheme
- Housing Loans for Government Employees
- 'Sookshma' Micro Credit Programme

- Educational Loan Scheme for professionals
- Tea Development Project Revolving Fund
- 'Dheevara Shakthi' Credit Scheme
- 'Govi Shakthi' Credit Scheme
- EIB Post Tsunami Line of Credit
- Poverty Alleviation Micro Finance
- Vehicle Loans for Government Employees
- Personal Loans
- Special Motor Vehicle Loan Scheme for Provincial Council Members
- Loan Scheme for Passenger Transport
- 'Gamata Naya' Credit Scheme under 300 industrial development programme



Trust and Choice Reinforced...

Rs. 60 billion turnover amounting to 20% of all banks in the country... proven public enterprise

CORPORATE SUSTAINABILITY & RESPONSIBILITY REPORT

CREATING SOCIAL VALUE

For Bank of Ceylon as Bankers to the Nation, Corporate Sustainability and Responsibility (CS&R) are neither mere buzzwords nor flavour of the month initiatives. Our Corporate Vision and Mission statements describe the intentions that guide our business. CS&R is fully integrated into our operations, is part and parcel of our business and is actively pursued at every level of the Bank.

As Sri Lanka's foremost commercial bank, we make a significant contribution through sustainable financing, and philanthropic and social investments whilst building a healthy business for the benefit of all our stakeholders. We amply recognise that sustainable business stems from stable and secure stakeholders. Bank of Ceylon is committed to operating responsibly, efficiently and profitably in the interests of all our stakeholders today and for generations to come.

MATERIALITY

Behind Bank of Ceylon's vision for Corporate Sustainability & Responsibility (CS&R) is a strong and committed leadership team willing to take prudent risks to maintain the Bank's role as an industry leader and deliver value to our diverse stakeholders. Our CS&R vision covers material issues identified by our Board of Directors and Corporate Management that have significant immediate or future impact on

our stakeholders. Our multi dimensional stakeholder set consists of the Government, primarily as the single Shareholder, local and international Customers both corporate and individual, Employees numbering approximately 8,000, Pensioners, local and foreign Suppliers and Regulators and Society at large.

STAKEHOLDERS

The motivation to create the Sri Lanka that we envision is empowered by sustainability policies applying to each respective stakeholder. We interact with and engage our many different stakeholders on an ongoing basis.

Our journey is made better and more effective with the perspectives, ideas and challenges posed by our stakeholders. They hold us accountable and monitor our progress. They inspire us to remain committed to creating sustainable value.

GOVERNMENT AS A SINGLE SHAREHOLDER

Bank of Ceylon promotes the interests of the Government as its single shareholder by seeking to increase the value of the annual dividend paid both implicitly and explicitly and by applying sound principles and practices of Corporate Governance. We continually engage with the Government in matters concerning economic and financial development, policy and regulation.

SOCIETY/ENVIRONMENT

Bank of Ceylon believes in working in partnership and in offering community partners more than simply having access to money and banking services. We concentrate on positively influencing social and environmental issues thereby minimising the burden on the Government. Our development programmes focus on enhancing regional development, economic revival and entrepreneurship amongst others, together resulting in the long-term welfare and prosperity of society.



Blood Donation Campaign to commemorate the Bank's Anniversary.

EMPLOYEES

We are committed towards a safe working environment, staff development, openness, honesty, respect and diversity. Central to all our initiatives is the active engagement of our staff. We view equal opportunities as imperative in developing skills enabling fulfilling careers and competitive remuneration.

CORPORATE SUSTAINABILITY & RESPONSIBILITY REPORT

CUSTOMERS

Our intentions are always honest, fair and open in all dealings with our customers and endeavour to assist them at all times. Resort to court action in a limited number of cases is undertaken only after meticulous and deep review having listened to the views of the customer as many times as can be reasonably expected. We are committed to providing value-for-money products and solutions that are fit for the purpose intended. They are for the most part simple to grasp and comprehend, simple to compare and contrast and simple to apply and action. We promote all our products in a transparent manner and enable their availability widely at all points of sale. In the case of children, we foster financial literacy, discipline and responsibility at an early age, provide similar guidance to small businesses and budding entrepreneurs and encourage children in secondary education via financial assistance to attain higher educational objectives. In our continuing efforts to form a truly customer centric service dominant business, it is our intention during 2009 to arrive at, articulate and deploy widely across all our businesses a Customer Charter that enshrines and includes the sentiments expressed above.

SUPPLIERS

We aim at fostering enduring relationships based on quality of products and services as well as price and mutual

trust. Selection and exit are based on fair criteria and for the most part follow criteria laid down by the Government.

CS&R STRUCTURE

The Bank of Ceylon Board of Directors has assigned the responsibility for overall monitoring and overseeing of our sustainability initiatives to Corporate Management. Accordingly, the Bank's leadership team meets to review the sustainability objectives, challenges, targets and progress.

Four themes and issues are critical to our sustainability. These priorities consist of the following:

- Environment and Regional Rural Development
- Sustaining and Nurturing National Heritage and Traditional Value Systems
- Investing in our Nation's Future - Children and Youth
- Disaster Response

ENVIRONMENT AND REGIONAL RURAL DEVELOPMENT

The need for equitable access to financial services is a predominant need in our economy, in which a significant portion of the population is considered rural. In recent years, our activities in the microfinance sector have been increasingly more prolific. Our microfinance activities extend financial services to clients outside the reach of traditional financial institutions. Our client spectrum includes

micro enterprises, small farmers, cottage industries, craftsmen and small-time fishermen. The range of products we offer involve a mix of housing, educational assistance, poverty alleviation, employment generation, transportation and sustainable livelihood development.



Curd Pot Maker at Tanamalwila one of the success stories in Micro Finance.

The alleged 'Non-bankable Sector' is targeted by socially mobilising them into Self-help Groups thus reinventing sector as 'Bankable' and hence able to negotiate with finance providers on equal terms. To date we have helped to establish 4,718 such groups during 2008. Constituting those below or just above the poverty line, such action has helped instill a firm flicker of hope amongst *circa* 27,000 self-help group members, majority of them women, who yearn to become future wealth generators in the country. These groups are located from Galenbindunuwewa to Kavatikudah (Trincomalee), Sammanthurai to Mahaulpotha (Bandarawela), Pansalgodella (Hingurakgoda) to Bulathsinhala and Devinuwara to

Horowpotana clearly indicating the geographical and demographical diversity of this challenging task undertaken and driven by BoC.

A substantial number of Micro and SME enterprises identified and nurtured by us have now come of age and are firmly established in their chosen fields. They have become household names today, steadily reaching the top. We take pride in their achievements from humble beginnings to near Super Brand level. Among notable achievers are, Rice-processors in North-Central Province, instant food manufacturers, low-grown tea factories in Southern and Sabaragamuwa Provinces, fruit drink manufacturers, potable water bottlers and paint industries.



Empowerment of Rural Women.

We have helped empower illiterate rural women to become financially astute entrepreneurs generating village-based wealth and employment opportunities. School dropouts have become successful agri-businessmen winning coveted awards from Industry Chambers. Rural Dairy co-operatives assisted by BoC in the harsh dry-zone have become textbook case studies in Micro-finance. Roaming Chena (slash and burn) cultivators in the North-Central Province have been

transformed into commercial scale maize producers. These are among thousands of other success stories. Among them are reed-weavers and wood-carvers, potters and village blacksmiths, potable water bottlers and fruit drink manufacturers, day workers turned into coir producers, Tsunami-victims rising out of the ashes - just like the phoenix. All of them have triumphed with our caring hand.

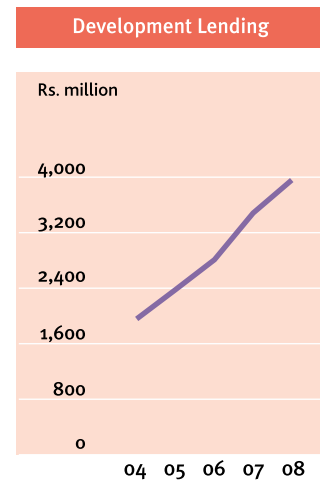


Milk Producers Co-operative, Galenbindunuwewa funded and nurtured by us.

As a testament to their determination and grit and our ready assistance extended to them, we have produced a video documentary on 14 such success stories aired over the National Rupavahini *Gam-Udana* (Village Re-awakening) Programme. This continued during the year, successfully integrating the rural community with the Bank's development strategies and aspirations.

In addition, we have reached out to the newly liberated Eastern Province, expanding our presence into the remote interior, particularly in the Batticaloa District. BoC has joined hands with the Provincial Administration and CBSL to develop and put into operation a Comprehensive Development Plan for the Province. Given our resources and the resolve of our staff, we believe

that the plan would be a resounding success. Our sponsorships included the 'Rividina Arunella' TV Programme on National Rupavahini, with focus on Home Gardening, Agriculture Extension and Livelihood Development. A range of Agricultural Enterprises was also featured in this popular weekly show.



SUSTAINING AND NURTURING NATIONAL HERITAGE AND TRADITIONAL VALUE SYSTEMS

Bank of Ceylon has a long history of promoting the preservation of cultural heritage and takes pride in sustaining and nurturing our traditional value systems. We acknowledge that cultural attributes are an essential component of the identity of a society or social group, and is increasingly more important now in a world open to globalisation. Enhancing quality of life involves more than stimulating economic growth. It also requires the fostering of a sense of belonging and identity, boosting self-esteem and enhancing creativity. It is partly in this spirit that we focus on Nurturing National Heritage and Traditional Value Systems.

CORPORATE SUSTAINABILITY & RESPONSIBILITY REPORT



'Aluth Sahal Mangalyaya' (Maiden Harvest Festival) in Tissamaharama.

When the 'Surinduni Kataragama Esala Festival' was held this year with much aplomb, we acted as principal sponsor facilitating thousands of devotees and pilgrims who congregated to this sacred city where all creeds meet. Moreover, we were a main sponsor at the largest and most venerated religious festival in the island - The Kandy Esala Pageant - which recreates ancient glory and many facets of national culture. Continuing on this theme, our staff participated in the Poson Full Moon Event providing food and shelter to devotees and pilgrims, which centred round the ancient capitals of Anuradhapura and Polonnaruwa.

The entire Branch Network sponsored festivities celebrating Sinhala and Tamil New Year in identified villages, further fostering traditional values. Under our sponsorship, a tele-documentary on 150 year old Grotto of Our Lady at Lourdes was created and telecast over National Rupavahini and ITN.

In addition, BoC has contributed to a large number of cultural and religious projects/ events related to all communities and religions on regional basis. Among them were Tamil Literary Festival organised by the District Secretary, Batticaloa, Ifthar

Ceremony held at Akkaraipattu, Cultural Show at Duraipapp Stadium, Jaffna, Northern Province Cultural Competition arranged by Jaffna Arts and Cultural Association, State Literary Festival held in Anuradhapura, Estate Sector Cultural Festivities at Haputale, Mahiyangana Raja Maha Vihara Perahera and Maha Saman Devalaya Festivities at Ratnapura.



Religious Ceremony held at the Dawn of the Year 2008.

The policy of preserving and enhancing culture as a foundation for tourism is one of the most direct connections between culture and development. Culture-based tourism is a fast growing segment involving the rehabilitation of cultural heritage. In 2008 under its umbrella we commenced work on a unique tourist project at the proposed World Heritage Site near Seruwila Raja Maha Viharaya. The project envisions an International Meditation Centre, a Bo Forest, a Museum and facilities for devotees and pilgrims from across the globe.

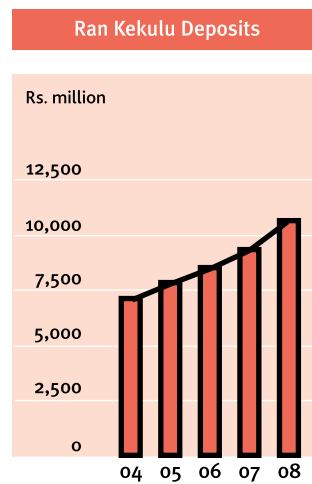


Donating Tripitakaya to Maha Sangha to celebrate our 69th Anniversary.

INVESTING IN OUR NATION'S FUTURE - CHILDREN AND THE YOUTH

Bank of Ceylon works to increase resources and invest in the people, programmes, products and systems that serve children, youth and their families. We are committed to assuring the growth and development, the acquisition of life skills and lifetime well-being of Sri Lanka's Children and Youth.

We offer a diverse array of value-added products amongst which BoC *Ran Kekulu* Children's Savings Account figures as the best savings option in the island for children. Apart from the Scholarship Awards at various stages of early education, it carries the most beneficial insurance coverage for children as well as parents.



We help optimise the capacity to improve learning achievements of children and youth and expand access to quality education. During the year, we awarded a series of scholarships for high-results achieving school children. Over 500 scholarship grants at Rs. 10,000 each were awarded for Year-5 students excelling at National and

Regional Levels. Over 75 scholarships of Rs. 30,000 each were awarded for Advanced Level students gaining University entrance with the highest aggregates. In our efforts to recognise and reward above average performance, we awarded 30 scholarships for the first 3 places-winning students at the G.C.E. (Ordinary Level) Examination in the 10 provinces. The awards totalled a value of Rs. 1.5 million, irrespective of their account relationship.



SAARC All-Island Art Competition - 2008 held at the Art Gallery.

BoC also sponsored the SAARC All Island Art Competition among School Children during the year, recognising and rewarding aesthetic skills. Cash Prizes and Certificates were awarded to over 1,000 winners. Over 2,000 School Savings Units were also set up across the island linked to the nearest branch. These Savings Units, in essence Mini-Banks, are manned by School Children themselves, developing their leadership, cash management and basic accounting skills.

Another unique initiative practiced by us is the short-term familiarisation programme for school leavers where prospective University Entrants are offered a 6-month work period at a branch. We provided over 1,000 such training opportunities in 2008. We also offered the short term internship to new graduates, final year undergraduates and passed out students of both local

and international professional accounting bodies adding to their resumé the weight of the best Bank in the Country.

The Bank sponsored a live TV Talent Show over the Independent Television Network where gifted children, outstanding achievers at National Examinations, youngsters who excelled in sports and other avenues and students with inborn talents were offered the opportunity of interacting with eminent personalities, intellectuals and social icons. This programme is one of the most popular reality shows in the local TV Networks.



Awarding scholarships for children who have excelled in year 5 scholarship exam.

Furthermore, we have sponsored various learning programmes for the benefit of School Children. Some 78 Pre-Examination Seminars were sponsored island-wide for students studying for the year 5 scholarship. Over 60,000 students benefited from these workshops.



Sponsoring the National Ranking Tournament of Badminton - 2008.

In the field of sports, in 2008 we sponsored the first *Ran Kekulu* School Cricket Tournament for under 13 students with 500 school cricket teams across the country taking part. This tournament will continue for the next 5 years under our sponsorship.

DISASTER RESPONSE

In line with the Disaster Management Policy of the Government, we have always risen to the occasion and contributed relief as well as provided rehabilitation assistance during both natural and man-made disasters. In this connection, we formed a humanitarian partnership with the Sri Lanka Red Cross Society (SLRCS) to ensure the continuation of a planned Disaster Recovery Programme. In 2008, we contributed Rs. 100 million to the Disaster Response Emergency Fund set up by the SLRCS.

Our assistance has facilitated SLRCS Disaster Management Programmes including Island-wide AIDS Awareness Campaign focusing on high-risk segments in the community driven under the theme 'Let us build our strength through religious leadership to prevent AIDS' and flood relief in affected districts of Galle, Gampaha, Kegalle, Kalutara and Ratnapura which included distribution of cooked food, dry rations, water and first-aid.

BoC's helping hand has facilitated SLRCS humanitarian operation in collaboration with the International Committee of Red Cross (ICRC) for Internally Displaced Persons (IDPs) in the Wannai and Eastern Provinces. Such operations provided them with hygiene sets, food, temporary shelter materials and facilitated re-settlement and livelihood development.

CORPORATE MANAGEMENT TEAM



1. B A C FERNANDO - General Manager
BA, MBA, FIB

Mr. Fernando counts over 38 years experience with the Bank. Prior to his appointment as Chief Executive he was Deputy General Manager in charge of the branch network. Mr. Fernando is a credit specialist with extensive branch banking experience. He has consumer credit experience at branch, provincial and divisional levels. His corporate credit experience covers all levels including handling the large portfolio of the Bank's Corporate Branch. In branch banking his

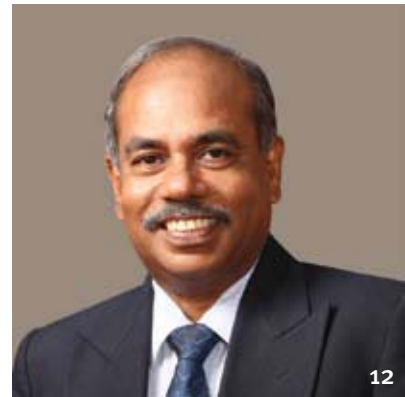
experience ranges from operational to management at divisional level. He has contributed to improve the credit knowledge of the Bank staff through training and has provided active leadership in training and restructuring initiatives. Mr. Fernando has undergone extensive training, both local and overseas, in banking and management.

He is a Director in many of the Bank's subsidiaries and associate companies. He is also a member of the Governing Board of the Institute of Bankers of Sri Lanka.

**2. S RAJAKARUNA - Chief Financial Officer/
Chief Risk Officer**
MCIM (UK), MBA (Cranfield) UK

Mr. Rajakaruna joined Bank of Ceylon in August 2006 with a mandate to manage all financial aspects and strategic issues impacting the Bank. The Board of Directors extended his remit to cover all risk management aspects as well.

He worked for over 30 years at the London offices of Citibank, taking on several roles relating to corporate banking, risk management, finance and marketing with



customers in Scandinavia, the UK and Europe. He has also undertaken various assignments covering audit, product management and treasury activities relating to Citibank portfolios in the US, South Africa and Asia.

In addition he is a Director of Ceylon Petroleum Corporation, the Government-owned integrated petroleum company involved in importing, refining and marketing of oil and oil related products. He is also the Chairman of its Audit Committee.

3. MS. W A NALANI - Senior Deputy General Manager Corporate & Offshore Banking

AIB, FIB (Sri Lanka), BA (Econ.), BPhil

Counting over 33 years diversified banking experience, Ms. Nalani has been a Deputy General Manager for over six years. Presently she manages the largest strategic business unit comprising Corporate Branch, Offshore Banking Unit, Metropolitan and Pettah Branches. Previously she headed the dedicated recovery unit for 3 1/2 years and played a pivotal role in managing special projects.

She was actively involved in the implementation of IT solutions for trade finance activities in the Bank. As an Assistant General Manager she headed many large operating divisions including the Metropolitan Branch, the largest middle market business unit in Sabaragamuwa Province with a branch network covering important economic districts of Kegalle and Ratnapura.

She has specialised in credit and recovery management and contributed significantly for staff training.

CORPORATE MANAGEMENT TEAM

She is a Director on the Boards of Merchant Bank of Sri Lanka PLC and an Alternate Director of BOC Travels (Private) Limited and the Credit Information Bureau of Sri Lanka. She serves as a Council Member of the Association of Professional Bankers of Sri Lanka.

4. K DHARMASIRI - Deputy General Manager Internal Audit
BCom. (1st Class Hons.), BPhil (Econ.), AIB (Sri Lanka)

Mr. Dharmasiri has been a Deputy General Manager for over 6 years. He has over 33 years of diversified banking experience, both within and outside Sri Lanka. Within Sri Lanka he was associated with the Corporate and Offshore Banking Division, Finance and Planning Division and Bank's restructuring operations. In terms of overseas assignments he was the Country Manager of Bank of Ceylon branch in the Republic of Maldives for a term of three years and later assumed duties as the Managing Director of Nepal Bank of Ceylon Limited in Nepal.

Mr. Dharmasiri serves as a Director on the Board of Lanka Securities (Private) Limited.

5. MS. KUMUDINI KULATUNGA - Deputy General Manager Support Services
BA, BPhil (Hons.), FIB, AIB, Diploma in Bank Management, Diploma in Personnel Management

Ms. Kulatunga has over 33 years of wide experience in the Bank in various divisions, having held leadership positions in Western Province, North Western Province and the Eastern Province. She was also the head of HR & Training and has contributed substantially towards training and development of all Bank employees. She also has deep experience in Rural Banking and Reorganisation activities. Whilst

serving in the Reorganisation Division, she was instrumental in implementing new and modified processes that generated significant cost reduction and improved productivity. She has also played a pivotal role in ensuring speedier and efficient processing of branch back office activities of over 300 branches and modernised its front offices whilst being in charge of Support Services Division.

She is a member of the Governing Board of the Institute of Bankers of Sri Lanka and a Director of the Hotels Colombo (1963) Limited (The Grand Oriental Hotel). She is a Life Member of The Association of Professional Bankers of Sri Lanka.

6. C SAMARASINGHE - Deputy General Manager Product & Development Banking
BA (Hons.), BPhil (Econ.)

Mr. Samarasinghe counts over 33 years service across the Bank with specific experience in all aspects of branch banking. He now leads the Development Banking efforts across Sri Lanka and guides Micro Finance, Development Credit, SME Lending, Product Development, Research and Marketing Units. He was instrumental in establishing a large financial house based in the Middle East and played a key role in introducing organisational and structural changes in the face of changing business environment including the establishment of the Central Back Office.

Mr. Samarasinghe has served on the Board of Merchant Credit of Sri Lanka Limited and is the Chairman of Transnational Lanka Record Solutions (Private) Limited. He is the Vice Patron of the Nationalised Services Cricket Association and the Nationalised Services Sports Federation.

7. H M A B WEERASEKARA - Deputy General Manager International & Treasury
BA Econ. (Hons.), BPhil (Industrial Management)

Mr. Weerasekara has been a Deputy General Manager for over 3 years with a banking career that spans over 33 years. He has been exposed to both national and international banking. Mr. Weerasekara has extensive experience in the areas of Domestic, Offshore, Corporate, Trade Finance and Treasury Operations.

He served as Deputy Manager of the London Branch for a period of 3 years. Prior to his present position Mr. Weerasekara headed the Offshore Banking Division for over 3 years.

He was successful in his endeavours to enhance inward remittances, by introducing various remittance schemes. His efforts also improved relationships with Correspondent Banks and Exchange Houses worldwide.

8. I D WEERASENA - Deputy General Manager Branches
BA (Econ.), BPhil (Econ.)

Mr. Weerasena counts over 33 years of service in different and diversified fields of banking, especially in the areas of Credit Cards, Recoveries, Branch Banking and Development Lending. Following a 4 1/2 year stint as the Assistant General Manager (Western Province South) and Deputy General Manager (Recoveries), he was appointed Deputy General Manager Branches with responsibility for the entire Retail Branch network and also the BoC Card Centre with a staff strength close to 5700. His contribution to recoveries is as strong and extensive as his contribution to deposit mobilisation and branch modernisation.

Mr. Weerasena also serves as a Director of Transnational Lanka Record Solutions (Private) Limited.

9. W D F WIMALARATNE - Deputy General Manager Human Resource
FIB, Diploma in Bank Management, Postgraduate Diploma in Business and Finance Administration

Mr. Wimalaratne has a career of 39 years with Bank of Ceylon. During his tenure he has specialised in Operational Banking, NPL Management, Product Development and Human Resource Management. He also had a stint as Deputy Country Manager at the Karachchi Branch. Prior to being promoted to Deputy General Manager, he served as Assistant General Manager - North Western Province. During this period he served on the Boards of Wayamba Development Bank, Industrial Services Bureau and Wayamba Chamber of Commerce and Industry.

He is a Director of Ceybank Holiday Homes (Private) Limited and a Council Member of the Association of Professional Bankers.

10. MS. DEEPA WANNIARATCHI - Deputy General Manager Finance & Planning
B. Com., Postgraduate Diploma in Business & Financial Administration

Ms. Wanniaratchi counts over 33 years service in the Bank. In her career she has experience in many fields including managing large technology projects, bank restructuring under financial sector reforms in the country, credit and recovery management and corporate & retail banking activities.

Prior to her present assignment she provided leadership to implement the core banking system covering all branches, which provided Bank of Ceylon with the largest online branch network in Sri Lanka. The world-renowned Fiserv & IBM selected this project as the fastest implemented core banking project in the Asia Pacific Region and presented two awards to the Bank of Ceylon in November 2006.

Ms. Wanniaratchi serves as a Director of BOC Travels (Private) Limited.

11. SOMASIRI LIYANWALA - Deputy General Manager Recovery
B.A (Hons. Second Upper), B.Phil. (First Class) Specialised in Industrial Psychology, AIB (Sri Lanka), Postgraduate Diploma in Economic Development, Executive Diploma in Business Administration

Banking career of Mr. Liyanwala spans over four decades, during which time he gained expertise in commercial and development banking with special focus on project oriented lending and micro finance. As he has been engaged in rural, agricultural and development banking activities since 1975, he was seconded as Director, Banking/Financial Activities, Ministry of Samurdhi, under the National Poverty Alleviation Programme for 7 years. In this assignment he managed 1,030 Samurdhi Bank Societies, which focussed on micro and rural financial activities in Sri Lanka, the 5th largest micro finance programme in the world.

He also worked in the North Central Province, Western Province (North & South), Southern Province, Metropolitan Branch and Head Office specialising in credit recovery and mobilising deposits. At present he represents BoC at the Office of Financial Ombudsman of Sri Lanka. He is also a member of the Board of Directors of Ceybank Holiday Homes (Private) Limited and the Board of Lanka Cement Limited.

12. M KIRITHARAN - Chief Legal Officer
Attorney-at-Law and Notary Public (SL), Solicitor (UK), Executive Diploma in Business Administration

Mr. Kiritharan counts more than 32 years of experience in the Legal Department. Trained in Sri Lanka and abroad, he is a Member of the Bar Council of Sri Lanka and a Member of the Registration of Title Act Committee of the Bar Association. He has served as Chief Examiner of the Chartered Institute of Bankers, Sri Lanka.

In addition to overseeing the Legal Affairs of the Bank, Mr. Kiritharan is a Director of BOC Property Development & Management (Private) Limited. He also served as a Director on the Board of Merchant Bank of Sri Lanka PLC and formally was an Alternate Director of Mireka Capital Land (Private) Limited. He was also a Past President and Secretary of the Association of Lawyers in Employment. He is the President of the BoC Hindu Association and BoC Sports Club.

EXECUTIVE MANAGEMENT TEAM





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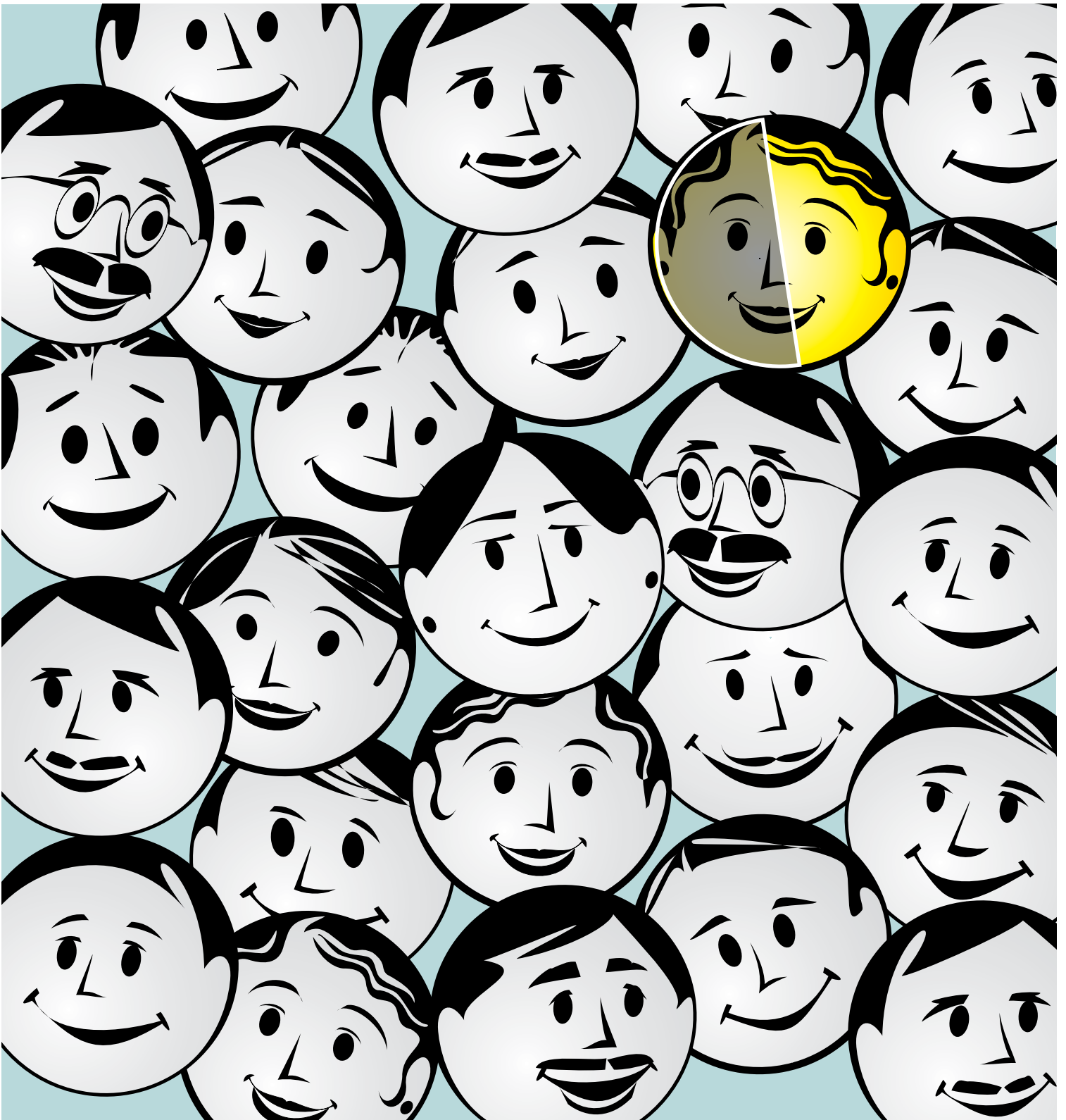
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1. M K Nandasiri - AGM (Pettah Branch)
2. Ms. L L N Perera - AGM (International)
3. Ms. B C D Wijekulasuriya - AGM (Product & Development Banking)
4. Ms. Y A M M P Karunadharm - AGM (Metropolitan Branch)
5. Ms. S W S Fernando - AGM (Province Sales Management)
6. M R D Thilakasiri - AGM (Accounting & MIS)
7. Ms. K M Amarasuriya - AGM Recovery - (Provinces)
8. Ms. R G V S Gunatilake - AGM (Marketing)
9. Ms. W K I Kularatne - AGM (Western Province North)

10. I H Chandrasiri - AGM (Province & Branch Audit/ Investigation)
11. Ms. L T S De Silva - AGM (Business Process Re-Engineering Project)
12. Ms. K A D Fernando - AGM (Offshore Banking)
13. J W P Mohotti - AGM (Support Services)
14. D M Gunasekera - AGM (Corporate Relations)
15. P J Jayasinghe - AGM (Corporate Credit)
16. P A Lionel - AGM (Treasury & Investment)
17. H M Mudiyanse - AGM (North Western Province)
18. N Welengoda - AGM (Southern Province)
19. R N Edirisinghe - AGM (Customer Relations)
20. Ms. Sriyani Anandagoda - AGM (Consumer Product Management)
21. D L C Atapattu - AGM (Central Province)
22. H K W Gunasinghe - AGM (Sabaragamuwa)

23. G R Hettithanthiri - AGM (Superannuation Schemes)
24. Ms. K A D A Pemadasa - AGM (Administrative Services)
25. D S P R Senanayake - AGM (Credit Audit)
26. Ms. P R Unawatuna - AGM (Uva Province)
27. Ms. L W Wijesundara - AGM Recovery - (Corporate)
28. K B S Bandara - AGM (Overseas Branches)
29. D N J Costa - AGM (North Central Province)
30. W P R P H Fonseka - AGM (Budget & Strategic Planning)
31. I G C Madadeniya - AGM Country Manager (London)
32. T Mutugala - AGM (Information System Audit)
33. M F S W Stembo - AGM (BoC Card Centre)
34. M Wickramasinghe - AGM (Human Resource Operations)
35. Ms. L S L De S Wijeyeratne - AGM (Training & Development)

36. D N L Fernando - AGM (Western Province South)
37. K T Karunarathne - AGM (Eastern Province)
38. D M L C Kumara - AGM Country Manager - Male (Designate)
39. T M Safa - AGM Country Manager - Chennai (Designate)
40. S S S Senanayake - AGM - Uva Province (Designate)
41. N Sivaratnam - AGM (Northern Province)
42. K G Jinadasa - Deputy Chief Legal Officer (Operations)
43. M K Muthukumar - Deputy Chief Legal Officer (Recovery)
44. Ms. W K Samarasinghe - Assistant Director IT (Application Systems)
45. H R F Fonseka - Assistant Director IT (Operations/Technical Support)
46. Ms. J S Siriwardane - Secretary, Bank of Ceylon/Secretary to the Board



Preferred Trust and Choice...

50% market share of remittances... Bank of Choice for the migrant community

COMPLIANCE REPORT

The need for effective compliance in the banking industry and financial services is stronger than ever. As a result of new regulations it is more stringent and far reaching. These include Sarbanes-Oxley Act in the US, Anti-Money Laundering laws (AML), Anti-Terrorism rules and guidance on compliance from the BASEL Committee on Banking Supervision. The role of compliance is crucial and past examples have demonstrated that a failure to adhere to laws and regulations can cost a bank its licence and business. Compliance environment in BoC is designed to persuade employees to protect its integrity and reputation as the leading financial services provider in Sri Lanka.

It is the responsibility of the compliance department to assist in adhering to the rules and regulations that guide financial services. It is concerned with:

- Lawful and ethical business conducted in the interests of our clients, shareholder and public
- Prevent and detect violations of law by identifying and managing regulatory risk

Compliance department of BoC works closely with other support functions and departments. Its purpose is to enable BoC manage and lower its exposure to legal and regulatory risk.

The recent focus on the compliance environment increases the pressure to enforce financial system stability and safeguard the interests of various stakeholders. BoC is gearing itself to applying international best practices such as guidelines issued by the Bank for

International Settlements (BIS) specially focusing on BASEL II, guidelines from Sarbanes-Oxley Act such as Internal Controls over Financial Reporting and the COSO - Enterprise Risk Management Framework. It also emphasises the local and international standards in financial accounting and reporting. Other rules on banking operations such as Central Bank Regulations, prevention of money laundering and terrorist financing have strengthened the stability of the financial system.

ORGANISATIONAL STRUCTURE OF BANKS COMPLIANCE SYSTEM

BoC is committed to promoting business ethics and accountability. As the premier financial services institution in Sri Lanka, the Board of Directors of the Bank has undertaken the responsibility to oversee regulatory and legal compliance, controls and governance process of the Bank. Corporate Management for their part remains responsible for promoting and monitoring compliance with all applicable laws, rules and regulations.

1.0 REGULATORY COMPLIANCE

Central Bank of Sri Lanka (CBSL), as the regulator of financial institutions of the country, issues directions regularly under the power vested in it by the Monetary Law Act No. 58 of 1949 to commercial banks. In addition to the existing directions, in 2008, it issued the following directions among others:

- Establishment of Bank Branches
- Enhancement of Minimum Capital Requirement of Banks
- Enhancing Lending to Agriculture Sector
- Directions on Corporate Governance

BoC is subject to on-site and off-site (Web based) supervision by the CBSL. Off-site supervision is carried out on web based return filings on a weekly, monthly, quarterly and annual basis. All these returns cover a host of financial and non-financial aspects including Capital Adequacy, Classified Loans and Advances, Liquid Assets Ratio, Government Exposure, Related Party Exposures, Margin Requirements for LCs, Misleading and Unethical Advertisements etc.

BoC Compliance Structure



COMPLIANCE REPORT

1.1 CORPORATE GOVERNANCE

As per the instructions of the Ministry of Finance, BoC developed a voluntary Corporate Governance Code and obtained the Board approval via the Corporate Governance Board Subcommittee. Subsequently, CBSL also issued a mandatory Code of Corporate Governance that was made effective 01 January 2008. The Code sets out the Bank's corporate governance framework and is based on internationally recognised best practices and principles.

The purpose of this Code of Corporate Governance is to improve and systematise the governance of BoC. The Code also enables governance to be more transparent and demonstrate commitment to good corporate governance by developing and furthering:

- Responsible, accountable and value-based performance management;
- Effective oversight, with executive bodies that act in the best interests of the Bank and its stakeholders and seek to enhance shareholder value in a sustainable manner.

This Code in addition to being principle-based, covers a large area including more specific corporate governance structures, processes and practices of Good Corporate Governance. Corporate Governance at BoC has been expanded to cover among others, application to areas such as authority and duties of the owner, the Board of Directors, the Chief Executive & Corporate Management, Reporting & Accountability, Sub-committees of the Board and Subsidiary Companies.

1.2 BASEL II

BASEL II can be treated as an update to the original Accord as it is designed to be more flexible and risk sensitive than

BASEL I. The Accord provides a set of regulations that will alter significantly the way that banks are capitalised. On the implementation of BASEL II, operational risk will feature directly in the assessment of capital adequacy for the first time. BoC supports the move to the new risk-based regulatory structure to ensure that the Bank is sufficiently capitalised.

In Sri Lanka, according to the Central Bank directions, the implementation timetable consists of calculating the regulatory capital under BASEL II, from January 2008. BoC has complied with these regulations fully and has implemented BASEL II according to CBSL directions. It applied the Standardised Approach to calculating Credit and Market risk as well as followed the Basic Indicator Approach in arriving at the capital charge for Operational Risk.

1.3 FINANCIAL REPORTING

Our Accounting principles, policies and financial reporting is regulated by Sri Lanka Accounting Standards. To a large extent, these are compatible with both UK and US GAAPs. The implementation of IFRS is effective from 2011. We are now initiating the processes to be in compliance.

2.0 LEGAL FRAMEWORK

Legal framework of BoC is fundamentally governed by three pieces of legislation i.e., The Bank of Ceylon Ordinance (Chapter 397), the Banking Act No. 30 of 1988 and Monetary Law Act No. 58 of 1949. Taken together they reflect a stringent legal compliance environment formulated to avoid missteps that could lead to damaged reputations and large penalties.

BoC views a sound legal framework as an important contribution to the society in which it operates especially because it is a Government owned enterprise and plays a dominant yet evolving role in

the economy. In Sri Lanka, recent past events have proved the importance of having a strong systems for monitoring and tracking unlawful transactions and business conduct. BoC endeavours to promote an ethical and lawful business environment in the community. The high regard in which it is held was amply evidenced in 2008 when CBSL temporarily vested the management of a nationally important bank in BoC.

During the year under review we have widened our scope in relation to AML activities and due recognition has been given to ensure that compliance with AML activities have been met to mitigate risk to our reputation. The activities that have taken place are as follows:

- Introducing a KYC checklist for both new and existing customers.
- Conducting Islandwide training programmes to enhance staff knowledge.
- Obtaining Board Approval for AML Policies and Issuing Instruction Circulars relevant to AML/Combating Terrorist Financing (CTF).
- Producing Suspicious Transaction Reports and Co-ordinating between the Financial Intelligence Unit (FIU) and Criminal Investigations Department.
- Submission of mandatory reports on cash transactions and electronic fund transfers.

Managing compliance risk is complex and demanding. It is also an area where significant changes are occurring. Though the application of all such rules and regulations incurs some heavy cost, BoC recognises that non compliance carries the risk of catastrophic damage to the entity and its existence. Hence our overriding objective is to be in compliance at all times.

CORPORATE GOVERNANCE

Good Corporate Governance embodying transparency, disclosure and accountability, is the primary responsibility of the Board of Directors at Bank of Ceylon. Corporate Management for their part carries no less responsibility and is the driving force in its practice and implementation.

The Board of Directors and Corporate Management of Bank of Ceylon believe in and are committed to strong governance and have identified governance as the critical success factor of a sound control environment, which will ultimately improve operational efficiency and enhance the brand image. Both also view a sound system of governance as fundamental in attracting and maintaining public confidence in the institution especially because it is a Government-owned enterprise. The pivotal and dominant role the Bank plays in the Sri Lanka economy carrying substantial influence and leadership over many matters of policy and practice are other reasons for the importance of good governance and for providing a guiding framework for the future.

Conscious of the many roles of the Government in the life of the Bank as Owner, Customer, Regulator and Auditor, the Board of the Bank established a Corporate Governance Committee in July 2007, thereby assuming the leadership role in shaping Good Governance within the Bank. Thereafter with the coming into force of the Banking Act Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka (CBSL) on Corporate Governance for Licensed Commercial Banks in Sri Lanka, a new

subcommittee was formed, namely the Nomination and Corporate Governance Committee, in February 2008. This Committee is primarily focused on the implementation of the Directions issued by CBSL in addition to its functions relating to the Nomination Committee given under the aforesaid Directions. Significant details of the Nomination and Corporate Governance Committee are specified in the section on Subcommittees of the Board provided elsewhere in this Annual Report.

The statement below describes briefly the structure, processes and procedures of governance at the Bank including details of its compliance with Banking Act Direction No. 11 of 2007 issued by CBSL on Corporate Governance for Licensed Commercial Banks in Sri Lanka. The Board has taken steps to comply with its provisions, to the extent that they are not inconsistent with the Bank of Ceylon Ordinance (Chapter 397) and its amendments, the statute governing the Bank as provided for in the aforesaid Banking Act Direction No. 11 of 2007.

In accordance with the provisions of the Bank of Ceylon Ordinance (Chapter 397) and its amendments, the Board of the Bank consists of six Directors. As a wholly-owned state banking corporation and as empowered by the Bank of Ceylon Ordinance, the Minister in charge of the subject of Finance appoints the Board of Directors of the Bank. One of them is a representative of the Ministry of Finance and is referred to as the Ex officio Director. The same Minister also selects one of the appointed Directors as the Chairman of the Board. If any Director is

temporarily unable to discharge the duties of his office, the Minister has the right to appoint another to act as a Director instead. If the Director representing the Ministry is unable to attend the meetings, any other officer can be empowered to be present on his behalf at such meetings. Subject to reappointment, the Directors have tenures not exceeding a period of three years. Members of the Board carry no executive authority and do not participate in the day-to-day business of the Bank and are hence Non-Executive.

The Directors of the Bank during the financial year under review were as follows:

1. Dr. Gamini Wickramasinghe
Chairman
Appointed with effect from 23 May 2007
2. Mr. Sumith Abeysinghe
Ex Officio Director
Resigned with effect from 07 October 2008 on his appointment as Secretary to the Treasury and Secretary to the Ministry of Finance and Planning
3. Dr. R H S Samaraturunge
Ex Officio Director
Appointed with effect from 08 October 2008 in place of Mr. Abeysinghe
4. Mr. G K A Chaminda K Kularatne
Appointed with effect from 05 January 2006 and reappointed on 05 June 2007
5. Mr. R Sivaraman
Appointed with effect from 09 January 2006 and reappointed on 05 June 2007

CORPORATE GOVERNANCE

6. Mr. G Gallage
Appointed with effect from
05 January 2006 and reappointed
on 13 June 2007

7. Dr. B Kaluarachchi
Appointed with effect from
20 January 2006 and reappointed
on 13 June 2007

Mr. V Kanagasabapathy, Financial Management Advisor to the Ministry of Finance and Planning was appointed as an Alternate Director to both the Ex officio Directors that served on the Board during the year 2008 viz. to Mr. Sumith Abeysinghe and with his resignation to Dr. R H S Samaratunge, and was present on their behalf at all Board Meetings in instances where they were unable to attend in person. He was initially appointed as an Alternate Director on 01 March 2006.

During the period 2 June 2008 to 5 July 2008, Mr. Kularatne was out of the country on Government business. Given his absence, Mr. P B S C Nonis, Deputy Director, Department of Trade, Tariff and Investment Policy of the Ministry of Finance and Planning was appointed to act for him at the Board Meeting held on 19 June 2008.

The Directors have no relationship whether financial, business, family or any other material/relevant basis or amongst themselves. Mr. B A C Fernando is the General Manager of the Bank and functions as the apex executive in charge of day-to-day management. He also has no relationship with the Chairman and any of the other Directors.

All Directors continue to comply with the criteria stipulated by the above mentioned Banking Act Direction No. 11 of 2007 issued by CBSL in regard to their fitness and propriety including age.

An annual calendar of Board Meetings generally scheduled on a fortnightly basis is made available prior to the beginning of the year to ensure the active and full participation of the Directors. The conduct of Board Meetings is based on a formal agenda prepared by the Secretary to the Board. Among the matters usually covered by the agenda are finance and credit issues, regular mandatory regulatory statements, staff matters, matters relating to premises of the Bank existing or to be acquired afresh, recovery matters, major supplies and IT-related issues. The Directors receive the memoranda to be discussed one week ahead of the meeting. To facilitate such timing, cut off dates are set for the receipt of memoranda from Management. The schedule of the cut off dates and the date of despatching to Directors for the whole year is set at the beginning of the year. However, in view of the changing nature of the business of the Bank, the Board considers memoranda submitted after the cut off date depending on the urgency and importance of the matters to be discussed.

Regular Board Meetings numbering 23 were held as scheduled during the year 2008. Special Board Meetings numbering 06 were convened in response to market developments and other pressing needs.

The Board is aware that being Directors of a State-owned financial institution, they are responsible to the general public and that they should act in a timely manner with transparency, due care and prudence. Accordingly, the Board allocates sufficient time for the affairs of the Bank by attending Board Meetings, Board Subcommittee Meetings and minimising decisions via circular resolutions. During the year, the attendance of Directors at Board Meetings was in excess of 90%. The details of their attendance at Board Meetings are given on page 86 of this Annual Report.

The Board is careful in delegating its functions and has reviewed the existing delegation processes in place. During 2008, the Board played an active role in many areas. Among the specific responsibilities of the Board are the following:

- Formulation of policies and strategies in response to or in anticipation of events.
- Approval of the current year's budget and the rolling corporate plan.
- Ensuring succession planning for Key Management Personnel.
- Approval of credit facilities beyond delegated limits.
- Ensuring staff is acquiring adequate skills and knowledge.
- Decisions on major capital investments and expansion.
- Approval of annual and interim Financial Statements for publication.

- Appointments to Boards of subsidiaries and associate companies and review of their business.
- Engagement of staff based on the requirements of the Bank.
- Verifying the adequacy and maintenance of risk management and reporting systems.
- Ensuring compliance with applicable laws, regulations and principles of Corporate Governance.

The Board endeavours to strengthen the safety and soundness of the Bank. In the process, the Board has approved several key strategies and operational plans. Amongst others, the Board approved the rolling Corporate Plan encompassing the business strategy of the Bank taking into consideration the volatile business environment with a mechanism to monitor it on a quarterly basis. It adopted a Communication Policy for the Bank. The Board reviewed the adequacy and the integrity of the Bank's internal control system and Management Information Systems (MIS) through the Audit Committee. A Charter for the Board was also adopted defining the areas of authority etc. of the Board segregated from the General Manager and the Management. The Key Management Personnel in the Bank and their areas of authority and key responsibilities are identified. In response to an enhanced regulatory environment, the Board has taken measures to ensure the maintenance of an effective relationship with regulators. Recognising the importance of succession planning, measures were taken to groom successors to Key Management Personnel. A formal

succession plan including the successors to the Assistant General Managers and Chief Managers is to be approved shortly.

Several attempts were made to recruit a Chief Risk Officer with appropriate experience and exposure to risk management during the year 2008. Given the dearth of such expertise in Sri Lanka and the intensity of the Bank's involvement in widespread financial activities, responses received did not measure up to expectations. Accordingly, a suitable appointment was delayed. This does not mean the absence of risk management practices, which are widely implemented across the various businesses of the Bank. Awaiting the appointment of a Chief Risk Officer, a senior banker, an internal candidate was selected as Head of Risk with the mandate to form and organise a unit to undertake bank-wide risk management. Presently the Chief Financial Officer experienced in risk management has been mandated to carry out the functions of the Chief Risk Officer. The Bank has since identified a Chief Risk Officer for recruitment.

In taking decisions, the Board obtained professional advice from external sources whenever it was deemed necessary. The Board has adopted a policy for such professional advice. The vesting of Seylan Bank PLC management detailed on page 160 of this Annual Report is a case in point where the Board obtained such advice. Another was, seeking advice on risk management. An Attorney-at-Law functions as the Secretary to the Board to ensure compliance with Board procedures, relevant rules and regulations.

The Board recently undertook an independent evaluation of its collective and individual performance during the year 2008. The aim is to encourage each Director to continue to contribute effectively and demonstrate commitment to the role. Suitable mechanisms are in place to avoid any conflict of interest situations referred to in the above mentioned Banking Act Direction No. 11 of 2007 issued by CBSL on Corporate Governance.

The Board of Directors has established the following subcommittees to fulfil its functions:

- Audit Committee
- Human Resources and Remuneration Committee
- Nomination and Corporate Governance Committee
- Integrated Risk Management Committee

The details of the above Committees are given elsewhere in this Report while some of their activities are included in this Corporate Governance Report.

CORPORATE MANAGEMENT

Corporate Management consisting of the Chief Financial Officer and Deputy General Managers including Chief Legal Officer and Head of IT, headed by the General Manager is responsible for executive decisions, administration and operation of the Bank. In keeping with Board approved guidelines for promotion and recruitment, the Board appoints all members of Corporate Management.

CORPORATE GOVERNANCE

In December 2008, a Senior Deputy General Manager (Corporate and Offshore Banking) was appointed from amongst the Deputy General Managers.

The Subcommittees established to fulfil and assist the functions delegated to Management are as follows:

- Credit Committee
- Asset and Liability Management Committee (ALCO)
- Personnel Policy Committee
- Idle Assets Committee

FINANCIAL TRANSACTION REPORTING

The Bank has taken steps for preventing money laundering and reporting suspicious financial transactions by the application of KYC ('Know Your Customer')

policies. In this respect, a Compliance Manager and a team has been appointed. In terms of the Financial Transactions Reporting Act No. 6 of 2006, the Bank continues to furnish the data relating to all cash and electronic transactions other than inter-bank transactions exceeding Rs. 1,000,000/- on a bi-weekly basis to the Financial Intelligence Unit within CBSL.

COMPLIANCE WITH THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Bank of Ceylon issued unsecured, subordinated, redeemable debentures (each Rs. 100/-) through the Colombo Stock Exchange (CSE) for a sum of Rs. 4,272 million. These debentures have been listed on the main Board of the Debt Trading System of the CSE with effect from 19 December 2008. During the year under review, no debentures have been traded.

According to the rules on Corporate Governance under the Listing Rules of CSE, it is mandatory for listed companies to publish a Table in the Annual Report relating to the financial year commencing on or after 01 April 2007 confirming that as at the date of the Annual Report they comply with the Corporate Governance rules and if not, explain why the Company has not complied with identified rules. It shall be mandatory for listed companies to comply with the Corporate Governance Rules with effect from the financial year commencing on or after 01 April 2008 and the Annual Report must contain the relevant affirmative statements.

The current financial year of the Bank commenced on 01 January 2008. Accordingly, details with regard to compliance with the Listing Rules are given below:

Rule 6.1

Non-Executive Directors

- (a) The Board of Directors of a listed company shall include at least,
 - two Non-Executive Directors; or
 - such number of Non-Executive Directors equivalent to one-third of the total number of directors whichever is higher.
- (b) The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding annual general meeting.
- (c) Any change occurring to this ratio shall be rectified within 90 days from the date of the change.

Response

All the Directors of the Bank including the Chairman are Non-Executive.

Rule 6.2

Independent Directors

- (a) Where the constitution of the Board of Directors includes only two Non-Executive Directors in terms of clause 1 above, both such Non-Executive Directors shall be 'independent'. In all other instances two or two-third of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be 'independent'.

- (b) The Board shall require each Non-Executive Director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria as per the specimen of the said declaration given therein.

Response

Declarations of the Directors will be obtained in 2009 since the debentures have been listed only from 19 December 2008.

Rule 6.3

Disclosures relating to Directors

- (a) The Board shall make a determination annually as to the independence or non-independence of each Non-Executive Director based on such declaration and other information available to the Board and shall set out in the Annual Report the names of Directors determined to be 'independent'.
- (b) In the event a director does not qualify as 'independent' against any of the criteria set out under **Rule 6.4**, but if the Board, taking into account all the circumstances, is of the opinion that the director is nevertheless 'independent', the Board shall specify the criteria not met and the basis for its determination in the Annual Report.
- (c) In addition to disclosures relating to the independence of a director set out above, the board shall publish in its Annual Report a brief resumé of each Director on its Board which includes information on the nature of his/her expertise in relevant functional areas.
- (d) Upon the appointment of a new Director to its Board, the Company shall forthwith provide to the Exchange a brief resumé of such Director for dissemination to the public. Such resumé shall include information on the matters itemised in paragraphs (a), (b) and (c) above.

Response

- (a) & (b) - Shall be complied within year 2009 since the debentures have been listed from 19 December 2008.*
- (c) Resumés of Directors are given on Pages 15, 16 & 17 of this Annual Report.*
- (d) No new Directors were appointed after the Bank obtained a listing for its debentures on 19 December 2008. Shall comply when new appointments are made.*

Rule 6.5

Remuneration Committee

A 'listed company' shall have a Remuneration Committee in conformity with the following:

A 'listed company' for the purposes of this clause shall mean a company listed in the Colombo Stock Exchange in accordance with these Listing Rules.

(a) **Composition**

The Remuneration Committee shall comprise a minimum of two independent Non-Executive Directors (in instances where a company has only two Directors on its Board); or Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.

In a situation where both the parent company and the subsidiary are 'listed companies', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary.

However, if the parent company is not a 'listed company', then the Remuneration Committee of the parent company is not permitted to act as the Remuneration Committee of the subsidiary. The subsidiary should have a separate Remuneration Committee. One Non-Executive Director shall be appointed as Chairman of the committee by the Board of Directors.

CORPORATE GOVERNANCE

Response

Complied with. Presently the Committee consists of Non-Executive Directors.

Rule 6.5

(b) Functions

The Remuneration Committee shall recommend the Remuneration payable to the Executive Directors and Chief Executive Officer of the 'listed company' and/or equivalent position thereof, to the Board of the 'listed company' which will make the final determination upon consideration of such recommendations.

Response

Bank has no Executive Directors. The salary of the General Manager will be subjected to the recommendation of the Remuneration Committee from the salary revision due in 2009 onwards.

Rule 6.5

(c) Disclosure in the Annual Report

The Annual Report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the Remuneration Committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.

The Term 'remuneration' shall make reference to cash and all non-cash benefits whatsoever received in consideration of employment with the 'listed company' (excluding statutory entitlements such as Employees' Provident Fund and Employees' Trust Fund).

Response

Complied with. The Ministry of Finance and Planning determines the salary of the Directors. Remuneration Policy of the Bank is given under 'Compensation' on page 42 of this Annual Report. Remuneration of the Board is given on page 121 of this Annual Report.

Rule 6.6

Audit Committee

A 'listed company' shall have an Audit Committee in conformity with the following:

(a) Composition

The Audit Committee shall comprise a minimum of: two independent Non-Executive Directors (in instances where a Company has only two Directors on its Board); or Non-Executive Directors a majority of whom shall be independent, whichever shall be higher. In a situation where both the parent company and the subsidiary are 'listed companies', the Audit Committee of the parent company may function as the Audit Committee of the subsidiary. However, if the parent company is not a 'listed company', then the Audit Committee of the parent company is not permitted to act as the Audit Committee of the subsidiary. The subsidiary should have a separate Audit Committee.

One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.

Unless otherwise determined by the Audit Committee, the Chief Executive Officer and the Chief Financial Officer of the 'listed company' shall attend Audit Committee Meetings.

The Chairman or one member of the Committee should be a Member of a recognised professional accounting body.

Response

Complied with. Presently the Committee consists of Non-Executive Directors.

Rule 6.6

(b) Functions shall include,

- Oversight of the preparation, presentation and adequacy of disclosures in the Financial Statements of a 'listed company', in accordance with the Sri Lanka Accounting Standards.
- Oversight of the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting-related regulations and requirements.
- Oversight over the processes to ensure that the Company's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.
- Assessment of the independence and performance of the Company's external auditors.
- To make recommendations to the Board pertaining to appointment, reappointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.

Response

First 3 items have been complied with.

The External Auditor of the Bank is the Auditor General as enshrined in the Constitution of Sri Lanka. The independence of the Auditor General is ensured by the Constitution.

The Auditor General does not perform any other services for the Bank.

Rule 6.6

(c) Disclosure in the Annual Report

The names of the Directors (or persons in the parent company's committee in the case of a group company) comprising the Audit Committee should be disclosed in the Annual Report.

The Committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the Annual Report.

The Annual Report shall contain a Report by the Audit Committee, setting out the manner of compliance by the Company in relation to the above, during the period to which the Annual Report relates.

Response

The names of the Directors comprising the Audit Committee are given on page 96.

The independence of the Auditor General is ensured by the Constitution. The Auditor General does not perform any other services for the Bank. The Report of the Audit Committee appears on page 96 of this Annual Report.

CORPORATE GOVERNANCE

COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED JOINTLY BY THE SECURITIES AND EXCHANGE COMMISSION (SEC) OF SRI LANKA AND THE INSTITUTE OF CHARTERED ACCOUNTANTS (ICASL) OF SRI LANKA

SEC and ICASL have jointly issued a Code of Best Practice on Corporate Governance. Although the Code is not mandatory, the Bank's position with regard to compliance thereof is recorded below:

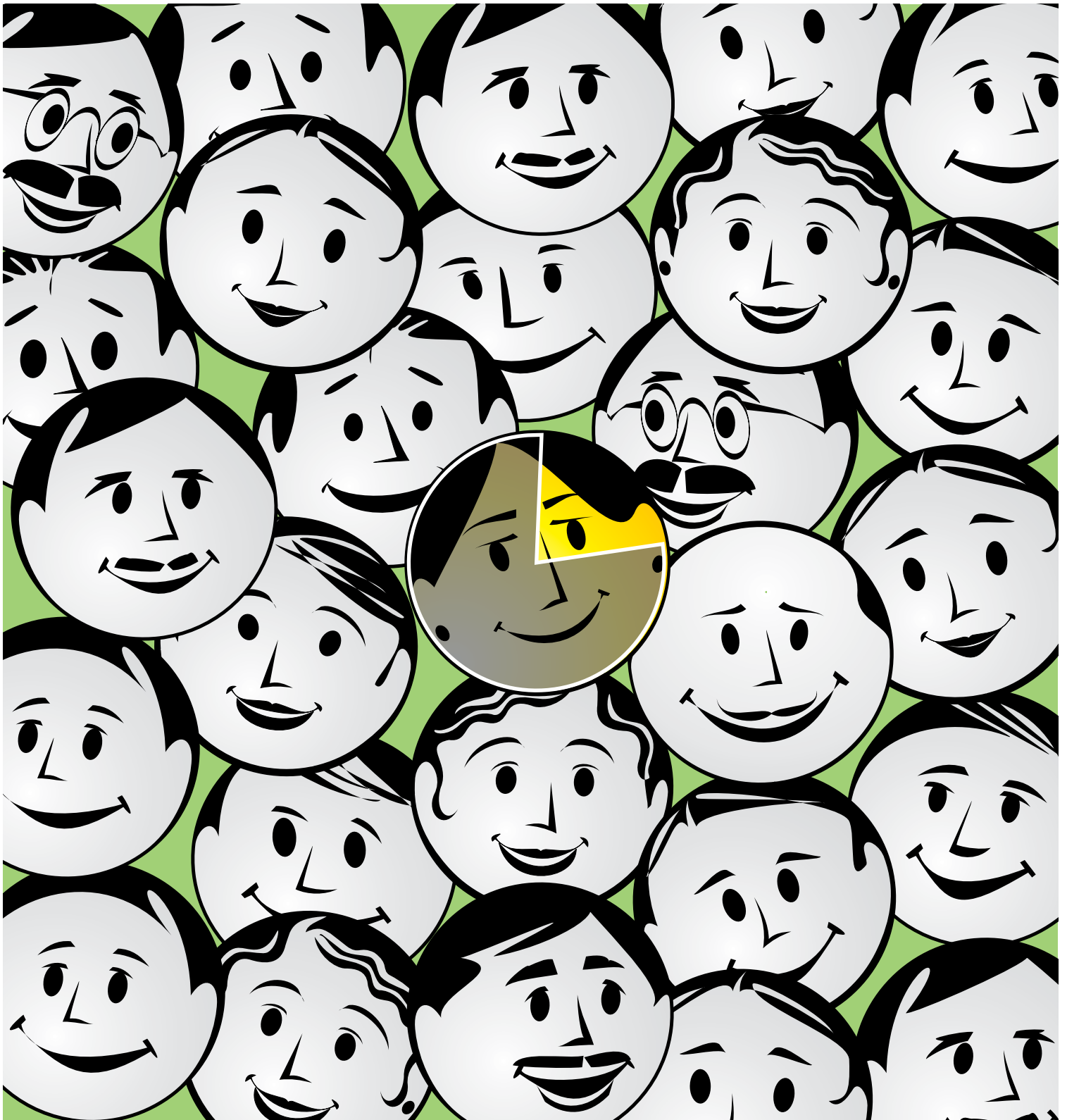
Subject	Disclosure	Response
Chairman and CEO	If Chairman and CEO is one and the same person, disclose the Name of the Chairman/CEO and Senior Independent Director appointed and justification of the decision to combine the positions.	<i>The posts of Chairman and CEO are separate and held by two individuals.</i>
Board Balance	<ul style="list-style-type: none"> • Should identify the Independent Non-Executive Directors. • If a Non-Executive Director is identified as 'Independent', notwithstanding the existence of any of the following factors, the reason for such determination should be disclosed. • A Director is not considered independent if he/she: <ul style="list-style-type: none"> • has been employed by the Company during the period of two years immediately preceding appointment as Director; • currently has/had during the period of two years immediately preceding appointment as director, a Material Business Relationship with the Company, whether directly or indirectly; • has a close family member who is a Director, Chief Executive Officer (and/or an equivalent position) in the Company; • has a Significant Shareholding in the Company; • has served on the Board of the Company continuously for a period exceeding nine years from the date of the first appointment; • is employed in another company or business: <ul style="list-style-type: none"> - in which a majority of the other Directors of the Company are employed or are Directors; or - in which a majority of the other Directors of the Company have a Significant Shareholding or Material Business Relationship; or - that has a Significant Shareholding in the Company or with which the Company has a Business Connection; • is a Director of another Company: <ul style="list-style-type: none"> - in which a majority of the other Directors of the Company are employed or are Directors; or - that has a Business Connection in the Company or Significant Shareholding; • has a Material Business Relationship or a Significant Shareholding in another company or business: <ul style="list-style-type: none"> - in which a majority of the other Directors of the Company are employed or are Directors; and/or - which has a Business Connection with the Company or Significant Shareholding in the same. 	<p><i>All Directors of the Bank are Non-Executive.</i></p> <p><i>A declaration with regard to the independency of Directors will be obtained in year 2009.</i></p>

Subject	Disclosure	Response
Appointment of New Directors	<p>When new Directors are appointed, the following details should be disclosed:</p> <ul style="list-style-type: none"> • a brief resumé of each such Director; • the nature of his expertise in relevant functional areas; • the names of companies in which the Director holds directorships or memberships in Board Committees; and • whether such Director can be considered independent. 	<i>When new Directors are appointed it would be complied with.</i>
Nomination Committee	The Chairman and members of the Nomination Committee should be identified.	<i>Complied with. Please refer page 83 of this Annual Report for details of the Nomination and Corporate Governance Committee.</i>
Appraisal of Board Performance	Should disclose how performance evaluations have been conducted.	<i>In the interest of objectivity and independency, performance evaluation of the Board for the year 2008 was undertaken using the services of an external source. The evaluation involved two sets of processes, one assessing the Board's performance as a whole and the other evaluating individual contribution.</i>
Board-Related Disclosures	<p>The following details pertaining to each Director should be disclosed:</p> <ul style="list-style-type: none"> • name, qualification and brief profile; • the nature of his/her expertise in relevant functional areas; • immediate family and/or material business relationships with other Directors of the Company; • names of other listed companies in Sri Lanka in which the Director concerned serves as a Director; • names of companies in which the Director concerned serves as a Director and/or the fact that he/she holds other directorships in the Group Companies; • number/percentage of Board Meetings of the Company attended during the year; • names of the Committees in which the Director serves as the Chairman or a member; and • number/percentage of Committee Meetings attended during the year. 	<i>Complied with. The Annual Report contains comprehensive information on all of these items.</i>

CORPORATE GOVERNANCE

Subject	Disclosure	Response
Disclosure of Remuneration	<ul style="list-style-type: none"> • A Statement of Remuneration Policy and details of remuneration of the Board as a whole. • Details of remuneration of the Board as a whole. 	<i>The Ministry of Finance and Planning determines the salary of the Directors. Remuneration Policy of the Bank is given under 'Compensation' on page 42 of this Annual Report. Remuneration of the Board is given on page 121 of this Annual Report.</i>
Major Transactions	All Major Transactions entered into by the Company should be disclosed.	<i>Complied with.</i>
Audit Committee	<ul style="list-style-type: none"> • Names of the Members of the Audit Committee should be disclosed. • Basis for determining the independence of auditors. 	<i>Names of Members of the Audit Committee are given in the Audit Committee Report on page 96. The Auditor of the Bank is the Auditor General as enshrined in the Constitution of Sri Lanka. The independence of the Auditor General is ensured by the Constitution.</i>
Code of Business Conduct and Ethics	<ul style="list-style-type: none"> • Should disclose whether the Company has a Code of Business Conduct and Ethics for Directors and members of the senior management team • Should also disclose an affirmative declaration that they have abided by such Code. • The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code. 	<i>Bank has a Code of Ethics for Directors and a Code of Conduct for its Employees. A Code of Ethics for Employees is in draft stage. An affirmative declaration by Directors and Chairman's certificate of non-violation will be obtained in 2009.</i>
Going Concern	Should report that the Company is a going concern, with supporting assumptions and qualifications as necessary.	<i>Complied with.</i>
Members of Remuneration Committee	The names of members of Remuneration Committee should be disclosed in the Remuneration Committee Report	<i>Complied with. Names of Members of the Remuneration Committee are given in the Human Resources and Remuneration Committee Report on page 81 of this Annual Report.</i>

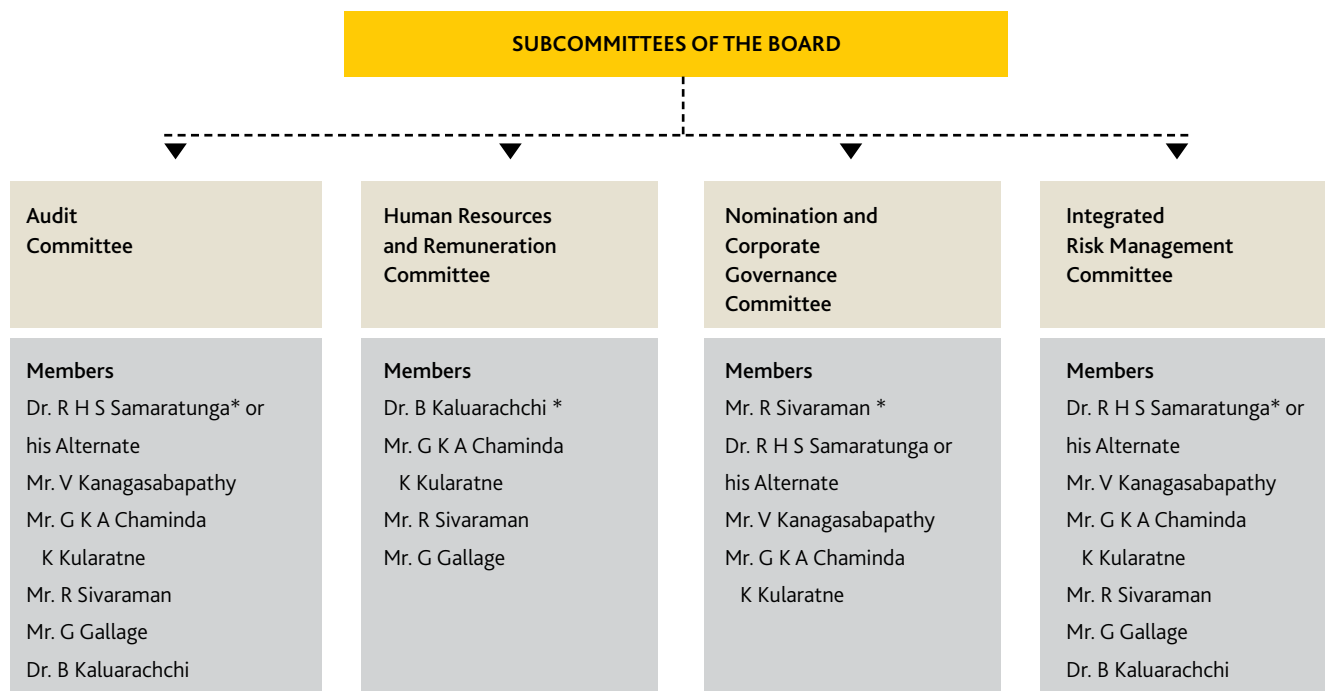
Subject	Disclosure	Response
Directors' Report	<p>Should contain the following declarations made by the Directors:</p> <ul style="list-style-type: none"> • The Company has not engaged in any activities, which contravenes laws and regulations; • The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested; • The Company has made all endeavours to ensure the equitable treatment of shareholders; • The business is a going concern with supporting assumptions or qualifications as necessary; and • They have conducted a review of internal controls covering financial, operational and compliance controls and Risk Management and have obtained reasonable assurance of their effectiveness and successful adherence herewith. 	<p><i>Complied with.</i></p> <p><i>It should be noted that the Bank has only one shareholder, the Government of Sri Lanka.</i></p>
Financial Statements	<ul style="list-style-type: none"> • The Board of Directors should include a Statement of Responsibility for the preparation and presentation of Financial Statements. • Auditors should also have a statement about their reporting responsibility. 	<p><i>Complied with.</i></p>
Management Report	<p>Should include a 'Management Discussion and Analysis Report' discussing at least the following issues:</p> <ul style="list-style-type: none"> • industry structure and developments; • opportunities and threats; • risks and concerns; • internal control systems and their adequacy; • social and environmental protection activities carried out by the Company; • financial performance; • material developments in human resources/ industrial relations; and • prospects for the future. 	<p><i>Complied with.</i></p>
Corporate Governance Report	<p>Should disclose the manner and extent to which the Company has complied with the principles and provisions of the Code.</p>	<p><i>Complied with.</i></p>
Audit Committee Report	<p>Should set out the work carried out by the Committee.</p>	<p><i>Complied with.</i></p>



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SUBCOMMITTEES OF THE BOARD



* Chairman of the Committee

Note

- The membership of Dr. R H S Samaratunga in the above Subcommittees was held by Mr. Sumith Abeysinghe prior to 7 October 2008.
- All the above members are Non-Executive Directors.

AUDIT COMMITTEE REPORT

The report of the Audit Committee is given on page 96 under the section on Financial Reports.

HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

ROLE OF THE COMMITTEE

The main responsibilities of the Committee include the following:

- Determining the remuneration policy (salaries, allowances and other financial payments) relating to the General Manager (GM) and Key Management Personnel (KMPs) of the Bank.

- Setting goals and targets for the GM and KMPs.
- Evaluating the performance of the GM and KMPs against the set targets and goals periodically and determining the basis for revising remuneration, benefits and other payments of performance-based incentive.
- Reviewing staff matters referred to it by the Board.
- Determining the Human Resource Policy and Organisational Structure of the Bank.

THE COMPOSITION OF THE COMMITTEE

The members of the Committee during the year 2008 were as follows:

Dr. B Kaluarachchi - Chairman

Mr. G K A Chaminda
K Kularatne

Mr. R Sivaraman

Mr. G Gallage

The GM presents himself at all meetings except when matters relating to him 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.

SUBCOMMITTEES OF THE BOARD

MEETINGS AND ACTIVITIES

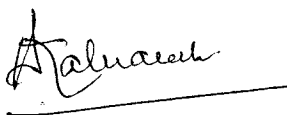
The Committee has met twice during the year under review. The attendance of Committee members at meetings is given in the table on page 86.

Initially, this Committee was to consider all matters pertaining to Human Resource and make recommendations to the Board. However, in view of the regular Board Meetings held on a fortnightly basis, the Board decided to consider Human Resource matters also at the Board Meetings. The Board refers to the Committee any matter that it is of the opinion needs the Committee's attention.

At the first meeting held, the Committee adopted a Charter for it. It initiated the introduction of a performance-based incentive scheme, which is in progress. It also required taking measures to review salaries of home-based and local staff attached to Overseas Branches. It initiated the formulation of a comprehensive Succession Plan. It has recommended that setting up of goals and targets for the GM and KMPs should be through

the Action Plans based on the rolling Corporate Plan. Human Resource (HR) Division has been required to carry out this task. The Committee also monitored the Reorganisation Plan of the HR Division. Skill needs of the Division were identified. The Board has approved the organisational structure for the Bank including the cadre positions. All minutes of the Committee have been tabled and ratified at Meetings of the Main Board.

The Committee shall work closely with the Board and ensure the implementation of its responsibilities.



Dr. B Kaluarachchi
Chairman, Human Resources and Remuneration Committee.

19 March 2009
Colombo

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE REPORT

ROLE OF THE COMMITTEE

The Committee works closely with the Board and Corporate Management and among other matters is responsible for the following:

- Evaluating, in consultation with the Chairman of the Board and the General Manager (GM), the current role and functions of the Board and its Committees to oversee successfully the business and affairs of the Bank in a manner consistent with the provisions of Banking Act Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka on Corporate Governance for Licensed Commercial Banks in Sri Lanka and making recommendations to the Board for approval with respect thereto.
- 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.
- Implementing procedures to select/appoint the GM and Key Management Personnel (KMPs).
- 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 KMPs are fit and proper persons to hold office as specified in the criteria given in Direction No. 3 (3) of the above mentioned Banking Act Direction No. 11 of 2007 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 KMPs.

During the year 2008, the main task of this Committee was to ensure and monitor the implementation of the provisions of the above mentioned Banking Act Direction No. 11 of 2007 on Corporate Governance. Some of the activities carried out are explained in the Report on Corporate Governance given in this Annual Report on page 69.

The Committee initiated the formulation of a Communication Policy, a Charter for the

THE COMPOSITION OF THE COMMITTEE

The members of the Committee during the year 2008 were as follows:

Mr. R Sivaraman	-	Chairman
Mr. Sumith Abeysinghe	-	Member up to 7 October 2008
Dr. R H S Samaratunga	-	Member after the resignation of Mr. Sumith Abeysinghe
Mr. V Kanagasabapathy	-	Alternate Director initially to Mr. Sumith Abeysinghe and thereafter to Dr. R H S Samaratunga
Mr. G K A Chaminda K Kularatne		

Mr. V Kanagasabapathy attended the meeting held during the year. The GM presents himself at the meetings by invitation. Other members of staff are invited to attend the meetings when the Committee requires their presence. The Secretary of the Bank/Secretary to the Board functions as the Secretary to the Committee.

MEETINGS AND ACTIVITIES

The Committee met twice during the year under review. The attendance of Committee Members at meetings is given in the table on page 86.

Board and a Policy for Directors' Access to Independent Professional Advice mentioned under the aforesaid Report on Corporate Governance. It has ensured the annual review of the going concern status of the Bank for the next financial year.

Among other activities, it required reviewing and updating the Code of Ethics for employees, now pending approval. A revised booklet on Employee Guidelines was recommended and is under preparation for publication. A target date was set to review the adequacy and integrity of the Management Information

SUBCOMMITTEES OF THE BOARD

Systems (MIS). It recommended obtaining quarterly reports from each Deputy General Manger's Division on their activities, achievements, costing etc. and to have it presented to the Board.

Presentations were organised to the members of the Board on the method to be adopted and importance of evaluating Directors. Thereafter, the Committee initiated the process of their self-evaluation.

Having reviewed the present structure, the Committee noted that KMPs of the Bank are already identified and designated including their areas of authority. The Committee also decided to adopt the existing policies for selecting/appointing the GM and KMPs. The existing criteria for eligibility considered for appointment or promotion to the posts of GM and KMPs would be reviewed by the Committee periodically. The Committee is mindful of the need to review from time to time the additional/new expertise required with regard to the KMPs. All minutes of the Committee have been tabled and ratified at the Meetings of the Main Board.

CONCLUSION

The Committee is of the view that the Bank is taking necessary action to comply with the applicable principles of Corporate Governance. Since the Bank has obtained a listing on the Colombo Stock Exchange for its debentures in mid December 2008, the Committee will also review the

compliance with Corporate Governance Practices made compulsory by the Listing Rules of the Colombo Stock Exchange. Compliance with Section 6 of the Listing Rules are provided in this Annual Report under the Corporate Governance Report on pages 72 to 75. Compliance with the Code of Best Practices on Corporate Governance issued jointly by Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka, which is a Voluntary Code, is set out on pages 76 to 79 under the same Corporate Governance Report.



R Sivaraman
Chairman, Nomination and Corporate Governance Committee

19 March 2009
Colombo

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

ROLE OF THE COMMITTEE

The main responsibilities of the Committee based on its Charter include the review and approval of the following:

- Policies, programmes and management committee charters relating to risk management and compliance.
- All risks, i.e., credit, market, liquidity, operational and strategic risks on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be effected, both on Bank and Group basis.
- Subject to ratification by the Board, risk limits and policies that establish appetite for credit, market, liquidity and operational risks, which may be recommended by the Chief Risk Officer.
- Adequacy and effectiveness of all Management Level Committees such as the Credit Committee, Personnel Policy Committee and the Asset and Liability Management Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.
- Risk management reports on the risk profile of the Bank, as well as emerging market and regulatory risks and actions undertaken to identify, measure, monitor and control such risk.
- Corrective action to mitigate the effects of specific risks in the 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 action against the officers responsible for failure to identify specific risks and take prompt corrective action as recommended by the Committee, and/or as directed by the Director of Bank Supervision.
- Adequacy and effectiveness of risk management staffing and risk identification, measurement and monitoring processes, including without limitation compliance, credit risk evaluation and information security.

were chaired by Mr. V Kanagasbapathy. The details of attendance of Committee Members at meetings are given in the table on page 86.

ACTIVITIES

The Committee noted that the Bank has taken steps to establish a fully-fledged independent Risk Management Unit and develop a comprehensive formal risk management framework as required in terms of Banking Act Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka on Corporate Governance for Licensed Commercial Banks in Sri Lanka.

THE COMPOSITION OF THE COMMITTEE

The members of the Committee during the year 2008 were as follows:

Mr. Sumith Abeysinghe	- Chairman up to 7 October 2008
Dr. R H S Samaratinga	- Chairman after the resignation of Mr. Sumith Abeysinghe
Mr. V Kanagasabapathy	- Alternate Director initially to Mr. Sumith Abeysinghe and thereafter to Dr. R H S Samaratinga
Mr. G K A Chaminda K Kularatne	
Mr. R Sivaraman	
Mr. G Gallage	
Dr. B Kaluarachchi	

The General Manager, the Chief Financial Officer (presently also acting for the Chief Risk Officer) and Chief Manager-Risk/ Head of Risk attend the meetings by invitation. 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 the Secretary to the Committee.

MEETINGS

The Committee has met thrice during the year under review. All meetings

At the first meeting for the year 2008, the Committee recommended the adoption of a Charter for the Committee. On the initiative of the Alternate Director to the Chairman of the Committee, a presentation by a Partner of a reputed audit firm was made to the members of the Board and the Senior Management on risk management. Consequently, with a view to having all risk management responsibilities including the extension of credit, independent of business units and having the risk teams reporting directly to a Chief Risk

SUBCOMMITTEES OF THE BOARD

Officer, it took initiatives to establish an Independent Integrated Risk Management Division as envisaged in the Corporate Plan. It also recommended staffing the Risk Management Division with suitable people and made arrangements for calling applications internally. A Chief Manager in charge of Risk was recommended for appointment. The attempt made by the Bank to recruit a Chief Risk Officer was not successful. The Report on Corporate Governance given on page 69 of this Annual Report explains the details leading to the appointment of the Chief Financial Officer to act for the Chief Risk Officer

until a suitable person is recruited. Such appointment was made on the recommendation of this Committee. The Committee recommended the appointment of a facilitator in a transparent manner to successfully organise the risk management function urgently. This process is still under way with two consultancy services having presented their solutions.

The Committee also initiated continuous training in risk management. All minutes of the Committee have been tabled and ratified at Meetings of the Main Board.

CONCLUSION

The Committee is of the view that with full staffing and experience, the mandate given to it can be fulfilled.



V Kanagasabapathy
as Alternate to Dr. R H S Samaratunga
Chairman, Integrated Risk Management
Committee

19 March 2009
Colombo

ATTENDANCE AT BOARD AND SUBCOMMITTEE MEETINGS DURING YEAR 2008

Committee	Main Board	Audit Committee	Human Resources and Remuneration Committee	Nomination and Corporate Governance Committee	Integrated Risk Management Committee
No. of Meetings held	29	07	02	02	03
	No. Attended	No. Attended	No. Attended	No. Attended	No. Attended
Dr. Gamini Wickramasinghe	28	–	–	–	–
Mr. S Abeysinghe (until 7 October 2008)	–	–	–	–	–
Dr. R H S Samaratunga (from 8 October 2008)	03	–	–	–	–
Mr. V Kanagasabapathy - Alternate Director *	26	07	–	02	03
Mr. G K A Chaminda K Kularatne **	23	06	02	01	02
Mr. R Sivaraman	24	07	02	02	02
Mr. G Gallage	29	06	02	–	–
Dr. B Kaluarachchi	24	05	02	–	02

* Mr. Sumith Abeysinghe and Dr. R H S Samaratunga were the Ex-Officio Directors during the year under review. Mr. V Kanagasabapathy was the Alternate Director initially to Mr. Sumith Abeysinghe and then to Dr. Samaratunga.

** Mr. P B S C Nonis was appointed to act for Mr. G K A Chaminda K Kularatne at the Board Meeting held on 19 June 2008.

In addition to the above, Mr. V Kanagasabapathy was present at the Board Meeting held on 16 October 2008 by invitation.

Financial Reports

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

This Statement by the Board of Directors is made especially to distinguish the respective responsibilities of the Directors and Auditors in relation to the Financial Statements.

FINANCIAL STATEMENTS

In terms of the provisions of Bank of Ceylon Ordinance (Chapter 397) and its amendments read with the Banking Act No. 30 of 1988 and its amendments, the Directors of the Bank are responsible for ensuring that the Bank maintains proper books of accounts and prepares Financial Statements for each financial year giving a true and fair view of the state of affairs of the Bank.

The Directors regard that in preparing the Financial Statements for the year 2008 presented in this Annual Report, the most appropriate accounting policies have been used and applied consistently supported by judgments and estimates that are reasonable and prudent. Material departures, if any, have been disclosed and explained.

The Directors are responsible for ensuring proper accounting records are kept, which disclose with reasonable accuracy at any time the financial position of the Bank and ensure that proper Financial Statements are prepared.

The Financial Statements for the year 2008 presented in this Annual Report are in conformity with the requirements of the Banking Act No. 30 of 1988 and the Sri Lanka Accounting Standards, and they reflect a true and fair view of the state of affairs of the Bank and the Group as at 31 December 2008.

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

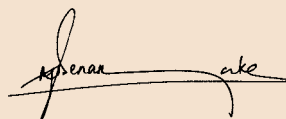
They are also responsible for the system of internal financial control and place considerable importance on maintaining a strong control environment to protect and safeguard the Bank's assets and prevent fraud and mismanagement. Whilst inherent and residual risks cannot be fully eliminated, the Bank endeavours to minimise them by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and practiced within predetermined procedures and constraints.

The Audit Committee on an ongoing basis has acted in strengthening the effectiveness of internal controls. The Report of the Audit Committee is attached to this Annual Report. The Directors are of the view that they have disclosed their responsibilities as set out in this statement.

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 and Report of Audit. For the year 2008, in completing the audit, Messrs BDO Burah Hathy, Chartered Accountants, assisted the Auditor General covering a material amount of assets and liabilities 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 99 of this Annual Report.

By order of the Board,



Janaki Senanayake Siriwardane

Secretary, Bank of Ceylon/Secretary to the Board

19 March 2009
Colombo

DIRECTORS' REPORT

The Directors of the Bank of Ceylon have pleasure in presenting their Report together with the audited Financial Statements for the year ended 31 December 2008. The Directors approved the Financial Statements on 19 March 2009.

PRINCIPAL ACTIVITIES

Bank

The Principal Activities of the Bank during the year were general banking, development financing, mortgage financing, lease financing, investment banking, corporate financing, dealing in Government Securities, pawn broking, credit card facilities, offshore banking, foreign currency operations and other financial services.

Subsidiaries

The principal activities of Subsidiaries are given in Note 27.5 to the Financial Statements.

Associates

The principal activities of Associates are given in Note 26.2 to the Financial Statements.

There were no significant changes in the nature of the principal activities of the Bank or the Group during the year under review.

REVIEW OF THE YEAR'S PERFORMANCE

The Chairman's Message on pages 7 and 8 deals with the Year's Performance of the Bank/Group and on the Sri Lanka economy. The General Manager's Review on pages 10 to 12 provides a detailed description of the operations of the Bank during the year under review.

BRANCH EXPANSION AND FUTURE DEVELOPMENTS

Two New Branches in Visakha Vidyalaya, Colombo 04 and in Achchuvely were opened, bringing the total number of Branches to 309. The Bank has connected 420 on-line access points including 303 Branches and 117 Extension Offices to the International Comprehensive Banking System (ICBS) on-line network by the end of 2008. The Automated Teller Machine (ATM) Network was further expanded during the year, enhancing customer convenience. The Bank itself has installed 251 ATMs across the Island, bringing the total ATMs to 417 under the Lanka Electronic Access Point (LEAP) system where ATMs of Sampath Bank can also be used by the customers of

Bank of Ceylon. An overview of the future development of the Bank is presented in the Chairman's Message on pages 7 and 8.

INTERNAL CONTROL SYSTEMS

The Board of Directors have instituted and implemented an effective and comprehensive system of Internal Controls in the Bank. Internal Control Systems have been redesigned to meet the particular needs of the Bank and the risks to which it is exposed and to provide reasonable but not absolute assurance against material misstatements or loss. The Bank's Internal Control Systems have been designed to provide the Directors with reasonable assurance that assets are safeguarded, transactions are authorised and properly recorded and material errors and irregularities are either prevented or detected within a reasonable period of time. The Directors are satisfied that a strong control environment is prevalent within the Bank and that the Internal Control Systems are effective.

CORPORATE GOVERNANCE

The Board of Directors is committed towards maintaining an effective Corporate Governance structure and process. The Nomination and Corporate Governance Committee assists the Board in its task. The financial, operational and compliance functions of the Bank are directed and controlled effectively within Corporate Governance practices outlined on pages 69 to 79 of this Report. The Report of the Chairman, Nomination and Corporate Governance Committee is contained in pages 83 and 84 of this Annual Report.

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 further consolidate the much-valued human capital in order to optimise their contribution towards the achievement of corporate objectives. The Bank's Human Resource Management policies and practices are detailed on pages 41 to 42 of this Annual Report. The Report of the Chairman, Human Resources and Remuneration Committee contained in pages 81 to 82 details the action taken by the Committee on the Human Resource aspects.

AUDIT COMMITTEE

The Audit Committee helps the Board of Directors to discharge their fiduciary responsibilities. The Report of the Chairman, Audit Committee is contained in pages 96 to 98 of this Report.

DIRECTORS' REPORT

VISION, MISSION, CORPORATE CONDUCT

The Bank's Vision and Mission are given in the inner cover of this Annual Report. The Bank maintains high ethical standards in its activities whilst pursuing the objectives stated under 'Vision' and 'Mission'.

RISK MANAGEMENT

Risk Management practices are well-established at Bank of Ceylon. Specific measures taken by the Bank in managing risks are detailed on pages 46 to 51 of this Annual Report. The Integrated Risk Management Committee assists the Board in its risk management function. The Report of the Chairman of this Committee is contained in pages 85 and 86 of this Annual Report.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of Financial Statements are given on pages 105 to 117 of this Annual Report. There have been no changes in the Accounting Policies adopted by the Bank during the year under review except for Accounting Policy on Employee Benefits that has been revised in terms of the Sri Lanka Accounting Standards No. 16 (Revised 2006) on 'Employee Benefits' which became effective with effect from 01 January 2008.

GROSS INCOME

The main income of the Group is interest income, which comprises over 83% of the total income. The Gross Income of the Group for the year 2008 was Rs. 62,427 million as against Rs. 52,330 million when compared with the previous year. The Bank's total income accounted for 96% (2007 - 96%) of total income of the Group.

PROFIT

The Bank recorded a healthy pre-tax Profit of Rs. 5,231 million in 2008 reflecting a growth of 16% when compared with Rs. 4,518 million recorded for the previous year, whilst the pre-tax Profit of the Group increased from Rs. 5,191 million to Rs. 5,865 million, an increase of 13% over the previous year.

Details of Profit relating to the Bank are given in Table 1.

Table 1

	2008 Rs. '000	2007 Rs. '000
Profit for the year after payment of all expenses and providing for depreciation, possible loan losses and contingencies before VAT & Tax	7,303,986	6,391,026
VAT on financial services	(2,073,379)	(1,872,559)
Profit before income tax	5,230,607	4,518,467
Provision for taxation	(1,669,626)	(1,675,210)
Net profit after taxation	3,560,981	2,843,257
Appropriations		
Transfers to permanent reserve fund	(70,000)	(60,000)
Transfers to primary dealer risk reserve	(34,574)	(74,450)
Dividends	(846,410)	(846,410)
Un-appropriated profit to be carried forward	2,609,997	1,862,397

DIVIDENDS

All profits after deduction of tax, loan loss provision and any such portion for reserves, if any, as the Government of Sri Lanka shall determine, will be issued as Dividends to the Government of Sri Lanka. Accordingly, a sum of Rs. 846 million has been paid by the Bank as Dividends for the year under review (2007 - Rs. 846 million).

PROVISION FOR TAXATION

Income tax for the year 2008 has been computed at the rates given in Note 15.4 to the Financial Statements. The deferred tax liability arising on accelerated capital allowances on Property, Plant & Equipment and assets leased to customers exceed the temporary differences on the unused tax losses and gratuity provision. There is no deferred tax asset as at the Balance Sheet date, as explained in Note 35 to the Financial Statements.

CORPORATE SUSTAINABILITY & RESPONSIBILITY

The programmes carried out under the Corporate Sustainability & Responsibility (CS&R) policy are detailed on pages 55 to 59 of this Annual Report.

CORPORATE DONATIONS

The Donations granted during the year amounted to Rs. 598,000/-.

PROPERTY, PLANT & EQUIPMENT

The total capital expenditure incurred by the Group on the acquisition of Property, Plant & Equipment during the year amounted to Rs. 799 million (2007 - Rs. 708 million) the details of which are given in Notes 29, 30 and 31 to the Financial Statements on pages 147 to 149 of this Annual Report.

MARKET VALUE OF FREEHOLD PROPERTIES

The Value of Freehold Properties owned by the Group as at 31 December 2008 is included in Note 29 to the Financial Statements as Rs. 4,316 million (2007 - Rs. 4,278 million).

ISSUE OF DEBENTURES

The Debentures issued by the Group as at 31 December 2008 were Rs. 19,147 million (2007 - Rs. 10,576 million). Out of the total Debentures issued during the year amounting to Rs. 8,753 million, a sum of Rs. 4,272 million was in relation to the Unsecured Subordinated Redeemable five-year Debentures issued by the Bank to the public. These Debentures are listed on the Colombo Stock Exchange. The details of the Debentures outstanding as at the date of Balance Sheet are given in Note 37 to the Financial Statements.

RESERVES

The total Reserves of the Group stood at Rs. 19,892 million as at 31 December 2008 (2007 - Rs. 17,561 million). The movements in reserves are given in the Statement of Changes in Equity on page 102.

STATED CAPITAL

The total issued and fully Paid-up Capital of the Bank as at 31 December 2008 was Rs. 5,000 million consisting of 5,000,000 ordinary shares.

SHARE INFORMATION

The Earnings Per Share and Net Assets Per Share of the Group were Rs. 774.08 and Rs. 4,978/- respectively, for the period under review.

SHAREHOLDING

The Government of Sri Lanka is the sole Shareholder of Bank of Ceylon.

DIRECTORS

The Board of Directors of Bank of Ceylon as at 31 December 2008 consisted of six members including the Chairman and they did not hold any executive positions in the Bank. The Directors bring a wide range of skills and experience to the Board. The qualifications and experience of the Directors are given on pages 14 to 17 of this Annual Report.

The Directors of the Bank during the year under review were:

Dr. Gamini Wickramasinghe (*Chairman*)

Mr. Sumith Abeysinghe (*Resigned with effect from 7 October 2008 with his appointment as Secretary to the Treasury/Secretary of the Ministry of Finance & Planning*)

Dr. R H S Samaratunga (*Appointed with effect from 8 October 2008 in place of Mr. Abeysinghe*)

Mr. G K A Chaminda K Kularatne

Mr. Raju Sivaraman

Mr. Gunaratna Gallage

Dr. Buddhadasa Kaluarachchi

Mr. V Kanagasabapathy (*Alternate Director to Mr. Sumith Abeysinghe and thereafter to Dr. R H S Samaratunga*)

Mr. V Kanagasabapathy, Alternate Director to Mr. Sumith Abeysinghe, the Ex Officio Director ceased to be his Alternate with effect from 7 October 2008. He was re-appointed as an Alternate Director to Dr. R H S Samaratunga, the Ex Officio Director on 13 October 2008.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors are of the view that Financial Statements that have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards and the Banking Act No. 30 of 1988 and its amendments give a true and fair view of the state of its affairs. Statement on page 88 of this Annual Report describes in detail the Directors' Responsibilities in relation to Financial Statements.

DIRECTORS' INTEREST IN DEBENTURES

Dr. Gamini Wickramasinghe, Chairman has invested in US\$ Debentures amounting to US\$ 349,000 during the year and appears in the Debenture Register as at 31 December 2008. There were no Debentures registered in the name of any other Director during the year under review.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS

Directors' interests in Contracts with the Bank, both direct and indirect are referred to in pages 93 to 95 to the Financial Statements and Report of Director's Interest in Contracts with the Bank. These interests have been declared at meetings of the Board of Directors and they have not participated in the deliberations when matters pertaining to their interests had been discussed. The Directors have no direct or indirect interest in any other contract or proposed contract with the Bank.

DIRECTORS' ALLOWANCES/FEES

The Allowances/Fees payable to the Board of Directors are made in terms of the provisions in the Public Finance Circular No PF/PE/23 dated 19 July 2002, Public Enterprises Circular No. PED 35 dated 17 January 2006 and letter dated 24 March 2008 issued by the Department of Public Enterprises of the General Treasury.

The Directors' Remuneration in respect of Group and the Bank for the financial year ended 31 December 2008 are given in Note 11 to the Financial Statements on page 121.

COMPLIANCE WITH LAWS AND REGULATIONS

The Bank/Group has not engaged in any activities contravening the Laws and Regulations. All those responsible for ensuring compliance with the applicable Laws and Regulations confirm their compliance to the Board, monthly.

ENVIRONMENTAL PROTECTION

The Bank/Group has not engaged in any activity, which has caused detriment to the environment.

STATUTORY PAYMENTS

The Board is confident that all Statutory Payments due to the Government of Sri Lanka and in relation to employees have been made on time.

OUTSTANDING LITIGATION

In the opinion of Directors and in consultation with the Bank lawyers, litigation currently pending against the Bank will not have a material impact on the reported financial results or future operations of the Bank.

POST-BALANCE SHEET EVENTS

In the opinion of the Directors, no material event of an unusual nature has arisen in the interval between the end of the financial year and the date of this Report, which would affect substantially the results of the operations of the Group for the financial year in respect of which the Report is prepared except those disclosed in Note 44 to the Financial Statements.

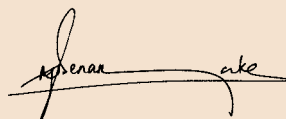
GOING CONCERN

The Directors are confident that the Bank has adequate resources to continue in operation. It has applied the Going Concern basis in preparing the Financial Statements.

APPOINTMENT OF AUDITORS

The Auditor General is the Auditor of Bank of Ceylon. He has been appointed in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka.

By Order of the Board,



Janaki Senanayake Siriwardane

Secretary, Bank of Ceylon/Secretary to the Board

19 March 2009

Colombo

DIRECTORS' INTERESTS IN CONTRACTS

Related party disclosures as per the Sri Lanka Accounting Standard No. 30 on Related Party Disclosure (Revised 2005) are detailed in Notes 47 and 48 to the Financial Statements. In addition, the transaction that have been carried out in the ordinary course of business 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	Accommodation granted/ Deposits	Limit Rs. '000	Amount O/S at 31.12.08 Rs. '000	Amount O/S at 31.12.07 Rs. '000
Dr. Gamini Wickramasinghe					
Ceylease Financial Services Limited	Chairman	Loans & Advances	450,000	502,404	425,863
		Bridging Finance	100,000	–	–
		Letter of Credit	50,000	–	760
		Money Market Loan	350,000	299,000	350,000
		Overdraft	50,000	35,427	37,644
		Current Account		16	16
BoC Travels (Private) Limited	Chairman	Fixed Deposit	–	20,000	–
		Current Account	–	10,840	2,795
		Savings Account	–	5,000	–
		Debenture	–	5,000	–
		Overdraft	9,600	–	–
		Letter of Guarantee	50,000	50,000	–
Property Development PLC	Chairman	Letter of Credit	5,000	–	–
		Current Account	–	1,969	2,558
		Repo Balance	–	709,900	533,173
		Rent paid in Advance	–	209,328	152,597
		Deposit for Fuel	–	907	–
		Other Payable	–	49,271	–
Mireka Capital Land (Private) Limited	Director	Term Loans	US\$ 40,000	US\$ 15,000	US\$ 6,300
			–	(Rs. 1,708,200)	(Rs. 688,300)
		Current Account	–	US\$ 182	–
			–	(Rs. 20,675)	–
		Current Account	–	12,385	6,625
Informatics Group of Companies	Managing Director	Term Loan	17,300	9,803	15,310
		Letter of Credit/ Guarantee	4,000	1,733	14,086
		Current Account	–	817	–
		Savings Account	–	23	–
		Savings Account	–	US\$ 20	–
			–	(Rs. 2,278)	–
		Procurement-transaction value excluding taxes*	–	80,916	–
Visual Computing Systems (Private) Limited	Subsidiary of Informatics Group of Companies	Overdraft	–	1	–
		Loan	–	–	1,359

* The Board of Directors of BoC, in terms of minute No. 4.1 of 22 February 2008 has approved to procure 57 Automated Teller Machines from Informatics (Private) Limited.

DIRECTORS' INTERESTS IN CONTRACTS

Company	Relationship	Accommodation granted/ Deposits	Limit Rs. '000	Amount O/S at 31.12.08 Rs. '000	Amount O/S at 31.12.07 Rs. '000
Mr. Raju Sivaraman					
Ceylease Financial Services Limited	Director	Loans & Advances	450,000	502,404	425,863
		Bridging Finance	100,000	-	-
		Letter of Credit	50,000	-	760
		Money Market Loan	350,000	299,000	350,000
		Overdraft	50,000	35,427	37,644
		Current Account			16
Mireka Capital Land (Private) Limited	Director	Term Loans	US\$ 40,000	US\$ 15,000	US\$ 6,300
			-	(Rs. 1,708,200)	(Rs. 688,300)
		Current Account	-	US\$ 182	-
			-	(Rs. 20,675)	-
		Current Account	-	12,385	6,625
Arch-Triad Consultants (Private) Limited **	Managing Director	Consultancy services value	-	1,870	-
** In terms of minute No. 5.8 of 14 December 2006, the Board of Directors of BoC have appointed this company as Consultant Architect for construction of branch office and manager's quarters at Madurankuliya.					
Dr. B Kaluarachchi					
Hotels Colombo (1963) Limited.	Chairman	Fixed Deposit	-	12,828	10,903
		Current Account	-	11,997	11,785
		Receivable	-	92,729	65,392
Mr. Gunaratna Gallage					
Hotels Colombo (1963) Limited.	Director	Fixed Deposit	-	12,828	10,903
		Current Account	-	11,997	11,785
		Receivable	-	92,729	65,392
Mr. G K A Chaminda K Kularathne					
Hotels Colombo (1963) Limited.	Director	Fixed Deposit	-	12,828	10,903
		Current Account	-	11,997	11,785
		Receivable	-	92,729	65,392

Company	Relationship	Accommodation granted/ Deposits	Limit Rs. '000	Amount O/S at 31.12.08 Rs. '000	Amount O/S at 31.12.07 Rs. '000
Mr. V Kanagasabapathy					
Merchant Bank of Sri Lanka PLC	Director	Loan & Advances	71,250	71,250	200,791
		Series of Loan	300,000	199,400	-
		Money Market Loan	100,000	-	100,000
		Overdraft	50,000	132,314	184,896
		Reverse Repo Balance		135,000	-
		Contingencies	1,000	1,000	1,000
		Grant on Immediate			
		Credit on cheque limit	1,000	-	-
		Intra day overdraft	5,000	-	-
		Current Account	-	14,428	71
		Hotel Developers Limited	Director	Term Loan	350,000
Current Account	-			564	-
De La Rue Lanka Currency and Security Print (Private) Limited	Director	Overdraft	30,000	2,578	14,650
		Current Account	-	1,847	-
		Fixed Deposit	-	6,893	-
Dr. R H S Samaratunga					
Mihin Lanka (Private) Limited	Director	Overdraft	1,208,665	1,208,665	1,077,248
De La Rue Lanka Currency and Security Print (Private) Limited	Director	Overdraft	30,000	2,578	14,650
		Current Account	-	1,847	-
		Fixed Deposit	-	6,893	-

AUDIT COMMITTEE REPORT

ROLE OF THE COMMITTEE

The main Role of the Committee is to assist the Board in its oversight responsibility. In fulfilling it, the Committee becomes responsible for the following amongst other things, which are clearly identified in the Charter of the Audit Committee:

- Adequacy and effectiveness of the Bank's internal controls and internal audit functions.
- Reviewing and monitoring the integrity of the Financial Statements, financial reporting and audit process.
- Ensuring that the Bank meets statutory and regulatory compliances.
- Reviewing the system for ensuring operational efficiency and cost controls.
- Approving the scope of activities of the internal audit function, ensuring its independence and that no unjustified restrictions or limitations are made and it is performed with impartiality, proficiency and due professional care.

COMPOSITION OF THE COMMITTEE

The members of the Audit Committee during the year 2008 were as follows:

Mr. Sumith Abeysinghe	-	Chairman up to 7 October 2008
Dr. R H S Samaratunga	-	Chairman after the resignation of Mr. Sumith Abeysinghe
Mr. V Kanagasabapathy	-	Alternate Director initially to Mr. Sumith Abeysinghe and thereafter to Dr. R H S Samaratunga
Mr. G K A Chaminda K Kularatne		
Mr. R Sivaraman		
Mr. G Gallage		
Dr. B Kaluarachchi		

With the appointment of Mr. Sumith Abeysinghe as Secretary to the Treasury and Secretary to the Ministry of Finance and Planning, he resigned from the Board of Bank of Ceylon in October 2008 and Dr. R H S Samaratunga, a Deputy Secretary to the Treasury was appointed to the Board and thereafter as Chairman of the Audit Committee.

Mr. V Kanagasabapathy was the Alternate Director initially to Mr. Abeysinghe and then to Dr. Samaratunga. All the above members are Non-Executive Directors.

The General Manager, Chief Financial Officer, Deputy General Manager (Internal Audit), formerly Deputy General Manager (Inspection and Audit) and the Internal Auditor attended the meetings by invitation. The Secretary of the Bank/Secretary to the Board functions as the Secretary to the Committee to assist the Committee in fulfilling its role. With the intention of obtaining the maximum benefit to the Bank on the deliberations of the Committee, the External Auditors and the representative of the Auditor General's Department are invited to attend all Audit Committee Meetings. Accordingly, the External Auditors participated actively at all the Audit Committee meetings held during year 2008. The representative of the Auditor General's Department was present at one of the meetings. The other members of the Corporate Management and other staff members of the Bank are invited to attend the meetings when the Committee requires their presence.

MEETINGS AND ACTIVITIES

The Committee met seven times during the year under review. All meetings were chaired by Mr. V Kanagasabapathy. The attendance of Committee members at meetings is given in the table on page 86.

The Committee carried out the following activities during the year under review:

New Charter

- Adopted a New Charter for the Audit Committee with the separation of risk management functions in terms of Banking Act Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka on Corporate Governance for Licensed Commercial Banks in Sri Lanka.

Internal Audit

- Adopted the Internal Audit Plan for the year 2008 and the Audit Programme. Effectiveness of the implementation of Audit Plan was also monitored by way of monthly reports. The total number of audits planned up to 31 December 2008 was 393. However, the Internal Audit Division has carried out 546 audits and completed 132 investigations during this period.

- Also adopted the following:
 - (i) Internal Audit Manual.
 - (ii) Internal Audit Policy for Overseas Branches.
- Reviewed significant internal audit findings with a view to taking timely corrective action.

External Audit

- Reviewed the following:
 - (i) Final report of the Auditor General to the Parliament of Sri Lanka on the accounts of the Bank for the year ended 31 December 2006 together with his Management Letter, Management responses thereto and corrective measures taken by the Bank to avoid recurrence of the issues highlighted.
 - (ii) Auditor General's draft report to the Parliament of Sri Lanka on the accounts of the Bank for the year ended 31 December 2007 together with the responses of the Management thereto.
 - (iii) Management Letter issued by the Auditor General in respect of the accounts for the year ended 31 December 2007, Management responses thereto and corrective measures taken by the Bank to avoid recurrence of the issues highlighted.

Financial Statements

- Reviewed the following:
 - (i) Quarterly Financial Statements of the Bank, prepared on the basis of statutory requirements, firstly to evaluate performance and secondly for the purposes of publication.
 - (ii) Financial Statements for the year ended 31 December 2007.

Compliance

- Considered the adequacy of Compliance function of the Bank.

Internal Controls

- Initiated the establishment of a dedicated follow-up unit to prevent repetition of Management Letter issues.
- Continued with Audit Reviews of credit facilities subject to a limit.
- Obtained information of the Non-Performing Advances position and progress of action taken by the Non-Performing Advances Committee.

- Internal Control Officers (ICOs) attached to the Branches who are required to check all credit documentation separately were made independent, by having them reporting functionally to the Internal Audit Division at the Head Office.

Risk

- Risk-based audit unit was formed.
- The Chief Financial Officer made a presentation on the Global Financial Crisis and the risks associated were reviewed.
- Required the formulation of a risk management framework, which now falls under the purview of the Integrated Risk Management Committee.

Training

- Arranged to conduct awareness programmes on the internal audit function emphasising that it is not a faultfinding exercise but a very useful consultancy service.
- Mandated an islandwide training programme on anti-money laundering.
- The audit staff participated in 5 overseas training programmes with 29 members attending local training programmes.

Audit Bulletin

- Initiated the launching of an Audit Bulletin to create awareness of the Internal Audit function. Two volumes have been published and circulated during the year under review.

Proposed Merged Internal Audit Division

- In order to strengthen the independency of the Internal Audit function of the Bank, a decision was taken to merge the Internal Audit and Inspection & Audit Departments under the supervision of the Chief Internal Auditor/Deputy General Manager (Internal Audit). The Committee followed up the progress of the recommended migration plan of the merged structure of the Internal Audit Division.
- The former Internal Auditor resigned from the Bank with effect from 11 October 2008 to accept a position in a private sector organisation. This matter was discussed at a Board Meeting where all the members of the Audit Committee were present.

AUDIT COMMITTEE REPORT

- The attempts made to strengthen the Internal Audit function by establishing an independent professional Internal Audit Unit through the merger of the Internal Audit and Inspection & Audit Departments were not at first successful in view of Trade Union agitation. The Committee however, continued with its struggle in establishing and strengthening the independent professional Internal Audit Division reporting directly to the Audit Committee.
- With a view to expediting the plan for the merged division, at a specially convened meeting, the Committee carried out initial interviews for the posts of Chief Internal Auditor and Internal Auditor and recommended candidates for final interview by the Board. A Senior Partner from the External Auditors was present at the invitation of the Committee to assist it and also for purposes of transparency and independency. Despite the initiative taken by the Committee and the Board, the Bank was not able to establish the proposed single unit as envisaged during the year under review. However, the Bank has now recruited a Chief Internal Auditor and an Internal Auditor and the merged division is functioning from 2009 onwards.

Minutes

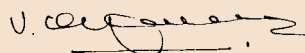
- Maintained minutes and obtained concurrence of the Main Board for the recommendations made by the Committee and follow-up action taken.

PROCEDURE FOR COMPLAINTS

The Audit Committee has established a Procedure for the receipt, retention and treatment of Complaints received by the Bank regarding accounting, internal control and audit matters. This procedure was in operation during the year under review. During the period 134 complaints were received, out of which 132 have been investigated and resolved.

CONCLUSION

The Auditor General is the Auditor of the Bank of Ceylon appointed in terms of the Article 154 of the Constitution of Sri Lanka. His independency is ensured by the Constitution. The Audit Committee is of the view that necessary 'check & 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 audited accounts are free from any material misstatements.



V Kanagasabapathy

*as Alternate to Dr. R H S Samaratunga
Chairman, Audit Committee*

19 March 2009
Colombo

REPORT OF THE AUDITOR GENERAL



විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அறிப்பித் திணைக்களம் AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல
My No.

EF/F/BC/2008

ඔබේ අංකය
உமது இல
Your No.

දිනය
திகதி
Date

24 March 2009

The audit of the accompanying financial statements of Bank of Ceylon, and the consolidated financial statements of the Bank, and its Subsidiaries as at 31 December 2008, which comprise the Balance Sheet as at that date, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes thereto (Nos. 1 to 49) to the financial statements was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. In carrying 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.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for preparation and fair presentation of these financial statements in accordance with the Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

SCOPE OF AUDIT AND BASIS OF OPINION

My responsibility is to express an opinion on these financial statements based on my audit. The audit was conducted in accordance with Sri Lanka Auditing Standards, which require that the audit shall be planned and performed to obtain reasonable assurance as to whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of financial statements. I have obtained all the information and explanations which to

the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion.

OPINION

In my opinion, so far as appears from my examination, the Bank had maintained proper accounting records for the year ended 31 December 2008, and the financial statements give a true and fair view of the Bank's state of affairs as at 31 December 2008 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In my opinion, the consolidated financial statements, give a true and fair view of the state of affairs as at 31 December 2008 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Bank, and its Subsidiaries dealt with thereby, so far as concerns the shareholders of the Bank.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

These financial statements had been presented the information required by the Banking Act No. 30 of 1988.

EXEMPTION

The Bank has been exempted from the provisions of Part II of the Finance Act No. 38 of 1971 by an Order of then Minister of Finance published in the Government Gazette No. 715 of 14 May 1992 by virtue of powers vested in him by Sections (I) 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.

S. Swarnajothi
Auditor General

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කොළඹ 07, ශ්‍රී ලංකාව

சுதந்திர சதுக்கம்,
கொழும்பு 07, இலங்கை

INDEPENDENCE SQUARE,
COLOMBO 07, SRI LANKA

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INCOME STATEMENT

<i>For the year ended 31 December</i>	Note	Page No.	2008 Rs. '000	Bank 2007 Rs. '000	Change %	2008 Rs. '000	Group 2007 Rs. '000	Change %
Income	1	118	60,181,811	50,159,521	20.0	62,427,335	52,329,946	19.3
Interest income	2	118	49,683,941	42,285,788	17.5	51,592,828	44,083,422	17.0
Interest expenses	3	118	(35,988,808)	(29,453,085)	22.2	(37,000,616)	(30,352,995)	21.9
Net interest income			13,695,133	12,832,703	6.7	14,592,212	13,730,427	6.3
Fee and commission income	4	119	4,084,349	3,098,848	31.8	4,140,850	3,123,101	32.6
Fee and commission expenses	5	119	(629,191)	(528,027)	19.2	(637,094)	(528,027)	20.7
Net fee and commission income			3,455,158	2,570,821	34.4	3,503,756	2,595,074	35.0
Foreign exchange profit			2,886,541	1,178,696	144.9	2,886,541	1,178,696	144.9
Dividend income	6	119	400,599	424,805	(5.7)	227,418	250,106	(9.1)
Net gains from investment in securities	7	119	580,938	1,199,121	(51.6)	582,824	1,208,591	(51.8)
Other operating income	8	120	945,596	686,620	37.7	1,316,381	1,105,413	19.1
Operating income			21,963,965	18,892,766	16.3	23,109,132	20,068,307	15.2
Operating expenses								
Personnel cost	9	120	(6,977,931)	(6,573,654)	6.1	(7,286,596)	(6,832,668)	6.6
Staff retirement benefits	10	120	(2,294,600)	(2,195,203)	4.5	(2,320,983)	(2,201,576)	5.4
Premises, equipment and establishment expenses	11	121	(2,567,805)	(2,122,624)	21.0	(2,297,962)	(2,326,065)	(1.2)
Other operating expenses	11	121	(2,044,804)	(1,685,266)	21.3	(2,430,697)	(1,691,797)	43.7
Operating profit before provisions			8,078,825	6,316,019	27.9	8,772,894	7,016,201	25.0
Provision for loan losses	12	122	(2,373,656)	(1,171,236)	102.7	(2,483,437)	(1,275,128)	94.8
Recovery of non-performing advances			1,599,847	1,285,643	24.4	1,617,122	1,294,013	25.0
Provision for fall in value of investments & dealing securities	13	122	(1,030)	(39,400)	(97.4)	5,072	(14,800)	(134.3)
Operating profit before VAT			7,303,986	6,391,026	14.3	7,911,651	7,020,286	12.7
Value added tax on financial services			(2,073,379)	(1,872,559)	10.7	(2,110,311)	(1,915,924)	10.1
Operating profit			5,230,607	4,518,467	15.8	5,801,340	5,104,362	13.7
Share of profit of Associate companies before tax	14	122	-	-	-	63,371	86,604	(26.8)
Profit before taxation			5,230,607	4,518,467	15.8	5,864,711	5,190,966	13.0
Income tax expense	15	122	(1,669,626)	(1,675,210)	(0.3)	(1,915,912)	(1,857,008)	3.2
Profit after taxation			3,560,981	2,843,257	25.2	3,948,799	3,333,958	18.4
Attributable to:								
Equity holder of the parent			3,560,981	2,843,257	25.2	3,870,381	3,243,831	19.3
Minority interest			-	-	-	78,418	90,127	(13.0)
			3,560,981	2,843,257	25.2	3,948,799	3,333,958	18.4
Basic earnings per share (Rs.)	16	124	712.20	710.81		774.08	810.96	
Dividend per share (Rs.)	16	124	169.28	211.60		169.28	211.60	

The significant accounting policies on pages 105 to 117 and notes on pages 118 to 175 form an integral part of these Financial Statements.

BALANCE SHEET

As at 31st December	Note	Page No.	Bank			Group		
			2008 Rs. '000	2007 Rs. '000	Change %	2008 Rs. '000	2007 Rs. '000	Change %
ASSETS								
Cash and short term funds	17	125	10,167,647	9,244,542	10.0	10,214,551	9,311,000	9.7
Balances with Central Banks	18	125	15,629,080	17,253,101	(9.4)	15,629,080	17,253,101	(9.4)
Treasury bills, bonds and other eligible bills	19	126	25,947,463	39,145,480	(33.7)	26,427,367	39,645,548	(33.3)
Securities purchased under re-sale agreements			1,759,500	60,000	2,832.5	1,759,500	60,000	2,832.5
Dealing securities	20	126	143,717	3,184,335	(95.5)	412,656	3,231,812	(87.2)
Placements with and loans to other banks	21	130	16,403,341	19,721,881	(16.8)	16,413,341	19,721,881	(16.8)
Treasury bonds maturing after one year			38,834,394	27,336,550	42.1	38,834,394	27,336,550	42.1
Loans & advances to customers								
Bills of exchange	22.1	131	15,926,242	10,651,039	49.5	16,255,792	10,974,528	48.1
Loans & advances	22.2	132	249,329,592	267,967,948	(7.0)	249,419,117	267,205,981	(6.7)
Lease rentals receivable - within one year	22.3	133	1,631,892	765,052	113.3	3,764,962	4,133,625	(8.9)
Lease rentals receivable - one to five years	22.4	134	4,216,981	5,029,398	(16.2)	8,119,128	8,004,323	1.4
Lease rentals receivable - after five years	22.5	134	318	82,803	(99.6)	12,775	93,002	(86.3)
			271,105,025	284,496,240	(4.7)	277,571,774	290,411,459	(4.4)
Government of Sri Lanka Restructuring Bonds	23	137	8,547,000	8,547,000	-	8,547,000	8,547,000	-
Investment securities	24	137	69,681,297	2,361,502	2,850.7	69,686,341	2,537,836	2,645.9
Investment properties	25	142	-	558,660	(100.0)	428,750	1,021,497	(58.0)
Investments in Associate Companies	26	143	818,610	819,640	(0.1)	956,370	933,755	2.4
Investments in Subsidiary Companies	27	144	2,783,954	2,830,854	(1.7)	-	-	-
Other assets	28	146	17,303,781	16,900,408	2.4	18,144,416	17,300,647	4.9
Deferred tax assets	35	151	-	59,706	(100.0)	-	-	-
Property, plant & equipment	29	147	5,010,446	4,974,203	0.7	6,428,236	6,422,697	0.1
Leasehold land	30	149	8,439	8,541	(1.2)	53,617	55,076	(2.6)
Intangible assets	31	149	232,564	398,707	(41.7)	241,841	409,206	(40.9)
Total assets			484,376,258	437,901,350	10.6	491,749,234	444,199,065	10.7
FINANCED BY :								
LIABILITIES								
Deposits from customers	32	150	316,069,566	308,856,259	2.3	318,177,652	310,551,147	2.5
Borrowed funds	33	150	61,297,895	36,069,330	69.9	63,213,865	37,795,089	67.3
Securities sold under re-purchase agreements	34	151	49,801,656	48,589,024	2.5	48,720,006	47,702,491	2.1
Tax payable			1,078,501	885,441	21.8	1,232,593	960,609	28.3
Deferred tax liability	35	151	506,531	-	100	565,697	26,557	2,030.1
Other liabilities	36	152	14,531,249	13,301,127	9.2	15,145,463	13,430,417	12.8
Debentures	37	152	17,988,604	9,150,000	96.6	19,146,514	10,576,260	81.0
Total liabilities			461,274,002	416,851,181	10.7	466,201,790	421,042,570	10.7
SHAREHOLDERS' EQUITY								
Stated capital	38	156	5,000,000	5,000,000	-	5,000,000	5,000,000	-
Permanent reserve fund	39	156	2,585,000	2,515,000	2.8	2,585,000	2,515,000	2.8
Retained profits			14,334,563	12,160,632	17.9	15,826,941	13,396,498	18.1
Reserves	40	157	1,182,693	1,374,537	(14.0)	1,480,161	1,649,593	(10.3)
Total equity attributable to the parent			23,102,256	21,050,169	9.7	24,892,102	22,561,091	10.3
Minority interest			-	-	-	655,342	595,404	10.1
Total equity			23,102,256	21,050,169	9.7	25,547,444	23,156,495	10.3
Total Shareholders' equity and liabilities			484,376,258	437,901,350	10.6	491,749,234	444,199,065	10.7
Commitments and contingencies	41	158	164,812,680	134,712,838	22.3	164,864,856	134,752,038	22.3

The significant accounting policies on pages 105 to 117 and notes on pages 118 to 175 form an integral part of these Financial Statements.

Certification

I certify that the above Financial Statements give a true and fair view of the state of affairs as at 31 December 2008 and its profit for the year ended 31 December 2008.



S Rajakaruna

Chief Financial Officer

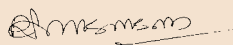
Approved and signed for and on behalf of the Board by,



Dr. Gamini Wickramasinghe

Chairman

19 March 2009, Colombo



R Sivaraman

Director



B A C Fernando

General Manager

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Note	Page No.	Stated capital		Permanent reserve fund Rs. '000	Reserves		Retained profits Rs. '000	Minority interest Rs. '000	Total equity Rs. '000
			Share capital	Capital pending allotment		Other reserves	Revaluation reserves			
			Rs. '000	Rs. '000		Rs. '000	Rs. '000			
BANK										
Balance at 01 January 2007			4,000,000	-	2,455,000	1,029,514	129,404	10,298,235	-	17,912,153
Net profit for the year 2007			-	-	-	-	-	2,843,257	-	2,843,257
Transfers to permanent reserve	39	156	-	-	60,000	-	-	(60,000)	-	-
Transfers to primary dealer risk reserve	40.4	158	-	-	-	74,450	-	(74,450)	-	-
Dividend for 2007	16.1	125	-	-	-	-	-	(846,410)	-	(846,410)
Net exchange translation adjustment	40.3	157	-	-	-	141,169	-	-	-	141,169
Shares under pending allotment			-	1,000,000	-	-	-	-	-	1,000,000
Balance at 31 December 2007			4,000,000	1,000,000	2,515,000	1,245,133	129,404	12,160,632	-	21,050,169
Balance at 01 January 2008			4,000,000	1,000,000	2,515,000	1,245,133	129,404	12,160,632	-	21,050,169
Net profit for the year 2008			-	-	-	-	-	3,560,981	-	3,560,981
Transfers to permanent reserve	39	156	-	-	70,000	-	-	(70,000)	-	-
Revaluation adjustment			-	-	-	-	(2,443)	-	-	(2,443)
Transfers to primary dealer risk reserve	40.4	158	-	-	-	34,574	-	(34,574)	-	-
Dividend for 2008	16.1	125	-	-	-	-	-	(846,410)	-	(846,410)
Net exchange translation adjustment	40.3	157	-	-	-	(223,975)	-	-	-	(223,975)
Prior year adjustment on deferred tax			-	-	-	-	-	(436,066)	-	(436,066)
Transferred to share capital			1,000,000	(1,000,000)	-	-	-	-	-	-
Balance at 31 December 2008			5,000,000	-	2,585,000	1,055,732	126,961	14,334,563	-	23,102,256

For the year ended 31 December

	Note	Page No.	Stated capital		Attributable to the parent			Minority interest Rs. '000	Total equity Rs. '000	
			Share capital	Capital pending allotment	Permanent reserve fund	Other reserves	Revaluation reserves			
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000			
GROUP										
Balance at 01 January 2007			4,000,000	-	2,455,000	1,251,177	182,797	11,133,527	540,906	19,563,407
Net profit for the year 2007			-	-	-	-	-	3,243,831	90,127	3,333,958
Transfers to permanent reserve	39	156	-	-	60,000	-	-	(60,000)	-	-
Transfers to primary dealer risk reserve	40.4	158	-	-	-	74,450	-	(74,450)	-	-
Dividend for 2007	16.1	125	-	-	-	-	-	(846,410)	(35,629)	(882,039)
Net exchange translation adjustment	40.3	157	-	-	-	141,169	-	-	-	141,169
Shares under pending allotment			-	1,000,000	-	-	-	-	-	1,000,000
Balance at 31 December 2007			4,000,000	1,000,000	2,515,000	1,466,796	182,797	13,396,498	595,404	23,156,495
Balance at 01 January 2008			4,000,000	1,000,000	2,515,000	1,466,796	182,797	13,396,498	595,404	23,156,495
Net profit for the year 2008			-	-	-	-	-	3,870,381	78,418	3,948,799
Transfers to permanent reserve	39	156	-	-	70,000	-	-	(70,000)	-	-
Transfer to other reserves			-	-	-	22,412	-	(22,412)	-	-
Revaluation adjustment			-	-	-	-	(2,443)	-	-	(2,443)
Adjustments			-	-	-	-	-	(30,476)	11,996	(18,480)
Transfers to primary dealer risk reserve	40.4	158	-	-	-	34,574	-	(34,574)	-	-
Dividend for 2008	16.1	125	-	-	-	-	-	(846,410)	(30,476)	(876,886)
Net exchange translation adjustment	40.3	157	-	-	-	(223,975)	-	-	-	(223,975)
Prior year adjustment on deferred tax			-	-	-	-	-	(436,066)	-	(436,066)
Transferred to share capital			1,000,000	(1,000,000)	-	-	-	-	-	-
Balance at 31 December 2008			5,000,000	-	2,585,000	1,299,807	180,354	15,826,941	655,342	25,547,444

The significant accounting policies on pages 105 to 117 and notes on pages 118 to 175 form an integral part of these Financial Statements.

CASH FLOW STATEMENT

For the year ended 31 December	Note	Bank		Group	
		2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Cash flows from operating activities					
Interest receipts		46,432,991	40,856,329	48,092,344	42,562,986
Interest payments		(32,565,332)	(29,289,570)	(33,912,840)	(30,712,765)
Commission, fees and other operating income		5,361,727	3,843,188	5,796,079	5,393,184
Non-performing advances recovered		1,599,847	1,285,643	1,617,122	1,294,013
Cash payments to employees		(9,272,532)	(8,768,857)	(9,607,579)	(9,034,244)
Cash payments to suppliers		(4,658,800)	(3,009,512)	(4,665,144)	(3,852,184)
Value added tax on financial services paid		(2,073,379)	(1,872,559)	(2,110,311)	(1,915,924)
Cash flows from operating profits before changes in operating assets and liabilities	I	4,824,522	3,044,662	5,209,671	3,735,066
(Increase)/decrease in operating assets					
Deposits held for regulatory purposes		1,624,021	(147,105)	1,624,021	(147,105)
Funds advanced to customers		11,669,074	(61,023,666)	11,041,855	(61,557,033)
Credit card receivable		(24,366)	(215,497)	(24,366)	(215,497)
Short term marketable securities		3,371,746	(145,321)	3,150,284	(147,117)
Other assets		4,497,326	(1,500,378)	4,375,938	(1,098,002)
Increase/(decrease) in operating liabilities					
Deposits from other banks		(93,542)	51,990	(93,542)	51,990
Deposits from customers		7,306,849	45,938,939	7,720,047	45,603,691
Other liabilities		(1,644,020)	1,187,878	(851,902)	(579,163)
Net cash from/(used in) operating activities before income tax		31,531,610	(12,808,498)	32,152,006	(14,353,170)
Income tax paid		(1,269,471)	(904,125)	(1,435,424)	(1,163,872)
Net cash from/(used in) operating activities		30,262,139	(13,712,623)	30,716,582	(15,517,042)
Cash flows from investing activities					
Net increase in treasury bills and other eligible bills		12,114,606	12,203,106	11,874,002	12,961,409
Proceeds from sale of investment & dealing securities		135,911	63,827	138,560	66,762
Dividend received		400,599	424,805	227,418	250,106
Purchase of investment securities		(77,642,886)	(9,263,129)	(77,471,595)	(8,593,837)
Investment in Subsidiaries and Associates		47,930	22,040	-	(27,960)
Purchase of property, plant & equipment		(627,489)	(513,900)	(777,758)	(667,414)
Purchase of intangible assets		(20,219)	(29,615)	(21,454)	(40,145)
Purchase of securities purchased under re-sale agreements		(1,699,500)	(60,000)	(1,438,732)	(320,768)
Proceeds from sale of property, plant & equipment		200,083	186,909	218,329	192,991
Net cash from/(used in) investing activities		(67,090,965)	3,034,043	(67,251,230)	3,821,144
Cash flows from financing activities					
Proceeds from issue of shares		-	1,000,000	-	1,000,000
Proceeds from issue of securities sold under re-purchase agreements		1,212,632	655,366	1,017,515	655,366
Proceeds from issue of debentures		8,838,604	5,300,000	8,570,254	5,276,910
Net increase/(decrease) in other borrowings		25,228,565	2,010,726	25,418,776	3,115,713
Dividend paid		(846,410)	(846,410)	(846,410)	(846,410)
Minority interest		-	-	(30,476)	(35,629)
Net cash (used in)/from financing activities		34,433,391	8,119,682	34,129,659	9,165,950
Net increase/(decrease) in cash & cash equivalents		(2,395,435)	(2,558,898)	(2,404,989)	(2,529,948)
Cash and cash equivalents at the beginning of the year		28,966,423	31,525,321	29,032,881	31,562,829
Cash and cash equivalents at the end of the year	II	26,570,988	28,966,423	26,627,892	29,032,881

CASH FLOW STATEMENT

For the year ended 31 December		Note Page No.		Bank		Group	
				2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Note I							
Reconciliation of operating profit before taxation with cash flow from operating activities							
Profit before taxation				5,230,607	4,518,467	5,864,711	5,190,966
Add/(less):							
Net gain from dealing securities				(418,881)	(2,552,553)	(424,508)	(2,619,157)
Net gain from investment securities				(292,500)	(415,933)	(288,492)	(595,025)
Net gain/(loss) on mark to market valuation on Government securities				19,145	121,167	19,145	121,167
Net gain/(loss) on mark to market valuation on shares				(87,930)	1,347,102	(87,930)	1,347,102
Profit on sale of property, plant & equipment		8	120	(260,780)	(109,303)	(277,038)	(115,966)
Provision for investment & dealing income				(1,030)	39,400	5,072	14,800
Exchange revaluation		14	122	(2,316,536)	(927,655)	(2,316,536)	(927,655)
Share of profit of related companies				-	-	(63,371)	(86,604)
Depreciation on property, plant & equipment		29	147	568,452	537,125	655,809	627,786
Depreciation on investment properties		25	142	-	28,748	1,024	30,156
Amortisation of intangible assets & leasehold property		31	149	186,362	194,762	188,819	195,603
Loan loss provision		12	122	2,373,656	1,171,236	2,483,437	1,275,128
Provision for accrued interest							
Accrued interest on loans & advances				(3,402,533)	(2,876,555)	(3,633,185)	(2,747,259)
Accrued interest on deposits & borrowings				3,424,609	2,163,617	3,082,701	2,039,895
Notional tax credit on interest on Government securities		15.7	124	(19,304)	(3,874)	(19,304)	(3,874)
Provision made/(reversed) on other assets				-	(11,997)	-	(11,997)
Dividend received from Subsidiaries & Associates				(178,815)	(179,092)	-	-
Equity adjustment of related companies				-	-	19,317	-
Cash flows from operating profits before changes in operating assets and liabilities				4,824,522	3,044,662	5,209,671	3,735,066
Note II							
Analysis of cash and cash equivalents							
Cash and short term funds		17	125	10,167,647	9,244,542	10,214,551	9,311,000
Placement with and loans to other banks		21	130	16,403,341	19,721,881	16,413,341	19,721,881
				26,570,988	28,966,423	26,627,892	29,032,881

The significant accounting policies on pages 105 to 117 and notes on pages 118 to 175 form an integral part of these Financial Statements.

SIGNIFICANT ACCOUNTING POLICIES

1. CORPORATE INFORMATION

Bank of Ceylon is a Government Corporation domiciled in Sri Lanka, duly incorporated on 1 August 1939 under the Bank of Ceylon Ordinance No. 53 of 1938. It is a licensed commercial bank established under the Banking Act No. 30 of 1988 and amendments thereto. The registered office of the Bank is situated at No. 4, Bank of Ceylon Mawatha, Colombo 1, Sri Lanka.

The number of persons employed by the Bank as at 31 December 2008 was 7,912 (8,253 as at 31 December 2007). The consolidated Financial Statements of the Bank prepared for the year ended 31 December 2008 comprise the Bank, its Subsidiaries and Group's interests in its associate companies.

The Bank does not have an identifiable parent of its own.

The Financial Statements for the year ended 31 December 2008 were authorised for issue on 19 March 2009, in accordance with a resolution of the Board of Directors passed on 19 March 2009.

1.1 Principal Activities

Bank

The principal activities of the Bank consist of the business of commercial banking and other financial services including trade financing, custodial services, primary dealership in Government of Sri Lanka Treasury Bills and Bonds, leasing, pawning, money remittances and development financing.

There have been no significant changes in the nature of these activities during the year.

Subsidiaries

The principal activities of Bank's Subsidiaries are as follows:

Name of Company	Principal activity
Property Development PLC	Maintain and manage the Bank of Ceylon Head Office Building
Merchant Bank of Sri Lanka PLC	Leasing and hire purchase, trade finance, corporate advisory services, fund management, capital market activities, corporate secretarial and legal services

Name of Company	Principal activity
BoC Management and Support Services	Providing management services
BoC Property Development and Management (Private) Limited	Renting of office space of BoC Merchant Tower in Colombo 3 and Ceybank House in Kandy
BoC Travels (Private) Limited	Engage in travel-related services
Hotels Colombo (1963) Limited	Providing hotel services
Merchant Credit of Sri Lanka Limited	Acceptance of deposits, granting lease facilities, hire purchase, loans & other credit facilities and real estate developments & related services
Ceylease Financial Services Limited	Providing of leasing, hire purchase and finance facilities
Ceybank Holiday Homes (Private) Limited	Operating of Pilgrims Rests/ Holiday Homes/Guest Houses

There have been no significant changes in the nature of business activities of subsidiaries during the year.

Associates

The principal activities of Bank's Associates are as follows:

Name of Company	Principal activity
Lanka Securities (Private) Limited	Equity trading, Debt trading and Placements
Mireka Capital Land (Private) Limited	Purchasing, hiring and acquiring real estate properties, real estate development
Southern Development Financial Company Limited	Venture capital funding
Transnational Lanka Records Solutions (Private) Limited	Renting out the building assets to Iron Mountain Lanka (Private) Limited
Unit Trust Management Company (Private) Limited	Managers of Unit Trust Funds

There have been no significant changes in the nature of business activities of Associates during the year.

SIGNIFICANT ACCOUNTING POLICIES

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The Financial Statements of the Bank and the Group encompassing the Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity, Accounting Policies and the Notes thereto are prepared in conformity with Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka and on the basis of historical cost convention except otherwise stated as required by the above standards, which have been applied consistently with that of the previous year. Except as indicated, the Financial Statements presented in Sri Lanka Rupees have been rounded to the nearest thousand. No adjustment has been made for inflationary factors affecting the Financial Statements except on certain land and buildings, investment properties and dealing securities.

2.2 Estimates and Management Judgements

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and/or in future periods if the revision affects future periods too.

2.3 Materiality and Aggregations

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.4 Statement of Compliance

The Financial Statements of the Bank and its subsidiaries are prepared in accordance with the Sri Lanka Accounting Standards (SLASs) laid down by the Institute of Chartered Accountants of Sri Lanka and Banking Act No. 30 of 1988 and amendments thereto and present fairly the financial position, financial performance and cash flows.

2.5 Foreign Currency Translation *Functional and Presentation Currency*

Items in the Financial Statements of the Bank and each of its subsidiaries are translated using their functional currency, being the currency of the primary economic environment in which the entity operates. The Financial Statements are presented in Sri Lanka rupees, which is the functional and presentation currency of the Bank and its subsidiaries.

2.5.1 Foreign Currency Transactions

Transactions in foreign currencies are measured at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sri Lanka rupees at the exchange rate ruling at the Balance Sheet date. Foreign exchange differences arising from this translation are recognised in the Income Statement. Non-monetary assets and liabilities measured at cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into Sri Lanka rupees at the exchange rate ruling at the date the fair value was determined.

2.5.2 Foreign Operations

The results and financial position of the Group's operations whose functional currency is not Sri Lanka Rupees are translated into Sri Lanka Rupees as follows:

- Assets and liabilities are translated at the exchange rate ruling at the Balance Sheet date;
- Income and expenses in the Income Statement are translated at an average exchange rate approximating the exchange rates at the dates of the transactions; and in the case of income and expenses of overseas branches, the monthly average exchange rates are applied for translation;
- Resulting exchange differences are recognised as a separate component of equity;
- Forward exchange contracts are valued at the forward market rates ruling on the date of the Balance Sheet. Resulting net unrealised gains and losses are dealt with through the Income Statement.

2.5.3 Consolidation Adjustments

On consolidation, foreign exchange differences arising from the translation of net investments in foreign entities, as well as any borrowings and instruments designated as foreign currency hedges of such investments are taken to capital reserves. When a foreign operation is disposed of, such currency translation differences are recognised in the Income Statement as part of the gain or loss on disposal.

2.6 Basis of Consolidation

The Bank's Financial Statements comprise the consolidation of the Financial Statements of the Domestic Banking Unit, the Off-shore Banking Unit and the foreign operations that are integral to the Bank. The Group Financial Statements comprise consolidation of the Financial Statements of the Bank, its Subsidiaries in terms of the Sri Lanka Accounting Standard No. 26 on 'Consolidated and Separate Financial Statements (Revised 2005)' and Associates in terms of the Sri Lanka Accounting Standard No. 27 on 'Investments in Associates (Revised 2005)'.

2.6.1 Subsidiaries

Subsidiaries are those companies in which the Bank, directly or indirectly, has an interest of more than one-half of the voting rights or otherwise has the power to exercise control over the financial and operating policies.

Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date of disposal.

A listing of the Bank's Subsidiaries is given in Note 27 to the Financial Statements. Separate disclosure is made in respect of minority interest.

2.6.2 Associates

Associates are entities in which the Group has significant influence, but no control, and generally holds a shareholding of between and including 20% and 50% of the voting rights.

The Group's investments in Associates are initially carried at cost. The carrying amount is increased or decreased to recognise the Group's share of net assets of the Associate, less any impairment in value after the date of acquisition.

Where the Group's share of losses in an Associate equals or exceeds its interest in the Associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the Associate.

The results of the Associates are taken from the latest audited accounts or unaudited management accounts of the associates prepared at dates not more than three months prior to the end of the financial year of the Group.

A listing of the Bank's principal Associates is shown in Note 26 to the Financial Statements.

2.6.3 Business Combinations and Goodwill

Business combinations are accounted for using the Purchase Method of Accounting as per the requirements of the Sri Lanka Accounting Standard No. 25 (Revised 2004) on 'Business Combinations'. This involves recognising identifiable assets and liabilities of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired, is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the difference is identified as discount on acquisition and is recognised directly in the Income Statement in the year of acquisition.

Goodwill acquired in a Business Combination is initially measured at cost, being the excess of the cost of the Business Combination over the Bank's interests in the net fair value of the identifiable assets, liabilities including contingent liabilities acquired. The Sri Lanka Accounting Standard No. 25 (Revised 2004) on 'Business Combinations' requires that following the initial recognition, goodwill is to be measured at cost less any accumulated impairment losses and goodwill to be reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The acquired goodwill is written-off in full in the year of acquisition.

When Subsidiaries/Associates/other business units are sold, the difference between the selling price and the net assets plus cumulative translation differences and unimpaired goodwill, if any, is recognised in the Income Statement in the year of disposal.

SIGNIFICANT ACCOUNTING POLICIES

2.6.4 Transactions Eliminated on Consolidation

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Profits 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. Where necessary, adjustments are made to the Financial Statements of Subsidiaries and Associates to bring the Accounting Policies used in line with those used by the Group.

2.7 Taxation

2.7.1 Current Taxation

Provision for taxation on Sri Lankan operations is made on the basis of the net profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto. Provision for taxation on the overseas branches is made on the basis of the net profit for the year as adjusted for taxation purposes in accordance with the provisions of the relevant statutes.

2.7.2 Deferred Taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Temporary differences are not recognised for goodwill, that are not deductible for tax purposes and for the initial recognition of assets or liabilities that neither affects accounting nor taxable profit. The amount of deferred tax is provided based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the Balance Sheet date.

Deferred tax assets that arise from unused tax losses and unused tax credits are recognised to the extent that it is probable that future taxable profits will be available against, which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on accelerated tax depreciation, investments in Subsidiaries and Associates and also securities except where the timing of the reversal of the temporary

difference can be controlled and also it is possible that the temporary difference will not be reversed in the foreseeable future.

2.7.3 Value Added Tax on Financial Services

During the year, the Bank's total value addition was subjected to a 20% Value Added Tax as per Section 25 A of the Value Added Tax No. 14 of 2002 and amendments thereto.

2.7.4 Economic Service Charge (ESC)

In terms of the provisions of the Economic Service Charge Act No. 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC paid is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable for a further four years.

2.7.5 Social Responsibility Levy (SRL)

In terms of the provisions of the Finance Act No. 5 of 2005, as amended by the Finance Act No. 11 of 2006, SRL is payable at the rate of 1.5% on all taxes and levies chargeable as specified in the First Schedule of the Act.

3. ASSETS AND BASIS OF THEIR VALUATION

3.1.1 Loans and Advances

All loans and advances are recognised when cash is advanced to borrowers. Loans and advances are stated in the Balance Sheet net of provisions for loan losses and net of interest, which is not accrued to revenue.

3.1.2 Finance Leases

Assets leased to customers, which transfer substantially all the risks and rewards associated with ownership other than legal title for a specific period are accounted for as finance leases.

Lease receivables are stated in the Balance Sheet net of initial rentals received, unearned lease income and provision for rentals doubtful of recovery.

3.1.3 Credit Card Receivables

Amounts receivable on credit cards are included in advances to customers at the amounts expected to be recovered.

3.2 Non-Performing Loans and Provision for Loan Losses

3.2.1 (a) Non-Performing Loans

Loans, advances and finance leases which are 90 days or more in arrears of due capital or interest are classified as non-performing. In addition, credit facilities are classified on non-performing where full recoverability in accordance with agreed terms is in doubt due to circumstances affecting the repayment capacity of the borrower as per the Direction No. 3 of 2008 as amended by the Direction No. 4 of 2008 issued by the Central Bank of Sri Lanka.

3.2.1 (b) Foreclosed Properties

Foreclosed properties represent properties that are acquired in full or partial satisfaction of debts. These properties are classified as non-performing advances and accounted for at the lower value of cost or market value on an individual property basis. The shortfall between the market value of the foreclosed assets and the related loan outstanding is recognised as a provision for loan losses in the Income Statement. Foreclosed properties are not subject to depreciation.

Subsequent gains and losses on the disposal of the foreclosed properties are taken into account in determining operating profits.

3.2.2 Provision for Loans, Advances and Finance Leases

3.2.2 (a) Provision for Non-Performing Loans and Advances

Provisions for non-performing loans and advances are made on the basis of a continuous review of all loans and advances in accordance with the applicable Accounting Standards and the regulations imposed by the Central Bank of Sri Lanka.

Accordingly, specific provisions have been made as follows:

Period Outstanding	Classification	Provision made net of realisable value of the security
3 to 6 months	Special mention	–
6 to 12 months	Sub-standard	20%
12 to 18 months	Doubtful	50%
18 months and over	Loss	100%

Additional provisions have also been made over and above the minimum percentages specified above, on a case-by-case basis depending on the risk associated with such loans. When a loan is deemed uncollectable, it is written-off against the related provision for impairments. Subsequent recoveries are credited to the Income Statement.

In addition, the value of the security is determined on the 'Hair Cut Rule' imposed by the Central Bank of Sri Lanka ie. the extent upto which the Forced Sale Value (FSV) of immovable property can be counted as the value of security (which is given below) in calculating the provisioning for non-performing advances.

Item	% of FSV of Immovable Property that can be considered as the net value of security	
	Freehold Property	Leasehold Property
For the advances in the substandard and doubtful category	75	60
For the advances in the Loss Category		
Less than 12 months	75	60
More than 12 months but less than 24 months	60	50
More than 24 months but less than 36 months	50	40
More than 36 months but less than 48 months	40	30
More than 48 months	40	Nil

3.2.2 (b) Provision for Lease Rentals Receivable in arrears

When the rental is in arrears over a consecutive period of 90 days, the specific provision is made as follows:

Period of Outstanding	Classification	Provision
90 - 180 days	Special mention	–
Over 180 days	Loss	100%

SIGNIFICANT ACCOUNTING POLICIES

Category	Provision
A	100% of capital outstanding of lease assets minus 50% of the invoice value/condition and valuation report whichever is lower, net of upfront rentals and cash security obtained, if any.
B	100% of capital outstanding net of upfront rentals and cash security obtained, if any.
Category A -	Identified at the time of termination of lease contract.
Category B -	Identified at the time of loss of the assets.

3.2.2 (c) Provision for Credit Card Receivables

When the required minimum payment is in arrears on credit card receivables, specific provision is made as follows:

Period Outstanding	Classification	Provision
3 - 4 months	Special mention	-
4 - 6 months	Substandard	25%
6 - 8 months	Doubtful	50%
Over 8 months	Loss	100%

3.2.2 (d) Provision for Pawning

A 100% specific provision is made for the total amount advanced for unsold articles at every auction.

3.2.2 (e) Provision for Regular Advances

Apart from specific provisions, the Bank also carries general provision for credit losses to absorb all losses inherent in its loan portfolio including credit card receivables, lease rental receivables and pawning. In terms of a Direction issued by the Central Bank of Sri Lanka, it requires that a general provision up to 1% on total performing and overdue loans and advances be made on or before 31 March 2009. The Central Bank requires that the general provision be made at the rate of 0.1% per quarter on performing and overdue loans and advances commencing the fourth quarter of 2006.

3.3 Investments

3.3.1 Investments in Subsidiaries

Investments in Subsidiaries are accounted for under the cost method of accounting in the Bank's Financial Statements in accordance with the Sri Lanka Accounting

Standard No. 26 on 'Consolidated and Separate Financial Statements'. Accordingly, investments in subsidiaries are stated in the Bank's Balance Sheet at cost, less impairment losses if any.

3.3.2 Investments in Associates

Investments in associates are accounted for under the cost method in the Bank's Financial Statements and under the equity method in the Group's Financial Statements in accordance with the Sri Lanka Accounting Standard No. 26 on 'Consolidated and Separate Financial Statements'.

In the Bank's Balance Sheet, investments in associates are stated at cost, less impairment losses, if any. Under the equity method, the investments in associates are initially accounted for at cost and the carrying amount is adjusted for post-acquisition changes in the Bank's share of net assets of the associates, less any impairment.

3.3.3 Dealing Securities

These are marketable securities acquired and held with the intention of re-sale over a short period of time. Such securities are marked to market and carried at market value in the Balance Sheet. Any gains/losses on mark to market valuation are dealt with through the Income Statement.

3.3.4 Investment Securities

These are acquired and held for yield or capital growth in the medium or long term. Such securities are recorded at cost. Changes in market values of these securities are not taken into account, unless there is considered to be diminution in value, which is other than temporary.

3.4 Property, Plant & Equipment

3.4.1 Basis of Recognition

Property, plant & equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be reliably measured.

3.4.2 Measurement

An item of property, plant & equipment that qualifies for recognition as an asset is initially measured at its cost of purchase directly attributable to the acquisition of the asset or construction or valuation together with any incidental expenses thereon.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

3.4.3 Cost Model

The Group applies cost model to plant & equipment and records at cost of purchase or construction together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

3.4.4 Revaluation Model

The Group applies the revaluation model for the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings of the Group are revalued every seven years on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values at the Balance Sheet date. On revaluation of an asset, any increase in the carrying amount is credited directly to equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was debited to the Income Statement. In this circumstance, the increase is recognised as income to the extent of the previous write-down. Any decrease in the carrying amount is recognised as an expense in the Income Statement or debited directly to equity under revaluation reserve to the extent of any credit balance existing in the capital reserve in respect of that asset.

3.4.5 Subsequent Costs

The cost of replacing part of an item of property, plant & equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow into the Group and its cost can be reliably measured.

3.4.6 Restoration Costs

The cost incurred on repairs and maintenance of property, plant & equipment in order to restore or maintain future economic benefits is charged to Income Statement as incurred.

3.4.7 Derecognition

The carrying amount of an item of property, plant & equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant & equipment is included in the Income Statement when the item is derecognised.

When replacement costs are recognised in the carrying amount of an item of property, plant & equipment, the remaining carrying amount of the replaced part is derecognised.

3.4.8 Depreciation

The Group provides depreciation on straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets.

Provisioning for depreciation of property, plant & equipment is made on pro-rata basis.

The depreciation on domestic assets is determined using the following estimated useful lives.

Freehold Building	Over 40 years
Office Equipment	Over 08 years
Furniture & Fittings	Over 08 years
Computer Equipment	Over 05 years
Motor Vehicles	Over 04 years

The future economic benefits embodied in the assets that are used by overseas branches are different from those of used in domestically in terms of the asset's expected utility to these branches.

Accordingly, the depreciation on assets belonging to overseas branches is determined using the following estimated useful lives.

Freehold Building	Over 50 years
Freehold/Leasehold Refurbishment	Over 10 years
Office Equipment & Computers	Over 05 years
Furniture & Fittings	Over 10 years

SIGNIFICANT ACCOUNTING POLICIES

3.4.9 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, major plant and machinery and system development, awaiting capitalisation.

3.4.10 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalised as part of the cost of the asset in accordance with the Sri Lanka Accounting Standard 20, 'Borrowing Costs'. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

3.5 Leasehold Property

Leasehold properties are recorded at carrying value in terms of the Sri Lanka Accounting Standard No. 19 (Revised 2005) on 'Leases'.

The carrying value of leasehold properties is amortised over the remaining lease term or useful life of leasehold property, whichever is lower.

3.6 Intangible Assets

3.6.1 Basis of Recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably.

3.6.2 Measurement

3.6.2 (a) Software

Software represents the value of computer application software licensed for use of the Bank, other than software applied to the operation software system of computers. Intangible assets are carried at its cost, less accumulated amortisation and any impairment losses.

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably.

The initial costs comprise licence fees paid at the time of purchase, duties/levies and also other directly attributable expenditure that are incurred in customising the software for its intended use.

3.6.2 (b) Goodwill

Goodwill arising on the acquisition represents the excess of the cost of acquisition over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. According to the revised Sri Lanka Accounting Standard No. 25 (Revised 2004) on 'Business Combinations', goodwill is no longer amortised. Instead, goodwill is tested for impairment annually and assessed for any indication of impairment at each reporting date to ensure that its carrying amount does not exceed its recoverable amount. If an impairment loss is identified, it will be recognised immediately in the Income Statement.

The negative goodwill is recognised immediately in the Income Statement.

3.6.3 Subsequent Expenditure

Expenditure incurred on software is capitalised only when it enhances and extends the economic benefits of computer software beyond their original specifications and lives and such cost is recognised as capital improvement and added to the original cost of software.

3.6.4 Amortisation

Intangible assets except for goodwill are amortised using the straight-line method over the estimated useful life of five years commencing from the date the application software is available for use over the best estimate of its useful economic life. A periodic review is performed on intangible assets to confirm that there has been no impairment.

3.6.5 Derecognition

Intangible assets are derecognised when it reveals that they will not generate economic benefits or circumstances indicate that the carrying value is impaired.

Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets, and are recognised in the Income Statement.

3.7 Investment Properties

3.7.1 Basis of Recognition

Investment property is property that is held to earn rentals or for capital appreciation or both and the future economic benefits that are associated with the investment property but not for sale in the ordinary course of business.

3.7.2 Measurement

Investment property is accounted for under cost model in the Financial Statements. Accordingly, after recognition as an asset, the property is carried at its cost, less accumulated depreciation and impairment losses.

3.7.3 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.

3.7.4 Derecognition

Investment properties are derecognised when disposed of, or permanently withdrawn from use because no future economic benefits are expected. Transfers are made to and from investment property only when there is a change in use.

3.8 Impairment of Non-Financial Assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such evidence exists, the carrying amount of a particular asset or portfolio of assets is reduced to the estimated recoverable amount by means of a charge to the Income Statement, in those expense categories consistent with the function of the impaired asset except for property previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognised in equity up to the amount of any previous revaluation.

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the fair value of an asset or cash-generating unit, less costs to sell. In determining the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market

assessments of the time-value of money and the risk specific to the assets. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the unit.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank makes an estimate of the recoverable amount. Previously recognised impairment losses other than in respect of goodwill are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment losses were recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. Such reversal is recognised in the Income Statement unless the asset is carried at the revalued amount, in which case, the reversal is treated as a revaluation increase.

3.9 Securities purchased under Re-sale Agreements (Reverse Repos)

Securities purchased under Re-sale Agreements are treated as collateralised lending and recorded at the consideration paid and interest accrued thereon. The amount lent is shown as an asset either as Loans and Advances to Customers or Loans to other Banks.

The difference between purchase price and re-sale price is treated as interest received and accrued evenly over the life of Repo agreement.

3.10 Government of Sri Lanka Treasury Bills, Bonds and other Securities

3.10.1 Investments that are held for trading

Investments in Treasury Bills and Treasury Bonds that are acquired for the purpose of short-term selling (held for trading) are marked to market and carried at that value in the Balance Sheet. Gains and losses on mark to market valuation are dealt with through the Income Statement.

SIGNIFICANT ACCOUNTING POLICIES

3.10.2 Long-term Investments that are held to maturity

Investments in Treasury Bills and Treasury Bonds that the Bank intends and is able to hold to maturity are reflected at the value of the Bonds/Bills purchased and the discount/premium accrued thereon. Discounts received/premia paid are taken to the Income Statement based on a pattern reflecting a constant periodic rate of return.

4. LIABILITIES AND PROVISIONS

4.1 Deposits from Customers

Deposits from customers include non-interest bearing deposits, savings deposits, term deposits, 7 days' call deposits and certificate of deposits. They are stated in the Balance Sheet at amounts payable. Interest paid/payable on these deposits is charged to the Income Statement.

4.2 Borrowed Funds

Borrowed funds include call money borrowings, refinance borrowings and other term borrowings from banks. They too are stated in the Balance Sheet at amounts payable. Interest paid/payable on these borrowings is charged to the Income Statement.

4.3 Securities sold under Re-purchases Agreements (Repos)

Securities sold under re-purchase agreements ('Repos') are treated as collateralised borrowings and stated at the consideration received and interest accrued thereon. These are retained in the Financial Statements and the counterparty liability is accounted for as a liability and classified under debt securities in issue.

The difference between sale and re-purchase price is treated as interest paid and accrued evenly over the life of the Repo period.

4.4 Defined Benefit Plans

According to the Actuarial valuation carried out as at 31 December 2008 on gratuity liability of the Bank and its subsidiaries, it was revealed that the amount provided as at 31 December 2008 is not sufficient. Therefore, an additional amount of Rs. 28.3 million has been provided in the Financial Statements to meet the present value of the promised retirement benefits.

4.4.1 Bank of Ceylon Pension Trust Fund

The 'Bank of Ceylon Pension Trust Fund' is a funded, non-contributory, defined benefit retirement plan, operated for the payment of pensions until death to the permanent employees who have completed a minimum of ten years of continuous service with the Bank, at their retirement on reaching the retirement age on or after 55 years or on medical grounds, before reaching retirement age. The pension is computed as a percentage of the last drawn salary excluding certain allowances.

Contributions to the Pension Trust Fund are made monthly, based on the advice of a qualified actuary, currently at 56.76% of gross salary for employees who joined the Bank prior to 1 January 1996. Employees who joined the Bank on and after 1 January 1996 may contribute 20% of their gross salary to a Pension Fund in which event the Bank contributes 5%. This arrangement is tentatively pending until the formulation of a contributory pension scheme is finalised.

The Subsidiaries do not operate Pension Funds.

4.4.2 Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund

The Bank is liable for and guarantees the payments to the beneficiaries of the 'Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund' to which the Bank's employees monthly contribute 8% of their gross salary with effect from January 2008 (5% in 2007). 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 a monthly Widows' and Orphans' Pension to his/ her beneficiaries. The pension to beneficiaries of an employee who dies while in service is based on the last drawn salary excluding certain allowances.

The fund is actuarially valued by a qualified actuary once in three years and the deficit is bridged piece meal. Bridging of full deficit is currently under evaluation. This would be done in consultation with the Actuary, Trustees and Beneficiaries. Currently Bank contributes a sum of Rs. 456 million per annum to meet the deficit as recommended by the Actuary.

Both the Pension Fund and the Widows'/Widowers' and Orphans' Pension Fund are approved by the Government. Both are independently administered.

4.4.3 Provision for Gratuity

Provision was not made in the Financial Statements for retirement gratuity payable under the Payment of Gratuity Act No. 12 of 1983, to employees who joined the Bank prior to 1 January 1996 as the Bank has its own non-contributory retirement benefit scheme in force. 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. These expenses are accounted for on a cash basis. A provision is being made in these Financial Statements for retirement gratuities from the first year of service for all employees who joined the Bank on or after 1 January 1996, as they are not covered by the pension scheme of the Bank.

In terms of the Sri Lanka Accounting Standard No. 16 (Revised 2006) 'Employee Benefits' (SLAS 16), Bank and its Subsidiaries have calculated the post-employment benefit obligations based on the actuarial valuation method recommended in SLAS 16 and recognised that provision in the Income Statement.

The Gratuity Liabilities are not externally funded.

4.4.3.1 Actuarial Valuation on Gratuity

M/s K A Pandit, a firm of professional actuaries of Mumbai, India carried out an actuarial valuation of the defined benefit plan gratuity as at 31 December 2008. The method of valuation used by the Actuaries to value the promised liability is the 'Projected Unit Credit Method', the method recommended by the Sri Lanka Accounting Standard No. 16 (Revised 2006) on 'Employee Benefits'.

The principal actuarial assumptions used in the valuation were as follows:

Discount rate assumed	12%
Expected rate of return on plan assets	10%
Future salary escalation	8%
Retirement age to be assumed at	58 years
Withdrawal rate	1% at each age

Assumptions regarding future mortality are based on table LIC (1994-96) ultimate.

4.5 Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense in the Income Statement as incurred.

4.5.1 Bank of Ceylon Provident Fund

All employees of the Bank are members of the 'Bank of Ceylon Provident Fund' to which the Bank contributes 12% of employees' monthly gross salary excluding overtime while employees contribute 8%. The Bank's Provident Fund is an approved Fund, which is independently administered.

4.5.2 Employees' Provident Fund

The Subsidiaries and their employees (other than Bank of Ceylon and its employees) contribute 12% (15% by Property Development Limited) and 3% respectively on salary of each employee to the Employees' Provident Fund.

4.5.3 Employees' Trust Fund

All employees of the Bank and its Subsidiaries are members of the Employees' Trust Fund to which Bank/ Group contributes 3% of employees' monthly gross salary excluding overtime.

4.6 Provisions for Liabilities

A provision is recognised in the Balance Sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligations, in accordance with the Sri Lanka Accounting Standard No. 36 on 'Provisions, Contingent Liabilities and Contingent Assets'.

SIGNIFICANT ACCOUNTING POLICIES

5. INCOME STATEMENT

Revenue Recognition

5.1 Interest Income from Loans and Advances

Interest income from loans and advances is recognised on an accrual basis. Interest ceases to be accrued when the recovery of principal or interest is in arrears for more than 90 days. Interest income from non-performing loans and advances is accounted for on cash basis. Interest falling due on non-performing loans and advances are credited to interest in suspense account on memorandum basis. In addition, interest accrued up to three months on such non-performing loans and advances is also eliminated from the interest income and transferred to interest in suspense.

5.2 Lease Income

Lease income is the interest component of the lease rentals of all finance leases receivable during the year. The excess to the aggregate rental receivable over the cost of the leased assets constitutes unearned income, which is taken into revenue over the term of the lease, from the month in which the lease is executed, in proportion to the remaining receivable balance of the lease. Interests on finance leases cease to be accrued when they are in arrears for more than 90 days. Thereafter, such income is recognised only on cash basis.

5.3 Interest Income from Other Sources

Interest income from Government or Central Bank of Sri Lanka Securities is recognised on a time proportionate basis as premia/discounts on purchase and amortised to income on a straight-line basis over the period to maturity. Income from all other interest-bearing securities is recognised on an accrual basis.

5.4 Commission and Fee Income

Commission and fee income mainly comprise fees receivable from customers for guarantees and other services provided by the Bank, and fees for foreign and domestic payment tariff. Such income is recognised as revenue at the time the services are provided. Income on the endorsement of bills of exchange is recognised only when the bill is received and either issued or endorsed, and the payment under the particular instrument has been effected.

5.5 Dividend Income

Dividend income is recognised when the right to receive payment is established.

5.6 Profit/(loss) from sale of Property, Plant & Equipment

Profit/loss arising from sale of property, plant & equipment is recognised in the period in which the sale occurs and is classified as other income.

5.7 Gains or Losses arising from Investment Securities

Gains or losses arising from the sale of equity shares, units, and financial instruments, including Treasury bills sold prior to maturity, are accounted for on the date on which the transaction takes place.

5.8 Interest Expenses

Interest expenses are recognised on accrual basis.

5.9 Operating Expenses

All the expenses payable are recognised on accrual basis in the Income Statement to the period to which they relate.

6. COMMITMENTS AND CONTINGENCIES

Contingent liabilities are the possible obligations whose existence will be confirmed only by uncertain future events or present obligation where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Balance Sheet but are disclosed unless they are remote.

7. SEGMENTAL REPORTING

Segmental information is presented in respect of the Group's business.

Business segments provide products and services whose risks and returns are different from those of other business segments. These segments comprise banking, leasing, treasury, property and investments.

Geographical segments provide products or services within a particular economic environment where risks and returns are different from those of other economic environments. These segments comprise domestic, off-shore banking units (branches) and off-shore banking divisions.

8. CASH FLOW AND CASH AND CASH EQUIVALENTS

The cash flow has been prepared by using the 'Direct Method'. Cash and cash equivalents comprise cash, amounts due from other banks and other short term highly liquid investments with less than 90 days' maturity from date of acquisition.

9. COMPARATIVE FIGURES

Where necessary, amounts shown for the previous year have been re-classified to facilitate comparison.

10. EVENTS AFTER THE BALANCE SHEET DATE

Where necessary, all the material events after the Balance Sheet date have been considered and appropriate adjustments/disclosures have been made in the Financial Statements.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors takes the responsibility for the preparation and presentation of these Financial Statements.

12. CHANGE IN ACCOUNTING POLICY

The Institute of Chartered Accountants of Sri Lanka has revised the Sri Lanka Accounting Standard No. 16 (Revised 2006) on 'Employee Benefits' which became effective for the financial year ending 31 December 2008. The Bank and its subsidiaries have adopted the revised standards in preparing these Financial Statements. The comparative figures have not been restated since this revised standard applied prospectively from 1 January 2008.

The Bank, accordingly, changed its accounting policy on recognition of defined benefit plan liability, to actuarial valuation method, as the revised standard requires to measure the defined benefit plan using actuarial techniques to determine the amount of benefit attributable to current and prior periods. This also requires to make estimates about demographic variables and financial variables that will influence the cost of the benefit.

The change in accounting policy increased the provision for retirement gratuity of the Group by Rs. 28.3 million for the year ended 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
1. INCOME				
Interest income (Note 2)	49,683,941	42,285,788	51,592,828	44,083,422
Dividend income (Note 6)	400,599	424,805	227,418	250,106
Net gain from investment in securities	580,938	1,199,121	582,824	1,208,591
Fee and commission income	4,084,349	3,098,848	4,140,850	3,123,101
Foreign exchange profit	2,886,541	1,178,696	2,886,541	1,178,696
Other operating income (Note 8)	945,596	686,620	1,316,381	1,105,413
Recovery of non-performing advances	1,599,847	1,285,643	1,617,122	1,294,013
Share of profit of Associate companies before tax (Note 14)	-	-	63,371	86,604
	60,181,811	50,159,521	62,427,335	52,329,946
2. INTEREST INCOME				
Customer advances				
Bills of exchange	1,009,529	813,588	1,060,551	855,103
Loans & advances	32,561,606	29,645,016	32,791,091	29,748,820
Leasing	1,058,760	621,589	2,553,809	2,006,300
Treasury bills, bonds & other eligible bills	12,393,036	8,350,037	12,591,397	8,574,835
Securities purchased under re-sale agreements	117,592	121,976	117,592	121,976
Short term funds	1,517,778	1,707,942	1,452,748	1,750,748
Government of Sri Lanka Restructuring Bonds	1,025,640	1,025,640	1,025,640	1,025,640
	49,683,941	42,285,788	51,592,828	44,083,422

Interest income of Treasury bills and Treasury bonds has been grossed up by adding a notional tax credit amounting to Rs. 19,303,935/- (2007 - Rs. 3,874,177/-) as per detailed in Note 15.7.

For the year ended 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
3. INTEREST EXPENSES				
Customer deposits	21,004,075	17,327,730	21,345,938	17,629,062
Securities sold under re-purchase agreements	10,084,876	8,293,212	9,857,372	8,173,260
Debentures	2,342,946	1,035,678	2,589,677	1,272,387
Refinance borrowings	194,471	222,629	190,027	222,629
Other borrowed funds	2,362,440	2,573,836	3,017,602	3,055,657
	35,988,808	29,453,085	37,000,616	30,352,995

For the year ended 31 December

	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
4. FEE AND COMMISSION INCOME				
Trade services	2,342,367	1,320,384	2,343,827	1,320,384
Travel & remittances	270,992	275,380	271,078	275,380
Private banking	312,029	307,573	312,029	307,573
Custodial services	18,762	13,400	18,762	13,400
Account services	698,942	801,753	698,942	801,753
Credit cards	243,312	261,941	243,312	261,941
Credit facilities	61,603	11,638	61,603	11,638
Brokering services	82,300	70,523	95,563	70,523
Others	54,042	36,256	95,734	60,509
	4,084,349	3,098,848	4,140,850	3,123,101
5. FEE AND COMMISSION EXPENSES				
Brokering services	269,292	167,265	269,292	167,265
Credit cards	154,999	155,995	154,999	155,995
Fees	183,927	181,729	189,988	181,729
Others	20,973	23,038	22,815	23,038
	629,191	528,027	637,094	528,027
6. DIVIDEND INCOME				
Subsidiaries				
- Quoted	172,550	172,793	-	-
- Unquoted	2,250	5,624	-	-
Associates				
- Unquoted	4,014	675	-	-
Investment securities held to maturity				
- Quoted	49,113	113,040	49,114	113,040
- Unquoted	14,839	11,946	15,231	11,956
Dealing securities held for trading				
- Quoted	65,582	14,774	70,822	19,157
Income from Unit Trust	92,251	105,953	92,251	105,953
	400,599	424,805	227,418	250,106
7. NET GAINS FROM INVESTMENT IN SECURITIES				
Gains/(losses) on mark to market valuation on securities held for trading				
- Shares	120,177	1,438,591	120,177	1,438,591
- Treasury bills & bonds	91,342	(314,197)	91,342	(314,197)
Capital gains/(losses) on sale of securities held for trading				
- Shares	233,508	11,498	235,394	20,968
- Treasury bills & bonds	135,911	63,229	135,911	63,229
	580,938	1,199,121	582,824	1,208,591

NOTES TO THE FINANCIAL STATEMENTS

<i>For the year ended 31 December</i>	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
8. OTHER OPERATING INCOME				
Profit/(loss) on sale of property, plant & equipment including foreclosed properties	260,780	109,303	277,038	115,966
Other income	684,816	577,317	1,039,343	989,447
	945,596	686,620	1,316,381	1,105,413
9. PERSONNEL COST				
Staff emoluments	5,978,497	5,633,287	6,229,327	5,852,615
Employers' contribution to defined contribution plans				
Employees' Provident Fund	463,187	420,454	487,172	439,749
Employees' Trust Fund	115,138	105,508	120,829	110,335
Other personnel cost	421,109	414,405	449,268	429,969
	6,977,931	6,573,654	7,286,596	6,832,668

The number of persons employed by the Bank as at 31 December 2008 was 7,912 (8,253 as at 31 December 2007).

<i>For the year ended 31 December</i>	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
10. STAFF RETIREMENT BENEFITS				
Employers' contribution to defined benefit plans				
Bank of Ceylon Pension Trust Fund	1,755,278	1,699,912	1,755,278	1,699,912
Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund	456,000	456,000	456,000	456,000
Provision for terminal gratuity	83,322	39,291	109,705	45,664
	2,294,600	2,195,203	2,320,983	2,201,576

The Bank has established two pension schemes namely, the Bank of Ceylon Pension Trust Fund and the Widows'/Widowers' and Orphans' Pension Fund. These funds cover substantial portion of liabilities towards employees. Both funds have been closed to new entrants with effect from 01 January 1996.

Both schemes are funded defined benefit schemes and the assets of these plans are held independently of the Bank's assets in separate trustee administered funds.

Both schemes are valued by an independent actuary at least once every three years. Contributions to these schemes are made based on such valuation.

The latest actuarial valuations were carried out as at 31 December 2006 by an independent firm. The valuation method corresponds to the requirement under the Sri Lanka Accounting Standard No. 16 - Employee Benefits. The valuation was arrived at on an ongoing basis and based on the projected unit method.

10. STAFF RETIREMENT BENEFITS (Contd.)

(1) Bank of Ceylon Pension Trust Fund

The amounts estimated at the actuarial valuations were as follows:

	Current valuation 31.12.2006 Rs. billion	Previous valuation 01.01.2004 Rs. billion
Present value of funded obligations	27.63	20.78
Fair value of plan assets	(25.73)	(18.33)
Estimated deficit of the fund	1.90	2.45

Accordingly, a sum of Rs. 1,755 million has been contributed to the Fund in 2008 (2007 - Rs. 1,700 million).

(2) Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund

The amounts estimated at the actuarial valuation were as follows:

	Current valuation 31.12.2006 Rs. billion	Previous valuation 01.01.2004 Rs. billion
Present value of funded obligations	6.61	4.79
Fair value of plan assets	(4.98)	(2.77)
Estimated deficit of the fund	1.63	2.02

In order to fund the deficit:

- (i) Bank has contributed a sum of Rs. 456 million to the Fund in 2008 (2007 - Rs. 456 million).
- (ii) Members' contribution has been increased to 8% with effect from January 2008 (2007 - 5%).

For the year ended 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
11. PREMISES, EQUIPMENT & ESTABLISHMENT AND OTHER OPERATING EXPENSES				
Premises, equipment & establishment and other operating expenses include the following:				
Directors' emoluments	1,571	554	6,647	4,058
Auditors' remuneration	21,070	18,162	22,738	19,339
Depreciation on property, plant & equipment (Note 29)	568,452	537,125	655,809	627,786
Depreciation on investment properties (Note 25)	-	28,748	1,024	30,156
Amortisation of leasehold land (Note 30)	102	102	1,459	1,459
Amortisation of intangible assets (Note 31)	186,362	194,762	188,819	195,603
Professional expenses	35,101	32,169	36,612	32,379
Legal expenses	25,039	22,757	32,932	33,450
Donations	8	2	598	2

NOTES TO THE FINANCIAL STATEMENTS

	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
12. PROVISION FOR LOAN LOSSES				
Specific provision for loans & advances	1,647,353	636,645	1,652,644	621,234
Specific provision for pawning advances	39,157	13,393	39,157	13,393
Specific provision for credit card receivable	14,443	35,705	14,443	35,705
	1,700,953	685,743	1,706,244	670,332
General provision made for regular advances	410,170	405,387	414,969	405,387
Specific provision for leasing facilities	147,306	39	248,118	113,070
General provision for leasing facilities	17,777	21,158	18,130	21,158
Specific provision for bills of exchange	7,063	24,075	6,063	30,347
General provision for bills of exchange	90,387	34,834	89,913	34,834
	2,373,656	1,171,236	2,483,437	1,275,128
13. PROVISION FOR FALL IN VALUE OF INVESTMENT AND DEALING SECURITIES				
Dealing securities	-	-	26,928	14,000
Investment securities	-	-	(32,000)	800
Subsidiaries and Associates	1,030	39,400	-	-
	1,030	39,400	(5,072)	14,800
14. SHARE OF PROFIT OF ASSOCIATE COMPANIES BEFORE TAX				
Unit Trust Management Company (Private) Limited	-	-	4,919	3,116
Lanka Securities (Private) Limited	-	-	23,878	11,226
Mireka Capital Land (Private) Limited	-	-	36,460	59,314
Transnational Lanka Records Solutions (Private) Limited	-	-	(1,197)	13,312
Southern Development Financial Company Limited	-	-	(689)	(364)
	-	-	63,371	86,604
15. INCOME TAX EXPENSE				
The break up of income tax expense is as follows:				
15.1 Bank				
Domestic branch operations				
Income tax on profit of domestic operations of the Bank	509,720	249,236	509,720	249,236
Off-shore Banking Division (OBD)				
Income tax on profits of on-shore operations of OBD	950,434	968,060	950,434	968,060
Income tax on profits of off-shore operations of OBD	108,588	93,461	108,588	93,461
Overseas branch operations				
Income tax on profits of the branch in Maldives	83,411	88,436	83,411	88,436
Income tax on profits of the branch in Chennai	173,645	46,123	173,645	46,123
(Over)/under provision for taxation in respect of prior years	(286,343)	53,167	(286,343)	53,167
	1,539,455	1,498,483	1,539,455	1,498,483

For the year ended 31 December

	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
15. INCOME TAX EXPENSE (Contd.)				
15.2 Subsidiary companies				
Income tax on profit of:				
Property Development PLC	-	-	195,436	107,036
Merchant Bank of Sri Lanka PLC	-	-	29,946	42,403
BoC Management & Support Services (Private) Limited	-	-	101	89
BoC Property Development & Management (Private) Limited	-	-	13,948	10,130
BoC Travels (Private) Limited	-	-	5,650	3,574
Hotels Colombo (1963) Limited	-	-	3	-
Merchant Credit of Sri Lanka Limited	-	-	6,572	3,335
Ceylease Financial Services Limited	-	-	4,268	8,977
Ceybank Holiday Homes (Private) Limited	-	-	36	(17,839)
	-	-	255,960	157,705
15.3 Associate companies				
Share of income tax on profit of:				
Lanka Securities (Private) Limited	-	-	11,769	5,916
Mireka Capital Land (Private) Limited	-	-	3,485	3
Southern Development Financial Company Limited	-	-	153	-
Transnational Lanka Record Solutions (Private) Limited	-	-	-	5,645
Unit Trust Management Company (Private) Limited	-	-	2,016	411
	-	-	17,423	11,975
Deferred tax (released)/charged (Note 35)	130,171	176,727	103,074	188,845
	1,669,626	1,675,210	1,915,912	1,857,008

15.4 The tax liability on taxable income has been computed at the following rates:

	2008 %	2007 %
Income of domestic banking unit	35.0	35.0
On-shore income of the Off-shore Banking Division	35.0	35.0
Off-shore income of the Off-shore Banking Division	20.0	20.0
Income of the branch in Maldives	25.0	25.0
Income of the branch in Chennai	40.0	40.0
Income of Subsidiaries & Associates - Quoted	35.0	35.0
Income of Subsidiaries & Associates - Unquoted	35.0	35.0

15.5 In terms of provisions of Section 32 (5) (b) of the Inland Revenue Act No. 10 of 2006, the tax loss brought forward can be set off against the current year tax liability only to the extent of a maximum limit of 35% of the total statutory income of the year under review and any losses which cannot be deducted, maybe carried forward to the future years.

A sum of Rs. 1,053,982,855/-, being the balance tax loss carried forward has been fully set off against the taxable income of the year 2007. Accordingly, there was no tax loss carried forward to set off against the current year tax liability.

NOTES TO THE FINANCIAL STATEMENTS

15. INCOME TAX EXPENSE (Contd.)

15.6 The tax on profit before tax differs from the theoretical amount that would arise using the basic tax rate is as follows:

For the year ended 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Profit before tax	5,230,607	4,518,467	5,864,711	5,190,966
Prima facie tax calculated at a rate of 35%	1,830,712	1,581,463	2,052,649	1,816,838
Effect of different tax rate in other countries	257,056	134,559	257,056	134,559
Income not assessable for tax	(2,664,849)	(2,085,810)	(2,770,480)	(2,469,078)
Expenses not deductible for tax purposes	2,402,879	1,815,104	2,577,032	2,162,634
Deferred tax assets not released	130,171	176,727	103,074	188,845
Under provision in respect of previous years	(286,343)	53,167	(303,419)	23,210
Provision for taxation	1,669,626	1,675,210	1,915,912	1,857,008
Effective tax rate	31.92%	37.07%	32.67%	35.77%

15.7 Notional credit for withholding tax on Government securities on secondary market transactions

In terms of the provisions of Section 137 of the Inland Revenue Act No. 10 of 2006, Bank is entitled to a notional tax credit for the interest income from the secondary market transactions in Government securities subject to such interest income which forms part of the statutory income of the Bank for that year of assessment.

Accordingly, the net income earned by the Bank from the secondary market transactions in Government securities has been grossed up. The resulting notional tax credit amounting to Rs. 19,303,935/- has been recognised as an income in the Financial Statements for the year ended 31 December 2008 (2007 - Rs. 3,874,177/-).

16. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholder by the weighted average number of ordinary shares in issue during the year.

Dividend Per Share

Dividend per share is calculated by dividing the total profit distributed to shareholder by the weighted average number of ordinary shares in issue during the year.

For the year ended 31 December	Bank		Group	
	2008	2007	2008	2007
Net profit attributable to ordinary shareholder (Rs. '000)	3,560,981	2,843,257	3,870,381	3,243,831
Dividend paid during the year (Rs. '000)	846,410	846,410	846,410	846,410
Number of ordinary shares in issue	5,000,000	4,000,000	5,000,000	4,000,000
Basic earnings per share (Rs.)	712.20	710.81	774.08	810.96
Dividend per share (Rs.)	169.28	211.60	169.28	211.60

16. EARNINGS PER SHARE (Contd.)

16.1 Dividends

Under the agreement between the Bank and the Government of Sri Lanka, on recapitalising and granting of autonomy to the Bank of Ceylon, the Government reserved the option of the level of profit after tax that will be retained by the Bank. All profits after deduction of tax, loan loss provision and any such portion for reserves, if any, as the Government shall determine, will be issued as dividend to the Government at the end of each year.

Accordingly, a sum of Rs. 846 million has been paid by the Bank as dividend during the year (2007 - Rs. 846 million).

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
17. CASH AND SHORT TERM FUNDS				
Coins, notes held in local currency	6,309,876	5,495,865	6,447,964	5,562,083
Coins, notes held in foreign currency	505,922	351,430	505,922	351,430
Balances with other Banks	3,351,849	3,397,247	3,260,665	3,397,487
	10,167,647	9,244,542	10,214,551	9,311,000
18. BALANCES WITH CENTRAL BANKS				
Central Bank of Sri Lanka (Note 18.1)	13,845,590	14,731,322	13,845,590	14,731,322
Reserve Bank of India (Note 18.2)	59,503	847,899	59,503	847,899
Maldives Monetary Authority (Note 18.3)	1,723,987	1,673,880	1,723,987	1,673,880
	15,629,080	17,253,101	15,629,080	17,253,101

18.1 In terms of the provisions of Section 93 of the Monetary Law Act No. 58 of 1949, the Bank is required to maintain a cash reserve with the Central Bank of Sri Lanka. The minimum cash reserve required to be maintained at the Central Bank of Sri Lanka as at 31 December 2008 was 7.75% (2007 - 10%) of Sri Lanka rupee deposit liabilities. There is no reserve requirement for foreign currency deposit liabilities maintained by domestic branches and the deposit liability of the Off-shore Banking Division in Sri Lanka (2007 - Nil).

18.2 Section 42 (1) of the Reserve Bank of India (RBI) Act, 1934, requires that the branch in Chennai be maintained a cash reserve of 5.5% (31 December 2007 - 7.5%) with the Reserve Bank of India, being the minimum cash reserve requirement, as at 31 December 2008 on its demand and term deposits liabilities.

18.3 Regulations issued by Maldives Monetary Authority (MMA), requires that 50% of minimum required capital of the branch in Maldives be maintained in a deposit with MMA (2007 - 50%). In addition, a reserve of 25% on the deposit liability (2007 - 25%) should also be maintained with the MMA.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
19. TREASURY BILLS, BONDS AND OTHER ELIGIBLE BILLS				
Gross treasury bills & bonds held for trading	21,892,704	32,287,366	22,372,608	32,787,434
Gain/(loss) on marking to market valuation	(164,733)	(145,236)	(164,733)	(145,236)
Net treasury bills & bonds held for trading	21,727,971	32,142,130	22,207,875	32,642,198
Treasury bills, bonds & other eligible bills held to maturity	4,219,492	7,003,350	4,219,492	7,003,350
	25,947,463	39,145,480	26,427,367	39,645,548

Treasury bills, bonds and other eligible bills are debt securities issued by the Government of Sri Lanka and the respective Government authorities where the overseas branches are located. These bills and bonds that have been classified under this note mature within a period of less than twelve months.

The details of the Treasury bills & bonds that have been pledged as security for liabilities at the year end are disclosed in Note No. 43.

	Bank					
	No. of ordinary shares	2008 Market Price per share Rs.	Carrying value Rs. '000	No. of ordinary shares	2007 Market Price per share Rs.	Carrying value Rs. '000
20. DEALING SECURITIES						
Listed equity securities						
Banking, Finance and Insurance						
Commercial Bank of Ceylon PLC	322,845	67.00	21,631	232,345	147.00	34,154
Nations Trust Bank PLC	100,000	22.25	2,225	100,000	29.75	2,975
HDFC Bank of Sri Lanka	90,900	56.00	5,090	90,900	128.00	11,635
Capital Development & Investment Company PLC	300	75.25	22	10,461,542	128.00	1,339,077
DFCC Bank	200	53.00	10	12,679,999	127.00	1,610,360
Hatton National Bank PLC	3,600	69.75	251	3,600	122.50	441
Sampath Bank PLC	27,300	68.00	1,856	100,000	120.00	12,000
Central Finance Company PLC	27,500	165.00	4,538	–	–	–
			35,623			3,010,642
Diversified Holdings						
Hayleys PLC	1,800	86.00	155	16,800	107.75	1,810
Hemas Holdings PLC	38,800	55.25	2,144	36,300	95.00	3,449
John Keells Holdings PLC	405,684	50.00	20,284	214,400	127.25	27,282
			22,583			32,541

As at 31 December

	Bank					
	No. of ordinary shares	2008 Market Price per share Rs.	Carrying value Rs. '000	No. of ordinary shares	2007 Market Price per share Rs.	Carrying value Rs. '000
20. DEALING SECURITIES (Contd.)						
Listed equity securities						
Manufacturing						
Lanka Cement PLC	9,583,809	6.25	59,899	14,708,709	7.25	106,638
Colombo Dockyard PLC	1,575	50.00	79	3,000	53.00	159
ACL Cables PLC	131,400	30.00	3,942	19,300	94.50	1,824
Chemical Industries (Colombo) PLC	80,600	28.75	2,317	130,600	38.75	5,061
Dipped Products PLC	39,900	56.75	2,264	39,900	81.25	3,242
Lanka Milk Foods (CWE) PLC	1,000	31.75	32	1,000	46.00	46
Tokyo Cement Lanka PLC	3,000	192.00	576	2,500	239.50	599
Royal Ceramics Lanka PLC	42,700	28.00	1,196	–	–	–
			70,305			117,569
Hotels & Travels						
Asian Hotels & Properties PLC	65,000	24.75	1,609	20,000	40.00	800
			1,609			800
Power & Energy						
Lanka IOC PLC	290,700	15.25	4,433	–	–	–
Chevron Lubricants Lanka PLC	1,400	92.00	129	8,500	85.25	725
			4,562			725
Services						
Sri Lanka Telecom PLC	214,000	31.00	6,634	164,000	31.50	5,166
Dialog Telekom PLC	28,700	6.00	172	255,200	20.00	5,104
			6,806			10,270
Motors						
Associated Motorways PLC	41,900	174.50	1,393	78,700	128.00	10,074
Diesel & Motor Engineering PLC	–	–	–	1,500	78.00	117
			1,393			10,191
Plantations						
Kegalle Plantations PLC	14,500	28.00	406	23,500	54.00	1,269
			406			1,269
Health Care						
Ceylon Hospitals PLC	9,600	44.75	430	6,100	972.75	328
			430			328
Provision for fall in value			–			–
Total dealing securities			143,717			3,184,335

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December

	Group					
	No. of ordinary shares	2008 Market Price per share Rs.	Carrying value Rs. '000	No. of ordinary shares	2007 Market Price per share Rs.	Carrying value Rs. '000
20. DEALING SECURITIES (Contd.)						
Listed equity securities						
Banking, Finance and Insurance						
Commercial Bank of Ceylon PLC - Voting	329,645	67.00	22,589	239,145	147.00	35,154
Commercial Bank of Ceylon PLC - Non Voting	69,300	48.00	6,213	69,300	74.50	5,163
Seylan Bank PLC	200,000	28.50	2,607	200,000	32.00	1,600
Hatton National Bank PLC	3,600	69.75	251	23,600	122.50	1,506
Hatton National Bank PLC - Non Voting	20,000	32.00	1,119	–	–	–
Nations Trust Bank PLC	100,000	22.25	2,225	100,000	29.75	2,975
HDFC Bank of Sri Lanka	90,900	56.00	5,090	92,200	128.00	11,808
DFCC Bank	77,300	53.00	12,143	12,757,099	127.00	1,620,152
Capital Development & Investment Company PLC	300	75.25	22	10,461,542	128.00	1,339,077
Sampath Bank PLC	27,300	68.00	1,856	100,000	120.00	12,000
National Development Bank PLC	20,000	86.00	4,403	20,000	168.75	3,375
Pan Asia Banking Corporation PLC	20,000	10.25	256	–	–	–
Central Finance Company PLC	27,500	165.00	4,538	–	–	–
Janashakthi Insurance Company PLC	885,000	5.75	10,620	–	–	–
			73,932			3,032,810
Beverage, Food & Tobacco						
Distilleries Company of Sri Lanka PLC	42,500	50.50	4,731	42,500	100.50	4,271
Lanka Milk Foods (CWE) PLC	11,000	31.75	519	1,000	46.00	46
Bairaha Farms PLC	45,900	8.00	770	–	–	–
			6,020			4,317
Diversified Holdings						
Hayleys PLC	7,800	86.00	996	16,800	107.75	1,810
Richard Pieris & Company PLC	12,425	22.50	966	8,700	47.50	413
John Keells Holdings PLC	539,276	50.00	32,561	229,436	127.25	29,195
Hemas Holdings PLC	38,800	55.25	2,144	36,300	95.00	3,449
Kshatriya Holdings PLC	2,200	3.00	20	42.00	10.25	–
Tha Bukit Darah PLC	200	610.00	383	–	–	–
			37,070			34,867
Hotels & Travels						
Asian Hotels & Properties PLC	105,000	24.75	3,863	60,000	40.00	2,400
John Keells Hotels PLC	34,800	5.00	293	30,000	7.00	210
Stafford Hotels PLC	8,200	9.00	108	8,200	11.50	94
Ceylon Hotels Corporation PLC	100	9.50	1	6,600	972.75	814
The Fortress Resorts PLC	14,900	4.30	112	–	–	–
Riverina Hotels PLC	5,000	28.50	228	–	–	–
			4,605			3,518

As at 31 December

	Group					
	No. of ordinary shares	2008 Market Price per share Rs.	Carrying value Rs. '000	No. of ordinary shares	2007 Market Price per share Rs.	Carrying value Rs. '000
20. DEALING SECURITIES (Contd.)						
Listed equity securities						
Manufacturing						
Ceylon Grain Elevators PLC	10,000	6.50	148	100,000	13.00	130
Colombo Dockyard PLC	1,575	50.00	79	3,000	53.00	159
Chevron Lubricants Lanka PLC	20,800	92.00	2,244	–	–	–
Dankotuwa Porcelain PLC	–	–	–	87	15.00	1
ACL Cables PLC	141,400	30.00	4,685	24,300	94.50	2,297
Chemical Industries (Colombo) PLC	–	–	–	130,600	38.75	5,061
Dipped Products PLC	39,900	56.75	2,264	39,900	81.25	3,242
Tokyo Cement Company (Lanka) PLC	33,000	192.00	1,174	27,500	239.50	1,055
Lanka Cement PLC	9,583,809	6.25	59,899	14,708,709	7.25	106,638
Royal Ceramic Lanka PLC	56,400	28.00	1,835	25,000	32.00	800
ACL Plastics PLC	11,100	27.50	420	11,100	33.50	358
Pelwatte Sugar Industries PLC	5,500	10.75	226	8,500	26.25	223
Sierra Cables PLC	–	–	–	150,000	1.70	255
			72,974			120,219
Power & Energy						
Lanka IOC PLC	312,700	15.25	5,056	20,000	21.50	430
Chevron Lubricants Lanka PLC	1,400	92.00	129	8,500	85.25	725
Vallibel Power Erathna PLC	4,450,000	3.30	11,863	5,575,000	2.00	11,150
			17,048			12,305
Services						
Sri Lanka Telecom PLC	234,200	31.00	7,336	184,200	31.50	5,802
Dialog Telekom PLC	31,340	6.00	12,018	695,200	20.00	13,904
			19,354			19,706
Motors						
Associated Motorways PLC	41,900	174.50	1,393	88,700	128.00	11,354
Diesel & Motor Engineering Company PLC	6,022	62.00	706	14,322	78.00	1,271
			2,099			12,625
Plantations						
Kegalle Plantations PLC	14,500	28.00	406	23,500	54.00	1,269
Balangoda Plantations PLC	10,000	12.00	426	–	–	–
Kotagala Plantations PLC	10,000	17.00	680	–	–	–
Madulsima Plantations PLC	–	–	–	25,000	11.25	281
			1,512			1,550

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December

	Group					
	No. of ordinary shares	2008 Market Price per share Rs.	Carrying value Rs. '000	No. of ordinary shares	2007 Market Price per share Rs.	Carrying value Rs. '000
20. DEALING SECURITIES (Contd.)						
Listed equity securities						
Health Care						
Lanka Hospitals Corporation PLC	68,829	12.00	214,651	47,500	17.00	808
Nawaloka Hospitals PLC	209,900	1.80	649	400,000	2.30	960
Ceylon Hospitals PLC	9,600	44.75	430	-	-	-
			215,730			1,768
Land & Property						
Colombo Land & Development Company PLC	175,000	3.60	804	150,000	3.90	585
Ceylinco, Seylan Developments PLC	10,000	4.50	91	-	-	-
Fort Land Limited	-	-	-	20,000	15.50	310
			895			895
Chemical & Pharmaceuticals						
Chemical Industries (Colombo) PLC	154,600	28.75	5,973	90,000	38.75	3,488
Chemical Industries (Colombo) PLC - Non Voting	55,800	19.75	2,023	55,800	27.50	1,535
			7,996			5,023
			459,235			3,249,603
Provision for fall in value			(46,579)			(17,791)
Total dealing securities			412,656			3,231,812

As at 31 December

	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
21. PLACEMENTS WITH AND LOANS TO OTHER BANKS				
Placements with banks in Sri Lanka				
- Sri Lanka rupee placements	-	-	10,000	-
- Foreign currency placements	1,423,500	573,589	1,423,500	573,589
Placements with banks abroad				
- Foreign currency placements	14,979,841	19,148,292	14,979,841	19,148,292
	16,403,341	19,721,881	16,413,341	19,721,881

As at 31 December

	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
22. LOANS & ADVANCES TO CUSTOMERS				
22.1 Bills of exchange				
Export bills	5,058,092	5,689,531	5,058,092	5,689,531
Import bills	11,849,633	5,740,559	11,849,633	5,740,559
Local bills	–	–	349,922	345,335
	16,907,725	11,430,090	17,257,647	11,775,425
Specific provision for bills of exchange [Note 22.1 (b)]	(281,682)	(298,862)	(294,764)	(312,944)
General provision for bills of exchange [Note 22.1 (c)]	(145,840)	(55,453)	(153,130)	(63,217)
Interest in suspense [Note 22.1 (d)]	(553,961)	(424,736)	(553,961)	(424,736)
Net bills of exchange	15,926,242	10,651,039	16,255,792	10,974,528
22.1 (a) Analysis of net bills of exchange				
Not later than 3 months	15,774,583	10,029,890	16,104,192	10,352,757
Later than 3 months and not later than 6 months	151,659	621,149	151,600	621,771
	15,926,242	10,651,039	16,255,792	10,974,528
22.1 (b) Movement in specific provision for bills of exchange				
Balance at 01 January	298,862	298,661	312,944	306,471
Amount provided during the year	7,063	24,075	6,063	30,347
Amount reversed during the year	–	(23,874)	–	(23,874)
Adjustments & transfers	(24,243)	–	(24,243)	–
Balance at 31 December	281,682	298,862	294,764	312,944
22.1 (c) Movement in general provision for bills of exchange				
Balance at 01 January	55,453	20,619	63,217	28,383
Amount provided during the year	90,387	34,834	89,913	34,834
Balance at 31 December	145,840	55,453	153,130	63,217
22.1 (d) Movement in interest in suspense of bills of exchange				
Balance at 01 January	424,736	455,188	424,736	455,188
Interest suspended during the year	209,579	18,936	209,579	18,936
Amount recovered during the year	(80,354)	(49,388)	(80,354)	(49,388)
Balance at 31 December	553,961	424,736	553,961	424,736

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
22. LOANS & ADVANCES TO CUSTOMERS (Contd.)				
22.2 Loans & advances				
Sri Lanka rupee loans & advances				
Overdrafts	59,512,303	41,546,504	59,319,547	41,323,510
Term loans	83,920,244	78,993,605	84,168,580	78,211,079
Trust receipts	8,603,269	7,595,277	8,603,269	7,595,277
Staff loans	13,762,613	12,782,804	13,838,368	12,851,065
Loans under schemes	10,173,784	10,986,691	10,173,784	11,196,083
Foreclosed properties [Note 22.2 (b)]	340,832	312,369	340,832	312,369
	176,313,045	152,217,250	176,444,380	151,489,383
Foreign currency loans & advances				
Overdrafts	2,491,941	1,856,550	2,491,941	1,856,550
Term loans	77,755,517	121,375,962	77,755,517	121,375,962
Trust receipts	9,847,723	8,462,206	9,847,723	8,462,206
Staff loans	14,882	9,140	14,882	9,140
	90,110,063	131,703,858	90,110,063	131,703,858
Total Sri Lanka rupee and foreign currency loans & advances	266,423,108	283,921,108	266,554,443	283,193,241
Specific provision for loans & advances [Note 22.2 (c)]	(7,410,629)	(7,142,208)	(7,437,841)	(7,166,509)
General provision for loans & advances [Note 22.2 (d)]	(1,741,888)	(1,337,171)	(1,753,737)	(1,344,221)
Provision for foreclosed properties [Note 22.2 (e)]	(28,501)	(39,733)	(28,501)	(39,733)
Interest in suspense [Note 22.2 (f)]	(7,912,498)	(7,434,048)	(7,915,247)	(7,436,797)
Net loans & advances	249,329,592	267,967,948	249,419,117	267,205,981
22.2 (a) Analysis of net loans & advances				
Not later than 1 year	155,536,707	166,939,838	154,879,540	165,717,718
Later than 1 year and not later than 5 years	54,059,775	79,983,136	54,797,530	80,239,948
Later than 5 years	39,733,110	21,044,974	39,742,047	21,248,315
	249,329,592	267,967,948	249,419,117	267,205,981
22.2 (b) Foreclosed properties				
Balance at 01 January	312,369	1,076,374	312,369	1,183,159
Additions during the year	82,440	34,968	82,440	34,968
Disposals during the year	(55,959)	(77,405)	(55,959)	(77,405)
Adjustments/transfers	1,982	(721,568)	1,982	(828,353)
Balance at 31 December	340,832	312,369	340,832	312,369

As at 31 December

	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
22. LOANS & ADVANCES TO CUSTOMERS (Contd.)				
22.2 (c) Movement in specific provision for loans & advances				
Balance at 01 January	7,142,208	9,067,815	7,166,509	9,179,601
Adjustments for difference due to currency conversion	56,748	98,346	56,748	98,346
	7,198,956	9,166,161	7,223,257	9,277,947
Amount provided during the year (Note 12)	1,700,953	685,743	1,706,244	670,332
Amount recovered/written back on account of provisions previously made	(1,229,852)	(1,255,639)	(1,247,127)	(1,264,009)
Amount reversed due to loans written off	(250,021)	(1,540,124)	(252,597)	(1,540,124)
Adjustments/transfers	(9,407)	86,067	8,064	22,363
Balance at 31 December	7,410,629	7,142,208	7,437,841	7,166,509
22.2 (d) Movement in general provision for loans & advances				
Balance at 01 January	1,337,171	928,085	1,344,221	935,135
Adjustments for difference due to currency conversion	(5,453)	3,699	(5,453)	3,699
Amount provided during the year	410,170	405,387	414,969	405,387
Balance at 31 December	1,741,888	1,337,171	1,753,737	1,344,221
22.2 (e) Movement in provision for foreclosed properties				
Balance at 01 January	39,733	42,439	39,733	42,439
Amount reversed during the year	(13,254)	(3,240)	(13,254)	(3,240)
Adjustments/transfers	2,022	534	2,022	534
Balance at 31 December	28,501	39,733	28,501	39,733
22.2 (f) Movement in interest in suspense of loans & advances				
Balance at 01 January	7,434,048	7,967,040	7,436,797	7,969,789
Interest suspended during the year	1,429,856	2,384,196	1,429,856	2,384,196
Amount reversed during the year	(583,450)	(1,093,119)	(583,450)	(1,093,119)
Amount reversed due to written-off facilities	(391,351)	(1,774,632)	(391,351)	(1,774,632)
Adjustments/transfers	23,395	(49,437)	23,395	(49,437)
Balance at 31 December	7,912,498	7,434,048	7,915,247	7,436,797
22.3 Lease rentals receivable - within one year				
Gross lease rentals receivable	2,429,060	1,135,087	5,681,660	5,828,665
Prepaid rentals	(12,984)	(3,557)	(69,790)	(84,150)
Net lease rentals receivable	2,416,076	1,131,530	5,611,870	5,744,515
Unearned income	(708,785)	(352,788)	(1,588,350)	(1,380,317)
Specific provision for lease rentals receivable (Note 22.6)	(18,674)	(9,024)	(197,226)	(225,907)
General provision for lease rentals receivable (Note 22.7)	(14,713)	(4,346)	(14,713)	(4,346)
Interest in suspense (Note 22.8)	(42,012)	(320)	(46,619)	(320)
Net investment in lease rentals receivable	1,631,892	765,052	3,764,962	4,133,625

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
22. LOANS & ADVANCES TO CUSTOMERS (Contd.)				
22.4 Lease rentals receivable - one to five years				
Gross lease rentals receivable	5,674,228	6,921,405	11,075,637	11,284,258
Prepaid rentals	(40,542)	(45,170)	(82,674)	(88,934)
Net lease rentals receivable	5,633,686	6,876,235	10,992,963	11,195,324
Unearned income	(1,186,465)	(1,817,869)	(2,346,828)	(2,916,488)
Specific provision for lease rentals receivable (Note 22.6)	(97,732)	(514)	(279,059)	(128,712)
General provision for lease rentals receivable (Note 22.7)	(34,370)	(26,503)	(125,608)	(119,250)
Interest in suspense (Note 22.8)	(98,138)	(1,951)	(122,340)	(26,551)
Net investment in lease rentals receivable	4,216,981	5,029,398	8,119,128	8,004,323
22.5 Lease rentals receivable - after five years				
Gross lease rentals receivable	483	120,050	22,630	135,011
Prepaid rentals	(112)	(327)	(112)	(327)
Net lease rentals receivable	371	119,723	22,518	134,684
Unearned income	(42)	(36,426)	(9,732)	(41,188)
Specific provision for lease rentals receivable (Note 22.6)	-	-	-	-
General provision for lease rentals receivable (Note 22.7)	(3)	(460)	(3)	(460)
Interest in suspense (Note 22.8)	(8)	(34)	(8)	(34)
Net investment in lease rentals receivable	318	82,803	12,775	93,002
22.6 Movement in specific provision for lease rentals receivable				
Balance at 01 January	9,538	12,389	354,619	193,679
Amount recovered/written back on account of provisions previously made	-	(2,890)	(47,497)	(2,890)
Adjustments/transfers	(40,438)	-	(40,637)	59,453
Amount written off	-	-	(38,318)	(8,693)
Provisions made during the year (Note 12)	147,306	39	248,118	113,070
Balance at 31 December	116,406	9,538	476,285	354,619
22.7 Movement in general provision for lease rentals receivable				
Balance at 01 January	31,309	10,151	124,056	102,898
Amount provided during the year	17,777	21,158	18,130	21,158
Adjustments/transfers	-	-	(1,862)	-
Balance at 31 December	49,086	31,309	140,324	124,056

As at 31 December

	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
22. LOANS & ADVANCES TO CUSTOMERS (Contd.)				
22.8 Movement in interest in suspense for lease rentals receivable				
Balance at 01 January	2,305	3,825	26,905	28,425
Amount recovered/written back on account of provisions previously made	-	-	-	-
Adjustments/transfers	-	-	-	-
Provisions made during the year	137,853	-	142,062	-
Amount reversed during the year	-	(1,520)	-	(1,520)
Balance at 31 December	140,158	2,305	168,967	26,905
22.9 Movement in specific provision for bills of exchange, loans & advances, foreclosed properties and lease rentals receivable - Summary				
Balance at 01 January	7,490,341	9,421,304	7,873,804	9,722,190
Adjustments for difference due to currency conversion	56,748	98,346	56,748	98,346
	7,547,089	9,519,650	7,930,552	9,820,536
Amount recovered/written back on account of provisions previously made	(1,243,106)	(1,285,643)	(1,307,878)	(1,294,013)
Amount reversed due to loans written off	(250,021)	(1,540,124)	(290,915)	(1,548,817)
Adjustments/transfers	(72,066)	86,601	(54,794)	82,350
Specific provision for loan losses (Note 12)	1,855,322	709,857	1,960,425	813,749
Balance at 31 December	7,837,218	7,490,341	8,237,390	7,873,805
22.10 Movement in general provision for bills of exchange, loans & advances, foreclosed properties and lease rentals receivable - Summary				
Balance at 01 January	1,423,933	958,855	1,531,494	1,066,416
Adjustments for difference due to currency conversion	(5,453)	3,699	(5,453)	3,699
	1,418,480	962,554	1,526,041	1,070,115
Amount provided during the year (Note 12)	518,334	461,379	523,012	461,379
Adjustments/transfers	-	-	(1,862)	-
Balance at 31 December	1,936,814	1,423,933	2,047,191	1,531,494
22.11 Movement in interest in suspense for bills of exchange, loans & advances, foreclosed properties and lease rentals receivable - Summary				
Balance at 01 January	7,861,089	8,426,053	7,888,438	8,453,402
Interest suspended during the year	1,777,288	2,403,132	1,781,497	2,403,132
Amount reversed during the year	(663,804)	(1,144,027)	(663,804)	(1,144,027)
Amount written off	(391,351)	(1,774,632)	(391,351)	(1,774,632)
Adjustments/transfers	23,395	(49,437)	23,395	(49,437)
Balance at 31 December	8,606,617	7,861,089	8,638,175	7,888,438

NOTES TO THE FINANCIAL STATEMENTS

22. LOANS & ADVANCES TO CUSTOMERS (Contd.)

22.12 Non-performing loans & advances

The Bank's net exposure on non-performing loans & advances as at Balance Sheet date, before adjusting for the value of securities is as follows:

As at 31 December	Bank				Group			
	2008 Rs. '000	%	2007 Rs. '000	%	2008 Rs. '000	%	2007 Rs. '000	%
Non-performing loans & advances								
Bills of exchange	799,993		367,764		918,623		472,714	
Loans & advances	12,114,524		10,644,950		12,367,044		10,763,113	
Foreclosed properties	340,832		312,369		340,832		312,369	
Lease rentals receivable	560,632		9,220		1,243,336		324,083	
Total non-performing advances	13,815,981	4.92*	11,334,303	3.86*	14,869,835	5.17*	11,872,279	3.96*
Less: Specific provision for loan losses								
Specific provision for bills of exchange	281,682		298,862		294,764		312,944	
Specific provision for loans & advances	7,410,629		7,142,208		7,437,841		7,166,509	
Specific provision for foreclosed properties	28,501		39,733		28,501		39,733	
Specific provision for lease rentals receivable	116,406		9,538		476,285		354,619	
Total provision for loans & advances	7,837,218	2.79*	7,490,341	2.55*	8,237,391	2.87*	7,873,805	2.63*
Net exposure	5,978,763	2.13*	3,843,962	1.31*	6,632,444	2.30*	3,998,474	1.33*

* Note: As a percentage of total gross loans & advances (Net of interest in suspense).

The Bank's net exposure on non-performing advances amounting to Rs. 5,979 million as at 31 December 2008 (2007 - Rs. 3,844 million) is covered by securities valued at Rs. 10,131 million (2007 - Rs. 11,602 million).

22.13 Credit concentration - Geographic sector risk concentrations

Geographic sector risk concentrations within the customer loan portfolio were as follows:

As at 31 December	Bank				Group			
	2008 Rs. '000	%	2007 Rs. '000	%	2008 Rs. '000	%	2007 Rs. '000	%
Sri Lanka	276,014,897	98.3	288,625,503	98.4	282,992,194	98.3	295,031,748	98.4
United Kingdom	167,972	0.1	206,743	0.1	167,972	0.1	206,743	0.1
Republic of Maldives	3,432,537	1.2	3,006,764	1.0	3,432,537	1.2	3,006,764	1.0
India	1,263,652	0.4	1,571,505	0.5	1,263,652	0.4	1,571,505	0.5
	280,879,058	100	293,410,515	100	287,856,355	100	299,816,760	100

22. LOANS & ADVANCES TO CUSTOMERS (Contd.)

22.14 Credit concentration - Economic sector risk concentrations

Economic sector risk concentrations within the customer loan portfolio were as follows:

As at 31 December	Bank				Group			
	2008 Rs. '000	%	2007 Rs. '000	%	2008 Rs. '000	%	2007 Rs. '000	%
Exports and imports	45,712,257	16.3	34,918,475	11.9	45,775,586	15.9	35,074,559	11.7
Wholesale and retail trade	24,121,647	8.6	27,461,896	9.4	25,839,917	9.0	28,288,015	9.4
Banking, finance and insurance	8,494,813	3.0	12,121,448	4.1	8,049,486	2.8	11,063,301	3.7
Agriculture and fisheries	6,666,329	2.4	5,834,842	2.0	7,148,494	2.5	6,010,368	2.0
Manufacturing	37,588,481	13.4	25,325,985	8.6	38,451,429	13.4	26,087,850	8.7
Hotels, travels and services	11,467,880	4.1	11,023,092	3.8	13,513,499	4.7	11,354,691	3.8
Housing, construction & property development	32,232,773	11.5	26,405,834	9.0	32,811,917	11.4	27,106,483	9.0
Consumption and others*	114,254,046	40.6	150,006,574	51.1	115,925,195	40.2	154,519,124	51.6
Foreclosed properties	340,832	0.1	312,369	0.1	340,832	0.1	312,369	0.1
Gross loans & advances	280,879,058	100	293,410,515	100	287,856,355	100	299,816,760	100

* Inclusive of exposure to the Government of Sri Lanka.

As at 31 December	Date Issued	Description	Bank/Group		Interest Rate	Date of Maturity
			2008 Rs. '000	2007 Rs. '000		
23. GOVERNMENT OF SRI LANKA RESTRUCTURING BONDS						
	24.03.1993	For recapitalisation purposes	4,780,000	4,780,000	12%	24.03.2023
	24.03.1993	For settlement of loans	3,767,000	3,767,000	12%	24.03.2023
		Total	8,547,000	8,547,000		

As at 31 December	Bank		Group		
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000	
24. INVESTMENT SECURITIES					
Equity shares					
	Listed equity shares [Note 24 (a)]	691,862	953,162	691,862	1,166,451
	Unlisted equity shares [Note 24 (b)]	101,325	101,325	106,369	64,370
	Unlisted preference shares [Note 24 (c)]	50,000	50,000	50,000	50,000
Debt securities					
	Listed debentures [Note 24 (d)]	120,000	120,000	120,000	120,000
	Asset securitisation bonds (Unlisted) [Note 24 (e)]	68,573	118,539	68,573	118,539
Bonds					
	Sri Lanka Development Bonds [Note 24 (f)]	67,538,812	–	67,538,812	–
	Units in unit trusts [Note 24 (g)]	1,110,725	1,018,476	1,110,725	1,018,476
		69,681,297	2,361,502	69,686,341	2,537,836

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December

	Bank					
	No. of ordinary shares	2008 Cost of investment Rs. '000	Market value Rs. '000	No. of ordinary shares	2007 Cost of investment Rs. '000	Market value Rs. '000
24. INVESTMENT SECURITIES (Contd.)						
24. (a) Listed equity shares						
National Development Bank PLC	8,185,538	691,862	703,956	8,185,538	691,862	1,381,310
DFCC Bank	–	–	–	6,339,998	261,300	805,180
		691,862	703,956		953,162	2,186,490

As at 31 December

	Bank					
	No. of ordinary shares	2008 Cost of investment Rs. '000	Directors' valuation Rs. '000	No. of ordinary shares	2007 Cost of investment Rs. '000	Directors' valuation Rs. '000
24. (b) Unlisted equity shares						
Credit Information Bureau	27,000	2,700	2,700	27,000	2,700	2,700
Lanka Financial Services Bureau Limited	500,000	5,000	5,000	500,000	5,000	5,000
Fitch Ratings Lanka Limited	62,500	625	625	62,500	625	625
Lanka Clear (Private) Limited	2,100,000	21,000	21,000	2,100,000	21,000	21,000
Megpek Exports Limited	300,000	4,355	–	300,000	4,355	–
Serendib Coconut Products Limited	37,500	375	–	37,500	375	–
Rajarata Development Bank	1,298,448	12,000	12,000	1,298,448	12,000	12,000
Kandurata Development Bank	1,200,000	12,000	12,000	1,200,000	12,000	12,000
Kandy Textile Industries Limited	191,790	1,918	–	191,790	1,918	–
Ruhunu Development Bank	1,200,000	12,000	12,000	1,200,000	12,000	12,000
Wayamba Development Bank	1,320,000	12,000	12,000	1,320,000	12,000	12,000
Sabaragamuwa Development Bank	1,200,000	12,000	12,000	1,200,000	12,000	12,000
Uva Development Bank	1,200,000	12,000	12,000	1,200,000	12,000	12,000
		107,973	101,325		107,973	101,325
Provision for diminution in value		(6,648)	–		(6,648)	–
		101,325	101,325		101,325	101,325

As at 31 December

	Bank					
	No. of preference shares	2008 Cost of investment Rs. '000	Directors' valuation Rs. '000	No. of preference shares	2007 Cost of investment Rs. '000	Directors' valuation Rs. '000
24. (c) Unlisted preference shares						
Carson Cumberbatch Company PLC (Non voting 14% Redeemable, Cumulative Preference shares)	5,000,000	50,000	50,000	5,000,000	50,000	50,000
		50,000	50,000		50,000	50,000
Provision for diminution in value		–	–		–	–
		50,000	50,000		50,000	50,000

As at 31 December

	Bank					
	No. of Securities/ debentures	2008 Cost of investment Rs. '000	Market value Rs. '000	No. of Securities/ debentures	2007 Cost of investment Rs. '000	Market value Rs. '000
24. INVESTMENT SECURITIES (Contd.)						
24. (d) Listed debentures						
HDFC Bank Limited (6 months Gross TB rate plus 185 basis points subject to CAP of 15% Rs. 100/- each maturing June 2010)	750,000	75,000	75,000	750,000	75,000	75,000
Singer (Sri Lanka) PLC (6 months Gross TB rate plus 150 basis points subject to CAP of 15.5% Rs. 100/- each maturing September 2010)	450,000	45,000	45,000	450,000	45,000	45,000
		120,000	120,000		120,000	120,000
24. (e) Asset securitisation bonds						
HDFC Bank Limited (3 months Gross TB rate plus 150 basis points maturing May 2010)		68,573	68,573		118,539	118,539
		68,573	68,573		118,539	118,539

As at 31 December

	Bank					
	Date of maturity	2008 Cost of investment Rs' 000	Directors' valuation Rs' 000	Date of maturity	2007 Cost of investment Rs' 000	Directors' valuation Rs' 000
24. (f) Sri Lanka Development Bonds						
Sri Lanka Development Bonds (US \$ bonds) (6 months LIBOR plus 275 basis points)	15.07.2010	22,206,600	22,206,600	–	–	–
Sri Lanka Development Bonds (US \$ bonds) (6 months LIBOR plus 370 basis points)	15.07.2013	45,332,212	45,332,212	–	–	–
		67,538,812	67,538,812	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December

	Bank					
	No. of units	2008 Cost of investment Rs' 000	Manager's valuation Rs' 000	No. of units	2007 Cost of investment Rs' 000	Manager's valuation Rs' 000
24. INVESTMENT SECURITIES (Contd.)						
24. (g) Units in unit trusts						
Ceybank Unit Trust	86,699,503	980,312	907,744	80,824,548	895,067	1,137,201
Ceybank Unit Trust - Seed Fund	4,421,052	42,000	46,288	4,421,052	42,000	62,204
Ceybank Century Growth Fund	7,327,748	88,413	111,308	7,004,655	81,409	142,335
		1,110,725	1,065,340		1,018,476	1,341,740
Provision for diminution in value		-	-		-	-
		1,110,725	1,065,340		1,018,476	1,341,740

As at 31 December

	Group					
	No. of ordinary shares	2008 Cost of investment Rs. '000	Market value Rs. '000	No. of ordinary shares	2007 Cost of investment Rs. '000	Market value Rs. '000
24. INVESTMENT SECURITIES						
24. (a) Listed equity shares						
National Development Bank PLC	8,185,538	691,862	703,956	8,185,538	691,862	1,381,310
DFCC Bank	-	-	-	12,679,999	261,299	1,610,360
Lanka Hospitals Corporation PLC	-	-	-	21,329,000	213,290	554,554
		691,862	703,956		1,166,451	3,546,224
Provision for diminution in value		-	-		-	-
		691,862	703,956		1,166,451	3,546,224

As at 31 December

	Group					
	No. of ordinary shares	2008 Cost of investment Rs. '000	Directors' valuation Rs. '000	No. of ordinary shares	2007 Cost of investment Rs. '000	Directors' valuation Rs. '000
24. (b) Unlisted equity shares						
Credit Information Bureau	27,044	2,744	2,744	27,300	2,744	2,744
Lanka Financial Services Bureau Limited	500,000	5,000	5,000	500,000	5,000	5,000
Fitch Ratings Lanka Limited	62,500	625	625	62,500	625	625
Lanka Clear (Private) Limited	2,100,000	21,000	21,000	2,100,000	21,000	21,000
Megpek Export Limited	300,000	4,355	-	300,000	4,355	-
MEGA Containers Limited	-	10,000	10,000	-	-	-
Serendib Coconut Products Limited	37,500	375	-	37,500	375	-
Rajarata Development Bank	1,298,448	12,000	12,000	1,298,448	12,000	12,000
Kandurata Development Bank	1,200,000	12,000	12,000	1,200,000	12,000	12,000
Kandy Textile Industries Limited	191,790	1,918	-	191,790	1,918	-
Ruhunu Development Bank	1,200,000	12,000	12,000	1,200,000	12,000	12,000
Wayamba Development Bank	1,320,000	12,000	12,000	1,320,000	12,000	12,000
Sabaragamuwa Development Bank	1,200,000	12,000	12,000	1,200,000	12,000	12,000
Uva Development Bank	1,200,000	12,000	12,000	1,200,000	12,000	12,000
Professional Consultants (Private) Limited	-	-	-	10	1	1
		118,017	111,369		108,018	101,370
Provision for diminution in value		(11,648)	-		(43,648)	-
		106,369	111,369		64,370	101,370

As at 31 December

	Group					
	No. of preference shares	2008 Cost of investment Rs. '000	Directors' valuation Rs. '000	No. of preference shares	2007 Cost of investment Rs. '000	Directors' valuation Rs. '000
24. INVESTMENT SECURITIES (Contd.)						
24. (c) Unlisted preference shares						
Carson Cumberbatch Company PLC (Non voting 14% Redeemable, Cumulative Preference shares)	5,000,000	50,000	50,000	5,000,000	50,000	50,000
Provision for diminution in value		50,000	50,000		50,000	50,000
		–	–		–	–
		50,000	50,000		50,000	50,000

As at 31 December

	Group					
	No. of securities/debentures	2008 Cost of investment Rs. '000	Market value Rs. '000	No. of securities/debentures	2007 Cost of investment Rs. '000	Market value Rs. '000
24. (d) Listed debentures						
HDFC Bank Limited (6 months Gross TB rate plus 185 basis points subject to CAP of 15% Rs. 100/- each maturing June 2010)	750,000	75,000	75,000	750,000	75,000	75,000
Singer (Sri Lanka) PLC (6 months Gross TB rate plus 150 basis points subject to CAP of 15.5% Rs. 100/- each maturing September 2010)	450,000	45,000	45,000	450,000	45,000	45,000
		120,000	120,000		120,000	120,000
24. (e) Asset securitisation bonds						
HDFC Bank Limited (3 months Gross TB rate plus 150 basis points maturing May 2010)		68,573	68,573		118,539	118,539
Total debt securities		68,573	68,573		118,539	118,539

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December

	Group					
	Date of maturity	2008 Cost of investment Rs' 000	Directors' valuation Rs' 000	Date of maturity	2007 Cost of investment Rs' 000	Directors' valuation Rs' 000
24. INVESTMENT SECURITIES (Contd.)						
24. (f) Sri Lanka Development Bonds						
Sri Lanka Development Bonds (US \$ bonds) (6 months LIBOR plus 275 basis points)	15.07.2010	22,206,600	22,206,600	-	-	-
Sri Lanka Development Bonds (US \$ bonds) (6 months LIBOR plus 370 basis points)	15.07.2013	45,332,212	45,332,212	-	-	-
		67,538,812	67,538,812		-	-

As at 31 December

	Group					
	No. of units	2008 Cost of investment Rs. '000	Manager's valuation Rs. '000	No. of units	2007 Cost of investment Rs. '000	Managers' valuation Rs. '000
24. (g) Units in unit trusts						
Ceybank Unit Trust	86,699,503	980,312	907,744	73,731,564	895,067	1,125,881
Ceybank Unit Trust - Seed Fund	4,421,052	42,000	46,288	4,421,052	42,000	67,509
Ceybank Century Growth Fund	7,327,748	88,413	111,308	6,608,643	81,409	150,941
		1,110,725	1,065,340		1,018,476	1,344,331
Less: Provision for diminution in value		-	-		-	-
		1,110,725	1,065,340		1,018,476	1,344,331

As at 31 December

	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
25. INVESTMENT PROPERTIES				
Cost				
Balance at 01 January	623,620	1,149,910	1,087,865	1,149,910
Additions	-	-	55,173	315,761
Transfers	(129,386)	-	-	151,973
Disposals during the year	(494,234)	(526,290)	(711,857)	(529,779)
Balance at 31 December	-	623,620	431,181	1,087,865
Less: Accumulated depreciation				
Balance at 01 January	64,960	62,286	66,368	62,286
Charge for the year	-	28,748	1,024	30,156
Transfers/adjustments	(11,418)	28,748	-	28,748
Released on disposal	(53,542)	(54,822)	(64,961)	(54,822)
Balance at 31 December	-	64,960	2,431	66,368
Net investment properties	-	558,660	428,750	1,021,497

The part of the property categorised under investment properties has been disposed to a third party for a consideration of Rs. 625 million during the year 2008. As it has been decided to use the rest of the building for the Bank's own use, the carrying value of the unsold portion has been transferred to property, plant & equipment during the year under review.

As at 31 December

	Bank Cost		2007		2008		2007	
	Cost	Market value/ Directors' valuation Rs '000	Cost	Market value/ Directors' valuation Rs '000	Equity value Rs. '000	Market value/ Directors' valuation Rs '000	Equity value Rs. '000	Market value/ Directors' valuation Rs '000
26. INVESTMENTS IN ASSOCIATE COMPANIES								
26.1 Unquoted								
Lanka Securities (Private) Limited (2,796,000 Ordinary shares)	41,940	41,940	41,940	41,940	120,288	120,288	82,410	82,410
Mireka Capital Land (Private) Limited (75,000,000 Ordinary shares)	750,000	750,000	750,000	750,000	789,785	789,785	801,217	801,217
Southern Development Financial Company Limited (2,500,000 Ordinary shares)	25,000	1,670	25,000	2,700	1,670	1,670	3,302	3,302
Transnational Lanka Records Solutions (Private) Limited (2,000,000 Ordinary shares)	20,000	20,000	20,000	20,000	25,941	25,941	29,993	29,993
Unit Trust Management Company (Private) Limited (500,000 Ordinary shares)	5,000	5,000	5,000	5,000	18,686	18,686	16,833	16,833
Total investment in Associate companies	841,940	818,610	841,940	819,640	956,370	956,370	933,755	933,755
Provision for diminution in value	(23,330)		(22,300)					
Net investment in Associate companies	818,610	818,610	819,640	819,640	956,370	956,370	933,755	933,755

26.2 The details of associates are as follows:

Name of Company	Place of incorporation	Principal activity	Group's interest in stated capital %	Stated capital Rs '000
Lanka Securities (Private) Limited	Sri Lanka	Equity trading, debt trading and placements	42.04	209,700
Mireka Capital Land (Private) Limited	Sri Lanka	Purchasing, hiring and acquiring real estate properties, real estate development	40.00	1,875,000
Southern Development Financial Company Limited	Sri Lanka	Venture capital funding	41.67	60,000
Transnational Lanka Records Solutions (Private) Limited	Sri Lanka	Renting out the building assets to Iron Mountain Lanka (Private) Limited	24.69	81,000
Unit Trust Management Company (Private) Limited	Sri Lanka	Managers of Unit Trust Funds	20.00	25,000

NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31 December</i>	Bank Cost		Group Equity value	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
26. INVESTMENTS IN ASSOCIATE COMPANIES (Contd.)				
26.3 Movement in investments in Associate companies				
Value at 01 January	841,940	813,980	933,755	831,917
Increase/(decrease) in investment	-	27,960	-	27,960
Share of profit/(loss) before tax	-	-	63,371	86,604
Share of tax	-	-	(17,423)	(11,976)
Dividends	-	-	(4,014)	(218)
Other adjustments	-	-	(19,319)	(532)
Value at 31 December	841,940	841,940	956,370	933,755

26.4 Movement in provision for diminution in value

<i>As at 31 December</i>	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Balance at 01 January	22,300	21,500	-	-
Amount provided during the year	1,030	800	-	-
Balance at 31 December	23,330	22,300	-	-

26.5 The Group's interest in the summarised financial information of the Associates is as follows:

For the year ended/As at 31 December

	2008 Rs. '000	2007 Rs. '000
Assets	2,333,169	1,891,313
Liabilities	1,376,797	707,331
Total operating income	335,376	326,287
Total operating expense	231,621	206,276
Profit before taxation	63,371	86,604
Provision for taxation	17,423	11,976
Profit after taxation	45,948	74,628

<i>As at 31 December</i>	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
27. INVESTMENTS IN SUBSIDIARY COMPANIES				
Investment in quoted companies (Note 27.2)	2,514,800	2,514,800	-	-
Investment in unquoted companies (Note 27.3)	1,086,284	1,133,184	-	-
Total investment in subsidiary companies	3,601,084	3,647,984	-	-
Provision for diminution in value (Note 27.4)	(817,130)	(817,130)	-	-
Net investment in subsidiary companies	2,783,954	2,830,854	-	-
27.1 Movement in investment in subsidiaries				
Value at 01 January	3,647,984	3,697,984	-	-
Increase/(decrease) in investment	(46,900)	(50,000)	-	-
Value at 31 December	3,601,084	3,647,984	-	-

As at 31 December

	2008		Bank	
	Cost Rs. '000	Market value/ Directors' value Rs. '000	Cost Rs. '000	2007 Market value/ Directors' value Rs. '000
27. INVESTMENTS IN SUBSIDIARY COMPANIES (Contd.)				
27.2 Investment in quoted companies				
Property Development PLC (61,485,050 Ordinary shares)	740,070	1,229,701	740,070	2,075,120
Merchant Bank of Sri Lanka PLC (68,400,000 Ordinary shares)	1,774,730	495,900	1,774,730	957,600
Investment in quoted Subsidiary companies	2,514,800	1,725,601	2,514,800	3,032,720
27.3 Investment in unquoted companies				
BoC Management & Support Services (Private) Limited (100,000 Ordinary shares)	1,000	1,000	1,000	1,000
BoC Property Development & Management (Private) Limited (101,000,000 Ordinary shares)	1,010,000	1,010,000	1,010,000	1,010,000
Capital pending allotment	–	–	46,900	46,900
BoC Travels (Private) Limited (250,000 Ordinary shares)	2,500	2,500	2,500	2,500
Hotels Colombo (1963) Limited (73,669 Ordinary shares)	737	737	737	737
Merchant Credit of Sri Lanka Limited (4,900,018 Ordinary shares)	22,047	22,047	22,047	22,047
Ceylease Financial Services Limited (5,000,000 Ordinary shares)	50,000	50,000	50,000	50,000
Ceybank Holiday Homes (Private) Limited (70 Ordinary shares)	–	–	–	–
Investment in unquoted Subsidiary companies	1,086,284	1,086,284	1,133,184	1,133,184

As at 31 December

	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
27.4 Movement in provision for diminution in value				
Balance at 01 January	817,130	778,530	–	–
Amount provided during the year	–	38,600	–	–
Balance at 31 December	817,130	817,130	–	–

NOTES TO THE FINANCIAL STATEMENTS

27. INVESTMENTS IN SUBSIDIARY COMPANIES (Contd.)

27.5 The details of subsidiaries are as follows:

Name of Company	Place of incorporation	Principal activity	Group's interest stated capital	Stated capital Rs. '000
Quoted				
Property Development PLC	Sri Lanka	Maintain, management & development of utility and value of BoC head office building	93.16%	660,000
Merchant Bank of Sri Lanka PLC	Sri Lanka	Leasing, trade finance corporate advisory services, fund management, capital market activities, corporate secretarial and legal services	76.00%	1,067
Unquoted				
BoC Management & Support Services (Private) Limited	Sri Lanka	Providing management services	100.00%	1,000
BoC Property Development & Management (Private) Limited	Sri Lanka	Renting of office space of BoC Merchant Tower and Ceybank House in Kandy	100.00%	1,010,000
BoC Travels (Private) Limited	Sri Lanka	Engage in travel related services	100.00%	2,500
Hotels Colombo (1963) Limited	Sri Lanka	Providing hotel services	98.23%	750,000
Merchant Credit of Sri Lanka Limited	Sri Lanka	Accepting fixed deposits and call deposits, granting finance and operating leases, hire purchase, trade finance and real estate business activities.	87.76%	100,000
Ceylease Financial Services Limited	Sri Lanka	Providing of leasing, hire purchase and finance facilities.	50.00%	100,000
Ceybank Holiday Homes (Private) Limited	Sri Lanka	Management of BoC holiday homes.	100.00%	1

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
28. OTHER ASSETS				
Accrued interest and other receivables	8,976,808	5,745,162	9,129,590	6,139,750
Consumable stock in hand	313,252	297,589	350,131	331,284
Foreign cheques purchased	165,288	228,153	165,288	228,153
Local cheques purchased	3,044,095	2,450,065	3,044,095	2,450,065
Other assets	4,804,338	8,179,439	5,455,312	8,151,395
	17,303,781	16,900,408	18,144,416	17,300,647

As at 31 December

	Freehold land Rs. '000	Freehold building Rs. '000	Leasehold building Rs. '000	Equipment Rs. '000	Motor vehicles Rs. '000	2008 Total Rs. '000	2007 Total Rs. '000
29. PROPERTY, PLANT & EQUIPMENT							
Bank							
29.1 Cost or valuation							
As at 01 January	1,537,942	1,721,163	625,785	5,121,925	268,661	9,275,476	8,734,953
Additions during the year	–	7,378	8,609	511,831	49,579	577,397	577,232
Disposals during the year	(4,781)	–	–	(37,616)	(5,630)	(48,027)	(34,705)
Exchange rate adjustments	–	(128,173)	–	(22,657)	(566)	(151,396)	21,942
Transfers/adjustments	8,625	115,283	(2,300)	(1,018)	–	120,590	(23,946)
As at 31 December	1,541,786	1,715,651	632,094	5,572,465	312,044	9,774,040	9,275,476
Accumulated depreciation							
As at 01 January	–	290,078	291,696	3,511,095	221,144	4,314,013	3,799,493
Charge for the year	–	45,584	23,412	475,240	24,216	568,452	537,125
Disposals during the year	–	–	–	(35,850)	(4,385)	(40,235)	(34,504)
Exchange rate adjustments	–	(14,687)	–	(26,234)	(864)	(41,785)	8,126
Transfers/adjustments	–	18,299	2,386	5,297	–	25,982	3,773
As at 31 December	–	339,274	317,494	3,929,548	240,111	4,826,427	4,314,013
Capital work-in-progress (a)						62,833	12,740
Net book value at 31 December 2008	1,541,786	1,376,377	314,600	1,642,917	71,933	4,947,613	–
Net book value at 31 December 2007	1,537,942	1,431,085	334,089	1,610,830	47,517	–	4,961,463
						5,010,446	4,974,203
Group							
29.2 Cost or valuation							
As at 01 January	1,537,942	3,565,818	625,785	5,962,285	314,212	12,006,042	11,474,409
Additions during the year	–	149,916	8,609	530,041	62,181	750,747	615,766
Disposals during the year	(4,781)	(55,287)	–	(38,771)	(10,682)	(109,521)	(60,250)
Exchange rate adjustments	–	(128,173)	–	(22,657)	(566)	(151,396)	21,942
Transfers/adjustments	8,625	115,283	(2,300)	(15,881)	–	105,727	(45,825)
As at 31 December	1,541,786	3,647,557	632,094	6,415,017	365,145	12,601,599	12,006,042

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December

	Freehold land Rs. '000	Freehold building Rs. '000	Leasehold building Rs. '000	Equipment Rs. '000	Motor vehicles Rs. '000	2008 Total Rs. '000	2007 Total Rs. '000
29. PROPERTY, PLANT & EQUIPMENT (Contd.)							
Group (Contd.)							
Accumulated depreciation							
As at 01 January	–	826,078	291,697	4,348,622	244,671	5,711,068	5,164,213
Charge for the year	–	99,015	23,412	503,236	30,146	655,809	627,786
Disposals during the year	–	(55,233)	–	(36,779)	(7,729)	(99,741)	(53,967)
Exchange rate adjustments	–	(14,687)	–	(26,234)	(864)	(41,785)	8,126
Transfers/adjustments	–	18,299	2,386	26,987	–	47,672	(35,090)
As at 31 December	–	873,472	317,495	4,815,832	266,224	6,273,023	5,711,068
Capital work-in-progress (a)						99,660	127,723
Net book value at 31 December 2008	1,541,786	2,774,085	314,599	1,599,185	98,921	6,328,576	–
Net book value at 31 December 2007	1,537,942	2,739,740	334,088	1,613,663	69,541	–	6,294,974
						6,428,236	6,422,697

(a) Capital work-in-progress which is accounted for on the basis of value of work certified includes mobilisation of advances and other construction expenses.

(b) No property, plant & equipment have been pledged as security for any liability.

(c) The amount of commitments for the acquisition of property, plant & equipment is given in the Note No. 42.1 (a).

(d) The cost of fully depreciated assets at the Balance Sheet date that are still in use amounted to Rs. 1,931 million (2007 - Rs. 1,369 million).

(e) The market value of land does not differ substantially from the book value.

(f) A proportion of freehold properties were revalued by professionally qualified independent valuers based on open market value of existing use. The Bank is making arrangements to revalue all freehold properties over a period of five years. The surpluses arising on the revaluation have been directly credited to the revaluation reserve of the Bank with the permission of the Monetary Board of the Central Bank of Sri Lanka.

Based on the revaluations completed up to the date of the Balance Sheet, the surplus on revaluation amounting to Rs. 2,057 million has been transferred to the revaluation reserve of the Bank.

The carrying value of the freehold properties, if they were carried at cost less accumulated depreciation is as follows:

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
29.3 Cost of freehold properties				
Land	43,221	43,221	43,371	43,371
Building	703,669	703,669	714,565	714,869
Accumulated depreciation on building	(325,440)	(307,848)	(331,279)	(313,407)
	421,450	439,042	426,657	444,833

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
30. LEASEHOLD LAND				
Cost				
Balance at 01 January	10,159	10,159	65,541	65,541
Additions during the year	–	–	–	–
Disposals during the year	–	–	–	–
Balance at 31 December	10,159	10,159	65,541	65,541
Accumulated amortisation				
Balance at 01 January	1,618	1,516	10,465	9,006
Amortisation during the year	102	102	1,459	1,459
Disposals during the year	–	–	–	–
Balance at 31 December	1,720	1,618	11,924	10,465
Net book value	8,439	8,541	53,617	55,076

Leasehold land represents 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 & equipment. The interest on leasehold land is stated at cost less accumulated amortisation.

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
31. INTANGIBLE ASSETS				
Cost				
Balance at 01 January	1,327,891	1,298,276	1,355,081	1,315,244
Additions during the year	20,219	29,615	21,454	40,145
Disposals during the year	–	–	–	–
Adjustments/transfers	–	–	–	(308)
Balance at 31 December	1,348,110	1,327,891	1,376,535	1,355,081
Accumulated amortisation				
Balance at 01 January	929,184	734,422	945,875	750,423
Amortisation during the year	186,362	194,762	188,819	195,603
Disposals during the year	–	–	–	–
Adjustments/transfers	–	–	–	(151)
Balance at 31 December	1,115,546	929,184	1,134,694	945,875
Net book value	232,564	398,707	241,841	409,206

Intangible assets represent the value of computer application software systems and subsequent modifications including cost directly attributable in customising for its intended use, and are carried at cost less accumulated amortisation and any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
32. DEPOSITS FROM CUSTOMERS				
Local currency deposits				
Current account deposits	44,304,268	44,932,522	44,247,177	44,755,807
Savings deposits	91,324,040	87,379,051	91,324,040	87,379,051
Time deposits	83,085,419	69,475,700	85,250,435	71,347,198
Certificates of deposit	29,507	58,631	29,507	58,631
Other deposits	661,421	739,988	661,582	740,093
	219,404,655	202,585,892	221,512,741	204,280,780
Foreign currency deposits				
Current account deposits	3,603,858	4,387,486	3,603,858	4,387,486
Savings deposits	37,992,891	39,276,868	37,992,891	39,276,868
Time deposits	51,427,226	60,413,290	51,427,226	60,413,290
Other deposits	3,640,936	2,192,723	3,640,936	2,192,723
	96,664,911	106,270,367	96,664,911	106,270,367
	316,069,566	308,856,259	318,177,652	310,551,147
32. (a) Customer-wise analysis of deposits				
Deposits from banks	465,980	559,522	465,980	559,522
Deposits from finance companies	854,806	188,345	854,806	188,345
Deposits from other customers	314,748,780	308,108,392	316,856,866	309,803,280
	316,069,566	308,856,259	318,177,652	310,551,147
<i>Note: The maturity analysis of deposits is given in Note No. 46.</i>				
33. BORROWED FUNDS				
Call money borrowings	55,584,668	31,980,844	55,820,179	32,215,426
Borrowings from banks abroad	1,003,592	650,004	1,003,592	650,004
Borrowings from banks in Sri Lanka	–	–	1,680,459	1,491,177
Refinance borrowings	4,709,635	3,438,482	4,709,635	3,438,482
	61,297,895	36,069,330	63,213,865	37,795,089
33. (a) Maturity of borrowings				
Not later than 1 year	56,886,113	23,008,146	58,802,083	24,108,985
Later than 1 year and not later than 5 years	2,373,175	11,962,417	2,373,175	12,534,766
Later than 5 years	2,038,607	1,098,767	2,038,607	1,151,338
	61,297,895	36,069,330	63,213,865	37,795,089

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
34. SECURITIES SOLD UNDER RE-PURCHASE AGREEMENTS				
Securities sold under re-purchase agreements [Note No. 34 (a)]	49,801,656	48,589,024	48,720,006	47,702,491
	49,801,656	48,589,024	48,720,006	47,702,491

34. (a) The securities sold under re-purchase agreements are debt securities issued by the Bank for short term funding purposes and mature within a period of less than twelve months. The interest rate for such securities varied from 9% to 21.60% during the year (2007 - 8.53% to 42%).

35. DEFERRED TAX LIABILITY/(ASSETS)

Deferred tax liability is calculated on all temporary differences under the liability method using a principal tax rate of 35% (2007 - 35%). The deferred tax liability arising on accelerated capital allowances on property, plant & equipment and assets leased to customers exceed the temporary differences on the unused tax losses & gratuity provisions. The deferred tax assets arisen from unused tax losses and gratuity provision have been fully recognised at Balance Sheet date as management is of the view that the deferred tax assets arising from unused tax losses & gratuity provision could be reversed within a reasonable period. This will also present the effective tax liability correctly in the Financial Statements.

The unused tax losses reported from the Bank were fully utilised during the year 2007 and therefore no deferred tax assets were recognised for unused tax losses in year 2008.

The movement of the deferred tax liability/(assets) is as follows:

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
35.1 Balance at 01 January	(59,706)	(236,433)	26,557	(162,288)
Reversal of deferred tax on general provision	436,066	–	436,066	–
Balance at 01 January (as restated)	376,360	(236,433)	462,623	(162,288)
Add/(Less):				
Deferred tax originated/(reversed) during the year				
Capital allowance on property, plant & equipment	(9,284)	17,098	(11,664)	16,989
Capital allowance on assets leased to customers	164,277	75,534	135,217	86,549
Unused tax losses and general provision	–	127,004	8,823	120,444
Provision for gratuity	(24,822)	(42,909)	(29,302)	(35,137)
Net amount charged to/(released from) Income Statement	130,171	176,727	103,074	188,845
Balance at 31 December	506,531	(59,706)	565,697	26,557

NOTES TO THE FINANCIAL STATEMENTS

	2008		2007	
	Temporary difference Rs' 000	Tax liability Rs' 000	Temporary difference Rs' 000	Tax liability Rs' 000
35. DEFERRED TAX LIABILITY/(ASSETS) (Contd.)				
The details of deferred tax assets and liabilities are given below:				
35.2 Deferred tax liability/(Assets)				
Bank				
Deferred tax liability	1,640,752	574,263	1,197,913	419,270
Deferred tax assets	(193,520)	(67,732)	(1,368,502)	(478,976)
Net deferred tax liability	1,447,232	506,531	(170,589)	(59,706)
Group				
Deferred tax liability	1,722,295	602,803	1,672,247	585,286
Deferred tax assets	(106,017)	(37,106)	(1,596,369)	(558,729)
Net deferred tax liability	1,616,278	565,697	75,878	26,557

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
36. OTHER LIABILITIES				
Accrued interest payable	9,617,398	6,202,793	9,796,309	6,491,477
Payable to employees & suppliers	1,361,770	1,587,698	1,361,770	1,587,698
Cheques sent on clearing	900,825	1,220,515	900,825	1,220,515
Lease creditors				
Within 12 months	5,287	–	5,287	–
Later than 12 months	18,693	–	18,693	–
Provision for gratuities (Note 36.1)	202,392	122,598	295,152	205,739
Other liabilities	2,424,884	4,167,523	2,767,427	3,924,988
	14,531,249	13,301,127	15,145,463	13,430,417
36.1 Provision for gratuities				
Balance at 01 January	122,598	87,594	205,739	168,642
Provision made during the year	83,322	39,292	98,342	45,664
Payment made during the year	(3,528)	(4,288)	(8,929)	(8,567)
Balance at 31 December	202,392	122,598	295,152	205,739
37. DEBENTURES				
Listed debentures				
Unsecured, subordinated, redeemable debentures of Rs. 100 each (public issue)	4,277,088	–	4,272,088	–

As at 31 December

	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
37. DEBENTURES (Contd.)				
Unlisted debentures				
Unsecured redeemable debentures of Rs. 100 each (private placement)	8,700,000	6,700,000	8,700,000	6,700,000
Unsecured, subordinated redeemable debentures of Rs. 100 each (private placement)	2,550,000	2,450,000	2,564,160	2,627,510
Secured, redeemable debentures of Rs. 100 each (private placement)	–	–	18,750	98,750
Secured, subordinated redeemable debentures of Rs. 100 each (private placement)	–	–	1,130,000	1,150,000
Unsecured, subordinated, redeemable debentures of US\$ 1,000 each (private placement)	2,461,516	–	2,461,516	–
	17,988,604	9,150,000	19,146,514	10,576,260
37. (a) The movement in debentures issued was as follows:				
Movement in debentures				
Balance as at 01 January	9,150,000	3,850,000	10,576,260	5,299,350
Issued during the year	8,758,585	5,500,000	8,753,585	5,500,000
Redemptions	(200,000)	(200,000)	(463,350)	(223,090)
Interest capitalised*	280,019	–	280,019	–
Balance as at 31 December	17,988,604	9,150,000	19,146,514	10,576,260
<i>* Interest payable on zero coupon debentures has been capitalised to the value of debentures.</i>				
37. (b) Customer-wise analysis of debentures				
Debentures issued to third parties				
Fixed interest rate				
Unsecured, subordinated, redeemable debentures	600,028	–	600,028	–
Floating interest rate				
Unsecured, subordinated, redeemable debentures	8,683,576	2,450,000	8,697,736	2,627,510
	9,283,604	2,450,000	9,297,764	2,627,510
Debentures issued to related entities of the Bank/Group				
Fixed interest rate				
Secured, subordinated, redeemable debentures	5,000	–	830,000	850,000
Floating interest rate				
Unsecured, redeemable debentures	8,700,000	6,700,000	8,700,000	6,700,000
Secured, subordinated, redeemable debentures	–	–	300,000	300,000
Secured, redeemable debentures	–	–	18,750	98,750
	8,705,000	6,700,000	9,848,750	7,948,750
Total debentures issued	17,988,604	9,150,000	19,146,514	10,576,260

NOTES TO THE FINANCIAL STATEMENTS

	Interest payable frequency	Issue date	Maturity date	Coupon rate				Effective annual yield		Amount as at 31 December			
				2008		2007		2008		Bank		Group	
				%	%	%	%	%	%	2008 Rs. 000	2007 Rs. 000	2008 Rs. 000	2007 Rs. 000
37. DEBENTURES (Contd.)													
37. (c) Type of debentures													
A - Sri Lanka rupee debentures													
Fixed interest rate													
Unsecured, subordinated, redeemable debentures*	Annually	24.11.2008	24.11.2013	19.00	-	19.00	-	345,190	-	340,190	-		
Unsecured, subordinated, redeemable debentures*	At maturity	24.11.2008	24.11.2013	-	-	17.61	-	232,508	-	232,508	-		
Secured, subordinated, redeemable debentures [6 months TB rate (Gross) plus 75 basis points]**	Annually	10.01.2006	10.01.2008	22.96	14.21	22.96	14.21	-	-	430,000	430,000		
Secured, subordinated, redeemable debentures [6 months TB rate (Gross) plus 75 basis points]**	Annually	05.12.2007	05.12.2010	22.19	22.19	22.19	22.19	-	-	400,000	400,000		
Secured, subordinated, redeemable debentures [6 months TB rate (Gross) plus 75 basis points]**	Annually	10.12.2007	10.12.2009	-	22.93	-	22.93	-	-	-	20,000		
								577,698	-	1,402,698	850,000		
Floating interest rate													
Unsecured, subordinated, redeemable debentures*** [6 months TB rate (Gross) plus 75 basis points]**	Semi Annually	24.11.2008	24.11.2013	21.06	-	21.06	-	3,699,390	-	3,699,390	-		
Unsecured, subordinated, redeemable debentures (6 months TB rate plus 150 basis points)**	Semi Annually	24.12.1998	24.12.2008	19.61	21.49	20.14	15.80	-	200,000	-	200,000		
Unsecured, subordinated, redeemable debentures (6 months TB rate plus 150 basis points)**	Semi Annually	31.12.2003	31.12.2011	19.96	21.49	20.52	16.48	250,000	250,000	250,000	250,000		
Unsecured, subordinated, redeemable debentures [12 months TB (Gross) rate plus 70 basis points]***	Semi Annually	03.11.2005	03.11.2010	21.88	19.77	20.16	15.08	1,000,000	1,000,000	1,000,000	1,000,000		
Unsecured, subordinated, redeemable debentures [12 months TB (Gross) rate plus 75 basis points]***	Semi Annually	27.10.2006	27.10.2011	21.93	19.82	20.25	10.21	1,000,000	1,000,000	1,000,000	1,000,000		
Unsecured, subordinated, redeemable debentures [12 months TB (Gross) rate plus 100 basis points]***	Annually	15.08.2008	15.08.2013	21.74	-	21.74	-	300,000	-	300,000	-		
Unsecured, redeemable, debentures [12 months TB (Gross) rate]***	Annually	17.11.2006	17.11.2011	21.18	19.07	19.44	14.51	1,200,000	1,200,000	1,200,000	1,200,000		
Unsecured, redeemable, debentures [12 months TB (Gross) rate]***	Annually	10.01.2007	10.01.2012	21.96	14.43	21.78	14.43	1,500,000	1,500,000	1,500,000	1,500,000		
Unsecured, redeemable, debentures [12 months TB (Gross) rate]***	Annually	12.03.2007	12.03.2012	21.12	15.77	20.05	15.77	1,000,000	1,000,000	1,000,000	1,000,000		
Unsecured, redeemable, debentures [12 months TB (Gross) rate plus 50 basis points]***	Annually	03.10.2007	03.10.2012	21.68	19.73	20.20	19.73	1,000,000	1,000,000	1,000,000	1,000,000		

37. DEBENTURES (Contd.)

	Interest payable frequency	Issue date	Maturity date	Coupon rate				Effective annual yield		Amount as at 31 December					
				2008		2007		2008		2007		Bank		Group	
				%	%	%	%	%	%	Rs. 000	Rs. 000	Rs. 000	Rs. 000		
Unsecured, redeemable, debentures [12 months TB (Gross) rate plus 50 basis points]***	Annually	01.11.2007	01.11.2012	21.68	19.57	19.91	19.57	1,500,000	1,500,000	1,500,000	1,500,000				
Unsecured, redeemable, debentures [12 months TB (Gross) rate plus 50 basis points]***	Annually	01.11.2007	01.11.2012	21.68	19.57	19.91	19.57	500,000	500,000	500,000	500,000				
Unsecured, redeemable, debentures [12 months TB (Gross) rate plus 50 basis points]***	Annually	01.04.2008	01.04.2013	21.61	-	21.61	-	500,000	-	500,000	-				
Unsecured, redeemable, debentures [12 months TB (Gross) rate plus 50 basis points]***	Annually	01.04.2008	01.04.2013	21.61	-	21.61	-	1,500,000	-	1,500,000	-				
Unsecured, subordinated, redeemable debentures [6 months TB rate (Gross) plus 75 basis points]**	Semi Annually	31.02.2007	31.05.2010	17.00	16.00	16.85	15.25	-	-	14,160	14,160				
Secured, redeemable debentures [6 months TB rate (Gross) plus 75 basis points]**	Quarterly	19.09.2006	19.09.2009	22.13	20.74	20.25	19.80	-	-	18,750	98,750				
Unsecured, subordinated, redeemable debentures [6 months TB rate (Gross) plus 75 basis points]**		12.03.2004	12.03.2008	12.50	-	-	12.50	-	-	-	163,350				
Secured, subordinated, redeemable debentures [6 months TB rate (Gross) plus 75 basis points]**	Semi Annually	05.10.2007	05.10.2010	17.85	17.90	17.65	17.24	-	-	300,000	300,000				
								14,949,390	9,150,000	15,282,300	9,726,260				
B - United State dollar debentures															
Fixed interest rate															
Unsecured, subordinated, redeemable debentures	Semi Annually	10.10.2008	10.10.2013	5.50	-	5.50	-	27,330	-	27,330	-				
Floating interest rate															
Unsecured, subordinated, redeemable debentures [6 months LIBOR Plus 300 basis points]****	Semi Annually	10.10.2008	10.10.2013	7.11	-	7.11	-	2,434,186	-	2,434,186	-				
								2,461,516	-	2,461,516	-				
								17,988,604	9,150,000	19,146,514	10,576,260				

Notes

* Debentures that are listed on the Colombo Stock Exchange. However these debentures that were issued on 24 November 2008 have not been traded on the Colombo Stock Exchange during the period ending 31 December 2008.

** Weighted average 6 months Treasury bill interest rate before deducting 10% withholding tax at the primary quotations as announced by the Central Bank of Sri Lanka, at the preceding week of the interest resetting date.

*** Weighted average 12 months Treasury bill interest rate before deducting 10% withholding tax at the primary quotations as announced by the Central Bank of Sri Lanka, at the preceding week of the interest resetting date.

**** 6 months London Inter Bank Offered Rate (LIBOR) for US Dollars plus 3% per annum

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
38. STATED CAPITAL				
Authorised				
50,000,000 Ordinary shares	50,000,000	50,000,000	50,000,000	50,000,000
Issued and fully paid				
Balance at 01 January (4,000,000 Ordinary shares)	4,000,000	4,000,000	4,000,000	4,000,000
Capital pending allotment	–	1,000,000	–	1,000,000
Issued during the year (1,000,000 Ordinary shares)	1,000,000	–	1,000,000	–
Balance at 31 December	5,000,000	5,000,000	5,000,000	5,000,000
(5,000,000 Ordinary shares				
4,000,000 Ordinary shares in 2007				
1,000,000 Ordinary shares - pending allotment in 2007)				

The Government of Sri Lanka, the only shareholder of the Bank, made a contribution of Rs. 1,000 million towards the capital of the Bank on 31 December 2007. During the year 2008, the Bank issued 1,000,000 ordinary shares to the Government of Sri Lanka in lieu of the amount received with the approval of the Hon. Minister of Finance & Planning by way of a right issue.

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
39. PERMANENT RESERVE FUND				
Balance at 01 January	2,515,000	2,455,000	2,515,000	2,455,000
Appropriations during the year	70,000	60,000	70,000	60,000
Balance at 31 December	2,585,000	2,515,000	2,585,000	2,515,000

The permanent reserve fund is maintained as required by the 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 under the Banking Act until the reserve is equal to the paid-up capital.

In order to meet the requirement, an amount of Rs. 70 million was transferred to the reserve during the year (2007 - Rs. 60 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.

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
40. RESERVES				
Capital reserves				
Revaluation reserve (Note 40.1)	126,961	129,404	180,354	182,797
	126,961	129,404	180,354	182,797
Revenue reserves				
Free reserve (Note 40.2)	169,067	122,404	366,644	319,981
Net exchange translation adjustment (Note 40.3)	545,766	769,741	545,766	769,741
Primary dealer special risk reserve (Note 40.4)	340,899	306,325	340,899	306,325
Investment fluctuation reserve (Note 40.5)	–	46,663	–	46,663
Other reserves	–	–	46,498	24,086
	1,055,732	1,245,133	1,299,807	1,466,796
	1,182,693	1,374,537	1,480,161	1,649,593
40.1 Revaluation reserve				
Balance at 01 January	129,404	129,404	182,797	182,797
Realised surpluses on disposal of property	(2,443)	–	(2,443)	–
Balance at 31 December	126,961	129,404	180,354	182,797

The revaluation reserve represents the surpluses arising on the revaluation of freehold properties which are still in use for banking operations. According to the regulatory directives, Bank can account for the revaluation surplus every seven years. Revaluation reserve is generally used for the issue of bonus shares or for capital reduction programme.

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
40.2 Free reserve				
Balance at 01 January	122,404	122,404	319,981	319,981
Transfer from investment fluctuation reserve (Note 40.5)	46,663	–	46,663	–
Balance at 31 December	169,067	122,404	366,644	319,981
Free reserve has been created for unforeseeable risk and future losses.				
40.3 Net exchange translation adjustment				
Balance at 01 January	769,741	628,572	769,741	628,572
Currency translation difference during the year	(223,975)	141,169	(223,975)	141,169
Balance at 31 December	545,766	769,741	545,766	769,741

This represents the exchange difference arising from translating investments made in the capital of foreign branches, and also exchange differences arising from translation of the results of overseas branches for this year from the average rate to the exchange rate ruling at the year end. If and when the investments in foreign branches are disposed, the exchange gain or loss will be recognised in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
40. RESERVES (Contd.)				
40.4 Primary dealer special risk reserve				
Balance at 01 January	306,325	231,875	306,325	231,875
Currency translation difference during the year	34,574	74,450	34,574	74,450
Balance at 31 December	340,899	306,325	340,899	306,325

According to a direction issued by the Central Bank of Sri Lanka, primary dealers are required to transfer 25% of their profit after tax annually to a special risk reserve in order to strengthen capital base for further development of the Government securities market.

40.5 Investment fluctuation reserve

According to the instructions issued by Reserve Bank of India, the branch in Chennai, India, is required to build up an Investment Fluctuation Reserve amounting to a minimum of 5% of the investment portfolio.

As the branch in Chennai has no investments that require the above reserve, the amount held in this account has been transferred to the free reserve account during the year.

41. COMMITMENTS AND CONTINGENCIES

(a) Contingencies

In the normal course of business, the Bank undertakes commitments and incur 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 financing instruments generate interest or fees and carries elements of credit risk in excess of those amounts recognised as assets and liabilities in the Balance Sheet. However, no material losses are anticipated as a result of these transactions.

These commitments are quantified below:

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Acceptances and documentary credits	101,365,512	73,885,939	101,365,512	73,885,939
Bills for collection	2,843,382	4,521,310	2,843,382	4,521,310
Forward exchange contracts	23,053,498	20,987,777	23,053,498	20,987,777
Guarantees	37,423,263	35,193,902	37,475,439	35,193,902
Other commitments	127,025	123,910	127,025	163,110
	164,812,680	134,712,838	164,864,856	134,752,038

(b) The unutilised value of irrevocable commitments which cannot be withdrawn at the discretion of the Bank, without risk of incurring significant penalties or expenses approximates to Rs. 15,831 million as at the Balance Sheet date (2007 - Rs. 11,544 million).

(c) In the normal course of business, the Bank enters into contractual agreements involving various types of financial instruments with Off-Balance Sheet risks to accommodate the financial and investment needs of clients, to conduct trading activities and to manage its own exposures to losses. These financing instruments generate interest or fees and possess elements of credit risks in excess of those amounts recognised as assets and liabilities in the Balance Sheet.

42. CONTINGENT LIABILITIES AND COMMITMENTS

42.1 (a) Capital commitments

Capital expenditure approved by the Directors for which no provision has been made in the Financial Statements, amounts to:

<i>As at 31 December</i>	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Approved and contracted for	425,000	232,000	425,000	232,000
Approved and not contracted for	251,000	302,000	251,000	302,000
	676,000	534,000	676,000	534,000

42.1 (b) Operating lease commitments

Future minimum lease payments under non-cancellable operating leases where the Bank is the lessee are as follows:

<i>As at 31 December</i>	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Not later than 1 year	418,656	418,656	418,656	418,656
Later than 1 year and not later than 5 years	210,639	1,988,615	210,639	1,988,615
	629,295	2,407,271	629,295	2,407,271

42.1 (c) Litigation

Litigation is a contest authorised by law, in a Court of Justice, or in any of the agencies set up by law, for the purpose of enforcing a right. It includes a case, dispute or lawsuit. Thus the Bank in the ordinary course of business faces much litigation. The 'much' may vary in a 'year-on-year' basis. Apart from the usual Courts, there are, Labour Tribunals, Human Rights Commission, Parliamentary Ombudsman and Financial Ombudsman.

Main litigation involves the recovery process wherein the Bank files cases against the defaulting customers, with a view to recover the debt through judicial process. Bank also possesses 'extra judicial process' which is called 'Parate Proceedings' to recover debts secured by mortgages. Usually the defaulter in mortgage secured debts goes to Courts and commences litigation in order to delay or prevent the Bank from auctioning the mortgaged property.

Most of the cases are decided in favour of the Bank, some by negotiations and many by full-throttle litigation. The few exceptional cases are against the Bank, which are financially insignificant. Usually with a large number of employees there are usual worker disputes and the Bank is not an exception. However, most of the Worker Disputes before the Labour Tribunal and other agencies like Human Rights Commission, Parliamentary Ombudsman are amicably settled or mostly decided in favour of the Bank.

Most of the litigation are presently handled by the in-house legal officers without retaining External Counsel.

A few are referred to the Attorney-General's Department or to Private Counsel.

All the outstanding cases, disputes and lawsuits have been perused by us and we are of the option that they will not cause any material impact on the financial stability of the Bank and therefore no related provisions are made.

NOTES TO THE FINANCIAL STATEMENTS

43. ASSETS PLEDGED AS SECURITY

The securities sold under re-purchase agreement and debentures are debt securities issued by the Bank and the Group. The details of assets pledged by the Bank and the Group, to secure those liabilities are given below:

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Securities sold under re-purchase agreements	49,801,656	48,589,024	47,890,006	46,852,491
Debentures	–	–	830,000	850,000
	49,801,656	48,589,024	48,720,006	47,702,491
Secured by:				
Treasury bills held by the Bank	1,210,500	14,000,000	1,210,500	14,000,000
Treasury bonds held by the Bank	48,165,000	32,200,000	48,165,000	32,200,000
Index linked bonds	5,420,000	7,900,000	5,420,000	7,900,000
	54,795,500	54,100,000	54,795,500	54,100,000

44. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No events have occurred since the Balance Sheet date which would require adjustments to, or disclosure in the Financial Statements, other than the items disclosed below:

Managerial assistance to Seylan Bank PLC

In terms of Section 30 (9) of the Monetary Law Act, the Director of the Bank Supervision of the Central Bank of Sri Lanka, on direction received by the Monetary Board, delegated the Bank of Ceylon to provide Seylan Bank PLC with managerial assistance during the period of delegation. Accordingly, Bank of Ceylon, with effect from 29 December 2008, provides necessary advice and guidance to the Board of Directors of Seylan Bank PLC from time to time. Primary focus of providing such assistance is to ensure that Seylan Bank PLC will create, instill and strengthen the confidence with the public, and its depositors and customers to continue with its banking business and to meet its commitments.

In terms of Section 30 (9) of the Monetary Law Act, the Monetary Board and the Director of Bank Supervision shall indemnify Bank of Ceylon, its Directors, officers, persons appointed to the Board of Directors of Seylan Bank PLC against all liabilities, expenses, claims, suits and any other proceedings that may be instituted against them by Seylan Bank PLC, its shareholders, outgoing Directors, its employees, depositors, creditors or any other third party for any acts that may be performed or done in terms of fulfilling its responsibilities.

Terms of reference in this regard has been signed between the Bank & the Central Bank.

45. COMPARATIVE INFORMATION

The following items were reclassified in the Financial Statements to ensure the comparability with the current year classifications:

	Current presentation 2007 Rs. '000	Bank As previously reported 2007 Rs. '000	Current presentation 2007 Rs. '000	Group As previously reported 2007 Rs. '000
Property, plant & equipment	4,974,203	5,126,788	6,422,697	6,621,816
Leasehold property	8,541	–	55,076	–
Intangible assets	398,707	254,663	409,206	265,163
	5,381,451	5,381,451	6,886,979	6,886,979
Bills of exchange	10,651,039	11,131,228	10,974,528	11,462,481
Loans & advances	267,967,948	265,407,006	267,205,981	265,998,412
Lease rentals receivable - within one year	765,052	769,718	4,133,625	4,138,291
Lease rentals receivable - one to five years	5,029,398	5,055,547	8,004,323	8,030,472
Lease rentals receivable - after five years	82,803	83,297	93,002	93,496
Group balances receivable	–	2,267,433	–	688,307
Other assets	16,900,408	16,682,419	17,300,647	17,245,856
Dealing securities	3,184,335	3,184,335	3,231,812	3,249,603
Investment securities	2,361,502	2,361,502	2,537,836	2,574,836
	306,942,485	306,942,485	313,481,754	313,481,754
Deposits from customers	308,856,259	308,667,366	310,551,147	310,480,696
Securities sold under re-purchase agreements	48,589,024	–	47,702,491	–
Debt securities in issue	–	54,402,491	–	55,828,751
Group balances payable	–	1,146,582	–	70,451
Other liabilities	13,301,127	13,229,971	13,430,417	13,430,417
Debentures	9,150,000	2,450,000	10,576,260	2,450,000
	379,896,410	379,896,410	382,260,315	382,260,315

NOTES TO THE FINANCIAL STATEMENTS

45. COMPARATIVE INFORMATION (Contd.)

Reasons for reclassification

1. Computer software which was classified under property, plant & equipment in the previous year was reclassified under intangible assets in the Financial Statements for the year 2008 for better presentation in conformity with Sri Lanka Accounting Standard No. 37 on 'Intangible Assets'.

Leasehold land which was classified under property, plant & equipment in the previous year was reclassified under leasehold property and disclosed as a separate line item in the Balance Sheet as at 31 December 2008 for better presentation.

2. General provisions for loan losses in relation to bills of exchange, lease rentals receivable which were classified under loans & advances in the previous year were reclassified under bills of exchange and lease rentals receivable during the year under review for better presentation.

Interest in suspense which was classified under loans & advances in the previous year was reclassified under bills of exchange, loans & advances, lease rentals receivable during the current year for better presentation.

The loans & advances granted to Subsidiaries and Associates were reported under Group balances receivable and disclosed as a separate line item in the Balance Sheet. These balances have now been reclassified to loans & advances to reflect the correct amount of loans & advances.

The payments made in advance to Subsidiaries and Associates were reported under Group balances receivable which were shown as a separate line item in the Balance Sheet. These amounts have now been classified under other assets.

The cumulative provisions made for fall in value of investments which were previously reported under other assets were reclassified under dealing securities and investment securities as appropriate.

3. The deposits and Repo placements made by Subsidiaries and Associates which were reported under Group balances payable and disclosed as a separate line item in the Balance Sheet in the previous year were reclassified under deposits from customers and securities sold under re-purchase agreements as appropriate in the year under review.

The debentures in issue and securities sold under re-purchase agreements which were classified under debt securities in issue in previous year were reclassified under securities sold under re-purchase agreements and debentures as appropriate and disclosed in the current year Balance Sheet as separate line items for better presentation.

46. MATURITIES OF ASSETS AND LIABILITIES

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at Balance Sheet date to the contractual maturity date.

	Up to 3 months Rs. '000	3 - 12 months Rs. '000	1 - 3 years Rs. '000	3 - 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Bank						
Interest earning assets						
Treasury bills & other short term bills	3,258,341	3,211,874	–	–	–	6,470,215
GOSL - Treasury bonds	11,166,552	8,310,696	28,433,752	8,300,601	2,100,041	58,311,642
Investment securities	–	12,526,800	188,573	55,012,012	–	67,727,385
Securities purchased under re-sale agreements	1,759,500	–	–	–	–	1,759,500
Placements with and loans to other banks	15,368,070	1,035,271	–	–	–	16,403,341
Bills of exchange	15,774,583	151,659	–	–	–	15,926,242
Loans & advances	81,450,327	74,086,380	29,328,191	24,731,584	39,733,110	249,329,592
Lease rentals receivable	453,712	1,178,180	3,007,935	1,209,046	318	5,849,191
GOSL - Restructuring bonds	–	–	–	–	8,547,000	8,547,000
	129,231,085	100,500,860	60,958,451	89,253,243	50,380,469	430,324,108
Non-interest earning assets						
Cash and balance with other banks	10,167,647	–	–	–	–	10,167,647
Balances with Central Banks	10,504,584	4,915,762	160,472	48,262	–	15,629,080
Investments	1,802,587	–	–	–	151,325	1,953,912
Dealing securities	143,717	–	–	–	–	143,717
Investment in associates	–	–	–	–	818,610	818,610
Investment in subsidiaries	–	–	–	–	2,783,954	2,783,954
Accrued interest & others	8,976,808	–	–	–	–	8,976,808
Property, plant & equipment	–	–	–	–	5,010,446	5,010,446
Leasehold land	–	–	–	–	8,439	8,439
Intangible assets	–	–	–	–	232,564	232,564
Other assets	–	–	–	–	8,326,973	8,326,973
	31,595,343	4,915,762	160,472	48,262	17,332,311	54,052,150
Total assets	160,826,428	105,416,622	61,118,923	89,301,505	67,712,780	484,376,258
Interest bearing liabilities						
Deposits	164,708,045	99,239,475	3,239,612	974,308	–	268,161,440
Borrowings	55,088,260	1,797,853	782,551	1,590,624	2,038,607	61,297,895
Securities sold under re-purchase agreements	28,857,916	20,943,740	–	–	–	49,801,656
Debentures	–	–	3,450,000	14,538,604	–	17,988,604
	248,654,221	121,981,068	7,472,163	17,103,536	2,038,607	397,249,595

NOTES TO THE FINANCIAL STATEMENTS

	Up to 3 months Rs. '000	3 - 12 months Rs. '000	1 - 3 years Rs. '000	3 - 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
46. MATURITIES OF ASSETS AND LIABILITIES (Contd.)						
Non-interest bearing liabilities						
Deposits	47,908,126	-	-	-	-	47,908,126
Accrued interest payable	9,617,398	-	-	-	-	9,617,398
Tax payable	-	1,078,501	-	-	-	1,078,501
Deferred tax liabilities	-	-	506,531	-	-	506,531
Provision for gratuity	-	-	-	-	202,392	202,392
Other liabilities	4,687,479	5,287	18,693	-	-	4,711,459
Share capital	-	-	-	-	5,000,000	5,000,000
Permanent reserve fund	-	-	-	-	2,585,000	2,585,000
Retained profits	-	-	-	-	14,334,563	14,334,563
Reserves	-	-	-	-	1,182,693	1,182,693
	62,213,003	1,083,788	525,224	-	23,304,648	87,126,663
Total liabilities	310,867,224	123,064,856	7,997,387	17,103,536	25,343,255	484,376,258
Net liquidity gap - 2008	(150,040,796)	(17,648,234)	53,121,536	72,197,969	42,369,525	
Net liquidity gap - 2007	(105,102,724)	787,790	48,644,781	30,978,773	24,691,380	

Demand & savings deposits have been categorised as up to 3 months maturity group. However, a major part of these deposits represent a core retail deposit base with longer term maturity.

Bills of exchange, loans & advances and lease rentals receivable are shown net of interest in suspense and provision for bad and doubtful debts.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Bank. It is unusual for Banks ever to be completely matched since business transactions are often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letter of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

	Up to 3 months Rs. '000	3 - 12 months Rs. '000	1 - 3 years Rs. '000	3 - 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
46. MATURITIES OF ASSETS & LIABILITIES (Contd.)						
Group						
Interest earning assets						
Treasury bills & other short term bills	3,544,018	3,218,374	-	-	-	6,762,392
GOSL - Treasury bonds	11,166,552	8,310,696	28,433,752	8,300,601	2,100,041	58,311,642
Investments	-	12,526,800	188,573	55,012,012	-	67,727,385
Placements with and loans to other banks	15,378,070	1,035,271	-	-	-	16,413,341
Securities purchased under re-sale agreements	1,759,500	-	-	-	-	1,759,500
Bills of exchange	16,104,192	151,600	-	-	-	16,255,792
Loans & advances	80,620,539	74,259,001	29,716,876	25,080,654	39,742,047	249,419,117
Lease rentals receivable	723,559	3,041,403	4,692,716	3,426,412	12,775	11,896,865
GOSL - Restructuring bonds	-	-	-	-	8,547,000	8,547,000
	129,296,430	102,543,145	63,031,917	91,819,679	50,401,863	437,093,034
Non-interest earning assets						
Cash and balance with other banks	10,214,551	-	-	-	-	10,214,551
Balances with Central banks	10,504,584	4,915,762	160,472	48,262	-	15,629,080
Investment securities	1,807,631	-	-	-	151,325	1,958,956
Dealing securities	412,656	-	-	-	-	412,656
Investment in associates	-	-	-	-	956,370	956,370
Investment properties	428,750	-	-	-	-	428,750
Accrued interest & others	9,129,590	-	-	-	-	9,129,590
Other assets	440,609	144,648	55,117	14,049	8,548,130	9,202,553
Property, plant & equipment	-	-	-	-	6,428,236	6,428,236
Leasehold land	-	-	-	-	53,617	53,617
Intangible assets	-	-	-	-	241,841	241,841
	32,938,371	5,060,410	215,589	62,311	16,379,519	54,656,200
Total assets	162,234,801	107,603,555	63,247,506	91,881,990	66,781,382	491,749,234
Interest bearing liabilities						
Deposits	165,346,489	100,617,841	3,313,795	1,048,492	-	270,326,617
Borrowings	57,004,230	1,797,853	782,551	1,590,624	2,038,607	63,213,865
Securities sold under re-purchase agreements	27,776,266	20,943,740	-	-	-	48,720,006
Debentures	13,749	400,000	4,194,160	14,538,605	-	19,146,514
	250,140,734	123,759,434	8,290,506	17,177,721	2,038,607	401,407,002

NOTES TO THE FINANCIAL STATEMENTS

	Up to 3 months Rs. '000	3 - 12 months Rs. '000	1 - 3 years Rs. '000	3 - 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
46. MATURITIES OF ASSETS AND LIABILITIES (Contd.)						
Non-interest bearing liabilities						
Deposits	47,851,035	-	-	-	-	47,851,035
Accrued interest payable	9,796,309	-	-	-	-	9,796,309
Tax payable	-	1,232,593	-	-	-	1,232,593
Deferred tax liabilities	-	-	565,697	-	-	565,697
Provision for gratuity	-	801	2,673	67,959	223,719	295,152
Other liabilities	5,019,145	14,579	19,485	793	-	5,054,002
Share capital	-	-	-	-	5,000,000	5,000,000
Permanent reserve fund	-	-	-	-	2,585,000	2,585,000
Retained profits	-	-	-	-	15,826,941	15,826,941
Reserves	-	-	-	-	1,480,161	1,480,161
Minority interest	-	-	-	-	655,342	655,342
	62,666,489	1,247,973	587,855	68,752	25,771,163	90,342,232
Total liabilities	312,807,223	125,007,407	8,878,361	17,246,473	27,809,770	491,749,234
Net liquidity gap - 2008	(150,572,422)	(17,403,852)	54,369,145	74,635,517	38,971,612	
Net liquidity gap - 2007	(104,938,129)	376,929	50,339,478	33,346,251	20,875,473	

47. RELATED PARTY TRANSACTIONS

In 2008, Bank entered into transactions with its related parties in the ordinary course of its activities including deposits, lending and other banking services. The interest rates, commissions and other fees on these transactions are determined on an arm's length basis.

Name of related company	Name of executive/ relationship	Nature of transaction	Limit Rs. '000	Amount O/S as at 31.12.2008 Rs. '000	Security
(i) Associates					
The Unit Trust Management Company (Private) Limited	Mr. B A C Fernando Director	REPO Balance Current Account		30,700 762	
	Mr. P A Lionel Alternate Director				
Transnational Lanka Records Solutions (Private) Limited	Mr. C Samarasinghe Chairman	Current Account Savings Account		1,429 388	
	Mr. I D Weerasena Director	Overdraft	5,000	-	Mortgage over commercial property
Mireka Capital Land (Private) Limited	Dr. Gamini Wickramasinghe Director	Term Loans	US\$ 40,000	US\$ 15,000 (Rs. 1,708,200)	Fixed Deposit placed by Shing Kwan Investment (Singapore) Pte. Limited
	Mr. Raju Sivaraman Director	Current Account		US\$ 182 (Rs. 20,675)	
	Ms. B C D Wijekulasuriya Alternate Director	Current Account		12,385	
	Mr. M R D Thilakasiri Alternate Director				
	Mr. W P R P H Fonseka Director				
	Mr. T Mutugala Alternate Director				

47. RELATED PARTY TRANSACTIONS (Contd.)

Name of related company	Name of executive/ relationship	Nature of Transaction	Limit Rs. '000	Amount O/S as at 31.12.2008 Rs. '000	Security
Lanka Securities (Private) Limited	Mr. K Dharmasiri Director	Current Account		896	Treasury bills
		Reverse Repo Balance		5,500	
		Overdraft	25,000	-	
Southern Development Financial Company Limited	Mr. N Welengoda Director	Current Account		44	
		Savings Account		35	
(ii) Subsidiaries					
Merchant Bank of Sri Lanka PLC	Mr. Janaka Rathnayake Chairman Mr. V Kanagasabapathy Director Ms. W A Nalani Director	Loans & Advances	71,250	71,250	Clean Lease receivable backed by Power of Attorney
		Series of Loan	300,000	199,400	
		Money Market Loan	100,000	-	
		Overdraft	50,000	132,314	
		Reverse Repo Balance		135,000	
		Contingencies	1,000	1,000	
		Grant on Immediate credit on cheque limit	1,000	-	
		Intra day overdraft	5,000	-	
		Current Account		14,428	
Property Development PLC	Dr. Gamini Wickramasinghe Chairman Ms. L L N Perera Director Mr. G R Hettithanthiri Alternate Director	Letter of Credit	5,000	-	Related shipping document
		Current Account		1,969	
		Repo Balance		709,900	
		Rent paid in advance		209,328	
		Deposit for fuel		907	
		Other Payables		49,271	
Hotels Colombo (1963) Limited	Dr. Buddhadasa Kaluarachchi Chairman Mr. B A C Fernando Director Mr. G K A Chaminda K Kularatne Director Mr. Gunaratna Gallage Director Ms. Kumudini Kulatunga Director	Fixed Deposit		12,828	
		Current Account		11,997	
		Other Receivables		92,729	
BoC Travels (Private) Limited	Dr. Gamini Wickramasinghe Chairman Mr. B A C Fernando Director Ms. W A Nalani Alternate Director Ms. Deepa Wanniaratchi Director Mr. M K Muthukumar Director	Fixed Deposit		20,000	Book debts Indemnity of Directors
		Current Account		10,840	
		Savings Account		5,000	
		Debenture		5,000	
		Overdraft	9,600	-	
		Letter of Guarantee	50,000	50,000	
BoC Management & Support Services (Private) Limited	Mr. B A C Fernando Chairman Mr. M F S W Stembo Director Ms. L S L De S Wijeyeratne Director Mr. J W P Mohotti Alternate Director	Current Account		1,608	
		Fixed Deposit		1,200	
		Other Payables		440	
		Other Receivables		106	

NOTES TO THE FINANCIAL STATEMENTS

47. RELATED PARTY TRANSACTIONS (Contd.)

Name of related company	Name of executive/ relationship	Nature of transaction	Limit Rs. '000	Amount O/S as at 31.12.2008 Rs. '000	Security
Ceylease Financial Services Limited	Dr. Gamini Wickramasinghe Chairman	Loans & Advances	450,000	502,404	Lease receivable/ hire purchase receivable backed by Power of Attorney
	Mr. Raju Sivaraman Director	Bridging Finance	100,000	-	
	Ms. K A D Fernando Director	Letter of Credit	50,000	-	Clean
		Money Market Loan	350,000	299,000	Clean
		Overdraft	50,000	35,427	Clean
	Director	Current Account		16	
Ceybank Holiday Homes (Private) Limited	Mr. B A C Fernando Chairman	Current Account		2,518	
	Mr. W D F Wimalaratne Director	Fixed Deposit		50	
	Mr. S Liyanwala Director	Call Deposit		25	
	Mr. D M Gunasekera Alternate Director	Overdraft		7	
	Ms. K A D A Pemadasa Director	Other Receivables		525	
	Ms. J S Siriwardene Director	Other Payables		818	
Merchant Credit of Sri Lanka Limited	Mr. Janaka Rathnayake Chairman	Term Loan	350,000	36,724	Lease receivables backed by Power of Attorney
	Mr. H M A B Weerasekara Director	Money Market Loan	50,000	-	
	Mr. D M Gunasekera Director	Overdraft	50,000	25,008	
	Ms. Sriyani Anandagoda Director	Repo Balance		200,000	
		Letter of Credit	10,000		
		Letter of Guarantee	4,000		
	Current Account		8,818		
	Director	Fixed Deposit		15	
BoC Property Development & Management (Private) Limited	Mr. B A C Fernando Chairman	Repo Balance		106,750	
	Mr. M Kiritharan Director	Current Account		4,896	
	Ms. S W S Fernando Director	Other Payables		10,465	
	Ms. L T S De Silva Alternate Director				
	Mr. P J Jayasinghe Director				

47. RELATED PARTY TRANSACTIONS (Contd.)

Name of related company	Name of executive/ relationship	Nature of transaction	Limit Rs. '000	Amount O/S as at 31.12.2008 Rs. '000	Security
(iii) Other Entities					
Credit Information Bureau of Sri Lanka	Ms. W A Nalani Director	Bank has contributed towards the capital		2,700	Company shares
Kandurata Development Bank	Mr. D L C Attapattu Director	Bank has contributed towards the capital		12,000	Company shares
Rajarata Development Bank	Mr. K L Chandrasena Director	Bank has contributed towards the capital		12,000	Company shares
Ruhuna Development Bank	Mr. N Welengoda Director	Bank has contributed towards the capital		12,000	Company shares
Sabaragamuwa Development Bank	Ms. L W Wijesundara Director	Bank has contributed towards the capital		12,000	Company shares
Wayamba Development Bank	Mr. H M Mudiyanse Director	Bank has contributed towards the capital		12,000	Company shares
Uva Development Bank	Ms. P R Unawatunna Director	Bank has contributed towards the capital		12,000	Company shares
Lanka Clear (Private) Limited	Mr. B A C Fernando Director	Bank has contributed towards the capital		21,000	Company shares
Lanka Financial Services Bureau Limited	Mr. B A C Fernando Director	Bank has contributed towards the capital		5,000	Company shares
Informatics Group of Companies	Dr. Gamini Wickramasinghe Managing Director	Term Loan Letter of Guarantee Current Account Savings Account Savings Account	17,300 4,000	9,803 1,733 817 23 US\$ 20 (Rs. 2,278)	} Mortgage over commercial property
Visual Computing Systems (Private) Limited	Subsidiary of Informatics Group of Companies	Overdraft		1	
De La Rue Lanka Securities & Currency Print (Private) Limited	Dr. R H S Samaratinga Director Mr. V Kanagasabapathy Director	Overdraft Current Account Fixed Deposit	30,000	2,578 1,847 6,893	} Mortgage over commercial property
Hotel Developers Limited	Mr. V Kanagasabapathy Director	Term Loan Current Account	350,000	148,750 564	
Mihin Lanka (Private) Limited	Dr. R H S Samaratinga Director	Overdraft	1,208,665	1,208,665	Since fully repaid
Ceybank Century Growth Fund		Bank has invested in		88,413	
UTMCL - Seed Fund		Units/Mutual funds		42,000	
Ceybank Unit Trust				980,312	

NOTES TO THE FINANCIAL STATEMENTS

48. RELATED PARTY DISCLOSURES

In 2008, the Bank/Group entered into transactions with its significant investor, Subsidiaries and Associate companies, post-employment benefit plans for the Bank's employees, Key Management Personnel (KMPs), Close Family Members (CFMs) of KMPs entities in which such parties have control, joint control, significant influence or for which significant voting power is held by such parties. The transactions that have been carried out during the year 2008 include lending activities, acceptance and placements, Off-Balance Sheet transactions and provision of other banking and financial services. The interests, commissions and other fees on their transactions are determined on an arm's length basis.

48.1 Transactions with Key Management Personnel (KMPs)

According to Sri Lanka Accounting Standard No. 30 - 'Related Party Disclosure', the Key Management Personnel includes those who are having authority and responsibility for planning, directing and controlling the activities of the Bank and its Subsidiaries. The Board of Directors, members of the Corporate Management of the Bank, key employees who are holding directorships in Subsidiary companies and their Close Family Members (CFMs) have been classified as Key Management Personnel of the Bank.

In addition, the Directors of Subsidiaries who are not nominee Directors of the Bank have also been included as KMPs of those respective Subsidiaries.

48.1.a Compensation to Key Management Personnel

	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Short term employment benefits	78,744	43,388	83,914	46,544
Post-employment benefits	20,411	18,907	20,411	18,907
Post-employment benefits paid to past Directors	-	-	-	-
Total	99,155	62,295	104,325	65,451

48.1.b Transactions, arrangements and agreements involving Key Management Personnel (KMPs), their Close Family Members (CFMs) and entities that are controlled, significantly influenced by the KMPs or their CFMs.

(a) Income Statement

During the year	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Interest earned	7,263	5,640	7,263	5,640
Interest paid	1,969	1,409	1,969	1,409
Payments made as shown in 48.1.a above	99,155	62,295	104,325	65,451

(b) Balance Sheet

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Assets				
Loans & advances	128,936	97,667	128,936	97,667
Credit cards	2,603	2,321	2,603	2,321
	131,539	99,988	131,539	99,988

48. RELATED PARTY DISCLOSURES (Contd.)

As at 31 December	Bank		Group	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Liabilities				
Deposits	33,881	30,778	33,881	30,778
Debentures	40,244	–	40,244	–
	74,125	30,778	74,125	30,778
(c) Off-Balance Sheet items				
Commitments & contingencies				
Undrawn facilities	75,141	72,402	75,141	72,402
	75,141	72,402	75,141	72,402

48.2.1 Transactions with Subsidiary and Associate companies of the Bank

The Property Development Limited is a Subsidiary of the Bank and maintains and manages the Bank of Ceylon, Head Office building at No. 04, Bank of Ceylon Mawatha, Colombo 01. The BoC Property Development & Management Company, a wholly-owned Subsidiary of the Bank, maintains and manages two buildings in Colombo 03 and Kandy where a branch of the Bank and also a principal place of business of another Subsidiary are located. Merchant Bank of Sri Lanka, a Subsidiary of the Bank provided certain management services and acted as managers, sponsors and registrar to the issue of the debentures issued by the Bank during the year. The Ceybank Holiday Homes (Private) Limited, an indirect fully-owned Subsidiary of the Bank, manages the holiday bungalows for the benefit of the Bank staff.

The aggregate amount of income and expenses arising from their 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 as follows:

48.2.1.a Income Statement

During the year	Subsidiary companies of the Bank		Associate companies of the Bank	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Interest earned	246,309	185,439	40,403	46,188
Interest paid	229,427	36,096	1,423	2,087
Other income	596	438	1,277	1,190
Expenses incurred	549,730	401,629	4,101	452

48.2.1.b Balance Sheet

As at 31 December	Subsidiary companies of the Bank		Associate companies of the Bank	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Assets				
Loans & advances	1,301,534	1,262,001	1,708,200	688,300
Other receivables	438,595	217,989	5,500	–
	1,740,129	1,479,990	1,713,700	688,300

NOTES TO THE FINANCIAL STATEMENTS

48. RELATED PARTY DISCLOSURES (Contd.)

As at 31 December	Subsidiary companies of the Bank		Associate companies of the Bank	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Liabilities				
Deposits	1,112,858	1,005,959	67,315	69,467
Debentures	5,000	–	–	–
Other liabilities	60,994	–	–	–
	1,178,852	1,005,959	67,315	69,467
48.2.1.c Off-Balance Sheet items				
Commitments and contingencies				
Letter of Credit	65,000	55,000	–	–
Guarantees	54,000	100,000	–	–
Undrawn facilities	49,165	27,460	30,000	–
Others	107,000	107,072	–	–
	275,165	289,532	30,000	–

48.2.2 Transactions with Subsidiary and Associate companies of the Group

48.2.2.a Income Statement

During the year	Subsidiary companies of the Bank		Associate companies of the Bank	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Interest earned	246,309	185,439	40,403	46,188
Interest paid	229,427	36,096	1,423	2,087
Other income	37,114	25,245	1,277	1,190
Expenses incurred	586,134	426,331	4,215	556

48.2.2.b Balance Sheet

As at 31 December	Subsidiary companies of the Bank		Associate companies of the Bank	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Assets				
Loans & advances	1,301,534	1,262,001	1,708,200	688,300
Other receivables	542,490	321,884	30,500	–
	1,844,024	1,583,885	1,738,700	688,300
Liabilities				
Deposits	1,112,858	1,005,959	67,315	69,467
Debentures	5,000	–	–	–
Other liabilities	106,911	20,918	82,977	82,977
	1,224,769	1,026,877	150,292	152,444

48. RELATED PARTY DISCLOSURES (Contd.)

As at 31 December	Subsidiary companies of the Bank		Associate companies of the Bank	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
48.2.2.c Off-Balance Sheet items				
Commitments and contingencies				
Letter of Credit	65,000	55,000	–	–
Guarantees	54,000	100,000	–	–
Undrawn facilities	49,165	27,460	30,000	–
Others	107,000	107,072	–	–
	275,165	289,532	30,000	–

48.3 Transactions with the significant investors having significant influence over the Bank and the post-employment benefit plans for Bank's employees.

48.3.1.a Income Statement

During the year	Significant investor		Post-employment benefit plans	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Interest earned	9,025,965	9,665,275	–	–
Interest paid	–	–	4,517,783	1,121,766
Contributions made	–	–	2,674,453	2,576,334

48.3.1.b Balance Sheet

As at 31 December	Significant investor		Post-employment benefit plans	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Assets				
Loans & advances	56,000,050	103,711,270	–	–
Investment in bonds	77,785,811	10,247,000	–	–
	133,785,861	113,958,270	–	–
Liabilities				
Deposits	14,605,298	21,343,300	15,920,814	9,445,059
Debentures	–	–	9,900,000	6,700,000
	14,605,298	21,343,300	25,820,814	16,145,059
48.3.1.c Off-Balance Sheet items				
Letter of Credit	27,264,325	12,861,628	–	–
Bills	14,756,162	7,150,432	–	–
	42,020,487	20,012,060	–	–

NOTES TO THE FINANCIAL STATEMENTS

49. 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.

(a) Business segments - Group

Business segments provide products and services whose risk and returns are different from other segments. These segments comprise banking, leasing, treasury, property/investments.

	Banking		Leasing		Treasury		Property/Investments		Unallocated		Total	
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000
Revenue from external customers:												
Interest	41,091,602	30,628,900	-	-	7,947,417	11,431,087	-	11,956	-	5,179	49,039,019	42,077,122
Exchange	778,796	-	-	-	2,107,745	1,178,696	-	-	-	-	2,886,541	1,178,696
Lease income	-	-	2,553,809	2,006,300	-	-	-	-	-	-	2,553,809	2,006,300
Commissions	4,084,349	3,114,349	-	-	-	-	56,501	-	-	8,752	4,140,850	3,123,101
Other	2,019,484	2,007,235	-	6,474	1,246,720	2,824	260,780	1,725,951	280,132	202,243	3,807,116	3,944,727
Total revenue from external customers	47,974,231	35,750,484	2,553,809	2,012,774	11,301,882	12,612,607	317,281	1,737,907	280,132	216,174	62,427,335	52,329,946
Inter-segment revenue	(1,860,330)	(1,460,439)	-	-	1,860,330	1,460,439	-	-	-	-	-	-
Total revenue	46,113,901	34,290,045	2,553,809	2,012,774	13,162,212	14,073,046	317,281	1,737,907	280,132	216,174	62,427,335	52,329,946
Segment result	3,127,708	3,114,306	383,071	317,503	1,402,155	1,548,386	260,780	260,686	280,132	216,174	5,453,846	4,752,020
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	(347,494)	(352,342)
Profit from operations	-	-	-	-	-	-	-	-	-	-	5,801,340	5,104,362
Income from associates	-	-	-	-	-	-	-	-	-	-	63,371	86,604
Income tax expense	-	-	-	-	-	-	-	-	-	-	(1,915,912)	(1,857,008)
Minority interest	-	-	-	-	-	-	-	-	-	-	(78,418)	(90,127)
Profit attributable to equity holders/parent	-	-	-	-	-	-	-	-	-	-	3,870,381	3,243,831
Segment assets	288,260,329	279,162,796	11,896,865	12,213,344	99,381,877	99,151,787	79,074,787	18,395,607	12,179,006	34,341,776	490,792,864	443,265,310
Investment in associates	-	-	-	-	-	-	-	-	-	-	956,370	933,755
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	288,260,329	279,162,796	11,896,865	12,213,344	99,381,877	99,151,787	79,074,787	18,395,607	12,179,006	34,341,776	491,749,234	444,199,065
Segment liabilities	333,588,102	319,554,183	23,980	-	106,220,644	42,088,401	20,150,106	708,116	6,218,958	58,691,869	466,201,790	421,042,570
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	333,588,102	319,554,183	23,980	-	106,220,644	42,088,401	20,150,106	708,116	6,218,958	58,691,869	466,201,790	421,042,570
Cash flows from operating activities	17,583,969	(11,715,047)	2,153,624	(501,693)	7,882,912	(3,838,344)	1,466,104	(333,405)	1,574,901	871,447	30,716,585	(15,517,042)
Cash flows from investing activities	(39,999,259)	3,950,955	-	-	(13,790,314)	1,265,065	(10,972,477)	109,885	(1,689,968)	(797,202)	(66,452,018)	4,528,703
Cash flows from financing activities	24,426,598	6,956,194	-	-	7,774,736	2,226,813	1,474,401	-	453,924	(17,057)	39,129,659	9,165,950
Capital expenditure	(799,212)	(707,559)	-	-	-	-	-	-	-	-	(799,212)	(707,559)

49. FINANCIAL REPORTING BY SEGMENT (Contd.)

(b) Geographical segments

Geographical segments provide products or services within a particular economic environment where risk and returns are different from those of other economic environments.

These segments comprise domestic operations, Off-shore Banking Divisions and Off-shore Banking Units (Branches).

	2008		Bank		2007		Group	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
Assets								
Domestic Banking Unit	408,487,817	84	279,198,467	63	415,860,793	84	285,496,182	64
Off-shore Banking Division	58,417,265*	12	129,228,853	30	58,417,265	12	129,228,853	29
Off-shore Banking Units	17,471,176	4	29,474,030	7	17,471,176	4	29,474,030	7
	484,376,258	100	437,901,350	100	491,749,234	100	444,199,065	100
Gross Income								
Domestic Banking Unit	49,193,511	82	37,607,463	75	51,439,035	83	39,777,888	77
Off-shore Banking Division	8,816,220	15	10,200,418	20	8,816,220	14	10,200,418	19
Off-shore Banking Units	2,172,080	3	2,351,640	5	2,172,080	3	2,351,640	4
	60,181,811	100	50,159,521	100	62,427,335	100	52,329,946	100
Profit Before Tax								
Domestic Banking Unit	996,368	19	573,542	13	1,630,472	27	1,246,041	24
Off-shore Banking Division	3,258,466	62	3,331,118	73	3,258,466	56	3,331,118	64
Off-shore Banking Units	975,773	19	613,807	14	975,773	17	613,807	12
	5,230,607	100	4,518,467	100	5,864,711	100	5,190,966	100
Profits After Tax								
Domestic Banking Unit	642,820	18	94,399	3	1,030,638	26	585,100	18
Off-shore Banking Division	2,199,444	62	2,269,609	80	2,199,444	56	2,269,609	68
Off-shore Banking Units	718,717	20	479,249	17	718,717	18	479,249	14
	3,560,981	100	2,843,257	100	3,948,799	100	3,333,958	100

* During the year, a loan amounting to US\$ 593.07 million granted by Off-shore Banking Division has been settled by way of issuing Sri Lanka Development Bonds which now reflects in the Domestic Banking Unit.

CAPITAL ADEQUACY

Prepared in accordance with the guidelines issued by the Central Bank of Sri Lanka, based on the revised framework on International Convergence of Capital Measurement and Capital Standards, commonly known as Basel II Framework. The revised framework was effective from 1 January 2008. Comparative figures were restated accordingly.

Computation of Risk-Weighted Assets	Bank				Group			
	2008		2007 Restated		2008		2007 Restated	
	Assets Rs. million	Risk-weighted assets Rs. million	Assets Rs. million	Risk-weighted assets Rs. million	Assets Rs. million	Risk-weighted assets Rs. million	Assets Rs. million	Risk-weighted assets Rs. million
On-Balance Sheet Exposures								
Claims on Government of Sri Lanka and Central Bank of Sri Lanka	226,453	–	214,972	–	226,933	–	214,972	–
Claims on foreign sovereigns and their Central Banks	4,472	4,217	5,382	4,423	4,472	4,217	5,382	4,423
Claims on Public Sector Entities (PSEs)	31,777	831	–	–	31,777	831	–	–
Claims on banks	21,774	7,647	27,585	12,312	21,784	7,657	27,585	12,312
Claims on financial institutions	5,223	3,898	4,785	3,412	5,223	3,898	4,785	3,412
Claims on corporates	67,013	65,625	59,052	58,596	72,137	70,749	59,052	58,596
Retail claims	16,953	12,715	34,544	25,908	16,953	12,715	40,242	30,180
Claims secured by residential property	16,111	11,297	8,949	4,475	16,111	11,297	8,949	4,475
Non-performing assets (NPAs)	5,967	7,625	1,113	1,285	5,967	7,625	1,113	1,285
Cash items	72,872	642	66,967	1,184	72,919	642	67,033	1,184
Property, plant & equipment	5,019	5,019	5,381	5,381	6,482	6,482	6,887	6,887
Other assets	11,334	11,334	7,056	7,056	12,603	12,603	7,126	7,126
Total on-balance sheet exposure	484,968	130,850	435,786	124,032	493,361	138,716	443,126	129,880
Off-Balance Sheet Exposure								
Direct credit substitutes	20,753	20,753	87,433	28,537	20,753	20,753	87,433	28,537
Transaction related contingencies	93,765	11,513	10,245	5,123	93,765	11,513	10,245	5,123
Short term self liquidating trade related contingencies	27,241	1,362	10,731	2,146	27,241	1,362	10,731	2,146
Other commitments with an original maturity of up to one year or which can be unconditionally cancelled at any time	15,831	–	14,944	–	15,831	–	14,944	–
Foreign exchange contracts	23,053	461	20,988	420	23,053	461	20,979	420
Total off-balance sheet exposure	180,643	34,089	144,341	36,226	180,643	34,089	144,332	36,226
Total risk-weighted assets for credit risk		164,939		160,258		172,805		166,106

	Bank		Group	
	2008	2007	2008	2007
	Rs. million	Restated Rs. million	Rs. million	Restated Rs. million
Computation of capital				
TIER I: core capital				
Paid-up ordinary shares	5,000	5,000	5,000	5,000
Permanent reserve fund	2,585	2,515	2,585	2,515
Published retained profits	14,334	12,161	15,827	13,396
General and other reserves	1,056	1,245	1,300	1,467
Minority interests (consistent with the above capital constituents)	-	-	656	595
Less:				
Intangible assets	(233)	-	(242)	-
50% of the investments in the capital of other banks and financial institutions	(556)	(1,260)	(42)	(725)
Total eligible core capital (TIER I Capital)	22,186	19,661	25,084	22,248
TIER II: supplementary capital				
Revaluation reserves (as approved by Central Bank of Sri Lanka)	63	65	63	65
General provisions	1,937	1,424	1,937	1,424
Approved subordinated term debt	7,589	1,050	7,589	1,050
Less:				
50% of the investments in the capital of other banks and financial institutions	(556)	(1,260)	(42)	(725)
Total eligible supplementary capital (TIER II Capital)	9,033	1,279	9,547	1,814
Total capital base	31,219	20,940	34,631	24,062
Computation of ratios				
Total risk-weighted assets				
Total risk-weighted assets for credit risk	164,939	160,258	172,805	166,106
Total risk-weighted assets for market risk	3,621	9,243	3,622	9,244
Total risk-weighted assets for operational risk	27,972	23,633	28,979	23,633
Sub Total	196,532	193,134	205,406	198,983
Total eligible core capital (TIER I Capital)	22,186	19,661	25,084	22,248
Total eligible supplementary capital (TIER II Capital)	9,033	1,279	9,547	1,814
Total capital base	31,219	20,940	34,631	24,062
Core capital ratio (minimum requirement 5%)				
Total eligible core capital (TIER I Capital)	22,186	19,661	25,084	22,248
Total risk-weighted assets	196,532	193,134	205,406	198,983
Core capital ratio	11.29%	10.18%	12.21%	11.18%
Total capital ratio (minimum requirement 10%)				
Total capital base	31,219	20,940	34,631	24,062
Total risk-weighted assets	196,532	193,134	205,406	198,983
Capital adequacy ratio	15.88%	10.84%	16.86%	12.09%

INVESTOR INFORMATION

INCOME STATEMENT - US\$

	Bank		Group	
	2008 US\$ '000	2007 US\$ '000	2008 US\$ '000	2007 US\$ '000
<i>For the year ended 31 December</i>				
Income	528,467	459,105	548,185	478,971
Interest income	436,283	387,038	453,046	403,491
Interest expense	(316,024)	(269,581)	(324,909)	(277,818)
Net interest income	120,259	117,457	128,137	125,673
Fee and commission income	35,865	28,363	36,362	28,585
Fee and commission expenses	(5,525)	(4,833)	(5,594)	(4,833)
Net fee and commission income	30,340	23,530	30,768	23,752
Foreign exchange profit	25,347	10,788	25,347	10,788
Dividend income	3,518	3,888	1,997	2,289
Net gains from investment in securities	5,101	10,975	5,118	11,062
Other operating income	8,303	6,285	11,559	10,118
Operating income	192,868	172,923	202,926	183,682
Operating expenses				
Personnel costs	(61,274)	(60,168)	(63,985)	(62,539)
Staff retirement benefits	(20,149)	(20,092)	(20,381)	(20,151)
Premises, equipment and establishment expenses	(22,548)	(19,428)	(20,179)	(21,290)
Other operating expenses	(17,956)	(15,425)	(21,344)	(15,485)
Operating profit before provisions	70,941	57,810	77,037	64,217
Provision for loan losses	(20,843)	(10,720)	(21,807)	(11,671)
Recovery of non-performing advances	14,049	11,767	14,200	11,844
Provision for fall in value of investments & dealing securities	(9)	(361)	45	(135)
Operating profit before VAT	64,138	58,496	69,475	64,255
Value added tax on financial services	(18,207)	(17,139)	(18,531)	(17,536)
Operating profit	45,931	41,357	50,944	46,719
Share of profit of Associate Companies before tax	–	–	556	793
Profit before taxation	45,931	41,357	51,500	47,512
Income tax expense	(14,661)	(15,333)	(16,824)	(16,997)
Profit after taxation	31,270	26,024	34,676	30,515
Attributable to:				
Equity holder of the parent	31,270	26,024	33,987	29,690
Minority interest	–	–	689	825
	31,270	26,024	34,676	30,515
Basic earnings per share (US\$)	6.25	6.51	6.80	7.42
Dividend per share (US\$)	1.49	1.94	1.49	1.94

Exchange rate of 1 US\$ was Rs. 113.8800 as at 31 December 2008 (Rs. 109.2550 as at 31 December 2007).

The Income Statement and the Balance Sheet given in US\$ on pages 178 and 179 are presented solely for the convenience of the readers of the Annual Report and do not form part of the Financial Statements.

BALANCE SHEET - US\$

As at 31 December	Bank		Group	
	2008 US\$ '000	2007 US\$ '000	2008 US\$ '000	2007 US\$ '000
ASSETS				
Cash and short term funds	89,284	84,614	89,696	85,223
Balances with Central banks	137,242	157,916	137,242	157,916
Treasury bills, bonds and other eligible bills	227,849	358,295	232,063	362,872
Securities purchased under re-sale agreements	15,450	549	15,450	549
Dealing securities	1,262	29,146	3,624	29,580
Placements with and loans to other banks	144,041	180,512	144,128	180,512
Treasury bonds maturing after one year	341,012	250,209	341,012	250,209
Loans & advances to customers				
Bills of exchange	139,851	97,488	142,745	100,449
Loans & advances	2,189,406	2,452,684	2,190,192	2,445,709
Lease rentals receivable - within one year	14,330	7,002	33,061	37,835
Lease rentals receivable - one to five years	37,030	46,034	71,295	73,263
Lease rentals receivable - after five years	3	758	112	851
	2,380,620	2,603,966	2,437,405	2,658,107
Government of Sri Lanka Restructuring Bonds	75,053	78,230	75,053	78,230
Investment securities	611,884	21,615	611,928	23,229
Investment properties	-	5,113	3,765	9,350
Investments in Associate Companies	7,188	7,502	8,398	8,547
Investments in Subsidiary Companies	24,446	25,911	-	-
Other assets	151,947	154,688	159,329	158,350
Deferred tax assets	-	546	-	-
Property, plant & equipment	43,998	45,528	56,447	58,786
Leasehold land	74	78	471	504
Intangible assets	2,042	3,649	2,124	3,745
Total assets	4,253,392	4,008,067	4,318,135	4,065,709
FINANCED BY:				
LIABILITIES				
Deposits from customers	2,775,462	2,826,930	2,793,973	2,842,443
Borrowed funds	538,267	330,139	555,092	345,935
Securities sold under re-purchase agreements	437,317	444,730	427,819	436,616
Tax payable	9,471	8,104	10,824	8,792
Deferred tax liability	4,448	-	4,967	243
Other liabilities	127,601	121,745	132,995	122,927
Debentures	157,961	83,749	168,129	96,803
Total liabilities	4,050,527	3,815,397	4,093,799	3,853,759
SHAREHOLDERS' EQUITY				
Stated capital	43,906	45,764	43,906	45,764
Permanent reserve fund	22,699	23,020	22,699	23,020
Retained profits	125,874	111,305	138,979	122,617
Reserves	10,386	12,581	12,997	15,099
Total equity attributable to the parent	202,865	192,670	218,581	206,500
Minority interest	-	-	5,755	5,450
Total equity	202,865	192,670	224,336	211,950
Total shareholders' equity and liabilities	4,253,392	4,008,067	4,318,135	4,065,709
Commitments and contingencies	1,447,249	1,233,013	1,447,707	1,233,372

Exchange rate of 1 US\$ was Rs. 113.8800 as at 31 December 2008 (Rs. 109.2550 as at 31 December 2007).

INVESTOR INFORMATION

INCOME STATEMENT - BANK

Quarterly Analysis 2008

	1st Quarter Jan-Mar 08 Rs. '000	2nd Quarter Apr-Jun 08 Rs. '000	3rd Quarter Jul-Sep 08 Rs. '000	4th Quarter Oct-Dec 08 Rs. '000
Total revenue	13,061,148	13,863,694	14,444,849	18,812,120
Interest income				
Interest income on loans and advances	9,574,018	7,223,812	8,600,933	9,231,132
Interest income on other interest earning assets	1,871,355	4,064,396	3,815,494	5,302,801
Less: Interest expenses				
Interest expenses on deposits	5,069,352	5,031,113	5,296,535	5,607,075
Interest expenses on other interest bearing liabilities	3,228,906	3,465,240	3,431,339	4,859,249
Net interest income	3,147,115	2,791,855	3,688,553	4,067,609
Non-interest income				
Foreign exchange income	78,708	334,311	282,626	2,190,896
Other income	1,257,656	2,073,813	1,480,177	1,199,837
	4,483,479	5,199,979	5,451,356	7,458,342
Less: Non-interest expenses				
Personnel costs	1,620,763	1,760,048	1,826,470	1,770,650
Contribution for staff retirement benefits	540,930	553,463	559,589	640,618
Premises, equipment and establishment expenses	613,385	540,970	560,441	664,189
Amortisation of intangible assets	46,520	19,692	78,012	44,595
Other operating expenses	502,489	605,417	680,468	885,622
	3,324,087	3,479,590	3,704,980	4,005,674
Less: Provision for bad and doubtful debt				
Provisions - general	114,209	(37,399)	200,393	241,131
Provisions - specific	148,902	532,549	196,865	977,006
Recoveries	(279,411)	(167,362)	(265,619)	(887,455)
	(16,300)	327,788	131,639	330,682
Less: Provision for declining in value of investment (net)	-	-	-	1,030
Operating profit on ordinary activities before taxes	1,175,692	1,392,601	1,614,737	3,120,956
Less: Value added tax on financial services	363,861	395,754	555,162	758,602
Profit before corporate tax	811,831	996,847	1,059,575	2,362,354
Less: Provision for corporate tax	301,203	590,794	484,765	292,864
Net profit attributable to shareholders	510,628	406,053	574,810	2,069,490

BALANCE SHEET - BANK

<i>As at</i>	31-Mar-2008 Rs. '000	30-Jun-2008 Rs. '000	30-Sep-2008 Rs. '000	31-Dec-2008 Rs. '000
On-balance sheet assets				
Cash in hand	10,896,152	9,515,670	8,395,078	6,815,798
Balances with Central Banks	16,595,157	18,431,638	19,258,321	15,629,080
Due from banks and other financial institutions	38,818,341	40,133,424	23,849,218	19,755,190
Investments - trading account	15,181,448	13,548,466	7,779,229	8,374,925
Government securities	12,405,169	11,532,599	7,547,973	8,231,208
Other securities	2,776,279	2,015,867	231,256	143,717
Investments - held-to-maturity	62,186,267	59,722,235	121,645,375	136,538,446
Government securities	50,555,244	49,313,573	111,144,462	126,039,027
Government of Sri Lanka restructuring bonds	8,547,000	8,547,000	8,547,000	8,547,000
Other securities	3,090,671	1,868,310	1,960,561	1,960,561
Provision for decline in value of investment	(6,648)	(6,648)	(6,648)	(8,142)
Investments in associates and subsidiaries	3,650,495	3,650,495	3,650,495	3,602,564
Total loans and advances				
Total performing loans and advances	267,011,005	284,318,655	243,906,117	267,063,076
Bills of exchange	8,391,071	9,151,095	13,426,253	16,107,732
Overdrafts	37,908,722	46,060,047	57,365,650	58,231,430
Lease rentals receivable	6,155,412	6,119,460	6,202,128	6,154,841
Other loans	214,555,800	222,988,053	166,912,086	186,569,073
Total non-performing loans and advances	13,131,379	14,474,182	15,289,906	13,815,981
Bills of exchange	444,974	586,036	713,259	799,993
Overdrafts	2,907,253	4,030,498	4,212,725	3,772,814
Other loans	9,470,033	9,570,293	10,091,839	8,902,342
Foreclosed properties	309,119	287,355	272,083	340,832
Interest receivable on non performing loans	7,890,585	8,186,967	8,232,571	8,606,616
Total gross loans and advances	288,032,969	306,979,804	267,428,594	289,485,673
Interest in suspense	(7,890,585)	(8,186,967)	(8,232,571)	(8,606,616)
Specific loan loss provisions	(7,401,531)	(7,695,113)	(7,427,963)	(7,837,218)
General loan loss provisions	(1,532,793)	(1,485,243)	(1,646,355)	(1,936,814)
Net loans and advances	271,208,060	289,612,481	250,121,705	271,105,025
Other assets	19,764,481	19,425,899	25,593,291	17,303,781
Intangible assets	208,143	188,451	301,552	232,564
Investment properties	558,660	129,386	129,386	-
Property, plant & equipment	5,277,729	5,392,011	5,764,008	5,018,885
Total on balance sheet assets	444,344,933	459,750,156	466,487,658	484,376,258
On-balance sheet liabilities				
Total deposits	307,660,854	311,809,674	323,605,307	316,069,566
Demand deposits	46,250,723	45,668,638	42,773,130	47,908,126
Savings accounts	128,201,436	136,929,057	141,361,108	129,316,931
Time deposits	129,443,062	125,012,456	134,914,611	134,512,645
Margin deposits	1,541,009	1,533,230	1,406,941	1,381,432
Other deposits	2,224,624	2,666,293	3,149,517	2,950,432
Total borrowings	99,168,722	110,355,527	103,883,506	129,088,155
Borrowings from Central Bank of Sri Lanka	3,901,194	4,178,445	4,611,969	4,709,635
Borrowings from banks and financial institutions in Sri Lanka	15,079,613	21,530,587	16,474,423	35,339,314
Borrowings from banks and financial institutions abroad	22,303,053	24,905,628	25,294,576	21,248,946
Securities sold under repurchase agreements	48,734,862	48,590,867	46,052,538	49,801,656
Debentures	9,150,000	11,150,000	11,450,000	17,988,604
Tax liability	1,392,696	1,621,539	1,298,346	1,585,032
Other liabilities	14,735,069	14,669,771	16,005,249	14,531,249
Total on balance sheet liabilities	422,957,341	438,456,511	444,792,408	461,274,002
Equity capital and reserves	21,387,592	21,293,645	21,695,250	23,102,256
Stated capital	5,000,000	5,000,000	5,000,000	5,000,000
Permanent reserve fund	2,515,000	2,515,000	2,515,000	2,585,000
Other reserves	13,872,592	13,778,645	14,180,250	15,517,256
Total on-balance sheet liabilities and equity capital and reserves	444,344,933	459,750,156	466,487,658	484,376,258
Off-balance sheet items and contra accounts				
Contingencies	128,124,834	189,644,855	211,802,353	164,685,655
Commitments and contra accounts	123,797	123,619	123,456	127,025

INVESTOR INFORMATION

INCOME STATEMENT - GROUP

Quarterly Analysis 2008

	1st Quarter Jan-Mar 08 Rs. '000	2nd Quarter Apr-Jun 08 Rs. '000	3rd Quarter Jul-Sep 08 Rs. '000	4th Quarter Oct-Dec 08 Rs. '000
Total revenue	13,715,304	14,836,425	15,442,966	18,432,640
Interest income				
Interest income on loans and advances	9,991,333	7,214,487	9,516,974	9,682,657
Interest income on other interest earning assets	1,939,972	4,565,616	3,424,887	5,256,902
Less: Interest expenses				
Interest expenses on deposits	5,146,043	5,110,775	5,384,651	5,704,469
Interest expenses on other interest bearing liabilities	3,435,637	3,683,611	3,663,389	4,872,041
Net interest income	3,349,625	2,985,717	3,893,821	4,363,049
Non-interest income				
Foreign exchange income	78,708	334,311	282,626	2,190,896
Other income	1,425,880	2,552,503	1,949,431	339,656
	4,854,213	5,872,531	6,125,878	6,893,601
Less: Non-interest expenses				
Personnel costs	1,687,003	1,850,641	1,906,616	1,842,336
Contribution for staff retirement benefits	543,578	555,848	561,405	660,152
Premises, equipment and establishment expenses	656,797	600,982	613,448	237,916
Amortisation of intangible assets	47,210	19,772	85,283	36,554
Other operating expenses	662,668	929,075	1,036,536	439,512
	3,597,256	3,956,318	4,203,288	3,216,470
Less: Provision for bad and doubtful debt				
Provisions - general	137,631	9,510	148,584	227,287
Provisions - specific	168,455	514,860	220,808	1,056,298
Recoveries	(279,411)	(169,508)	(269,048)	(899,155)
	26,675	354,862	100,344	384,430
Less: Provision for declining in value of investment (net)	(896)	(5,873)	313	1,384
Operating profit on ordinary activities before taxes	1,231,178	1,567,224	1,821,933	3,291,317
Less: Value added tax on financial services	371,809	402,907	561,557	774,038
Operating profit on ordinary activities before corporate tax	859,369	1,164,317	1,260,376	2,517,279
Share of profit of associate companies	4,547	34,576	(7,864)	32,112
Profit before corporate tax	863,916	1,198,893	1,252,512	2,549,391
Less: Provision for corporate tax	386,167	638,083	536,534	355,129
Profit after corporate tax	477,749	560,810	715,979	2,194,262
Less: minority interest	14,190	18,237	16,654	29,337
Net profit attributable to shareholders	463,559	542,573	699,325	2,164,925

BALANCE SHEET - GROUP

<i>As at</i>	31-Mar-2008 Rs. '000	30-Jun-2008 Rs. '000	30-Sep-2008 Rs. '000	31-Dec-2008 Rs. '000
On-balance sheet assets				
Cash in hand	10,984,260	9,588,762	8,465,804	6,953,886
Balances with Central Banks	16,595,157	18,431,638	19,258,321	15,629,080
Due from banks and other financial institutions	38,818,391	40,133,424	23,849,218	19,674,006
Investments - trading account	15,790,448	14,150,932	8,415,065	9,123,768
Government securities	12,743,769	11,803,414	8,106,630	8,711,112
Other securities	3,046,679	2,347,518	308,435	412,656
Investments - held-to-maturity	62,486,905	59,727,259	121,657,689	136,543,490
Government securities	50,560,288	49,313,573	111,144,462	126,039,027
Government of Sri Lanka restructuring bonds	8,547,000	8,547,000	8,547,000	8,547,000
Other securities	3,386,265	1,873,334	1,973,735	1,970,605
Provision for decline in value of investment	(6,648)	(6,648)	(7,508)	(13,142)
Investments in associates and subsidiaries	938,302	961,049	965,023	956,372
Total loans and advances				
Total performing loans and advances	273,522,355	291,522,911	250,452,174	272,986,521
Bills of exchange	8,631,271	9,400,393	13,649,335	16,339,024
Overdrafts	37,908,722	45,482,226	57,365,650	58,038,674
Lease rentals receivable	12,004,933	12,911,956	12,615,995	12,682,444
Other loans	214,977,429	223,728,336	166,821,194	185,926,379
Total non-performing loans and advances	14,060,608	15,496,736	16,551,164	14,869,835
Bills of exchange	518,411	664,108	807,600	918,623
Overdrafts	2,907,253	4,608,319	4,212,725	3,772,814
Other loans	10,325,825	9,936,954	11,258,756	9,837,566
Foreclosed properties	309,119	287,355	272,083	340,832
Interest receivable on non performing loans	7,922,814	8,273,974	8,262,023	8,638,175
Total gross loans and advances	295,505,777	315,293,621	275,265,361	296,494,531
Interest in suspense	(7,922,814)	(8,273,974)	(8,262,023)	(8,638,175)
Specific loan loss provisions	(7,643,192)	(8,324,484)	(7,552,846)	(8,237,390)
General loan loss provisions	(1,535,274)	(1,588,531)	(1,753,947)	(2,047,191)
Net loans and advances	278,404,497	297,106,632	257,696,545	277,571,775
Other assets	18,756,905	19,038,420	25,514,552	18,144,415
Intangible assets	217,953	189,479	362,501	241,841
Investment properties	939,850	469,347	469,093	428,750
Property, plant & equipment	6,745,191	6,850,642	7,199,592	6,481,851
Total on balance sheet assets	450,677,859	466,647,584	473,853,403	491,749,234
On-balance sheet liabilities				
Total deposits	309,462,866	313,642,272	325,630,175	318,177,652
Demand deposits	46,250,723	45,668,638	42,773,130	47,851,035
Savings accounts	128,201,436	136,929,057	141,361,108	129,316,931
Time deposits	131,244,954	126,844,919	136,939,330	136,677,661
Margin deposits	1,541,009	1,533,230	1,406,941	1,381,432
Other deposits	2,224,744	2,666,428	3,149,666	2,950,593
Total borrowings	101,707,307	113,442,058	106,982,999	131,080,385
Borrowings from Central Bank of Sri Lanka	3,901,194	4,178,445	4,611,969	4,709,635
Borrowings from banks and financial institutions in Sri Lanka	16,454,038	21,962,945	18,409,756	37,255,284
Borrowings from banks and financial institutions abroad	22,303,053	24,905,628	25,294,576	21,248,946
Securities sold under repurchase agreements	48,734,862	48,590,867	46,052,538	48,720,006
Debentures	10,314,160	13,804,173	12,614,160	19,146,514
Deferred taxation	123,906	162,842	164,363	565,697
Current taxation	1,315,365	1,621,842	1,462,189	1,232,593
Other liabilities	14,604,297	14,287,327	15,579,661	15,145,463
Total on balance sheet liabilities	427,213,741	443,156,341	449,819,387	466,201,790
Minority interest	612,673	597,202	613,856	655,342
Equity capital and reserves	22,851,445	22,894,041	23,420,160	24,892,102
Stated capital	5,000,000	5,000,000	5,000,000	5,000,000
Permanent reserve fund	2,515,000	2,515,000	2,515,000	2,585,000
Other reserves	15,336,445	15,379,041	15,905,160	17,307,102
Total on-balance sheet liabilities and equity capital and reserves	450,677,859	466,647,584	473,853,403	491,749,234
Off-balance sheet items and contra accounts				
Contingencies	128,124,077	189,644,855	211,817,313	164,685,655
Commitments and contra accounts	124,554	123,619	182,433	188,698

INVESTOR INFORMATION

INFORMATION ON DEBENTURES ISSUED BY THE BANK

	Interest payable frequency	Issue date	Maturity date	Coupon rate		Effective annual yield		Interest Rate of comparable Government Security %	Amount as at 31 December	
				2008	2007	2008	2007		2008	2007
				%	%	%	%		Rs. 000	Rs. 000
Type of debentures										
A - Sri Lanka rupee debentures										
Fixed interest rate										
Unsecured, subordinated, redeemable debentures*	Annually	24.11.2008	24.11.2013	19.00	-	19.00	-	17.80	345,190	-
Unsecured, subordinated, redeemable debentures*	At maturity	24.11.2008	24.11.2013	-	-	17.61	-	17.80	232,508	-
									577,698	-
Floating interest rate										
Unsecured, subordinated, redeemable debentures***/**	Semi Annually	24.11.2008	24.11.2013	21.06	-	21.06	-	17.80	3,699,390	-
[6 months TB rate (Gross) plus 75 basis points]**										
Unsecured, subordinated, redeemable debentures (6 months TB rate plus 150 basis points)**	Semi Annually	24.12.1998	24.12.2008	19.61	21.49	20.14	15.80	-	-	200,000
Unsecured, subordinated, redeemable debentures (6 months TB rate plus 150 basis points)**	Semi Annually	31.12.2003	31.12.2011	19.96	21.49	20.52	16.48	17.50	250,000	250,000
Unsecured, subordinated, redeemable debentures [12 months TB (Gross) rate plus 70 basis points]***	Semi Annually	03.11.2005	03.11.2010	21.88	19.77	20.16	15.08	18.00	1,000,000	1,000,000
Unsecured, subordinated, redeemable debentures [12 months TB (Gross) rate plus 75 basis points]***	Semi Annually	27.10.2006	27.10.2011	21.93	19.82	20.25	10.21	18.35	1,000,000	1,000,000
Unsecured, subordinated, redeemable debentures [12 months TB (Gross) rate plus 100 basis points]***	Annually	15.08.2008	15.08.2013	21.74	-	21.74	-	17.80	300,000	-
Unsecured, redeemable, debentures [12 months TB (Gross) rate]***	Annually	17.11.2006	17.11.2011	21.18	19.07	19.44	14.51	18.30	1,200,000	1,200,000
Unsecured, redeemable, debentures [12 months TB (Gross) rate]***	Annually	10.01.2007	10.01.2012	21.96	14.43	21.78	14.43	18.25	1,500,000	1,500,000
Unsecured, redeemable, debentures [12 months TB (Gross) rate]***	Annually	12.03.2007	12.03.2012	21.12	15.77	20.05	15.77	18.25	1,000,000	1,000,000
Unsecured, redeemable, debentures [12 months TB (Gross) rate plus 50 basis points]***	Annually	03.10.2007	03.10.2012	21.68	19.73	20.20	19.73	18.25	1,000,000	1,000,000
Unsecured, redeemable, debentures [12 months TB (Gross) rate plus 50 basis points]***	Annually	01.11.2007	01.11.2012	21.68	19.57	19.91	19.57	18.25	1,500,000	1,500,000
Unsecured, redeemable, debentures [12 months TB (Gross) rate plus 50 basis points]***	Annually	01.11.2007	01.11.2012	21.68	19.57	19.91	19.57	18.25	500,000	500,000
Unsecured, redeemable, debentures [12 months TB (Gross) rate plus 50 basis points]***	Annually	01.04.2008	01.04.2013	21.61	-	21.61	-	17.80	500,000	-
Unsecured, redeemable, debentures [12 months TB (Gross) rate plus 50 basis points]***	Annually	01.04.2008	01.04.2013	21.61	-	21.61	-	17.80	1,500,000	-
									14,949,390	9,150,000

INFORMATION ON DEBENTURES ISSUED BY THE BANK (Contd.)

	Interest payable frequency	Issue date	Maturity date	Coupon rate		Effective annual yield		Interest rate of comparable Government Security %	Amount as at 31 December	
				2008 %	2007 %	2008 %	2007 %		2008 Rs. 000	2007 Rs. 000
B - United State dollar debentures										
Fixed interest rate										
Unsecured, subordinated, redeemable debentures	Semi Annually	10.10.2008	10.10.2013	5.50	–	5.50	–	5.16	27,330	–
Floating interest rate										
Unsecured, subordinated, redeemable debentures [6 months LIBOR Plus 300 basis points]****	Semi Annually	10.10.2008	10.10.2013	7.11	–	7.11	–	5.16	2,434,186	–
									2,461,516	–
									17,988,604	9,150,000

Notes

* Debentures that are listed in the Colombo Stock Exchange. However these debentures that were issued on 24 November 2008 have not been traded in the Colombo Stock Exchange during the period ending 31 December 2008.

** Weighted average 6 months Treasury bill interest rate before deducting 10% withholding tax at the primary quotations as announced by the Central Bank of Sri Lanka, at the preceding week of the interest resetting date.

*** Weighted average 12 months Treasury bill interest rate before deducting 10% withholding tax at the primary quotations as announced by the Central Bank of Sri Lanka, at the preceding week of the interest resetting date.

**** 6 months London Inter Bank Offered Rate (LIBOR) for US Dollars plus 3% per annum

	As at 31.12.2008	As at 31.12.2007
Investor Information		
Net asset value per share (Rs.)		
Bank	4,620	5,263
Group	4,978	5,640
Debt equity ratio	5.6	4.5
Interest cover (times)	1.3	1.4
Liquid assets ratio (minimum required 20%)	24.21	21.20
	2008	2007

Information on listed debentures

Market price during the period

High

Not traded

Low

during the period

Last transaction

Explanatory Notes

During the year there were no material changes in the composition of assets, liabilities, contingent liabilities and use of funds raised through debentures.

INVESTOR INFORMATION

TEN YEAR STATISTICAL SUMMARY

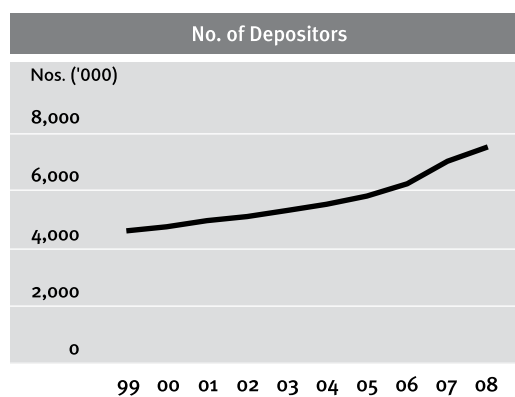
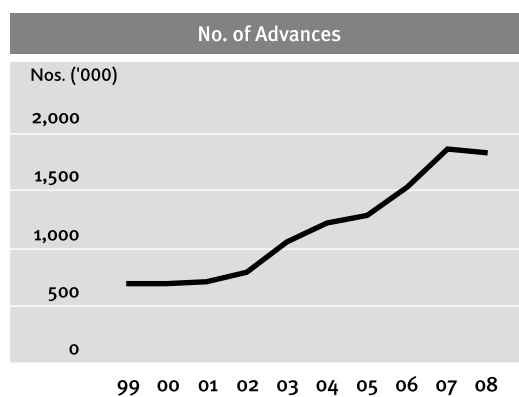
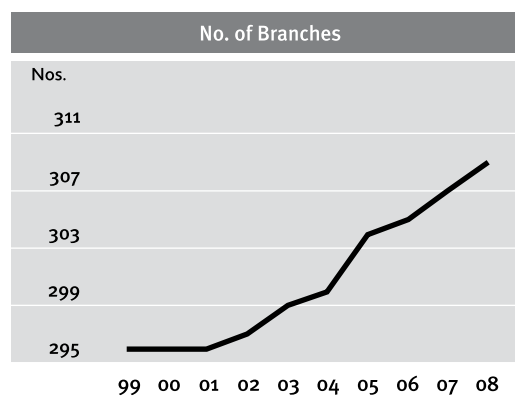
For the year ended 31 December
Rs. million

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Operating results										
Income	21,477	22,753	28,410	24,578	22,805	23,957	27,324	35,192	50,159	60,182
Interest income	16,624	18,245	22,887	20,258	17,040	16,609	20,595	26,823	42,286	49,684
Interest expense	(9,997)	(12,498)	(17,704)	(12,794)	(8,438)	(8,256)	(11,231)	(15,744)	(29,453)	(35,989)
Net interest income	6,626	5,747	5,183	7,463	8,602	8,353	9,364	11,079	12,833	13,695
Foreign exchange profit	1,045	384	1,205	737	707	1,781	1,015	2,261	1,178	2,887
Other income	2,877	3,413	3,270	3,384	4,817	5,310	5,716	6,107	6,695	7,611
Other operating expenses	(5,507)	(6,061)	(6,892)	(7,406)	(8,676)	(9,127)	(10,400)	(12,174)	(13,105)	(14,514)
Provision for loan losses and fall in value of investments & dealing securities	(2,018)	(2,412)	(1,875)	(2,941)	(3,012)	(2,886)	(1,659)	(1,369)	(1,210)	(2,375)
Operating profit before VAT	3,023	1,071	891	1,238	2,438	3,431	4,036	5,904	6,391	7,304
Value added tax on financial services	-	-	-	-	(638)	(872)	(916)	(1,767)	(1,873)	(2,073)
Profit before taxation	3,023	1,071	891	1,238	1,800	2,559	3,120	4,137	4,518	5,231
Income tax expense	(969)	(370)	(74)	(219)	(168)	(590)	(1,225)	(1,510)	(1,675)	(1,670)
Profit after taxation	2,054	701	817	1,019	1,632	1,969	1,895	2,627	2,843	3,561
<i>As at 31 December</i>										
Assets										
Cash and short-term funds	4,954	3,309	4,122	4,275	4,179	5,584	6,127	7,790	9,244	10,168
Balances with Central Banks	9,462	7,057	8,835	9,198	7,944	12,480	13,933	17,106	17,253	15,629
Treasury bills, bonds and other eligible bills	6,472	5,340	4,313	13,134	13,837	25,502	41,366	45,808	39,205	27,707
Dealing securities	1,041	614	797	503	1,411	507	54	1,180	3,184	144
Placements with and loans to other banks	20,063	28,685	10,642	13,494	26,412	27,362	36,851	23,735	19,722	16,403
Treasury bonds maturing after one year	1,803	5,242	3,217	10,955	16,554	15,334	9,882	24,263	27,337	38,834
Bills of exchange & loans and advances	89,426	113,016	143,288	115,255	114,287	131,096	165,668	222,971	278,619	265,256
Lease rentals receivable	323	341	266	276	406	579	936	1,991	5,877	5,849
Government of Sri Lanka Restructuring Bonds	17,883	17,883	17,883	17,883	17,883	17,883	17,883	8,547	8,547	8,547
Investment securities	3,517	21,732	23,418	16,593	10,227	6,493	2,787	2,380	2,362	69,681
Investment properties	-	-	-	754	1,150	1,150	1,236	1,088	559	-
Investment in Subsidiaries and Associates	2,717	2,947	2,822	2,831	4,008	4,984	4,225	3,711	3,650	3,603
Other assets	17,300	23,146	14,619	19,532	17,746	12,498	12,833	11,928	16,901	17,304
Deferred tax assets	-	-	-	-	-	-	704	236	60	-
Property, plant & equipment	3,682	3,604	3,451	3,192	4,344	4,947	4,769	5,145	4,982	5,018
Intangible assets	-	-	-	-	-	-	467	420	399	233
Total assets	178,642	232,916	237,673	227,875	240,388	266,399	319,721	378,299	437,901	484,376
Liabilities										
Deposits from customers	120,860	131,341	147,389	170,544	187,256	206,184	232,822	262,990	308,856	316,070
Borrowed funds	24,340	63,366	54,285	21,510	17,908	28,778	54,686	81,106	84,658	111,100
Tax payable	246	280	134	402	62	137	76	727	885	1,079
Deferred tax liability	318	262	-	-	-	-	-	-	-	506
Other liabilities	10,894	15,654	12,070	12,356	11,242	9,152	8,436	11,714	13,302	14,531
Debentures	10,900	10,900	12,550	11,225	9,600	6,800	7,350	3,850	9,150	17,988
Total liabilities	167,558	221,803	226,428	216,036	226,068	251,051	303,370	360,387	416,851	461,274
Shareholders' equity										
Stated capital	2,600	2,600	2,600	2,600	2,600	2,600	4,000	4,000	5,000	5,000
Permanent reserve fund	1,061	1,061	1,225	1,430	1,465	1,505	1,915	2,455	2,515	2,585
Retained profits	7,036	7,065	7,033	7,173	8,097	9,034	9,475	10,298	12,161	14,335
Reserves	387	387	387	636	2,158	2,209	961	1,159	1,374	1,182
Total shareholders' equity	11,084	11,113	11,245	11,839	14,320	15,348	16,351	17,912	21,050	23,102
Total equity and liabilities	178,642	232,916	237,673	227,875	240,388	266,399	319,721	378,299	437,901	484,376
Commitments and contingencies	67,510	79,870	73,316	62,996	50,087	58,841	80,187	105,502	134,713	164,813

TEN YEAR STATISTICAL SUMMARY (Contd.)

For the year ended 31 December
Rs. million

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Ratios										
Return on average assets (%)	1.75	0.52	0.38	0.53	0.77	1.01	1.06	1.19	1.11	1.13
Return on average shareholders' funds after tax (%)	19.75	6.32	7.31	8.83	12.48	13.28	11.96	15.33	14.59	16.13
Income growth (%)	7.16	5.94	24.86	(13.49)	(7.21)	5.05	14.05	28.80	42.53	19.98
Capital adequacy ratio (%)										
- Tier I	10.28	10.79	12.40	11.64	12.11	12.33	12.67	11.90	11.38	11.29
- Tier I + Tier II	12.06	11.53	13.05	12.44	13.11	12.44	13.18	12.30	11.40	15.88
Capital funds to liabilities including contingent liabilities (%)	4.72	3.68	3.75	4.24	5.19	4.95	4.26	3.84	3.82	3.69
Liquidity ratio (%)	39.44	27.86	28.50	34.19	25.34	23.82	26.87	22.19	21.20	24.21
Cost to income ratio (%)	60.44	74.06	79.97	70.03	70.40	68.10	72.06	68.20	66.57	63.22
Other information										
No. of employees	9,697	9,473	9,245	9,268	8,927	8,718	8,891	8,363	8,253	7,912
No. of branches	296	296	296	297	299	300	304	305	307	309
No. of ATMs	28	30	54	79	85	104	104	190	203	251
No. of advances (in '000)	694	695	718	796	1,061	1,218	1,285	1,541	1,867	1,839
No. of depositors (in '000)	4,561	4,749	4,896	5,089	5,274	5,491	5,782	6,248	6,993	7,494
Cashflow from operating activities	(18,243)	(2,371)	6,970	16,396	18,187	1,374	(8,961)	(24,200)	(13,713)	30,262
Cashflow from investing activities	(21,754)	(551)	1,946	197	1,238	5,575	(6,315)	(8,998)	3,034	(67,091)
Cashflow from financing activities	38,353	4,877	(8,104)	(5,175)	(5,901)	7,070	25,309	21,746	8,120	34,433
Capital Expenditure	(304)	(553)	(377)	(322)	(519)	(911)	(927)	(912)	(514)	(627)



SUBSIDIARIES & ASSOCIATES

	Principal Activities	Bank's Interest	Directors	Highlights	2008	2007
					Rs. million	Rs. million
SUBSIDIARY COMPANIES						
Property Development PLC 19th Floor, BoC Head Office Building, No. 4, Bank of Ceylon Mawatha, Colombo 1 Tel: 2448549, 2544328	Maintain and manage the Bank of Ceylon Head office Building	93.16%	Dr. Gamini Wickramasinghe (Chairman)	Total assets	2,026.39	1,712.64
			Mr. B M Amarasekara	Profit before tax	498.13	299.95
			Dr. M S Perera	Profit after tax	319.63	192.92
			Ms. L L N Perera	EPS (Rs.)	4.84	2.92
			Mr. L N De Silva Wijeyeratne Mr. G R Hettithanthiri (Alternate to Ms. L L N Perera) Merchant Bank of Sri Lanka PLC (Secretaries)			
Merchant Bank of Sri Lanka PLC BoC Merchant Tower, No. 28, St. Michael's Road, Colombo 3 Tel: 4711711, 2565636	Leasing and Hire Purchase trade finance, corporate advisory services, fund management, capital market activities and corporate secretarial and legal services	76%	Mr. Janaka Ratnayake (Chairman)	Total assets	4,768.13	4,404.08
			Ms. W A Nalani	Profit before tax	203.41	273.27
			Dr. Ranjith Bandara	Profit after tax	205.08	238.47
			Mr. M S S Paramananda	EPS (Rs.)	2.28	2.65
			Mr. Lakshman Perera Mr. J G B P Tissera Mr. P G Rupasinghe Mr. V Kanagasabapathy Ms. Marina Phillips (Secretary)			
BoC Management & Support Services (Private) Limited 25th Floor, BoC Head Office Building, No. 4, Bank of Ceylon Mawatha, Colombo 1 Tel: 2446790	Providing management services	100%	Mr. B A C Fernando (Chairman)	Total assets	7.55	7.23
			Ms. L S L De S Wijeyeratne	Profit before tax	0.28	0.75
			Mr. M F S W Stembo	Profit after tax	0.18	0.48
			Mr. J W P Mohotti (Alternate to Mr. B A C Fernando) Merchant Bank of Sri Lanka PLC (Secretaries)	EPS (Rs.)	0.18	0.48
BoC Property Development & Management (Private) Limited 19th Floor, BoC Head Office Building, No. 4, Bank of Ceylon Mawatha, Colombo 1 Tel: 2388229	Renting of office space of BoC Merchant Tower in Colombo 3 and Ceybank House in Kandy	100%	Mr. B A C Fernando (Chairman)	Total assets	866.31	858.42
			Mr. M Kiritharan	Profit before tax	65.79	19.46
			Mr. P J Jayasinghe	Profit after tax	51.85	(2.78)
			Ms. S W S Fernando	EPS (Rs.)	0.51	-
			Ms. L T S De Silva (Alternate to Mr. B A C Fernando) Merchant Bank of Sri Lanka PLC (Secretaries)			
BoC Travels (Private) Limited 1st Floor, BoC Super Grade Branch Building, Baseline Road, Colombo 8 Tel: 2688154-8	Engage in travel-related services	100%	Dr. Gamini Wickramasinghe (Chairman)	Total assets	108.17	61.93
			Mr. B A C Fernando	Profit before tax	27.12	13.78
			Mr. C Wijayatilake	Profit after tax	21.72	11.49
			Mr. J G Victoria	EPS (Rs.)	86.86	45.97
			Ms. Deepa Wanniaratchi Mr. M K Muthukumar Ms. W A Nalani (Alternate to Mr. B A C Fernando) Merchant Bank of Sri Lanka PLC (Secretaries)			

	Principal Activities	Bank's Interest	Directors	Highlights	2008 Rs. million	2007 Rs. million
Hotels Colombo (1963) Limited P.O. Box 152, No. 2, York Street, Colombo 1 Tel: 2320391-3	Providing hotel services	98.23%	Dr. B Kaluarachchi (Chairman)	Total assets	132.00	138.55
			Mr. J C Ratwatte	Profit before tax	(15.79)	(18.08)
			Mr. Gunaratna Gallage	Profit after tax	(15.79)	(17.59)
			Mr. L Weeramantry			
			Mr. G K A Chaminda K Kularatne			
			Mr. B A C Fernando			
			Ms. Kumudini Kulatunga			
			Merchant Bank of Sri Lanka PLC (Secretaries)			
Merchant Credit of Sri Lanka Limited 11th Floor, BoC Merchant Tower, No. 28, St. Michael's Road, Colombo 3 Tel: 2301500-3	Acceptance of deposits, granting lease facilities, hire purchase, loan and other credit facilities and real estate developments and related services	87.76%	Mr. Janaka Ratnayake (Chairman)	Total assets	2,842.44	2,419.62
			Mr. A P G Karunathilaka	Profit before tax	44.48	54.32
			Mr. H M A B Weerasekera	Profit after tax	37.91	50.99
			Dr. Ranjith Bandara	EPS (Rs.)	4.00	5.00
			Mr. D M Gunasekera			
			Ms. Sriyani Anandagoda			
			Mr. N S K Pathirage			
			Merchant Bank of Sri Lanka PLC (Secretaries)			
Ceylease Financial Services Limited No. 182, Platinum Tower, Elvitigala Mawatha, Colombo 8 Tel: 2681850, 2358000	Providing of leasing, hire purchase and finance facilities	50%	Dr. Gamini Wickramasinghe (Chairman)	Total assets	1,788.06	1,744.67
			Mr. Raju Sivaraman	Profit before tax	13.92	22.83
			Mr. Aslam Omar	Profit after tax	8.56	13.85
			Mr. Kishan Jayasekera	EPS (Rs.)	0.86	1.39
			Mr. P L P Withana			
			Ms. K A Dayani Fernando			
			Mr. Trevin Jayasekera (<i>Alternate to Mr. K Jayasekera</i>)			
			Mr. R Edwards (<i>Alternate to Mr. A Omar</i>)			
			Varners International (Private) Limited (Secretaries)			
Ceybank Holiday Homes (Private) Limited 12th Floor, BoC Head Office Building, No. 4, Bank of Ceylon Mawatha, Colombo 1 Tel: 2447845	Operating of Pilgrims Rests/Holiday Homes/ Guest Houses	100%	Mr. B A C Fernando (Chairman)	Total assets	5.03	5.25
			Mr. W D F Wimalaratne	Profit before tax	(1.43)	(0.11)
			Mr. S Liyanwala	Profit after tax	(1.47)	(0.11)
			Ms. K A D A Pemadasa			
			Ms. J S Siriwardane			
			Mr. D M Gunasekera			
			(<i>Alternate to Mr. B A C Fernando</i>)			
			Ms. J S Siriwardane (Secretary)			
ASSOCIATE COMPANIES						
Lanka Securities (Private) Limited 5th Floor, No. 86, Galle Road, Colombo 3 Tel: 011 4706757, 011 2431138	Equity trading, Debt trading and placement	42.04%*	Mr. Salmaan Taseer (Chairman)	Total assets	367.22	312.02
			Mr. M Eshan ul-Haq	Profit before tax	56.80	26.70
			Mr. R. Siriwardena	Profit after tax	37.42	12.63
			Mr. K Dharmasiri	EPS (Rs.)	2.06	1.81
			Mr. Farooq Bin Habib			
			Mr. K U D Gamage			
			Mr. Shahbaz Ali Taseer (<i>Alternate to Mr. S Taseer</i>)			
			Mr. Syed Muqeel Hasnain (<i>Alternate to Mr. M Ehsan ul-Haq</i>)			
			Merchant Bank of Sri Lanka PLC (Secretaries)			

* The % holding in subsidiaries and associates includes indirect holding as well.

SUBSIDIARIES & ASSOCIATES

	Principal Activities	Bank's Interest	Directors	Highlights	2008 Rs. million	2007 Rs. million
Mireka Capital Land (Private) Limited No. 324, Havelock City, Colombo 5 Tel: 2596793, 2502247	Purchasing, hiring and acquiring real estate properties, real estate development	40%	Mr. S P Tao (Chairman)	Total assets	5,192.64	4,116.82
			Mr. H Z Cassim	Profit before tax	91.15	50.36
			Mr. A M De S Jayaratne	Profit after tax	82.43	38.47
			Ms. R L Nanayakkara	EPS (Rs.)	0.44	0.21
			Ms. M T Ong			
			Mr. Raju Sivaraman			
			Dr. Gamini Wickramasinghe			
			Mr. W P R P H Fonseka			
			Mr. L R De Lanerolle			
			Ms. B C D Wijekulasooriya <i>(Alternate to Dr. Gamini Wickramasinghe)</i>			
Mr. M R D Thilakasiri <i>(Alternate to Mr. Raju Sivaraman)</i>						
Mr. Kang Ho Lee <i>(Alternate to Mr. S P Tao)</i>						
Mr. R P Dover <i>(Alternate to Ms. M T Ong)</i>						
Mr. T Muthugala <i>(Alternate to Mr. W P R P H Fonseka)</i>						
Ms. Jayanga Wegodapola (Secretary)						
Southern Development Financial Company Limited No. 18, Bandarawatta, Pamburana, Matara Tel: 041 2221618	Venture capital funding	41.67%	Mr. R Gunasekera (Chairman)	Total assets	46.10	50.50
			Mr. N Welengoda	Profit before tax	(1.65)	(0.98)
			Mr. T A Ariyapala	Profit after tax	(2.02)	(1.32)
			Ernst & Young (Secretaries)			
Transnational Lanka Record Solutions (Private) Limited No. 160/16, Kirimandala Mawatha, Narahenpita, Colombo 5 Tel: 2369007, 2369001-4	Renting out the building assets to Iron Mountain Lanka (Pvt) Limited.	24.69%	Mr. C Samarasinghe (Chairman)	Total assets	112.34	116.89
			Mr. I D Weerasena	Profit before tax	(4.84)	26.29
			Mr. L R Watawala	Profit after tax	(4.84)	15.14
			Mr. D K W Liew	EPS (Rs.)	-	1.87
			Mr. J G S De Silva			
			Mr. M H Cassim			
			Mr. S H I De Silva <i>(Alternate to Mr. J G S De Silva)</i> PW Corporate Secretarial (Pvt) Limited (Secretaries)			
The Unit Trust Management Company (Private) Limited 3rd Floor, BoC Building, York Street, Colombo 1 Tel: 2448403, 2327857	Managers of Unit Trust Funds	20%	Ms. Shiromi Wickramasinghe (Chairman)	Total assets	266.36	317.56
			Mr. M Selvenathan	Profit before tax	24.56	24.12
			Mr. B A C Fernando	Profit after tax	14.52	13.52
			Mr. N A Nicoalou	EPS (Rs.)	5.81	5.41
			Mr. M S P R Perera			
			Mr. B Babu Rao			
			Mr. C Sathkumara			
			Mr. P A Lionel <i>(Alternate to Mr. B A C Fernando)</i> Mr. D C R Gunawardene <i>(Alternate to Mr. M Selvenathan)</i> Carsons Management Services (Private) Limited (Secretaries)			

CORPORATE OFFICES & OVERSEAS BRANCHES

CORPORATE OFFICES

Registered Head Office

No. 4, Bank of Ceylon Mawatha,

Colombo 1, Sri Lanka.

Tel: +94 11 2446790-811 (22 lines)

+94 11 2338741-55 (15 lines)

Telegraphic Address: 'HEADBANK'

Telex: 21331 BOCST CE

SWIFT Code: BCEYLKXX

Website: www.boc.lk

International Division

7th, 8th, 9th Floors, Head Office Building,

No. 4, Bank of Ceylon Mawatha,

Colombo 1, Sri Lanka.

Tel: +94 11 2445794, 2445790-2, 2445783,

2445781, 2447831, 2541936, 2347645, 2445785-

7, 2448830, 5750842, 2541933, 2346841,

2439566, 2448207, 2544309, 2471605-6

Fax: +94 11 2445788, 2447171,

2344845, 2347645

Corporate Branch

1st, 2nd, 3rd Floors, Head Office Building,

No. 4, Bank of Ceylon Mawatha,

Colombo 1, Sri Lanka.

Tel: +94 11 2446814, 2445803, 2345428,

2471613, 2446818-20

Fax: +94 11 2446813, 2446814, 2399561

Telex: Colombo 21499

Email: boc660@boc.lk

Second Corporate Branch

3rd Floor, Head Office Building,

No. 4, Bank of Ceylon Mawatha,

Colombo 1, Sri Lanka.

Tel: +94 11 2325742,

Fax: +94 11 2446816

Email: boc822@sltnet.lk

Metropolitan Branch

Bank of Ceylon Building, York Street,

Colombo 1, Sri Lanka.

Tel: +94 11 2449063, 2329419,

2328521 (10 lines)

Fax: +94 11 2328691, 2320838,

2472646, 2328197

Email: bocmb@boc.lk

Taprobane Branch

Bank of Ceylon Building, York Street,

Colombo 1, Sri Lanka.

Tel: +94 11 2422267, 2447173,

2328521 (10 lines)

Fax: +94 11 2430267

Pettah Branch

Gas Work Street,

Colombo 11, Sri Lanka.

Tel: +94 11 2452368, 2393544,

2434478-9, 2431555

Fax: +94 11 2432629, 2435949

Email: boc004@boc.lk/bocpb@boc.lk

Offshore Banking Division

2nd Floor, Head Office Building,

No. 4, Bank of Ceylon Mawatha,

Colombo 1, Sri Lanka.

Tel: +94 11 2338765, 2389123,

2389122, 2346553

Fax: +94 11 2448776, 2445784, 2346536,

2346551, 2346596

Email: agmoffsho@boc.lk

Telex: BO-FCBU-23481

OVERSEAS BRANCHES

London Branch

Bank of Ceylon

No. 1, Devonshire Square,

London, EC 2M 4WD, United Kingdom.

Tel: 0044 207 8800121, 0044 207 3771888

Telegraphic Address: CEYBANK

Fax: 0044 207 3775430

Swift: BCEYGB2L

Email: bankofceylon.uk@btclick.com

Male Branch

Bank of Ceylon,

'Aage' 12,

Boduthakurufaanu Magu

Henveiru, Male 20094,

Republic of Maldives.

Tel: 00960 3323045, 00960 3323046

Fax: 00960 3320575

Swift: BCEYVMVM

Email: dmbocmale@dhivehinet.net.mv

Chennai Branch

Bank of Ceylon

1090, Poonamallee High Road,

Chennai 600 084, India.

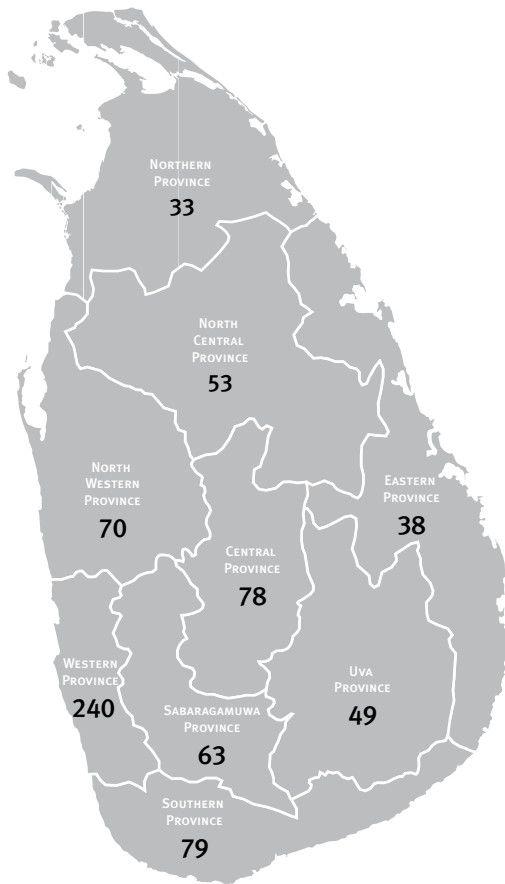
Tel: 009144-26423501, 26420972

Fax: 009144-25325590

Swift: BCEYIN5M

Email: ceybank@vsnl.com

BOC NETWORK - ISLANDWIDE 703 SERVICE POINTS



CENTRAL PROVINCE

NAME OF BRANCH	TELEPHONE
1. Alawathugoda	060-2682150
2. Dambulla	066-2285270
3. Digana	081-2375851
4. Galagedara	081-2461214
5. Galaha	081-2467213
6. Galewela	066-2289262
7. Gampola	081-2350108
8. Gelioya	051-2222214
9. Hatton	051-2225015
10. Kandapola	052-2229636
11. Kandy	081-2223697
12. Kandy 2nd	081-2234292
13. Katugastota	081-4471640
14. Madawala	081-2470484
15. Maskeliya	052-2277280
16. Matale	066-2222262
17. Naula	066-2246280
18. Nawalapitiya	054-2222233
19. Nuwara-Eliya	052-2224047
20. Padiyapellella	052-2287035

21. Pallepola	066-2247272
22. Peradeniya	081-4475283
23. Pilimalalawa	081-5740197
24. Pundaluoya	051-2233205
25. Pussellawa	081-2478642
26. Rattota	066-2255280
27. Rikillagaskada	081-2365314
28. Talatuoya	081-2404334
29. Talawakelle	052-2258892
30. Udadumbara	081-2402317
31. Walapane	052-2279180
32. Wattedgama	081-2475838
33. Yatawatta	066-2221084

EXTENSION OFFICE	TELEPHONE
1. Bogawanthalawa	052-2267599
2. BOI Pallekelle	081-5672445
3. Bokkawala	081-2461056
4. Danture	081-2575228
5. Daulagala	081-2315171
6. Dedicated Economic Centre Dambulla	066-2285217
7. Gampola Bazaar	081-2354214

8. Ginigathhena	051-2242310
9. Kandy Kachcheri	081-2224214
10. Kandy Teaching Hospital	081-2233335
11. Kotagala	051-2223206
12. Matale Kachcheri	066-2222024
13. Meepilmana	052-2234410
14. Nuwara-Eliya Kachcheri	052-2222233
15. Palapathwala	066-2225505
16. Peradeniya Botanical Gardens	081-2386463
17. Ragala	052-2265660
18. Sigiriya	066-2286270
19. Teldeniya	081-2376280
20. University of Peradeniya	081-2388301

ATMs NO.

1. Alawathugoda	1
2. Dambulla	1
3. Dambulla Night Bazaar	1
4. Digana	1
5. Galewela	1
6. Gampola	1
7. Gelioya	1
8. Hatton	1
9. Kandy	4
10. Kandy Second City	1
11. Katugastota	1
12. Madawala Bazaar	1
13. Maskeliya	1
14. Matale	1
15. Naula	1
16. Nawalapitiya	1
17. Nuwara-Eliya	1
18. Peradeniya	3
19. Rikillagaskada	1
20. Talawakelle	1

EASTERN PROVINCE

NAME OF BRANCH	TELEPHONE
1. Akkaraipattu	067-2279244
2. Ampara	063-2222981
3. Batticaloa	065-2227410
4. Chenkalady	065-2240492
5. Hingurana	063-2240037
6. Kalmunai	067-2229340
7. Kaluwanchikudy	065-2250012
8. Kantale	026-2234361
9. Kattankudy	065-2246613
10. Kinniya	026-2236270
11. Muttur	026-2238327
12. Nintavur	067-2250039
13. Pottuvil	063-2248021
14. Sammanthurai	067-2260054
15. Trincomalee	026-2223084
16. Trincomalee Bazaar	026-2223880
17. Valachchenai	065-2257708

EXTENSION OFFICE	TELEPHONE
1. Ampara Kachcheri	063-2222233
2. Arayampathy	065-2247939
3. Batticaloa	065-2227032
4. Batticaloa Kachcheri	065-2257708
5. Eastern University	065-2240490
6. Eravur	065-2241012
7. Gonagolla	063-2224943
8. Maruthamunai	067-2220503
9. Oddamavadi	065-2258111
10. Sainthamarathu	067-2220478
11. Thambiluvil	067-2265390
12. Thampalagamam	026-2248043
13. Trincomalee Kachcheri	026-2222465
14. Uhana	063-2223529

ATMs	NO.
1. Akkaraiyapattu	1
2. Ampara	1
3. Batticaloa	1
4. Kalmunai	1
5. Kanthale	1
6. Trincomalee	1
7. Trincomalee Air Force Camp China Bay	1

NORTH CENTRAL PROVINCE

NAME OF BRANCH	TELEPHONE
1. Anuradhapura	025-2222715
2. Anuradhapura Bazaar	025-2222160
3. Anuradhapura New Town	025-2223685
4. Aralaganwila	027-2257125
5. Bakamoona	066-2256680
6. Dehiattakandiya	027-2250287
7. Eppawala	025-2249180
8. Galenbindunuwewa	025-2258280
9. Galkiriyagama	060-2853065
10. Galnewa	025-2269580
11. Hingurakgoda	027-2247642
12. Horowpathana	025-2278416
13. Ipalogama	025-2264279
14. Jayanthipura	027-2222266
15. Kaduruwela	027-2222416
16. Kahatagasdigiliya	025-2247480
17. Kebithigollawa	025-2298680
18. Kekirawa	025-2264280
19. Madatugama	025-2264283
20. Medawachchiya	025-2245683
21. Medirigiriya	027-2248337
22. Meegalewa	060-2855054
23. Mihintale	025-2266503
24. Nochchiyagama	025-2257880
25. Padavi Parakramapura	025-2254018
26. Pemaduwa	025-2223307

27. Polonnaruwa New Town	027-2223009
28. Sewagama	027-2222585
29. Thambuttegama	025-2276280
30. Tirappane	060-2853087

EXTENSION OFFICE	TELEPHONE
1. Anuradhapura General Hospital	025-2222261
2. Anuradhapura Kachcheri	052-2222142
3. Galamuna	027-2226650
4. Padaviya	025-2253011
5. Rajanganaya	025-2276558
6. Rajina Junction - Thambuttegama	025-2275057
7. Rambewa	025-2066555
8. Thalawa	025-2275090

ATMs	NO.
1. Anuradhapura	2
2. Anuradhapura Bazaar	1
3. Anuradhapura Hospital	1
4. Anuradhapura New Town	1
5. Bakamoona	1
6. Dehiattakandiya	1
7. Dehiattakandiya Maliban Textiles Factory	1
8. Hingurakgoda	1
9. Kaduruwela	1
10. Kekirawa	1
11. Medawachchiya	1
12. Mihintale	1
13. Padavi Parakramapura	1
14. Tambutteggama	1

NORTHERN PROVINCE

NAME OF BRANCH	TELEPHONE
1. Atchuvily	021-2263402
2. Chavakachcheri	021-2227396
3. Chunnakam	021-2223969
4. Jaffna	021-2225624
5. Jaffna 2nd	021-2222759
6. Kankesanthurai	060-2212716
7. Karainagar	021-2228278
8. Kayts	021-2225274
9. Kilinochchi	021-2283949
10. Manipay	021-2227456
11. Mankulam	071-2348783
12. Mannar	023-2222387
13. Mullaitivu	021-2228941
14. Nelliady	021-2263260
15. Point Pedro	021-2263570
16. Thirunelveli	021-2223948
17. Vavuniya	024-2222141

EXTENSION OFFICE	TELEPHONE
1. Chankanai	-
2. Jaffna Kachcheri	021-2222234
3. Kopay	021-2228484
4. Mannar Kachcheri	023-2232234
5. Murunkan	023-2250935
6. Pesalai	060-2233511
7. Vavuniya Kachcheri	024-2222234

ATMs	NO.
1. Chunnakam	1
2. Jaffna	1
3. Jaffna Second	1
4. Manipay	1
5. Mannar	1
6. Nelliady	1
7. Point Pedro	1
8. Thirunelveli	1
9. Vavuniya	1

NORTH WESTERN PROVINCE

NAME OF BRANCH	TELEPHONE
1. Alawwa	037-2278180
2. Anamaduwa	032-2263280
3. Bingiriya	032-2246107
4. Chilaw	032-2222335
5. Dankotuwa	031-2258180
6. Dummalsuriya	032-2240690
7. Galgamuwa	037-2253080
8. Giriulla	037-2288080
9. Hettipola	037-2291080
10. Hiripitiya	037-2264080
11. Ibbagamuwa	037-2259970
12. Kalpitiya	032-2260702
13. Kobeigana	037-2293101
14. Kuliyapitiya	037-2281280
15. Kurunegala	037-2222036
16. Kurunegala 2nd	037-2222115
17. Madampe	032-2247767
18. Madurankuliya	032-2268003
19. Maho	037-2275280
20. Mawathagama	037-2299259
21. Melsiripura	037-2250165
22. Narammala	037-2248771
23. Nattandiya	032-2254280
24. Nikaweratiya	037-2260922
25. Pannala	037-2246080
26. Polgahawela	037-2243280
27. Pothuhera	037-2237619
28. Puttalam	032-2265216
29. Ridigama	037-2252080
30. Waikkal	031-2277280
31. Wariyapola	037-2267348
32. Welpalla	031-5677766
33. Wennappuwa	031-2255280

BOC NETWORK - ISLANDWIDE 703 SERVICE POINTS

EXTENSION OFFICE	TELEPHONE
1. Ambanpola	037-2254099
2. Dambadeniya	037-2266144
3. Katupotha	037-2247471
4. Kirimetiyanana	031-2249960
5. Kurunegala Kachcheri	037-2229726
6. Marawila	032-2252675
7. Norochchoelai	032-2268555
8. Paragahadeniya	037-2296085
9. Polpitiyagama	037-2273103
10. Puttalam Kachcheri	032-2265351
11. Toduwawa	032-2256330
12. Udappuwa	032-2258675
13. Wayamba University	037-2284480

ATMs	NO.
1. Alawwa	1
2. Bingiriya	1
3. Chilaw	1
4. Dankotuwa	1
5. Galgamuwa	1
6. Giriulla	1
7. Hiripitiya	1
8. Kuliyapitiya	1
9. Kurunegala	1
10. Kurunegala Bazaar	2
11. Kurunegala Provincial Council	1
12. Mawathagama	1
13. Melsiripura	1
14. Narammala	1
15. Nattandiya	1
16. Nikaweratiya	1
17. Norochcholai	1
18. Pannala	1
19. Polgahawela	1
20. Puttalam	1
21. Wariyapola	1
22. Wayamba University	1
23. Wennappuwa	1

SABARAGAMUWA PROVINCE

NAME OF BRANCH	TELEPHONE
1. Aranayake	035-2258016
2. Avissawella	036-2222356
3. Ayagama	045-2250080
4. Balangoda	045-2288390
5. Dehiowita	036-2222580
6. Deraniyagala	036-2249280
7. Eheliyagoda	036-2259571
8. Embilipitiya	047-2230280
9. Hemmathagama	035-2257280
10. Kahawatta	045-2270180
11. Kalawana	045-2255280
12. Kegalle	035-2222551

13. Kegalle Bazaar	035-2222550
14. Kuruwita	045-2262581
15. Mawanella	035-2247915
16. Nivithigala	045-2279280
17. Pelmadulla	045-2274380
18. Rakwana	045-2246280
19. Rambukkana	035-2265280
20. Ratnapura	045-2222444
21. Ratnapura Bazaar	045-2225469
22. Ruwanwella	036-2268005
23. Warakapola	035-2267258
24. Yatiyantota	036-2266281

EXTENSION OFFICE	TELEPHONE
1. Bulathkohupitiya	036-2247356
2. Embilipitiya	047-2261981
3. Endana	060-2450661
4. Galigamuwa	035-2282050
5. Godakawela	045-2240080
6. Gonagaldeniya	036-5677923
7. Idangoda	045-2265080
8. Karawanella	036-2268280
9. Kegalle Hospital	035-2222765
10. Kegalle Kachcheri	035-2231574
11. Kolonna	045-2260280
12. Kitulgala	036-2287747
13. Kotiyakumbura	035-2289240
14. Pambahinna University	045-2280093
15. Pinnawala Elephant Orphanage	035-2264094
16. Ratnapura General Hospital	045-2223561
17. Ratnapura Kachcheri	045-2222454
18. Ratnapura Provincial Council	045-2226116
19. Seethawakapura BOI Complex	036-2232656
20. Udawalawa	047-2232180
21. Welioya	060-2603304

ATMs	NO.
1. Avissawella	1
2. Avissawella - Seethawaka Pura	1
3. Balangoda	1
4. Eheliyagoda	1
5. Embilipitiya	1
6. Kegalle	1
7. Mawanella	1
8. Nivithigala	1
9. Pelmadulla	1
10. Rakwana	1
11. Rambukkana	1
12. Ratnapura	1
13. Ratnapura General Hospital	1
14. Ruwanwella	1
15. Sabaragamuwa Provincial Council - Ratnapura	1
16. Sabaragamuwa University	1
17. Warakapola	1
18. Yatiyantota	1

SOUTHERN PROVINCE

NAME OF BRANCH	TELEPHONE
1. Ahungalla	091-2264107
2. Akuressa	041-4922380
3. Ambalangoda	091-2256307
4. Ambalantota	047-2223280
5. Angunakolapeless	047-2229120
6. Baddegama	091-2292280
7. Batapola	091-2260405
8. Beliatta	047-2243274
9. Bentota	034-2271796
10. Deniyaya	041-2273870
11. Devinuwara	041-2222247
12. Dickwella	041-2255280
13. Elpitiya	091-4387524
14. Galle	091-2232269
15. Galle Bazaar	091-2234006
16. Hakmana	041-2286280
17. Hambantota	047-2220180
18. Hikkaduwa	091-2277813
19. Imaduwa	091-2286030
20. Kamburupitiya	041-2292213
21. Kataragama	047-2235280
22. Koggala	091-2283380
23. Matara	041-2223280
24. Matara Bazaar	041-2223920
25. Middeniya	047-2247280
26. Neluwa	091-2237530
27. Pitigala	091-2291205
28. Ruhunu Campus	060-2414558
29. Talgaswela	060-2920100
30. Tangalle	047-2240280
31. Tawalama	060-2783030
32. Tissamaharama	047-2237280
33. Urubokka	041-2272280
34. Walasmulla	047-2245280
35. Weeraketiya	047-2246280
36. Weligama	041-2250280
37. Yakkalamulla	091-2286080

EXTENSION OFFICE	TELEPHONE
1. Ahangama	041-2283977
2. Deyiandara	041-2268598
3. Galle Kachcheri	091-2234514
4. Karapitiya	091-2227090
5. Katuwana	060-2625001
6. Kekanadura	041-2265061
7. Kudawella	041-2257514
8. Lunugamvehera	060-2621007
9. Mahaedanda	060-2932627
10. Matara Kachcheri	041-2222673
11. Morawaka	041-2282700
12. Pitabeddara	041-2281081
13. Ranna	060-2621008
14. Suriyawewa	047-2288280
15. Udugama	091-2285015
16. Urugasmanhandiya	091-2264865

ATMs	NO.
1. Akuressa	1
2. Ambalangoda	1
3. Beliatta	1
4. Bentota	1
5. Deniyaya	1
6. Devinuwara	1
7. Elpitiya	1
8. Galle	1
9. Galle Bazaar	2
10. Hakmana	1
11. Hambantota	1
12. Hikkaduwa	1
13. Kamburupitiya	1
14. Kataragama	1
15. Koggala	1
16. Matara	1
17. Matara Bazaar	1
18. Matara Hospital	1
19. Pitigala	1
20. Tangalle	1
21. Tissamaharamaya	1
22. Urubokka	1
23. Weeraketiya	1
24. Weligama	1
25. Yakkalamulla	1

UVA PROVINCE

NAME OF BRANCH	TELEPHONE
1. Badalkumbura	055-2250279
2. Badulla	055-2222980
3. Balleketuwa	055-2285160
4. Bandarawela	057-2230014
5. Bibile	055-2265480
6. Buttala	055-2273980
7. Diyatalawa	057-2229092
8. Ettampitiya	055-2294080
9. Girandurukotte	027-2254380
10. Haldummulla	060-2576821
11. Haputale	057-2268080
12. Koslanda	057-2257780
13. Lunugala	055-2263980
14. Lunuwatta	057-2232742
15. Mahiyangana	055-2258195
16. Medagama	055-2265580
17. Meegahakiwula	055-2245707
18. Moneragala	055-2276080
19. Padiyatalawa	063-2246003
20. Passara	055-2288865
21. Siyambalanduwa	060-2555360
22. Thanamalwila	047-2234080
23. Uva - Paranagama	057-2246010
24. Welimada	057-2245984
25. Wellawaya	055-2274628

EXTENSION OFFICE	TELEPHONE
1. Badulla Kachcheri	055-2225475
2. Bogahakumbura	057-2280088
3. Dambagalla	060-2598202
4. Ella	057-2228899
5. Ethiliwewa	060-2594115
6. Hali-Ela	055-2295080
7. Hasalaka	055-2257180
8. Keppetipola	057-2280043
9. Moneragala Kachcheri	055-2277270
10. Moneragala Town	055-2277270
11. Okkampitiya	055-2273395
12. Palwatta Sugar Industries Complex	060-2559825

ATMs	NO.
1. Badulla	1
2. Badulla Hospital	1
3. Bandarawela	1
4. Bibile	1
5. Buttala	1
6. Diyatalawa	1
7. Haputale	1
8. Mahiyangana	1
9. Moneragala	1
10. Passara	1
11. Welimada	1
12. Wellawaya	1

WESTERN PROVINCE - NORTH

NAME OF BRANCH	TELEPHONE
1. Andiambalama	011-2258184
2. Biyagama	011-2488770
3. Borella	011-4612617
4. Borella 2nd	011-2685140
5. Central Bus Stand	011-5365118
6. Central Super Market	011-2446475
7. City Office	011-2329413
8. Dematagoda	011-5335594
9. Divulapitiya	031-4921640
10. Fifth City	011-2449646
11. Gampaha	033-2226051
12. Grandpass	011-2448202
13. Hulftsdorp	011-2424843
14. Ja-Ela	011-2236494
15. Kadawatha	011-2920657
16. Kandana	011-2232398
17. Katunayake	011-2259583
18. Kiribathgoda	011-2911304
19. Kirindiwela	033-2269690
20. Kolonnawa	011-5557286
21. Kotahena	011-2448632
22. Lake House	011-5363723
23. Lake View	011-5359693

24. Main Street	011-2447198
25. Maradana	011-2689403
26. Minuwangoda	011-2280782
27. Mirigama	033-2276844
28. Narahenpita	011-2368514
29. Negombo	031-2222214
30. Negombo Bazaar	031-2231297
31. Nittambuwa	033-2297280
32. Peliyagoda	011-2945078
33. Personal	011-2446790
34. Pugoda	011-2404821
35. Ragama	011-2960290
36. Regent Street	011-2690506
37. Seeduwa	011-2259590
38. Veyangoda	033-2287279
39. Wattala	011-5368394
40. Welisara	011-2958485
41. Yakkala	033-2233591

EXTENSION OFFICE	TELEPHONE
1. BOI Cash Collection Centre	011-2448875
2. BOI Katunayake Cash Collection Centre	011-2252523
3. Cargo Office - International Air Port	011-2251943
4. Courtlauds Clothing Lanka (Pvt) Ltd.	011-2299055
5. Gampaha Kachcheri	060-2337570
6. Ganemulla	033-2264888
7. Gothatuwa New Town	011-5344593
8. Katana	031-2228353
9. Naiwala	033-2297720

ATMs	NO.
1. Agio Tobacco	1
2. Biyagama	1
3. Borella	2
4. Castle Women's Hospital	1
5. City Office	1
6. Courtlauds Clothing Lanka (Pvt) Ltd.	1
7. Divulapitiya	1
8. Ekala	1
9. Gampaha	1
10. Gampaha	1
11. Grandpass	1
12. Hulftsdorp	1
13. Ingiriya	1
14. IPZ Katunayake	1
15. IPZ Katunayake (Airforce)	1
16. Ja-Ela	1
17. Kadawatha	2
18. Kandana	1
19. Kiribathgoda	2
20. Kirindiwela	1
21. Kotahena	1
22. Lake House	1

BOC NETWORK - ISLANDWIDE 703 SERVICE POINTS

23. Line Aqua Garments	1
24. Main Street	1
25. Maradana	1
26. Minuwangoda	1
27. Mirigama	1
28. Negombo	2
29. Negombo Bazaar	1
30. Nittambuwa	2
31. Nurses' Quarters - Colombo General Hospital	1
32. Peliyagoda	1
33. Peliyagoda	1
34. Personal	3
35. Petroleum Corporation - Kolonnawa	1
36. Pugoda	1
37. Regent Street	1
38. Seeduwa	1
39. Trelleborg Lanka Garments	1
40. Veyangoda	1
41. Wattala	1
42. Welisara	1
43. Yakkala	1

WESTERN PROVINCE - SOUTH

NAME OF BRANCH	TELEPHONE
1. Agalawatta	034-2243980
2. Aluthgama	034-2271413
3. Athurugiriya	011-2561378
4. Bambalapitiya	011-2584183
5. Bandaragama	038-4290079
6. Battaramulla	011-2862575
7. Beruwala	034-2279899
8. Bulathsinhala	034-2283116
9. Dehiwala	011-2738335
10. Dharga Town	034-2275411
11. Dodangoda	034-2281628
12. Hanwella	036-2253520
13. Homagama	011-2855059
14. Horana	034-2260152
15. Hyde Park	011-2687483
16. Independent Square	011-2678073
17. Ingiriya	034-2269280
18. Kaduwela	011-2537999
19. Kalutara	034-2229804
20. Katubedde	011-2625438
21. Kollupitiya	011-4795036
22. Kollupitiya 2nd	011-2574581
23. Kottawa	011-2783313

24. Maharagama	011-2746146
25. Malabe	011-2760753
26. Matugama	034-2243590
27. Milagiriya	011-2504627
28. Moratuwa	011-2646165
29. Mount Lavinia	011-2721060
30. Nugegoda	011-2821287
31. Padukka	011-2859112
32. Panadura	038-2243323
33. Panadura Bazaar	038-2243324
34. Parliament	011-2777309
35. Pelawatta	011-2785550
36. Piliyandala	011-2614165
37. Rajagiriya	011-5368641
38. Ratmalana	011-2719735
39. Thimbrigasyaya	011-2594538
40. Union Place	011-2314757
41. Visakha	011-2556226
42. Wadduwa	038-2232538
43. Wellawatta	011-2588941

EXTENSION OFFICE TELEPHONE

1. Administrative Complex - Isurupaya	011-2785875
2. BMICH	011-2669136
3. Bodyline (Pvt) Ltd. (Horana)	034-4285500 Ext-2421
4. Immigration & Emigration Office	011-5329307
5. Kalutara Kachcheri	034-2222286
6. Katubedda Campus	011-2650301 Ext-1609
7. Lotteries Board - Union Place	011-2333546
8. Meegoda Economic Dev. Centre	011-2831589
9. Moratumulla	011-2652178
10. National Institute of Education	011-2851301
11. Sethsiripaya	011-2863637
12. Srawasthi Mandiraya - Chief Secretary's Office - W.P. Council	011-2681366
13. Sri Jayawardenapura Hospital	011-2779136

ATMs NO.

1. Aluthgama	1
2. Athurugiriya	1
3. Athurugiriya Sintesi	1
4. Bambalapitiya	2
5. Bandaragama	1

6. Battaramulla	1
7. Beruwala	1
8. BMICH	1
9. Body Line Garments (Horana)	1
10. Central Engineering Consultancy Bureau	1
11. Dehiwala	1
12. Hanwella	1
13. Homagama	2
14. Horana	2
15. Isurupaya	1
16. Jayawardenapura Hospital	1
17. Kachcheri - Kalutara	1
18. Kaduwela	1
19. Kalubowila Teaching Hospital	1
20. Kalutara	1
21. Katubedda	1
22. Kollupitiya	1
23. Kottawa	1
24. Maharagama	2
25. Maharagama Cancer Hospital	1
26. Malabe	1
27. Matugama	1
28. Milagiriya	1
29. Moratuwa	1
30. Mount Lavinia	1
31. Nugegoda	3
32. Padukka	1
33. Panadura	1
34. Panadura Bazaar	1
35. Parliament	1
36. Pelawatta	1
37. Piliyandala	1
38. Piliyandala (Hirdaramani)	1
39. Rajagiriya	1
40. Ratmalana	1
41. Srawasthi Mandiraya	1
42. Thimbrigasyaya	1
43. Torrington	1
44. Union Place	1
45. University of Moratuwa	1
46. Visakha Vidyalaya	1
47. Wadduwa	1
48. Water Board Head Office - Ratmalana	1
49. Wellawatta	1

CORPORATE BRANCHES

NAME OF BRANCH	TELEPHONE
1. Corporate	011-2446814
2. Corporate 2nd	011-2386080
3. Metropolitan	011-2449063
4. Taprobane	011-2449063
5. Pettah	011-2452368
6. Off Shore Banking Unit	011-2338765

EXTENSION OFFICE	TELEPHONE
1. Board of Investment S L P A	011-2448875
2. Canal Yard S L P A	011-2483526
3. Ceylon Shipping Lines Ltd.	011-2445268
4. Customs Imports Unit	011-2436663
5. Department of Inland Revenue	011-2337367
6. Health Ministry Suwasiripaya	011-2681361
7. Jawatta Inland Revenue	011-5657162
8. Laksiriseva (Pvt) Ltd.	011-2917729
9. Permit Office S L P A	011-2483542

10. Pettah Kachcheri	011-2434478
11. Sri Lanka Bureau of Foreign Employment	011-2864147
12. Trico Maritime (Pvt) Ltd.	011-4610977
13. Warehouse - Peliyagoda S L P A	011-2942620

ATMs	NO.
1. Ballys Club - Kollupitiya	1
2. Bellagio Club - Kollupitiya	1
3. Foreign Employment Bureau - Battaramulla	1
4. Inland Revenue Department - D R Wijewardena Mawatha	1
5. International Division	1
6. Metropolitan	1
7. MGM Club - Kollupitiya	1
8. Pettah	1
9. Ports Authority	1
10. Suwasiripaya - Health Ministry - Darley Road	1

PROVINCE	NO. OF BRANCHES	NO. OF EXTENSION OFFICES	NO. OF ATMs	TOTAL SERVICE POINTS
Central Province	33	20	25	78
Eastern Province	17	14	7	38
North Central Province	30	8	15	53
Northern Province	17	7	9	33
North Western Province	33	13	24	70
Sabaragamuwa Province	24	21	18	63
Southern Province	37	16	26	79
Uva Province	25	12	12	49
Western Province - North	41	9	50	100
Western Province - South	43	13	55	111
Corporate Branches	6	13	10	29
	306	146	251	703

CORRESPONDENT BANKS BY COUNTRY

Afghanistan

1. Afghanistan Bank DA

Algeria

2. Banque Exterieur D'algerie

Argentina

3. Banco Macro Bansud SA

Armenia

4. Ardshinvestbank

Australia

5. Australia & New Zealand Banking Group Limited
6. Commonwealth Bank of Australia
7. National Australia Bank Limited
8. Westpac Banking Corporation

Austria

9. Bank Austria Creditanstalt AG
10. Erste Bank Der Oesterreichischen Sparkassen AG
11. Oberbank AG
12. Allgemeine Sparkasse Oberosterreich
13. Osterreichische Volksbanken AG
14. Raiffeisen Zentrale Bank Osterreich AG
15. Erste Group Bank AG

Bahrain

16. Arab Banking Corporation
17. BBK (Formerly Bank of Bahrain & Kuwait BSc)
18. The Arab Investment Company
19. Habib Bank Limited
20. HSBC Bank Middle East
21. National Bank of Bahrain

Bangladesh

22. Agrani Bank
23. Bangladesh Krishi Bank
24. Basic Bank Limited (*Bangladesh Small Industries & Commerce Bank Limited*)
25. Janata Bank
26. Pubali Bank Limited
27. Sonali Bank
28. Uttara Bank

Beirut

29. Meab Bank

Belarus

30. Belarus Bank (Formerly Minskcomplex Bank)
31. Belvnesheconombank

Belgium

32. Antwerpse Diamant Bank NV
33. Deutsche Bank SA/NV
34. Byblos Bank Europe SA
35. Fortis Bank NV/SA
36. Banca Monte Paschi Belgio
37. Ing Belgium SA/NV (Formerly Bank Brussels Lambert)
38. KBC Bank NV

Bermuda

39. Bank of Bermuda Limited

Botswana

40. Barclays Bank of Botswana Limited

Brazil

41. Banco Industrial E Commercial SA (Bicbanco)

Bulgaria

42. Bulbank AD (*Unicredit Bulkbank AD*)
43. Central Cooperative Bank

Cambodia

44. Aceda Bank PLC

Canada

45. Bank of Montreal
46. Bank of Nova Scotia
47. Canadian Imperial Bank of Commerce
48. HSBC Bank Canada (*Formerly Credit Lyonnais Canada*)
49. Royal Bank of Canada
50. Toronto Dominion Bank

Chile

51. Corpbanca

China

52. Bank of China
53. Bank of Communications
54. China Construction Bank
55. Bank of Nanjing
56. China Everbright Bank
57. Export Import Bank of China
58. Changshu Rural Commercial Bank

Columbia

59. Banco Popular

Cuba

60. Banco Nacional De Cuba (*Vol. 6*)

Cyprus

61. Alpha Bank Cyprus Limited
62. Bank of Cyprus Public Company Limited
63. Cyprus Popular Bank Public Company Limited (*Laikibank (Marfin Popular Bank Limited)*)
64. Hellenic Bank Public Company Limited
65. National Bank of Greece (Cyprus) Limited

Czech Republic

66. Ceska Sportelna AS
67. Ceskoslovenska Obchodni Banka AS
68. Komerčni Banka AS

Denmark

69. Danmarks National Bank
70. Danske Bank AS
71. Jyske Bank AS
72. Nordea Bank Danmark AS
73. Spare Nord Bank
74. Sparebank Vest
75. Unibank AS
76. Sydbank AS
77. Vestjysk Bank

Ecuador

78. Banca International Produbanco

Egypt

79. Arab International Bank
80. Bank of Alexandria
81. Banque Misr Sae
82. Central Bank of Egypt
83. Arab Banking Corporation Egypt
84. Faisal Islamic Bank of Egypt SAE
85. Commercial International Bank (Egypt) SAE
86. Egyptian Saudi Finance Bank
87. Mohandes Bank
88. National Bank of Egypt
89. Suez Canal Bank SAE

Ethiopia

90. Commercial Bank of Ethiopia

Fiji

91. National Bank of Fiji Limited (*Colonial National Bank*)

Finland

92. Nordea Bank Finland PLC
93. Oko Osuuspankkien Keskuspankki Oyj
94. Pohjola Bank PLC
95. Sampo Bank PLC

France

96. Banque Commerciale Pour L'Europe Du Nord-Eurobank (VTB Bank SA)
97. Banque De Neufilize, Schlumberger, Mallet, Demachy
98. Banque Palatine
99. Bnp Paribas
100. Calyon
101. Credit Industriel Del' Quest
102. Calyon Bank Egypt SAE (Formerly Credit Agricole Indosuez (Egypt) SAE)
103. Credit Agricole
104. Credit Du Nord
105. Credit Industriel ET Commercial (CIC)
106. Credit Lyonnais
107. HSBC Private Bank France SA
108. Natixis (Formerly Natexis Banque Populaires)
109. Societe Generale
110. Union De Banques A Paris

Germany

111. Baden Wuttenbergische Bank AG
112. Bankhaus Neelmeyer AG
113. Bayerische Hypo-und Vereinsbank AG
114. Bayerische Landesbank
115. Berliner Volksbank EG
116. Bankhaus Carl. F. Plump & Co.
117. BHF Bank Aktiengesellschaft
118. Bremer Landesbank
119. Commerzbank AG
120. Deutsche Bank AG
121. Deutsche Bundesbank
122. Deutsche Postbank AG
123. Dresdner Bank AG
124. DVB Bank AG
125. DZ Bank AG
126. Frankfurter Kantonal Bank
127. HSBC Trinkaus & Burkhardt KGaA
128. Kreissparkasse Goppingen
129. Ing Bhf - Bank AG
130. Landesbank Baden-Wuerttemberg
131. Landesbank Berlin AG
132. Landesbank Hessen Thuringen Girozentrale
133. LRP Landesbank Rheinland Pfalz
134. Nassauische Sparkasse
135. Nordeutsche Landesbank Girozentrale
136. Oldenburgische Landesbank AG
137. Sparkasse Duren
138. StadtsparKasse Monchengladbach
139. StadtsparKasse Wuppertal
140. West LB AG

Ghana

141. Ghana Commercial Bank Ltd

Greece

142. Egnatia Bank SA
(Formerly Bank of Central Greece)

143. National Bank of Greece

144. Aspis Bank

145. Alpha Bank

146. Piraeus Bank

Hong Kong

147. Bank of East Asia Limited

148. Chiyu Banking Corporation Limited

149. DAH Sing Bank Limited

150. DBS Bank (Hongkong) Limited

151. Hang Seng Bank Limited

152. Hongkong & Shanghai Banking Corporation

153. Liu Chong Hing Bank Limited
(*Chong Hing Bank Limited*)

154. Oversea-chinese Banking Corporation

155. Wing Hang Bank Limited

Hungary

156. Budapest Credit Development Bank RT

157. Central-European Int'l Bank Limited (*CIC Bank*)

158. Kereskedelmi Es Hitelbank

159. Magyar Nemzeti Bank

Iceland

160. Glitnir Banki HF (*Formerly Islandsbanki - FBA Limited*)

India

161. Alahabad Bank

162. Andhra Bank

163. Axis Bank

164. Bank of Baroda

165. Bank of India

166. The Bank of Rajasthan Limited

167. Bank of Maharashtra

168. Canara Bank

169. Saraswat Bank

170. HDFC Bank

171. Karur Vysya Bank

172. Central Bank of India

173. ICICI Bank Limited

174. Development Credit Bank Limited

175. Indian Bank

176. Indian Overseas Bank

177. Indusind Bank Limited

178. Jammu & Kashmir Bank Limited

179. Punjab & Sind Bank Limited

180. Punjab National Bank

181. State Bank of Hyderabad

182. State Bank of India

183. State Bank of Travancore

184. Syndicate Bank

185. Tamilnad Mercantile Bank Limited

186. UCO Bank

187. Union Bank of India

188. United Bank of India

Indonesia

189. PT Bank Mandiri (Persero)

190. PT Bank Rakyat Indonesia

191. PT Bank Bukopin

192. PT Bank Espore Indonesia

193. PT Bank Negara Indonesia Tbk

194. PT Bank Mega Tbk

Iran

195. Bank Markazi Jomhourii Islami

196. Bank Mellat

197. Bank Melli Iran

198. Bank Pasargad

199. Bank Saderat Iran

200. Saman Bank

201. Bank Sepah

202. Parsian Bank

203. Bank Tejarat

204. Banque Du Caire SAE

205. Export Development Bank of Iran

Iraq

206. Central Bank of Iraq

207. Rafidain Bank

208. Rasheed Bank

Ireland

209. Allied Irish Bank PLC

Israel

210. Bank Hapoalim BM

211. Bank Leumi Le Israel BM

212. Israel Discount Bank

213. Bank of Palestine

214. First International Bank of Israel Limited

215. Mercantile Discount Bank Limited

216. Union Bank of Israel Limited

217. Mizrahi Tefahot Bank Limited

Italy

218. Banca Agricola Mantovana SPA

219. Banca Antonveneta SPA

220. Banca Di Credito Cooperativo Di Alba

221. Banca Popolare dell' Emilia Romagna

222. Banca Etruria Soc Coop

223. Banca Di Roma

224. Banca Popolare Di Sondrio

225. Banca Monte Dei Paschi Di Siena

226. Cassa Di Risparmio Di Prato SPA (Cariprato)

227. Banca Carige SPA

228. Cassa Di Risparmio Di Carrara SPA

229. Banca Nazionale Del Lavoro SPA

230. Banca Valsabina SCPA

231. Banco Di Desio E Della Brianza SPA

232. Banco Di Sardegna SPA

233. Banca Popolare Volksbank - Banca Popolare Dell Alto Adige

234. Banca Popolare Dell Emilia Romagna

235. UGF Banca SPA (*Unipol Banca SPA*)

236. Banca Di Imola SPA

237. Banca Popolare Di Milano

238. Banca Popolare Di Ravenna SPA

239. Banca Popolare Di Vicenza Scparl

240. Banca Regionale Europea SPA

241. Banca Toscana SPA

242. Banca Ubae SPA

243. Banco Di Sicilia

244. Banco Popolare Di Verona E

Novara Scrl (*Including Credito Bergamasco SPA, Banca Popolare Di Novara SPA*)

245. Bipop-carire S

246. Deutsche Bank SPA

247. Intesa Sanpaolo SPA

248. Unicredito Italiano SPA

249. Cassadi Risparmio di Parma Epicienza SPA

Jamaica

250. National Commercial Bank of Jamaica Limited

Japan

251. 77 Bank Limited

252. Aozora Bank Limited

253. Awa Bank Limited

254. Bank of Kochi Limited

255. Bank of Kyoto

256. Bank of Tokyo-Mitsubishi Ufj Limited

257. Bank of Yokohama Limited

258. Chiba Kogyo Bank Limited

259. The Shikoku Bank Limited

260. The Ashikaga Bank Limited

261. Chukyo Bank Limited

262. Chuo Mitsui Trust and Banking Company Limited

263. The Yokohama Shinkin Bank

264. Gunma Bank Limited

265. The Asahi Shinkin Bank

266. Higashi-Nippon Bank

267. Hokuriku Bank Limited

268. Kinki Osaka Bank Limited

269. Kiyo Bank Limited

270. Kyoto Shinkin Bank

271. Minato Bank Limited

272. Mitsubishi Trust & Banking Company

273. Mizuho Corporate Bank Limited

274. Nishi Nippon City Bank Limited

275. Okazaki Shinkin Bank

276. Resona Bank Limited

277. Shiga Bank Limited

278. Shinkin Central Bank

279. Shinsei Bank Limited

280. Sugamo Shinkin Bank

281. Sumitomo Mitsui Banking Corporation

282. Tokushima Bank Limited

283. Tokyo Tomim Bank Limited

284. Tomato Bank Limited

285. Towa Bank Limited

286. Yamagata Bank Limited

287. Yamaguchi Bank Limited

288. Yamanashi Chuo

Bank Limited

289. Arab Bank PLC

290. Bank of Jordan PLC

291. Cairo Amman Bank

292. Housing Bank for Trade & Finance

293. Islamic International

Arab Bank

294. Jordan Ahli Bank PLC

(*Formerly Jordan National Bank*)

295. Jordan Commercial Bank (*Formerly Jordan Gulf Bank*)

296. Arab Jordan Investment Bank

297. Jordan Investment & Finance Bank (*JIF Bank*)

298. Jordan Kuwait Bank

299. Union Bank for Savings & Investment

Kenya

300. Barclays Bank of Kenya Limited

301. Kenya Commercial Bank Limited

Korea

302. Citibank Korea Inc.

(*Formerly Koram Bank*)

303. Foreign Trade Bank of The Democratic People's Bank of Korea

304. Hana Bank (*Merger of Hana Bank & Seoul Bank*)

305. Kookmin Bank

306. Korea Development Bank

307. The Kwagju Bank Limited

308. Korea Exchange Bank

CORRESPONDENT BANKS BY COUNTRY

- 309. Kyongnam Bank
- 310. Pusan Bank
- 311. Woori Bank
- 312. Bank of Kuwait & The Middle East
- 313. Burgan Bank SAK
- 314. Gulf Bank
- 315. Commercial Bank of Kuwait SAK
- 316. National Bank of Kuwait SAK

Kyrgyzstan

- 317. Asia Universal Bank

Latvia

- 318. Parex Bank

Lebanon

- 319. Al Ahli International Bank SAL
- 320. Arab African International Bank
- 321. Audi Saradar Private Bank SAL
- 322. BLC Bank SAL
- 323. Bank Audi SAL - Audi Saradar Group
- 324. Bank of Beirut SAL
- 325. Bbac Sal (*Formerly Bank of Beirut & The Arab Countries SAL*)
- 326. BLC Bank SAL
- 327. BLOM Bank SAL
- 328. Byblos Bank SAL
- 329. Credit Libanais SAL
- 330. Fransabank SAL
- 331. Jamal Trust Bank SAL
- 332. Lebanese Canadian Bank SAL
- 333. Near East Commercial Bank SAL
- 334. Societe Nouvelle De La Banque De Syrie Et Du Liban SAL

Libya

- 335. Gumhouria Bank
- 336. National Commercial Bank SAL
- 337. Umma Bank SAL
- 338. Wahda Bank

Lithuania

- 339. AB Bankas Hansa Bankas
- 340. Ukio Bankas AS

Madagascar

- 341. Bank of Africa - Madagascar
- 342. Banque Centrale De Madagascar

Malawi

- 343. National Bank of Malawi

Malaysia

- 344. Ambank Berhad (*Formerly Arab-Malaysian Bank Berhad*)
- 345. Royal Bank of Scotland PLC
- 346. Bank Islam Malaysia Berhad
- 347. CIMB Bank Berhad (*Formerly Bumiputra-Commerce Bank Berhad*)

- 348. Eon Bank Berhad
- 349. Malayan Banking Berhad
- 350. Alliance Bank Malaysia Berhad
- 351. OCBC (Malaysia) Berhad
- 352. Public Bank Berhad
- 353. United Overseas Bank (Malaysia) Berhad

Maldives

- 354. Habib Bank Limited
- 355. Bank of Maldives PLC

Malta

- 356. Bank of Valleta
- 357. FIM Bank PLC Limited
- 358. HSBC Bank Malta PLC

Mauritius

- 359. State Bank of Mauritius Limited
- 360. The Mauritius Commercial Bank Limited

Mexico

- 361. Banco Nacional De Mexico SA
- 362. Banco Santander Mexicano SA
- 363. BBVA Bancomer SA
- 364. HSBC Mexico SA

Mongolia

- 365. Trade & Development Bank of Mongolia

Morocco

- 366. Credit Bank Du Maroc SA

Myanmar

- 367. Myanmar Foreign Trade Bank
- 368. Myawaddy Bank Limited

Nepal

- 369. Himalayan Bank Limited
- 370. Nepal Bank Limited
- 371. Standard Chartered Bank Nepal Limited

Netherlands

- 372. ABN Amro Bank
- 373. F Van Lanschot Bankiers NV
- 374. Hollandsche Bank - Unie NV
- 375. ING Bank NV
- 376. Rabobank Nederland
- 377. SNS Bank NV

New Zealand

- 378. ANZ National Bank Limited
- 379. ASB International Bank
- 380. Bank of New Zealand

Nigeria

- 381. First Bank of Nigeria PLC
- 382. Union Bank of Nigeria PLC

Norway

- 383. DNB Nor Bank ASA (*Formerly Den Norske Bank NA*)

- 384. Nordea Bank Norge AS
- 385. Sparebanken Nord Norge
- 386. Sparebanken Hedmark
- 387. Sparebanken More

Pakistan

- 388. Allied Bank of Pakistan
- 389. Askari Commercial Bank Limited
- 390. Bank Al Habib Limited
- 391. Bank of Khyber
- 392. Dawood Islamic Bank Limited
- 393. Bank of Punjab
- 394. Faysal Bank Limited
- 395. Habib Bank Limited
- 396. Habib Metropolitan Bank Limited
- 397. KASB Bank
- 398. MCB Bank Limited (*Formerly Muslim Commercial Bank*)

- 399. Meezan Bank Limited
- 400. National Bank of Pakistan
- 401. Soneri Bank Limited
- 402. Standard Chartered Grindlays Bank Limited
- 403. United Bank Limited

Palestinian Autonomous Areas

- 404. Arab Islamic Bank

Papua New Guinea

- 405. Westpac Bank Png Limited

Peru

- 406. Banco De Credito Del Peru

Philippines

- 407. Metropolitan Bank & Trust Company
- 408. Philippine National Bank

Poland

- 409. Bank Handlowy W Warszawa SA
- 410. Kredyt Bank SA
- 411. Bank BGZ
- 412. Bank Gospodarstwa Krajowego
- 413. Raiffeisen Bank Polska SA

Portugal

- 414. Banco BPI SA
- 415. Banco Espirito Santo SA
- 416. Millennium BCP (*Formerly Banco Commercial Portugues SA*)
- 417. Barwa Bank
- 418. Doha Bank
- 419. Qatar International Islamic Bank
- 420. Qatar Islamic Bank SAQ

Romania

- 421. Banca Comerciala Romana SA
- 422. Banca Transilvania
- 423. Banca Comerciala Carpatica

Russia

- 424. Bank for Foreign Economic Affairs of the USSR
- 425. Bank for Foreign Trade (Vneshtorgbank)
- 426. Bank Jugra
- 427. B(And)n Bank (*Bin Bank*)
- 428. International Moscow Bank
- 429. Bank of Moscow
- 430. MDM Bank
- 431. Nomos-Bank (*Novaya Moskva*)
- 432. ROS Bank
- 433. Sberbank
- 434. Vnesheconombank
- 435. Vneshtorgbank (*Bank for Foreign Trade*)

Saudi Arabia

- 436. Al Rajhi Bank (*Formerly Al Rajhi Banking & Investment Corporation*)
- 437. Arab National Bank
- 438. Bank Al Jazira
- 439. National Commercial Bank Limited
- 440. Riyadh Bank
- 441. Samba Financial Group
- 442. Saudi British Bank
- 443. Saudi Hollandi Bank

Seychelles

- 444. Seychelles International Mercantile Banking

Serbia & Montenegro

- 445. National Bank of Serbia
- 446. Banca Intesa AD Beograd

Singapore

- 447. Dexia Banque Internationale A Luxembourg
- 448. Far Eastern Bank Limited
- 449. Indian Bank
- 450. Oversea-Chinese Banking Corporation
- 451. Indian Bank
- 452. ABN Amro Bank
- 453. Skandinaviska Enskilda Banken
- 454. Union De Banques Arabes ET Francaises (UBAF)
- 455. United Overseas Bank Limited
- 456. The Bank of East Asia Limited
- 457. VTB Bank Europe PLC (*Formerly Moscow Narodny Bank Limited*)
- 458. WSBC Bank Limited (*Formerly Wall Street Banking Corporation Limited*)

Slovakia

459. Vseobecna Uverona Banka AS
460. Tatra Bank
461. Postova Bank AS

Slovenia

462. Abanka Vipava DD
463. Nova Kreditna Banka Maribor DD
464. Nova Ljubljanska Banka DD Ljubljana

Solomon Islands

465. National Bank of Solomon Islands

Somalia

466. Commercial & Savings Bank of Somalia

South Africa

467. ABSA Bank Limited
468. Firststrand Bank Limited
469. The Standard Chartered Bank of South Africa
470. Nedcor Bank Limited
471. Standard Bank of South Africa Limited

Spain

472. Banco Bilbao Vizcaya Argentaria
473. Banco De Europa SA
474. Banco De Sabadell
475. Banco Intercontinental Espanol (Bankinter)
476. Banco Pastor SA
477. Banco De Valencia
478. Banco Santander Central Hispano
479. Caixa'd Estalvis De Catalunya
480. Caja De Ahorros Pensiones De Barcelona La Caixa
481. Caja Madrid

Sudan

482. Bank of Khartoum
483. National Bank of Sudan
484. Bank Dhofar SAOG
485. Bankmuscat SAOG
486. National Bank of Oman SAOG
487. Oman Arab Bank SAOC

Sweden

488. Nordbanken AB (PUBL)
489. Skandinaviska Enskilda Banken
490. Svenska Handelsbanken AB (Publ)
491. Swed Bank

Switzerland

492. Banque Cantonale Vandoise
493. BNP Paribas (Suisse) SA
494. BSI SA

495. Credit Agricole (Suisse) SA
496. Ghana Commercial Bank Limited
497. Banque Cantonale De Geneve
498. Credit Suisse
499. Luzerner Kantonal Bank
500. Ubs AG
501. Zurcher Kantonalbank
502. Banque de Commerce et de placements SA

Syria

503. Commercial Bank of Syria
504. Bank Audi Syria

Taiwan

505. Bank of Taiwan
506. China Trust Commercial Bank
507. Chinfon Commercial Bank
508. Hua Nan Commercial Bank
509. China Trust Commercial Bank
510. Taiwan Cooperative Bank
511. E-sun Commercial Bank Limited
512. First Commercial Bank
513. Shanghai Commercial & Savings Bank Limited
514. Taipei Fubon Commercial Bank

Tanzania

515. NCB Limited (National Bank of Commerce)

Thailand

516. Bangkok Bank Public Company Limited
517. Bank of Ayudhya Public Company Limited
518. Export Import Bank of Thailand
519. Kasikornabank Public Company Limited
520. Krung Thai Bank Public Company Limited
521. Siam City Bank Public Company Limited
522. Siam Commercial Bank PCL
523. Standard Chartered Bank (Thai) Public Company Limited
524. United Overseas Bank (Thai) Public Company Limited

Tunisia

525. Societe Tunisienne De Banque
526. Attijari Bank

Turkey

527. Akbank TAS
528. Arab Turkish Bank
529. Asya Finans Kurumu AS
530. Anadolu Bank
531. Tekstil Bankasi AS
532. Eurobank Tekfen AS

533. Kocbank AS (*Merged Into Yapi Ve Kredi Bankasi*)

534. Turkiye Finance Katilim Bankasi AS
535. Oyak Bank AS
536. Turkiye Garanti Bankasi AS
537. Turkiye Is Bankasi AS
538. Turkland Bank
539. Turkiye Vakiflar Bankasi TAO
540. Yapi Ve Kredi Bankasi AS

United Arab Emirates

541. Abu Dhabi Commercial Bank
542. Abu Dhabi Islamic Bank
543. National Bank of Fujirah
544. Arab Bank For Investment & Foreign Trade
545. Commercial Bank International PLC
546. Commercial Bank of Dubai PSC
547. Dubai Islamic Bank PLC
548. Emirates Bank International PJSC
549. Emirates India International Exchange Company
550. First Gulf Bank
551. Habib Bank AG Zurich
552. Mashreqbank PSC
553. Middle East Bank PJSC
554. Union National Bank
555. United Arab Bank
556. National Bank of Abu Dhabi
557. Oman International Bank

Uganda

558. Barclays Bank of Uganda Limited

United Kingdom

559. AIB Group (*Formerly Allied Irish Bank*)
560. Barclays Bank PLC
561. Clydesdale Bank PLC
562. Gulf International Bank (UK) Limited
563. Habibsons Bank Limited
564. HSBC Bank PLC
565. Habib Bank AG Zurich
566. Investec Bank (UK) Limited
567. Lloyds TSB Bank PLC
568. National Westminster Bank PLC
569. Royal Bank of Scotland PLC
570. Standard Chartered Bank

Ukrain

571. Ukreximbank (*State Export-Import Bank of Ukraine*)

United States of America

572. American Express Bank Limited
573. Banco Del Pichincha
574. Bank of America NA

575. Bank of New York
576. Bank of Tampa
577. Citibank NA
578. Cobank ACB
579. Commerce Bank NA
580. Deutsche Bank Trust Company Americas
581. First Hawaiian Bank
582. French American Banking Corporation
583. Habib American Bank
584. Hibernia National Bank
585. HSBC Bank USA
586. Silicon Valley Bank
587. Huntington National Bank
588. Israel Discount Bank of New York
589. JP Morgan Chase Bank
590. La Salle Bank Midwest
591. M & T Bank (*Formerly Allfirst Bank*)
592. Mellon Bank NA
593. National City Bank of Indiana
594. Northern Trust Company
595. PNC Bank NA
596. San Diego National Bank
597. State Street Bank & Trust Company
598. Sovereign Bank
599. Sun Trust Bank Limited
600. UMB Bank NA
601. Union Bank of California NA
602. US Bank NA
603. Wachovia Bank NA
604. Wells Fargo Bank NA

Uruguay

605. The Banco De La Republica Oriental Del Uruguay

Vietnam

606. Bank for Foreign Trade of Vietnam
607. Bank for Investment & Development of Vietnam

Yemen

608. International Bank of Yemen YSC
609. National Bank of Yemen
610. Yemen Bank for Reconstruction and Development
611. Yemen Commercial Bank
612. Yemen Kuwait Bank

Yugoslavia

613. Zagrebacka Banka DD

Zambia

614. Barclays Bank of Zambia Limited

Zimbabwe

615. Barclays Bank of Zimbabwe Limited

EXCHANGE COMPANIES BY COUNTRY

Australia

1. Kapruka (Pty) Limited
2. Serendib Financial Services

Bahrain

3. Bexmoney Bahrain Express Exchange (*Formerly Bahrain Express Exchange*)
4. Bahrain Financing Company
5. Dalil Exchange
6. Ezremit Limited
7. Zenj Exchange Company WLL
8. Zenj Exchange Company WLL - Turbo Cash
9. National Finance & Exchange Company WLL

Greece

10. International Express Remittance Services (IERS)

Hong Kong

11. Lotus Forex Limited

India

12. Moneygram

Israel

13. Tifco Logistics & Trade Limited

Jordan

14. Alawneh Exchange Company

Kuwait

15. Al Mulla International Exchange Company WLL
16. Al Muzaini Exchange Company KSC (Closed)
17. Bahrain Exchange Company WLL
18. City International Exchange Company WLL
19. Dollarco Exchange Company Limited
20. Etemadco Exchange Company WLL
21. International Financial Line Company
22. Kuwait Bahrain International Exchange Company WLL
23. Kuwait India International Exchange Company
24. National Money Exchange Company WLL
25. Oman Exchange Company Limited

26. Securities Exchange Company WLL
27. UAE Exchange Centre WLL Kuwait

Lebanon

28. Services Exchange Company (Imad Al Hariri Trading Company & Partners - SECO)

Qatar

29. Al Dar For Exchange Works
30. Al Fardan Exchange Company WLL
31. Al-sadd Exchange
32. Arabian Exchange Company WLL
33. Eastern Exchange EST
34. Gulf Exchange Company
35. National Exchange Company (*Formerly Al Shaibei Exchange Company*)
36. Trust Exchange Company Limited
37. Habib Qatar International Exchange
38. Union Exchange

Singapore

39. Mustafa's Foreign Exchange
40. HBZ International Exchange Company (Singapore) (Pvt) Limited

Sultanate of Oman

41. Asia Express Exchange
42. Gulf Overseas Exchange Company LLC
43. Hamdan Exchange
44. Modern Exchange Company LLC
45. Musandam Exchange
46. Mustafa Sultan Exchange Company LLC
47. Oman & UAE Exchange Centre Company LLC
48. Oman International Exchange LLC
49. Oman United Exchange Company LLC
50. Purshottam Kanji Exchange Company LLC

United Arab Emirates

51. Al Ahalia Money Exchange Bureau
52. Al Ansari Exchange EST
53. Al Fardan Exchange
54. Al Mona Exchange Company (LLC)
55. Al Razouki International Exchange Company LLC
56. Alukkas Exchange
57. Asia Exchange Centre
58. Orient Exchange Company WLL
59. Dubai Exchange Centre LLC
60. Habib Exchange Company LLC
61. Hadi Express Exchange
62. Lari Exchange Establishment
63. Liwa Exchange
64. National Exchange Company
65. Redha Al-Ansari Exchange EST
66. Al Rostamani International Exchange Company
67. UAE Exchange Centre
68. Xpress Money Services Limited
69. Wall Street Exchange Centre

United Kingdom

70. Currency Exchange Corporation (Fastcash)
71. Global Exchange Limited
72. Intl Global Currencies Limited

United States of America

73. Coinstar

GLOSSARY OF FINANCIAL/BANKING TERMS

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

ACCRUAL BASIS

To recognise the effects of transactions and other events as they occur without waiting for the receipt or payment of related cash or its equivalent.

AMORTISATION

The systematic allocation of the depreciable amount of an asset over its useful life. In the case of an intangible asset or goodwill, the term 'amortisation' is generally used instead of 'depreciation'. Both terms have the same meaning.

ASSOCIATE COMPANY

A company other than a subsidiary in which a holding company has a participating interest and exercise a significant influence over its operating and financial policies.

BORROWING COSTS

Interest and other costs incurred by an entity in connection with the borrowing of funds.

BUSINESS SEGMENT

A distinguishable component of an entity that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

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 the Central Bank of Sri Lanka.

CAPITAL RESERVE

Capital reserve consists of revaluation reserves arising from revaluation of properties owned by the Bank and 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.

COMMITMENT TO EXTEND CREDIT

Refer to contractual arrangements between a bank and a customer to extend credit in the future. The agreement will stipulate conditions that must be satisfied by the customer for the facility to be utilised.

CONSOLIDATED FINANCIAL STATEMENTS

The Financial Statements of a group presented as those of a single entity.

CONTINGENT LIABILITIES

Liabilities that at Balance Sheet date can either not be measured or can only be anticipated to arise if a particular event occurs.

CORPORATE GOVERNANCE

The way in which corporate entities are managed and organised, ensuring in particular that the interests of stakeholders are given sufficient weight.

COSO FRAMEWORK

Internal control framework developed by the Committee of Sponsoring Organisations of the US-based Trade Way Commission and now accepted globally as the standard.

COST/INCOME RATIO

Operating expenses compared to net income.

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.

DEALING SECURITIES

Securities acquired and held with the intention of reselling them in the short-term.

DEFERRED INTEREST

Interest not due at a particular date, but which will be due late.

DEFERRED TAXATION

Sum set aside for tax in the Financial Statements that will become payable in a financial year other than the current financial year.

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.

DOCUMENTARY LETTERS OF CREDIT (L/C'S)

Written undertakings by a bank on behalf of its customers (typically an importer), authorising a third party (e.g., an exporter) to draw drafts on the bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

EARNINGS PER SHARE (EPS)

Net profits earned during a period attributable to ordinary shareholders of a company divided by number of shares in issue during that period.

GLOSSARY OF FINANCIAL/BANKING TERMS

EFFECTIVENESS

Doing things that influences quality of output.

EFFECTIVE TAX RATE

Provision for taxation divided by the profit before taxation.

EFFICIENCY

Doing the things right. Refers to the ratio of output to input. Example: Cost to Income Ratio.

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.

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.

FORECLOSED PROPERTIES

Properties acquired in full or partial settlement of debts, which will be held with the intention of resale at the earliest opportunity.

FOREIGN EXCHANGE INCOME

The realised 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 CONTRACT

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

FREE CAPITAL

Excess of equity capital over net book value of Property, Plant & Equipment and Investments.

GENERAL PROVISIONS

Provision of 1% of total performing advances. Performing advances shall mean all advances that have not been classified as non-performing advances.

GROSS DOMESTIC PRODUCT

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.

HISTORICAL COST CONVENTION

Recording transactions at the actual value received or paid.

IMPAIRMENT

When recoverable amount declines below carrying amount.

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 IN SUSPENSE

The interest due on non-performing assets held in suspense until all the arrears of principal and interest is settled, or a specific reverse entry is made when they are determined as bad. Interest falling due from the date of classification as a non-performing asset is credited to interest in suspense.

INTEREST MARGIN

Net interest income expressed as a percentage of average interest earning assets.

INTEREST SPREAD

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

INVESTING ACTIVITIES

The acquisition and disposal of long-term assets and other investments not included in cash equivalents.

INVESTMENT FLUCTUATION RESERVE

Reserve created to meet fluctuation in investment.

INVESTMENT PROPERTIES

Land and buildings not occupied substantially for use by or in the operations of the Bank.

INVESTMENT SECURITIES

Securities acquired and held for yield or capital growth purposes and usually held to maturity.

KEY MANAGEMENT PERSONNEL

Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

LEVERAGE

Total liabilities as number of times of Equity.

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.

MARKET CAPITALISATION

Number of ordinary shares issued multiplied by the market value of each share.

MARKET RISK

The risk that the value of an investment will change due to moves 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.

NET INTEREST INCOME

The difference between what 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.

NON-PERFORMING ADVANCES

A loan placed on cash basis (i.e., interest income is only recognised when cash is received) because, in the opinion of the management, there is reasonable doubt regarding the collectability of principal or interest. Loans are automatically placed on cash basis when a payment is 90 days past due. All loans are classified as non-performing when a payment is 90 days in arrears.

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.

PRICE EARNINGS RATIO (P/E RATIO)

The current market price of a share divided by its earnings per share (EPS).

PRIMARY DEALER SPECIAL RISK RESERVE

Reserve maintained in order to strengthen capital base further with development of capital market.

PROPERTY, PLANT & EQUIPMENT

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.

PROVISION FOR LOAN LOSSES

A charge to income added to the allowance for loan losses. Specific provisions are established to reduce the book value of specific assets (primarily loans) to estimated realisable values.

PRUDENCE

Inclusion of a degree of caution in the exercise of judgement needed in making the estimates required under conditions of uncertainty such that assets or income are not overstated and liabilities or expenses are not understated.

GLOSSARY OF FINANCIAL/BANKING TERMS

REDEMPTION

Repayments of principal monies.

RELATED PARTIES

Two parties where one controls the other or exercise significant influence in financial and operating decisions.

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 (ROA)

Net income expressed as a percentage of average total assets. Used along with ROE, as a measure of profitability and as a basis of intra-industry performance comparison.

RETURN ON AVERAGE EQUITY (ROE)

Net income, less preferred share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

REVENUE RESERVE

Reserves set aside for future distribution and investment.

REVERSE REPO

The purchase of Government 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.

SEGMENT REPORTING

Segment reporting indicates the contribution to the revenue derived from business segments such as banking operations, leasing operations, stock broking and securities dealings, property and insurance.

SHAREHOLDERS' FUNDS

Shareholders' funds 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 economic activity but is not control or joint control over those policies.

SOLENCY

The availability of cash over the longer term to meet financial commitments as they fall due.

SUBORDINATE 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 right of the shareholders.

SUBSIDIARY COMPANY

A company is a subsidiary of another company if the Parent Company holds more than 50% of the nominal value of its equity capital or holds some shares in it and controls the composition of its Board of Directors.

SUBSTANCE OVER FORM

Refer to the consideration that the accounting treatment of transactions and the events should be governed by their financial reality and not by presentation form.

SWAPS (CURRENCY)

The purchase of currency for spot settlement and its simultaneous sale for settlement at a future date. Alternatively the simultaneous spot sale and future purchase of a currency.

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

Is the sum of Tier I and Tier II capital.

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.

VALUE ADDED

Value added is the wealth created by providing banking services, less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to Government by way of taxes and retained for expansion and growth.

CORPORATE INFORMATION

NAME OF THE INSTITUTION

Bank of Ceylon

LEGAL FORM

A Banking corporation domiciled in Sri Lanka, duly incorporated on 1 August 1939 under the Bank of Ceylon Ordinance No. 53 of 1938.

A licensed commercial bank established under the Banking Act No. 30 of 1988.

HEAD OFFICE

No. 4, Bank of Ceylon Mawatha
Colombo 1, Sri Lanka

Tel: +94 11 2446790-811 (22 lines)
+94 11 233874-55 (15 lines)

Facsimile: +94 11 2449401

Telex: 21331 BOCST CE

SWIFT Code: BCEYLKXX

E-Mail: boc@boc.lk

Website: www.boc.lk

TAX PAYER IDENTIFICATION NUMBER (TIN)

409000070

VAT REGISTRATION NUMBER

409000070 - 7000

STOCK EXCHANGE LISTING

Unsecured Subordinated Redeemable Debentures Rs. 100/- each allotted on 24 November 2008 and due to mature on 23 November 2013 bearing fixed, floating and zero coupon interest rate of the Bank are listed on the Colombo Stock Exchange with effect from 19 December 2008.

BOARD OF DIRECTORS

Dr. Gamini Wickramasinghe (*Chairman*)

Dr. R H S Samaratunga

Mr. G K A Chaminda K Kularatne

Mr. Raju Sivaraman

Mr. Gunaratna Gallage

Dr. Buddhadasa Kaluarachchi

Mr. V Kanagasabapathy (*Alternate*

Director to Dr. R H S Samaratunga)

SECRETARY TO THE BOARD

Ms. Janaki Senanayake Siriwardane

AUDIT COMMITTEE

Dr. R H S Samaratunga (*Chairman*)

Mr. G K A Chaminda K Kularatne

Mr. Raju Sivaraman

Mr. Gunaratna Gallage

Dr. Buddhadasa Kaluarachchi

Mr. V Kanagasabapathy (*Alternate*

Director to Dr. R H S Samaratunga)

HUMAN RESOURCES AND

REMUNERATION COMMITTEE

Dr. Buddhadasa Kaluarachchi (*Chairman*)

Mr. G K A Chaminda K Kularatne

Mr. Raju Sivaraman

Mr. Gunaratna Gallage

NOMINATION AND CORPORATE

GOVERNANCE COMMITTEE

Mr. Raju Sivaraman (*Chairman*)

Dr. R H S Samaratunga

Mr. G K A Chaminda K Kularatne

Mr. V Kanagasabapathy (*Alternate*

Director to Dr. R H S Samaratunga)

INTEGRATED RISK MANAGEMENT

COMMITTEE

Dr. R H S Samaratunga (*Chairman*)

Mr. G K A Chaminda K Kularatne

Mr. Raju Sivaraman

Mr. Gunaratna Gallage

Dr. Buddhadasa Kaluarachchi

Mr. V Kanagasabapathy (*Alternate*

Director to Dr. R H S Samaratunga)

COMPLIANCE OFFICER

Mr. L G N Cyril

AUDITOR

The Auditor General

The Auditor General's Department

Independence Square

Colombo 07, Sri Lanka

Tel: + 94 11 2691151

Facsimile: + 94 11 2697451

(*Appointed in terms of the provisions*

of Article 154 of the Constitution of the

Democratic Socialist Republic of Sri Lanka)

LAWYERS

Mr. M Kiritharan, Chief Legal Officer

and his assistants

RATING AGENCY

Fitch Ratings Lanka Limited

No. 15-04, East Tower

World Trade Centre

Colombo 01, Sri Lanka

Tel : +94 11 2541900

CREDIT RATINGS

'AA (lka)/Stable Outlook' by

Fitch Ratings Lanka Limited

