

Reinventing Ourselves

Chairman's Message



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

Strategy and the Focus for 2018 and Beyond

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

Serving Our Diverse Customer Base in a Changing Milieu

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

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

Our Responsibility to Serve the Nation

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

Governance

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

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

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

Training

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

Sustainable Footprints in Our Business

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

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

New Regulatory Changes and the Challenging Capital Requirements

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

Appreciations

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

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

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

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

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



Ronald C Perera PC
Chairman

27 March 2018
Colombo

