

→ A Positive Impact – Economic Impact

A Positive Impact

Our philosophy is to optimise positive impacts taking a long term view whilst minimising any negative impacts that may arise as a consequence of pursuing our strategic goals. We are aware that both positive and negative impacts must be measured and managed in order to understand the consequences of our actions. The Impact Report seeks to present a balanced review of our Economic, Social and Environmental impact.

Economic Impact

As Sri Lanka's largest private sector Bank and Bangladesh's 3rd largest foreign bank, our economic impact on Sri Lanka is considerable whilst that of in Bangladesh is not significant given the lower footprint in that country. Our economic performance is discussed in 'Financial Capital Report' on pages 154 to 159. The table below gives our track record for adding value in our principal geographic locations.

Direct Economic Value Generated and Distributed

For the Year Ended December 31,	Sri Lanka Operation					Bangladesh Operation				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Source of Income										
Interest income	61,577	57,244	57,534	49,169	35,914	4,453	4,588	4,653	3,516	2,442
Foreign exchange profit	2,359	1,029	1,541	4,246	1,811	518	452	455	448	510
Commission income	4,952	4,405	3,876	3,253	2,977	422	426	374	345	348
Investment income	128	99	873	103	81	15	14	14	16	–
Other	3,018	4,242	3,722	2,201	1,715	426	253	118	98	61
	72,034	67,019	67,546	58,972	42,498	5,834	5,733	5,614	4,423	3,361
Distribution of Income										
To depositors/debenture holders as interest	34,080	32,812	34,617	28,148	18,452	1,605	1,798	2,262	1,682	1,198
To employees as emoluments	9,482	8,255	7,555	7,190	5,834	699	648	631	580	456
Depreciation set aside	1,104	1,119	881	987	699	38	82	55	48	49
Impairment charges	3,608	2,881	4,606	3,155	1,763	335	348	21	42	45
To providers of supplies and services	6,183	6,131	5,629	5,046	4,661	519	88	297	183	167
To Government as taxation (Incl. Deferred Tax)	7,062	6,185	5,813	5,357	3,946	1,186	1,170	297	827	596
- Income tax	4,054	3,386	3,768	3,370	2,418	1,186	1,170	297	827	596
- Special Value Added Tax	2,889	2,689	1,969	1,987	1,523	–	–	–	–	–
- Crop insurance levy	119	110	76	–	–	–	–	–	–	–
- Debits tax	–	–	–	–	5	–	–	–	–	–
To shareholders as dividends	5,695	5,630	5,519	5,418	4,905	–	–	–	–	–
To community	61	53	51	51	110	2.0	2.0	–	1	–
To reserves	4,759	3,953	3,539	3,620	2,128	1,450	1,597	1,387	1,060	850
	72,034	67,019	67,546	58,972	42,498	5,834	5,733	5,614	4,423	3,361

Economic Value Added (EVA)

This is a measure of profitability based on the cost of total invested equity, EVA provides an indication of the true economic value created for shareholders, as opposed to accounting profits. One of the few champions of EVA in Sri Lanka, we are committed to delivering optimum and consistent value to our shareholders.

<i>For the Year Ended December 31,</i>	2015	2014	2013	2012	2011
	Rs. '000				
Invested Equity					
Shareholders' funds	70,340,804	70,511,730	60,943,999	52,577,000	43,765,665
Add: Provision for impairment	18,051,554	16,956,574	15,787,168	13,501,227	11,600,892
	88,392,358	87,468,304	76,731,167	66,078,227	55,366,557
Earnings					
Profit after taxation	11,903,224	11,180,181	10,445,511	10,098,329	7,882,869
Add: Impairment charges for loans and other losses	3,943,196	3,229,144	5,204,012	3,196,760	1,807,899
Less: Loan losses written-off	(2,427)	(27,314)	(99,024)	(4,906)	(23,775)
	15,843,993	14,382,011	15,550,499	13,290,183	9,666,993
Cost of equity* (%)	8.63	8.66	12.63	13.97	9.53
Cost of average equity	7,588,388	7,109,837	9,018,413	8,482,918	4,458,527
Economic value added	8,255,605	7,272,174	6,532,086	4,807,265	5,208,466

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*Based on 12 months weighted average Treasury Bill rate plus 2% for the risk premium

Indirect Economic Impact

The Bank provides long term funding for new projects or expansion of existing projects facilitating job creation and economic activity. All these funding are subject to social and environment screening as per the Bank's SEMS policy.

Supporting Policy Formulation

The Bank is a member of the following organisations that support policy formulation by identifying areas of concern for the economy and undertaking studies and analysis to support recommendations made to policy makers.

Sri Lanka Banker's Association	Institute of Bankers, Sri Lanka	Ceylon Chamber of Commerce
National Chamber of Commerce	Association of Banking Sector Risk Professionals, Sri Lanka	The Association of Compliance Officers of Banks, Sri Lanka

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