SEYLAN BANK PLC FINANCIAL STATEMENTS Year ended 31st December, 2017



| (In terms of Rule 7.4 of the Colombo Stock Exchange) | | Bank | | | Ban | | | Group | | | Group | |
|--|------------|---------------|----------|------------|---------------|----------|------------|-----------------|----------|-----------------------|-------------|--------|
| | F | or the Year E | nded | F | or the Quarte | r Ended | F | or the Year En | ded | For the Quarter Ended | | |
| | 3 | 1st Decembe | r | 3 | 1st Decmber | | 3 | 1st December | | 3 | 1st Decembe | r |
| | 2017 | 2016 | Growth | 2017 | 2016 | Growth | 2017 | 2016 | Growth | 2017 | 2016 | Growt |
| | (Audited) | (Audited) | % | | | % | (Audited) | (Audited) | % | | | 9 |
| Interest Income | 43,725,934 | 33,457,232 | 30.69 | 11,694,385 | 9,809,445 | 19.22 | 43,731,971 | 33,472,831 | 30.65 | 11,695,323 | 9,814,347 | 19.1 |
| Less: Interest Expenses | 28,234,801 | 19,990,485 | 41.24 | 7,579,639 | 6,053,181 | 25.22 | 28,156,971 | 19,973,758 | 40.97 | 7,550,419 | 6,049,195 | 24.8 |
| Net Interest Income | 15,491,133 | 13,466,747 | 15.03 | 4,114,746 | 3,756,264 | 9.54 | 15,575,000 | 13,499,073 | 15.38 | 4,144,904 | 3,765,152 | 10.0 |
| Fee and Commission Income | 3,952,760 | 3,223,231 | 22.63 | 1,092,751 | 935,921 | 16.76 | 3,952,557 | 3,222,864 | 22.64 | 1,092,594 | 935,786 | 16.7 |
| Less: Fee and Commission Expenses | 164,619 | 119,983 | 37.20 | 57,730 | 34,638 | 66.67 | 170,553 | 125,626 | 35.76 | 58,803 | 36,150 | 62.6 |
| Net Fee and Commission Income | 3,788,141 | 3,103,248 | 22.07 | 1,035,021 | 901,283 | 14.84 | 3,782,004 | 3,097,238 | 22.11 | 1,033,791 | 899,636 | 14.9 |
| Net Trading Income | (212,772) | (227,770) | 6.58 | (10,124) | (77,058) | 86.86 | (213,964) | (229,366) | 6.72 | (10,216) | (77,854) | 86.8 |
| Net Gain from Financial Investments | 358,636 | 11,895 | 2,915.01 | 27,766 | (15,135) | 283.46 | 358,636 | 11,895 | 2,915.01 | 27,766 | (15,135) | 283.4 |
| Net Exchange Income | 1,217,828 | 963,425 | 26.41 | 269,461 | 145,459 | 85.25 | 1,217,238 | 963,388 | 26.35 | 268,871 | 145,422 | 84.8 |
| Other Operating Income (Net) | 295,912 | 444,880 | (33.48) | 145,902 | 174,948 | (16.60) | 826,940 | 4 71,167 | 75.51 | 168,871 | 193,082 | (12.8 |
| | 1,659,604 | 1,192,430 | 39.18 | 433,005 | 228,214 | 89.74 | 2,188,850 | 1,217,084 | 79.84 | 454,726 | 245,515 | 85.2 |
| Total Operating Income | 20,938,878 | 17,762,425 | 17.88 | 5,582,772 | 4,885,761 | 14.27 | 21,545,854 | 17,813,395 | 20.95 | 5,633,421 | 4,910,303 | 14.7 |
| Less: Impairment for Loans and Other | | | | | | | | | | | | |
| Losses - Charges/(Reversal) | | | | | | | | | | | | |
| Individual Impairment | 1,069,797 | 931,597 | 14.83 | (136,251) | 515,398 | (126.44) | 1,069,797 | 931,597 | 14.83 | (136,251) | 515,398 | (126.4 |
| Collective Impairment | 423,679 | 38,005 | 1,014.80 | 198,170 | (120,636) | 264.27 | 423,679 | 38,005 | 1,014.80 | 198,170 | (120,636) | 264.2 |
| Others | 11,220 | (15,415) | 172.79 | 2,737 | (35,997) | 107.60 | 11,220 | (15,231) | 173.67 | 2,737 | (35,813) | 107.6 |
| | 1,504,696 | 954,187 | 57.69 | 64,656 | 358,765 | (81.98) | 1,504,696 | 954,371 | 57.66 | 64,656 | 358,949 | (81.9 |
| Net Operating Income | 19,434,182 | 16,808,238 | 15.62 | 5,518,116 | 4,526,996 | 21.89 | 20,041,158 | 16,859,024 | 18.87 | 5,568,765 | 4,551,354 | 22.3 |
| Personnel Expenses | 5,195,863 | 4,610,073 | 12.71 | 1,242,550 | 1,121,821 | 10.76 | 5,228,790 | 4,642,048 | 12.64 | 1,248,856 | 1,129,023 | 10.6 |
| Depreciation and Amortisation | 695,694 | 596,743 | 16.58 | 181,919 | 159,171 | 14.29 | 743,417 | 642,166 | 15.77 | 194,549 | 169,835 | 14.5 |
| Other Expenses | 4,990,968 | 4,518,339 | 10.46 | 1,257,775 | 1,298,446 | (3.13) | 4,899,055 | 4,460,682 | 9.83 | 1,238,246 | 1,296,020 | (4.4 |
| | 10,882,525 | 9,725,155 | 11.90 | 2,682,244 | 2,579,438 | 3.99 | 10,871,262 | 9,744,896 | 11.56 | 2,681,651 | 2,594,878 | 3.3 |
| Operating Profit before Taxes | 8,551,657 | 7,083,083 | 20.73 | 2,835,872 | 1,947,558 | 45.61 | 9,169,896 | 7,114,128 | 28.90 | 2,887,114 | 1,956,476 | 47.5 |
| Value Added Tax (VAT) and Nation Building Tax | | | | | | | | | | | | |
| (NBT) on Financial Services | 1,895,206 | 1,349,365 | 40.45 | 596,567 | 369,359 | 61.51 | 1,884,973 | 1,342,883 | 40.37 | 596,567 | 369,359 | 61.5 |
| Profit before Income Taxes | 6,656,451 | 5,733,718 | 16.09 | 2,239,305 | 1,578,199 | 41.89 | 7,284,923 | 5,771,245 | 26.23 | 2,290,547 | 1,587,117 | 44.3 |
| | | | | | | | | | | | | |
| Income Tax Expenses | 2,226,053 | 1,723,268 | 29.18 | 811,181 | 395,698 | 105.00 | 2,281,292 | 1,736,355 | 31.38 | 828,220 | 387,046 | 113.9 |
| Profit for the Period | 4,430,398 | 4,010,450 | 10.47 | 1,428,124 | 1,182,501 | 20.77 | 5,003,631 | 4,034,890 | 24.01 | 1,462,327 | 1,200,071 | 21.8 |
| Attributable to: | | | | | | | | | | | | |
| Owners of the Parent | - | - | - | - | - | - | 4,816,834 | 4,013,132 | 20.03 | 1,452,240 | 1,194,907 | 21.5 |
| Non-Controlling Interest | - | - | - | - | - | - | 186,797 | 21,758 | 758.52 | 10,087 | 5,164 | 95.3 |
| Profit for the Period | - | - | - | - | - | • | 5,003,631 | 4,034,890 | 24.01 | 1,462,327 | 1,200,071 | 21.8 |
| Basic/Diluted Earnings per Ordinary Share | | | | | | | | | | | | |
| (in Rupees) | 12.58 | 11.39 | 10.47 | 4.03 | 3.34 | 20.77 | 13.68 | 11.40 | 20.03 | 4.10 | 3.37 | 21.5 |

| CASH FLOW STATEMENT (Audited) | | | | Rs. '000 |
|---|-----------------------------|-----------------------------|-----------------------------------|-----------------------------|
| | BAI | NK | GRO | UP |
| For the Year ended 31st December | 2017 | 2016 | 2017 | 2016 |
| Cash Flows from Operating Activities | | | | |
| Interest Receipts Fees and Commission Receipts | 42,302,083 3,952,760 | 31,128,413 3,223,231 | 42,308,120 3,952,557 | 31,142,336 3,222,864 |
| Interest Payments | (26,385,903) | (17,405,026) | (26,308,073) | (17,388,299) |
| Trading Income Receipts from Other Operating Activities | 20,309 2,346,937 | (62,541) 1,409,056 | 20,309 2,427,052 | (62,541) 1,491,645 |
| Cash Payments to Employees and Suppliers | (11,650,905) | (10,463,660) | (11,624,867) | (10,448,905) |
| Cash Payments to Other Operating Activities | (164,619) | (119,983) | (170,553) | (125,626) |
| Operating Profit before Changes in Operating Assets and Liabilities | 10,420,662 | 7,709,490 | 10,604,545 | 7,831,474 |
| (Increase)/Decrease in Operating Assets: Loans and Receivables to Customers Deposits Held for Regulatory or Monetary Control Purposes | (45,762,794) (2,908,225) | (43,062,023) (7,647,730) | (45,762,794) (2,908,225) | (43,062,023) (7,647,730) |
| Increase/(Decrease) in Operating Liabilities: | | | | |
| Deposits from Customers | 32,495,066 | 46,515,044 | 32,495,066 | 46,515,044 |
| Certificates of Deposit from Customers Cash (Used in)/Generated from Operations | (629,747) (6,385,038) | 180,911 3,695,692 | (629,747) (6,201,155) | 180,911 3,817,676 |
| Cash (used in)/denerated from operations | (0,305,030) | 3,093,092 | (0,201,155) | 3,017,070 |
| Income Tax Paid Contribution Paid into Employees Retirement Benefit Plan/to Employees | (1,039,353) (156,808) | (976,036) (138,527) | (1,051,018) (156,808) | (976,036) (138,527) |
| Net Cash (Used in)/Generated from Operating Activities | (7,581,199) | 2,581,129 | (7,408,981) | 2,703,113 |
| Cash Flows from Investing Activities | | | | |
| Investment in Subsidiary Company | - | (1,673) | - | - |
| Dividend Income Received Net Proceeds from Sale, Maturity and Purchase of Financial Investments of Government of Sri Lanka | 113,994 | 97,715 | 43,570 | 41,376 |
| Treasury Bills/Bonds and Development Bonds Maturing after 03 months | (9,321,771) | 134,783 | (9,321,771) | 134,783 |
| Reverse Repurchase Agreements Maturing after 03 Months Net Proceeds from Sale, Maturity and Purchase of Financial Investments of Shares and Debentures | (7,209) 938,396 | 756.550 | (7,209) 1,042,315 | 773,054 |
| Purchase of Property, Plant & Equipment and Intangible Assets | (861,584) | (850,209) | (884,211) | (851,674) |
| Proceeds from Sale of Property, Plant & Equipment Proceeds from Disposal of Assets Held-for-Sale | 13,311 | 38,066 | 13,405 748.164 | 38,066 |
| Improvements to Investment Properties | 1 | | (7,538) | (360) |
| Net Cash (Used in)/Generated from Investing Activities | (9,124,863) | 175,232 | (8,373,275) | 135,245 |
| Cash Flows from Financing Activities | | | | |
| Debentures Issued | - | 5,000,000 | - | 5,000,000 |
| Securities Sold under Repurchase Agreements Increase/(Decrease) in Other Borrowings | 665,351 9,962,716 | 4,552,673 (2,780,901) | 665,351 9,076,828 | 4,552,673 (2,832,866) |
| Dividends Paid - Ordinary Shares | (1,125,247) | (933,132) | (1,163,175) | (963,164) |
| Net Cash Generated from Financing Activities | 9,502,820 | 5,838,640 | 8,579,004 | 5,756,643 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (7,203,242) | 8,595,001 | (7,203,252) | 8,595,001 |
| Cash and Cash Equivalents at beginning of the Year | 23,277,093 | 14,682,092 | 23,277,143 | 14,682,142 |
| Cash and Cash Equivalents at end of the Year | 16,073,851 | 23,277,093 | 16,073,891 | 23,277,143 |
| Reconciliation of Cash and Cash Equivalents | 0.040.05 | 0.000.440 | 0.040.40 | 0.000.405 |
| Cash and Cash Equivalents Placements with Banks and Finance Companies | 8,319,384 1,455,115 | 8,336,143 334,230 | 8,319,424 1,455,115 | 8,336,193 334,230 |
| Government of Sri Lanka Treasury Bills/Bonds and Development Bonds Maturing within 03 Months | 4,555,706 | 7,289,698 | 4,555,706 | 7,289,698 |
| Securities Purchased under Resale Agreements Maturing within 03 Months | 1,743,646 | 7,317,022 | 1,743,646 | 7,317,022 |
| | 16,073,851 | 23,277,093 | 16,073,891 | 23,277,143 |

| (In terms of Rule 7.4 of the Colombo Stock Exchange) | | | | | | | | | | | | |
|---|-------------------|-----------------------|----------|----------------|--------------------|----------|-------------------|--------------------------|----------|-------------|------------------------|-----------|
| (to o o o o o o o o o o o | For the Yea | Bank ar Ended 31st | December | For the Quarte | Bank Ended 31st | December | For the Yea | Group or Ended 31st D | ecember | For the Qua | Group rter Ended 31 | st Decemb |
| | 2017 (Audited) | 2016 (Audited) | Growth % | 2017 | 2016 | Growth % | 2017 (Audited) | 2016 (Audited) | Growth % | 2017 | 2016 | Growth ' |
| Profit for the Period | 4,430,398 | 4,010,450 | 10.47 | 1,428,124 | 1,182,501 | 20.77 | 5,003,631 | 4,034,890 | 24.01 | 1,462,327 | 1,200,071 | 21.85 |
| Other Comprehensive Income, Net of Tax | | | | | | | | | | | | |
| Revaluation of Property, Plant and Equipment | - | 822,999 | (100.00) | - | 822,999 | (100.00) | (20,329) | 840,448 | (102.42) | (20,329) | 840,448 | (102.42) |
| Deferred Tax on Revaluation Surplus of Land | (231,989) | - | - | (231,989) | - | - | (231,989) | - | - | (231,989) | - | - |
| Actuarial Gain on Defined Benefit Obligations | 28,182 | 54,555 | (48.34) | 28,182 | 54,555 | (48.34) | 27,312 | 55,052 | (50.39) | 27,312 | 55,052 | (50.39) |
| Net Gain/(Loss) on Re-measuring Available-for-Sale | | | | | | | | | | | | |
| Financial Assets | 2,636,992 | (1,222,758) | 315.66 | 132,680 | (638,109) | 120.79 | 2,639,217 | (1,223,367) | 315.73 | 132,680 | (637,146) | 120.82 |
| Net Movement on Cash Flow Hedge Reserve | (7,366) | - | - | 49,772 | - | - | (7,366) | - | - | 49,772 | - | - |
| Other Comprehensive Income for the Period, | | | | | | | | | | | | |
| Net of Tax | 2,425,819 | (345,204) | 802.72 | (21,355) | 239,445 | (108.92) | 2,406,845 | (327,867) | 834.09 | (42,554) | 258,354 | (116.47) |
| Total Comprehensive Income for the Period Attributable to: | 6,856,217 | 3,665,246 | 87.06 | 1,406,769 | 1,421,946 | (1.07) | 7,410,476 | 3,707,023 | 99.90 | 1,419,773 | 1,458,425 | (2.65) |
| Owners of the Parent | - | - | - | - | - | - | 7,229,275 | 3,680,154 | 96.44 | 1,415,938 | 1,447,685 | (2.19) |
| Non-Controlling Interest | | - | - | - | - | | 181,201 | 26,869 | 574.39 | 3,835 | 10,740 | (64.29 |
| Total Comprehensive Income for the Period | | - | - | - | - | - | 7,410,476 | 3,707,023 | 99.90 | 1,419,773 | 1,458,425 | (2.65) |

| STATEMENT OF FINANCIAL POSITION | | Bank | | | Group | Rs. '000 |
|---|----------------------------------|----------------------------------|-------------|----------------------------------|----------------------------------|-------------|
| In terms of Rule 7.4 of the Colombo Stock Exchange) | | вапк | | | Group | |
| | As at 31.12.2017 (Audited) | As at 31.12.2016 (Audited) | Growth % | As at 31.12.2017 (Audited) | As at 31.12.2016 (Audited) | Growti % |
| ssets | | | | | | |
| ash and Cash Equivalents | 8,319,384 | 8,336,143 | (0.20) | 8,319,424 | 8,336,193 | (0.20 |
| alances with Central Bank of Sri Lanka | 19,119,843 | 16,211,618 | 17.94 | 19,119,843 | 16,211,618 | 17.94 |
| acements with Banks and Finance Companies | 1,455,115 | 334,230 | 335.36 | 1,455,115 | 334,230 | 335.36 |
| erivative Financial Instruments | 60,165 | 115,707 | (48.00) | 60,165 | 115,707 | (48.00 |
| ther Financial Assets Held-for-Trading | 7,939,213 | 9,060,416 | (12.37) | 7,944,562 | 9,066,980 | (12.38 |
| ecurities Purchased under Resale Agreements | 1,750,855 | 7,317,022 | (76.07) | 1,750,855 | 7,317,022 | (76.07 |
| ustomer Loans and Receivables | 280,861,907 | 236,020,197 | 19.00 | 280,861,907 | 236,020,197 | 19.00 |
| nancial Investments - Available-for-Sale | 53,507,037 | 45,863,945 | 16.66 | 53,507,037 | 45,900,746 | 16.57 |
| nancial Investments - Held-to-Maturity | 21,529,778 | 18,412,060 | 16.93 | 21,529,778 | 18,479,155 | 16.51 |
| estment in Subsidiary | 1,153,602 | 1,153,602 | | - | _ | |
| roup Balances Receivable | 30,000 | 30,102 | (0.34) | _ | _ | |
| roperty, Plant & Equipment | 3,495,140 | 4,329,522 | | 6,001,586 | 5,971,693 | 0.50 |
| | | | (19.27) | | | |
| asehold Rights | 40,425 | 42,370 | (4.59) | 581,346 | 590,701 | (1.58 |
| vestment Properties | 000 454 | 000 110 | | 851,667 | 854,078 | (0.28 |
| tangible Assets | 363,451 | 262,112 | 38.66 | 363,451 | 262,112 | 38.66 |
| ssets Held-for-Sale | 900,543 | | - (40.04) | 7.02.010 | 226,827 | (100.00 |
| her Assets | 7,599,381 | 8,523,510 | (10.84) | 7,637,019 | 8,562,182 | (10.81 |
| tal Assets | 408,125,839 | 356,012,556 | 14.64 | 409,983,755 | 358,249,441 | 14.44 |
| abilities | | | | | | |
| ue to Banks | 27,052,972 | 17,728,293 | 52.60 | 27,052,972 | 17,728,293 | 52.60 |
| rivative Financial Instruments | 571,557 | 86,654 | 559.59 | 571,557 | 86,654 | 559.59 |
| ustomer Deposits | 307,098,902 | 273,456,344 | 12.30 | 307,098,902 | 273,456,344 | 12.30 |
| ecurities Sold under Repurchase Agreements | 16,631,973 | 15,976,518 | 4.10 | 16,631,973 | 15,976,518 | 4.10 |
| ther Borrowings | 22,396 | 21,249 | 5.40 | 22,396 | 21,249 | 5.40 |
| roup Balances Payable | 1,145,110 | 226,351 | 405.90 | - | | |
| ebentures | 12,494,025 | 12,493,645 | - | 12,494,025 | 12,493,645 | |
| urrent Tax Liabilities | 1,022,378 | 750,385 | 36.25 | 1,046,249 | 757,467 | 38.12 |
| eferred Tax Liabilities | 1,359,044 | 11,874 | 11,345.54 | 1,431,294 | 70,959 | 1,917.07 |
| ther Liabilities | 6,521,559 | 7,488,961 | (12.92) | 6,593,748 | 7,572,848 | (12.93 |
| otal Liabilities | 373,919,916 | 328,240,274 | 13.92 | 372,943,116 | 328,163,977 | 13.65 |
| | | | | | | |
| uity ated Capital | 11,228,269 | 10,529,724 | 6.63 | 11,228,269 | 10,529,724 | 6.63 |
| atutory Reserve Fund | 1,609,484 | 1,387,964 | 15.96 | 1,609,484 | 1,387,964 | 15.96 |
| tained Earnings | 17,178,024 | 14,050,233 | 22.26 | 17,818,539 | 14,304,925 | 24.56 |
| her Reserves | 4,190,146 | 1,804,361 | 132.22 | 5,170,681 | 2,797,661 | 84.82 |
| tal Shareholders' Equity | 34,205,923 | 27,772,282 | 23.17 | 35,826,973 | 29,020,274 | 23.45 |
| n-Controlling Interest | - | | | 1,213,666 | 1,065,190 | 13.94 |
| tal Equity | 34,205,923 | 27,772,282 | 23.17 | 37,040,639 | 30,085,464 | 23.12 |
| al Equity & Liabilities | 408,125,839 | 356,012,556 | 14.64 | 409,983,755 | 358,249,441 | 14.44 |
| ntingent Liabilities and Commitments | 00 500 721 | 64 110 005 | EE 20 | 00 550 505 | 64 104 004 | EE 40 |
| ntingent Liabilities and Commitments | 99,500,731 | 64,110,695 | 55.20 | 99,568,595 | 64,184,994 | 55.13 |
| emorandum Information imber of Employees | 3,199 | 3,165 | 1.07 | 3,225 | 3,194 | 0.97 |
| | | | 1.07 | | | 0.97 |
| umber of Banking Centres | 166 | 166 | | 166 | 166 | |
| t Assets Value per Ordinary Share (Rs.) | 96.50 | 80.51 | 19.86 | 101.08 | 84.13 | 20.15 |

| | Period | Comparativ Period |
|---|--------------------------------|----------------------|
| | 01-Oct-17 to 31-December-17 | 01-Oct-16 t |
| Debt (Debentures)/Equity Ratio (Times) | 0.37 | 0.45 |
| Debt (Debentures plus Long Term Debt)/Equity Ratio (Times) | 0.70 | 0.45 |
| nterest Cover (Times) | 5.69 | 6.42 |
| Quick Asset Ratio (Times) | 0.77 | 0.72 |
| 2013/2018 Issue | | |
| Market Prices during October to December (EX Interest) | | |
| Annual Interest - 15.50% p.a. | | |
| - Highest Price | * | 107.21 |
| - Lowest Price | * | 107.21 |
| - Last Traded Price */(07/10/2016) | * | 107.21 |
| Semi Annual - 15.00% p.a. | * | * |
| Monthly Interest - 14.50% p.a. | * | * |
| Interest Yield as at Date of Last Trade | * | 4.4.400 |
| Annual Interest - 15.50% p.a. */(07/10/2016) | * | 14.46% |
| Semi Annual Interest - 15.00% p.a. | * | * |
| Monthly Interest -14.50% p.a. | * | * |
| Yield to Maturity of Trade Done on | | |
| Annual Interest - 15.50% p.a. */(07/10/2016) | * | 9.52% |
| Semi Annual Interest - 15.00% p.a. | * | * |
| Monthly Interest - 14.50% | * | * |
| Interest Rate of Comparable Government Security | 8.04% | 11.08% |
| 2014 Issue | | |
| Market Prices during October to December (EX Interest) | | |
| 4 Years Fixed Semi Annual - 8.00% p.a. | * | * |
| 5 Years Fixed Semi Annual - 8.35% p.a. | * | * |
| 5 Years Fixed Annual - 8.60% p.a. | * | * |
| 6 Years Fixed Semi Annual - 8.60% p.a. | * | * |
| 6 Years Fixed Annual - 8.75% p.a. | * | * |
| Interest Yield as at Date of Last Trade | * | * |
| Yield to Maturity of Trade Done on | * | * |
| Interest Rate of Comparable Government Security | | |
| - 4 Years | 8.96% | 11.43% |
| - 5 Years | 9.31% | 11.77% |
| - 6 Years | 9.66% | 12.09% |
| 2016 Issue | | |
| Market Prices during October to December (EX Interest) | | |
| 5 Years Fixed Semi Annual - 13.00% p.a | * | * |
| 5 Years Floating Semi Annual - 13.00 % p.a. 5 Years Floating Semi Annual - Six months Treasury Bill Rate +1.5% p.a. | * | * |
| 7 Years Fixed Semi Annual - 13.75% p.a | * | * |
| Interest Yield as at Date of Last Trade | * | * |
| | * | |
| Yield to Maturity of Trade Done on | * | |
| | | |
| | 0.700/ | 10.000 |
| Interest Rate of Comparable Government Security - 5 Years - 7 Years | 9.76% 10.10% | 12.09% 12.41% |

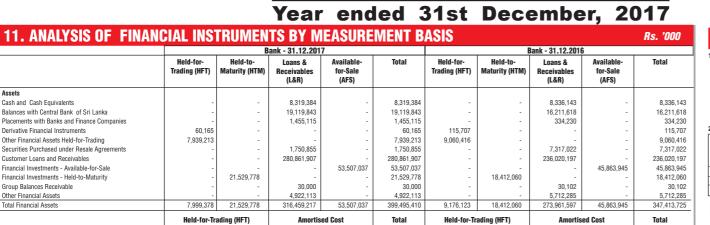
| SELECTED PERFORMANCE INDICATORS | | | | |
|--|--|--|------------|------------|
| | В | ANK | G | ROUP |
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| Regulatory Capital (Rs. '000) | | | | |
| Common Equity Tier I | 30,686,859 | | 31,571,862 | |
| Tier I Capital | 30,686,859 | 25,805,714 | 31,571,862 | 26,541,752 |
| Total Capital | 36,451,164 | 31,661,485 | 37,286,167 | 32,344,980 |
| Regulatory Capital Ratios (%) Common Equity Tier I Capital Ratio (Minimum Requirement - 5.75%)** | 11.16 | | 11.39 | |
| Tier I Capital Ratio (Minimum Requirement - 5%)* (Minimum Requirement - 7.25%)** | 11.16 | 10.74 | 11.39 | 10.94 |
| Total Capital Ratio (Minimum Requirement - 10%)* (Minimum Requirement - 11.25%)** | 13.25 | 13.18 | 13.46 | 13.33 |
| Assets Quality (Quality of Loan Portfolio) Gross Non-Performing Advances Ratio % (Net of Interest in Suspense) | 4.42 | 4.47 | | |
| Net Non-Performing Advances Ratio % (Net of Interest in Suspense and Provision) | 3.10 | 3.07 | | |
| Profitability Interest Margin % Return (Net Profit before Tax) on Average Assets % Return on Equity % | 4.24 1.74 14.30 | 4.19 1.76 15.18 | | |
| Regulatory Liquidity Statutory Liquid Assets Domestic Banking Unit USD '000 Off-shore Banking Unit USD '000 Statutory Liquid Assets Ratio % (Minimum Requirement 20%) Domestic Banking Unit Off-shore Banking Unit Liquidity Coverage Ratio % | 77,783,808 41,711 23.57 37.08 | 64,070,857 34,342 22,68 26,24 | | |
| Rupee - (Minimum Requirement - 80%) All Currency - (Minimum Requirement - 80%) * Based on BASEL II - CBSL Direction No. 9 of 2011 applicable up to 30.06.2017. ** Based on BASEL III - CBSL Direction No. 1 of 2016 effective from 01.07.2017. | 160.30 121.94 | 129.27 111.11 | | |

 $We the \, undersigned, being \, the \, Chairman, \, \, Director/Chief \, Executive \, Officer \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief \, Financial \, Officer \, of \, Seylan \, Bank \, PLC \, certify \, that, \, and \, Chief$

- $a) \ \ The above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka and where ever required provides additional disclosures to comply with the control of the co$ $Sri\,Lanka\,Accounting\,Standard\,-\,LKAS\,34\,-\,Interim\,Financial\,Reporting.$
- b) The information contained in these statements have been extracted from the audited financial statements of the Bank & Group, which have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

(Sgd.) Champika Dodanwela (Ms.) Chief Financial Officer (Sgd.) W. M. R. S. Dias **Chairman** (Sgd.) Kapila Ariyaratne Director/Chief Executive Officer February 16, 2018 Colombo

SEYLAN BANK PLC FINANCIAL STATEMENTS



| Derivative Financial Instruments | | 571,557 | | - | 571,557 | | 86,654 | | - | 86,654 |
|--|---|----------------|------------------|-------------|-------------|---------------|----------------|------------------|-------------|-------------|
| Customer Deposits | | - | | 307,098,902 | 307,098,902 | | - | | 273,456,344 | 273,456,344 |
| Securities Sold under Repurchase Agreements | | - | | 16,631,973 | 16,631,973 | | - | | 15,976,518 | 15,976,518 |
| Other Borrowings | | - | | 22,396 | 22,396 | | - | | 21,249 | 21,249 |
| Group Balances Payable | | - | | 1,145,110 | 1,145,110 | | - | | 226,351 | 226,351 |
| Debentures | - 12,494,025 | | | 12,494,025 | | - | | 12,493,645 | | |
| Other Financial Liabilities | - 5,154 | | | 5,154,901 | 5,154,901 | | - | | 5,959,234 | |
| Total Financial Liabilities | | 571,557 | | 369,600,279 | 370,171,836 | | 86,654 | | 325,861,634 | 325,948,288 |
| | | 0 | | | | | • | | | |
| | | G | roup - 31.12.201 | 7 | | | G | roup - 31.12.201 | 6 | |
| | Held-for- | Held-to- | Loans & | Available- | Total | Held-for- | Held-to- | Loans & | Available- | Total |
| | Trading (HFT) | Maturity (HTM) | Receivables | for-Sale | | Trading (HFT) | Maturity (HTM) | Receivables | for-Sale | |
| | | | (L&R) | (AFS) | | | | (L&R) | (AFS) | |
| Assets | | | | | | | | | | |
| Cash and Cash Equivalents | - | - | 8,319,424 | - | 8,319,424 | - | - | 8,336,193 | - | 8,336,193 |
| Balances with Central Bank of Sri Lanka | - | - | 19,119,843 | - | 19,119,843 | - | - | 16,211,618 | - | 16,211,618 |
| Placements with Banks and Finance Companies | - | - | 1,455,115 | - | 1,455,115 | - | - | 334,230 | - | 334,230 |
| Derivative Financial Instruments | 60,165 | - | - | - | 60,165 | 115,707 | - | - | - | 115,707 |
| Other Financial Assets Held-for-Trading | 7,944,562 | - | - | - | 7,944,562 | 9,066,980 | - | - | - | 9,066,980 |
| Securities Purchased under Resale Agreements | - | - | 1,750,855 | - | 1,750,855 | - | - | 7,317,022 | - | 7,317,022 |
| Customer Loans and Receivables | - | - | 280,861,907 | - | 280,861,907 | - | - | 236,020,197 | - | 236,020,197 |
| Financial Investments - Available-for-Sale | - | - | - | 53,507,037 | 53,507,037 | - | - | - | 45,900,746 | 45,900,746 |
| Financial Investments - Held-to-Maturity | - | 21,529,778 | - | - | 21,529,778 | - | 18,479,155 | - | - | 18,479,155 |
| Other Financial Assets | - | - | 4,944,991 | - | 4,944,991 | - | - | 5,747,360 | - | 5,747,360 |
| Total Financial Assets | 8,004,727 | 21,529,778 | 316,452,135 | 53,507,037 | 399,493,677 | 9,182,687 | 18,479,155 | 273,966,620 | 45,900,746 | 347,529,208 |
| | 8,004,727 21,529,778 316,492,135 53,507,037 | | Total | | ading (HFT) | Amortis | | Total | | |

27,052,972

307.098.902

16,631,973

12,494,025

368,487,440

22,396

571,557

571,557

27,052,972

27,052,972

27,052,972

307.098.902

16,631,973

12,494,025

5,187,172

369,058,997

22,396

571,557

86,654

86,654

Cash and Cash Equivalents

Derivative Financial Instruments

Customer Loans and Receivables

Group Balances Receivable

Other Financial Assets
Total Financial Assets

Liabilities Due to Banks

Liabilities

Due to Banks

Customer Deposits

Other Borrowings

Other Financial Liabilities

Total Financial Liabilities

Debentures

Securities Sold under Repurchase Agreements

Other Financial Assets Held-for-Trading

Financial Investments - Available-for-Sale Financial Investments - Held-to-Maturity

Balances with Central Bank of Sri Lanka Placements with Banks and Finance Companies

| 10. SEGMENT REPORTING - G | ROUP (| Audited) | | | | | | | | Rs. '000 |
|---|---|---|--|---|---|---|--|---|---|--|
| | BANK | KING | TREA | SURY | PROPERTY/II | IVESTMENTS | UNALLOCATED | /ELIMINATIONS | T0 | TAL |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Interest Income Interest Expense Net Interest Income Fee and Commission Income Fee and Commission Expense Net Fee And Commission Income Net Interest, Fee And Commission Income Net Irading Income Net Trading Income Net Exchange Income Other Operating Income (Net) Inter Segment Revenue Total Operating Income Depreciation and Amortisation Charge for the year Impairment Losses For the year. Operating Expenses, VAT & NBT Reportable Segment Profit Before Income Tax Income Tax Expenses Profit For The Year Profit Attributable To: | 37,367,598 24,863,457 12,504,141 3,948,990 125,500 3,823,490 16,327,631 170,391 (214,471) 16,283,551 342,413 1,546,629 9,142,536 5,251,973 | 28.323,342 18.046,581 10.276,761 3.219,458 81,439 81,439 81,130,019 13.406,780 328,892 (273,730) 13.461,942 327,954 933,768 8.209,542 3,990,678 | 4,020,794 3,353,529 667,265 67,265 38,962 (37,606) 629,659 (212,772) 358,636 1,190,592 9,806 141,300 2,117,221 1,164 6,965 538,254 1,570,838 | 3,656,532 1,942,184 1,714,348 1,615 30,544 (28,929) 1,685,419 (227,770) 11,895 922,121 9,482 199,491 2,600,638 1,252 644,475 1,954,911 | 84,163 296 83,867 5,934 (5,934) 77,933 (1,192) (590) 269,706 345,857 776 79,280 265,801 | 33,742 1,416 32,326 5,643 (5,643) 26,683 (1,996) (37) 212,340 237,390 184 104,959 131,439 | 2,259,416 (60,311) 2,319,727 2,211 157 2,054 2,321,761 27,236 377,037 73,171 2,799,225 399,064 (48,888) 2,252,748 | 1,459,215 (16,423) 1,475,638 1,791 1,791 1,477,429 41,304 (79,547) 74,239 1,513,425 312,152 20,419 1,486,637 (305,783) | 43,731,971 28,156,971 15,575,000 3,982,557 170,553 3,782,004 19,357,004 (213,964) 358,636 1,217,238 826,940 21,545,854 743,417 1,504,696 12,012,818 7,284,923 2,281,292 | 33,472,831 19,973,758 13,499,073 3,222,864 125,626 3,097,238 16,596,311 (229,366) 11,895 963,388 471,167 17,813,56 642,166 954,371 10,445,613 5,771,245 |
| Froit Annibulate to. Equity Holders of The Bank Non-Controlling Interests Profit For The Year Other Comprehensive Income, Net of Income Tax Other Information | (211,173) | 54,555 | 2,636,992 | (1,222,758) | 9,215 | 1,399 | (28,189) | 838,937 | 4,816,834 186,797 5,003,631 2,406,845 | 4,013,132 21,758 4,034,890 (327,867) |
| Unter Information Reportable Segment Assets Segment Accumulated Amortisation Total Assets Reportable Segment Liabilities & Equity Total Liabilities & Equity Cash Flows From Departing Activities Cash Flows From Investing Activities Cash Flows From Financing Activities Capital Expenditure | 293,037,474 (733,848) 292,303,626 321,813,148 321,813,148 (9,338,958) (300,066) (294,640) | 225,870,556 (528,204) 225,342,352 285,669,401 285,669,401 569,300 (542,753) (552,731) | 104,275,902 (25,573) 104,250,329 43,281,902 43,281,902 1,572,002 (8,275,716) 10,628,067 (6,336) | 106,189,933 (40,021) 106,149,912 34,700,927 34,700,927 1,956,163 988,947 6,771,772 (101) | 5,475,554 (1,536) 5,474,018 5,474,018 5,474,018 118,358 952,006 (110,974) (36,626) | 5,316,779 (808) 5,315,971 5,315,687 5,315,687 91,193 (3,741) (88,779) (1,801) | 15,104,781 (7,148,999) 7,955,782 39,414,687 39,414,687 239,617 (749,499) (1,938,089) (554,147) | 28,129,391 (6,688,185) 21,441,206 32,563,426 32,563,426 86,457 (307,208) (926,350) (297,401) | 417,893,711 (7,909,956) 409,983,755 409,983,755 409,983,755 (7,408,981) (8,373,275) 8,579,004 (891,749) | 365,506,659 (7,257,218) 358,249,441 358,249,441 358,249,441 2,703,113 135,245 5,756,643 (852,034) |

| | Stated Stated | Capital | Statutory | Retained | | Other Reserves | | 1 |
|---|------------------------------|----------------------------------|--------------|-------------|------------------------|-------------------------------|-----------|----------|
| r the Year ended 31st December | Ordinary Shares Voting | Ordinary Shares Non-Voting | Reserve Fund | Earnings | Revaluation Reserve | Available for Sale Reserve | Other | To: |
| Balance as at 01st January 2016 | 6,962,722 | 3,567,002 | 1,187,441 | 11,125,666 | 651,483 | (468,826) | 2,030,189 | 25,055,6 |
| Total Comprehensive Income for the Year | | | | | | | | |
| Profit for the Year | - | - | - | 4,010,450 | - | - | - | 4,010,4 |
| Other Comprehensive Income (net of tax) | | | | | | | | |
| - Revaluation of Property, Plant and Equipment | - | - | - | - | 822,999 | - | - | 822, |
| - Actuarial Gain on Defined Benefit Obligations | - | - | - | 54,555 | - | - | - | 54, |
| - Net Loss on Re-measuring Available-for-Sale Financial Assets | - | - | - | - | - | (1,222,758) | - | (1,222, |
| Total Comprehensive Income for the Year | - | - | - | 4,065,005 | 822,999 | (1,222,758) | - | 3,665, |
| Transactions with Equity Holders, Recognised Directly in Equity | | | | | | | | |
| Dividends to Equity Holders | | - | - | (948,641) | - | - | - | (948, |
| Transferred to Statutory Reserve Fund* | - | - | 200,523 | (200,523) | - | - | - | |
| Transferred from Investment Fund Reserve | - | - | - | 8,726 | - | - | (8,726) | |
| Total Transactions with Equity Holders | - | | 200,523 | (1,140,438) | - | - | (8,726) | (948, |
| Balance as at 31st December 2016 (1 + 2 + 3) | 6,962,722 | 3,567,002 | 1,387,964 | 14,050,233 | 1,474,482 | (1,691,584) | 2,021,463 | 27,772, |
| D-1 | | 0.507.000 | 4 007 004 | 44.050.000 | 4 474 400 | (4.004.504) | 0.004.400 | 07.770 |
| Balance as at 01st January 2017 | 6,962,722 | 3,567,002 | 1,387,964 | 14,050,233 | 1,474,482 | (1,691,584) | 2,021,463 | 27,772, |
| Total Comprehensive Income for the Year | | | | | | | | |
| Profit for the Year | | | | 4,430,398 | | | | 4,430 |
| Other Comprehensive Income (net of tax) | | | | 4,400,000 | | | | 4,430 |
| - Deferred Tax on Revaluation Surplus of Land ** | _ | | | | (231,989) | | | (231. |
| - Actuarial Gain on Defined Benefit Obligations | _ | | | 28,182 | (201,303) | | | 28, |
| - Net Gain on Re-measuring Available-for-Sale Financial Assets | _ | | | 20,102 | | 2.636.992 | | 2.636. |
| - Net Movement of Cash Flow Hedge Reserve | - | - | - | - | - | - | (7,366) | (7, |
| Total Comprehensive Income for the Year | - | - | - | 4,458,580 | (231,989) | 2,636,992 | (7,366) | 6,856, |
| Transactions with Equity Holders, Recognised Directly in Equity | | | | | | | | |
| Cash/Scrip Dividends to Equity Holders | 356,354 | 342,191 | | (1,121,121) | | | | (422, |
| Transferred to Statutory Reserve Fund* | - | 072,131 | 221,520 | (221,520) | | - | - | (722, |
| Transferred from Investment Fund Reserve | | | 221,020 | 11.852 | _ | _ | (11,852) | |
| Total Transactions with Equity Holders | 356,354 | 342,191 | 221,520 | (1,330,789) | - | - | (11,852) | (422, |
| Balance as at 31st December 2017 (1 + 2 + 3) | 7,319,076 | 3,909,193 | 1,609,484 | 17,178,024 | 1,242,493 | 945,408 | 2,002,245 | 34,205, |

| | P (Audi | | | | | | | | Rs. '0 |
|----------------------------|---------------------------------------|--|---|--|---|--|---|---|--|
| State | d Capital | Statutory | Retained | 0 | ther Reserves | | | | |
| Ordinary | Ordinary | | | Revaluation | Available for | Other | Total | Non- | Т |
| Shares | Shares | * | 9- | Reserve | Sale Reserve | | | Controlling | Eq |
| Voting | Non-Voting | | | | | | | Interest | |
| 6,962,722 | 3,567,002 | 1,187,441 | 11,376,269 | 1,378,783 | (469,879) | 2,285,402 | 26,287,740 | 1,067,194 | 27,354 |
| | | | | | | | | | |
| - | - | | 4.013.132 | - | | _ | 4.013.132 | 21.758 | 4,034 |
| | | | | | | | | , | , |
| - | - | - | - | 835.317 | - | - | 835.317 | 5.131 | 84 |
| - | - | - | 35 | (50) | - | - | (15) | 15 | |
| - | - | - | 54.906 | - | - | - | 54.906 | 146 | 5 |
| - | - | - | - | - | (1,223,186) | - | (1,223,186) | (181) | (1,22 |
| - | - | - | 4,068,073 | 835,267 | (1,223,186) | - | 3,680,154 | 26,869 | 3,70 |
| | | | | | | | | | |
| | | | (948 641) | | | | (948 641) | (26 179) | (97 |
| | | 200 523 | | | | | (540,041) | (20,173) | (5) |
| | | 200,020 | | | | (8 726) | | | |
| | | | 0,720 | | | (0,720) | | | |
| _ | _ | _ | 1 021 | _ | _ | _ | 1 021 | (2.604) | |
| - | - | 200,523 | (1,139,417) | - | - | (8,726) | (947,620) | (28,873) | (97 |
| 6,962,722 | 3,567,002 | 1,387,964 | 14,304,925 | 2,214,050 | (1,693,065) | 2,276,676 | 29,020,274 | 1,065,190 | 30,08 |
| 6,962,722 | 3,567,002 | 1,387,964 | 14,304,925 | 2,214,050 | (1,693,065) | 2,276,676 | 29,020,274 | 1,065,190 | 30,08 |
| | | | | | | | | | |
| | | | 4,816,834 | _ | _ | _ | 4,816,834 | 186.797 | 5.00 |
| - | - | - | | | | | | , | -, |
| - | - | - | | | | | | | |
| - | - | - | _ | (14.334) | - | - | (14.334) | (5.995) | (2 |
| - | - | - | - | (14,334) (231,989) | - | - | (14,334) (231,989) | (5,995) | |
| - - - | - - - | - | - - 27.569 | (14,334) (231,989) | - | - | (231,989) | - | (23 |
| - - - - | - | - | - - 27,569 | | - - 2.638.561 | - - - | (231,989) 27,569 | (257) | (23 2 |
| - - - - | - - - - | - - - - - | 27,569 - - | (231,989) | - - - 2,638,561 - | - - - (7,366) | (231,989) | - | (23 2 2,63 |
| - - - - - | - - - - - | - - - - | - | (231,989) | 2,638,561 2,638,561 | (7,366) | (231,989) 27,569 2,638,561 | (257) | (23 2 2,63 (|
| - - - - - - | - - - - - - | | - | (231,989) | - | , | (231,989) 27,569 2,638,561 (7,366) | (257) 656 | (23 2 2,63 (|
| | | | 4,844,403 | (231,989) | - | , | (231,989) 27,569 2,638,561 (7,366) 7,229,275 | (257) 656 - | (23 2 2,63 (7,41 |
| 356,354 | - - - - - - 342,191 | - | 4,844,403 | (231,989) | - | , | (231,989) 27,569 2,638,561 (7,366) | (257) 656 | (23 22 2,633 (7,410 |
| | | | 4,844,403 (1,121,121) (221,520) | (231,989) | - | (7,366) | (231,989) 27,569 2,638,561 (7,366) 7,229,275 | (257) 656 - 181,201 | (23 2 2,63 (|
| | | - | 4,844,403 | (231,989) | - | , | (231,989) 27,569 2,638,561 (7,366) 7,229,275 (422,576) | (257) 656 - 181,201 | (23 2 2,63 (|
| | Shares Voting 6,962,722 | Shares Voting Non-Voting 6,962,722 3,567,002 | Ordinary Shares Voting Ordinary Shares Non-Voting Reserve Fund * 6,962,722 3,567,002 1,187,441 - - -< | Ordinary Shares Voting Ordinary Shares Non-Voting Reserve Fund * Earnings 6,962,722 3,567,002 1,187,441 11,376,269 - - 4,013,132 - - 54,906 - - 4,068,073 - - 4,068,073 - - 200,523 (200,523) - - 1,021 - - 200,523 (1,139,417) 6,962,722 3,567,002 1,387,964 14,304,925 | Ordinary Shares Voting Ordinary Shares Non-Voting Reserve Fund Earnings Revaluation Reserve 6,962,722 3,567,002 1,187,441 11,376,269 1,378,783 - - 4,013,132 - - - - 835,317 - 35 (50) - - 54,906 - - - 4,068,073 835,267 - - 4,068,073 835,267 - - - - - - - - - - - - - - - - - | Ordinary Shares Voting Ordinary Shares Voting Reserve Fund Shares Voting Earnings Revaluation Reserve Available for Sale Reserve 6,962,722 3,567,002 1,187,441 11,376,269 1,378,783 (469,879) - - 4,013,132 - - - - 35 (50) - - - 54,906 - - (1,223,186) - - 4,068,073 835,267 (1,223,186) - - - (948,641) - - - - 200,523 (200,523) - - - - 1,021 - - - - 200,523 (1,139,417) - - - - 200,523 (1,139,417) - - - - 200,523 (1,39,417) - - - - 200,523 (1,39,417) - - - - 1,387,964 | Ordinary Shares Voting Ordinary Shares Voting Reserve Fund * Earnings Revaluation Reserve Available for Sale Reserve Other Other Sale Reserve 6,962,722 3,567,002 1,187,441 11,376,269 1,378,783 (469,879) 2,285,402 - - 4,013,132 - - - - - - - 835,317 - - - - - - 54,906 - - - - - - - 4,068,073 835,267 (1,223,186) - - - - 4,068,073 835,267 (1,223,186) - - - - (948,641) - - - - - - - - (200,523) - - - (8,726) - - - 1,021 - - - - - - - - - - - - < | Ordinary Shares Voting Ordinary Shares Voting Reserve Fund shares Voting Earnings Revaluation Reserve Available for Sale Reserve Other Sale Reserve Total Total Shares Shares Voting 6.962,722 3,567,002 1,187,441 11,376,269 1,378,783 (469,879) 2,285,402 26,287,740 - - 4,013,132 - - - 4,013,132 - - - 835,317 - - 835,317 - - - 35 (60) - - 6,960 - - - 54,906 - - - 54,906 - - - 4,068,073 835,267 (1,223,186) - (1,223,186) - - - 4,068,073 835,267 (1,223,186) - 3,680,154 - - - (948,641) - - - (948,641) - - - (90,523) - - - (948,641) | Ordinary Shares Voting Ordinary Shares Voting Reserve Fund shares Voting Earnings Revaluation Reserve Available for Sale Reserve Other Sale Reserve Total Controlling Interest 6,962,722 3,567,002 1,187,441 11,376,269 1,378,783 (469,879) 2,285,402 26,287,740 1,067,194 - - - 4,013,132 - - - 4,013,132 21,758 - - - 835,317 - - - 835,317 5,131 - - - 35 (50) - - 54,906 1,46 - - - 54,906 - - - 54,906 146 - - - - 4,068,073 835,267 (1,223,186) - 1,223,186) - 1,223,186 (1,223,186) - 3,680,154 26,869 - - - - 4,068,073 835,267 (1,223,186) - 3,680,154 26,869 |



EXPLANATORY NOTES

General
There are no changes to the accounting policies and methods of computation since the publication of the last Annual Report. The Interim Financial Statements of the Bank and the Group have been prepared & presented in accordance with the Sri Lanka Accounting Standards (LKAS/SLFRS) and provided necessary disclosure to comply with LKAS 34, Interim Financial Reporting. The Interim Financial Statements have been prepared in accordance with LKAS/SLFRS.

The Bank has to comply with the Banking Act Direction No 01 of 2016 dated December 29, 2016 on Capital Requirements under BASEL III which is effective from July 01, 2017 and the disclosures in the Selected Performance Indicators have been changed accordingly. The group financial statements comprise a consolidation of the Financial Statements of the Company and its subsidiary Seylan Developments PLC (70.51%).

2. Information on Ordinary Shares

17,728,293

17,728,293

273,456,344

15,976,518

325,737,875

86,654

21,249 12,493,645

17,728,293

273,456,344

15,976,518

12,493,645

325,651,221

21,249

| L | MARKET PRICE (Rs.) | 31/1 | 2/2017 | 31/ | 12/2016 |
|---|--|--------|------------|--------|------------|
| l | | Voting | Non-Voting | Voting | Non-Voting |
| н | Market Price Per Share | 87.20 | 56.00 | 90.00 | 59.00 |
| н | Highest price per share during the quarter ended | 97.00 | 63.50 | 98.00 | 65.00 |
| н | Lowest price per share during the quarter ended | 86.00 | 55.00 | 83.50 | 57.80 |

| 3. 3.1 | Shareholders' Information Twenty Largest Ordinary Voting Shareholders as at December 31, 2017 | | No. of Shares | % |
|-----------|---|----------------------------------|-------------------------------|----------------|
| 1 | Sri Lanka Insurance Corporation Ltd | | NU. UI SIIATES | 70 |
| | Gincludes Sri Lanka Insurance Corporation Ltd (General Fund) 17,961,365 ar Corporation Ltd (Life Fund) –8,980,682] Brown & Company PLC A/C No. 1 | id Sri Lanka Insurance | | |
| 0 | Corporation Ltd (Life Fund) –8,980,682] | | 26,942,047 24,921,279 | 15.00 13.87 |
| 3 | Employees' Provident Fund | | 17.705.441 | 9.86 |
| 4 | Employees' Provident Fund LOLC Investments Ltd | | 17,155,820 | 9.55 |
| 5 | National Development Bank PLC A/C No. 02 | | 15,671,043 | 8.72 |
| 6 | Bank of Ceylon No.1 Account | | 13,471,025 10,876,665 | 7.50 6.06 |
| 8 | Mr. R S Captain Mr. S E Captain | | 3,631,235 | 2.02 |
| 9_ | Employees' Trust Fund Board Seyfest (Private) Limited | | 3.240.747 | 1.80 |
| 10 11 | Seyfest (Private) Limited | | 3,080,300 2,517,488 | 1.71 1.40 |
| 12 | Mś. L A Captain Sesot (Private) Limited | | 2,317,466 2,326,134 | 1.30 |
| 13 | Sevbest (Private) Limited | | 2,210,179 2,210,179 | 1.23 1.23 |
| 14 | Sevshon (Private) Limited | | 2,210,179 | 1.23 |
| 15 16 | Esots (Private) Limited Lanka Century Investments PLC | | 2,192,519 2,122,122 | 1.22 1.18 |
| 17 | Capital Development and Investment Company PLC A/C No. 02 | | 1.819.258 | 1.01 |
| 18 | AIA Insurance Lanka PLC A/C No. 07 | | 1.652.155 | 0.92 |
| 19 20 | Mr K R B Fernando Sotse (Pvt) Ltd | | 1,036,232 997,198 | 0.58 0.56 |
| 3.2 | , | | 551,155 | 0.00 |
| 3.2 | Twenty Largest Ordinary Non-Voting Shareholders as at December 31, 2017 | | No. of Shares | % |
| 1 | Lanka Orix Leasing Company Plc | | 76.812.865 | 43.93 |
| 2 | Employees' Provident Fund | | 9,326,028 | 5.33 |
| 3 | Akbar Brothers Pvt Ltd A/C No. 1 | | 3,290,099 | 1.88 1.85 |
| 5 | Deutsche Bank Ag As Trustee For Jb Vantage Value Equity Fund J.B. Cocoshell (Pvt) Ltd | | 3,229,262 3,215,920 | 1.84 |
| 6. | Pershing LLC S/A Averbach Grauson & Co. Mr. E Thavagnanasooriyam & Mr. E Thavagnasundaram | | 3.168.808 | 1.81 |
| 7 | Mr. E Thavagnanasooriyam & Mr. E Thawagnasundaram | | 2,672,628 | 1.53 |
| 8 | Commercial Bank of Ceylon PLC/Dunamis Capital P L C Employees Trust Fund Board | | 2,671,829 2,124,675 | 1.53 1.22 |
| 10 | | | 1,942,143 1,823,813 | 1.11 |
| 11 | Merina Ferhando & Sonis (**V) climited Mr. N. Balasingam Lanka Orix Information Technology Services Ltd Deutsche Bank Ag-National Equity Fund Pautsche Bank Ag-National Equity Fund | | 1,823,813 | 1.04 |
| 12 13 | Lanka Urix Information Technology Services Ltd | | 1,522,613 1,296,721 | 0.87 0.74 |
| 14 | | | 1.189.875 | 0.68 |
| 15 | Dr. S Yaddehige | | 1.096.508 | 0.63 |
| 16 17 | Mr. R. Gautam HSBC International Nominees Ltd-SSBT-Deustche Bank Ag Singapore A/C 01 | | 890,500 888,352 | 0.51 0.51 |
| 18 | Mr. M.J. Fernando | | 879.473 | 0.50 |
| 19 | Mr. A.P. Somasiri | | 868.354 | 0.50 |
| 20 | Miss S. Durga | | 813,055 | 0.47 |
| 3.3 | Public Holdings as at December 31, 2017 Ordinary Voting Shares | Number of Share Holders 9.031 | Percentage Holdings 54.29% | |
| | Ordinary Non-Voting Shares | 9,031 6,682 | 54.29% 55.94% | |

Name of Director Mr. W M R S Dias Non-executive Director/Chairman
Mr. I C Nanayakkara, Non-executive Director/Deputy Chairman
Ms. M C Pietersz, Independent Director/Senior Director
Mr. M D Vicestra, Director Chair Sequence (1)

4. Directors' and Chief Executive Officer's Shareholdings as at December 31, 2017

| Mr. K. P. Ariyarathe. Directori/Chief Executive Officer Rear Admiral B A J G Peiris, Independent Director (retired w.e.f.08.01.2018) Mr. S P S Ranatunga, Independent Director Mr. W D K. Jayawardena, Non-executive Director Mr. P L S K Perera, Independent Director Mr. S V Gores, Non-executive Director Mr. S V Gores, Non-executive Director Mr. A S Wijesinha, Independent Director Mr. S K Salgado, Independent Director | 37,275 Nii Nii Nii Nii Nii Nii | 139,681 Nil Nil Nil Nil Nil Nil |
|--|--|---|
| Stated Capital as at December 31, 2017 | | Rs. '000 |
| 33,560,000 Voting Ordinary Shares @ Re, 101-each 4,000,000 Voting Ordinary Shares @ Re, 25-ach 92,440,000 Voting Ordinary Shares @ Re, 35-ach 92,440,000 Voting Ordinary Shares @ Re, 35-ach 1,644,068 Voting Ordinary Shares @ Re, 58-ach 1,636,268 Voting Ordinary Shares @ Re, 58-ach 1,636,268 Voting Ordinary Shares @ Re, 98-ach 1,636,268 Voting Ordinary Shares @ Re, 98-ach 1,636,268 Voting Ordinary Shares @ Re, 58-ach 1,640,000 Non-Voting Ordinary Shares @ Re, 58-ach 1,640,000 Non-Voting Ordinary Shares @ Re, 58-ach 1,659,428 Voting Ordinary Shares @ Re, 58-40 1,640,000 Non-Voting Ordinary Shares @ Re, 58-40 1,640,000 Non-Voting Ordinary Shares & Re, 58-40 1,659,428 Voting Ordinary Shares @ Re, 58-40 1,659,428 Voting Ordinary Shares @ Re, 58-40 1,650,428 Voting Ordinary Shares & | | 335,600 100,000 3,235,400 156,000 3,250,000 356,354 1,044,500 1,000,000 1,589,805 342,191 (181,581) 11,228,269 |

Basic/Diluted Earnings per Share
Basic/Diluted Earnings per Share
Basic Earnings per share has been calculated by dividing profit after tax attributable to the equity holders of the Bank by the weighted average number of shares in issue (both Voting & Non-voting) during the year ended December 31, 2017. Diluted Earnings per Share and the Basic Earnings per Share is the same due to non-availability of potentially dilutive ordinary shares. Weighted average number of ordinary shares as at 31st December 2016 has been restated based on the no of shares issued for scrip dividend 2016.

Events after the Reporting Date Proposed Final Dividend
The Board of Directors of the Bank recommended a first and final dividend of Rs 3.50 per share on both votting and non-votting shares of the Bank for the financial year ended 31st December 2017, to be paid in the form of a cash dividend of Rs 1.00 per share and a scrip dividend of Rs 2.50 per share (Rs 3.25 per share was paid for the year ended 31st December 2016 by way of Rs 1.00 per share and shi vidend and Rs 2.25 per share scrip dividend).
The said dividend is subject to the approval of the shareholders at the Annual General Meeting of the Bank to be held on 29th March 2018. This proposed final dividend has not been recognized as a faishfly as at 31st December 2017.

Redemption of Debentures 2013/2018
The 20 Million Unsecured Subordinated Redeemable Listed Debentures of the par value of Rs.100/- amounting to Rs. 2,000 Million, issued and allotted by the Bank mature on 21st February 2018 and the Bank will redeem the Debentures on 22nd February 2018.

Debenture Issue (BASE, III Compliant)
Sixty Million (60,000,000) Fully Paid; BASE, III Compliant, Tier 2, Listed, Rated , Unsecured Subordinated, Redeemable Rated Debentures with a Non-viability conversion in compliance with BASE, III requirements at a par value of LKR 100/- to be converted to Ordinary Voting Shares by the Bank upon the occurrence of a Trigger Event, with an option to issue up to a further Forty Million (40,000,000) of said Debentures in the event of an oversubscription at the discretion of the Bank and in such event, the maximum issue of said Debentures totaling to Hundred Million (140,000,000) will be offered by the Bank to qualified investors (as defined in Section 2.2.1-1 of the Bules of the Colombo Stock Exchange) pursuant to the approval of the Ordinary Voting Shareholders of the Bank received at the Extraordinary General Meeting of the Bank held on 15th February 2018. An application has been made to the Colombo Stock Exchange to list the said Debentures on the Trading Floor of the Colombo Stock Exchange to list the said Debentures on the Trading Floor of the Colombo Stock Exchange to list the said Debentures on the Trading Floor of the Colombo Stock Exchange to list the said Debentures on the Trading Floor of the Colombo Stock Exchange to list the Said Debentures on the Trading Floor of the Colombo Stock Exchange to list the Said Debentures on the Trading Floor of the Colombo Stock Exchange to list the Said Debentures on the Trading Floor of the Colombo Stock Exchange to Said Floor of the Colombo Stock Exchange t

Other Matters
During the 2nd half of the year the bank designated some of forward foreign currency SWAPs as hedging instruments to hedge foreign currency risk of liabilities denominated in foreign currencies. The fair value changes associated with these derivatives were initially recognized in Other Reserves through Other Comprehensive Income (OCI). The amount recognized in OCI is reclassified to profit or loss, an in the same line item in the statement of profit or loss.

The Bank recognized deferred tax liability at 28% of the revaluation surplus of land in accordance with the related tax provisions introduced by the Inland Revenue Act No. 24 of 2017. The total tax charge is recognized in the current year Other Comprehensive Income.

Rs.5Bn funds raised through Debenture Issue 2016 has been fully utilised for the objectives (ii) To further improve the Capital Adequacy of the Bank's Balance Sheet, by strengthening its Tier II Capital subject to Central Bank of Sri Lanka's approval, (iii) To utilize the funds raised to finance expansion by increasing the lending portfolio of the Bank, (iii) To further strengthen the funding mix of the Bank, (iv) To inimize the interest rate risk and the gap exposure in the Bank's asset/liability portfolio and to reduce maturity gaps in the Bank's Balance Sheet) set out in the prospective within the stipulated time frame.

The Bank has signed a Memorandum of Settlement (MoS) with Ceylon Bank Employees Union (CBEU) who represents the majority of current employees to settle the payment of the enhanced gratuity by utilizing proceeds expected from disposal of shares held by Share Trust companies upon compliance of the following conditions. There being no orders from court which would prevent the share owning companies and trustees from disposing of the shares and crediting the proceeds therefrom to the grafully fund of the bank for the payment of the enhanced grafully; and The Bank being given a period of one year effective from 1st Jan 2018 to procure the disposal of the shares by the trustees and crediting the proceeds therefrom to the grafully fund. Further, the bank has extended the proposal to its ex-employees who are eligible for enhanced gratuity.

The bank has not recognised the enhanced gratuity liability in the financial statements as the settlement is contingent upon the completion of the above events and also making a reliable estimate of the financial impact is not practical as it would depend on number of uncertain variables that are attached to the above mentioned proposed settlement scheme.

v. Rear Admiral B A J G Peiris retired from the services of the Bank with effect from 8th January 2018 in compliance with the Section 3(2)(ii) of the Banking Act Direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka (as amended).

Comparative Figures
Comparative figures have been re-stated/re-classified where necessary, to conform to the current period presentation.

All known expenditure items have been provided for in these Interim Accounts.

| ADDITIONAL DISCLOSURES | | | | Rs. '000 | |
|--|---|--|---|--|--|
| | B <i>i</i> | BANK | | GROUP | |
| 2 Customer Loans and Receivables | As at 31.12.2017 | As at 31.12.2016 | As at 31.12.2017 | As at 31.12.2016 | |
| Gross Loans and Receivables (Refer 12.1) Less: Individual Impairment Collective Impairment | 286,469,373 (1,744,089) (3,863,377) | 242,073,182 (2,420,888) (3,632,097) | 286,469,373 (1,744,089) (3,863,377) | 242,073,182 (2,420,888 (3,632,097 | |
| Net Loans and Receivables | 280,861,907 | 236,020,197 | 280,861,907 | 236,020,197 | |
| 2.1 Customer Loans and Receivables - By product By product - Domestic Currency | | | | | |
| Export Bills Import Bills Local Bills Lease Rentals Receivable Overdrafts Revolving Import Loans Packing Credit Loans Trust Receipt Loans Staff Loans Housing Loans Pawning Receivables Refinance Loans Credit Cards | 15,359 335,352 130,330 16,222,825 61,901,243 10,531,334 1,191,070 1,812,834 6,108,917 13,401,222 10,046,055 2,479,247 4,886,489 | 119,573 147,802 142,892 14,885,690 59,276,447 8,408,394 829,088 1,949,259 5,521,128 12,477,818 9,600,406 1,995,107 3,803,627 | 15,359 335,352 130,330 16,222,825 61,901,243 10,531,334 1,191,070 1,812,834 6,108,917 13,401,222 10,046,055 2,479,247 4,886,489 | 119,573 147,802 142,892 14,685,690 59,276,447 8,408,394 829,088 1,949,259 5,521,128 12,477,818 9,609,406 1,995,107 3,803,627 | |
| Margin Trading Factoring Term Loans Total | 2,588,413 1,099,984 125,086,423 257,837,097 | 2,658,052 445,452 101,035,160 223,104,895 | 2,588,413 1,099,984 125,086,423 257,837,097 | 2,658,052 445,452 101,035,160 223,104,895 | |
| y product - Foreign Currency Export Bills Import Bills Local Bills Overdrafts Revolving Import Loans Packing Credit Loans Housing Loans | 3,164,298 459,456 44,659 886,908 442,327 9,555,196 98,917 | 1,638,602 97,213 79,037 799,936 659,811 7,784,939 37,594 | 3,164,298 459,456 44,659 886,908 442,327 9,555,196 98,917 | 1,638,602 97,213 79,037 799,936 659,811 7,784,939 37,594 | |
| Term Loans Total | 13,980,515 28,632,276 | 7,871,155 18,968,287 | 13,980,515 28,632,276 | 7,871,155 18,968,287 | |
| iross Loans and Receivables | 286,469,373 | 242,073,182 | 286,469,373 | 242,073,182 | |

By product - Foreign Currency Savings deposits Fixed deposits Total **Total Customer Deposits**

| Ba | nk | Group | | |
|-------------|-------------|-------------|-------------|--|
| 2017 | 2016 | 2017 | 2016 | |
| | | | | |
| 2.420.888 | 2.019.537 | 2.420.888 | 2.019.537 | |
| 1.069.797 | 931.597 | 1.069.797 | 931.597 | |
| (1,413,347) | (239,426) | (1,413,347) | (239,426) | |
| (326,532) | (290,820) | (326,532) | (290,820) | |
| (6,717) | (200,020) | (6,717) | (200,020) | |
| 1,744,089 | 2,420,888 | 1,744,089 | 2,420,888 | |
| | | | | |
| 3.632.097 | 3.718.492 | 3.632.097 | 3.718.492 | |
| 423.679 | 38.005 | 423,679 | 38.005 | |
| (199,116) | (124,400) | (199,116) | (124,400) | |
| 6.717 | | 6.717 | | |
| 3,863,377 | 3,632,097 | 3,863,377 | 3,632,097 | |
| F CO7 400 | 6.052.985 | F CO7 400 | 6.052.985 | |
| 5,607,466 | 6,052,985 | 5,607,466 | 6,052,985 | |
| | | | | |
| Bank | | Group | | |
| As at | As at | As at | As at | |
| 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 | |
| 15.421.548 | 18.436.538 | 15.421.548 | 18.436.538 | |
| 65.596.837 | 57.385.770 | 65.596.837 | 57.385.770 | |
| 188,861,741 | 166,813,373 | 188,861,741 | 166,813,373 | |
| 3,438,619 | 4,068,366 | 3,438,619 | 4,068,366 | |
| 273,318,745 | 246,704,047 | 273,318,745 | 246,704,047 | |
| 270,010,740 | 240,704,047 | 273,310,743 | 240,704,047 | |
| | | | | |
| 4,581,517 | 3,210,023 | 4,581,517 | 3,210,023 | |
| 10,207,465 | 9,894,796 | 10,207,465 | 9,894,796 | |
| 18,991,175 | 13,647,478 | 18,991,175 | 13,647,478 | |
| 33,780,157 | 26,752,297 | 33,780,157 | 26,752,297 | |
| 307 098 902 | 273 456 344 | 307 098 902 | 273 456 344 | |