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PERFORMANCE REPORT

2016



Performance Report 2016

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Message from the Chairman

The year 2016 was a successful year for the Institute of Bankers of Sri Lanka (IBSL) as the official training provider for the banking and finance sector in Sri Lanka. IBSL completed 52 years of its operations with commendable performance and achievements in 2016. The IBSL was incorporated on 25th April 1979 by an Act of Parliament "Institute of Bankers of Sri Lanka (Incorporation) Act No. 26 of 1979" by replacing the Bankers Training Institute (Ceylon) which was established in 1964. In terms of its mandate provided for in the said Act, training and examinations were conducted maintaining quality with professionalism to cater the demand as reflected by the increased number of membership, particularly for the new academic programme in Applied Banking and Finance, participants in other short-term diploma and certificate programmes, training courses and seminars and financial performance of the IBSL in 2016.



At present, the IBSL offers several academic qualifications and training programmes/seminars/workshops/events to meet the growing needs of professional training and qualifications in the banking industry. The total active membership at present has grown to over 31,000 consisting over 24,500 student memberships and 6,500 associate and fellow memberships, which shows the high market recognition of the IBSL. The new academic programme in Applied Banking and Finance which was launched at end of 2013 has now completed seven cycles of examinations since its first examination in September, 2014 and it is progressing successfully with strong foundation and the total number of candidates who sat for the subjects in examination for the new academic programme increased to 48,349 in 2016 when compared with 37,037 in 2015.

Reflecting the stakeholder confidence and prudent financial management, the IBSL's annual financial surplus rose to Rs. 278 mn in 2016 with accumulated reserves of Rs. 1,993 mn. The construction of the IBSL's state-of-the-art 12 storied building has been completed and ceremonially opened by the Hon. Prime Minister on the 5th of July, 2017. The new building is to house a

fully-pledged Banking and Finance School with modern infrastructure and to offer training and academic programmes including graduate courses in Applied Banking and Finance under one roof. With these new developments, the current affairs of the IBSL will enter into a new era providing a wide range of banking and finance education and training inline with market demand.

I take this opportunity to place on record the contribution of all stakeholders of the IBSL towards its achievements hitherto. The strategic leadership and oversight of the Governing Board representing the Central Bank, licensed banks and Fellows and Associates, the dedicated delivery of services by the staff and the continued association and confidence of the IBSL's external stakeholders including members, trainees and resource panel are indeed invaluable partners of the success. I look forward to their continued engagement to drive the IBSL to greater heights in the years to come. I also salute the IBSL's past stakeholders who provided a dedicated association with integrity towards the betterment of the IBSL.

Mr. K D Ranasinghe

*Deputy Governor,
Central Bank of Sri Lanka*

Institute of Bankers of Sri Lanka

Corporate Profile

(i) Incorporation - On 25th April, 1979 by an Act of Parliament, Institute of Bankers of Sri Lanka (Incorporation) Act. No. 26 of 1979, as the successor to Bankers' Training Institute (Ceylon) established in 1964.

(ii) The Mandate / Mission (as per the Act)

- (a) To provide instruction and training for employees of banking institutions and for employees of the Central Bank of Sri Lanka in the study of the theory and practice of banking and of related subjects and for such purpose to provide all facilities including lecturers, discussions and library facilities;
- (b) To conduct examinations and to issue certificates to those who are successful in such examinations;
- (c) To facilitate and encourage discussions on matters of interest to bankers; and
- (d) To take such measures as may be desirable to further the interest of banking.

(iii) The Governing Board (as at 31. 12. 2017)

Chairman: Mr. K. D. Ranasinghe, Deputy Governor
Central Bank of Sri Lanka

Vice Chairman: Mr. H.A. Karunaratne, Asst. Governor
Central Bank of Sri Lanka

Other Members

Mr. D. M. Gunasekera, CEO/General Manager, Bank of Ceylon
Mr. N. Vasantha Kumar, CEO/ General Manager, People's Bank
Mr. S. D. N. Perera, CEO/General Manager, National Savings Bank
Mr. Nanda Fernando, Managing Director, Sampath Bank PLC
Mr. Kapila Ariyaratne, Director/CEO, Seylan PLC
Mr. K. B. S. Bandara, Deputy General Manager, Bank of Ceylon
Mr. K.B. Rajapakse, Senior Deputy General Manager, People's Bank
Mr. S. Wanniarachchi, Deputy General Manager, People's Bank
Mr. R. L. S. Senarathna, Group Compliance Officer, Sampath Bank PLC
Ms. M. N. A. Fernando, Senior Vice President-ICICI Bank Ltd.

Alternate Members

Mr. K. E. D. Sumanasiri, Deputy General Manager, Bank of Ceylon
Ms. Chandani Werapitiya, Deputy General Manager, People's Bank
Mr. J. K. Gamanayake, Senior Deputy General Manager, National Savings Bank

(iv) Principal Officers

Director General - Mr. P.J. Jayasinghe
Director, Operational Coordination - Mr. G. A. J. C. Reny
Director, Information Technology Operations - Mr. C. B. Pathberiya
Director, Examinations – Ms. S. L. Siriwardena
Director, Finance – Ms. R. J. Pakianathan
Director, College of Banking & Finance – Ms. B. D. Godakanda
Director, Member Relations – Ms. V. S. Jayasuriya
Engineer, Head, New Building - Mr. K. L. L. Fernando

(v) Principal Office

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Tel. 5 220 330 Fax : 5 220 320
E-mail – info@ibsl.lk
Web : www.ibsl.lk

(vi) IBSL Towers

No. 80A, Elvitigala Mawatha,
Colombo 08.
Tel. 2665240, 2665241
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Performance Review 2016





Performance Review 2016

1. Medium-term Outlook

The IBSL's mandate as has been provided in the Institute of Bankers of Sri Lanka (Incorporation) Act No. 26 of 1979 relates to provide instruction and training for employees of Banking Institutions and for employees of the Central Bank of Sri Lanka in the study of the theory and practice of banking and of related subjects and for such purposes to provide all facilities including lectures, discussions and library facilities. Therefore, the IBSL is the statutory institute established to promote interest of banking industry. The banking business links to almost all economic activities of the Government, Corporate Sector and the General Public as the main channel through which the finance is introduced into their economic lives. Therefore, the trained and skilled human resources play a key role for maintaining this channel, efficiently and effectively. As per the IBSL's operational theme of "towards search and delivery of knowledge for new paradigms of banking and finance", the IBSL reviews its operational model annually in order to accommodate new developments in banking and finance on both local and global fronts.

(i) Global Economic Environment and the Outlook of the Banking Sector

As per the World Economic Outlook, a survey conducted and published by International Monetary Fund (IMF) biannually, the world economic growth is projected to rise from 3.1 percent in

2016 to 3.5 percent in 2017 and 3.6 percent in 2018. Economic activity is projected to pick up markedly in emerging markets and developing economies as conditions in commodity exporters experiencing macroeconomic strains are gradually expected to improve, supported by the partial recovery in commodity prices, while growth is projected to remain strong in China and many other commodity importers. In advanced economies, the pickup is primarily driven by higher projected growth in the United States, where activity was held back in 2016 by inventory adjustments and weak investments. The outlook has also improved for Europe and Japan based on a cyclical recovery in global manufacturing and trade that started in the second half of 2016. The downward revisions to growth forecasts for emerging market and developing economies result from a weaker outlook in several large economies, especially in Latin America and the Middle East, reflecting continued adjustment to the decline in their terms of trade in recent years, oil production cuts, and idiosyncratic factors. Since the U.S. election, expectations of loose fiscal policy in the United States have contributed to a stronger dollar and higher U.S. Treasury interest rates, pushing up yields elsewhere as well. Headline inflation has been picking up in advanced economies due to higher commodity prices, but core inflation dynamics remain subdued and heterogeneous (consistent with diversity in output gaps). Core inflation has improved a little where it had been the weakest (for instance, in Japan and parts of the euro area). Headline inflation has also picked up in many emerging market and developing economies due to higher commodity prices, but in a number of cases it has receded as pass-through from the sharp currency depreciations in 2015 and early 2016 continues to fade. Many of the challenges that the global economy confronts call for individual country actions to be supported by multilateral cooperation. Key areas for collective action include preserving

an open trading system, safeguarding global financial stability, achieving equitable tax systems, continuing to support low income countries as they pursue their development goals, and mitigating and adapting to climate change.

According to the data from a research firm “Market Line”, the global banking industry has experienced healthy growth in recent years, registering a compound annual growth rate (CAGR) of 4.7% between 2012 and 2016 to reach a value of \$134.1 trillion. Asia-Pacific continued to be the largest region in terms of asset value, accounting for over 42% of the global total in 2016. Europe followed with over 38%, while the United States remained at 12%. China once again reigned supreme as the single biggest country market, with over \$31.8 trillion of assets. This equated to over 55% of the Asia-Pacific region’s total, demonstrating its importance on a regional and global scale. However, in 2016, global large Systematically Important Banks displayed a reduction in profitability and accumulation of systematic risk. By countries, the U.S. banking industry was sound in general; the Eurozone banks embraced great challenges overall; the UK banking industry faced great uncertainties; Japanese banks saw a bleak profitability prospect while adopting negative interest rates; Chinese banks managed to maintain a stable profitability, lift the proportion of non-interest income to a new high and slow the upswing of both NPL amount and NPL ratio, thus putting risks under control on the whole. The low-interest rate environment deprived of banks’ high return on assets (ROA). Major economies like the U.S., Eurozone, Japan and UK all set their interest rates at a low level. The year 2017 is one of uncertainty for many banks, with the implications of Brexit for the UK and the European Union (EU) unclear, the election of Donald Trump as President of the United States raising questions about the future direction of banking regulation in the US and European pushback on so-called “Basel IV” regulations

driving delays in finalizing those rules. EY 2017 global banking outlook survey shows that only 11% of respondents expect their banks' financial performance to improve significantly in 2017.

(ii) Sri Lankan Macroeconomic Developments

According to the Annual Report – 2016 of the Central Bank of Sri Lanka, the Sri Lankan economy grew by 4.4 per cent during 2016 in real terms, amidst numerous global and domestic challenges. Unfavourable weather conditions that prevailed during the year adversely impacted economic activity, primarily in the Agriculture sector. Services related activities, which constitute 56.5 per cent of real GDP, grew by 4.2 per cent in 2016, on a year-on-year basis, supported by the expansion in financial services (12.4 per cent), insurance (8.5 per cent), telecommunications (8.3 per cent), as well as transportation (4.1 per cent) and wholesale and retail trade (2.5 per cent). Industry related activities, which account for 26.8 per cent of real GDP, recorded a notable growth of 6.7 per cent, year-on-year, driven by the subsectors of construction, and mining and quarrying, which grew by 14.9 per cent and 14.4 per cent, respectively, jointly contributing 10.0 per cent of GDP. Within the Industry sector, the growth in manufacturing activities was low at 1.7 per cent. Agriculture, Forestry and Fishing related activities contracted by 4.2 per cent in 2016, resulting in a reduction in their share in real GDP to 7.1 per cent in 2016. Adverse weather conditions that prevailed in 2016 resulted in a contraction mainly in paddy, tea and rubber subsectors.

As per expenditure approach estimates, economic growth in 2016 was primarily driven by the expansion in investment expenditure during the year. Accordingly, gross domestic capital formation, which represents the level of investment activity of the economy, grew by 19.6 per cent, while accounting for 31.5 per cent of the nominal GDP. Higher investment growth predominantly emanated

from the expansion in construction activities during the year.

The unemployment rate declined to 4.4 per cent in 2016 from 4.7 per cent in the previous year, while the number employed, increased by 1.5 per cent during the year with the expansion in the Industry and Services related activities in the economy.

Consumer price inflation moved upwards during the first half of 2016, although it stabilised somewhat during the remainder of the year, while core inflation broadly followed an upward trend in 2016.

Sri Lanka's external sector performance remained subdued in 2016, with foreign exchange outflows exceeding the moderate inflows during the year. Although the trade deficit contracted on a cumulative basis during the first four months of the year, it expanded significantly towards the end of the year. Earnings from exports contracted for the second consecutive year in 2016 with a contraction in earnings from agricultural and industrial exports. Expenditure on imports increased during 2016, with a significant increase in expenditure on intermediate and investment goods imports, particularly in the last quarter of the year. Although the services account and the secondary income account recorded surpluses, the increase in the trade deficit and the primary income account deficit caused the external current account deficit to widen during 2016. The overall balance of the BOP recorded a deficit in 2016 reflecting the widening of the current account deficit and relatively low level of inflows to the financial account. The total external debt of the country increased during 2016 primarily due to the increase in external government debt.

The rupee depreciated against all major currencies except the pound sterling in 2016. The depreciation pressure on the rupee was a result of increased imports, continued foreign debt service payments and outflows on account of reversal of foreign

investments from the government securities market amidst monetary policy normalisation in the USA.

(iii) Sri Lankan Banking Sector

The banking sector maintained its capital and liquidity levels well above the statutory minimum requirement while assets of the sector recorded a lower growth in 2016 compared to 2015. The increase in banking assets was mainly driven by the expansion in loans and advances in line with the growth in deposits. Borrowings of the banking sector declined during the year with a drop in foreign currency borrowings enabling banks to manage foreign currency exposures within the prudential limits. The increase in interest income of the banking sector mainly contributed to the higher profitability of the banking sector as reflected in Return on Assets (ROA) and Return on Equity (ROE). Meanwhile, asset quality measured by the Non-Performing Loan (NPL) ratio recorded its lowest level for the last two decades.

By the end of 2016, the total banking network of 32 consisted of 25 licensed commercial banks (LCBs) including 12 branches of foreign banks and 7 licensed specialised banks (LSBs). By end 2016, there were 6,659 banking outlets and 3,843 ATMs installed for the purpose of providing efficient banking operations, recording an increase of 70 and 366 respectively. During the year, approvals were granted for 1 LCB to open a branch in Maldives and for another LCB to open a branch in Bangladesh and to commence a banking subsidiary for microfinance in Myanmar.

Consequent to such expansion, the total number of net intake of employees in the banking sector was about 2,095 in the last two years reaching the total number of employees at 55,257. This shows the greater banking inclusion taking place throughout the

country which reflects a considerable increase in mobilization of deposits, lending and fee-based financial services.

During the last five years, banking business in aggregate recorded a growth of assets by 73 per cent, deposits by 74 per cent, lending by 76 per cent and off-balance sheet business by 194 per cent. As a result, total profit (after tax) in the banking sector increased by nearly 40 per cent from Rs. 83 bn in 2012 to Rs. 116 bn. in 2016. The rate of business expansion during the two years, 2015 and 2016, alone was 12 per cent for total assets, 18 per cent for loans, 17 per cent for deposits and 20 per cent for profit (increase of Rs. 19 bn). As regards the productivity, soundness and risk management of the banking sector, a healthier improvement with certain drawbacks is reported during last five years. A salient decline of interest margin from 4.1 per cent to 3.6 per cent consequent to reduction in the intermediation cost, increase of capital funds by 62 per cent from Rs. 436 bn to Rs. 707 bn with a total Basel II Capital Adequacy Ratio of 15.6 per cent, reduction in net non-performing loans (NPL) ratio (after interest in suspense and loan loss provision) at the level of 1.2 per cent, reduction of post-tax return on assets from 1.7 per cent to 1.4 per cent with return on equity reduced from 20.3 per cent to 17.3 per cent due to increase in non-interest expenses, slight reduction of efficiency ratio (operating cost to income ratio) from 49.4 per cent to 49.3 per cent due to increased staff cost and maintenance of a healthy liquidity at a ratio of liquid assets to total liabilities is at 30 per cent are the leading indicators.

As at the end of Second Quarter 2017 (Q2-2017), the performance ratios remained almost at the same level of 2016. But, the other indicators including total assets, loans and advances, capital funds and deposits etc. had shown an upward trend in banking sector (Table 1). Policy initiatives, prudential regulatory measures and effective supervision have contributed to enhance the resilience and soundness of the banking sector.

TABLE 1 : Banking Sector Performance

Indicator	2012	2013	2014	2015	2016 (a)	2017 Q2 - (a)
Assets (Rs. bn.)	5,236	5,941	6,972	8,077	9,047	9,765
Loans (Rs. bn.)	3,149	3,427	3,895	4,715	5,541	6,058
Net Non-performing Loans (Rs. bn.)	68	129	100	81	68	85
Capital Funds (Rs. bn.)	436	490	569	637	707	778
Deposits (Rs. bn.)	3,625	4,170	4,686	5,403	6,296	6,878
Contingencies (Rs. bn.)	2,034	2,244	2,171	2,272	5,973	2,467
Profit After Taxes (Rs. bn.)	83	75	88	97	116	65
Branch Network (No)	6,391	6,487	6,591	6,594	6,659	--
ATMs (No)	2,415	2,544	3,339	3,477	3,843	--
Employees (No)	49,448	51,565	53,145	53,163	55,257	--
Capital Adequacy Ratio	16.4	17.6	16.6	15.4	15.6	15.0
Net Non-performing Ratio	1.8	3.8	2.6	1.7	1.2	1.4
Return on Assets (ROA) (After Taxes)	1.7	1.3	1.4	1.3	1.4	1.4
Return on Equity (ROE)	20.3	16.0	16.6	16.2	17.3	18.1
Efficiency Ratio (Operating Cost/Income)	49.4	53.4	51.4	51.0	49.3	45.7
Interest Margin	4.1	3.5	3.5	3.6	3.6	3.5
Liquid Assets (Average/Total Assets)	31.3	37.7	39.5	33.9	30.0	30.7

(a) Provisional

source: Central Bank of Sri Lanka

(iv) Sri Lankan Non-Bank Financial Institutions Sector Developments

This sector comprising Licensed Finance Companies and Specialised Leasing Companies (LFCs/SLCs), recorded a strong performance in terms of asset growth and branch network expansion during 2016 amidst a challenging business environment, while placing emphasis on gradually moving out from its core business of vehicle financing to other loan products.

By end 2016, this sector comprised of 46 LFCs, 7 SLCs and 1,313 branches, out of which 886 branches were located outside the Western Province. During the year, a new finance leasing licence for Sarvodaya Development Finance Ltd. was granted and the finance leasing licence of People's Bank was cancelled on their request while 101 new branches were added to the branch network.

The sector with total assets base of Rs. 1212 bn as at end of 2016 was small compared to the banking sector, i.e., about 13.4 per cent compared to total assets of the banking sector. However, the sector consists of a large number of small companies which do not have economies of scale and scope. Further, almost all companies are engaged in concentrated businesses, mainly real estates, hire purchase and leasing in niches in the market, which are considered quite risky. Fund-raising also involves in offering high rates of interest to compete with banks in the market. Total assets of the LFC and SLC sector expanded in 2016 at almost the same rate in 2015. The total asset base of the sector grew by 21.6 per cent (Rs. 216 billion) in 2016 to Rs. 1,212 billion compared to a growth of 22.2 per cent (Rs. 181 billion) in 2015 (Table 2). The growth of assets was largely supported by the increase in borrowings by 40 per cent or Rs. 125 billion and deposits by 10 per cent or Rs 50 billion. Funds mobilised were largely utilised in granting loans and advances. Credit growth of the LFCs/SLCs sector moderated during the first quarter of 2016 as a result of macroprudential measures implemented with respect to the lending on motor vehicles mainly in the form of a loan to value ratio (LTV). However, with the increased exposure to other lending products, the credit growth accelerated during the second half of 2016 resulting in an overall expansion of credit of 21.0 per cent (Rs. 168 billion) to Rs. 963 billion as at end 2016, compared to a high growth rate of 31 per cent (Rs. 191 billion) during 2015.

At the end of June 2017, the LFC and SLC sector showed an improved performance compared to the end of 2015 (Table 2) despite failures in certain finance companies. Several measures are being adopted to strengthen risk management and build the capacity of the LFC and SLC.

Table 2: Licensed Finance Companies and Specialised Leasing Companies Sector Performance

Indicator	2013	2014	2015	2016	End of June 2017 (a)
Assets (Rs. bn.)	685	815	996	1,212	1,272
Loans & Advances (Net)(Rs. bn.)	521	604	795	963	1,003
Capital Funds (Rs. bn.)	97	117	123	146	161
Deposits (Rs. bn.)	337	414	481	531	591
Borrowings (Rs. bn.)	192	217	314	439	428
Profit After Taxes (Rs. bn.)	5	12	15	32	5*
Branch Network (No)	1,060	1,132	1,216	1,313	1,344
Capital Adequacy Ratio	14.8	13.5	11.2	11.7	13.5
Net Non-performing Ratio	2.5	2.3	1.7	1.3	1.4
Return on Assets (ROA)	2.3	3.1	3.0	4.0	2.9
Return on Equity (ROE)	9.0	14.0	12.4	23.1	14.1
Efficiency Ratio (Operating Cost/Income)	63.7	55.8	66.4	57.4	59.6
Net Interest Margin	6.9	8.0	8.7	7.9	7.8
Liquidity (Liquid Assets/Total Assets)	8.0	9.6	7.6	7.1	7.7

(a) Provisional

source: Central Bank of Sri Lanka

* - Three months profit

Primary Dealers in Government Securities

The Primary Dealer (PD) sector recorded gradual moderation of its activities during the year. Total assets and total investment portfolio of 7 LCB primary dealers and 8 standalone PDs recorded a decline, whereas the total capital and profitability of the sector recorded a growth. Significant impairment of the assets of a particular PD, rapidly increasing interest rates, and the withdrawal of primary dealership by another company with effect from

01.04.2016 are the main reasons for the decline in total assets and total investment portfolio of the sector. Due to liquidity issues faced by Entrust Securities PLC during 2015, the management of the company vested with the National Savings Bank in January 2016 through a direction issued by the Monetary Board of the Central Bank.

The total assets of PD sector decreased by 6.4 per cent to Rs. 264.5 billion in 2016 compared to Rs. 282.6 billion in 2015. Total investment portfolio of government securities accounted for 84.8 per cent of the total assets of the industry.

Unit Trusts

The unit trust (UT) sector continued to expand in 2016 as the number of unit trusts (UTs) increased by 3 with the launch of 4 new trusts and the closure of one during the year. However, new entrants in 2016 were lower than the launch of 11 new trusts in 2015. Total number of UTs managed by 14 unit trust management companies increased to 77 funds by end 2016 from 74 funds by end of 2015. Out of these funds, 74 operated as open-ended funds, 2 operated as closed-ended funds and 1 as a dollar bond fund. The open-ended funds included 18 money market funds, 15 gilt-edged funds, 14 income funds, 8 equity growth funds, 8 balanced funds, 5 shariah funds, 4 index funds and 2 initial public offer (IPO) funds. The total assets of the UTs sector decreased by Rs. 27.2 billion to Rs. 103.1 billion at end 2016, compared to Rs. 130.3 billion at end 2015. The number of units issued decreased to 7,150 at end 2016 from 8,766 at end 2015, while the total number of unit holders increased to 41,249 at end 2016 from 38,008 reported at end 2015. The net asset value per unit also marginally declined to Rs. 14.42 by end 2016, compared to Rs. 14.76 by end 2015.

Accordingly, non-banking financial institutions sector emerges to be an important sector which needs specific human resource

capacity building with a focus on better risk management and market discipline in the interest of both viability and financial system stability.

(v) Sri Lankan Financial Markets Developments

The increasing demand for banking services has been identified in the financial markets as they require banking services in a wide range such as current accounts, credit facilities, payments and settlements services and dealings.

During the last five years, the stock market expanded by 22 per cent increase of market capitalization from Rs. 2.2 trillion as at end of 2012 to Rs.2.7 trillion at end of 2016. However, the market capitalization as a percentage of GDP declined to 23.2 per cent at end 2016 from 26.8 per cent in 2015. The number of companies listed in Colombo Stock Exchange (CSE) is at 295 in 2016.

Table 3: Share Market Performance

Indicator	2012	2013	2014	2015	2016
Market Capitalization (Rs. billion)	2,167	2,459	3,104	2,938	2,745
Market Capitalization as a percentage of GDP (%)	28.6	28.4	29.7	26.8	23.2
Market Price Earnings (P/E) Ratio (%)	15.9	15.9	19.7	18.0	12.4
No. of companies Listed	287	289	294	294	295

source: Central Bank of Sri Lanka

Government Securities Market

As far as the Government securities market is concerned, the Treasury bill yield rates which showed an increasing trend in January 2016 continued in February 2016 responding to the increase in policy rates by 50 basis points in February 2016. However, the increasing trend moderated by end April 2016 and remained broadly stable thereafter till end July 2016. In July 2016, the Central Bank further tightened its monetary policy stance by increasing the policy rates by 50 basis points. Accordingly, Treasury bill rates showed an upward adjustment and remained at elevated levels till end August 2016. However, from September 2016, Treasury bill yield rates decreased marginally and remained broadly stable thereafter till end 2016. The debt management strategy adopted to lowering cost of borrowing was supported by borrowings from international capital markets. Accordingly, International Sovereign Bonds were issued in July 2016 amounting to US dollars 1,500 million and this helped to ease the pressure on interest rates in the domestic market. Despite these efforts, foreign holdings of Treasury bills and Treasury bonds declined during the latter part of 2016, mainly due to increase in US policy rates, which resulted in capital outflows from emerging markets. The foreign investor preference for Treasury bills and bonds has declined somewhat considerably during 2016. With the policy decision to bring down the domestic foreign currency denominated debt in the medium-term plan, only US dollars 1,365.88 million worth of Sri Lanka Development Bonds (SLDBs) were raised against the maturing amount of US dollars 2,186.19 million during 2016. Funds raised through International Sovereign Bonds (ISBs) and syndicated loans were utilised to payback the maturing SLDBs.

(vi) Prospects for Training Activities

In line with economy's growth projection of achieving highest level of per capita income and the wide array of financial services required to support such growth momentum, the banking and non-banking financial operations would be enhanced in the coming years requiring more human resources in both volume and quality. Therefore, there will be enormous opportunities for career development in the banking and non-banking financial sector. These opportunities may broadly comprise of product development and delivery of retail banking, corporate banking, investment banking, asset management, marketing, risk management, compliance, banking and financial IT, management information system (MIS), IFRS compliant new accounting skills, Basel III compliant and payments services. Further, banking and finance is part and parcel of state and corporate activities which require staff professionally qualified in dealings with banks, financial institutions and financial markets for handling their wide range of financial transactions connected with business operations. Therefore, the IBSL foresees an increasing demand for its training and education services from the banking and financial sectors as well as state and corporate institutions and opportunities to promote banking and finance as a dedicated professional field that provides career opportunities in the job market. In this regard, the IBSL has already embarked on a new direction of its operational model to provide its services in both quantity and quality in a market environment.

Source: *Annual Report 2016, Central Bank of Sri Lanka*
World Economic Outlook 2017 – IMF
Global Banking Outlook (2017), Bank of China

2. Service Performance

In terms of its mandate, IBSL mainly provides the necessary training facilities and conduct examinations in order to offer professional qualifications in line with the international best practices. Accordingly, IBSL conducts a number of supporting services which include the new member enrolment, maintaining of accredited training centers for conducting supporting classes for the subjects in Intermediate in Applied Banking and Finance (IABF) and Diploma in Applied Banking and Finance (DABF), maintaining of research library facilities and the provision of educational publications. The IBSL has successfully conducted five examination cycles of the new academic programme - Intermediate in Applied Banking and Finance (IABF) and Diploma in Applied Banking and Finance (DABF) from September, 2014, which was introduced to replace the existing academic programme - CBF and DBF, aligning with the new developments that have taken place in the banking and finance services industry locally as well as globally. Further, the IBSL took several other initiatives to uplift the provision of its training facilities, conduct of new examinations aiming to upgrade theoretical as well as the practical knowledge of member students in banking and finance services and the member services.

Consequently, the membership (Associates and Fellows) of the IBSL increased by around 73 per cent to 6,500 between 2012 and 2016. The candidates who sat for subjects in examination for Certificate in Banking and Finance (CBF) and Diploma in Banking and Finance (DBF) declined by 54 percent during the 2016 to 11,774 compared to 2015. This drop was due to the reduced demand for CBF and DBF examinations and shifting of students from CBF and DBF programme to IABF and DABF, the new academic programme. The total candidates who sat for the subjects in examination for IABF and DABF, the new academic programme increased to 48,349 in 2016 when compared with 41,494 in 2015. However, a drop in overall membership as well as subject candidates was observed in 2016 when compared with the previous

year due to a drop in active students. Meantime, the candidates qualified in CBF and DBF decreased from 3,099 in 2012 to 2,896 in 2016, while the qualified candidates in LABF and DABF increased to 2,264 in 2016. The participants in training courses and seminars were also increased during past five years by 08 percent to 6,584, at the end of 2016. The year on year growth in 2016 has seen an improvement when compared with the last year and the newly introduced programme - LABF and DABF has laid the strong foundation to attract demand in years to come. The number of training programmes conducted also increased during the past five years to 29 in 2016. Also, the IBSL's state-of-the-art 12 storied building at a prime location in Borella will facilitate future expansion of operations under one roof.

(i) Training Activities

The IBSL's training arm has been in operation since the inception of the IBSL and later re-branded as College of Banking & Finance (COBAF) in 1999. The COBAF is now located in IBSL Towers at 80A, Elvitigala Mawatha, Colombo 08. The COBAF offers training & instructions in terms of the Institute of Bankers of Sri Lanka Act through classes for regular programmes (Certificates & Diplomas) open to employees of banks and financial institutions and aspirants of banking careers, seminars on subjects of current banking interest and workshops tailor-made for specific bank requirements for staff training. The COBAF at present well-equipped with the resources (class rooms, library, resource persons, etc.) to offer training events. Resource panel includes 75 professionals engaged from the market in the respective subjects and fields. The COBAF has a supporting staff of 12 to facilitate the conduct of programmes. The total number of programmes conducted in 2016 was 59 with the total of 6,584 participants where cumulative for the past five years was more than 33,000. In 2016 COBAF obtained the service of a Dialog SMS portal for IBSL to send notices for it's student members.

Resource panel of the COBAF for the Intermediate in Applied Banking and Finance (IABF) and Diploma in Applied Banking and Finance (DABF) who are fully equipped with the theoretical

and practical knowledge were selected from the banking professionals holding the high position of the field. In addition to the regular lecture series for IABF & DABF, revision Seminars were also conducted as in-house programs of banks. Due to reducing demand for CBF & DBF classes (outgoing syllabus) the lecture series were terminated, but one day revision subject-seminar series was continued in 2016 for the benefit of the remaining candidates of old syllabus.

Apart from the rising demand for instructions for subjects in the two core programmes of the IBSL, i.e. IABF and DABF, the COBAF conducted Diploma programmes of diversified subjects, i.e., Credit Management, Treasury & Risk Management, International Trade, Bank Integrated Risk Management, Compliance and SME Finance. Further, the COBAF has the supportive environment for the conduct of training on any subject of interest in the market. Due to the high demand for the Diplomas, the COBAF conducted a Diploma in Credit Management program in Kandy in 2016. Diploma in SME Finance program was conducted in Tamil medium to facilitate the Tamil medium students specially in North and East Regions. In addition to the tailor-made programmes conducted for the Banks, COBAF conducted two special programmes for 'Local Loans & Development Fund (LLDF), Ministry of Provincial Councils and Local Government' and three Certificate programmes for 'Co-operative Banks in Central Province in association with the Department of Co-operative Development, Central Provincial Council', 'Department of Divinaguma Development' and 'Money Brokers' Association'. Other than the training activities, 8 off-site examinations for promotion and recruitment of staff for a number of banks were successfully conducted in 2016.

The 9th annual Inter-bank Quiz competition was conducted in 2016 among 11 teams representing 7 banks where the Bank of Ceylon and the Commercial Bank of Ceylon PLC became the

winner and runner-up, respectively.

Table 4: Training Activities

Item	2012	2013	2014	2015	2016
Lecture Series CBF/IABF*					
Students	2,463	3,011	1,456	1,483	1,916
Subject students	7,347	6,837	4,406	4,478	5,716
Lecture Series DBF/DABF*					
Students	962	1,251	880	794	787
Subject students	1,789	2,090	2,178	1,738	1,658
Participants in other Diploma Courses	901	1,446	1,653	1,227	1,094
Participants in other Certificate Courses	225	1,417	753	327	443
Participants in other Seminars, Workshops etc.	1,736	647	1,191	2,966	2,344
Total Students and Participants	6,287	7,772	5,933	6,797	6,584
Programmes conducted	45	59	56	81	59
Dipolma courses	13	16	23	16	18
Certificate Courses	10	24	15	10	12
Other Programmes	22	19	18	55	29

(a) Lecture Series of CBF and DBF were terminated on October 2014. Lecture Series of IABF and DABF commenced in April 2014 which is to attract demand in years to come.

(ii) External Examinations

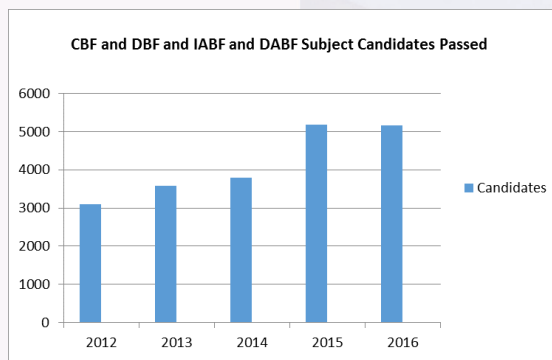
The external examinations include the examinations for CBF and DBF and the new examinations of IABF and DABF conducted twice a year (March and September). The question papers for these examinations are set and marked by an external panel of qualified examiners selected from professionals and academics available in the market. Both the CBF/DBF and IABF/DABF examinations are held at about 18 centres covering whole Island and including one centre in the Maldives. Out of these centres, 5 centres are located in Colombo and 12 centres are located in the outstations (Anuradhapura, Bandarawela, Batticaloa, Galle, Gampaha, Jaffna, Kalutara, Kandy, Kurunegala, Matara, Trincomalee and Vavuniya). Examinations are conducted with the assistance of Department of Education of Sri Lanka and Ministry of Education in the Maldives. Results of these examinations are audited and released within a two months' time after the examination with the approval of the Governing Board. The certificates to members qualified for DBF and DABF are awarded at the Annual Convocation of the IBSL. Showing the popularity of IBSL examinations, the number of subject candidates for CBF and DBF examinations continued to improve till 2013. However, a reversal of this trend was seen in 2014, 2015 & 2016 mainly due to the transition period of member students with the introduction of new academic programme - IABF and DABF. Accordingly, the number of candidates for subjects in CBF and DBF was dropped to 11,774 in 2016 from 75,365 in 2013 (see Table 5). However, the drop was seen in these examinations was partly offset by new candidates for subjects in the new academic programme - IABF and DABF which was stood at 48,349 during the year 2016.

The overall pass rate of both examinations improved to 55.4 percent being the highest in last five years. The total number of candidates qualified in CBF/DBF and IABF/DABF reduced to 5,160 in 2016. During last five years, the IBSL produced about 20,821 of

CBF, DBF, IABF and DABF qualified members to serve the banking and financial sector institutions.

Table 5: Examinations

Item	2012	2013	2014	2015	2016
Subject Candidates Sat	67,676	75,365	73,467	67,174	60,123
CBF	45,863	50,505	42,878	13,335	5,481
DBF	21,813	24,860	22,269	12,345	6,293
IABF	—	—	6,220	25,096	27,765
DABF	—	—	2,100	16,398	20,584
Subject Candidates Passed	32,171	35,733	35,898	32,923	33,307
CBF	22,509	24,437	21,910	7,578	2,919
DBF	9,662	11,296	9,328	5,704	2,954
IABF	—	—	3,642	14,068	16,187
DABF	—	—	1,018	5,573	11,247
Pass Rate Percent	47.5	47.4	48.9	49.0	55.4
CBF	49.1	48.3	51.1	56.8	53.3
DBF	44.3	45.4	41.9	46.2	46.4
IABF	—	—	58.6	56.1	58.3
DABF	—	—	48.5	46.7	54.6
Candidates qualified	3,099	3,583	3,796	5,185	5,160
CBF	2,411	2,664	2,801	2,964	1,716
DBF	688	919	918	1,297	1,180
IABF	—	—	68	818	1,552
DABF	—	—	9	106	712



(iv) New Member Enrolment

Candidates sitting for the Intermediate in Applied Banking & Finance (IABF) for the first time are required to obtain the registered membership of the Institute prior to sitting the respective examinations. During the year 2016, 5185 new students registered with IBSL strengthening the member base.

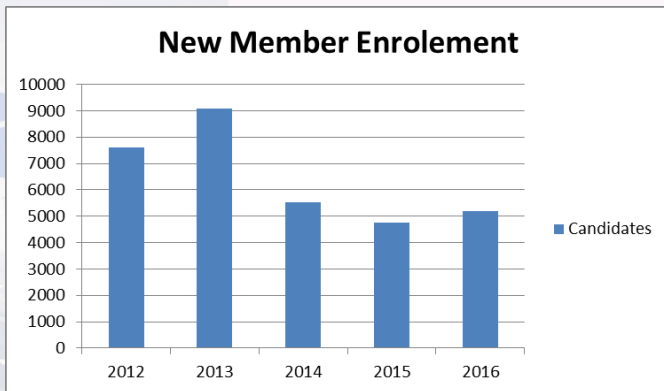
Table 6: New Member Enrolment

Student Members	2014		2015		2016	
Bank Employees	1,655	30%	1,191	25%	1,087	21%
Non-Bank Employees/School Leavers	3,874	70%	3,565	75%	4,098	79%
Total New Studentits	5,539		4,756		5,185	
Active Student Members (Including New Members)	28,312		28,535		24,635	

Membership registration of the school leavers have been increased during the past 03 years. This shows recognition of both CBF/DBF and IABF/DABF as added professional qualifications among the school leavers looking for banking and finance careers, corporate sector employees and non-bank professionals. The new enrolment of members outside bank

employment has steadily increased constituting 70 percent of total new enrolment in 2014 to 79 per cent in 2016. This progressive trend is expected to continue in coming years also.

However, a drop in active membership was seen in 2016 when compared with 2015, mainly due to reduced demand for CBF and DBF and such reduced demand for CBF and DBF could not instantly fully capture by the new academic programme of IABF and DABF.



(iii) Member Enrolment

The IBSL maintains a member enrolment system for strengthening the member base and to follow a proper method to track and monitor participants obtaining the IBSL services.

With the introduction of new Associate & Fellow Membership policy in 2016, a new membership structure with six (06) categories were introduced to facilitate Alumni members' engagement with the IBSL. Accordingly, prevailing system of awarding life memberships was discontinued and annual subscription based new system was introduced effective from 2016.

Associate & Fellow member base of IBSL consists of Associate members (AIB, Sri Lanka) who are qualified in DBF/DABF and in the managerial level or with minimum four (04) years of experience in banking & finance connected fields, Senior Associate members (AIBs, Sri Lanka) with minimum of five (05) years' post Associate experience in banking & finance connected fields, Fellow members (FIB, Sri Lanka) holding Senior Management Positions (AGM/DGM) or with minimum 10 years' post Associate member experience in banking & finance connected fields, Senior Fellow members (FIBs - Sri Lanka) with minimum of five (05) years' Fellow membership or fifteen (15) years' Associateship and Honorary Fellow members (Hon.FIB-Sri Lanka) on account of their distinguished service to the banking & finance industry.

In addition, "Distinguished Member" category was introduced to facilitate the recognition of Renowned professionals or academia in the subject of Banking & Finance connected fields OR Outstanding professionals at commanding levels in the top managerial positions such as CEO, CFO, CCO, COO, CRO, Chairman and Board Members etc. (This membership is open to professionals who do not possess IBSL academic records).

Over the past half-decade there has been progressive growth in Associate & Fellow membership base showing nearly 76% growth in Associateships and 27% growth in Fellowships between the period 2012 to 2016. In addition to above initiatives, in order to provide access for new facilities of the IBSL, an Amnesty scheme was introduced for Associate & Fellow members who were in arrears of subscription up to 2016, and members over 62 years were provided with member renewal facility free of charge.

Table 7: Member Enrolment

Item	2012	2013	2014	2015	2016
Associate members	3579	4144	5028	5892	6288
Senior Associate members	-	-	-	-	2
Fellow members	140	149	161	170	176
Senior Fellow members	-	-	-	-	4
Distinguished Fellow members	-	-	-	-	-
Honorary Fellow members	29	29	29	30	30
Total	3,748	4,322	5,218	6,103	6,500

(iv) Member Support Services

(a) Accredited Training Centers

The main objective of the Accredited Training Centres is to facilitate participants in both the CBF and DBF and the IABF and DABF examinations in outstations; the IBSL in 2000 commenced these accreditation of external training institutes to provide information, instruction and tuition. Such accreditation is awarded after conducting a careful examination and evaluation of credentials in order to maintain the quality and integrity. The number of such accredited centers in operation was 19, as at end of 2016.

These Institutes (Page 39) have been approved by the Governing Board of the IBSL as Accredited Centers of the IBSL to conduct classes for the subjects in CBF, IABF, DBF and DABF. They should display the Certificate of Accreditations at the class/premises and maintain a publications sales counter. However, the IBSL does not guarantee their service quality or regulate their fees.

(b) Library

The Library located at IBSL Towers, Elvitigala Mawatha, Colombo 08, is open for members and resource panel between 8.15 a.m. to 5.15 p.m from Tuesdays to Sundays except on Mondays. It has a collection of more than 8000 volumes of important reading materials ranging from books and journals to study packs on various subjects relevant to Banking and Finance. All the recommended readings for the IABF and DABF examinations including nearly 500 copies (100 titles) of International textbooks were acquired to the IBSL library. The library is relocated at the state-of-the-art IBSL new building since March 2017 to serve better with more space and facilitate the new academic programme and Graduate Programme in Applied Banking and Finance.

(c) Publications

Bankers' Journal is the IBSL's branded Journal published twice a year containing articles written by the industry specialists and professionals. The Journal is now being re-branded to be a professional Journal to contain articles of current banking and finance topics authored by the industry professionals, highlights of local and global economic, speeches, banking and financial market developments and interviews with the CEOs and regulators in the banking and financial sector. Members can access the e-version of the Bankers Journal via IBSL website "www.ibsl.lk". In addition, a number of study guides compiled by the professionals are published on regular basis by the IBSL. At the premises of COBAF, a publication sales outlet is operated. Since 2013, a booklet titled "Guide to IBSL" is being released as a consolidated document for the awareness of IBSL services to members and prospective members on annual basis.

(d) Annual Convocation

The Convocation is annually held in each year to award the Diploma to those who qualify for the DBF, DABF and Post-graduate Executive Diploma in Bank Management and to confer the membership to Associates and Fellows.

Accordingly, 666 candidates who have successfully completed DBF and DABF examinations in March 2016 and 1226 candidates Completed at the September 2016 Examination were qualified for receiving diplomas at the 21st and 22nd Convocation respectively .

Further, gold medals and cash prizes were awarded to best performers in DBF and CBF, IABF and DABF at the Examinations

The number of awards at the Convocation is as follows:

Table 8: Number of Awards at the Convocation

Item	2016
Associate members	385
Senior Associate members	2
Fellow members	6
Senior Fellow members	4
Distinguished Fellow Members	-
Honorary Fellow members	-
PGE Diploma in Bank Management	89
Diplomas in Banking & Finance (DBF)	1,180
Diplomas in Applied Banking & Finance (DABF)	712
Gold Medals	28
Cash Awards	13
Winners & the Runners up of Inter Bank Quiz Competition	8

The 21st Annual Convocation was held on 27th January 2017 and the 22nd Convocation held on 09th June 2017 at the BMICH with Dr. Indrajit Coomaraswamy, Governor, Central Bank of Sri Lanka, as the Chief Guest and Dr. R. H. S. Samaratinga, Secretary to the Treasury and Secretary to Minister of Finance as the Guest of Honor. It is encouraging that some of the Diploma Recipients in this convocation were from the very first examination conducted in September, 2014 on the newly launched external academic programme in Diploma in Applied Banking and Finance (DABF).

(e) Infrastructure Facilities

The construction of the IBSL's State-of-the-art 12 storied building has been completed and ceremonially opened by the Hon. Prime Minister on the 5th July, 2017. The College of Banking & Finance is now housed at the new building at No. 80A, Elvitigala mawatha, Colombo 08. The Head office is functioning at No. 05, Mile Post Avenue Colombo 03, will move shortly to the new building. The new building will primarily serve as academic center of the IBSL to provide modern class rooms facilities and study facilities under one roof. This new academic centre is promoted as part of the knowledge hub initiative of the government for local and foreign students.



3. Governance

(i) Governing Board

In terms of the IBSL directions, all affairs of the IBSL should be administered by its Governing Board. It includes 12 high ranking banking sector professionals consisting of two members from the Central Bank of Sri Lanka (A Deputy Governor as Chairman and an Assistant Governor as Vice Chairman), two from Bank of Ceylon (General Manager and a Deputy General Manager), two from People's Bank (CEO/General Manager and a Deputy General Manager), Three from other banks and three from Fellows and Associates of the IBSL. At present, the term of the office and maximum age of members elected by the Fellow and Associate Members are restricted to 03 years and 60 years respectively as per the regulation made by the Governing Board in order to give the opportunity to more such members to serve in the Board.

(ii) The Board's Delegation of Affairs, Oversight and risk Management

The Board meetings are generally held once a month to perform its responsibilities. The Director General reports monthly performance of IBSL services and finance in terms of key performance indicators prescribed by the Board along with monthly financial statements. In line with the standard corporate governance practices, the Governing Board issues rules and policies time to time to carry out operations of the IBSL. The Director General is assisted by minimum of four line directors and other staff appointed by the Board. The total number of staff of

the IBSL as at end of 2016 was 41. The external assurance services are obtained through internal audit and external audit are kept as the third line of defence against risks. Internal audit function and external audit function are performed through two leading Audit Firms to ensure greater independence. Internal audit is conducted on a quarterly basis and financial statements are compiled in terms of Sri Lanka Accounting Standards on monthly basis. The first and second lines of defense against risks are in place through a number of regulations of the Board covering internal operations system, financial control system, staff disciplinary procedure, administrative manual and management oversight mechanisms.

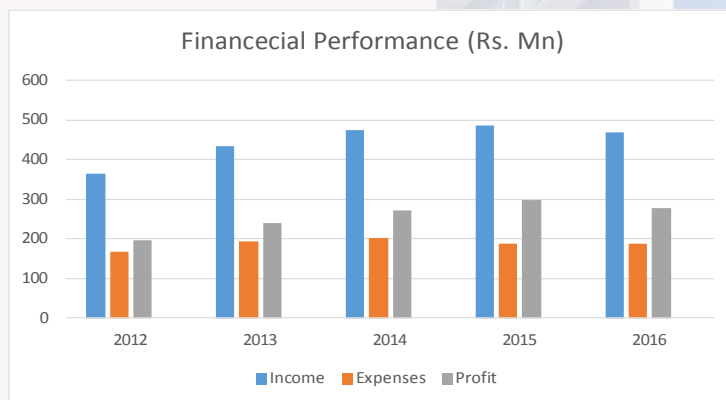
Among the new policies of the Governing Board implemented in 2016, introduction of new Associate & Fellow Membership policy including new membership structure with six (06) categories to facilitate Alumni members' engagement with the IBSL and related, annual subscription system, , Re-continuation of amnesty for the members who were having long outstanding subscription payments, two new Accredited Centres of the IBSL in Nawalapitiya and Batticaloa for conducting of tuition for IABF and DABF and introducing Saturday as a working day for IBSL to facilitate the members, were major ones.

In 2016, the financial performance of the IBSL shows a decline compared to 2015, in terms of earnings & profit, however the last five year growth continued to improve indicating the success of affairs and risk management of the IBSL by the Governing Board along with rising demand for professional education and career development in banking and finance industry (see Table 9). The IBSL's brand name being the statutorily established institute for providing training to bankers also attracted high confidence and recognition in the market.

The operational profit of the institution decreased to Rs. 278 mn in 2016 from Rs. 297 mn in 2015, with cumulative reserves of Rs. 1,993 mn as at end of 2016. In the meantime, the cost income ratio increased to 40 per cent in 2016 from 39 percent in 2015.

Table 9: Financial Performances (Rs. mn.)

Item	2012	2013	2014	2015	2016
Income	365	433	475	485	468
Expenses	168	194	203	187	189
Profit	197	239	272	297	278
Assets	819	1061	1,365	1,636	2,067
Investments	486	561	586	559	531
Reserves	778	1,016	1,288	1,585	1,993



List of Programmes at College of Banking and Finance

i. New Academic Programme

1. Intermediate in Applied Banking & Finance (IABF)
2. Diploma in Applied Banking & Finance (DABF)

ii. Two Day Revision Subject-Seminars for Outgoing Programme

1. Certificate in Banking & Finance (CBF)
2. Diploma in Banking & Finance (DBF)

iii. Postgraduate Diploma

1. Post-graduate Executive Diploma in Bank Management (PGEDBM)

iv. Diploma Courses

1. Advanced Diploma in Credit Management
2. Diploma in Treasury & Risk Management
3. Diploma in Credit Management
4. Diploma in International Trade
5. Diploma in Islamic Banking
6. Diploma in Business Finance & Bank Management
7. Diploma in Bank Integrated Risk Management
8. Diploma in Financial Service Management
9. Diploma in Microfinance
10. Diploma in SME Finance
11. Diploma in Portfolio & Investment Management
12. Diploma in Corporate Banking
13. Diploma in Compliance

v. Certificate/Intermediate Courses

1. Certificate in Introduction to Islamic Banking & Finance
2. Certificate in Hire Purchase & Finance Leasing
3. Certificate in Accounting for Lending Bankers

4. Certificate in Foreign Exchange
5. Certificate in Money Broking
6. Certificate in Internal Auditing
7. Certificate in Payments and Settlements
8. Certificate in Project Management Tools & Techniques
9. Certificate in Legal Aspect in Banking
10. Certificate in Branch Banking Operations
11. Certificate in Fund Management
12. Certificate in Microfinance
13. Certificate in Operational & Risk Management
14. Certificate in Bank Supervision & Regulations of the Bank
15. Certificate in SME Project Financing

vi. Seminars / Special Programmes

1. Seminar on Pawn Broking
2. Seminar on Problem Loan Management
3. Seminar on Risk in Financing International Trade
4. Seminar on Handling Forged Notes
5. Seminar on Banking for Corporate World
6. Seminar on Service Marketing
7. Seminar on Bills of Exchange
8. Seminar on Current Trend in Microfinance
9. Seminar on Customer Charter for Banks
10. Seminar on Current Global Regulatory Reforms and Basel III
11. Seminar on Recent Developments and Current Issues of Banking Law
12. Seminar on Foreign Exchange Market and Exchange Control Regulations in Sri Lanka
13. Seminar on Fraud Prevention & Investigation
14. Seminar on Company Accounts & Legal Principles on Banking

15. Seminar on Anti-money Laundering: The Way Forward for Preventing the Use of Banking System for Money Laundering & Terrorist Financing
16. Seminar on Payments and Settlements
17. Seminar on International Trade
18. Seminar on Operational Aspects and Issues in Food & Beverage Sector
19. Seminar on Operations and Issues in Agri-businesses & Fisheries Sector
20. Seminar on Grooming Young People to Be Different
21. Seminar on Building Positive Work Attitudes for Productive Work
22. Seminar on Regulatory Compliance Requirements for Banks
23. Seminar on Compliance to promote Risk Management in Banks and Financial Institutions
24. Seminar on Legal Implication for Bankers
25. Seminar on BASEL Capital Accord-Capital Computation & Risk Management
26. Seminar on Bank compliance
27. Seminar on Ethics in Banking
28. Seminar on Capital Adequacy & BASEL III
29. Seminar on Branch Banking Operations
30. Seminar on Liquidity Risk Management & BASEL III
31. Seminar on Credit Appraisal
32. Workshop on Developing Skills for Working in Public Relations

ACCREDITED CENTERS

The following Institutes have been approved by the Governing Board of the IBSL as Accredited Centers of the IBSL to conduct classes for the subjects in CBF, IABF, DBF and DABF. They should display the Certificate of Accreditations at the class/premises and maintain a publications sales counter. However, the IBSL does not guarantee their service quality or regulate their fees.

BATTICOLA

1. Oxford College

No 03, Bar Road, Batticaloa

Tel.: 0652224214/0778148246

E-mail: info@battioxford.com

2. E-Best Campus

No.170/1, Batticaloa Road, Kalmunai.

Tel.: 0674928787/ 07553255924

E-mail: info@ebestcampus.com

COLOMBO

3. Jayasekara Management Centre (Pvt) Ltd.

No.65/2A, Sir Chittampalam A Gardiner Mawatha, Colombo 2.

Tel.: 0112430451/0115755600-1

E-mail: jmcmdunit@gmail.com

4. Panaska Academy (Pvt) Ltd.

4th level, 104

Havelock Central Building

Colombo 5

Tel.: 077 2910644/0772961049

E mail: sanjeewab@orelpower.com

5. Professional Education Akrata College

No. 22 K.D. David Mawatha Maradana Rd. Colombo 10

Tel.: 0115 682602/0114584525/0777845585

E-mail: profedu@sltnet.lk

6. Siksil Institute of Information Technology

No.08, Peterz Place
Kohuwala
Nugegoda
Tel.: 0112814908/0779707600
E-mail: amila@siksil.com

GAMPAHA

7. Institute of Business Studies(IBS)

Gampaha Branch
No. 35/1/2
Queen Mary's Road
Gampaha
Tel.: 0812498679/0714425989
E-mail: nicd.edu@gmail.com

JAFFNA

8. Jaffna College

Undergraduate Department No. 464, Hospital Road, Jaffna
Tel.: 0212223382, 0212229149, 0774405917
E-mail: jcd2011@yahoo.com

KANDY

9. IFB College

No.05,Mulgampola Rd., Kandy
Tel.: 0812228183/0773090764
E-mail: ifb.edu@gmail.com

10. IBA Campus

No.14, Asgiriya Rd., Kandy
Tel.: 0814976976/0812224974
E-mail: asiri@iba.lk

11.Excel College

Sarath Ilapperuma Memorial Institute
No.669, Peradeniya Rd., Kandy
Tel.: 0815634206
E-mail: scillapperuma@gmail.com

12.National Institute of Co-operative Development, Polgolla

Tel.: 0812498679/0714425989
E-mail: nicd.edu@gmail.com

KURUNAGALA

13. Wayamba Co-Operative Rural Bank Union Ltd.

No,107,Dambulla Rd., Kurunagala
Tel.: 037 2234150
E-mail: info@wcrb.lk

MATARA

14. Ninaro Higher Education Centre

No.10/18, Elawella Rd., Matara
Tel.: 041 2229699/0757522380

NAWALAPITIYA

15. Americal College of Higher Studies

Gampola Road, Back Lane
Nawalapititya
Tel.: 054 2224222/0776505555
E-mail: achsnp@gmail.com

NEGOMBO

16. Advanced Centre for Business Studies (ACBS)

No.197, Taladuwa Rd.
Negombo
Tel: 0313717574/0716606686
E-mail: advancedcbs@gmail.com

RATHNAPURA

17. Sabaragamuwa Chamber of Commerce & Industry

No.2/8, Bandaranayake Mw., Rathnapura

Tel.: 0452223662/0718666326

E-mail: sccija@slt.net.lk

TRINCOMALEE

18. Royal International College(RIC)

No. 7, Church Road, Trincomalee

Tel: 0773799462

E-mail: myuran.rii@gmail.com

MALDIVES

19. Educorp Consulting (Pvt.Ltd)

Male's Business School, H.Merry Rose, Filigas

Male 20175, Maldives

Tel.: 9607900090/+9603313883

E-mail: adamumar@gmail.com

FINANCIAL STATEMENTS 2016





STATEMENT OF FINANCIAL POSITION

As At December 31 (Rs.'000)

	2016	2015	2014
Non-Current Assets			
Property, Plant & Equipment	1,411,458	930,677	599,444
Intangible Assets	754	41	-
Non-Current Financial Assets	66,232	61,818	56,897
Current Assets			
Inventories	5,149	5,455	5,095
Other Current Assets	53,518	78,426	117,373
Investments-Held To Maturity	439,264	503,754	424,318
Cash in hand & at Banks	91,422	55,348	162,301
Total Assets	2,067,797	1,635,519	1,365,428
Non-Current Liabilities			
Current Liabilities	23,553	22,567	20,407
Total Liabilities	51,351	27,697	57,090
Funds Employed	74,904	50,264	77,497
Reserve Fund	46,614	43,026	35,077
Accumulated Fund	1,817,223	1,542,229	1,252,854
Revaluation Surplus	129,055	-	-
Total Funds	1,992,892	1,585,255	1,287,931
Total Funds & Liabilities	2,067,797	1,635,519	1,365,428

TOTAL COMPREHENSIVE INCOME STATEMENT

For the year ended 31st December (Rs.'000)

Item	2016	2015	2014
Registration & Subscriptions Income	78,087	90,948	90,759
Examination & Other Related Income	323,632	344,444	328,247
Interest Income	58,301	39,207	45,412
Other Income	7,928	10,626	10,614
Total Income	467,948	485,225	475,032
Staff Expenses	72,219	68,606	68,490
Administration & Establishment Expenses	58,240	55,583	59,456
Other Operating Expenses	58,906	63,713	75,486
Total Expenditure	189,365	187,902	203,432
Surplus	278,583	297,323	271,600
OTHER COMPREHENSIVE INCOME			
Revaluation Gain (Loss)	129,054		
TOTAL COMPREHENSIVE INCOME	407,637	297,323	271,600



D.H.P. MUNAWEERA & CO.
Chartered Accountants

No. 5/6, Police Park Terrace,
Off Police Park Avenue,
Colombo 05,
Sri Lanka.

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**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF THE INSTITUTE OF BANKERS OF SRI LANKA**

Report on the Financial Statements.

We have audited the accompanying Financial Statements of Institute of Bankers of Sri Lanka which comprise the Statement of Financial Position as at 31st December 2016 and the related Statement of Comprehensive Income, Statement of Changes in Funds & Reserves and the Statement of Cash Flow for the year then ended, and a summary of Significant Accounting Policies and other explanatory information.

Board's Responsibility for the Financial Statements

Management is responsible for the preparation of these Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility,

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of Accounting Policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the Financial Statements.

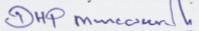
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Institute has not used actuarial techniques, the projected unit credit method in estimating the cost to the entity of employee benefits as required by Sri Lanka Accounting Standards 19 employee benefits (LKAS 19). Provision has been made as per the relevant statute.

Qualified Opinion

In our opinion, except for the matter described in the basis for qualified opinion paragraph, the Financial Statements give a true and fair view of the Financial Position of the Institute as at 31st December 2016 and of its Financial Performance and Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards.


D.H.P. MUNAWEERA & COMPANY
CHARTERED ACCOUNTANTS.

Colombo
15th May 2017
JP/cr

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Ms. C.K. WIJAYARATNA FCA
K.L.J.N. PERERA FCA B.B. MGT.(ACC) SP, R.D.M. WIJETHUNGA ACA Bsc (MGT)

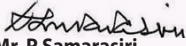
INSTITUTE OF BANKERS OF SRI LANKA
STATEMENT OF FINANCIAL POSITION


As At 31st December

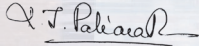
Item	Notes	2016	2015 (Rs)
ASSETS			
NON-CURRENT ASSETS			
Property, Plant & Equipment	10	1,411,458,549.96	930,677,086.66
Intangible Assets	11	753,606.87	41,388.98
Non-Current Financial Assets	12	66,231,599.66	61,818,043.59
Total Non-Current Assets		1,478,443,756.49	992,536,519.23
CURRENT ASSETS			
Inventories	13	5,149,159.65	5,454,709.74
Other Current Assets	14	53,517,985.49	78,425,689.36
Investments - Held to Maturity	15	439,263,999.81	503,754,128.06
Cash in hand & At Banks	16	91,421,827.68	55,348,580.56
Total Current Assets		589,352,972.63	642,983,107.72
TOTAL ASSETS		2,067,796,729.12	1,635,519,626.95
FUNDS & LIABILITIES			
Reserve Fund	17	46,614,409.90	43,026,016.65
Accumulated Fund	18	1,817,223,441.99	1,542,228,943.69
Revaluation Surplus		129,054,456.12	-
Total Funds		1,992,892,308.07	1,585,254,960.34
NON-CURRENT LIABILITIES			
Employee Benefit Liability	19	23,553,237.45	22,567,412.50
Total Non-Current Liabilities		23,553,237.45	22,567,412.50
CURRENT LIABILITIES			
Trade & Other Payables	20	14,456,670.45	16,345,347.72
Receipts in Advance	21	10,773,930.00	10,692,772.73
Other Liabilities	22	26,120,583.15	659,133.66
Total Current Liabilities		51,351,183.66	27,697,254.11
Total Liabilities		74,904,421.11	50,264,666.61
TOTAL FUNDS & LIABILITIES		2,067,796,729.12	1,635,519,626.95

We certify that these financial statements were prepared in compliance with Sri Lanka Accounting Standards based on the information maintained and gathered under effective internal controls.

The Accounting Policies & Notes on Page 55 through 76 form an integral part of the Financial Statements.


Mr. P Samarasiri
Chairman


Mr. K D Ranasinghe
Vice Chairman


Mrs. R J Pakianathan
Director/Finance

TOTAL COMPREHENSIVE INCOME STATEMENT

For the year ended 31st December

Item	Notes	2016 Rs.	2015 Rs.
Registration & Subscriptions Income	3	78,087,159.47	90,948,592
Examination & Other Related Income	4	323,631,691.35	344,443,903
Interest Income	5	58,301,218.54	39,206,917
Other Income	6	7,927,937.70	10,625,904
Total Income		467,948,007.06	485,225,316
Staff Expenses	7	(72,218,776.76)	(68,605,686)
Administration & Establishment Expenses	8	(58,240,624.34)	(55,583,162)
Other Operating Expenses	9	(58,905,714.41)	(63,713,000)
Total Expenditure		(189,365,115.51)	(187,901,848)
Surplus for the year		278,582,891.55	297,323,468
OTHER COMPREHENSIVE INCOME			
Revaluation Gain / (Loss)		129,054,456.12	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		407,637,347.67	297,323,468

The Accounting Policies and Notes on pages 55 through 76 form an integral part of the Financial Statements.

INSTITUTE OF BANKERS OF SRI LANKA
STATEMENT OF CHANGES IN FUNDS & RESERVES

(Rs.)

Item	Reserve Fund	Accumulated Fund	Revaluation Reserve	Total
Balance as at 01st January 2015	35,077,257	1,252,854,236	-	1,287,931,492
Surplus for the year	-	297,323,468	-	297,323,468
Transfers	7,948,760	(7,948,760)	-	-
Balance as at 31st December 2015	43,026,017	1,542,228,944	-	1,585,254,960
Surplus for the year	-	278,582,892	-	278,582,892
Transfers	3,588,393	(3,588,393)	-	-
Other Comprehensive Income			129,054,456	129,054,456
Balance as at 31st December 2016	46,614,410	1,817,223,442	129,054,456	1,992,892,308

The Accounting Policies and Notes on pages 55 through 76 form an integral part of the Financial Statements.

**INSTITUTE OF BANKERS OF SRI LANKA
CASH FLOW STATEMENT**

For the year ended 31st December

(Rs.)

Item	Notes	2016	2015
Cash Flows from Operating Activities			
Registrations & Subscriptions Income		78,087,159	90,948,592
Examination & Other Related Income		323,712,849	344,895,926
Other Income		7,927,938	10,625,904
Cash Payments to Employees & Supplies		(183,276,770)	(185,339,138)
Operating Profit before Changes to Operating Assets & Liabilities		226,451,176	261,131,283
Gratuity Paid		(2,414,724)	-
Other Operating Assets		25,213,254	38,587,449
Other Operating Liabilities		(157,475)	(24,539,932)
Net Cash Inflow/ (Outflow) from Operating Activities		249,092,231	275,178,800
Cash Flows from Investing Activities			
Purchase of Property, Plant & Equipment		(356,858,224)	(336,560,727)
Proceeds from Sale of Property, Plant & Equipment		-	-
Net Change of Held-to-Maturity Investments		63,894,570	(74,552,095)
Interest Received		54,483,220	29,402,032
Net Cash Inflow/ (Outflow) from Investing Activities		(238,480,433)	(381,710,789)
Cash Flows from Financing Activities			
Net Increase in Cash & Cash Equivalents		10,611,798	(106,531,989)
Cash & Cash Equivalents at the beginning of year		54,689,447	161,221,436
Cash & Cash Equivalents at the end of year		65,301,245	54,689,447
Cash & Cash Equivalents			
Cash in hand & Balances at Banks	16	91,421,828	55,348,581
Other Liabilities	22	(26,120,583)	(659,134)
		65,301,245	54,689,447

Notes to the Financial Statements

1. Corporate Information

1.1 General

Institute of Bankers of Sri Lanka (IBSL) was established in Sri Lanka in 1979 under the Institute of Bankers of Sri Lanka (Incorporation) Act No.26 of 1979. The IBSL is an Approved Charity in the gazette No. 425 of October 24, 1986 declared by Hon. Minister of Trade and Shipping for the purpose of Section 31 (9) (a) of the Inland Revenue Act No. 28 of 1979. The Registered Office of the Institute and the Principal Place of Business are located at No.5, Milepost Avenue, and Colombo.3. The Governing Board appointed in terms of the Act is the Executive Authority to make and implement rules to manage all affairs of the IBSL.

1.2 Principal Activities and Nature of Operations

The principal activities of the institute continued to be activities authorized in the incorporation Act as follows:

- (a) To provide instruction and training for employees of Banking institutions and for employees of the Central Bank of Sri Lanka in the study of the theory and practice of Banking and of related subjects and for such purpose to provide all facilities including lectures, discussion and library facilities;
- (b) To conduct examination and to issue certificates to those who are successful in such examination;
- (c) To facilitate and encourage discussion on matters of interest to Bankers; and
- (d) To take such measures as may be desirable to further the interest of Banking.

1.3 Basis of Preparation

1.3.1 Statement of Compliance

The Financial Statements and notes thereto of the Institute have been prepared in accordance with Sri Lanka Accounting Standards (SLFRs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka.

1.3.2 Basis of Measurement

The Financial Statements of the Institute have been prepared on a historical cost basis, except for Derivative Financial Instruments, Financial Instruments classified as fair value through profit or loss, all of which have been measured at fair value.

1.3.3 Use of Estimates and Assumptions

The preparation of financial information requires the use of estimates and assumptions about future conditions. The use of available information and the application of judgement are inherent in the formation of estimates; actual results in the future may differ from estimates upon which financial information is prepared.

Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the Notes on the Financial Statements.

1.4 Significant Accounting Policies

1.4.1 Interest Income and Expense

Interest Income and Expense for all financial instruments except for those classified as held for trading or designated at fair value are recognized in 'Interest income' and 'Interest expense' in the income statement using the effective interest method. The effective interest method is a way of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

1.4.2 Other Revenue/Expenditure Recognition

All Income from Members by way of Registration, Subscription, Lecture Fees and Examinations Fees has been recognized on accrual basis.

Expenses are recognized in the Income & Expenditure Statement on the basis of a direct association between the cost incurred and the earning of specific items of Income. All Expenditure incurred in the running of the Institute and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to the Profit or Loss.

1.4.3 Classification, Measurement and Recognition of Financial Instruments

a. Classification Financial Assets

At the inception a financial asset is classified into one of the following:

- i. Financial assets designated at fair value through profit or loss
- ii Financial assets available-for-sale
- iii Held-to-maturity financial investments
- iv Loans and receivables to banks and other customers

b. Initial Recognition and Measurement

All financial instruments are recognized initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price.

Financial assets/liabilities held at fair value through profit and loss any changes in fair value from the trade date to settlement date is accounted in the Statement of Comprehensive Income while for available-for-sale financial assets any changes in fair value from the trade date to settlement date is accounted in

the Statement of Other Comprehensive Income.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations. (Bid price for long position and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

c. Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

i Financial assets at fair value through profit or loss

Financial Assets at fair value through profit or loss include Financial Assets held-for-trading and Financial Assets designated upon initial recognition at fair value through profit or loss. Financial Assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial Assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in the Income Statement.

ii Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available for-sale are those, which are neither classified as held

for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognized in Profit or Loss.

iii Held-to-maturity investments

Held to maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the institute has the intention and ability to hold to maturity. After the initial recognition, held to maturity financial investments are subsequently measured at amortized cost using the effective interest rate (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'interest income' in the Income Statement. The losses arising from impairment of such investments are recognized in 'impairment gain / loss on loans and receivables' in the Income Statement.

iv Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost.

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

1.4.4 De-recognition of Financial Assets and Liabilities

Financial assets are de-recognized when the contractual right to receive cash flows from the assets has expired; or when institute has transferred its contractual right to receive the cash flows of the financial assets, and either:

- Substantially all the risks and rewards of ownership have been transferred; or
- Institute has neither retained nor transferred substantially all the risks and rewards, but has not retained control.

Financial liabilities are de-recognized when they are extinguished, that is when the obligation is discharged, cancelled, or expires.

1.4.5 Impairment of Financial Assets

The Institute assesses at each reporting date whether there is any objective evidence that a Financial Asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred

after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Institute. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was

recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Income Statement.

1.4.6 Loans and Borrowings/ Other Financial Liabilities

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the Income Statement.

1.4.7 Property, Plant & Equipment

Property, Plant & Equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the Property, Plant and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Institute derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the income statement as incurred.

When items of Property, Plant and Equipment are subsequently

revalued, the entire class of such assets is revalued. Any revaluation surplus is recognized in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the income statement, in which case the increase is recognized in the income statement. A revaluation deficit is recognized in the income statement, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation on other Property, Plant & Equipment have been provided on the following methods over their estimated useful lives from the time the asset is placed in use. Lands are not depreciated. Depreciation rates are as follows:

Assets	Rate of Depreciation	Basis
Buildings	5%	Reducing balance method
Office Equipment	10%	Straight line basis
Books & Periodicals	12.5%	Reducing balance method
Computers & Printers	25%	Straight line basis
Motor Vehicle	20%	Straight line basis
Other Equipment	50%	Straight line basis

Property, Plant and Equipment are derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other Operating Income' or

'Other Operating Expenses' as appropriate in the Income Statement in the year the asset is derecognized.

1.4.8 Intangible Assets

An intangible asset is recognized 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 asset can be measured reliably in accordance with the Sri Lanka Accounting Standard LKAS 38 – Intangible Assets. Accordingly, these assets are stated in the Statement of Financial Position at cost less accumulated amortization and any accumulated impairment loss.

Computer Software is amortized over a period of 4 years on the straight line method.

1.4.9 Trade Receivables

Trade receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Institute will not be able to collect all amounts due according to the original terms of the receivables.

1.4.10 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment Loss is recognized immediately in Profit or Loss.

1.4.11 Employee Benefit Liability

a. Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund and Employees' Trust Fund contributions in line with respective statutes and regulations.

b. Gratuity

The Institute uses the Projected Unit Credit Method with the simplifications to measure its defined benefit obligations and the related expenses. However the Gratuity payments are in line with the requirements of the Payment of Gratuity Act No 12 of 1983.

1.4.12 Provisions

Provisions are recognized when the Institute has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

1.4.13 Trade Payables

Trade Payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

1.4.14 Taxes

Income tax comprises current tax and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is recognized in the same statement in which the related item appears.

a. Current Tax

Profit & Income of the Institute other than Profit & Income from dividend and interest exempt from Income Tax under section 7 (b) (iii) of the Inland Revenue Act No.10 of 2006.

b. Deferred Tax

Provision has not been made for the Deferred Tax as Profit and Income of the Institute other than Profit & Income from Dividend or Interest is exempt from Income Tax under Section 7 (b) (iii) of the Inland Revenue Act No.10 of 2006.

1.4.15 Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition. Cash and cash equivalents include cash and balances at banks, treasury bills and other eligible bills, placements with banks and items in the course of collection from or in transmission to other banks.

1.4.16 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2. Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the Institute's annual Financial Statements are listed below. This listing of Standards and interpretations issued are those that the Institute reasonably expects to have an impact on disclosures, Financial Position or performance when applied at a future date. The Institute intends to adopt these Standards when they become effective.

Accounting Standard	Name of the Standard	Effective Date
SLFRS 9	Financial instruments	01 January 2018
SLFRS 15	Revenue from contracts with with customers	01 January 2018
SLFRS 16	Lease	01 January 2019

FOR THE YEAR ENDED 31 ST DECEMBER	2016 Rs.	2015 Rs.
3. REGISTRATION & SUBSCRIPTIONS INCOME		
Registration	21,127,100.00	19,257,400
Subscriptions	56,960,059.47	71,691,192
	78,087,159.47	90,948,592
4. EXAMINATION & OTHER RELATED INCOME		
Examination	213,445,502.62	223,284,572
Training Related Income	97,671,443.73	109,071,486
Publications & Study Materials	10,606,620.00	9,443,045
Others	1,908,125.00	2,644,800
	323,631,691.35	344,443,903
5. INTEREST INCOME		
Money Market Instruments	807,013.95	530,028
Treasury Bills, Treasury Bonds & Repos	10,063,103.70	33,576,186
Interest on Investment of Reserve Fund	3,588,393.25	2,948,760
Interest on Investment of Gratuity Fund	1,949,268.85	1,896,190
Interest on Fixed Deposits	41,883,158.06	229,877
Interest - NSB	10,280.73	25,876
	58,301,218.54	39,206,917
6. OTHER INCOME		
Bank Contributions	3,049,660.00	3,039,485
Convocation & Sponsorship Income	3,870,050.00	5,316,500
Miscellaneous Income - Exam Division	265,651.25	1,418,191
Miscellaneous Income - COBAF Division	278,835.25	92,263
Miscellaneous Income - MR Division	214,500.00	488,650
Accreditation Centers	249,241.20	270,815
	7,927,937.70	10,625,904

FOR THE YEAR ENDED 31 ST DECEMBER	2016	2015
7. STAFF EXPENSES	Rs.	Rs.
Salaries & Wages	37,105,819.61	36,089,755
E.P.F.	4,717,897.10	4,898,184
E. T. F.	1,179,474.29	1,224,546
Provision for Gratuity	3,400,548.95	2,160,000
Staff Special Payment	15,179,163.56	13,603,663
Staff Overtime & OPA	3,951,175.66	4,410,347
Staff Medical Insurance	4,261,235.67	3,626,150
Training	192,100.00	360,000
Leave Encashment	2,231,361.92	2,233,040
	72,218,776.76	68,605,686
8. ADMINISTRATION & ESTABLISHMENT EXPENSES		
Utility Charges	9,308,052.25	8,442,655
Depreciation	4,418,999.13	5,286,357
Maintenance Expenses	5,713,249.02	5,457,417
Bank Charges	1,693,897.28	1,781,675
Consultancy Fees	2,400,000.00	1,200,000
Staff Welfare	1,363,508.39	1,010,109
Printing & Stationery	12,362,986.95	13,081,388
Lease Rent - Maradana	13,195,599.44	11,924,393
Postage & Stamps etc.	3,788,129.93	4,639,126
Travelling & Transport	735,261.06	907,578
Man Power Supply	535,020.00	542,982
Meeting Expenses	221,300.50	219,744
Other General Expenses	1,399,620.39	689,739
Remuneration to Members of the Governing Board	405,000.00	400,000
Provision for Settlement in Respect of former Employee	700,000.00	-
	58,240,624.34	55,583,162

FOR THE YEAR ENDED 31ST DECEMBER	2016	2015
	Rs.	Rs.

9. OTHER OPERATING EXPENSES

Resource Persons Fees	42,053,129.40	43,606,122
Convocation	3,694,534.58	5,427,993
Study Packs Cost	1,376,149.15	2,034,253
Press Notices	2,101,381.20	2,442,914
Internal Audit Fees	443,156.40	438,348
External Audit Fees & Expenses	144,950.00	125,780
NBT	8,082,145.49	8,566,746
ESC	1,010,268.19	1,070,843
	58,905,714.41	63,713,000

10 PROPERTY, PLANT & EQUIPMENT

<u>At Cost or Valuation</u>	Cost as at 01/01/2016 Rs.	Additions during the year Rs.	Revaluation Rs.	Disposal during the year Rs.	Cost as at 31/12/2016 Rs.
Land (05, Mile Post Avenue, Colombo 03)	2,763,046	-	119,236,954	-	122,000,000
Land (Elvitigala Mawatha, Colombo 08)	410,358,866	33,000	-	-	410,391,866
Building (05, Mile Post Avenue, Colombo 03)	3,368,889	-	7,687,211	-	11,056,100
Office Furniture & Equipment	31,448,108	1,432,830	-	-	32,880,939
Books & Periodicals	6,815,832	122,476.50	-	(485)	6,937,823
Computers & Printers	29,317,493	4,313,459	-	-	33,630,952
Motor Vehicle	8,250,000	-	-	-	8,250,000
Other Equipment	1,770,291	18,580	-	-	1,788,871
Total	494,092,525	5,920,346	126,924,166	(485)	626,936,552
Capital Work-in-progress Building (Elvitigala Mawatha, Colombo 08)	504,134,392	219,925,651	-	-	724,060,043
Fire Det. & Pro. System	-	12,189,117	-	-	12,189,117
Elevators	-	26,806,500	-	-	26,806,500
Air Data Network	-	3,378,198	-	-	3,378,198
PA System	-	1,908,445	-	-	1,908,445
PABX System	-	344,172	-	-	344,172
Air Condition System	-	85,518,976	-	-	85,518,976
Total	504,134,392	350,071,059	-	-	854,205,451
Grand Total	998,226,918	355,991,405	126,924,166	(485)	1,481,142,003
Depreciations	Accumulated Depreciation as at 01/01/2016 Rs.	Depreciation during the year Rs.	Revaluation Rs.	Disposal during the year Rs.	Accumulated Depreciation as at 31/12/2016 Rs.
Building (05, Mile Post Avenue, Colombo 03)	2,065,101	65,189	(2,130,291)	-	-
Office Furniture & Equipment	24,434,792	1,733,274	-	-	26,168,066
Books & Periodicals	4,146,640	337,705	-	(485)	4,483,860
Computer Installations	27,165,934	1,891,152	-	-	29,057,86
Motor Vehicle	8,250,000	-	-	-	8,250,000
Other Equipment	1,487,363	237,077	-	-	1,724,440
Total	67,549,831	4,264,397	(2,130,291)	(485)	69,683,453
Net Book Value	930,677,087				1,411,458,550

10.1 REVALUATION OF LAND AND BUILDING

Free hold land & building of the institute of No. 045, mile post Avenue, Colombo 03, were revalued by Messers, C.S.G. Athukorala, an independent valuer. Fair Value is determined by reference to market-based evidence. Valuations are based on active market prices.

10.2 The carrying amount of revalued land & building if they were carried at cost less depreciation, would be as follows;

As at 31st December

	Cost Rs.	Cumulative Depreciation If Assets are Carried at Cost Rs.	2016 Rs.	2015 Rs.
Free Hold Land	2,763,045.80	-		2,763,045.80
Free Hold Building	3,368,888.61	2,130,290.53	1,238,598.08	1,303,787.45
	6,131,934.41	2,130,290.53	1,238,598.08	4,066,833.25

AS AT 31ST DECEMBER

11 INTANGIBLE ASSETS

	2016 Rs.	2015 Rs.
Computer Software Cost/ Valuation		
Balance as at the beginning of the year	43,188.50	-
Additions	866,819.63	43,189
Impairment	-	-
Balance as at the end of the year	910,008.13	43,189
Accumulated Amortization		
Balance as at the beginning of the year	1,799.52	-
Amortization	154,601.74	1,800
Balance as at the end of the year	156,401.26	1,800
Net balance as at end of the year	753,606.87	41,389

AS AT 31ST DECEMBER	2016 Rs.	2015 Rs.
12. NON-CURRENT FINANCIAL ASSETS		
Treasury Bond (Investments of Gratuity Fund)	23,844,235	23,991,562
Treasury Bond (Investments of Reserve Fund)	42,387,365	37,826,482
	66,231,600	61,818,044
13. INVENTORIES		
Study Packs	2,843,004.55	3,308,454
Stock of Certificates	355,811.00	196,763
Stationery	1,950,344.10	1,949,494
	5,149,159.65	5,454,710
14. OTHER CURRENT ASSETS		
Staff Festival Advances	484,955.20	517,511
Sundry Advances	56,140.00	500
Other Receivable	2,095,000.00	1,702,500
Postage Control Account	324,132.85	316,527
Pre-payments	3,324,628.99	2,818,479
Mobilization Advance	44,627,712.22	71,271,658
Refundable Deposits	942,012.00	662,000
Interest Receivable	1,363,904.23	1,136,515
Associate-ship Income Recievable	299,500.00	-
	53,517,985.49	78,425,689
15. INVESTMENTS - HELD TO MATURITY		
Treasury Bills	-	72,960,604
Reverse Repos	-	430,793,524
Fixed Deposits	439,263,999.81	-
	439,263,999.81	503,754,128

AS AT 31ST DECEMBER	2016 Rs.	2015 Rs.
16. CASH IN HAND & AT BANKS		
Petty Cash	2,000.00	23,598
Balances at Banks - On Demand	39,133,983.20	16,547,201
Balances at Banks - Time & Others	52,285,844.44	38,777,783
	91,421,827.68	55,348,581
17. RESERVE FUND		
Balance as at 01st January	43,026,016.65	35,077,257
Interest Income from Investment of Reserve Fund	3,588,393.25	2,948,760
Transferred during the year	-	5,000,000
Balance as at 31st December	46,614,409.90	43,026,017
18. ACCUMULATED FUND		
Balance as at 01st January	1,542,228,943.69	1,252,854,236
Surplus for the year (Net of Transfers)	274,994,498.30	289,374,708
Balance as at 31st December	1,817,223,441.99	1,542,228,944
19. EMPLOYEE BENEFIT LIABILITY (RETIRING GRATUITY)		
Balance as at 01st January	22,567,412.50	20,407,412
Provision for the Period	3,400,548.95	2,160,000
	25,967,961.45	22,567,413
Gratuity paid during the Period	(2,414,724.00)	-
Balance as at 31st December	23,553,237.45	22,567,413

AS AT 31ST DECEMBER

20. TRADE & OTHER PAYABLES

		2016	2015
		Rs.	Rs.
Sundry Creditors	20.1	194,978.50	1,134,878
Refundable Library Deposit		1,605,504.50	1,523,080
Accrued Expenses	20.2	11,956,187.51	13,687,390
Provision for settlement in respect of former Employee		700,000.00	-
		14,456,670.45	16,345,348

20.1 SUNDRY CREDITORS

Authors		24,187.50	3,000
Stationery Suppliers		170,791.00	1,131,878
		194,978.50	1,134,878

20.2 ACCRUED EXPENSES

Lecture Fees		981,250.00	1,060,825
Staff Expenses		3,257,488.96	3,462,627
Un-claimable Account		40,442.50	67,113
Other Taxes		1,284,187.99	1,134,115
Audit Fees		144,950.00	128,830
Other Accrued Expenses		6,247,868.06	7,833,881
		11,956,187.51	13,687,390

21. RECEIPTS IN ADVANCE

Exemption		137,500.00	638,000
Training Related Income		10,636,430.00	10,054,773
		10,773,930.00	10,692,773

22. OTHER LIABILITIES

Bank Overdrawn *	26,120,583.15	659,134
	26,120,583.15	659,134

* Bank Overdrawn Balance consists of Book Overdrawn Balance. IBSL does not have permanent or temporary overdraft facilities obtained from any of the Bank.

23. CONTINGENT LIABILITIES

There were no significant contingent liabilities as at the Reporting date, which require adjustments to or disclosures in the Financial Statements.

24. CAPITAL COMMITMENTS

Approved & Contracted (New Building)	148Mn.
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25. DIRECTOR'S INTEREST IN TRANSACTIONS/ RELATED PARTY TRANSACTIONS

No Director of the Institute is directly or indirectly interested in any contracts with the Institute.

26. EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since the Reporting Date which require material adjustments or disclosure in the Financial Statements.

27. APPROVAL OF FINANCIAL STATEMENTS

These Financial Statements were approved by the board of Directors and authorized for issue on 17th May 2017.

Notes



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Road Map

