



**It's A Beautiful
Performance**

IT'S A BEAUTIFUL PERFORMANCE



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Enclosed

Notice of Annual General Meeting

Form of Proxy

Investor Feedback Form

Getting the important yet seemingly simple tasks right has enabled the Bank to report steady growth over the past years. This growth, achieved in the midst of a constantly evolving and challenging environment, speaks eloquently of the manner in which the Bank strategically focused on and diligently balanced many a variable, in fashioning its continued wellbeing.

This year, our performance has been characterised by some 'great moves' - mobilising Rs.18.6 Bn. in deposits; disbursing over Rs. 17.8 Bn. in advances; growing the total asset base by 15.87%; the highest ever net profit earned to date of Rs. 3.08 Bn.; achieving an ROE of 13.45% and establishing a strong Capital Adequacy Ratio of 14.73%.

It's a beautiful performance...by any yardstick!

ABOUT THE BANK

Seylan Bank PLC is a public limited liability company incorporated in Sri Lanka in 1987. The Bank focuses on conventional commercial banking and operates from its Head Office in Colombo and through its island-wide network of branches.

Vision

To be Sri Lanka's leading financial services provider - as recognised by all our stakeholders.

Mission

We provide our customers with financial services that meet their needs in terms of value, pricing, delivery and service.

We will do so through a team of Seylan Bankers who are recognised and rewarded for results orientation.

We will ensure that our efforts translate to meeting the expectations of our shareholders, whilst always acting as responsible corporate citizens.



ABOUT THE REPORT

The Seylan Bank Annual Report 2014 showcases 'a remarkable performance' since we began our journey from the turning point in our history 6 years ago, through a slow but steady transition, into what we are proud to be today - a strong, robust and financially sound bank. So let our key performance indicators (KPIs) tell the story of where we are today and, more importantly, where we wish to go in transforming Seylan Bank to a force to be reckoned within Sri Lanka's financial landscape. This is our objective, to forge ahead and never have to look back.

Our incredulous journey since 2008, meeting the many challenges we faced, with the conviction that we shall overcome, through a growth strategy that has proved to be sustainable, over the last 6 years, is the focus of the 2014 Report.

Conceptual Framework

The need to stop and take stock, to ensure that our growth strategy is sustainable in the medium to long term, at least for the next 5 years, is our objective for 2015, based on our journey so far, as illustrated by our KPIs in 2014. Our primary agenda in this regard is to enhance our corporate responsibility to all our stakeholders, and reward them all for the confidence they have reposed in us, by their conscious decision to choose Seylan from amongst all the other banks in the industry. We are committed totally to uphold this trust and to illustrate, in clear and concise narrative, to achieve maximum transparency and accountability, the message that we are indeed the bank of first choice.

Profiling the Bank

Seylan Bank PLC commenced operations in 1987. It is a public limited liability company incorporated in Sri Lanka and is listed on the Colombo Stock Exchange. The Bank operates from its Head Office in Colombo and through its island-wide net work of branches. Seylan's core business is conventional commercial banking. Corporate Information regarding the Bank appears on page 318 and information on share ownership is found in the section on 'Investor Information' of this Annual Report.

Our Presence and Scale of Operations

The Bank maintained its momentum of growth by opening 6 additional branches and upgrading 31 convenient banking centres into fully-fledged branches. Our total presence in 2014 is felt through 157 full branches, 177 ATMs and 93 student savings centres.

Our Group consists of a subsidiary, namely Seylan Developments PLC which the Bank holds 68.28% of stake as explained in the Notes to the Financial Statements on page 239. There was no material change to our group structure or the scale of operation during the year under review.

Our Brands, Products, Services and Operational Structure

The operational structure of the Bank comprises five main sections - Branch Banking, Corporate and Foreign Currency Banking, Retail Banking, Treasury Operations and International & Trade Operations. These divisions of the organisation offer an array of financial services to customers through various delivery channels. A description of our products appears on page 58 and 59 of this Annual Report.

Compliance

The Bank's Annual Report 2014 covers the 12-month period 1st January to 31st December 2014, and is consistent with our usual annual reporting cycle for financial and sustainability reporting. The information contained in this report, as in the past, is in compliance with all applicable laws, regulations and standards as well as guidelines for voluntary disclosures. In true spirit, we are committed to disclosing all instances of non-compliance, particularly with mandatory prudential regulations, the risks entailed as a result and how we propose to manage these risks, if any.

This is our second integrated report which demonstrates our commitment to sustainability as an integral part of our core business.

In preparing this Report we have drawn on concepts, principles and guidance given in the Global Reporting Initiative (GRI) Reporting Guidelines G4 (2013), the International Integrated Reporting Framework (2013) and Smart Integrated Reporting Methodology™ for integrated reporting, where applicable.

Sustainability Reporting Framework

Our Annual Report 2013 was based on Global Reporting Initiative GRI G3.1 sustainability reporting guidelines. This year we have adopted GRI G4 and is prepared in accordance with the core criteria.

Content of the Report

In this report we have integrated our discussion on material economic, social and environmental aspects across the totality of the annual report, which is a comprehensive report that includes our approach to corporate governance, risk management and strategic priorities, presented with a focus on value creation and capital formation.

The report presents both positive and negative performances of the Bank.

Comparative Information

Sustainability report for the financial year 2014 presents key performance indicators with comparative information for last year. It also includes a summary of sustainable indices which the Bank has developed to monitor the performance in relation to diverse stakeholder interests.

Specific Limitations and Boundary

Bank is a financial services provider and hence, some of the GRI indicators are not applicable to its operations.

Boundary of this report does not cover the subsidiary, Seylan Developments PLC. A separate annual report is produced to present the performance of the subsidiary.

Independent Assurance

Bank's policy recognises the importance of obtaining an independent assurance on the sustainability report from a competent professional firm and hence Bank has appointed M/s KPMG as an independent assurer to the sustainability report and the assurance report is enclosed on page 170 of this Annual Report.

Queries

The Bank will be pleased to answer any inquiry and/or provide any clarifications on any material contained in this Report. Please contact:

Chief Financial Officer
Finance Department,
Seylan Bank PLC,
No. 90, Seylan Towers,
Galle Road,
Colombo 3.
Tel: 011-2456350
Fax: 011-2452612

HIGHLIGHTS

Financial Highlights

	BANK			GROUP		
	2014 Rs. '000	2013 Rs. '000	Change %	2014 Rs. '000	2013 Rs. '000	Change %
During the Year						
Income	28,564,355	28,090,978	1.69	28,628,426	28,146,292	1.71
Profit from Operations before Taxation	4,649,444	3,454,035	34.61	4,835,389	3,496,491	38.29
Income Tax Expense	1,570,842	1,138,496	37.98	1,582,819	1,144,446	38.30
Profit for the year Attributable to Equity Holders of the Bank	3,078,602	2,315,539	32.95	3,178,776	2,326,148	36.65
Other Comprehensive Income for the Year, net of Tax	(55,520)	913,330	(106.08)	(29,601)	1,580,066	(101.87)
Total Comprehensive Income for the Year Attributable to Equity Holders of the Bank	3,023,082	3,228,869	(6.37)	3,139,896	3,585,047	(12.42)
Revenue to Government	2,773,846	1,887,136	46.99	2,785,823	1,893,086	47.16
Gross Dividend - Note	862,401	776,161	11.11	862,401	776,161	11.11
At the Year-End						
Total Equity Attributable to Equity Holders of the Bank	24,008,539	21,761,618	10.33	25,195,204	22,661,503	11.18
Retained Earnings	9,083,743	7,209,580	26.00	9,293,830	7,149,507	29.99
Customer Deposits	185,924,122	167,371,384	11.08	185,924,122	167,371,384	11.08
Customer Loans and Receivables	154,962,712	136,552,857	13.48	154,962,712	136,552,857	13.48
Total Assets	249,310,559	215,160,859	15.87	251,557,832	217,509,448	15.65
Information Per Ordinary Share						
Basic/Diluted Earnings (Rs.)	8.92	6.74	32.34	9.21	6.78	35.84
Dividends (Rs.) - Note	2.50	2.25	11.11	2.50	2.25	11.11
Net Asset Value (Rs.)	69.60	63.08	10.34	73.04	65.69	11.19
Market Value (Rs.) - As at end of the year						
Voting Shares	95.00	64.20	47.98			
Non-Voting Shares	57.50	31.00	85.48			
Statutory/Other Ratios (%)						
Core Capital Adequacy (Minimum Requirement - 5%)	13.75	14.58	(5.69)	14.04	15.01	(6.46)
Total Capital Adequacy (Minimum Requirement - 10%)	14.73	15.75	(6.48)	14.98	16.13	(7.13)
Liquidity						
- Domestic Banking Unit Operations (%) (Minimum Requirement - 20%)	27.60	26.74	3.22			
- Foreign Currency Banking Unit Operations (%) (Minimum Requirement - 20%)	21.86	25.93	(15.70)			
Price Earnings Ratio - Voting (Times)	10.65	9.53	11.75			
Dividend Cover (Times) - Note	3.57	2.98	19.80			
Capital Funds to Liabilities and Commitment and Contingent Liabilities (%)	8.88	9.51	(6.62)			

Note: Dividends are accounted for as per the Sri Lanka Accounting Standard - LKAS 10.

Operational Highlights**Achieved highest ever Net Profit of****Rs. 3.08 Bn.**

(2013 - Rs. 2.32 Bn.)

Total Asset Base grew by**15.87%**

(2013 - 17.15%)

Cost to Income Ratio**57.37%**

(2013 - 62.59%)

Net Profit increased by**32.95%**

(2013 - 12.18%)

Capital Adequacy Ratio at a strong**14.73%**

(2013 - 15.75%)

Return on Average Equity**13.45%**

(2013 - 11.40%)

Mobilised over**Rs. 18.6 Bn.****Deposits and granted over****Rs. 17.8 Bn.****Advances**

(2013 - Deposits Rs. 20.6 Bn. and Advances Rs. 11.2 Bn.)

Net Asset Value per Share Increased to**Rs. 69.60**

(2013 - Rs. 63.08)

Total Asset Base reached**Rs. 249.31 Bn.**

(2013 - Rs. 215.16 Bn.)

- 1 Added 6 branches and 19 ATMs to the network
- 2 Opened 39 'Seylan *Pahasara*' libraries across the country in 2014, taking the total number of libraries to 51
- 3 Refurbished 12 branches and relocated 6 branches
- 4 Launched mobile ATM facility and tied up with the Lanka Pay ATM switch
- 5 Introduced the first ever 'Visa Multi Currency Travel Card'

CHAIRMAN'S
LETTER



Our 2014 results reflect the ongoing success of our strategic focus, differentiating us from our competitors and providing stability through challenging economic conditions.

We continued to record a strong performance, maintaining the stable growth momentum over the year >>>

Dear Shareholders,

It is my privilege and pleasure to present the Annual Report and Financial Statements of Seylan Bank for the financial year ended 31st December 2014.

2014 was a momentous year for us, and one that enabled us to achieve some important milestones. We recorded the highest profit ever in our 26 year history. We were also able to reduce our Net NPA ratio (Net of IIS) to a single digit during 2014. The dedication and commitment of our people and adherence to the Strategic Plan rewarded the Bank with impressive financial results.

Economic Environment

Globally, economic growth was lacklustre growing by 2.6% compared to 2.5% in 2013. Except for the United States, the recovery of major economies fell short of expectations. Growth in China slowed down which had a negative effect on the region, especially on emerging Asia.

Sri Lanka's economic growth has been one of the fastest in the Asian region, exceeding its South Asian peers. The services sector continued as the lead sector followed by the

industrial sector. Annual average inflation remained a single digit for 71 months in a row. Exchange rate too remained stable despite volatility in international currency markets.

The banking industry saw a high level of liquidity during 2014. The market interest rates declined significantly during the year reflecting the relaxed monetary policy stance. The credit demand was subdued, until the third quarter of 2014, where we experienced a pickup in private sector credit growth.

Impressive 2014 Results

Our 2014 results reflect the ongoing success of our strategic focus, differentiating us from our competitors and providing stability through challenging economic conditions. We continued to record a strong performance, maintaining the stable growth momentum over the year.

Profit after tax reached Rs. 3.079 Bn., surpassing last year's best ever. Despite narrowing margins, our net interest income increased by 14.87% to Rs. 11,164 Mn. The Capital Adequacy ratio of 14.73% was well above the regulatory requirements.

We succeeded in growing our deposit base by 11.08% to Rs. 185.9 Bn. during the year. The growth was predominately achieved through the mobilisation of current and savings deposits, which increased our low cost deposit base from 33% to about 39% of total deposits.

The slowdown in market demand for credit, which was evident in the first half of the year, was reversed in the latter half with growth momentum picking up in the third and fourth quarters of 2014. This was evident in the net credit growth of 13.48%, where net advances increased from Rs. 136,553 Mn. in 2013 to Rs. 154,963 Mn.

Despite the decline in gold prices and its impact on the pawning base, we were able to improve our asset quality with a significant reduction in our NPA ratio (Net of IIS) from 10.58% in December 2013 to a single digit of 7.69% as at end December 2014.

On account of this impressive performance, EPS rose from Rs. 6.74 to Rs. 8.92 per share during 2014.

CHAIRMAN'S LETTER

Strong Foundation

Our long-term success is built on a firm foundation of excellence in corporate governance, a well-developed culture of prudent risk management, accountability and integrity.

Effective corporate governance is an important foundation for our Bank. It is a key driver of strong performance and is fundamental to our success. Corporate governance provides proper oversight and accountability, builds trust with our stakeholder and strengthens internal and external relationships. We further strengthened the corporate governance framework of our Bank during the year by creating a 'Governance and Compliance Board Sub-Committee' comprising of independent directors. In addition, we continued to strengthen risk management oversight with a focus on internal controls, policies and procedures.

The branch relocation and upgrading project continued in full steam during the year to enhance the customer convenience. Now our branch network comprises of 157 branches, 177 ATMs and 93 student savings centres.

As our commitment to corporate social responsibility, we continued to focus on education and accelerated the 100 libraries project for under privileged schools. I am happy to state that 39 such school libraries were opened during the year 2014, taking the total libraries opened to 51, since 2013.

Our record of success would not be possible without the dedication of our team of Seylan bankers and the core values that guide them. The cooperation, the enthusiasm and the commitment of the management and the staff members have played a very important role in the progress of the Bank during the year.

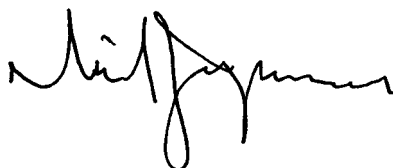
A Look Ahead

Our performance in 2014 again demonstrates that we have been able to grow in a safe and prudent manner, whilst providing our shareholders with strong, sustainable returns.

Our total commitment to deliver superior value to our customers has enabled us to maintain our growth momentum over the years, as we journey forward, we will continue this positive trend through IT enhancement, expansion of our branch network, innovation and service quality improvement. We will also capitalise in market opportunities that we expect would open during 2015.

Thank you

As we conclude another successful year, I wish to thank the Government of Sri Lanka, the Governor of the Central Bank of Sri Lanka and the Bank Supervision Department of CBSL for the continuous guidance and support. My appreciation goes out to my colleagues on the Board for their unstinting support and strategic guidance. I especially thank Mr. Kapila Ariyaratne, Director/CEO for his strong leadership and the great team of Seylan bankers for their dedication, commitment and hard work. I deeply appreciate the continued loyalty and the confidence of our shareholders placed in Seylan Bank and the continued patronage of our customers. We are committed to continue delivering strong, consistent and predictable results for you in the years to come.



Nihal Jayamanne PC

Chairman

25th February 2015



FOCUS

Clear sightedness...a mind in total synchronisation with
the tasks to hand...good performance begins here >>>



**REPORT OF THE DIRECTOR/
CHIEF EXECUTIVE OFFICER**



The outlook for 2015 looks challenging yet promising. There is much potential for the Bank to leverage on its sound performance in 2014 and to go forward to achieve greater heights >>>

A General Overview - 2014 vs. 2013

2014 has been a year of significant achievement for Seylan Bank. We have forged ahead with after tax profits increasing by 33%.

While all our income streams have shown consistent growth over the years, our 2014 results were particularly rewarding after a year of very moderate growth in 2013 which came with many challenges and caused us to revise our growth estimates all round. Deteriorating asset quality, rise in interest rates and the decline in gold prices all impacted credit growth and contributed to challenging circumstances for the industry through most of 2013 extending to the first half of 2014. We are happy that we were able to shrug off these effects and make the most of the revival seen in the markets during the second half of 2014.

Whilst being cost conscious, we did not compromise on key requirements to ensure client satisfaction. Given that our aim is to deliver a dynamic banking experience to our customers, our branch relocation and upgrading project continued at a pace in 2014. We are continuously assessing our

branch location strategies to ensure that we are conveniently accessible to all segments of society. This geographic expansion and improvement in the physical assets was backed by the necessary additions to our human resource pool as well as improvements to our IT infrastructure.

Our core business units of retail and corporate banking, credit cards, and SME and pawning franchises remain strong, all delivering good performances in 2014. We have made important progress in repositioning ourselves in the market and are making good headway across the many financial and non-financial targets we set out as part of our transformation plan.

Our 2014 results are a testimony to our remarkable progress over the last 6 years. As we did in 2013, we reassessed our Strategic Plan against market conditions, to ensure the relevance of our strategies. We took steps to de-risk our business, strengthen our financial position and to constantly increase the efficiency of our operations with the objective of serving our customers better and fulfilling the aspirations of all our stakeholders.

The Challenging Environment

After a slow start, 2014 provided much more opportunity for growth than 2013 though not without challenges. The competition within the industry including the Non Banking Financial Institutions (NBFIs) was intense and aggressive. With the overall drop in rates and the fierce competition, interest margins fell rapidly. Despite this, we grew the loan book by 12.35% and were able to defend the margins by lowering the cost of funds, thanks to the steps we have taken in the right direction at the right time and the relationships we have built with our customers. A concerted performance in all other units of the Bank ensured that despite the impact of low credit growth in the first half of the year, we were able to sustain the consistent growth in our bottom line displayed over the last 6 years.

Transforming Ourselves

We began 2014 in a better position than for several years and we have renewed our focus on strong fundamentals which are essential for longer term growth. We have put our legacy issues behind us and have greater clarity on our future path and goals. With a committed leadership team in place and building on the progress we have made

REPORT OF THE DIRECTOR/ CHIEF EXECUTIVE OFFICER

against our Strategic Plan, we will continue to adapt and evolve, reaping the substantive benefits of our work ethic and experience over the last 6 years. We are acutely aware that we cannot afford to be complacent and to rest on our laurels as the operating environment will remain challenging and demanding. However, we have every reason to be positive about our prospects and are confident that we have arrived at a very important juncture in our journey to become the bank of first choice to all our stakeholders and the bank the people of this country would want to go to.

Our Six Year Growth Trajectory

Six years ago we set out our Strategic Plan to revive the Bank and to reinstate its brand integrity and stature in the financial system. Our transformation plan has brought handsome dividends and helped us to restore the confidence in our stability and competitiveness as well as the overall visibility of our brand. Our commitment to this cause and the unwavering support of all our stakeholders helped us once again become a force in the local industry and justify the trust placed in us by our customers and shareholders. Seylan Bank is once again the preferred choice for a large number across many segments in the economy.

Our Claim to Fame

While strengthening all our Financial Soundness Indicators (FSIs) including our Capital Adequacy Ratio and our asset quality as reflected in our NPA ratio, I am greatly pleased that we were able to live up to our status as 'the bank with a heart' by offering our customers an exceptional level of service with a true sense of dedication and warmth. Our customers rewarded these traits with their loyalty helping us to grow all aspects of our business.

Managing Portfolio Quality

Our primary focus in the last few years has been on dealing effectively with the non-performing portfolio, which was infected by several large legacy loans that needed special attention. The aggressive recovery and restructuring effort we launched over the years and continued through 2014 helped us to rehabilitate a large number of loans and recover others. This enabled us to write back some of the provisioning against these legacy loans, as well as to collect some interest we

were long denied on these impaired assets. Progressively and through the hard work and commitment of our staff, particularly in the recoveries units, we had phenomenal success in reducing our NPA ratio to 7.69% which is a 51% decline in 6 years, with an average annual decline of over 9%.

Though by industry standards, our NPA ratio is still high, once the top 3 legacy loans which are on the verge of being resolved, are taken out, we will be well within industry norms. This turnaround has been achieved not only through our recovery efforts, but by educating our customers of prudent credit discipline and by supporting them with restructured repayment plans to enable them to rehabilitate their businesses when needed. We are glad that this effort not only improved our portfolio quality and bottom line, but also helped our customers who most needed our help and through them the local economy as well.

We were determined however, to maintain the quality of the new additions to our loan book. Our credit risk management had to improve and it did, which brought about a significant improvement in the quality of our loan books.

Funding - Deposit Mobilisation

In mobilising our resources, we continued to focus on building our low-cost deposit base by maximising the service and product offerings of some of our key brands such as *Seylan Sure* and *Tikiri*. These brands had phenomenal success during the year and brought significant benefits to our cost of funds. This put us in a good position to respond to the demands of a competitive market during the latter half of 2014, when credit growth picked up. As a result we ended the year with a 12.35% growth in our loan book. Moreover, we had built up a customer base to whom we hope to provide a wider array of products and services in the future.

Cost Optimisation

We have always focused on cost management as a basic discipline in our business and our 2014 results too benefited from our cost reduction and containment efforts. While operational cost management was greatly aided by the continuous process improvements that we carried out, we were also able to reduce interest costs through a significant improvement in our low cost deposit base by offering our customers value added, attractive products delivered with exceptional service.

Branch Expansion

Our branch expansion programme was slowed down in 2013 mainly due to adverse market conditions that was prevalent throughout the year. However, we worked on a lean branch model and laid the foundation for expanding our branch network by another 75 branches within the next 2 to 3 years. We also upgraded 31 Convenience Banking Centres into fully-fledged branches. In 2014, we opened 6 new branches in Colombo and in the outstations as well. Our branch refurbishment programme, continued at a pace with over 75% of our branches having been fully refurbished so that we are able to give our customers a friendly and superior branch experience.

Risk Management

A key part of our strategy was to formulate and implement an integrated risk management framework. We focused on creating an integrated risk management platform that was sound and understood by everyone. We had to work hard to bring this culture of risk awareness and risk management into the mainstream of everyday work, first through our managers and then to all staff. This concept of integrated risk management has now become a part of day-to-day functions of the Bank, equipping our staff with the necessary tools and skills to anticipate and manage risks as they arise. This is reflected in our KPIs, in the declining NPA and even in the reduction of the cheque returns, all of which were part of a dashboard of risks we developed, which were closely monitored for prompt corrective action as soon as they were identified.

Supporting Government Initiatives

We have a portfolio of clients involved with the ongoing infrastructure development projects of the Government. The Government works directly with state banks, so our participation is through the stakeholders in these projects. This is reflected in the sectoral growth in credit where infrastructure financing has grown by 91% and is the highest growth sector of the Bank in 2014. At SME and micro level, we actively participated in agricultural loans which have also grown by 62%, through subsidised loan schemes to support agriculture in the North and the East. We were active participants in Government initiatives by which we were able to support our own customers and exporters

REPORT OF THE DIRECTOR/ CHIEF EXECUTIVE OFFICER

as well. In supporting financial inclusion and financial literacy, we conducted SME training sessions to impart knowledge and enhance skills in related areas and on the applicable regulations, which helped to enhance entrepreneurial skills and the technical knowledge they lack.

Differentiating Ourselves

We focus on customer engagement. We are one of the biggest banks on the digital framework, with our active engagement on facebook through which we are able to engage with customers in real time. We grew *Tikiri* as a product and enhanced our engagement with the student community through *Tikiri Pola* through which children are able to sell an item made by them and use the sale proceeds for the benefit of their school. We were able to get the children actively involved in learning about commerce, the benefits of saving etc. thus introducing financial literacy to children at an early age.

The public recognise the warmth and friendship and the sincere welcome they receive when they walk into a Seylan Bank branch. In addition, the ease of working and the friendly personal touch of staff has always been a hallmark of the Seylan Bank brand. We have nurtured and encouraged these traits in our staff and our products and services, have been built around them.

Our Shareholders

Our impressive results have enabled higher dividends to our shareholders with earnings per share increasing from Rs. 6.74 in 2013 to Rs. 8.92 in 2014 whilst still maintaining a healthy and prudent profit retention policy to aid future growth. Our key profitability indicators of ROA and ROE were at 1.33% and 13.45% respectively, on par with industry and peer norms.

Sustainability Initiatives

As part of our corporate social responsibility initiatives, we picked education and child development i.e. on building a better future through education. Our chosen project in this regard was to build libraries. In 2014, we opened the 51st library in our 100 libraries project, which we hope to complete in next two years. We will also upgrade all libraries with computers and Internet facilities in our efforts to introduce information technology to all deserving, less-privileged schools. We have also adopted a village and

we continue to work with them and it gives us great satisfaction to see the development that we have been able to achieve in this village. While we will look at replicating this model village project in 2015, our focus will be on education and the library project.

Strategic Intent

We expect 2015 to be another break-out year, where we will grow aggressively in geographic reach and on the assets side of our Statement of Financial Position. We have countered and completely overcome the legacy issues now. Our brand is well established and well recognised and we are one of the stronger banks in terms of capital as well. We are well placed now in terms of growth, reliability and visibility, to consolidate our position as a systemically important bank. We are confident that we have the necessary skills, resources and through that, a very competitive edge over our competitors in the industry. We will focus firmly to entrench ourselves in the market and to capture a larger market share and grow aggressively, but prudently. We believe that the new economic environment will also support us in our endeavours to achieve our expected growth. Although there is still much untapped potential in the domestic market, we will also explore new avenues of opportunity for possible overseas ventures. This is a secondary objective, but we will start looking at the possibilities now.

Future Outlook

The outlook for 2015 looks challenging yet promising. There is much potential for the Bank to leverage on its sound performance in 2014 and to go forward to achieve greater heights. We are well prepared to respond to the changing political and economic environment. One of our key goals is to improve our key KPI - the NPA ratio - through a focused resolution of our legacy loans which will help us to bring it within the industry norms and greatly improve our bottom line. We will also focus on expanding our corporate portfolio and further diversify our loan book on the retail side, given the promising outlook for the sector associated with the per capita growth in the country. We will leverage on our investments in technology to bring the Bank within the cutting edge of technological advancement in product and service development for our customers.

I have no doubt that with our committed workforce at the Bank, we can achieve our objectives for 2015. I thank the staff, the senior management, the Chairman and the Board of Directors for their fervour, support and guidance, which made my task as the Chief Executive Officer less onerous than it would otherwise have been.

It's a Beautiful Performance...

Our Statement of Financial Position and Income Statement can never capture the sheer commitment and focused attention of our staff which brought about this transformation. It is a tribute to the well-coordinated efforts of each and everyone at the Bank, not only those in the front lines, but the back-end offices as well, as it was evident that everyone did their job right, identified their roles and executed their tasks perfectly. Eventually, we were able to see the sum total of our coordinated efforts in the strong performance of 2014.

All things considered, it is indeed a beautiful performance, one that we can be truly proud of when we look back in retrospect at the challenges we overcame to be able to deliver these results.



Kapila Ariyaratne

Director/Chief Executive Officer

25th February 2015

BALANCE

Prowess and practice... 'good health' as a way of life...
acumen... equilibrium of mind, body and action deliver the
right results... always >>>



MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

The Global Economy

Despite setbacks and a downward revision of economic growth to 3.3%, global recovery continued at an uneven pace. Global growth projections for 2015 too have, accordingly, been revised downwards to 3.8%. Short-term risks which centered around worsening geopolitical tensions had their effects on financial markets. The consensus is that 'economic growth is becoming more differentiated in major countries and regions with the pace of recovery reflecting country specific conditions'.

Inflation pressure stayed subdued across the globe in 2014 with considerable negative output gaps in advanced economies, weaker domestic demand in several emerging market economies and falling commodity prices.

Future Outlook

The outlook for 2015 however, is that while global recovery continues apace, it will only be strong policy efforts, through strong global leadership, that will help to sustain economic growth in 2015. Accommodative monetary policy and more importantly, fiscal adjustment that is growth and job-friendly, loom large in this equation. The impact of lower oil prices, while being a boost to inflationary pressures in oil importing countries, will be a force to reckon with for oil exporting countries which will have to cushion the shock of lower revenues on their economies.

The Sri Lankan Economy

Gross Domestic Product (GDP) growth in the first half of 2014 was robust moving from 7.6% in the first half of the year to 7.8% in the second. The services sector continued as the leading sector of the economy with the highest contribution and grew by 6.5%. The agricultural sector maintained its positive pace of growth, despite the impact from adverse weather conditions. The sector expanded by 1.3% in the first 3 quarters of 2014. The subsectors that contributed were fishing, other food crops, coconut and tea. The construction, textiles and apparel sectors together contributed to 12.4% growth in industry. Inflation which moderated between 4.4% and 2.8% in June, hovered at low levels during the year.

A notable expansion in exports was seen in 2014 with textiles and garments, tea and coconut being the main contributors to this increase in export earnings by over 10%, which supported a contraction in the trade deficit in the first half of 2014. As a percentage of GDP, the deficit in the trade account is expected to decline to 10.5%. Tourism recorded a robust growth in 2014 with tourist arrivals and earnings growing by around 30%. The growth momentum in workers' remittances continued to support the current account of the balance of payments. After merchandise exports, which represented 47.1% of current account receipts, workers' remittances were the next highest at almost 30%. The BOP improved substantially with the significant inflows to the external account and is expected to record a surplus of USD 1,400 Mn. in 2014 compared to USD 985 Mn. in 2013.

The stock market activities too recorded improved performance, the All Share Price Index (ASPI), S&P SL20, daily turnover as well as net foreign investment inflows recorded increasing trends during the period. Market Capitalisation exceeded Rs. 3 Tn. while ASPI crossed the 7,000 points mark during the period under review.

Several adjustments were introduced to streamline the monetary policy rate corridor and those measures with low inflation environment helped to maintain a relatively eased monetary policy stance in 2014. Both repurchase and reverse repurchase rates were renamed to Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) respectively and reduced rates to 6.5% and 8% accordingly. Consequently market interest rate structure continued to shift downward which tightened the spread between lending and deposit rates of the commercial banks.

Future Outlook

The Sri Lankan economy is expected to move along a higher growth rate, non-inflationary growth corridor in the medium-term, with the vastly improved physical infrastructure, efforts to enhance overall productivity of the economy and continuous recovery of the global economy.

With the higher growth contribution from the three main sectors, the economy is projected to grow at a rate of around 8% in 2015 and inflation is expected to remain below 5% in the medium-term. Whilst the budget deficit is targeted at 4.4% of GDP, the per capita income is to surpass USD 4,000 mark in 2016.

Export earnings are expected to increase at a higher rate with diversification of products, market and increased global demand. Main growth impetus is expected from information technology services, port and airport related activities and performance of the tourism industry. However, imports are estimated to increase mainly due to investment and intermediate goods demand-based on major economic activities such as development projects in tourism, port and airport sectors and infrastructure developments projects.

The Banking Sector

During the year, the banking sector moved towards its consolidation process while assisting and harmonising with the emerging needs in the growing economy in Sri Lanka. The key policy initiative taken during the year was the implementation of the financial sector consolidation programme aimed at further strengthening the domestic financial system.

The sector had a challenging yet rewarding year that experienced a continuation of the growth momentum and businesses. A high level of liquidity prevailed in 2014, facilitated by Central Bank purchases of foreign currency inflows. Effective policy measures were taken to induce credit to productive sectors. A credit guarantee scheme was introduced to mitigate the effects of the pawning exposures of banks as a result of declining gold prices. Access to the Standing Deposit Facility was rationalised to encourage credit to the productive sectors and flexibility of reserve maintenance by banks was increased.

The overall performance of the sector which was lagging in the first half of the year, picked up and responded in the latter half in the context of the policy measures introduced. The industry saw a revival of private sector credit in the latter quarters of 2014 in response to the positive policy stance. Key banking sector indicators of capital and asset quality, continued to showcase the sector strength and resilience. Healthy regulatory capital levels were maintained and non-performing loans and related provisions were at manageable levels. Industry capital adequacy was stable and above 14% with a statutory liquid assets ratio reported in excess of the regulatory minimum.

While new sources of funds were sought from overseas institutions, deposits still continued to be the main source of industry funds. Deposits and total assets of the industry recorded a growth in 2014, while assets quality improved with NPA at a decreasing trend. The effect of the fall in gold prices on pawning portfolios of banks had largely been mitigated.

Banking Infrastructure

The banking sector also greatly facilitated macro economic integration with the world economy by raising over USD 4 Bn. from foreign sources which represented 60.7% of total borrowings by the sector, with almost the totality being raised from abroad primarily from the Asian region.

In strengthening the anti-money laundering and terrorist financing framework, information sharing arrangements were strengthened through MOUs entered into and proposed with several countries in the region.

Outlook 2015

The outlook for 2015 is expected to centre around financial inclusion, active involvement by the banking sector in infrastructure development projects, repositioning the country in the context of becoming a regional business centre and to support Sri Lankan entrepreneurs to do business abroad and introducing innovative banking products. The momentum in infrastructure development is expected to continue into 2015 with active banking sector participation. However, new thinking on the proposed structural changes in the sector will be anxiously awaited by the industry.

The regulatory enhancements to capital and other financial stability measures proposed will require the concerted efforts of the banks, particularly on the adoption of the Basel III capital and liquidity measures which are being phased in, to align ourselves with international regulatory standards.



**MANAGEMENT DISCUSSION
AND ANALYSIS**

**Sustainability Context and
Value Creation**

Our Strategic Priorities

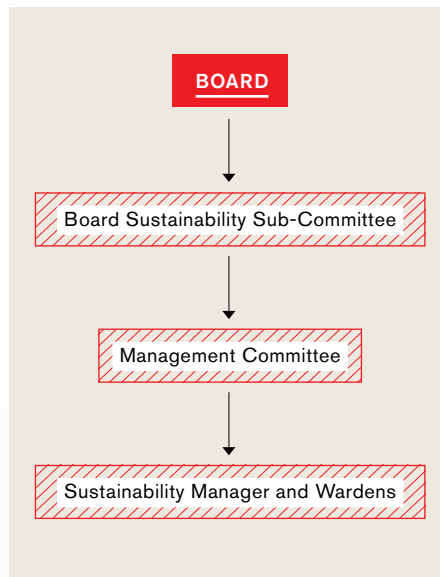
Encouraged by our progress over the past 6 years, to transform ourselves into one of the most financially sound, robust banks in the country, our priority is to see how we can advance this agenda through sustainable initiatives in 2015 and beyond. What do our 2014 results demonstrate? That we must continue to de-risk our business, strengthen our balance sheet and increase efficiency. That we must put the customer at the heart of the banking experience, improve service delivery by enhancing our processes and eliminating customer waiting time. In essence, it means enhancing the customer experience in the realisation that it is our customers who make our Bank what it is today.

Sustainability Focus

We believe that building strong communities is the key to ensuring financial security and long-term sustainability for all citizens of Sri Lanka. As a responsible corporate citizen and a leading bank in the country, we are endowed with the capability of performing a leading role in enacting change at community levels. We understand our responsibility to nurture progressive communities and steer them to achieve their own goals, while contributing to long-term national development. Accordingly, our efforts encompass a broad range of community engagement and social inclusion initiatives aimed at enabling these communities to pursue their future aspirations.

Sustainability Stewardship

Our sustainability mechanism is driven by the Board Sub-Committee which is responsible for formulating of strategies in line with the core banking business. In addition, the Board level Sub-Committee is assisted by the management committee that are led by members of the Senior Management. Our Corporate Governance and our Management Discussion and Analysis explains more details on the strategies.



Material Aspects and Boundaries

Material aspects under GRI G4 guidelines are those that reflect the Bank's significant economic, environmental and social impacts or that substantively influence the assessments and decisions of our stakeholders.

Establishment of Materiality

We have identified aspects with broad sustainability significance via the stakeholder engagement process and established boundaries isolating the most relevant impacts for the Bank and our stakeholders.

Aspects were evaluated according to their impact on and contribution to all areas of sustainability related to the Bank's business strategy and operations. They were also assessed in the light of stakeholder expectations gathered through an engagement process.

Prioritisation of Material Aspects

To establish aspects of materiality and direct importance, we began by prioritising their relevance from different perspectives ranking them into three levels of importance 'High, Medium and Low'.

- The degree of influence the Bank has over each aspect.
- The extent to which the resources in question are used in Bank's operations.
- The extent of various stakeholders' interactions and their levels of expectations.
- The degree of responsibility that should be demonstrated by a responsible corporate citizen.
- The impacts arising from the activities of Bank's customers and contributors to our supply chain.
- The degree of value that the Bank can deliver in relation to each aspect.



MANAGEMENT DISCUSSION AND ANALYSIS

The following table depicts the level of significance for each aspect, of the triple bottom line of economic, social and environmental considerations. Our analysis takes into account each aspect's relevance to the Bank and our stakeholders, applying the principles of inclusiveness, sustainability context, materiality and completeness.

Aspect	Materiality				Aspect Boundary					
	Materiality Level for the Sustainability Context	Materiality Level for the Overall Bank	Materiality Level for the Associated Stakeholders	Reporting	Internal		External			
					Employees	Investors	Customers	Community	Environment	Supplier and Business Partners
Economic										
Economic Performance	High	High	High	√		*				
Market Presence	High	High	High	√		*				
Indirect Economic Impact	Moderate	Moderate	High	√		*				
Procurement Practices	Moderate	Moderate	Moderate	√						*
Social: Product Responsibility										
Customer Health and Safety	Low	Moderate	Moderate	√			*			
Product and Service Labelling	Low	Low	Low	–			*			
Marketing Communications	High	High	High	√			*			
Customer Privacy	High	High	High	√			*			
Compliance	High	High	High	√			*			
Product Portfolio	High	High	Low	√			*			
Social: Labour Practices and Decent Work										
Employment	High	High	High	√	*					
Labour/Management Relations	High	High	High	√	*					
Occupational Health and Safety	Moderate	Moderate	Moderate	√	*					
Training and Development	High	High	High	√	*					
Diversity and Equal Opportunity	High	High	High	√	*					
Equal Remuneration for Women and Men	High	High	High	√	*					
Labour Practices Grievance Mechanisms	High	High	High	√	*					
Social: Human Rights										
Non-Discrimination	High	High	High	√	*					
Freedom of Association and Collective Bargaining	High	High	High	√	*					
Child Labour	High	High	High	√	*					
Forced or Compulsory Labour	Moderate	Moderate	Moderate	√	*					
Security Practices	Moderate	Moderate	Moderate	√	*					
Human Rights Grievance Mechanisms	High	High	High	√	*					
Social: Society										
Local Communities	Moderate	Moderate	High	√		*		*		
Anti-Corruption	High	High	High	√				*		
Public Policy	Low	Low	Low	√				*		
Anti-Competitive Behaviour	Moderate	Moderate	Moderate	√				*		
Compliance	High	High	High	√				*		

MANAGEMENT DISCUSSION AND ANALYSIS

Aspect	Materiality				Aspect Boundary					
				Reporting	Internal		External			
	Materiality Level for the Sustainability Context	Materiality Level for the Overall Bank	Materiality Level for the Associated Stakeholders		Employees	Investors	Customers	Community	Environment	Supplier and Business Partners
Environment										
Materials	Low	Low	Low	√					*	
Energy	Moderate	Moderate	Moderate	√					*	
Water	Low	Moderate	Moderate	√					*	
Biodiversity	Low	Low	Low	√					*	
Emissions	Low	Moderate	Moderate	√					*	
Effluents and Waste	Moderate	Low	High	√					*	*
Products and Services	Moderate	High	High	√			*		*	
Compliance	High	Moderate	Moderate	√					*	
Transport	Moderate	Moderate	Moderate	√					*	

We do not report the following aspects as material due to the insignificant impact to the Bank from the sustainability point of view.

- Product Responsibility - Audit and active ownership.
- Labour Practices and Decent Work - Supplier assessment for labour practices.
- Human Rights - Investment, indigenous rights, supplier human rights assessments.
- Society - Supplier assessment for impacts on society, grievance mechanisms for impact on society.

Basis of Recognising Stakeholders and Our Commitment

While our larger stakeholders are our customers and our depositors who finance our assets, we are always mindful of our obligations to our shareholders and investors who are the bulwark of our strength. We are committed to delivering a guaranteed return on equity/investments on par with the market rate of return in line with their expectations.

We are also conscious of our obligations to our regulators who are important stakeholders, sharing a common interest with us for a financially sound, prudently managed bank.

Last but not least of our stakeholder segment, is our staff who propel the Bank on its path to progress and without whom we would not be where we are today. We will continue to invest in our human capital through training and skills development in keeping with our commitment to an adequate budget for human resource development, which we are confident, will bring handsome dividends to the Bank's progress and to our staff.

Stakeholder Engagement

The Bank defines 'stakeholders' as individuals or groups who can affect or be affected by the activities of the Bank. The Bank engages with key stakeholder groups. The frequency of engagement varies from periodical to ad-hoc meetings, discussions and other forms of communications.

The Bank is responsible for coordinating its engagements effectively with all stakeholders. Our strategic priorities in such engagements are to:

- Build meaningful and mutually beneficial partnerships, supporting effective engagement in achieving economic, social and environmental goals.
- Develop appropriate systems and processes, enabling proactive responses to stakeholder related issues.
- Create sustainable value for all stakeholders.
- Understand and mitigate potential risks.

MANAGEMENT DISCUSSION AND ANALYSIS

Stakeholder Inclusiveness, Capital Building and Delivery Process

The Bank recognises that it is compelled to define the strategic and key stakeholder groups to ensure materiality in engagement and reporting. Investors, customers, employees, communities, suppliers and business partners and regulators are recognised as key stakeholders of the Bank.

Key Stakeholder Group	Methods of Engagement	Main Concerns	How the Bank Addressed Concerns
Shareholders and Investors	<ul style="list-style-type: none"> - Annual reports, Interim financial statements - Annual general meeting - Extraordinary general meetings - Investor presentations - Media releases - Announcements submitted to the Colombo Stock Exchange - Face-to-face discussions - Bank website 	<ul style="list-style-type: none"> - Enhance shareholder value - Sustainable return - Business expansion plans - Compliance and governance - Extent of contribution to national initiatives - Community related investments 	<ul style="list-style-type: none"> - Create value and deliver sustainable wealth and superior returns - Continue branch expansion process - Implement adequate internal controls and monitor the regulatory compliance - Transparency in reporting
Customers	<ul style="list-style-type: none"> - Branches - ATMs, Call Centre - Student Saving Centres - Automated channels - Customer satisfaction surveys - Customer targeted workshops - Kids banking day events - Customer complaints management - Social media 	<ul style="list-style-type: none"> - Reach an access - Product innovation - Service excellence - Customer satisfaction and convenience - Financial literacy and inclusiveness - Value additions 	<ul style="list-style-type: none"> - Deliver superior customer service with constant value additions - Refurbishment of branches - Customer workshops - Improve eBanking services - Make banking convenient and flexible - Update staff on latest changes
Employees	<ul style="list-style-type: none"> - Staff meetings - Performance review - Discussion with unions - Newsletters - Intranet internal circulars - Staff email - Quiz competitions, get together and sports competitions, etc. 	<ul style="list-style-type: none"> - Remuneration and compensation - Training and development - Future prospects - Availability/regular updates of related information - Labour relations and decent work place - Staff welfare - Whistle-blower requirements - Employee retention and turnover 	<ul style="list-style-type: none"> - Availability of proper remuneration and recognition policies and constant revising of such policies - 'Seylan Banker' magazine - Individual email - Well structured, specific training programmes - Availability of information to the staff
Suppliers and Business Partners	<ul style="list-style-type: none"> - Visits and meetings - Official communication (Letters, Calls, etc.) - Tender invitations - Suppliers registration - Agreements 	<ul style="list-style-type: none"> - Price negotiations - Mutual understanding - Qualitative concerns - Agreements and MOUs - Procurement methods 	<ul style="list-style-type: none"> - Promote locally based suppliers - Transparent tender procedures - Build long-lasting relationship - Tender policy and procedures - Procurement policy and committees
Community	<ul style="list-style-type: none"> - Bank's delivery channels - Media releases - Sponsorships - Public events - Seminars/workshops - Bank website - CSR projects 	<ul style="list-style-type: none"> - Community initiatives - Qualitative and quantitative concerns - Corporate social responsibility initiatives - Information on community work 	<ul style="list-style-type: none"> - 'Seylan Pahasara' school library project - Other CSR initiatives - Other community services - Continuous engagement

MANAGEMENT DISCUSSION AND ANALYSIS

Key Stakeholder Group	Methods of Engagement	Main Concerns	How the Bank Addressed Concerns
Regulators	<ul style="list-style-type: none"> - Various regulatory meetings - Submission of returns - Circulars and regulations - Press notifications - Forums and consultations - Bank website - On-site supervision by regulators 	<ul style="list-style-type: none"> - Central Bank regulations and codes related to Licensed Commercial Banks - Banking Act regulations - Fulfilment with Companies Act legislations - Compliance with Corporate Governance codes issued by different regulatory authorities - Labour rules and practices - Global financial developments and initiatives 	<ul style="list-style-type: none"> - Comply with statutory requirements - Regular engagements with authorities - Resources efficiency, management and conservation - Internal regulations

Key Areas of Impact-Risk and Opportunity

Over the year, the Bank has been able to identify areas that impact-risk and create opportunity to its operations. Given below are details of such areas identified, according to key parameters of sustainability.

Economic

Seylan Bank identified the following factors that challenged business - the global economic meltdown, level of confidence, risk aversion, interest rate risks, fluctuations in foreign exchange rates and fluctuations in commodity prices.

These scenarios however, did yield areas of opportunity for the Bank as well. Growth in potential for the Bank in varied sectors of the market such as SME, leisure, etc., enabled the Bank to improve market share and enhance its brand equity.

The Bank will need to guard against risks that arise through its ambitious economic targets, which could in turn pose threats to sustainable growth and expansion.

Social

The Bank is constantly challenged to maximise employee retention ratios, ensure that an exemplary human rights record is in place, decent work practices for contract workers are employed, ensuring strict conformance with all labour legislations.

Challenge can also come from pressures exerted on our systems and processes by various stakeholder groups, which can slow down the momentum of day-to-day operations thus impacting targets.

Opportunities are to be found in the midst of these challenges. Some of them are - enhanced employability, due to the practice of high standards and promulgation of a structured training programme; reaching out to rural communities at remote locations; participating in community building through continued initiatives towards environment, health, education, arts, disaster relief and employee volunteering.

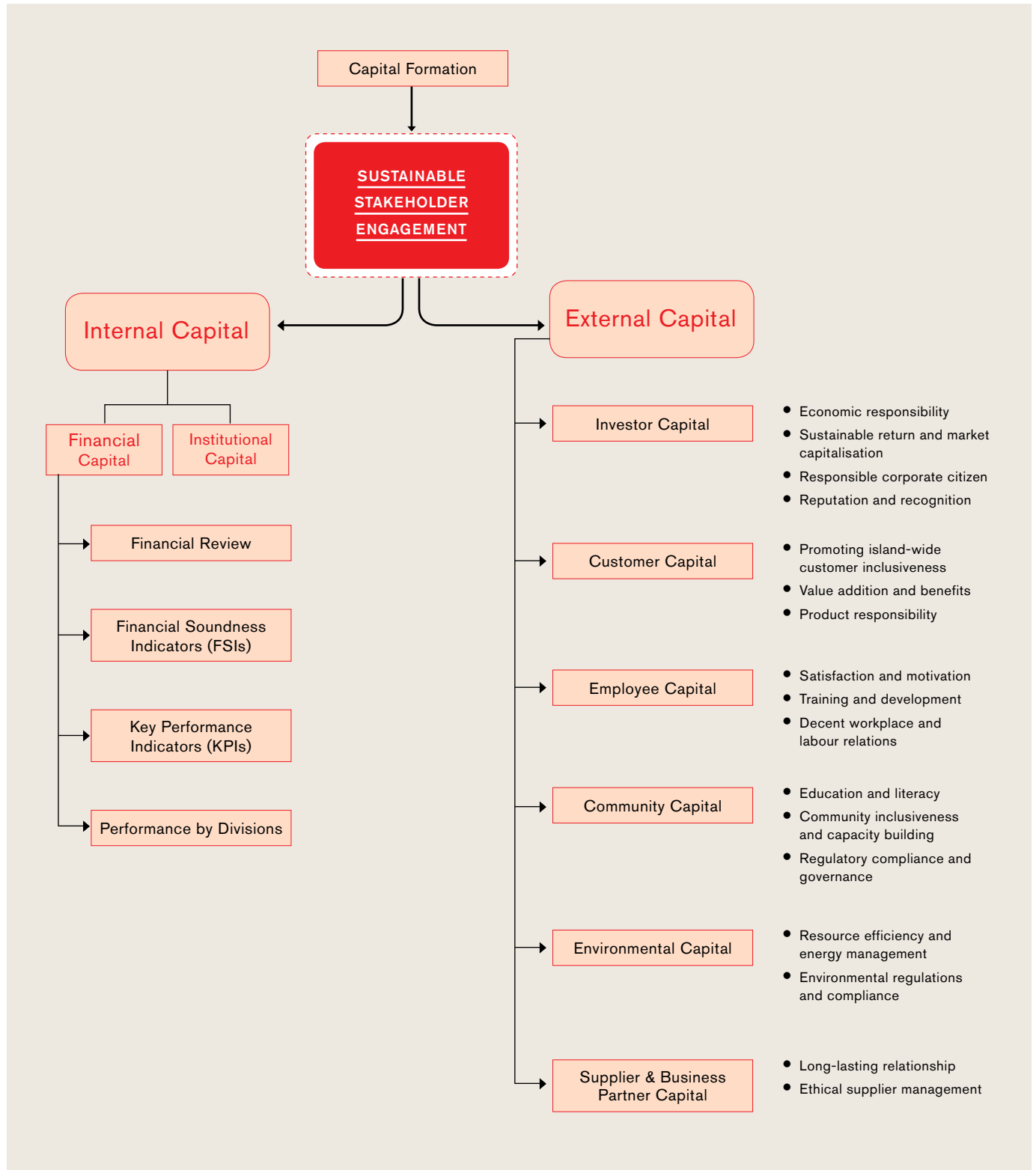
The Environment

Challenges to business arose from balancing customer demands with the Bank's objectives of conserving resources such as energy and water and introducing a less paper dependent environment. Another area of challenge was in encouraging local suppliers to provide required goods and services at competitive costs while adhering to desired environmental and social standards.

These challenges generate opportunity as we leverage cleaner and more advanced technologies to cut energy and paper usage and thus reduce operational costs.



Value Creation through Stakeholder Engagement



**MANAGEMENT DISCUSSION
AND ANALYSIS**

Bank's Approach to Sustainability

Bank has consistently adopted a strategic approach to sustainability where core business and sustainability strategies are intrinsically aligned. Sustainability development is an ongoing and continuous area of focus in strategic discussions, objectives, goals and targets and is integrated with governance, accountability and risk management.

Our Guiding Principles

We believe that sound and effective Corporate Governance is fundamental to the Bank's and the Group's long-term success and sustainability. While forming the basis for responsible management, we are firmly committed to the highest standards of integrity, ethics and professionalism.

Our governance is in accordance with the Central Bank of Sri Lanka's Code of Corporate Governance and related guidelines and the prudential banking regulations issued by the Central Bank of Sri Lanka, in addition to continuously aligning ourselves with international best practice on Corporate Governance.

Our Corporate Governance framework combines competent leadership, effective risk management under the stewardship of a Chairman and Board of Directors comprising of 5 Independent Directors with diverse skill-sets and experience. We are proud that our new Board management structure consists of former bankers and industry specialists in areas ranging from business to accounting. The Board seeks to ensure that the Bank is well-positioned for growth and is equipped for an appropriate and prudent level of risk and provides direction for establishing, reviewing and overseeing the implementation of the Bank's overall strategy. Effective risk management is central to all parts of our organisation. Our Board-approved Risk Management Framework (please refer Risk Management section of this Annual Report) sets the risk parameters within which, our business units can operate and achieve their objectives in accordance with their respective business strategies.

We are committed to measuring our performance against these objectives, in our continuous assessment of individual benefits and remuneration, which helps to drive appropriate behaviours. We never fail to assess the impact of our decisions on all our stakeholders and ensure that we strike a

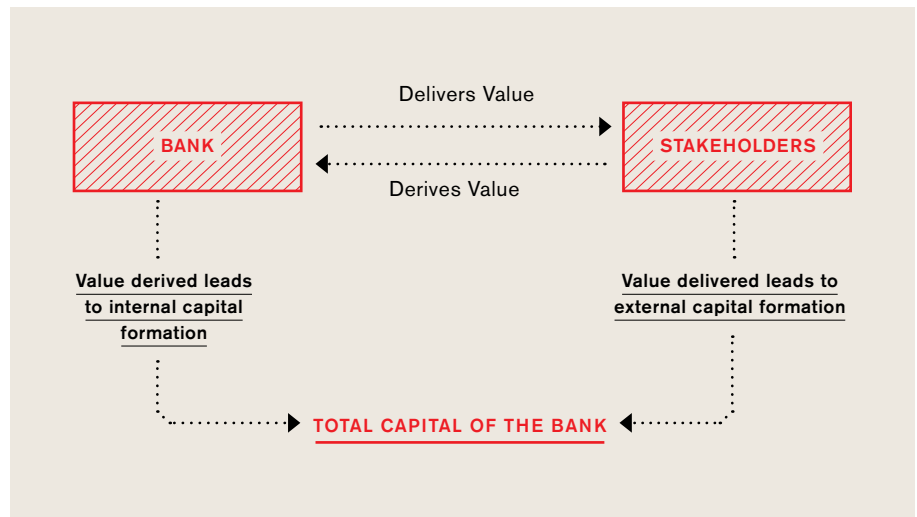
balance between unsustainable, short-term, gains and our long-term objectives.

Our organisational culture influences the way we conduct our business and we are proud to leave our imprint on whatever we do, to provide better banking services. It is our goal to project Seylan Bank as a vibrant and dynamic institution, which our staff and our customers are proud and feel good, to be part of. It is our strong belief, that it is our competent leadership and strong risk management culture that will help us to achieve our goals.

Deriving & Delivering Value

Deriving and delivering value lead to value creation. Value creation focuses on how value is created over the short, medium and long-term.

The conceptual framework consists of two aspects of value creation.



Deriving Value -
The value that the Bank creates for itself leads to internal capital formation.

Delivering Value -
The value that the Bank creates for stakeholders, leads to external capital formation.

Capital Formation

The Bank uses various forms of capital for achieving sustainable growth. These capitals are stores of value that are transformed continually through our business activities and performance. In the pages that follow, we will discuss capital formation and forms of capital using the categorisation given below:

Internal capital formation is discussed in the context of financial capital and institutional capital.

External capital formation is discussed in the context of our key stakeholders, duly identified through a materiality matrix. They comprise investors, customers, employees, society and suppliers & business partners.



MANAGEMENT DISCUSSION AND ANALYSIS

Internal Capital Formation

Financial Capital

Post 2008, the Bank grew from strength to strength, culminating in the best ever performance for the Bank in the year under review. After all, **it is a beautiful performance**. Today, we are financially strong and robust. This section focuses on our Financial Soundness Indicators (FSIs) and Key Performance Indicators (KPIs) with a view to provide user-friendly information about our strength and stability. This will enable the readers of this report to judge for themselves, the progress we have made over the years in projecting Seylan Bank as a stable, financially sound institution, in which both investors and depositors can repose their trust.

Financial Highlights

- Surpassed a profit after tax of Rs. 3.0 Bn., the highest ever profitability in the Bank's 26 year history.
- Successfully mobilised Rs. 18.6 Bn. of net deposits and recorded a growth of Rs. 17.8 Bn. in gross loans and receivables.
- Recorded a Capital Adequacy Ratio of 14.73%, which is one of the highest in the local banking industry.
- Drastically reduced the Net NPA ratio to 7.69%.

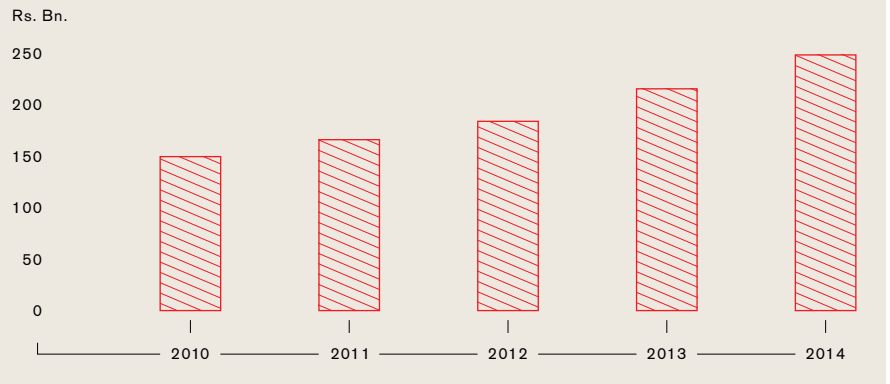
Statement of Financial Position as at end December 2014

Growth

Total assets grew by 15.87% to Rs. 249,311 Mn. which was marginally less than the 17.15% growth achieved in 2013.

This growth was financed primarily by the growth in deposits by 11.08%, by debt capital in the form of debentures (136%) and by securities sold under repurchase agreements (172%). The distribution of assets was largely in Reversed Repos which grew by 210%, in placements with banks by 141% and in credit which grew by 13.48%.

Total Assets



Business Volumes

The slowdown in market demand for credit, which was evident in the first half of the year, was reversed in the latter half with the growth momentum picking-up in the third quarter of 2014. This was evident in net credit growth of 13.48% by the end of the year, far in excess of the 9.48% achieved in 2013. Total net loans and receivables grew by Rs. 18,410 Mn. within which portfolio, leasing business grew by 22.52%, as opposed to 4.72% growth recorded in 2013. Consolidation of the pawning portfolio continued into 2014 with a decline of 40.75% in pawning receivables. Overdrafts and other term loans continued their robust growth trend into 2014. Foreign currency financing too recorded a growth of 45.85% in 2014, the major component of which was in USD.

Deposits

In our deposit drive in 2014, we continued our thrust for low-cost CASA deposits, which accounted for 89.17% (16,544 Mn.) of the overall 11.08% growth in deposits, growing the CASA ratio to total deposits from 32.89% in 2013 to 38.51% in 2014.

Asset Quality

The quality of new credit in 2014 was much higher with gross NPA (calculated based on CBSL regulations) declining from Rs. 18,231 Mn. in 2013 to Rs. 14,921 Mn. in 2014, a decline of 18.16%. The gross NPA ratio too declined from 12.44% to 9.08% while the net NPA ratio, (net of provisions of interest suspended) declined from 10.58% to 7.69% which is a tremendous achievement by the Bank during 2014.

Income Statement/Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31st December 2014

Income

Total income increased by 1.69% to Rs. 28,564 Mn. from Rs. 28,091 Mn. in 2013 propelled by higher loan volumes, despite a lower yield on loans and receivables than in 2013 and was primarily supported by treasury operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Interest Income (NII)

The low interest rate climate that prevailed caused interest income to decline by 5.84% in 2014 from Rs. 24,859 Mn. in 2013 to Rs. 23,407 Mn. Income on Government Securities grew by Rs. 515 Mn. in 2014 compared to Rs. 1,533 Mn. growth reported in year 2013. Interest income on loans and receivable decreased by 9.75%. However, a larger decline in interest expense by 19.13% to Rs. 12,243 Mn. in 2014 compared to Rs. 15,140 Mn. in 2013 despite the increase in deposits and borrowings, caused net interest income (NII) to increase by 14.87% from Rs. 9,720 Mn. in 2013 to Rs. 11,164 Mn. in 2014. This is attributed to the lower cost of funds, the timely re-pricing of funds and effective management of the Bank's assets and liabilities with excess liquidity diverted to higher-yielding products. NII contributed 68.78% of total operating income in 2014 in comparison to 75.52% in 2013.

Fee and Commission Income

Fee and commission income of Rs. 2,347 Mn. in 2014, reflected an increase of 6.29% over the previous year despite the tight market conditions and represented 14.46% of total operating income in 2014, compared to 17.16% recorded in 2013. In the year under review, the Bank actively marketed its trade finance services through a superior and personalised service.

Other Operating Income

Other operating income comprised gains from foreign currency revaluations, income from financial instruments and other operating income. Net trading income increased by Rs. 271 Mn., a growth of 33.68% over that of 2013. Net gain on financial instruments increased by Rs. 996 Mn. whilst other operating income recorded an increase of

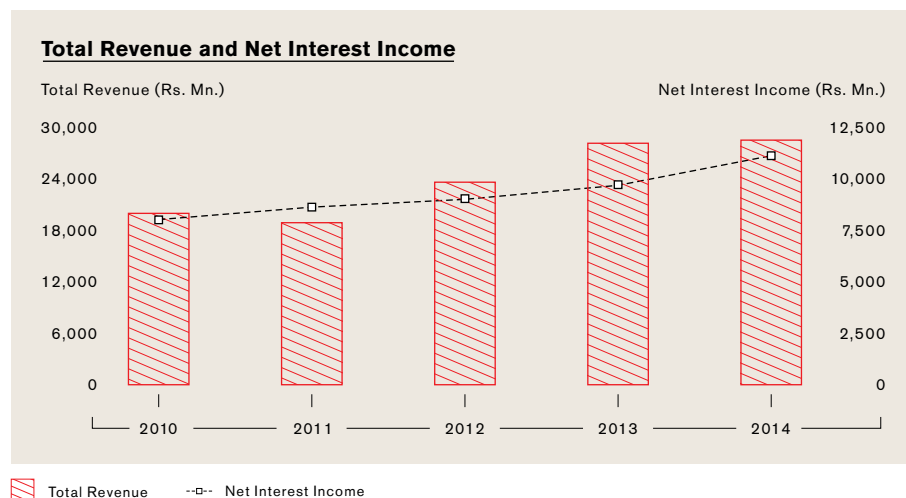
Rs. 519 Mn. over same period. Net trading income, net gain on financial instruments and other operating income accounted for 17.31% of total operating income in 2014. The ratio stood at 7.95% in 2013.

Total Operating Income

Total operating income increased by 26.12% to Rs. 16,231 Mn. in 2014, mainly driven by an increase in NII which accounted for 43% of total operating income. Other income including net fee income, net trading income, net gains on other financial instruments and other operating income increased by Rs. 1,917 Mn. and represented a 57% of the growth of total operating income. This was mainly due to high capital gains on the Government securities portfolio.

Positive Income Jaws

Expense growth was contained at 10.99% to give a positive income/expense jaw of 15%, by which income growth was greater than expense growth in 2014. This is reflected in the declining cost to income ratio from 62.59% in 2013 to 57.37% in 2014. Operating expenses increased by 10.99% from Rs. 7,306 Mn. in 2013 to Rs. 8,109 Mn. in 2014 due to increase in staff cost and the upgrading of convenient banking centers to fully-fledged branches. Despite the branch expansion plans, the declining trend in establishment expenses in 2013 prevailed in 2014, albeit with a marginal reduction during the year by 1.05%. Other overhead expenses increased by 21.34% over the last year and stood at Rs. 2,454 Mn. in 2014. The growth of operating expenses has been managed and maintained throughout the year as a result of the adoption of the Bank's efficient branch model with the re-deployment of the existing staff base. Our staff cost per branch was Rs. 25 Mn. in 2014 which is higher than last year amount of Rs. 23 Mn. which is evident with branch expansion. The efficient management of our operating expenses is reflected in the positive income jaw ratio, commensurate with the declining trend in our cost to income ratios in 2013 and in 2014.



■ Total Revenue - - - Net Interest Income

**MANAGEMENT DISCUSSION
AND ANALYSIS**

Taxation

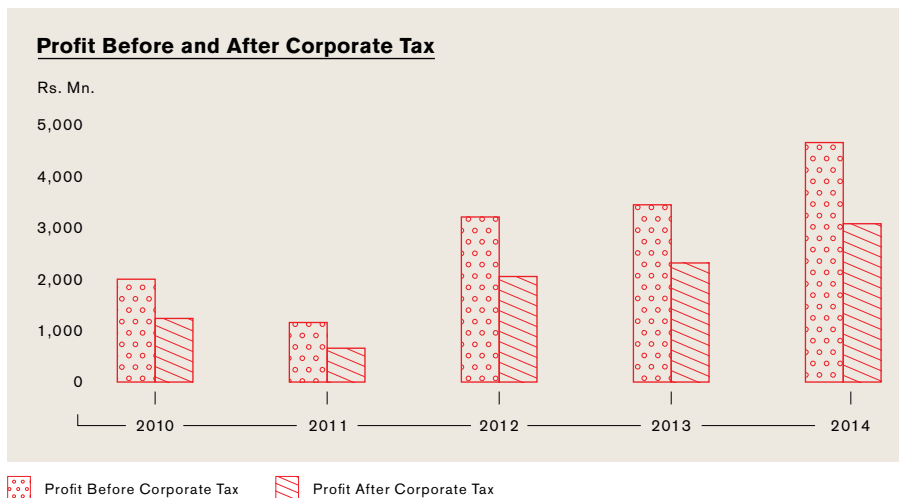
The effective tax rate remained at 34% in 2014. Total income tax provision increased by 38% in 2014 to Rs. 1,571 Mn. from Rs. 1,139 Mn. in 2013. The Bank recorded a net deferred tax asset of Rs. 18 Mn. as at 31st December 2014 as against Rs. 171 Mn. at the end of 2013. The tax effects of temporary differences that gave rise to significant portions of deferred tax assets are presented in Note No. 33 to the Financial Statements.

Profitability

The Bank's pre-tax profits recorded a strong growth of 34.61% to Rs. 4,649 Mn. in 2014 compared to Rs. 3,454 Mn. in 2013, while Group pre-tax profits also improved by 38.29% to Rs. 4,835 Mn. The net profit after tax for the Bank recorded a growth of 32.95% and stood at Rs. 3,079 Mn. while the Group net profit after tax recorded a year-on-year growth of 38.29% to Rs. 3,253 Mn. for the year ended 31st December 2014.

Profitability ratios also reflected the strong earnings in 2014 and were impressive, as evidenced by an increase in after tax Return on Assets (ROA) to 1.33% from 1.16% in 2013 and after tax Return on Equity (ROE) of 13.45% which increased from 11.40% in 2013. Increased capital gains, higher non-interest income to net income and reduction in cost to income ratios contributed positively.

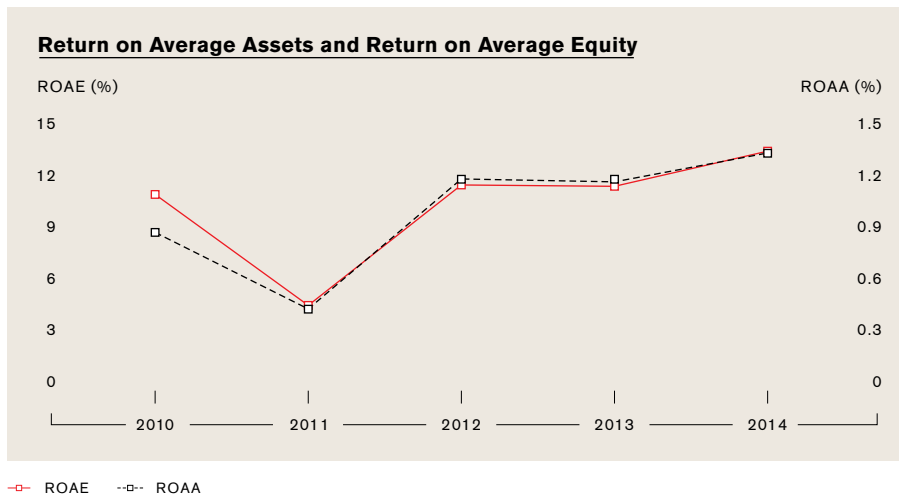
The strong operating performance was partially impacted by the higher individual and collective impairment provisions made in 2014.



Total net impairment losses on loans and receivables increased from Rs. 1,355 Mn. in 2013 to Rs. 2,292 Mn. in 2014, mainly due to an increase of Rs. 716 Mn. for individual impairment and Rs.153. Mn. for collective impairment. The net impairment charge from all other advances (loans written off) was Rs. 209. Mn. The impairment provision on pawning has been computed taking into account the gold prices that prevailed as at 31st December 2014.

Capital

The Bank was also well capitalised, with a total Capital Adequacy Ratio of 14.73% and a Common Equity Tier-1 ratio of 13.75%, much in excess of the mandatory regulatory requirements and also in excess of the BASEL III CET 1 ratio of 7%, which is being phased in.



Overall, the Statement of Financial Position remains strong and asset quality continued to gain traction with the net non-performing loan ratio (calculated based on CBSL guidelines) improving significantly to 7.69%, provision coverage was at 26.09%.

Shareholders' Funds

Shareholders' Funds increased by Rs. 2,247 Mn. or by 10.33% due to the higher profits recorded for 2014.

Accordingly, the net assets value of the Bank improved from Rs. 63.08 per share in 2013 to Rs. 69.60 per share in 2014 while the net assets value of the Group improved from Rs. 65.69 per share in 2013 to Rs. 73.04 per share in 2014.

The Bank proposes a final cash dividend of Rs. 2.50 per share amounting to a gross dividend payment of approximately Rs. 862 Mn.

MANAGEMENT DISCUSSION AND ANALYSIS

Our Financial Soundness Indicators (FSIs)

The key FSIs which illustrate the financial soundness of a banking institution and which are benchmarked against international best regulatory practice espoused by the BASEL Committee are, in the order of importance:

- Capital strength/adequacy
- Asset quality which denotes the productivity of the Bank's earning assets
- Liquidity - which denotes the Bank's ability to meet its day-to-day obligations
- Profitability and earnings

Capital Adequacy - Strong

The bedrock of any financial institution, particularly of a deposit-taking bank, is the adequacy and strength of its capital. This is more so, because banks are highly leveraged institutions which function largely on borrowed funds and on the minimum capital. Hence, the need for regulators to mandate the minimum level of capital banks should hold. In this regard, we are proud to be one of the strongly capitalised banks by local and international best regulatory standards, despite a significant growth in risk-weighted assets in 2014 of 19.38%. Our total Capital Adequacy Ratio stood at 14.73% as at end 2014.

Organic Growth of Capital

At 14.73% our regulatory capital ratio is far in excess of the mandatory minimum of 10%. More importantly, the quality of capital is strong and comprises primarily of Tier I common equity or core capital, at 13.75% against the mandated minimum of 5%. It is also far in excess of the BASEL III CET1 ratio of 7%. The organic growth of capital represented in our core capital ratio is the result of the Bank's prudent profit retention policy where an average of 67% of profits have been retained over the last few years. The growth momentum in retained earnings in 2014 has been significant with a growth of 26% relative to the growth of 17.45% in 2013.

Prudential Capital Reserve

Retained earnings are supported by an additional mandatory transfer of 5% of profits each year to the Statutory Reserve Fund, which is a prudential regulatory capital reserve built up to cover potential losses in the business. The Reserve Fund stands at just under Rs.1 Bn. as at end December 2014.

Economic Capital

Whilst ensuring compliance with the mandatory regulatory capital adequacy ratios, all banks are encouraged to make a continuous, internal assessment of their economic capital needs, relative to their perceived risk exposures and against their projected expansion. This entails a continuous assessment of our capital levels against all risk exposures including those that are not captured under the regulatory capital standard, our expansion plans and the resilience of our capital levels to withstand internal or external shocks under stressed conditions.

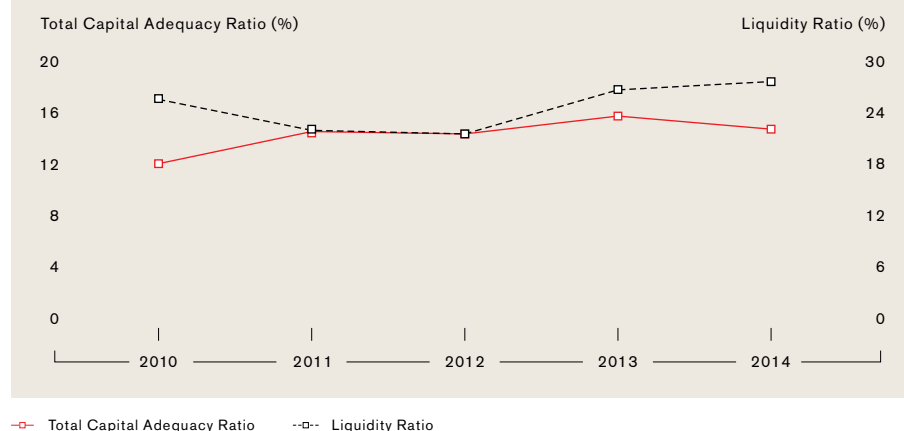
Accordingly, whilst the Bank is comfortably above the minimum regulatory capital requirements, our economic capital too is consistently assessed under the Internal Capital Adequacy Assessment Plan (ICAAP) all banks are subjected to by the regulator. We are satisfied that with a comfortable margin above the regulatory minimum and with the major component of our capital constituting core capital or Tier I capital, which is of a permanent nature and the components of which are loss-absorbing, we are sufficiently resilient to the risk of insolvency or failure.

Asset Quality - Rapidly Improving Trend -

Decline value of NPAs (net of IIS) from Rs. 25.5 Bn. (29.3%) in 2009 to Rs. 12.4 Bn. (7.69%) in 2014.

The major earning asset of the Bank continues to be its credit portfolio, where credit stood at Rs. 161,975 Mn. 65% of total assets, yielding a net interest income representing 68.78% of total operating income. The quality of credit too was higher than in 2013, with impaired loans and receivables representing 9.21% of total credit, declining from 12.65% in 2013, which is a decline of 27.19%. While the significant decline in the NPA ratio may have been impacted by an increase in the credit denominator, it is noteworthy that the value of NPA too had declined in absolute terms by Rs. 3,310 Mn. or 18.15%. While the Bank is still saddled with legacy impaired loans, a concerted effort to rehabilitate or restructure these loans consistently over the last 6 years has paid dividends. A 51% decline in net NPA since 2009 is recorded with an annual average decline of 9% during this period.

Total Capital Adequacy Ratio and Liquidity Ratio



— Total Capital Adequacy Ratio - - - Liquidity Ratio

Capital Growth

Capital has grown since the Bank was first recapitalised in 2009, which helped it to be compliant with the mandatory capital ratios and to be comfortably above the regulatory minimum since then. This has given us the operational flexibility to grow our asset book productively. We are also happy to note that our capital funds which aggregate Rs. 24 Bn., are in excess of the proposed increase in minimum capital funds for domestic banks of Rs. 10 Bn.

MANAGEMENT DISCUSSION AND ANALYSIS

Income earned but not received on the NPA portfolio (interest in suspense) stands at Rs. 2.5 Bn. It is in the best interests of the Bank to make every effort to recoup the income lost through a rigorous recovery drive to boost its operating income and enhance its profitability.

NPA in 2014 was a Rs. 3,310 Mn. reduction against Rs. 2,382 Mn. reduction in 2013. The rise in interest rates, brought with it an increase in impaired loans and receivables during the first half of the year. The significant drop in gold prices too affected the pawning portfolio base of the Bank. Rigorous recovery and Risk-Management efforts were made to reduce impaired loans and receivables.

Impairment Loss on Loans and Receivables

With the transition from time-based to incurred-loss-based provisioning for loans and receivables. The Bank made a provision of approximately Rs. 2,292 Mn. against impairment losses for loans and receivables for 2014. (In 2013, the Bank made a provision of Rs. 1,355 Mn.)

The Net NPA ratio of the Bank calculated based on the CBSL guidelines and as at end December 2014 is 7.69% net of interest in suspense.

The total provision coverage (i.e. individually impaired and collectively impaired provisions) for gross impaired loans was 47% as at 31st December 2014.

Liquidity - Adequate and in Excess of Mandatory Limits

Liquid assets of the Bank represent 31.68% of total assets and 37% of deposits and other liabilities, reflecting a healthy credit to deposit and other liabilities ratio of 77%, approximately. Liquid assets to short-term current and savings deposits stood at 110.33%, bearing in mind that 89% of deposit growth has been in short-term, low cost, current and savings (CASA) deposits. Liquidity has been well managed, much above the statutory limit of 20% as detailed in the Risk Management Report.

The statutory liquid assets ratio in the Domestic Banking Unit stood at 27.6% and in the Foreign Currency Banking Unit at 21.86% against the statutory minimum of 20% for both units. While the liquid assets ratio measures the stock of liquid assets held by the Bank to cover its liabilities as they fall due, the flow of liquid assets too is closely monitored and managed by the Assets & Liabilities Committee (ALCO) function of the Bank, which identifies funding risks through a maturity mismatch analysis of its domestic and foreign currency assets and liabilities and adopts appropriate strategies to fund the gaps at least cost to the Bank. The liquidity ratios as enumerated at the risk management report, are closely monitored by the ALCO to ensure the efficient management of the Bank's liquidity position.

Profitability and Earnings - Strong and Sustainable - Highest Achieved in Bank's History

The Bank's pre-tax profits recorded a strong growth of 34.61% to reach Rs. 4,649 Mn. compared to Rs. 3,454 Mn. in 2013, while Group pre-tax profits also improved by 38.29% to Rs. 4,835 Mn. The net profit after tax for the Bank recorded a growth of 32.95% and stood at Rs. 3,079 Mn., while the Group net profit after tax recorded a year-on-year growth of 38.29% to Rs. 3,253 Mn. for the year ended 31st December 2014.

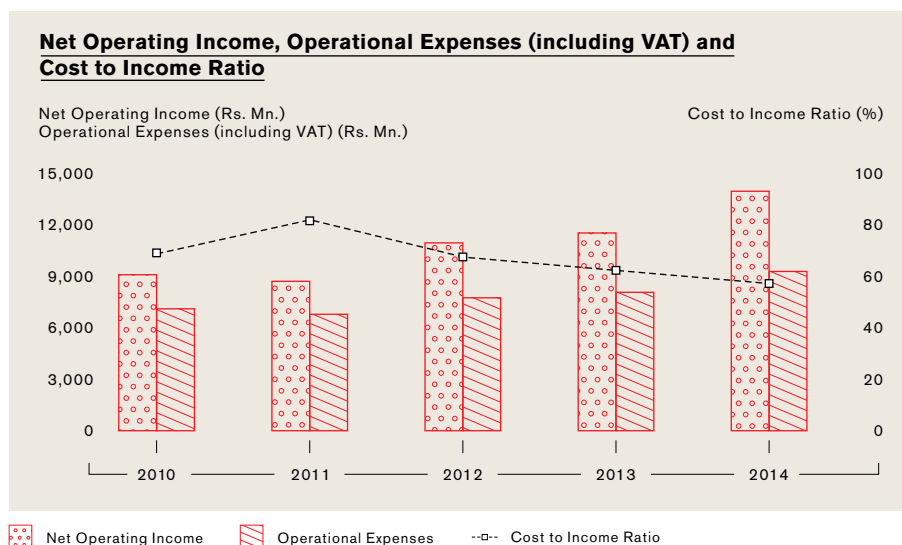
Impaired Loans/Allowance for Impairment	2014 Rs. Mn.	2013 Rs. Mn.
Individually Impaired Loans	7,752	9,093
Collectively Impaired Loans	7,169	9,138
	14,921	18,231
Less: Allowance for Impairment		
Individually Impaired	2,336	3,000
Collectively Impaired	4,676	4,615
	7,012	7,615
Impaired Loans net of Allowance for Impairment	7,909	10,616

MANAGEMENT DISCUSSION AND ANALYSIS

Cost to Income/Efficiency Ratio

The cost to income ratio improved by 5.22% to 57.37% in 2014, compared to 62.59% in 2013, despite additional investments on branch refurbishment and expansion.

This improvement was primarily due to the increase in operating income and effective cost management well within the budget.



Key Performance Indicators (KPIs)

Growth

Assets, Deposits and Advances - Market Share of nearly 5% Maintained

Interest rate and market risks inherent in our assets and liabilities were managed within prudent limits, while ensuring adequate liquidity and funding sources were available to sustain the growth of the Bank. ALCO strictly monitored the mismatches in the Bank's Statement of Financial Position and improved its structure and tenor with appropriate deposit mobilising and credit marketing measures and strategies.

	2014 Rs. Mn.	2013 Rs. Mn.	Growth %
Deposits	185,924	167,371	11.08
Loans and Receivables (Gross)	161,975	144,168	12.35
Total Assets	249,311	215,161	15.87
Total Equity	24,009	21,762	10.33

Assets - Positive Growth Trend Continued

The positive growth trend in total assets continued at 15.87% in 2014, which was marginally less than the 17.15% growth achieved in the previous year and surpassed the industry growth of 8%. The growth was distributed primarily in securities purchased under re-sale agreement (210%), placements with banks (140.60%) and loan growth. The Bank was successful in growing its loan book in 2014 by 12.35% which was higher than the 8.42% growth in 2013, despite the low demand for credit and the low trade volumes.

**MANAGEMENT DISCUSSION
AND ANALYSIS**

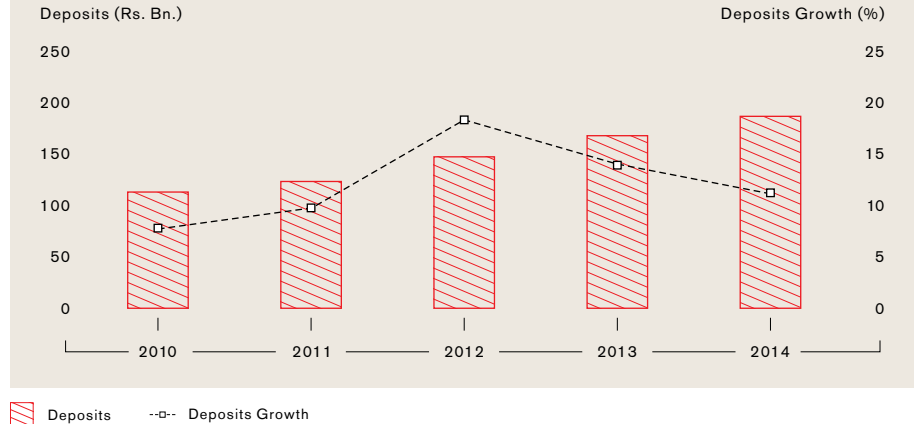
Deposits - Growth Momentum in
Low-Cost CASA Deposits Maintained

Deposits stood at Rs. 185,924 Mn. as at 31st December 2014, compared to Rs. 167,371 Mn. at the end of 2013, recording a growth of 11.08% or Rs. 18,553 Mn. funding 74.58% of total assets in 2014. The growth in deposits was mainly in low-cost CASA deposits which accounted for 89% of deposit growth and which increased to Rs. 71,595 Mn. in 2014 from Rs. 55,051 Mn. in 2013, reflecting a sound growth of 30.05% and representing 38.51% of total deposits which was an increase from 32.89% in 2013. Total interest bearing deposits increased to Rs. 170,755 Mn. in 2014 from Rs. 155,899 Mn. a year ago. Total non-interest-bearing deposits increased to Rs. 15,169 Mn. in 2014 from Rs. 11,472 Mn. a year ago.

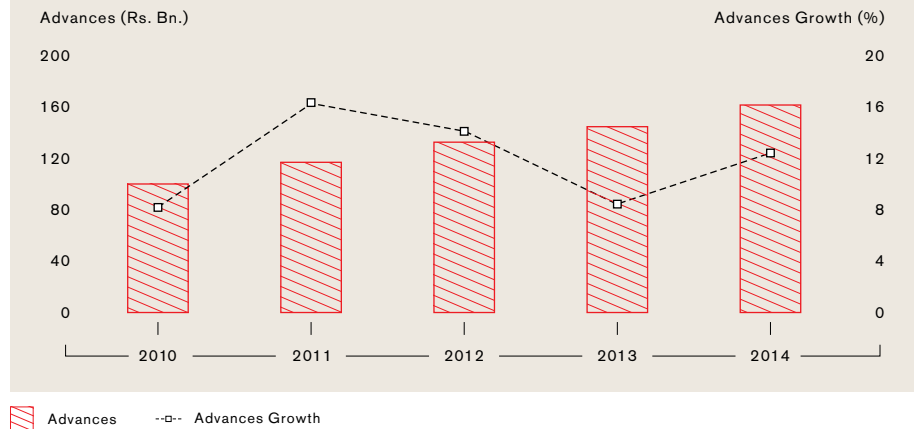
Loans and Receivables - Growth Momentum
Commensurate with Deposit Growth

Gross loans and receivables amounted to Rs.161,975 Mn. as at 31 December 2014, compared to Rs.144,168 Mn. as at end December 2013. The increase was largely due to the growth in overdrafts, term loans and margin trading and leasing. Overdrafts and term loans increased by 21.77% and 22.57% respectively in 2014 compared to last year. Pawning advances decreased by Rs. 5,855 Mn. (40.75%) in 2014 over the previous year. The reduction is significant in the Northern and the Eastern regions. The special leasing campaign announced at the latter part of the year, created a demand for leasing and recorded a growth of 22.52% over the previous year. While credit growth was largely driven by the corporate sector, it was encouraging to see the increasing contribution made by the branch network to overall credit growth which amounted to 66% of the total advances. We will continue to focus both on increasing our market share in the corporate sector as well as increasing the business volumes through the branch network.

Deposits and Deposits Growth



Loans and Recivables



MANAGEMENT DISCUSSION AND ANALYSIS

Performance of Business Units

Branch Network and Delivery Channels.



Branch Banking

Branch banking consists of Branch Operations, Branch Credits and support unit of Credit Administration.

Financial Performance:

As at 31st December (Rs. Mn.)	Actual 2014	Budget 2014	Variance	Actual 2013
Loans and Receivables	106,917	108,768	(1,851)	98,872
Deposits	174,851	177,206	(2,355)	156,760
Net Interest Income	6,551	7,079	(528)	6,019
Fee-based Income	1,518	1,616	(98)	1,452
Operating Expenses	6,433	5,765	668	5,186
Profit before Tax	1,636	2,930	(1,294)	2,285

Our Delivery Channels:

Our network comprises of the following delivery channels.

Branches	ATM Network	e-Banking
Island-wide, linked Branch Network (157)	Seylan Bank ATMs (177)	Seylan eBanking
	ATMs Networked with Local and International Banks	SMS Banking
Extended Banking Hours	ATMs with Cash Deposit Facility	Seylan Internet Payment Gateway (IPG)
Weekend/Holiday Banking Service		Phone Banking

Strategies Adopted:

- Emphasis was given to expand the branch network and accordingly, all convenient banking centres were upgraded to fully fledged branches.
- The branch network was expanded by adding on 6 branches and relocating a further 6 branches to customer convenient locations during the year.
- Twelve branches in important cities/prime locations were refurbished adding modern conveniences and offering a new look and feel in order to attract more customers. This enabled floor area optimisation and greater productivity.
- Branch operational aspects were reviewed and efficient processes were introduced.
- Steps were taken to further ease the routine operations of a typical branch with the introduction of a faster process for many front office and back office operations.
- A sales task force was established in all branches. This enabled the branches to become closer to their target market in order to create greater awareness of our products and services offered to the prospective client.
- The creation of the Personal Banking Unit (PBU), fills a void in our retail lending portfolio. The unit will offer a highly convenient loan product for professionals and employees in reputed companies.
- The Branch Supervision Unit was created keeping in mind the Bank's aggressive expansion plan for the next 03 years. The Bank believes that it is paramount that we have a robust supervisory arm to ensure the operational well-being of the branches when the bank is in an expansion mode. The role of the unit is different to that of an audit function, which is in general context a post event assessment. Instead, the unit will be pre-emptive in identifying the stressed points in the processes and take steps to correct them at early stages.

Future Outlook

We will continue to expand our branch reach by opening a further 20 - 25 branches during 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Branch Network and Reach

In 2014, the Bank added 6 new branches to increase its main delivery channels to a total of 157. Those key delivery channels provide an island-wide face-to-face presence for the Bank and its customers and are well-located with ease of access in the respective towns across the country. In 2014, there were 6 branches relocated and 12 branches refurbished to extend more convenience and service to customers better in new premises which offer a comfortable and modern banking environment, with disability access and many other additional customer-convenience features. Over 75% of branches have been refurbished since 2010. Branch banking continues to be the main source of business for the Bank and it accounts for more than 90% of banking operations. The geographical outreach we have achieved is significant and covers all geographical areas of the country.

ATM Network

As a result of continuous process to strengthen and enhance its ATM network during the past year, the number of ATMs have increased to 177 at convenient locations across the island. The Seylan ATM network can be considered as one of the most geographically distributed ATM networks in the country (168 onsite at branches and 09 offsite).

The most significant event in 2014 was our ability to join the 'Lanka Pay' network enabling Seylan Bank customers to use ATMs of 08 other banks in Sri Lanka throughout the country.

Commensurate with the branch expansion during the year, the Bank installed 18 new onsite ATMs and a Mobile ATM vehicle. Further, steps have been taken to go beyond routine ATM transactions, by activating an ATM cash deposit facility with the aim of providing a value-added service to customers and reducing the pressure at cash counters. In accordance with the Bank's business plan, the Bank constantly invests in developing ATM technology which we consider crucial in enhancing the Bank's image amongst its competitors.

The following table illustrates the consistent growth of the Bank's ATM network:

As at 31st December	2014	2013	Growth %	2012
Number of ATMs	177	158	12	154
Value of Cash Dispensed during the year (Rs. Bn.)	40.805	35.497	15	37.58
Daily Average Value of Cash Dispensed (Rs. Mn.)	111.79	97.25	15	102.96
Number of Transactions during the Year (Mn.)	4.816	4.445	8	4.910
Daily Average Number of Transactions	13,200	12,200	8	13,400
Uptime of the ATM Network (%)	99.48	99.50	-	98.90



Future Outlook

- We will continue to increase the number of ATMs to enhance coverage, broaden visibility and improve the Bank's image.
- Meet the demands and needs of customers with more value additions and customised product developments.
- Improve operational efficiency and simplify processes to improve convenient banking.

MANAGEMENT DISCUSSION AND ANALYSIS

Alternative Banking Channels

Internet Banking:

Seylan Bank's Internet Banking system was upgraded successfully over the years to provide a richer banking experience to its customer base. Through this facility customers can now manage their funds, make utility and credit card payments, request for ad hoc banking transactions such as transferring funds from their accounts to other bank accounts, requesting standing orders setup, bank statements, cheque books, obtain cash advances on credit cards and many more unique facilities online. It is the intention of the Bank to introduce a new internet banking system to its customers in 2015, which includes many more state-of-the-art and user-friendly features.

SMS Banking:

This facilitates SMS push and pull technology for the management of accounts by the Bank's rapidly growing customer base. They also have the capability of transferring money between their own accounts, requesting many ad hoc functions such as cheque books, pay utility bills, check credit card details and many more day-to-day banking functions. The introduction of the SMS alert facility in year 2011, as a new marketing thrust, is primarily considered a fraud prevention method for cardholder transactions in addition to being an immediate notification before the month-end statement.

Phone Banking:

The facility is provided to customers free of charge for a lifetime. Account holders of the Bank could register and use this facility in their preferred language. This facility, has also been extended to all Sri Lankan expatriates to maintain and monitor their accounts from anywhere in the world.

Internet Payment Gateway:

In 2014, the system was enabled to accept MasterCard™ secure credit card payments by enhancing the payment modes for merchants. This initiative enabled merchants to receive VISA™ and MasterCard™ credit card payments which would attract more buyers to purchase goods and services from their websites through the Bank's payment gateway.

Website:

It is one of the most informative Sri Lankan banking websites on the internet which provides information about the Bank's deposit products, loan facilities, credit cards, foreign currency, remittance networks, leasing, pawning, branch network, Bank's financials, properties on sale, FOREX rates, e-commerce products, ATM locator, product promotions and many more attractive features and functions of the Bank.

Call Centre:

Seylan Bank's 24-hour call centre handled by 'SCICOM', a Malaysian company, is a prime contact point for customers of the Bank that handles approximately 1,300 inbound and outbound calls every day, including numerous queries regarding banking operations, the wide range of banking products and services including credit, debit, prepaid and travellers' cards. The call centre also handles *Speed Cash* remittances round the clock, uploading them to customers' cards on request.



MANAGEMENT DISCUSSION AND ANALYSIS

Future Outlook:

- We will continue to improve on the delivery channels and thereby enhance accessibility in areas where banking is limited, after a careful scan of the environment.
- Revamp and launch the new internet banking system during 2015.

Growth in Alternative Banking Channels

As at 31st December (No. of Customers)	2014	2013	Growth %	2012
Internet Banking	23,553	19,811	19	16,216
SMS Banking	163,068	116,345	40	85,712
Phone Banking	88,069	88,066	-	88,038
Call Centre Call Handling Volume	466,224	403,090	16	399,670
Seylan Corporate Website Hits	674,511	386,601	74	403,332
No. of Payment Gateway Merchants	48	36	33	29

Corporate and Foreign Currency Banking Unit



The corporate banking section is made up of the Bank's Foreign Currency Banking Unit (FCBU) and the Domestic Corporate Banking Unit. The division caters to a varied clientele in diverse fields of business activity. Among the clientele are medium sized and large local corporate entities.

Financial Performance

As at 31st December (Rs. Mn.)	Actual 2014	Budget 2014	Variance	Actual 2013
Loans and Receivables	33,135	34,314	(1,179)	27,576
Deposits	5,443	4,266	1,177	3,397
Net Interest Income	840	633	207	513
Fee-based Income	216	218	(2)	98
Operating Expenses	471	176	295	309
Profit Before Tax	585	675	(90)	302

Strategies Adopted:

- Strengthening corporate relationships
Our exceptionally personalised service stood us in good stead as the credit demanded by the private sector accelerated in the latter part of the year.

The strengthened corporate relationship enabled us to explore the specific needs of our corporate clients and gear financial solutions at competitive prices, that would help them exploit opportunities within emerging sectors.

- Redefining the boundaries of corporate banking

Prudent management of our assets and liabilities, the diversified fund base, effective pricing strategies and the success of an Integrated Risk Management Unit, have helped us read the market perceptively and has added to the strength of our expertise in corporate as well as trade finance, which we built up over the years.

- Cost effective business approach

The strategy paid-off and being competitive we were able to provide cost-effective solutions to our valued customers. Competitive pricing was the main driver which proved beneficial for both the customer and the Bank.

Future Outlook:

- We will continue our strategies to grow the business whilst maintaining credit quality. We expect growth from trade finance business and infrastructure projects to further supplement growth during 2015.
- The essential business emphasis for our Corporate Banking Unit in the year 2015 would be to successfully make inroads to large corporates and grow the portfolio further. Also special importance is to be placed on canvassing a broader spectrum of export oriented companies.
- We also propose to accelerate our growth in the business of our Off-Shore Banking Unit since we see tremendous potential in this area with the expected increase in Foreign Direct Investments (FDIs) and Joint Ventures (JV) of large local corporate with multinationals to setup business ventures here in Sri Lanka and the environment continues to be conducive to make such ventures successful.

MANAGEMENT DISCUSSION AND ANALYSIS

Retail Banking

The retail portfolio represents credit cards, pawning, leasing, housing and margin trading.

The performance of each portfolio is given below:

(a) Card Operations



Growth in Business Volumes

As at 31st December	2014	2013	Growth %	2012
No. of Credit Cards Issued	14,519	3,888	273	6,538
No. of Debit Cards Issued	79,258	51,832	53	46,856
No. of Travellers Cards Issued/Reloaded	2,232	1,445	54	951
Travellers Card Float - (USD - Mn.)	1.457	0.919	59	0.931

Financial Performance - Card Operations

As at 31st December (Rs. Mn.)	Actual 2014	Budget 2014	Variance	Actual 2013
Loans and Receivable	3,136	3,113	23	2,551
Net Interest Income	250	261	(11)	220
Other Income	530	575	(45)	487
Operating Expenses	558	539	19	422
Profit before Tax	222	297	(75)	285

Strategies Adopted:

- Seylan Card Centre involved building the card portfolio and its image in the market through creative and attractive offers to its cardholders.
- In 2014, with the discontinuation of the issuance of travellers cheques in Sri Lanka, a multi currency travel card was launched by Seylan Bank, another first in the market and it has been positively received by customers.
- Seylan credit cards offered many attractive savings to its cardholders in 2014, products and services ranging from hotels, fuel, supermarkets, clothing, travel and many more. The Seylan Express Cash and Easy Payment installment plans were also launched giving value to the cardholder.

Future Outlook:

- We will continue to conform to required stipulations - such as the interest rate reduction requested by the CBSL. And we will continue to surprise the market and our Cardholders with an array of value added benefits and exclusive offers that are lined up to be launched in the coming year.

(b) Pawning

With the rapid drop in the market price of Gold, we refocused our lending to suit the market trends, by introducing selective lending with a more personalised service. The product aims at catering to the short term financial needs of the business community, where the facilities are processed and the disbursements are made within minutes of a customer's request.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance - Pawning

As at 31st December (Rs. Mn.)	Actual 2014	Budget 2014	Variance	Actual 2013
Pawning Receivables	8,515	13,288	(4,773)	14,370
Interest Income	1,011	1,594	(583)	2,020

Pawning advances in the outskirts of Central, Southern, Uva, Sabaragamuwa and Western provinces were gradually picking up while the auctions held to dispose of unredeemed articles in the latter part of the year, helped the Bank to recover the capital in full plus a modest interest.

Future Outlook:

- We will continue to grow the pawning advances, leveraging on the credit enhancement offered by the credit guarantee scheme in operation, and making use of the market opportunities, we will also expand the outlets to facilitate the financing needs of this sector.

Financial Performance - Leasing

As at 31st December (Rs. Mn.)	Actual 2014	Budget 2014	Variance	Actual 2013
Advances	10,647	10,149	498	8,690
Interest Income	1,376	1,484	(108)	1,347

As at 31st December	2014	2013	Growth %	2012
Amount Granted - Leasing (Rs. Mn.)	6,161	3,714	66	3,487
No. of Leases Granted	2,150	1,605	27	1,648

Financial Performance - Housing

As at 31st December (Rs. Mn.)	Actual 2014	Budget 2014	Variance	Actual 2013
Advances	9,174	9,536	(362)	8,683
Interest Income	1,111	1,206	(95)	1,120

As at 31st December	2014	2013	Growth %	2012
Amount Granted - Housing (Rs. Mn.)	2,424	1,014	139	1,836
No. of Housing Loans Granted	1,044	531	97	967

(c) Leasing

Strategies Adopted:

- The post budget period of 2014, reflected a record increase in new vehicle registrations in the country. This momentum paved the way for increased volumes of leasing business routed through the Bank's counters.
- We have considered innovation, convenience and quality as the key drivers in promoting leasing and accordingly, modified lease products introduced under the title 'upgradeable lease' which was promoted to personal clients.

Future Outlook:

- During the year 2015, the Bank proposes to further improve on customer convenience for leasing, by improving and introducing more efficient channels of delivery.

(d) Housing

Strategies Adopted:

- Adjusted pricing to increase competitiveness in the market.
- Offered a 5 year fixed rate housing loan product to the market, during the latter part of the year.

Future Outlook:

- The housing loan market in Sri Lanka is a very high potential market, with a very low default rate and therefore the Bank would continue to grow the book at sufficient growth levels.
- Streamline and automate the process to meet customer needs faster.

(e) Margin Trading Business

Margin trading products showed a consistent performance throughout the year.

- The margin trading marketed transaction processing services to selected high-net-worth individuals and institutional customers include stock market settlement of customer transactions as well as marketing investments in debt securities and receiving maturity and interest proceeds on customers' behalf.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance - Margin Trading

As at 31st December (Rs. Mn.)	Actual 2014	Budget 2014	Variance	Actual 2013
Advances	4,017	3,700	317	1,836
Interest Income	338	270	68	329

As at 31st December	2014	2013	Growth %	2012
No. of Margin Trading Customers	84	89	(6)	82
Amount Granted (Rs. Mn.)	6,890	4,299	60	3,834

Future Outlook:

- We expect the capital markets, (i.e. debt and equity) to pickup during 2015 and plan to capitalise on this upturn in the market.

Treasury and Back Office Operation

During the year the Treasury Division successfully managed its product portfolio despite volatile local and international market conditions, to be able to maximise their contribution to the Bank's bottom line.



Financial Performance

As at 31st December (Rs. Mn.)	Actual 2014	Budget 2014	Variance	Actual 2013
Net Interest Income	1,516	887	629	915
Foreign Exchange Income	359	438	(79)	367
Other Income	1,943	30	1,913	389
Operating Expenses	559	259	300	216
Profit before Tax	3,259	1,096	2,163	1,455

MANAGEMENT DISCUSSION AND ANALYSIS

The Bank's Treasury Division had an extremely successful year, continuing to be the Bank's premier profit centre achieving a profit of Rs. 3,260 Mn. before tax for the year. This represents an increase of over 124% in comparison to financial year 2013.

Strategic Initiatives:

- The strategies implemented during the year for proactively managing the Government securities portfolio realised Rs. 1.90 Bn. in capital gains, whilst net interest income from managing the Bank's assets and liabilities portfolio, astute funding strategies and income from treasury investments, realised the remaining income of Treasury. During the year the treasury earned an exchange income of Rs. 359 Mn.
- The Treasury corporate sales desk is fully functional and focuses on new treasury customer acquisition and retention, treasury product sales, customer advisory services in relation to treasury etc.
- The Treasury investment portfolios were also diversified with substantial investments in corporate debt.
- The Treasury staff were provided with on-the-job training and external training programmes to ensure continuous training is given to all Treasury staff to keep them abreast of the market.
- The Treasury also employed a periodic staff rotation policy to educate all staff on overall operations related to all workstations and portfolios.

Future Outlook:

- Migration to the new fully integrated Treasury Management System, automating and streamlining processes bringing operational efficiencies, lowering operational costs, resulting in increased profitability etc. is planned for the second quarter of 2015.
- Maximise the potential to increase the volume on the back of operational effectiveness of the automated treasury services.
- Increase our volumes in dollar/rupee trading through the adoption of new strategies.
- Roll out our strategy to focus more on corporate as well as retail clients and devise mechanisms to approach non-customers as well.
- Target corporate and retail clientele sales for the treasury bill secondary market operations.

International Trade Operations



Financial Performance

As at 31st December (Rs. Mn.)	Actual 2014	Budget 2014	Variance	Actual 2013
International and Trade Related Fee Income	572	621	(49)	509

Growth in Business Volumes

	2014	2013
Growth in Business Volume - (No.)	24,448	22,013
- (%)	11.06	8.48
No. of New International Related Clients	1,670	1,493

Strategies Adopted:

- Introduced the 'Branch Coordinator Concept' where the key trade clients of branches were allocated among the officers of the department to provide them a personalised service.
- The Trade Finance Operational System - Eximills System was upgraded and a number of modifications were made to address the smooth functionality of the system.
- 'Trade Road Show Campaign' was initiated targeting high potential areas along with the relevant branches to canvass trade clients by visiting them shop-to-shop.
- Trade customer seminars were organised as part of our Bank-client relationship programme to share the knowledge and experience with clients on trade business.

Future Strategies and Outlook:

- Future outlook on trade is expected to be very positive with the boost expected in the export sector considering the concessions suggested in the recent Budget.
- We expect to give more emphasis on improving our export portfolio by approaching new export related ventures and the BOI.
- Imports are expected to improve in 2015 after a notable drop in volumes in the country.

MANAGEMENT DISCUSSION AND ANALYSIS

Performance of Key Support Functions

Recoveries

Critical to the management of the NPA portfolio, the Bank was successful to reduce its NPA net of IIS to a single digit of 7.69% for 2014 against 10.58% reported last year. As a result of innovative approaches and effective strategies, we were able to reduce our NPAs in absolute terms by Rs. 3,310 Mn. We transformed our Centralised Recoveries Division by introducing a more approachable ambience and culture to appeal to customers faced with difficulties in their repayments. It helped put our customers at ease, and overcome their traditional view of it being 'the most feared department to visit'.

Strategies Adopted:

- Introduced a more customer-friendly mindset among the staff of the Recoveries Division - driving the message on the importance of attending to customers who are in arrears in a friendly manner.
- Attempted to reach amicable settlements with those customers in genuine difficulty, providing them with reasonable concessions.
- Stringent legal procedures were also initiated to recover from hardcore defaulters, as a last resort.
- Attempts were made to reach settlements through cordial discussions, even during litigation.
- The Recoveries Department closely liaised with regional and branch managers in monitoring borderline customers - giving them extra grace periods, to restructure the debts.

The success of our recovery efforts also enabled us to significantly reduce our non-performing loans during the year.

Future Outlook:

- We are committed to continue to reduce our NPA and our budgeted target for 2015 is to bring the Net NPA ratio down to 5%.
- Control new transfers to NPA with strong credit risk management through a close credit monitoring process. Timely information on new transfers to NPA by the Credit Control Unit will be immediately disseminated to relevant regional and branch managers, who in turn, will initiate quick corrective measures thus, effectively controlling the inflow of new entrants, into the non-performing category.
- Timely identification of potential NPA and monitor and reward extensive recoveries with a lucrative incentive scheme.
- Assess risk related controls and ensure credit quality.

Branch Credit

Strategies Adopted:

- Expanded the credit portfolio of the Bank with capacity building training programmes for SME clients where 10 such programmes concluded in various parts of the country, including the Northern and the Eastern provinces with 480 customers and 104 staff members.
- Regular recovery clinics handled the smaller delinquencies. The delinquents with no immediate prospects for recovery were transferred within the stipulated

time to recovery or Legal department to expedite appropriate action. These initiatives were proved to be successful with many branches achieving the NPA KPI or coming very closer to the recovery target given.

- Revising of the delegated authority limits which enabled branch managers and line management to exercise higher delegated authority, enabling speedy approval of credit.
- A number of improvements in service standards and internal processes were implemented to speed up the credit turnaround, the credit related process and the effective customer service.
- Creation of an 'Islamic Banking Unit' during 2014, which would be finalised and ready for commercial operations during the 2nd quarter of 2015.

Future Outlook:

- Enhance the SME lending and contribute to the national economy that will effectively contribute for the entrepreneurial, financial, technological advancements, energy efficiency, human resource management and marketing aspects of the country as a whole.
- Expand the sector exposures of lending and maintain a sound concentration of credits by simplifying all credit related processes and enhance the effective and timely disbursement of loans.

Movement in NPA (Calculated Based on CBSL Guidelines)

As at 31st December	2014	2013	2012	2011	2010
Gross NPA (Including Interest Receivables) (Rs. Mn.)	14,921	18,231	20,613	20,923	25,690
Net NPA (Including Interest Receivables) (Rs. Mn.)*	12,445	15,181	17,099	16,193	20,850
Gross NPA Ratio (%)	9.08	12.44	15.25	17.67	25.07
Net NPA Ratio (%)	7.69	10.58	12.99	14.24	21.36

*Excluding Interest in Suspense

MANAGEMENT DISCUSSION AND ANALYSIS

Credit Administration

- The Centralised Credit Administration Unit was set up in October 2013 to assist in developing a strong sales and service culture in the Bank and to inculcate proper credit discipline whereby internal and external controls would not be compromised.
- A clear distinction between credit marketing and credit origination functions, from operational credit functions, is an essential prerequisite to growing and maintaining a high quality credit portfolio.
- Setting up the Unit has effectively reduced cost and improved the efficiency in processing and managing a quality credit portfolio for the Bank.
- The Unit is also involved in conducting training for branch and department staff in credit administration procedures.

Future Outlook:

- Enhance the service of the Unit to improve credit quality for the Bank.
- Contribute to cost saving initiatives of the Bank with the centralisation of the operations.

We supported our claim of being the responsible choice by introducing the following key product propositions/features and strategies which set the momentum for the successful launch of a series of offers that were to follow in the next 12 months, promoting a range of benefits to our customers.

Strategies Adopted

- The *Seylan Sure* scheme created the value addition for our savings accounts customer base this enabled the CASA (low cost deposit) base to be enhanced during 2014.
- Internal campaigns were held to reward best performing branches and area managers.
- Collaborative efforts with our co-partners enabled the Bank to have shared goals and achieve results, which created value to all stakeholders.
- Our reward schemes were not a draw-based scheme and the Central Bank's new Guidelines in this regard, did not affect the Bank.

- The transparency of our charges and the success of our aggressive promotions helped us record new card issuances, steering us towards our ultimate goal of regaining industry leadership.

Future Outlook

- Focus on the youth and women's segment as strong potential.
- Focus on below the line (BTL) campaigns for SME customers.
- Enhance brand equity and corporate brand image of the Bank.

Digital Marketing

The Bank believes in connecting to a wider audience through its social and digital media landscape, while focusing on the digitally astute and connected customer and thereby maximising the social media channels to generate leads and promote the Bank's products and services.

Strategies Adopted

- At present, Seylan social and digital media adopts the strategy of building a digitally connected audience in order to serve their customers in a more efficient manner. It also strives to get all customers on board. Touching on all possible inventions and latest developments that suit the country's context.
- Seylan's social and digital media enabled the Bank to be visible on all online channels existing in Sri Lanka related to business and also provides instant information to customers on products and services offered.
- The feedback received through the online channels enabled all departments to identify needs and provide solutions to their customers.

Future Outlook

- The future strategies of the social and digital media team includes providing quality, assured and simplified services to the customers and providing the best possible customer experience to clients.
- Increase Seylan Bank's Facebook fan base to over 160,000.



MANAGEMENT DISCUSSION AND ANALYSIS

Information Technology



Strategies Adopted

- During the year the IT Department accomplished several distinctive tasks, foremost of which was the provision of increased communication bandwidth for our branches, as well as the provision of a second communication link for redundancy purposes. Arrangements were also made to relocate the Bank's Disaster Recovery Centre to a hosted purpose-built, Integrated Data Centre.
- The Bank also joined the Common ATM Switch initiative by LankaPay thus allowing its customers the flexibility of carrying out ATM transaction from any of the LankaPay enabled ATMs countrywide.
- Upgrading of our VISA cards to meet EMV standards was also a significant achievement, which provided our cardholders peace of mind and industry standard security on their card transactions.
- We have developed several value additions to our home grown 'SEYCASH' remittance service to include SMS and Email Alerts as well as a direct integration method to any overseas exchange house using Web services, which has been readily taken up by several exchange houses in the Middle East and Europe.
- Several modules which were developed in-house helped to automate repetitive and manual tasks helping the Bank to redeploy resources to more productive areas.

Future Outlook

- We will continue with systems improvements and automation of business units, to enhance the Bank's capacity to grow.
- We will also be evaluating all current processes in the Bank to re-engineer and improve efficiency levels enabling faster and superior customer service.

Compliance Department

Strategies Adopted

- Closely monitored and followed-up the rectification of remaining/new supervisory concerns.
- Carried out 'Compliance Audits' in branches and departments to identify the compliance related issues/shortcomings and implement remedial action.
- Promote across the Bank, the belief that compliance is not a negative function but an important, mandatory pre requisite to preserve the reputation of the Bank as a stable and sound financial institution.

Future Outlook

- Ensure that the Anti-Money Laundering system is implemented during 2015 in terms of the project plan.
- Conduct awareness programmes at departments and branches on the importance of adhering to compliance policies and procedures.
- Review and revise compliance policies.

Seylan Developments PLC

The Company was formed in 1992 for the construction of the head office building of the Bank. It is a listed company quoted on the Main Board of the Colombo Stock Exchange. Seylan Developments PLC operates as the main provider of utility services to the Bank. The main source of income of the Company is building rent. The Bank presently hold - 68.28% stake in the Company.

The Company achieved a profit of Rs. 99 Mn. (2013 - Rs. 18 Mn.) during the year while maintain a revenue of Rs. 186 Mn. with a 3% growth over the last year. Total assets of the Company were Rs. 4.8 Bn. and the net assets were Rs. 4.28 Bn.

Outlook - 2015

The immediate outlook of the local economic environment appears to be encouraging. The Bank is well-positioned to capitalise on the opportunities emerging in the market due to the positive macro economic outlook in the country.

- Enhancing Our Return on Assets (ROA) & Return on Equity (ROE)

Improving wealth to its stakeholders is a crucial determinant of continuing strategic and operational focus. We use ROA and ROE as better benchmarks of performance to enhance the wealth of the Bank and the return to its stakeholders.

All businesses are concerned with the allocation of capital, better pricing operational innovations; service quality etc, within these considerations, ROA indicates the efficiency of our asset allocation in terms of resulting income. ROE signals certainty in our goal of being the best-managed in the best interests of the investors and other stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Our actual and estimated ROE and ROA are indicated in the table below:

Year	ROA (%)	ROE (%)
2015 (Estimated)	>1.35	>14.00
2014	1.33	13.45
2013	1.16	11.40
2012	1.18	11.42

- Growth of business volumes

Growing the book while sustaining existing business is essential to be in line with the emerging opportunities of both local and international markets. As such, the Bank would experiment various opportunities and business lines, delivery channels, service levels etc. The Bank will also monitor its business for better quality.

Table given below depicts the actual/expected growth in the Bank's assets base over the 4 years:

Year	Growth in Assets Base (%)
2015	>16.00
2014	15.87
2013	17.15
2012	10.68

- Improvement of processes

Further, the Bank is currently working on the following strategic initiatives to enhance the operational efficiency, service quality, pricing and optimisation of returns to its stakeholders.

Project Name	Responsibility
Centralisation of Processes	Head of Branch Operations
Cost Optimisation	Chief Financial Officer
Service Quality Improvements	Head of Branch Operations

Institutional Capital

Institutional capital is an integral part of financial capital in its important role throughout the entire value creation process upon which foundation, the business of the Bank is developed to deliver value to stakeholders. Its essential components are its intellectual property, knowledge, systems and procedures, brand value, corporate culture, business values, ethics and integrity.

Since it was first established in 1987, with its distinctive brand 'Bank with a Heart' Seylan Bank has, unequivocally, defined itself as a friendly and service-oriented alternative, in an otherwise formal and rules-based banking culture that prevailed at that time. Seylan Bank strives to uphold these values even today by presenting itself as a flexible, customer-friendly, alternative. Our unique identity has helped us to distinguish ourselves in the business, purely from our recognition of the relationship that exists between brand management and the customer, as a strategic enhancer of stakeholder value.

The Bank has, progressively, developed a solid internal control system encompassing all operations, for effective accountability and product enhancement, which minimises errors, omissions and frauds, while ensuring accuracy and completeness of information for decision-making; and for the provision of a speedy and efficient customer service. Its essential components range from the basic controls of segregation of duties, to Board-approved and documented, policies and procedures; from our Code of Conduct to advanced risk management and corporate governance practices.

We leverage extensively on the use of Information & Communication Technology, both for front-office as well as, for back-office operations. We have developed strong in-house software development capabilities, apart from the international software of our core banking system. Adding value in this regard is the customer relationship database developed over the years, which has proved to be invaluable. Our software interfaces plus the information from the customer data base, help us to enhance customer convenience by addressing variables such as reach, range

and standards of products and services, and internal processes. Our branded products which have progressively evolved, cater to our customer needs and enhance their connectivity.

It is our desire to be recognised by our customers as a reliable, dependable and long-term business partner for the integrity, high business standards and ethics we portray in the interests of our customers. We treat our customers as well as our competitors, in a professional manner and with respect and offer products and services of quality, whilst at the same time, respecting the culture of the business segments and regions in which we operate.

Institutional capital cannot be measured or quantified, like financial capital, can be. In addition, over the years, we have added value to institutional capital which is supplemented by various forms of external capital such as investor capital, customer capital, employee capital, community capital, environmental capital and supplier and business partner capital.

MANAGEMENT DISCUSSION AND ANALYSIS

External Capital Formation

Investor Capital



The year 2014 was a milestone in the Bank's value creation process which reported the highest ever profits and a strong improvement in all other areas both financial and non-financial which resulted in significant value creation for all stakeholders.

**SEYLAN BANK IS COMMITTED TO
DELIVERING ECONOMIC VALUE TO
ALL ITS STAKEHOLDERS.
AS SUCH, OUR CORE ACTIVITIES
ARE STRUCTURED AND MANAGED TO
CREATE ECONOMIC PROSPERITY
THROUGH VALUE ADDITION.**

Core strategies and formulations are discussed at Board meetings and various management level forums. Goals and performance are communicated to the respective levels and monitored clearly at each level. The Bank has developed a comprehensive strategic plan extended up to 2016 and the budgets are prepared annually and monitored regularly. Management accounts are prepared on a monthly basis together with the variances, the reasons and justifications and tabled at the Board meeting. Performance of the Bank and the details of the economic performance are disclosed in various chapters in the Annual Report in addition to the financials.

Our strategic priorities during the year 2014 were:

- Economic responsibility
- Sustainable return and market capitalisation
- Be a responsible corporate citizen
- Reputation and recognition

During the year the Bank's key performance indicators were measured, controlled and monitored at various levels and necessary actions were implemented and followed up to reach the expected targets as per the Bank's Strategic Plan and the budget of 2014.

**MANAGEMENT DISCUSSION
AND ANALYSIS**

Economic Responsibility

Direct Economic Value

During the year, the Bank generated a total value of Rs. 10,238 Mn. which is a 24% increase over the last year. The Bank has contributed to economic prosperity in many ways through the value creation processes.

Financial Value Added Statement

	2014		2013	
	Rs. Mn.	%	Rs. Mn.	%
Value Added				
Income Earned by Providing Banking Services	28,564		28,091	
Cost of Services	(16,056)		(18,450)	
Value Added by Banking Service	12,508		9,641	
Non-Banking Income	-		-	
Impairment Charges for Loans and Other Losses	(2,270)		(1,361)	
	10,238		8,280	
Value Allocation				
To Employees				
Salaries, Wages and Other Benefits	3,926		3,537	
	3,926	38.35	3,537	42.72
To Government				
Income Tax	1,571		1,138	
VAT and NBT on Financial Services	1,203		749	
	2,774	27.10	1,887	22.79
To Shareholders				
Dividends	827		776	
	827	8.08	776	9.37
To Expansion and Growth				
Retained Profit	2,252		1,540	
Depreciation and Amortisation	459		540	
	2,711	26.47	2,080	25.12
	10,238	100.00	8,280	100.00

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Value Addition (EVA)

The Bank adopts EVA as a measurement of profitability in order to deliver a superior economic value to all our stakeholders. EVA created during the last two years is tabulated below:

	2014 Rs. Mn.	2013 Rs. Mn.
Equity		
Average Shareholders' Funds	22,885	20,307
	22,885	20,307
Earnings		
Profit Attributable to Shareholders	3,079	2,316
Add: Provision for Credit Losses/Impairment on Advances	2,292	1,355
	5,371	3,671
Economic Cost % (12 Months Average Treasury Bill Rate Plus 2% Risk Premium)	8.60%	12.52%
Cost of Average Equity	1,968	2,542
Economic Value Addition	3,403	1,129

Sustainable Return and Market Capitalisation

The commitment displayed continually by our shareholders has always added impetus to our corporate objective of providing a service beyond banking.

Therefore, the first priority of the Bank in its financial and statutory obligation is to the shareholders/investors who ensure the existence of the Bank. Accordingly, while creating wealth for our shareholders remains a priority in the triple bottom line reporting, we also recognise the importance of creating a sustainable organisation which is driven on three concepts of economic, social and environmental sustainability.

Share Capital and its Concentration

Year	No. of Shares Voting and Non-Voting	Shareholders' Fund Rs. Mn.	Earnings Per Share Rs.	Net Assets per Share Rs.
2014	344,960,410	24,008	8.92	69.60
2013	344,960,410	21,762	6.74	63.08
2012	338,079,999	18,852	6.11	55.76
2011	338,079,999	17,303	2.18	51.08
2010	253,560,000	12,739	4.60	47.58

MANAGEMENT DISCUSSION AND ANALYSIS

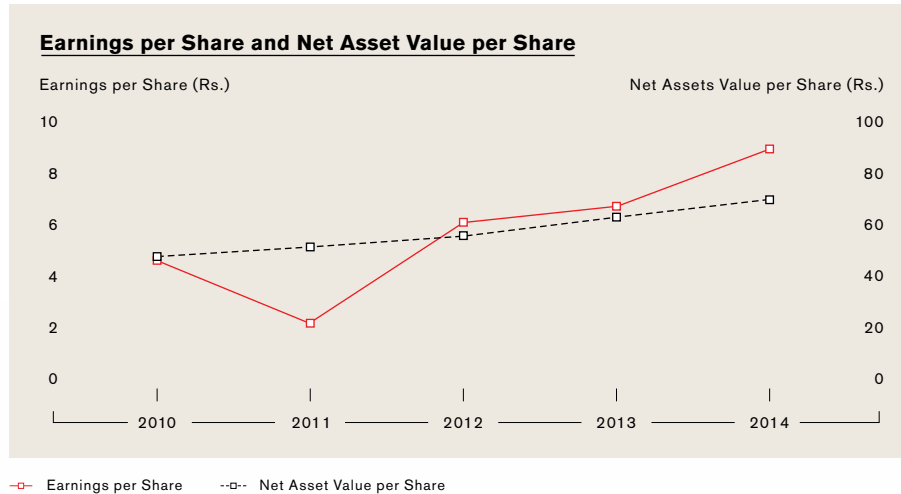
The equity markets picked up during 2014. This resulted in an enhanced share price on both voting and non-voting shares, which increased shareholders value. Our shareholders have received strong wealth compared to the initial public issues. The earnings per share (EPS) of Rs. 8.92 in 2014, recorded a strong growth of 32.34% compared to last year's EPS of Rs. 6.74.

Number of shareholders (both voting and non-voting) which was recorded as at end 2013 has declined to 16,866 as at 31st December 2014, as a result of consolidating shares in the hands of a limited number of shareholders. Over the same period, the percentage of shares held by the 20 largest shareholders (both voting and non-voting) marginally decreased from 79% to 77%. The list of 20 largest shareholders (both voting and non-voting) is given under the Investor Information section of this Annual Report. Meanwhile the largest shareholders hold 77% of the shares of the Bank as at end 2014, showcasing the strategic long-term interests.

The percentage of public shareholding as at 31st December 2014 was 17.98%, as against 21.38% recorded as at 31st December 2013.

Distribution of Shares Among the Variety of Investors

The details of the variety of investors (both voting and non-voting shareholders) based on their number of share holding is tabulated under the Investor Information section of this report.



MANAGEMENT DISCUSSION AND ANALYSIS

Seylan shares are largely in the hands of a few strategic corporate investors. However, during the year a large number of shares were traded at the prices given below:

Quarter 2014	Highest		Lowest		Closing	
	Voting	Non-Voting	Voting	Non-Voting	Voting	Non-Voting
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1st Quarter	68.00	38.00	58.60	30.20	63.70	37.00
2nd Quarter	70.00	40.50	60.00	34.00	65.80	38.90
3rd Quarter	94.00	55.00	64.00	38.50	89.00	53.50
4th Quarter	102.00	63.00	87.00	51.70	95.00	57.50

Be a Responsible Corporate Citizen

Financial Reporting and Compliance

Shareholders and the public are regularly kept updated, mainly through interim financial reports and the annual report. Bank's Annual Report won a certificate of merit at the South Asian Federation of Accountants (SAFA) awards and certificate of compliance at the CA Sri Lanka Awards, which demonstrates the commitment to publish a more transparent annual report to shareholders.

The Bank is committed to publish its annual reports and quarterly reports on a timely manner and submit the required information to the Colombo Stock Exchange on stipulated dates. The quarterly accounts of 2014 were published well in advance to support the decision of investors and other stakeholders.

Defined Benefit Plans and Defined Contributions

Bank operates a retirement gratuity scheme (defined benefit plan) for employees, according to the Gratuity Act No. 12 of 1983.

Bank duly carried out the actuarial valuation on retirement benefit obligation as of year end and disclosed the details in the Note 40.1 of Notes to the Financial Statements.

Bank contributes to two types of defined contribution plans for its employees:

- Employees' Provident Fund
- Employees' Trust Fund

More details on these contribution plans/benefit plans are given in the accounting policies and the Notes to the Financial Statements, Note No. 14.

Financial Implications and Other Risks and Opportunities due to Climate Changes

Bank is not directly exposed to risk arising from climate changes. However due to the fact that it provides financial accommodation to customers engaged in industries such as agriculture, fisheries and export businesses that are highly vulnerable to climate changes, any adverse climate condition could indirectly affect the performance of the Bank.

Further, dealing with businesses in the leisure sector, tourism, allied services and trade financing also expose the Bank to risks due to unfavourable climate conditions.

Details of sector wise exposure are given in Note 24, in Notes to the Financial Statements.

Reputation and Recognition

Awards and Recognition

In recognition of our commitment to excellence the Bank was honoured with many awards during 2014.



MANAGEMENT DISCUSSION AND ANALYSIS

Award Category	Product/Promotion	Awarded by	Award Type
Ranked among top 25 corporate entities in Sri Lanka	–	Business Today Magazine	23rd
Digital Marketing - Innovation	<i>Tikiri</i> game App	2nd Asian Customer Engagement Forum - Mumbai	Silver
Digital Marketing - Promotions	Big Seylan quiz on Facebook	2nd Asian Customer Engagement Forum - Mumbai	Silver
Turn Around Brand of the Year	<i>Seylan Tikiri</i>	SLIM-Brand excellence awards	Silver
Marketing Campaign of the Year	<i>Seylan Sure</i>	World Marketing Congress - Global Marketing Excellence Awards	Gold
Best Loyalty Programme	<i>Seylan Sure</i>	World Marketing Congress - Global Marketing Excellence Awards	Gold
Revitalised Brand of the Year	<i>Seylan Tikiri</i>	World Marketing Congress - Global Marketing Excellence Awards	Gold
Best use of Social Media in Marketing	Seylan Bank Facebook page and Digital Efforts	World Marketing Congress - Global Marketing Excellence Awards	Gold
Innovative Customer Engagement	<i>Seylan Tikiri Pola</i>	3rd Asian Customer Engagement Forum - Mumbai	Gold
Integrated Communication	<i>Seylan Sure</i>	3rd Asian Customer Engagement Forum - Mumbai	Silver

Future Outlook

The national policy objective of achieving a per capita GDP of USD 4,000 by 2016 places significant responsibility on banks and other financial institutions to provide the necessary funding for economic growth. While deposits will continue to be their main source of funding banks will need to supplement this with income from value-added products, mainly leveraging the convenience of automation. The challenge will be to maintain margins while making credit easily and widely available.

For Seylan Bank, profitability and the growth in assets supplemented by increases in fee income and improved productivity will be the key to delivering sustainable returns for shareholder.



MANAGEMENT DISCUSSION AND ANALYSIS

Customer Capital



We recognise that our responsibility extends beyond the concept of delivering value to our customers and business partners with whom we interact.

Our strategic priorities towards customer responsibility and the relationship are:

- Promoting island-wide customer inclusiveness
- Value Addition and Benefits
- Product Responsibility
- Contribution to National Initiatives
- Compliance and Ethics

Promoting Island-wide Customer Inclusiveness

We recognise that all citizens have equal rights to access our service. Equal access to all segments of a community is important from the perspective of maintaining social balance. As such we continued with the expansion and added 6 new business outlets and 19 ATMs to our island-wide network during 2014, expanding our reach and access across the country. During the year we enhanced our geographical reach by opening branches in Bambalapitiya, Colombo Gold Centre, Hikkaduwa, Kelaniya, Rideegama and Wadduwa. Branch relocation and refurbishment programme was continued successfully during the year. Six business outlets were relocated to customer convenient locations with improved facilities.

We continue to make improvement in our processes and services with more customer and user friendly IT based products that are explained in the management discussion and analysis.

The Bank provide a gamut of financial services to its customers through a number of delivery channels meeting their expectations, enhancing the value addition which is explained in detail below.

Value Addition and Benefits

Bank caters to all segments of the country adding value to their life. We want our customers to be educated, healthy and improve their life expectancy and to be respected at all stages of their life cycle in appreciation of their wealth of service to our Bank and our motherland. We practice this with various schemes and projects as detailed below:

- a. Seylan Sure recognises our loyal customers with financial support during key stages of their lives.
- b. National education and children are one of our key priorities.

a. Seylan Sure

Seylan Sure Scheme operates as a helping hand to our loyal customers and declares many benefits and value additions to enhance their lives. It supports our customers at various age levels and in instances where they need moral and financial support. Thus, the whole expectation of the scheme is to support our loyal customers and share their happiness and lend a helping hand during tough times.

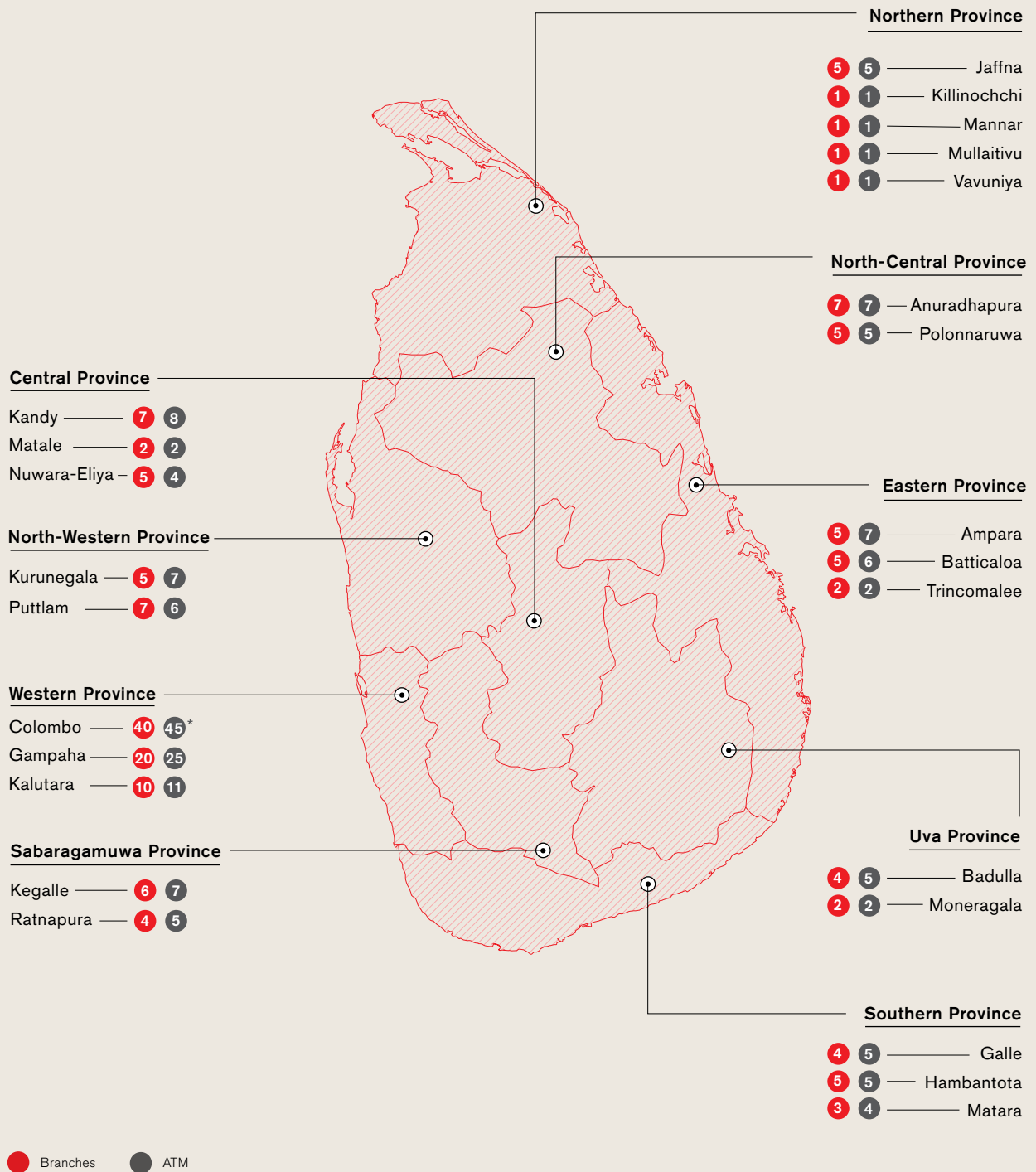
When there is a critical illness where surgery is needed for a customer or an immediate family member, we being the 'bank with a heart', deliver the necessary moral strength and the financial assistance and our investment for the surgery required, under this scheme.

We are proud to be associated with projects which support child birth and life expectancy which the World Health Organisation (WHO) considers as two important indices for a nation.

In the year 2014, the Bank provided Rs. 53.88 Mn. of financial assistance under *Seylan Sure* for its customers compared to Rs. 31.62 Mn. in 2013.

**MANAGEMENT DISCUSSION
AND ANALYSIS**

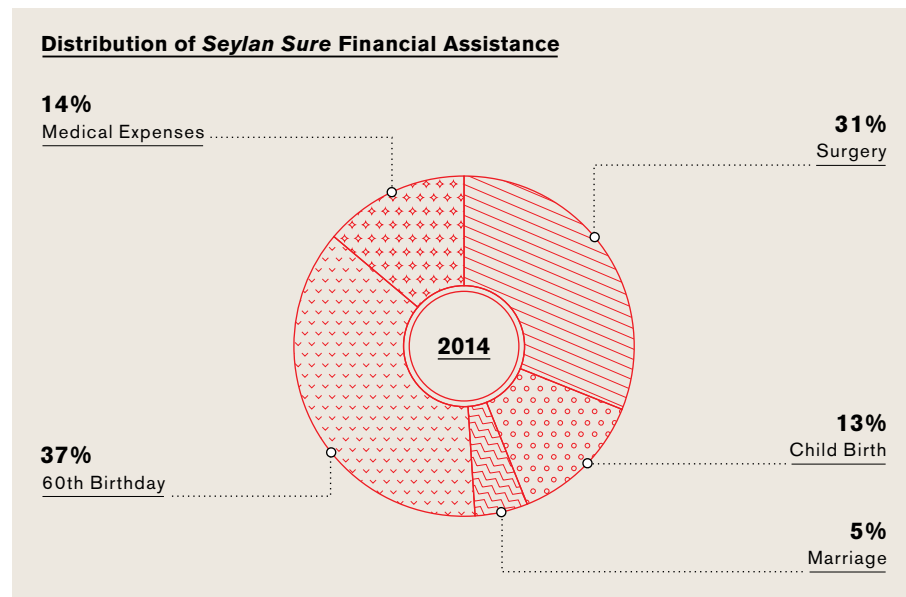
Our Geographical Presence - Branches and ATMs



* Including 01 Mobile ATM

MANAGEMENT DISCUSSION AND ANALYSIS

Given below are the percentages of number of *Seylan Sure* claims provided under each category in 2014.



b. National Education and Children

The Bank recognised the need to bridge a gap by fostering relationships and by taking financial literacy to the children and youth. Thus our products for children and youth - *Tikiri*, students saving centres, and kids Banking Day programmes were created to justify the needs of the country.

The Bank closely monitors the student banking centres and conducts training programmes in schools. The Bank has established 8 new student saving centres across the island. We also support the development of the infrastructure and other requirements of schools in order to improve the level of education. Further, we sponsor various school activities to encourage and improve the capabilities and talents of students.

Similarly the objective of promoting a savings culture among students has been significantly met with our *Tikiri* savings product. The product *Tikiri* has significantly contributed to the lives of minors in the country towards personal growth, creating a scenario of self-assurance, capability and positive attitudes amongst students from an early age.

Name of the <i>Tikiri</i> Event	No. of Events in 2014
<i>Tikiri Pola</i>	45
World's Children Day Events	20
<i>Tikiri Carnivals</i>	10
Art Competitions	8
Kids Banking Day Events	3
Avurudu Events	4
Vesak Events	2
Other Promotions	3

Kids Banking Day is an opportunity for the kids to enhance their financial literacy, and improve their talents, which is conducted at a regional level. The kids are afforded a free environment to understand banking and the importance of the saving habit through various programmes conducted at the event.

The parents of the kids also participate and they themselves get an understanding of the importance of financial literacy for the child. During the year, the Bank conducted 95 kids banking events at various regions (Number of events last year 56).

We also financially support students who want to go for higher education locally and abroad. Further, we have partnered

with leading educational institutes which conduct MBA/Degree programmes/Diploma examinations to promote higher studies in Sri Lanka which is vital for youth in the future.

Improving Customer Satisfaction

The annual survey on customer perception enabled us to improve our customer service by simplifying procedures and offering tailor-made products, whilst providing continuous training to our staff.

Customer Satisfaction Survey Results

For reasons of competitiveness we regularly monitor customer satisfaction levels through customer satisfaction surveys.

Mystery shopper research projects were carried out in 2014 and the overall satisfaction level stood at 75 %.

The survey reflects the overall satisfactory level of service offered through our branch network.

Product Responsibility

THE BANK TAKES GREAT CARE TO ENSURE THAT EVERY PRODUCT AND SERVICE OFFERED IS RELEVANT, MEETS AND EXCEEDS CUSTOMER EXPECTATIONS, IS NON-EXPLOITATIVE AND EMBODIES THE OPTIMUM LEVELS OF CLARITY AND TRANSPARENCY.

We respect the customers' right to know fair information on any banking transaction. Our communication of Bank's product and services are always based on principles of ethical and responsible advertising.

The Bank is extremely conscious of the need to safeguard the interest of its depositors and loan customers and maintain a high degree of risk management through system security, internal controls, policies and procedures.

Our product policy includes the following procedures, governance and risk management practices.

**MANAGEMENT DISCUSSION
AND ANALYSIS**

Assessment of Health and Safety Impacts of Products and Services

Bank has taken all possible actions to improve customer services which would help to reduce indirect health and safety issues such as pressure, stress, anger by providing on-line access, e-banking facilities, trained staff, island-wide access points etc.

Non-Compliance with Regulations and Voluntary Codes

There were no incidents reported for non-compliance with regulations and voluntary codes in respect of health and safety issues during the year.

Sale of Banned or Disputed Products

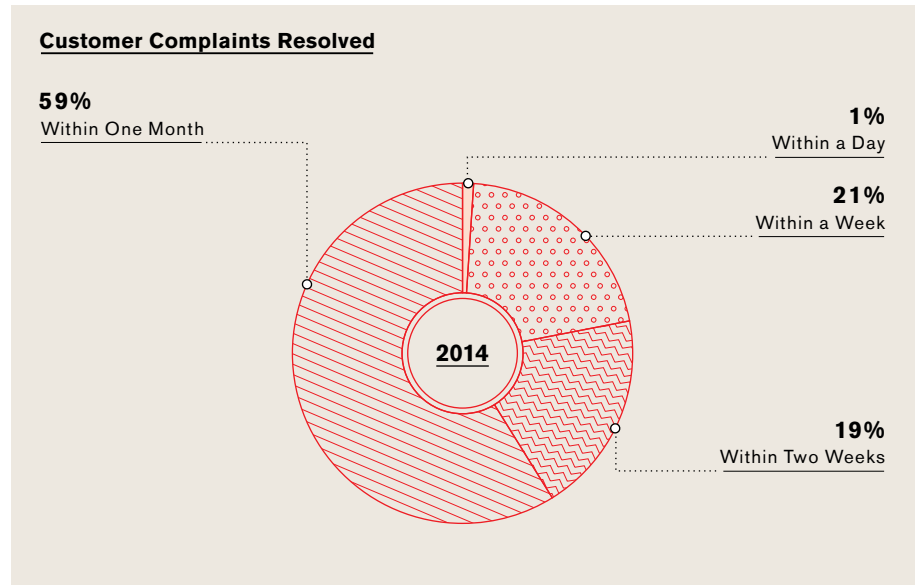
Seylan Bank does not sell or market products or services that are banned in any market or subject to stakeholder questions or public debate. No incidents were reported where the Bank was fined or warned due to non-compliance with regulations and voluntary codes.

Total Number of Incidents for Non-Compliance for Service Information and Labelling

During the year, the Bank did not encounter any incident of non-compliance for service information and labelling of its products or services.

Customer Privacy

We have provided an opportunity to our customers to lodge their complaints directly with the personal assistant (PA) to the Chief Executive Officer and those complaints are handled very confidentially and speedily.



On-going training for staff on service excellence has helped us extremely to meet our customers' expectations to the maximum satisfaction. Our staff is specially trained to handle customer privacy and to manage data with due care and we believe that this is one of the most important ethics that a banker should observe.

Monetary Values and Significant Fines

During the year Bank has not been liable for fines or any surcharge for the breach of provisions on product responsibility.



**MANAGEMENT DISCUSSION
AND ANALYSIS**

Deposits Products



Seylan Sure

Offers definite benefits for personal savings & current account holders

Interest & reward benefits

Individuals aged above 18 years



Tikiri Plus

Big account for the little ones

Interest, reward gift & bonus interest benefits

Children below 16 years of age



Seylan Harasara

Senior citizen's account

Interest & reward benefits

Senior citizens aged above 55 years



Cool Cash

Youth savings account with definite cash gift for birthday

Interest & reward benefits

Youths aged between 18-29 years



Millennium 30

30 day fixed deposit

Interest benefits

Corporate, SME, Retail & individual clients



Flexi Deposit

Allow depositor to decide the period of deposit

Interest benefits

Corporate, SME, Retail & individual clients



Seylan Shakthi

4 year fixed deposit

Interest & reward benefits

Corporate, SME, Retail & individual clients



5star

5 year fixed deposit

Interest & reward benefits

Corporate, SME, Retail & individual clients



Thilina Sayura

Foreign currency deposit account with rewards

Interest & reward benefits

Non resident & non Sri Lankan individuals

**MANAGEMENT DISCUSSION
AND ANALYSIS**

Lending Products



Seylan Siri Nivasa

Unique housing loans scheme

Interest benefits

Individual clients



Seylan Pawning

Secure & friendly service for any cash emergency

Interest benefits

Individual clients



Smart Lease

Finance lease for vehicles, motor cycles, machineries, plants & equipments

Interest benefits

Corporate, SME, Retail & individual clients



Scholar Loans

Unique higher education loan scheme

Interest benefits

Individual clients



Seylan Credit & Debit Cards

Visa, Master credit & debit card

Interest, Annual fee & Commission benefits

Individual clients

Other Services



Seylan Suhada Sewa

Dedicated service for needy people in the society

Free of charge

Clergy, senior citizens, disabled people, pregnant ladies & mothers with infants



Seylan eBanking

Able to carry out variety of banking functions at their convenience at the click of a button

Access charges from Commercial clients & Free of charge for others

Corporate, SME, Retail & individual clients, minor & Credit card holders



SMS Banking

Opportunity to carry out selected banking functions by sending SMS

Free of charge

Corporate, SME, Retail & individual clients, minor & Credit card holders

Overdrafts

Overdraft facilities for Personal & Corporate Current account holders

Interest & Commission benefits

Corporate, SME, Retail & individual clients

Trade Finance

Import Export

Commission & Interest benefits

Corporate, SME, Retail & individual clients

Other Facilities

Treasury Investments, Margin Trading facilities, Offshore Banking

Commission & Interest benefits

Corporate, SME, Retail & individual clients

MANAGEMENT DISCUSSION AND ANALYSIS

Contributing to National Initiatives

The Bank is committed to contribute to national initiatives by providing various services across the country. As such we make effective use of the subsidies and grants provided by the Government and other agencies to promote the needy sectors.

We appreciate the different levels of capacity of the communities we serve and accordingly endeavour to provide appropriate solutions to a variety of people. Seylan is known to be the Banker for the middle and low-level income segments, thereby empowering them financially, directing them on how to run their own business, and contributing to the country's GDP by creating employment opportunities thereby uplifting the standards of the people.

The Bank undertakes to assist them further to the next level of the business cycle through the introduction of new financial services, thus enhancing access to finance in line with their growing needs.

Contribution to National Revenue

The Bank has contributed 47% of its profit to Government revenue during the year. In Rupee terms this amounts to Rs. 2,774 Mn. paid as taxes during 2014.

	2014	2013	2012
Profit before Taxes (PBT) (Rs. Mn.)	5,852	4,203	3,876
Income Tax (Rs. Mn.)	1,571	1,138	1,135
Value Added Tax and Nation Building Tax on Financial Services (Rs. Mn.)	1,203	749	676
Total Taxes (Rs. Mn.)	2,774	1,887	1,811
Total Tax (VAT/NBT and Income Tax) as a % of PBT (Rs. Mn.)	47%	45%	47%

Supporting the Needy Sectors for Economic Development of the Country - Details of Refinance Schemes

Refinance Scheme	Donor	Eligible Sectors	Loans Granted in 2014		Loans Granted in 2013	
			No. of Loans	Amount Rs. Mn.	No. of Loans	Amount Rs. Mn.
Resumption of economic activities in the Eastern Province	Government of Sri Lanka	All legally accepted income generating activity in the Eastern Province	186	75.12	29	9.80
Kapraka Ayojana Credit Scheme	Government of Sri Lanka	Coconut cultivation	16	6.74	9	5.63
Awakening North	Government of Sri Lanka	All legally accepted income generating activity in the Northern Province	79	13.04	20	2.25
'Saubagya' Prosperity Loan Scheme	Government of Sri Lanka	Small and Medium-Scale entrepreneurs	43	69.50	6	34.34
Small and Micro Leader and Entrepreneur Promotion Project - SMILE III	Japan Bank for International Co-operation	Micro, Small and Medium-Scale entrepreneurs engaged in manufacturing	37	114.20	10	41.90

Details of Subsidy Schemes

Subsidy Scheme	Donor	Eligible Sectors	Loans Granted in 2014		Loans Granted in 2013	
			No. of Loans	Amount Rs. Mn.	No. of Loans	Amount Rs. Mn.
Commercial Scale Dairy Development Loan Scheme	Government of Sri Lanka	Commercial scale dairy farmers and processors of dairy products	6	24.27	11	29.65
New Comprehensive Rural Credit Scheme	Government of Sri Lanka	Agriculture	572	60.06	449	43.07

MANAGEMENT DISCUSSION AND ANALYSIS

Compliance and Ethics

While maintaining a high level of return for investors and other stakeholders we, as a responsible corporate citizen of the country are committed to comply with all statutory laws and regulation. We recognise all our statutory obligations and the requirement of being compliant as a key aspect in our day-to-day operations. Level of compliance with statutory obligations is monitored at the board level monthly. The Bank's responsibility for being compliant is discharged by several Management Committees and governed by the Board of Directors through several Board Sub-committees such as, the Integrated Risk Management Committee, Audit Committee etc.

Our customer approach is also governed by the regulatory directions issued by the Central Bank of Sri Lanka, Colombo Stock Exchange (CSE) and industry codes of best practices, ensuring responsible banking.

Seylan Bank's Code of Ethics spells out the expected standards of behaviour and set the operating principles to be followed. Our Code of Ethics requires that it is necessary to ensure that the standards of behaviour expected of Management and employees are followed to the letter and spirit. Every officer is required to ensure that the Bank at all times maintains high ethical standards and adequate internal control measures are in place, guarding against unethical practices and irregularities. In this connection the Bank's Code of Ethics clearly stipulates the expected standards of behaviour and the "Do's" and "Don'ts" the employees must observe. Further, the Code provides guidance on identification, follow up action and reporting of malpractices, if any.

We operate according to well-defined values, principles and rules governing the conduct of our Board of Directors, Key Management Personnel, Executives and other staff.

Our core values guide us in assessing the economic, social and environmental impacts of our actions, and in mitigating any, impacts. The Bank's ethical commitment is articulated through a variety of means including the following:

- An Oath of Secrecy signed by every staff member, accepting accountability for their actions.
- The Bank's Code of Ethics and Whistle-Blowers Policy, encourage staff members to report any suspected wrong doings.
- Making every staff member aware of the Bank's Code of Conduct during induction is to help them to meet its requirements from recruitment until their employment ends.
- The Bank's grievance handling process, which ensures that all issues referred to the Human Resource Department are adequately addressed with strict confidentiality.

Customer Capital Future Outlook

Bank would continue to invest in the enhancement of customer satisfaction levels and service quality. Further the Bank will increase its reach through branches and automated channels. We will also continue to invest in new products to suit changing customer needs. Simplification of processes and centralisation would further enhance the customer experience.

Strategies Include;

- Continue to improve service delivery by identifying areas where access to banking services is limited and opening new delivery channels to them.
- Improve our appeal to customers with value additions and customised new product developments.
- Establish a 'priority banking' unit to attract customers of high net-worth.
- Give more autonomy to regional banking to improve efficiency and response times.
- Improve service quality through training and development.

Bank implements policies and guidelines as appropriate:

Internal policies for responsible banking	Regulatory Directions and Voluntary Codes of Practices adopted by the Bank for responsible banking
Staff Code of Conduct	Know your customer policy
Information Security Policy	Anti-money laundering policy
Credit Policy	Customer Charter
Recovery Policy	Misleading and unethical advertisements
Treasury Investment Policy	Display of interest rates, exchange rates and service charges
Assets & Liability Policy	Inadequate/incorrect disclosures/press statements
Sustainability Policy	Code of best practices for corporate governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and SEC
Integrated Risk Management Policy	The policies on whistle-blowing and safeguarding whistle-blowers
Whistle-Blower Policy	Authority to accept the deposits and do other banking functions (display CBSL sticker)
Related Party Policy	

MANAGEMENT DISCUSSION AND ANALYSIS

Employee Capital



WE BELIEVE THAT THE KEY TO OUR SUCCESS AND COMPETITIVE ADVANTAGE IS OUR UNIQUE COMMITMENT TO CONTINUOUS IMPROVEMENT AND RESULTS. WE ARE COMMITTED TO ENCOURAGE OUR TEAM MEMBERS TO ENHANCE THEIR SKILLS; MAP OUT THEIR CAREERS AND GROW BOTH PERSONALLY AND PROFESSIONALLY.

Team Profile Indicator

	2014		2013		2012	
	No.	%	No.	%	No.	%
Total Staff	2,947	100	3,049	100	3,061	100
Type of Service						
Full Time	2,947	100	3,049	100	3,061	100
Part Time	-	-	-	-	-	-
Total	2,947	100	3,049	100	3,061	100

Team Profile and Development

The Seylan team comprises of 2,947 staff members as at the year end 2014 (2013 - 3,049). The increase in our network contributed to the staff redeployment in island-wide branches for better reach and high level of customer service.

Team by Type of Contract

	2014		2013		2012	
	No.	%	No.	%	No.	%
Permanent	2,829	96	2,863	93.9	2,954	96.5
Contract	11	0.4	16	0.5	16	0.5
Trainees	107	3.6	170	5.6	91	3.0
Total	2,947	100	3,049	100	3,061	100

Staff by Employee Grade

	2014	2013	2012
Corporate Management	30	31	32
Middle Management	175	156	167
Operational Management	993	1,009	997
Other Staff	1,749	1,853	1,865
Total	2,947	3,049	3,061

MANAGEMENT DISCUSSION AND ANALYSIS

New Appointments

	2014	2013	2012
Corporate Management	1	4	1
Middle Management	2	4	1
Operational Management	5	6	2
Other Staff	12	119	95
Total	20	133	99

	2014	2013	2012
Average Age (Years)	37	35	35
Average Service Period (Years)	12.9	11.9	11.4
Average Training Hours per Employee	19	25	24
No. of Promotions -	346	326	334
Female	145	120	68
Male	201	206	266

We recognise our Seylan team and we believe in their high level of active contribution towards our corporate values. As such, social value creation has become a part and parcel of our core business elements. The Bank's Strategic Plan has identified the social value creation process as a key priority of the business with appropriate strategies.

Our strategic priorities in creation of social value are:

1. Satisfaction and motivation
2. Training and development
3. Decent work place and labour relations

Satisfaction and Motivation

Team Emoluments and Other Benefits

The average benefits per employee increased from Rs. 1.16 Mn. in 2013 to Rs. 1.33 Mn. in 2014. Apart from the basic salary and emoluments, the following benefits are offered to the permanent cadre of the Bank.

- Comprehensive medical and insurance scheme.
- Half a month's salary as holiday pay.
- Housing Loan at concessionary interest rate.
- Vehicle loans at special interest rates.
- Special allowance for cashiers, temporary signing power holders etc.
- Two months salary as bonus.
- Holiday bungalow facilities owned/rented by the Bank.

Staff Benefits	2014 (Rs. '000)	2013 (Rs. '000)	2012 (Rs. '000)	2011 (Rs. '000)	2010 (Rs. '000)
Staff Salaries					
Basic Salary	2,135,629	2,008,903	1,841,979	1,840,563	1,864,989
EPF 12%	256,241	241,171	220,888	220,863	223,591
ETF 3%	64,068	60,293	55,222	55,253	55,997
Total	2,455,938	2,310,367	2,118,089	2,116,679	2,144,577
Other Benefits					
Holiday Pay	84,397	78,676	76,008	70,013	72,815
Medical	60,590	62,046	50,830	55,675	58,462
Bonus	432,299	314,992	361,709	293,224	210,752
Insurance	72,434	69,238	65,499	78,094	64,026
Training	14,971	10,544	14,416	6,579	5,449
Welfare	56,103	62,078	53,773	50,729	58,729
Other Allowances/ Benefits	749,629	628,619	504,530	460,326	303,879
Cost of VRS				698,650	
Total other Benefits	1,470,423	1,226,193	1,126,765	1,713,290	774,112
Total No. of Staff	2,947	3,049	3,061	3,150	3,622
Total Benefits	3,926,361	3,536,560	3,244,854	3,829,969	2,918,689
Average Benefits per Employee	1,332.32	1,159.91	1,060	994*	805.82

*Excluding VRS

MANAGEMENT DISCUSSION AND ANALYSIS

Rewards and Recognition

A staff appraisal system has been formulated to recommend annual salary increments; identify employee talents; contribution and training & development needs. Separate appraisal systems are in place for the senior management members.

Annual appraisals are conducted for the entire staff of the Bank. Employee feedback and results of the staff satisfaction surveys enable us to identify specific training and development needs.

Bank also implemented an incentive driven culture which will add more scope to individual capabilities while instilling a team-based culture within the organisation. For the year 2014 Bank organised an Award Ceremony to recognise performance of the business. The best performed branches/ Strategic Business Units (SBUs) and Departments, in advance growth, NPA reduction, profitability, deposit mobilisation and growth in fee income were recognised and rewarded.

Branches were paid additional bonus based on their KPIs achievement. Accordingly, in the year 2014 performance review, 3 branches were paid additional two months bonus for achieving 6 KPIs while 8 branches received an additional one month bonus for achieving 5 KPIs.

Staff Satisfaction

The staff satisfaction survey is considered as the key strategy used to identify staff attitudes, training and development needs. In the survey conducted in 2014, 2,481 (84%) employees responded to a confidential questionnaire thus providing space to give unbiased and independent opinion under various areas.

The results portray that, on average, 75% are happy with the Bank in 2014 compared to 74% in 2013. However, we observe certain negative variations which we further analysed and addressed.

We are now in the process of addressing these issues, through the implementation of a performance-based reward and recognition system coupled with external training and career development opportunities.

Cultural and Sport Events



We encourage the staff to develop cultural and sporting talents as it creates camaraderie and promotes a sense of team spirit among the employees.

Bank conducts a religious ceremony at head office on the 1st working day of the year with all four religious activities. This was followed by the branches to organise similar events at various locations. This year, the Bank conducted a 'Vesak Dansala' and offered ice cream to people in the city in which a large number of staff participated.

The Bank also conducts an annual *Bakthi Gee* ceremony and organises Christmas Carols each year.



MANAGEMENT DISCUSSION AND ANALYSIS

Training and Development

Assuring Quality and Service Orientation

The Bank continuously supports the development of knowledge and facilitates a successful career growth:

- Well-scheduled, structured, training programmes were conducted for all levels of staff to enhance their skills. 347 programmes were conducted during the year under review.
- Continuous in-house and external training and orientation programmes on new products, services and procedures and the improvement of service quality, and to enhance credit knowledge.
- Inter branch/departmental quiz competitions were conducted with the participation of more than 400 staff to measure and widen their knowledge. Prizes were awarded to the winning teams. This proved to be a very effective strategy as employees gained much learning experience in the competition.
- While recognising the importance of language skills, the Management introduced competency-based English Learning Programmes for those who lack proficiency in this medium.
- Continued with the ongoing programme of training in systems and software usage with the help of IT division. Around 231 employees received training.
- Special emphasis was given for front office staff to improve their interpersonal skills. Around 275 branch staff were trained on improving interpersonal skills.
- Reimbursement of honorarium for examination passed and qualifications gathered, while in employment.
- Give special recognition to the staff promotion policy for obtaining additional banking qualifications.

Special Training

We have identified specific training needs for our staff especially in the areas of customer care, customer rights, industry practices, banking law, governance, anti-corruption, risk management, regulations, organisational policies and procedures etc. In response to the training needs identified through customer and staff satisfaction surveys and individual performance appraisals in 2013, customer care was identified as a priority area for training needs, and dedicated more hours in 2014 for this purpose.

A special training programme was conducted for all drivers on cost effective and eco-friendly driving, vehicle maintenance, road ethics and related rules. The training programme was conducted by resource personnel from the Motor Traffic Department of the Sri Lanka Police and the Department of Registration of Motor Vehicles.



Professional Education

The conducive strategies implemented in the recent years have resulted in a significant qualitative improvement in our workforce.

Key Performance Indicators - Training and Development

Training Type	2014		2013		2012	
	No. of Programmes	No. of Participants	No. of Programmes	No. of Participants	No. of Programmes	No. of Participants
Internal	195	6,281	210	7,966	210	6,937
External	141	354	121	373	111	312
Foreign	11	16	10	15	11	13
Total	347	6,651	341	8,354	332	7,262

MANAGEMENT DISCUSSION AND ANALYSIS

No. of Persons	2014					2013				
	Academic Qualifications		Professional Qualifications		Total	Academic Qualifications		Professional Qualifications		Total
	Female	Male	Female	Male		Female	Male	Female	Male	
Below 20	-	-	1	-	1	-	-	1	-	1
21 - 30	16	17	50	97	180	13	16	54	98	181
31 - 40	37	50	194	210	491	38	53	221	245	557
41 - 50	42	68	158	187	455	35	53	132	156	376
Above 50	7	15	18	27	67	5	14	9	27	55
Total	102	150	421	521	1,194	91	136	417	526	1,170

Name of Training Modules	No. of Programmes	Total Hours	No. of Participants
General Banking Practice	274	26,891	3,055
Professional Development	4	520	65
Communication and Negotiation Skills	7	1,672	209
Marketing and Marketing Communications	17	7,896	987
HR Management and Staff Development	6	1,264	158
Compliance and Specialised Areas	21	10,560	1,320
General and Personnel Development	18	6,856	857
Total	347	55,659	6,651



Decent Work Place and Labour Relations

Human Rights Policy

SEYLAN BANK IS COMMITTED TO UPHOLD THE HUMAN RIGHTS STANDARDS ENSHRINED IN THE UNIVERSAL DECLARATION OF HUMAN RIGHTS AND THE CONVENTIONS OF THE INTERNATIONAL LABOUR ORGANISATION (ILO). THESE COVER THE ELIMINATION OF ALL FORMS OF COMPULSORY LABOUR; THE EFFECTIVE ABOLITION OF CHILD LABOUR AND THE ELIMINATION OF DISCRIMINATION WITH RESPECT TO EMPLOYMENT.

Seylan Bank is an equal opportunity employer adopting the industry standards. We take all statutory obligations seriously and honour them as primary obligations. We promote and recognise diversity, equal opportunity and treatment and creativity of our staff by creating a platform and relevant infrastructure so that they could train and develop themselves to their full potential.

Discrimination based on region, religion, caste, gender or any other profile is not in our mandate of human resources recruitment and development and hence, we promote the recruitment from the respective regions to generate employment and better lifestyles of our Seylan team and their families.

We also ensure that we follow the ILO declaration on fundamental principles which aim to achieve both economic growth and equity through a combination of social and economic goals. Also, we adhere to other relevant human resource standards and regulations very stringently. We refer the established codes for all labour related matters where internal policies and rules are not available.

We do not condone child or under-age labour nor do we exercise any gender biasness within our organisation. Recruitment is based on transparent procedures such as newspaper advertisements/head-hunting, written tests and interviews. Recruitment decisions are based on qualifications, merit and capabilities. Priority is given to internal candidates when filling in vacancies. We encourage geographically diversified and multi-ethnic participation and recognise the right of unionisation.

We ensure and maintain a high standard of occupational health and safety and maintain cordial labour relationship with both unions that entail frequent direct interactions with the senior management.

A Culture of Diversity

The extent of employee diversity based on gender, age group, service period and ethnicity within an organisation is imperative for the stability of human capital. The Bank is an equal opportunity employer, paying a uniform remuneration for men and women for work of equal value. From the inception we have employed a relatively high percentage of women in our organisation which amounted to 40% in 2014.

Diversity and inclusion are important to us and we have always given emphasis on recruiting from semi-urban and rural communities. In 2014, we made a special effort to recruit staff from all over the country.

Key Performance Indicators - Diversity

Distribution of Staff by Province and Gender

	No. of Branches	No. of Employees	Male		Female	
			No	%	No	%
Central	14	179	106	59	73	41
Eastern	12	117	77	66	40	34
Northern	9	91	61	67	30	33
North-Central	12	98	77	79	21	21
North-Western	12	125	77	62	48	38
Sabaragamuwa	10	132	87	66	45	34
Southern	12	138	87	63	51	37
Uva	6	67	51	76	16	24
Western	70	2,000	1,147	57	853	43
Total	157	2,947	1,770	60	1,177	40

MANAGEMENT DISCUSSION AND ANALYSIS

Employee Category and Gender

As at 31st December	2014			2013			2012		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Corporate Management	5	25	30	5	26	31	4	28	32
Middle Management	48	127	175	42	114	156	43	124	167
Operational Management	457	536	993	457	552	1009	457	540	997
Other Staff	667	1,082	1,749	688	1,165	1,853	679	1,186	1,865
Total	1,177	1,770	2,947	1,192	1,857	3,049	1,183	1,878	3,061

Ethnic Group

As at 31st December	2014			2013			2012		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Sinhalese	1,044	1,579	2,623	1,059	1,662	2,721	1,058	1,691	2,749
Tamil	107	130	237	107	135	242	100	127	227
Moor	13	39	52	14	41	55	13	37	50
Burgher	12	13	25	12	13	25	11	11	22
Other	1	9	10	–	6	6	1	12	13
Total	1,177	1,770	2,947	1,192	1,857	3,049	1,183	1,878	3,061

Age Group

No. of Persons As at 31st December 2014	Below 20 years	21 to 30 years	31 to 40 years	41 to 50 years	Above 50 years	Total
DGMs and AGMs	–	–	3	8	19	30
Middle Management	–	1	12	118	44	175
Operational Management	–	7	453	484	49	993
Others	1	880	587	249	32	1,749
Total	1	888	1,055	859	144	2,947

Period of Service

No. of Persons As at 31st December 2014	Below 4 years	5 to 8 years	9 to 12 years	13 to 16 years	17 to 20 years	More Than 21 years	Total
DGMs and AGMs	10	2	–	2	–	16	30
Middle Management	7	3	9	7	25	124	175
Operational Management	20	35	62	163	470	243	993
Others	236	562	513	196	181	61	1,749
Total	273	602	584	368	676	444	2,947

MANAGEMENT DISCUSSION AND ANALYSIS

Basic Salary Analysis

The Bank does not have different salary for men and women. Remuneration is determined through a transparent performance evaluation programme. The table below captures the basic annual salary during the year under review analysed by employee category and gender.

	Basic Salary (Rs. Mn.) (Per Month)		Total No. of Staff		Average Basic Salary per Staff Member (Rs.) (Per Month)	
	Female	Male	Female	Male	Female	Male
Corporate Management	1.26	7.83	5	25	253,126	313,150
Middle Management	6.63	18.16	48	127	138,055	142,990
Operational Management	31.47	36.68	457	536	68,872	68,439
Others	27.37	45.28	667	1,082	41,040	41,847

Staff Turnover

The benefits offered have had a positive influence on curbing employee turnover from 4.44% in 2013 to 3.93% in 2014.

A low staff turnover was recorded in the age category of 31-40 years which was a significant improvement during the year.

	2014	2013	2012
No. of participants on HR policies, management and staff development	158	872	218

Right of Unionisation and Collective Bargaining

Freedom of association and collective bargaining is a human right of the workers in an organisation, as defined by the UN Universal Declarations of Human Rights and ILO Conventions. Collective bargaining is a forum of stakeholder engagements beyond the collective bargaining mechanism. We recognise the Ceylon Bank Employees' Union (CBEU) and Seylan Bank Employee Union (SBU) as a consultative and supportive group that subscribes to a forum for improved communication, grievance handling, career counselling and creating an environment conducive to healthy employee relations.

Standard of Entry Level Wages Compared with the Local Minimum Wages at Significant Locations of Operations

The wage policy of the Bank is based on collective bargaining agreements. Remuneration is based on market surveys carried out by the Bank at given time intervals considering the highest and the lowest range of wage structures in the industry.

Minimum Notice Period

The Bank maintains an organisational practice of timely discussion of significant operational changes such as transfers, promotions and disciplinary actions etc. with employees and representatives of Trade Unions (TU). For this purpose, adequate notice is given where practicable, to help minimise any adverse impacts stemming from operational changes. However, it is not defined in the collective agreement.

Code of Ethics and Whistle-Blowers Protection

The Code of Conduct of the Bank is communicated to all staff at the time of appointment and made available in all departments for reference purpose. The Board of Directors of the Bank has appointed two officers to receive whistle-blowers complaints on corruption and malpractices as a regulatory requirement of the Central Bank. These officers are responsible to submit a summary of complaints received to the Board at regular intervals in order to issue directions for investigation and necessary action. A mechanism is in place to handle complaints.

Employees Representing the Health and Safety Committees

Creating a safe and secure work environment is strictly addressed despite the lack of a formalised policy in respect of occupational health and safety.

The Bank focuses on a range of safety and health measures including hazard-free environment, business continuity plan, employing a dedicated controller (intelligence and security) having healthy housekeeping practices, etc.

The Bank adopts an inclusive approach by accommodating inputs from employees and various parties and representatives of the various bodies or individuals in addressing the occupational safety and health issues as a priority.

MANAGEMENT DISCUSSION AND ANALYSIS

Occupational Health and Safety

We offer a variety of facilities and benefits to our employees enabling them to maintain a healthy work-life balance and thereby reduce stress levels and be more efficient and productive. Creating a healthy work-life balance is imperative to improve productivity and commitment of the staff. The Staff Health Plan was an important initiative taken by us to achieve this balance, apart from the numerous welfare initiatives including concessionary housing, vehicle and distress loans, insurance and health donations.

	2014	2013	2012
Staff covered by the health plan (%)	100	100	100
Average medical claims per employee - Rs. '000	18	18	18
Occupational inquiry	Nil	Nil	Nil
No. of occupational diseases (No.)	Nil	Nil	Nil
No. of lost day rate (No.)	Nil	Nil	Nil

Other Initiatives to Improve Work-Life Balance

Apart from the Health Plan, the Bank implemented a range of health and safety measures to maintain a hazard-free office environment. Some of these initiatives include, promoting healthy housekeeping practices, providing cashiers and managers a risk allowance, a difficult area allowance and health facilities under the Health Plan and other benefits. Apart from the above, the following measures are taken by the Bank to assess and maintain health and safety:

- Business Continuity Plan addresses safety of all staff in emergency situations.
- Improving a healthy and a safe environment; 12 branches were fully refurbished with new facilities during the year.
- Arrangements were made to provide safe drinking water and a standard lighting system was implemented in all branches and head office.

Details of Illness, Injuries and Lost Days

The total number of work-related injuries, rate of injury (as a percentage of total injuries/man-hours) and the number of days lost due to absenteeism in respect of these employees (due to health and safety issues) are given in the above table.

Educational Training, Counselling and Prevention of Risk Control Programmes

The Bank does not have formalised programmes on prevention of diseases. However, the Bank conducts a full medical screening of all employees at entry level, covering all critical and major aspects.

Listening to our Family

Ease of communications is essential for fostering open collaboration between management and employees.

Most of the employees have access to computers with their own internal e-mail accounts. In addition, the Bank's intranet provides all rules, regulations and procedures to help employees keep abreast with our evolving policies.

Non-Discrimination

The Bank has had no incidents of discrimination to date.

Having Significant Risk for Incidents of Child Labour

The Bank has a zero tolerance of child labour.

The Bank considers all provisions and adheres to the laws of the country at the time of recruiting members to the Bank. Applicants being at a minimum age of 18 years or above have been laid down as a basic policy and a criterion to join the Bank respecting the human right to eliminate child labour.

Security Practices

The Bank has laid down procedures on security practices to be adopted concerning human rights and so the Bank ensures that these practices have been communicated to all levels of security officers outsourced to the Bank. Periodic tests and awareness programmes are carried out and checked by the Controller Intelligence and Security of the Bank to ensure compliance.

Employee Capital Future Outlook

Our policy for the year ahead is to follow human resources-related strategies and practices that will uphold and reinforce our status as an employer of choice while building a dedicated, professional team.

Strategies Include:

- The introduction of assessment centre techniques to facilitate succession planning and career development.
- Job enrichment, job rotation plans and other development initiatives.
- Reinforcing our performance driven culture through improving systems and methods for goals setting and performance evaluation.
- Increase staff recognition schemes to reward employees achievements.

MANAGEMENT DISCUSSION AND ANALYSIS

Community Capital



SEYLAN BANK IS COMMITTED TO COMMUNITY DEVELOPMENT AND BELIEVES IT TO BE A PROCESS OF EMPOWERING INDIVIDUALS AND GROUPS TO IMPROVE THEIR LIVELIHOOD WITHIN THEIR COMMUNITY AS OPPOSED TO FOSTERING DEPENDENCY. THE BANK HAS PROGRESSIVELY SHIFTED ITS CSR ACTIVITIES INTO THE REALM OF MEANINGFUL SUSTAINABILITY.

Our approach and the strategic direction, go beyond national obligations and aspire to attain the ultimate objectives of meeting the social needs which focus on the activities towards economic prosperity and growth of community and upgrading the country at large by addressing following national priorities:

1. Education and literacy
2. Community inclusiveness and capacity building
3. Regulatory compliance and governance

Education and Literacy

The Bank recognises education as a tool to reduce poverty and social injustice by providing the underprivileged resources and opportunities for upward social mobility and social inclusion. As such, in the year under review, the Bank made considerable attention through the development of education through its *Seylan Pahasara* library project with the assistance of the island-wide branches.

Seylan Pahasara - Library Project

Seylan Bank launched an island-wide library project themed '*Seylan Pahasara*' in its silver jubilee year, last year, with the mission of either giving a helping hand to 'less fortunate' libraries or establishing brand new libraries in 100 under privileged schools around the country.

Ever since its launch, '*Seylan Pahasara*' has been a resounding success and attracted a very positive and encouraging feedback from thousands of schoolchildren from all parts of the country.

This has spurred the Bank to extend this project over the next three years and embrace more schools around the country and thereby touch the lives of tens of thousands of deserving children in a significant and meaningful manner. A project of this nature, in parallel, touches the lives of teachers, school principals and even parents.

The '*Seylan Pahasara*' project was launched in 2013 to help 100 less privileged schools in the island to set up new libraries or refurbish existing ones. Last year, Seylan Bank completed 12 libraries in 10 districts and during 2014, gifted another 39 libraries surpassing the milestone of 50 libraries. (Total libraries as at end 2014 was 51) Plans are underway to establish another 49 libraries in selected schools within the next one and a half years.

MANAGEMENT DISCUSSION AND ANALYSIS

Direct investments for fostering education, distribution of books and establishment of libraries in 2014.

Libraries Opened in 2014

Branch	Name of the School
Matale	Sri Sangamitta Balika Vidyalaya
Polonnaruwa	Thopawewa Maha Vidyalaya
Kuliyapitiya	Holy Angels Girls College
Bataloa	Vincent Girls High School
Talawakelle	Vidyasekara Primary College
Kotagala	Kotagala Tamil Vidyalam
Tissamaharama	Yatala Primary School
Galle	Ettiligoda Maha Vidyalaya
Matara	Sujatha Vidyalaya
Trincomalee	Sri Shanmuga Hindu Ladies College
Badulla	Siri Sumana Vidyalaya
Bandarawela	Kuda Kusum Balika Maha Vidyalaya
Dambulla	Dambulla Primary School
Hingurakgoda	Ananda Balika Maha Vidyalaya
Koggala	Dharmarama Primary College
Ambalangoda	Kularathna Maha Vidyalaya
Chenkalady	Chenkalady Central College
Katuneriya	St. Sebastian's Central College
Kuliyapitiya	Vishaka Balika Vidyalaya
Wattala	St. Anthony's College
Tissamaharama	Debarawewa Primary School
Mannar	Thalaimannar Maha Vidyalam
Kekirawa	Adarsha Primary College
Matale	Hindu College
Hatton	Sripada College
Ruwanwella	Ruwanwella Primary School
Ja-Ela	St. Mary's College
Bandaragama	Pathhawatte Sri Swarnajothi Maha Vidyalaya
Monaragala	Obbegoda Maha Vidyalaya
Monaragala	Thenagallanda Maha Vidyalaya
Pelmadulla	Pathakada Navodya Maha Vidyalaya
Kalmunai	Karmel Fathima College
Galenbindunuwewa	Thammennagama Maha Vidyalaya
Jaffna	Sri Parameshawara Vithyalam
Wadduwa	Wadduwa Central College
Gampola	Jinaraja Model Primary School
Nawalapitiya	Anurudhdhakumara Primary School
Chilaw	St. Sebastian's Navodhya Vidyalaya (50th Library)
Nochchiyagama	Bandaranayaka Model Primary School

Education at the Pilot Village

The Bank adopted a pilot village in 2010 to uplift the livelihood of the Devamulla community.

Since then, the Bank has been looking into the education needs of the community.

The Bank continued its activities in the pilot village during the year and donated school books, bags and shoes to the children of Devamulla Primary School, as an annual event.

These activities are carried purely with staff contribution and it has really helped the students at village level to continue their studies, despite financial difficulties of their parents, whose main income is rubber tapping.



MANAGEMENT DISCUSSION AND ANALYSIS

Community Inclusiveness and Capacity Building

Care for a Healthy Nation

We recognise community investments for the healthcare as very important and crucial to building a healthy nation.

We understood the serious concerns of the country such as cancer, dengue etc. and conducted awareness programmes island-wide.

We took the issue of child abuse seriously and made efforts to improve public awareness through various programmes sponsored by our branches island-wide.

Donations, Sponsorships and Participation in Community Projects

The Bank also recognises the importance of interaction with community organisations such as societies; associations etc. for the well being of the people and is therefore committed to support them financially or by other means. The Bank recognises its responsibility to support the democratic process, law and order and to ensure the Government is well informed of its activities in the society. The Bank therefore, is committed to ensure that any donations and sponsorships extended are:

- Exclusively for the purpose of supporting the democratic process.
- Lawfully and properly recorded and disclosed in our Financial Statements.

Seylan is also committed to support the society in the event of natural disasters financially or by other means and encourages staff to volunteer with their local communities. The assistance provided by the Bank to the Koslanda landslide victims is justification of our commitment. The Bank also helps individuals in the society in need of sponsorships for medication, sports and education and is extensively involved in community activities.



Micro Financing - Financial Inclusion

Seylan Micro Finance schemes contribute to the communities to improve their livelihoods. The Bank has undertaken projects that cater to specific needs of the people who live in areas with limited resources.

The Bank has provided over 900 loans amounting to Rs. 362 Mn. as at the reporting date to finance a range of activities such as animal husbandry, post-harvest processing of agricultural products, construction, cultivation of fruits, exotic vegetables, rice milling, purchasing of farm machinery, garment industry, footwear industry, retail business and more.

Access Points in Low Populated Areas

The Bank opened new branches in less populated areas, upgraded to improve the economic and living standards and to provide financial and banking solutions/facilities to beneficiaries in these areas. Please refer our branch network map appearing on page 58 which detail the geographical locations and the distribution of branches. Our branch network comprises 70 branches in the Western Province, which is 45% of the branch network. The balance 87 branches located outside the Western Province represent 55% of the network.

Staff Contribution and Voluntarism (beyond work place)

The Bank encourages voluntary staff participation in community projects and in the event of natural disasters and other community needs, voluntary participation in community projects by employees, by creating a platform for them to actively participate in CSR projects and community development initiatives organised by the Sustainability Committee.

Around 1,000 staff contribute monthly towards the sustainability activities of the Bank, particularly the activities carried out at the pilot village. During the year, full contributions made by staff were utilised for the pilot village as explained on page 72.



MANAGEMENT DISCUSSION AND ANALYSIS

Regulatory Compliance and Governance

We recognise and respect the laws and the regulations as an important yardstick to manage our day-to-day operations in a manner which maximise the benefits to the stakeholders and certain important provisions that are applicable to our operations are listed below:

Aspect of Compliance	Bank's Commitment
Percentage and total number of business units analysed for risk in relation to corruption and percentage of employees trained in the Bank's anti-corruption policies and procedures	Bank continuously conducts training programmes to make its staff aware of threats and issues from corruption. Table below provides the information on such training during the year. (refer table below)
Action taken in response to incidents of corruption	The banking business operates with public and shareholders' money and therefore banks have a serious responsibility to manage such money in the best interests of the stakeholders. Seylan too operates with very rigid controls, internal audit procedures and disciplinary procedures to safeguard public money.
Participation in public policy development	The Bank is invited by the Government to submit proposals when formulating the Government budget, the financial sector consolidation process, the implementation of SLFRS/LKAS and tax laws.
Total value of financial and in-kind contribution to political parties and politicians	The Bank has carried out its transactions in the ordinary course of business and on an arms length basis and no contributions were politically motivated or made to political parties or to politicians.
Number of legal suits for anti-competitive behaviour	The Bank did not encounter any legal action for any anti-competitive behaviour during the year. Bank always complies with laws and regulations of the country in handling marketing campaigns, display banners, conducting sales and road show campaigns and use of sound systems.
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	There were no fines or non-monetary sanctions during the year under review. The Bank has complied with all laws and regulations applicable to the Bank. Monthly compliance report is tabled at the Board meeting as a monitoring tool.

The Table below provides information on specialised training during the year.

	2014		2013	
	No. of Programmes	No. of Participants	No. of Programmes	No. of Participants
General Banking Practices	274	3,055	144	4,433
Anti-Money Laundering/KYC	09	360	105	2,521
System Security	04	231	75	1,161
Accounting and Auditing	08	180	17	239

Action Taken in Response to Incidents of Corruption

Any incident of corruption will be viewed as a serious lapse and the Bank takes immediate disciplinary action against any level of employee or any party to safeguard the depositors and investors' money.

Community Capital Future outlook

The Bank is cognisant of the fact that social sustainability is as important as economic sustainability. Hence, the Bank continues to engage with the community to ensure its well-being. Uplifting education is one of the key commitments of the Bank and in this respect, we are planning to set up 100 libraries to support education.

The Bank has planned to buy an automated solution for monitoring any money laundering activities and enhance compliance with KYC policies. This would strengthen the compliance function and operational risk management.

In addition, the Bank continues to work with the community in its day-to-day business by supporting entrepreneurs thereby contributing to the generation of employment opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

Environmental Capital



**WE HAVE A LONG-STANDING
COMMITMENT TO MINIMISE BOTH
DIRECT AND INDIRECT IMPACT
ON OUR ENVIRONMENT
ARISING FROM OUR BUSINESS
ACTIVITIES, WHILST DOING
EVERYTHING WE CAN DO TO
PROTECT AND REPLENISH THE
NATURAL RESOURCES AROUND US.**

The Bank requires a substantial amount of resources such as energy, water, electricity and an average amount of carbon and waste is released to the environment.

Our strategic priorities to safeguard resources and minimise harmful impacts are;

1. Resource efficiency and energy management
2. Environmental regulations and compliance

Resource Efficiency and Energy Management

Society and future generations need resource efficient and environmental friendly banking designs. The Bank consumes a large amount of natural resources such as electricity, water and fuel etc. in its daily operations which directly/indirectly impacts the generation of substantial amounts of greenhouse gas emissions.

As a responsible corporate citizen, we are committed to efficient and sustainable use of these global resources, whether directly or indirectly and to manage our carbon footprint.

We believe that the efficient utilisation of energy across our business provides a number of benefits including the protection of global energy reserves and in the reduction of the Bank's environmental impact. The Bank instituted a range of energy efficiency principles and processes over the last few years.

The Bank's energy efficiency measures varied from generating increased awareness on effective and efficient use of energy and implementation of energy-efficient technologies to the utilisation of alternative energy.

Electricity Consumption and Emission Control

A substantial amount of electricity supply in the country is fuelled by fossil fuel which is a non-renewable energy source. Therefore, sustainable consumption of electricity can largely contribute to reducing climate change and conserving fossil fuel reserve in the world.

During the year, we paid special attention to reduce the overall electricity consumption of our operation. Our strategies have resulted in a 2.5% reduction in the number of units consumed in 2014 year-on-year. Installation of energy-efficient lighting systems and air-conditioners in conjunction with the refurbishment programme, enabled us to achieve this improvement.

Water Consumption

During the year, the Bank has consumed 77,344 litres of water on its operations compared to 77,746 litres in 2013. However, the index of water consumption per employee was slightly above the last year level.

Paperless Process

Waste management and management of paper consumption were prioritised this year. We sought avenues to simplify the loan approval process to minimise documentation. These efforts enabled us to reduce photocopy paper consumption. There has been considerable savings on print cartridges, maintenance of equipment and the time spent on distribution, handling and filing of documents as well.

Waste Management and Emission

The Bank adopts 'recycle, re-use, reduce' towards all tangible resources. With initiatives in place for the creation of a paperless office, the Bank strives to minimise the utilisation of paper. Where use of paper is essential, it is ensured that maximum utilisation of paper is garnered through the utilisation of duplex printers.

Subsequently, the used paper is collected and recycled. 86,280 kg of paper was recycled, for the 12 months.

During the year, the Bank provided 86,280kg of waste papers to Geocycle (Pvt.) Limited, for recycling purpose. The Company has confirmed that its waste has saved 1,466 fully grown trees, 2,741,978 litres of water, 345,421 kWh of electricity, 151,421 litres of oil and 258.84 cubic metres of land fill.

e-Waste Management

Bank commenced returning used IT equipment, mobile phones and other electrical and IT appliances to an authorised dealer who disposes them according to the guidelines set by the Ministry of Environment/International standards. This concept was promoted among the Bank's staff too and they were encouraged to bring their home e-Waste to be disposed in an environmental friendly manner.

MANAGEMENT DISCUSSION AND ANALYSIS

Savings from Recycled Papers

	Achievement				
	2014	2013	2012	2011	2010
Trees	1,466	1,347	2,044	1,230	983
Water (Litres)	2,741,978	2,518,151	3,822,497	2,175,546	1,838,790
Electricity (kWh)	345,421	316,948	481,120	289,528	231,440
Oil (Litres)	151,421	139,060	211,091	251,783	101,544
Land Fill (Cubic Meters)	259	238	361	N/A	N/A

Emission Control

The Bank is committed to minimise emissions both directly and indirectly through measurement and monitoring of staff and customer travel thereby, reducing fuel consumption and minimising carbon emissions.

As such, we educate our drivers on safe driving and on other regulations which indirectly support the control of emissions.

Natural Resource Utilisation

The Bank is committed to conserve global resources by astutely managing fuel, electricity, water and paper consumption throughout its operations, promoting in-house resource saving programmes, whenever possible.

Green IT Initiatives

In 2014, the Seylan Bank purchased 37 ATMs conforming to RoHS standards reiterating the Bank's commitment to investing in Green IT.

We continued our policy of replacing old equipment with more energy-efficient solutions. During 2014, the Bank purchased 470 personal computers.

Managing Carbon Footprint

We identified that fossil fuel consumption caused by business and staff travel, consumption of electricity water and paper as core areas of focus in managing the Bank's carbon footprint.

Business Travel and Fuel Consumption

During the year, the Bank's fleet of vehicles have run 327,313 km for business purpose local travel, recording a significant control in carbon emission. Further, the Bank has outsourced another 35,821 km for its travelling purposes. Overseas business travel is limited to very specific purposes such as specific training and business promotions. The following initiatives implemented by the Bank in 2014, greatly contributed to this achievement.

- Conducted training programmes on cost-effective and eco-friendly use and maintenance of vehicles.
- Deployed regional staff and regional offices located outside Colombo to manage the regional affairs without using staff from head office or other regions.
- Contracted an efficient courier services for delivering documents and materials.
- Decentralised operational authorities to regional level and head office to branches, to avoid unnecessary travelling.
- Authorised branches to hire local vehicles for business travel.

Energy Management

In the past year, the Bank continued to encourage customers to adopt energy-efficient practices in their business by providing loans for such purposes.

The Bank's own buildings use environmentally friendly technologies wherever possible. These include variable air volume units to control temperature and ventilation systems with energy-saving features. Air-conditioning use at our head office and branches is limited to normal working hours. We intend to continue these measures in the future as well while exploring other ways to minimise energy consumption.

Awareness and Responsibility

The Bank will ensure that every staff member fully comprehends the importance of incorporating environmental considerations into their daily business activities whenever appropriate. We also encourage employees to reflect their commitment to the environment by supporting staff driven, voluntary programmes for improving and educating local communities on environmental conservation and preservation.

Environmental Regulations and Compliance

In carrying out business, the Bank is mindful of balancing environmental needs with human needs. The desire to achieve corporate financial goals should not override the need to conserve the country's bio-diversity, culture and overall uniqueness.

In this context, the Bank ensures that it grants loans for facilities that are duly approved by the relevant local authorities or regulatory bodies and also, for those in compliance with development regulations and environmental standards. Housing loans will be granted only for housing plans prepared and approved by adequately qualified building planners, in compliance with prevalent legislation and requirements of the relevant regulatory bodies, while at the same time, meeting community environmental standards. Other project loans are very specifically subject to prevalent legislation and requirements of the relevant regulatory bodies.

MANAGEMENT DISCUSSION AND ANALYSIS

Level of Compliance of Lending Operations with Regulatory Requirements

	2014	2013
No. of fines reported for the breach of environmental regulations	Nil	Nil
No. of fines imposed for breach of other laws	Nil	Nil

Bank's Products and the Impact

Mitigation Tool

During the past year, various loan proposals were referred to the Bank for screening and evaluation and were successfully recommended - confirming that these projects did not have a significant impact on the environment.

Bank's Environmental Management process:

- Ensure all projects financed by the Bank comply with general laws on environmental, health, safety and social requirements and are in accordance with the accepted environmental regulations.
- Continuous review of Social and Environmental Performance.

Supplier Environmental Assessment

The Bank includes Restriction of Hazardous Substances (RoHs) as a compliance requirement in all Requests For Proposals (RFPs) issued to suppliers when procuring ATMs, Personal computers, printers and other equipment. How well vendors can be expected to maintain compliance is considered during the evaluation process.

Funding for Energy Saving and Conservation Projects

Despite the Bank currently not operating exclusive loan schemes for the purpose of funding projects under energy recycling/ reduce of waste, infrastructure development etc. many loans have been disbursed for the stated purposes from our own funds. During the year the Bank funded Rs. 174 Mn. on waste management projects and a hydro power project in various locations.

Environment Future Outlook

We track and manage environment-related aspects of our operations such as energy, water, carbon, emission and waste management. Further, the Bank is planning to install separate meters in each floor of its head office to measure electricity consumption for effective utilisation. We have also planned to implement several cost containment initiatives as a part of our strategic plan. Accordingly, all sources of cost including stationery, electricity, rent, water etc. will be scrutinised and an officer will be assigned responsible for close monitoring and effective management.



MANAGEMENT DISCUSSION AND ANALYSIS

Supplier and Business Partner Capital



Our strategic priorities in 2014 were:

1. Long-Lasting Relationships
2. Ethical Supplier Management

Long-Lasting Relationships

The Bank has general memberships in a number of sectoral, industrial and professional organisations and associations which are listed below. Although the Bank does not hold positions on the governing bodies of other institutions, we extend our fullest support for their activities and participate in various events organised.

- Employers Federation of Sri Lanka
- Credit Information Bureau
- Sri Lanka Bankers Association (Guarantee) Limited
- The Clearing Association of Bankers
- Institute of Bankers of Sri Lanka (IBSL)

- The Ceylon Chamber of Commerce, Sri Lanka
- Lanka Swift User Group (LSUG)
- The National Chamber of Commerce, Sri Lanka
- Association of Banking Sector Risk Professionals
- Association of Compliance Officers of Banks, Sri Lanka
- Association of Professional Bankers (APB)

In addition we maintain regular contacts with professional bodies such as CA Sri Lanka, ACCA, CMA & CIMA etc.

Future Outlook

- Further strengthen the relationships and build a sound net work
- Apply ethical practices and strengthen the relationships

MANAGEMENT DISCUSSION AND ANALYSIS

Length of the Relationship

We have been maintaining a very cordial relationships with all our correspondent banks and given below are a list thereof:

Country	City	Name Of Bank	Relationship Since
Australia	Melbourne	National Australia Bank	Jan - 1993
Australia	Sydney	Commonwealth Bank Of Australia	Sep - 2001
Bangladesh	Dhaka	Standard Chartered Bank	Oct - 2011
Canada	Toronto	Royal Bank Of Canada	Jan - 1993
China	Shanghai	Standard Chartered Bank	Mar - 1996
Denmark	Copenhagen	Danske Bank	May - 1994
England	London	Barclays Bank	Jan - 1993
England	London	Bank Of Ceylon	Jan - 1993
Germany	Frankfurt	Deutsche Bank AG	Jan - 1993
Germany	Muenchen	Unicredit Bank AG	May - 2002
Germany	Frankfurt	Commerz Bank	Apr - 2002
Hongkong	Hongkong	National Bank Of Abu Dhabi	Feb - 2009
Hongkong	Hongkong	Standard Chartered Bank	Mar - 1996
India	Chennai	Bank of Ceylon	Jan - 1996
India	Mumbai	Standard Chartered Bank	Jan - 1996
Italy	Milano	Unicredito Italiano	Mar - 2002
Italy	Milano	Banca Popolare Di Milano	May - 2008
Japan	Tokyo	Wells Fargo Bank	May - 2001
Korea	Seoul	Korea Exchange Bank	Sep - 2007
Korea	Seoul	KB Kookmin Bank - South Korea	Oct - 2013
New Zealand	Wellington	Bank Of New Zealand	May - 1993
Norway	Oslo	DNB Nor Bank	Jan - 1993
Pakistan	Karachi	Standard Chartered Bank	Jun - 2004
Saudi Arabia	Riyadh	Saudi British Bank	Apr - 1996
Singapore	Singapore	Standard Chartered Bank	Aug - 2000
Singapore	Singapore	United Overseas Bank	Dec - 1995
Singapore	Singapore	OCBC Bank	Mar - 1996
Sweden	Stockholm	Royal Bank Of Scotland	Jan - 1993
Switzerland	Zurich	Royal Bank Of Scotland	Jan - 1993
UAE	Abu Dhabi	National Bank Of Abu Dhabi	Feb - 2009
UAE	Dubai	Mashreq Bank, Dubai	Jan - 2000
USA	New York	Deutsche Bank Trust Company - NY	Jan - 1993
USA	Philadelphia	Wells Fargo Bank	May - 2001
USA	New York	Habib American Bank	Oct - 2001
USA	New York	Standard Chartered Bank	May - 1996

MANAGEMENT DISCUSSION AND ANALYSIS

Close Connectivity

Visits were made by the following foreign banks during the year:

UBAE, Italy	Wells Fargo, New York
UBI Banca, Italy	Caixa Bank, Spain
HSBC	Habib American Bank, New York
Commerz Bank - Frankfurt	KBC Bank, Belgium
BHF-BANK Aktiengesellschaft, Germany	Bank Dhofar
Emirates Bank NBD, UAE	Standard Chartered Bank
SEB - Sweden	CTBC Bank - Singapore
Bank of Bahrain & Kuwait - Bahrain	UBL Bank, Dubai
Mashreq Bank - Dubai	Bank of Ceylon, UK
SocieteGenerale, France	ING Bank, Netherlands
Pohjola Bank, Finland	Commercial Bank of Dubai - Dubai

Strategic Alliances

New relationships were established with the following banks in order to cater to ever increasing customer business requirements and requests:

- Credit Europe Bank, Netherlands
- Skandinaviska Enskilda Banken (SEB) Finland
- BBVA, Mexico
- Bank of Ceylon, Seychelles
- CaixaBank, Spain
- UBI Banca, Italy
- African Banking Corporation Tanzania Limited, (BancABC) Tanzania
- Vietnam Maritime Seylan [Check] Joint Stock Bank
- Banca Nazionale De Mexico (BNM)
- Cargills Bank, Sri Lanka

New Treasury counterparty limits were established for the following banks/exchange houses in order to facilitate timely execution of worker remittances:

- Bank Al Bilad, Kingdom of Saudi Arabia
- UAE Exchange Centre LLC, United Arab Emirates
- Unistream Seylan [Check]Bank Open Joint Stock Company, Russia

New account relationships established:

- AED Account - Mashreq Bank

During the year, foreign currency (USD) financing was obtained through Money Market/short-term trade financing from the following banks:

- Bank Dhofar, Sultanate of Oman
- United Bank Limited, UAE
- Wells Fargo, NY
- Emirates NBD, UAE

During the year, Non-Funded confirmation lines for our Import Letters of Credit were obtained from the following banks.

- Danske Bank - Finland
- Skandinaviska Enskilda Banken, Finland
- Banca Popalaredell' Emilia Romagna, Italy
- KBC Bank, Belgium

The Bank joined the Common Card and Payment Switch (CCAPS) which offers the customers greater accessibility to their Current and Savings accounts at a lower cost. Limits were set in place to cover the exposure of Seylan Bank arising out of net withdrawals made by the account holders of respective banks.

In affirmation of the mutually beneficial business relationship with the Bank, the following banks invited our staff for their seminars conducted on International Trade and Current World Trends:

- Wells Fargo Bank N.A. - New York
- Standard Chartered Bank - New York
- Commerz Bank - Frankfurt

MANAGEMENT DISCUSSION AND ANALYSIS

Ethical Supplier Management

Procurement Policy and Practices

All procurements follow a transparent tender procedure and price negotiations are conducted by designated teams and committees, depending on the contract value and focus. Fair dealing is ensured with suppliers and supplier information is treated with confidentiality.

The Bank recognises its responsibility to:

- Carry out its procurement activities in an environmentally and socially responsible manner.
- Encourage suppliers to minimise negative environmental and social effects associated with products and services they provide.

Thus, in accordance with the Bank's Corporate Procurement Strategy, it strives to incorporate environmental and social considerations into the procurement process. The Bank follows a concerted policy of non-discrimination against small-scale suppliers.

From an internal perspective, the Bank encourages departments and branch officers to review their consumption of goods and services in order to reduce usage, recycle and reuse, in a bid to operate according to sustainable business principles.

Promote Locally Based Suppliers

We contribute to GDP and employment creation, through our locally based supplier network. Our suppliers and service providers are identified through a proper tender and procurement procedure. The Bank also makes all possible efforts to select locally-based suppliers and service providers from the vicinity of our branches, especially for repairs, maintenance, janitorial services etc. Stationery which is our main material is purchased through local suppliers.

Cost of Services obtained locally in the vicinity of branches	2014 Rs. Mn.	2013 Rs. Mn.	2012 Rs. Mn.
Tea and Coffee	34.31	31.24	27.07
Subsidised Lunch for Staff	51.39	52.25	46.99
Supply of Foliage/Maintenance of Fish Tanks	5.45	5.92	5.53
Janitorial Services	56.35	48.25	42.2
Repair and Maintenance	14.45	25.47	16.14
Drinking Water	9.78	8.64	3.85
Newspapers	2.25	2.2	1.39
Total	173.98	173.97	143.17



MANAGEMENT DISCUSSION AND ANALYSIS

Our Commitment to Stakeholders - Sustainability Performance Indicators

Stakeholder Group	Indicator of Performance	Achievement					Indicator
		2014	2013	2012	2011	2010	
Investors	Financial Value Added (Rs. Mn.)	10,238	8,280	7,660	6,022	6,529	↑
	Economic Value Added (Rs. Mn.)	3,403	1,129	81	(322)*	929	↑
	Profit After Tax (Rs. Mn.)	3,079	2,316	2,064	675	1,228	↑
	Earnings per Share (Rs.)	8.92	6.74	6.11	2.18	4.60	↑
	Return on Equity (%)	13.45	11.40	11.42	4.43	10.88	↑
	Return on Assets (%)	1.33	1.16	1.18	0.42	0.87	↑
	Dividend Per Share (Rs.)	2.50	2.25	2.00	1.00	1.00	↑
	Customer Deposits (Rs. Mn.)	185,924	167,371	146,727	123,981	112,880	↑
	KYC Anti-Money Laundering Programmes	9	105	43	19	5	↓
	Penalties Arising from Non-Compliance of Laws	Nil	Nil	Nil	Nil	Nil	↔
Customers	No. of Branches	157	151	147	133	122	↑
	No. of ATMs	177	158	154	133	125	↑
	Total Customer Advances - Gross (Rs. Mn.)	161,975	144,167	132,974	116,584	100,224	↑
	Number of Housing Loans Outstanding	5,995	6,089	6,433	6,450	5,369	↔
	Value of Housing Loans (Rs. Mn.)	9,174	8,683	9,055	8,755	8,323	↑
	SME Loans Portfolio (Rs. Mn.)	44,195	37,149	31,001	26,966	20,801	↑
	No. of SME Customers	17,124	16,728	15,597	15,303	14,484	↑
	No. of <i>Tikiri</i> Kids Events Held	95	56	45	47	N/A	↑
	No. of Student Banking Centres	93	86	81	83	83	↑
	No. of Customer Complaints	72	77	91	76	70	↔
Employees	Turnover Rate (%)	3.93	4.44	5.27	5.36*	3.40	↓
	Permanent Employees (%)	96.00	93.90	96.50	97.50	97.80	↔
	Average Benefits Per Employee (Rs. '000)	1,332	1,160	1,060	975*	806	↑
	Staff Covered by Health Plan (%)	100	100	100	100	100	↔
	Work-Related Fatalities or Lost Days	Nil	Nil	Nil	Nil	Nil	↔
	Women Employees (%)	40	39	39	38	39	↑
	Women in Corporate and Middle Management (%)	26	25	24	25	27	↑
	No. of Pending Human Rights Case Against the Bank	Nil	Nil	Nil	Nil	Nil	↔
	External Training Programme Participants	370	388	325	421	312	↔
	Total Training and Related Cost (Rs. '000)	28,090	27,546	14,402	N/A	N/A	↑

*Excluding VRS

MANAGEMENT DISCUSSION AND ANALYSIS

Stakeholder Group	Indicator of Performance	Achievement					Indicator
		2014	2013	2012	2011	2010	
Community	Contribution to Community Projects (Rs. Mn.)	0.93	4.54	0.19	1.5	0.2	↓
	Contribution to Education-Related Pursuits (Rs. Mn.)	6.70	2.49	0.34	1.91	1.04	↑
	No. of Loans Granted Under 'Seylan Scholar'	71	57	55	-	-	↑
Suppliers and Business Partners	Purchases from Locally Based Supplies (Rs. Mn.)	173.98	173.97	143.17	129.2	98	↑
	No. of Complaints Received from Bidders and Suppliers	Nil	Nil	Nil	Nil	Nil	↔
Environment	Electricity Consumed (units kWh) '000	9,342	9,587	9,450	9,187	9,362	↔
	Electricity Consumption - Units per Employee (kWh)	3,170	3,144	3,087	2,917	2,584	↑
	Water Consumption (Litres)	77,344	77,746	83,967	72,907	90,346	↔
	Water Consumption - Units per Employee	26.2	25.5	27.43	23.15	24.94	↑
	Generator Diesel Consumption (Litres)	73,211	71,603	97,189	N/A	N/A	↑
	Petrol Consumption (Litres)	30,977	24,923	27,436	37,066	45,929	↑
	Diesel Consumption (Litres)	44,878	32,387	56,531	32,720	47,237	↑
	Lubricant Consumption (Litres)	1,261	387	591	1,050	900	↑
	Total Business Travels (Km)	363,134	386,410	420,150	N/A	N/A	↓
	No. of A4 Paper Purchased - Packets	19,441	18,009	16,950	18,527	21,341	↑
	Weight of A4 Paper (Kg)	233,292	216,108	203,400	222,324	256,092	↑
	A4 Packets Usage per Business Unit	124	119	115	139	175	↑
	No. of Toner Usage	2,224	5,587	N/A	N/A	N/A	↓
	Waste Paper Recycled (Kg)	86,280	79,237	120,032	72,382	58,860	↑
Government and Government Institutions	Tax Payment						
	Income Tax (Rs. Mn.)	1,571	1,138	1,135	505	769	↑
	Value Added Tax and Nation Building Tax on Financial Services (Rs. Mn.)	1,203	749	676	405	857	↑
	Total Tax (VAT/NBT and Income Tax as a % of PBT)	47%	45%	47%	58%	57%	↔

STABILITY

Sure footedness...without it, complex manoeuvres
look clumsy...with it, the performance is always...
beautiful >>>



BOARD OF DIRECTORS

The profiles of the Directors who were on the Board of Seylan Bank PLC as at 31st December 2014 are given on pages 86 to 93. Their interests in the ordinary voting, non-voting shares and the debentures of the Bank are mentioned in the 'Report of the Board of Directors' on page 163. The directorships/positions held by the Directors in other institutions and the substantial shareholdings in other entities are listed in the Annexure to the 'Report of the Board of Directors' on pages 166 to 169.

The profile of Mr. Kapila Ariyaratne who was appointed to the Board on 16th February 2015 is also given on page 93. His interests in shares and debentures of the Bank are given on page 163 of the Annual Report.



1

Mr. Nihal Jayamanne PC

President's Counsel
Independent Director/Chairman
(Age: 68 years)

Qualifications:

Attorney-at-Law of the Supreme Court of Sri Lanka.

Appointed to the Board:

30th December 2008 as an Independent Director and was appointed as its' Chairman with effect from 17th January 2013.

Membership on Board Sub-Committees:

Board Audit Committee, Board Nomination Committee, Board Human Resources & Remuneration Committee (Chairman), Board Governance and Compliance Committee (Chairman) and Board Marketing and Product Development Committee.

Other Positions:

Chairman of the Law Commission of Sri Lanka and Trustee of Seylan Bank Employees' Gratuity Trust Fund.

Skills and Experience:

An eminent lawyer and holds key offices in the fields of law. Was a former President of the Bar Association of Sri Lanka, Vice President of SAARCLAW and the National Police Commission of Sri Lanka and has also been a Member of the Council of Legal Education, a Member of the Advisory Council of Jurists of the Asia Pacific Forum for the Advancement of Human Rights and Commissioner of the Telecommunication Regulatory Commission of Sri Lanka. He was also a former Chairman of Company Law Advisory Commission and Law College Foundation and a member of the Board of Trustees of the Judicial Infrastructure Maintenance Trust. He has served on the Boards of Sri Lankan Airlines Ltd and Sri Lankan Catering (Pvt) Limited till January 2015.

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2**Mr. Ishara C. Nanayakkara**

Non-Executive Director/Deputy Chairman
(Age: 42 years)

Qualifications:

Diploma in Business Accounting & Finance
(Aus)

Appointed to the Board:

24th November 2009 as a Non-Executive Director and was appointed as its Deputy Chairman with effect from 17th January 2013.

Membership on Board Sub-Committees:

Board Nomination Committee, Board Human Resources & Remuneration Committee, Board Credit Committee (Chairman) and Board Sustainability Committee (Chairman)

Other Positions:

Chairman of Commercial Leasing and Finance PLC, Brown & Company PLC, Browns Investments PLC and LOLC Micro Credit Limited. Deputy Chairman of Lanka ORIX Leasing Company PLC, Director of Lanka ORIX Finance PLC, Agstar Fertilizers PLC, PRASAC Micro Finance Institution, Sierra Constructions Limited, BRAC Lanka Finance PLC, LOLC Myanmar Microfinance Co. Limited, Associated Battery Manufacturers (Cey) Ltd, Lanka Century Investment PLC and FLC Holdings PLC.

Skills and Experience:

Mr. Ishara Nanayakkara is an astute businessman who holds directorial positions in many corporates and conglomerates in Sri Lanka. He ventured into the arena of financial services with the strategic investment in Lanka ORIX Leasing Company PLC and was appointed to Board of LOLC. His Business philosophy based on sustainable development has made LOLC to enter into many new business ventures with high potential for growth in all three spheres economic, social and environment.

He is presently the Deputy Chairman of LOLC Group and holds directorships in many of its subsidiaries and associate companies which are specialised in leasing, factoring, savings and deposits, SME financing, microfinance,

Islamic financing, foreign currency deposits, fleet management, information technology and vehicle-related services. With the exposure in the SME sector and ongoing further into the Micro sector, he spearheads LOLC Micro Credit Company Limited, the only private sector microfinance institution in the country with foreign equity, PRASAC, the largest microfinance Company in Cambodia and BRAC Lanka Finance PLC. His interest and expertise in microfinance lead to the inauguration of LOLC Myanmar Micro Finance Company Limited, a green field investment in Myanmar in which he is the founding Chairman.

Mr. Nanayakkara is the Executive Chairman of Brown & Company PLC and Browns Investments PLC, market leaders in trade, agricultural & plantations, office & home automation, marine & manufacturing, power generation, healthcare & pharmaceuticals and leisure Industry. He is also focused on the immense opportunities presented by the leisure sector. In addition, Mr. Nanayakkara is involved in the construction industry which is fine proof for his perpetual interest on the growth sectors of the Sri Lankan economy.

His passion for sustainable investment is reflected through his involvement in renewable energy, forestry and plantations.



BOARD OF DIRECTORS

3

Rear Admiral Ananda Peiris

Independent Director
(Age: 61 years)

Qualifications:

Qualified at the National Defence College, Bangladesh and at the Staff College, USA. Obtained Diploma in Security Studies, UK, International Patrol Vessel Course, UK, Completed the Long Navigation Course, India and Completed Sub Lieutenant Course Technical Course, India.

Appointed to the Board:

8th January 2009 as an Independent Director.

Membership on Board Sub-Committees:

Board Nomination Committee (Chairman), Board Human Resources & Remuneration Committee, Board Credit Committee, Board Sustainability Committee, Board Marketing and Product Development Committee and Board Governance and Compliance Committee.

Other Positions:

Trustee of Seylan Bank Employees' Gratuity Trust Fund.

Skills and Experience:

A decorated officer of the Sri Lanka Navy, counting a service record of over 34 years, during which period he had undergone extensive training in the Indian Navy, Bangladeshi Navy, Royal Navy and US Navy. His naval experience includes serving as the Area Commander - Eastern Naval Command, Western Naval Command and Southern Naval Command. Twice appointed

as the Deputy Area Commander of Northern Naval Command and Squadron Commander Fast Attack Craft and has taken part in almost all major operations in the North and East. Had also been the Director - Naval Administration & Welfare, Director - Naval Personnel & Training and Director General (Services), Sri Lanka Navy.

Was granted the accolades of Rana Sura Padakkama (RSP), Vishishta Sewa Vibhushanaya (VSV), and Uttama Seva Padakkama (USP) for his service to the nation, while he was also awarded several medals during his tenure of service in the Navy including Sri Lanka Navy 50th Anniversary Medal, President's Inauguration Medal (1978), North East Operation Medal and Purna Bumi Padakkama. He has served as Director General of the Sri Lanka Civil Defence Force from January 2009 to January 2015.

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4

Mr. Samantha P.S. Ranatunga

Independent Director
(Age: 49 years)

Qualifications:

MBA (UK), BSc (Hons.) - University of Delhi

Appointed to the Board:

12th January 2010 as a Non-Executive Director and was re-designated as an Independent Director in 2011.

Membership on Board Sub-Committees:

Board Audit Committee, Board Nomination Committee, Board Integrated Risk Management Committee (Chairman), Board Human Resources & Remuneration Committee and Board Sustainability Committee and Board Marketing and Product Development Committee (Chairman).

Other Positions:

Managing Director/CEO of CIC Holdings PLC, Director of Akzo Nobel Paints Lanka (Pvt) Limited, Chemanex PLC, CIC Agribusiness (Pvt) Limited, CIC Bio Security Breeder Farms Limited, CIC Feeds (Pvt) Limited, CIC Poultry Farms Limited, CIC Vetcare (Pvt) Limited, CISCO Speciality Packaging (Pvt) Limited, CIC Mahaweli Livestock & Dairies Limited, Link Natural Products (Pvt) Limited, CIC Seeds (Pvt) Limited, CIC Agri Produce Export (Pvt) Limited, Crop Management Services (Pvt) Limited, CIC Lifesciences Limited, CIC Dairies (Pvt) Limited, Rahimafrooz CIC Agro Limited Bangladesh, Commercial Insurance Brokers (Pvt) Limited and CIC Dairy Breeding & Management (Pvt) Limited.

Skills and Experience:

Over 20 years' experience in the field of marketing and managing FMCG business. President of the Sri Lanka Africa Middle East Business Council of the Ceylon Chamber of Commerce and the Vice-President of the Sri Lanka Maldivian Business Council. Vice-Chairman of the Ceylon Chamber of Commerce. Has led the Sri Lankan Chamber of Commerce delegations to many countries. A Committee Member of the Mercantile Services Provident Society representing the Ceylon Chamber of Commerce by virtue of his committee membership in the Ceylon Chamber of Commerce.



BOARD OF DIRECTORS

5

Mr. Kapila Jayawardena

Non-Executive Director
(Age: 55 years)

Qualifications:

MBA (Financial Management), FIB,
Associate, ICEA (London).

Appointed to the Board:

1st August 2013 as a Non-Executive
Director.

Membership on Board Sub-Committees:

Board Integrated Risk Management
Committee

Other Positions:

Chairman of Lanka ORIX Finance PLC, LOLC Insurance Company Limited, LOLC Securities Limited, Speed Italia (Pvt) Limited, United Dendro Energy (Pvt) Ltd, Palm Garden Hotels PLC, Eden Hotel Lanka PLC. Managing Director/CEO of Lanka ORIX Leasing Co. PLC, Director of LOLC General Insurance Limited, LOLC Micro Credit Limited, Commercial Leasing & Finance PLC, Riverina Resort (Pvt) Limited, Brown & Co. PLC, Browns Investments PLC and BRAC Lanka Finance PLC.

Skills and Experience:

Former CEO and Country Head of Citibank N.A Sri Lanka. Has varied experience in the fields of Investment Banking, Banking Operations, Audit, Relationship Management, Corporate Finance, Corporate Banking and Treasury Management. Was appointed as the Chairman of the Sri Lanka Banks' Association (SLBA) in 2003/2004. Has served as a President of the American Chamber of Commerce in Sri Lanka in 2006/2007 and was appointed to the Financial Sector Reforms Committee (FSRC). A member of the National Council of Economic Development (NCED) and has also served as a Board Member of the United States - Sri Lanka Fulbright Commission. Joined LOLC in the year 2007 as the Group Managing Director/CEO and heads all business and operating functions of LOLC Group as a member of the main Board of the LOLC Group.

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6

Mr. P.L. Sisira Kumar Perera

Independent Director
(Age: 64 years)

Qualifications:

BSc (Special) (Mathematics) University of Colombo, MSc in Statistics, University of Ibadan, MA (Economics and Econometrics), University of Manchester.

Appointed to the Board:

23rd September 2013 as an Independent Director.

Membership on Board Sub-Committees:

Board Integrated Risk Management Committee, Board Credit Committee and Board Governance and Compliance Committee.

Other Positions:

Consultant of Tiruchelvam Associates and Expo Lanka Holdings PLC.

Skills and Experience:

Over 22 years of executive and managerial experience in the Central Bank of Sri Lanka. Has received extensive training and exposure in capital markets, portfolio management and new financial instruments locally and overseas. Held the position of Additional Controller of Exchange at the time of his retirement from the Central Bank of Sri Lanka and has also held the position of Deputy Director, Marketing of the Agricultural Development Authority prior to his post at the Central Bank of Sri Lanka. Serves as a Consultant in reputed private sector organisations. Has served the Task Force appointed by the Central Bank on Reforms to Exchange Control and represented the Central Bank at Asia Pacific Group 3rd Annual Meeting on Money Laundering held in Australia and at the Indo-Sri Lanka Director-General Level Meeting on Anti-smuggling held in India in 2003.

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7

Ms. M. Coralie Pietersz

Independent Director
(Age: 54 years)

Qualifications:

BSc (Hons.) Physics (University of Sussex), MBA (Heriot-Watt University, Edinburgh), ACA (ICAEW), FCA (ICASL)

Appointed to the Board:

23rd September 2013 as an Independent Director.

Membership on Board Sub-Committees:

Board Audit Committee (Chairperson), Board Integrated Risk Management Committee, Board Human Resources & Remuneration Committee and Board Governance and Compliance Committee.

Other Positions:

Directors of Finlays Colombo PLC, Finlay Rentokil Ceylon (Pvt) Limited, Finlay Teas (Pvt) Limited, Finlay Properties (Pvt) Limited, Finlay Cold Storage (Pvt) Limited, Finlays Linehaul Express (Pvt) Limited, Finlays Insurance Brokers (Pvt) Limited, Bogala Graphite Lanka PLC and Finlay Tea Solutions Colombo (Pvt) Limited.

Skills and Experience:

Has over 20 years experience in corporate finance, accounting and auditing at senior levels in several industries in both private and public sectors, including several years of experience at senior levels in the banking industry. Prior to joining Finlays Colombo PLC, Coralie Pietersz was Group Chief Financial Officer of Richard Pieris and Co PLC. She is an active member of the Institute of Chartered Accountants of Sri Lanka. She is a member of several committees of CA Sri Lanka and chairs the Financial Reporting Faculty.

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BOARD OF DIRECTORS

8 /

Mr. Himashe Isuru Balapatabendi

(Resigned from the Board with effect from 22nd January 2015)
Non-Executive Director
(Age: 35 years)

Qualifications:

L.L.M. University of Pittsburgh School of Law,
Pittsburgh, Pennsylvania, USA,
Attorney-at-law of the Supreme Court,
Sri Lanka.

Appointed to the Board:

27th November 2013 as a Non-Executive
Director.

Membership on Board Sub-Committees:

Board Audit Committee, Board Sustainability
Committee and Board Marketing and Product
Development Committee.

Other Positions:

Director of ZRI Corporate Consultants
(Pvt) Limited.

Skills and Experience:

Has functioned as a State Counsel of the
Attorney General's Department of Sri Lanka.
Has also functioned as a Diplomat and Head
of Chancery - Embassy of Sri Lanka in The
Hague, Netherlands (2008-2010). He has
been on the Board of Sri Lanka Insurance
Corporation Ltd from 21st May 2013 to
21st January 2015.

→

9 /**Mr. H.K. Upali Dharmadasa**

(Resigned from the Board with effect from 22nd January 2015)
Non-Executive Director
(Age: 62 years)

Qualifications:

Wandsworth Technical College,
United Kingdom.

Appointed to the Board:

09th June 2014 as a Non-Executive Director.

Membership on Board Sub-Committees:

Board Credit Committee.

Other Positions:

Chairman/Managing Director of Nawaloka Piling (Pvt) Limited, Nawaloka Polysacks (Pvt) Limited, Nawaloka Timber Stores (Pvt) Limited, New Nawaloka Trading Co. (Pvt) Limited, Nawaloka Development (Pvt) Limited, Nawaloka Industries (Pvt) Limited and New Nawaloka Construction (Pvt) Limited. Chairman of Nawaloka Restaurant (Pvt) Limited and Kamar Lanka (Pvt) Limited.

Skills and Experience:

Mr. Upali Dharmadasa is a high-profile Industrialist, with strong leadership qualities, proven strategic abilities and an inherent and abiding interest in all matters concerning business apart from cricket. He counts over 33 years of experience in higher management. He has served as the Chairman of Sri Lanka Insurance Corporation Ltd till January 2015. He also holds the position of The Chairman, Sri Lanka Timber Merchants' Association.

In the Diplomatic field, he was the former Honorary Consul General for the Kingdom of Morocco in Sri Lanka from 2007-2014. His involvement at an administrative level at Sri Lanka Cricket started in 1989 when he served as a Vice President and subsequently as President of BCCSL. Thereafter he was the President of Sri Lanka Cricket from 2013-2013 and he now serves as the immediate Past President. Mr. Dharmadasa has also served as a Director of Industrial Development Board.

→

10 /**Mr. Kapila Prasanna Ariyaratne**

Director/Chief Executive Officer
(Age: 54 years)

Qualifications:

BSc (Honours - First Class), University of Colombo

Appointed to the Board:

On 16th February 2015 as an Executive Director.

Membership on Board Sub-Committees:

Board Credit Committee,
Board Sustainability Committee,
Board Marketing and Product Development Committee

Other Positions:

Chairman of Seylan Developments PLC,
Director of LankaClear (Pvt) Limited and Lanka Financial Services Bureau Limited.

Skills and Experience:

Mr Kapila Ariyaratne has been functioning as the General Manager/Chief Executive Officer of Seylan Bank PLC since March 2011. He counts over 30 years experience, having worked for several local and international banks, acquiring an in depth knowledge of all aspects of banking both in a local as well as in an international context. He also holds a Diploma in Business and Financial Administration.

Mr Ariyaratne is a member of the Governing Board of the Institute of Bankers of Sri Lanka.

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SENIOR MANAGEMENT TEAM



1



2



3



4



5



6



7



8

01. Mr. Kapila Ariyaratne
Director/Chief Executive Officer

02. Mr. Sunil De Silva
Senior Deputy General Manager - Recoveries

03. Mr. Tissa Nanayakkara
Senior Deputy General Manager -
Retail Banking

04. Mr. Samuel Jebaratnam
Senior Deputy General Manager -
Human Resources and Administration

05. Mr. Nimal Tillekeratne
Senior Deputy General Manager -
Branch Operations

06. Mr. K.D.W. Rohana
Deputy General Manager - Branch Credit

07. Dr. P. Niranjan
Deputy General Manager - Branches II

08. Mr. Ranjith Fonseka
Deputy General Manager -
Alternate Banking Channels

09. Mr. S. Palihawadana
Deputy General Manager - Treasury

10. Ms. Shalini Perera
Deputy General Manager -
Credit Risk Review

11. Mr. Chithral De Silva
Deputy General Manager - Branches I

12. Mr. Tilan Wijsekara
Deputy General Manager - Marketing

SENIOR MANAGEMENT TEAM



13. Mr. Ramesh Jayasekara
Chief Financial Officer

14. Mr. Delvin Pereira
Deputy General Manager -
Consumer Finance Unit

15. Mr. Christie Nanayakkara
Chief Risk Officer

16. Mr. Chanaka Goonewardane
Deputy General Manager -
Information Technology

SENIOR MANAGEMENT TEAM



17



18



19



20



21



22



23



24

17. Ms. Rohini Weerakkody
Assistant General Manager - Operations

18. Mr. Kamal Deshapriya
Assistant General Manager -
International Finance Service

19. Ms. Yasanthi Udurawane
Assistant General Manager -
Credit Administration Unit

20. Mr. Shanaka Perera
Acting Head of Treasury/Chief Dealer

21. Mr. Wasantha Karunaratne
Assistant General Manager - Services

22. Mr. Kapila Rathnayaka
Assistant General Manager -
Premises Maintenance

23. Mr. Gerald Wanigaratne
Assistant General Manager -
Information Technology

24. Ms. Champika Dodanwela
Assistant General Manager - Finance

25. Mr. A.W. Sarath Kumarasiri
Assistant General Manager - International

26. Mr. Ajith R. Perera
Assistant General Manager - Compliance

27. Ms. Kaushalya Hatch
Head of Legal

SENIOR MANAGEMENT TEAM



28. Mr. Wasanthe Senanayake

Assistant General Manager -
Human Resources

29. Mr. Aruna Fernando

Assistant General Manager - Credit Risk

30. Mr. Najill Farouk

Head of Corporate Banking

COMMITMENT

Unwavering direction of will and determination...this is a
sine qua non for success...and performing to the
highest level >>>



CORPORATE GOVERNANCE

Statement on Corporate Governance

Dear Stakeholders,

Seylan Bank PLC ('the Bank') is committed to high standards of corporate governance. This commitment applies to our relationship with our shareholders, customers, employees, suppliers, competitors, regulators and the community in which we operate.

The Bank's approach to governance is to promote the long-term profitability of the Bank while prudently managing risk; to drive superior and sustainable shareholder value over the long-term through the alignment of the interests of shareholders and staff; and to meet stakeholder expectations of sound corporate governance as part of the Bank's broader responsibility to clients, shareholders, investors and the communities.

A key corporate governance initiative of the Board during the year was the establishment of the Board Governance and Compliance Committee with the main objective of adopting appropriate governance standards for the Bank in fulfilling the Board's responsibilities for oversight of governance and compliance processes and procedures consistent with internal and external regulations.

The governance processes and practices adopted by the Bank are mainly based on the directions listed in the Banking Act Directions on Corporate Governance No. 11 of 2007 (as amended). The Bank's Articles of Association and other principles and guidelines in the Code of Best Practice on Corporate Governance (2013) jointly issued by the Securities Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL) and related rules and regulations are also taken into account.

The External Auditors, Messrs KPMG, Chartered Accountants were engaged to carry out a review of the Bank's compliance with the Banking Act Direction No. 11 of 2007 (as amended) in accordance with the Sri Lanka Related Services Practice Statement 4750 and has provided a Factual Findings Report on the extent of the Bank's compliance with the said Directions.

Statement of Compliance

I confirm that to the best of my knowledge, there were no material violations of any of the provisions of the Directions, Rules and Codes, provisions in the Bank's Code of Business Conduct and Ethics for Directors and Code of Conduct and Code of Ethics for Employees and other related policies and terms of reference on which this Statement and our Report on Corporate Governance Compliance (pages 100 to 123) are based on.

Yours sincerely,



Nihal Jayamanne PC
Independent Director/Chairman

25th February 2015
Colombo

An Overview of the Corporate Governance Framework of Seylan Bank PLC

Seylan Bank PLC (the Bank) is a licensed commercial bank and a quoted, public, limited liability company. Commercial banking is its principle activity. The Bank is governed and regulated by:

- The Articles of Association of the Company
- The Companies Act No. 07 of 2007
- The Banking Act No. 30 of 1988 (as amended) and its directions, determinations, circulars and guidelines (and their amendments from time to time) issued by the Monetary Board of the Central Bank of Sri Lanka in the exercise of the powers conferred by Section 46 (1) of the Monetary Board of Sri Lanka.
- The Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended)
- The Listing Rules of the Colombo Stock Exchange (and its amendments from time to time) and
- Other applicable regulations and directions.

Articles of Association of Seylan Bank PLC

The current Articles of Association (Articles) of Seylan Bank PLC which is an amendment in total of the Bank's original Memorandum and Articles of Association was adopted by the Bank pursuant to a Special Resolution of the Shareholders at the Extraordinary General Meeting of the Bank held on 2nd September 2009 (and amended by Special Resolutions passed in 2011 and 2014).

Although the Rules contained in the First Schedule (Model Articles) to the Companies Act No. 07 of 2007 have not been adopted by the Bank, the current Articles were prepared and adopted in line with the provisions of the Companies Act No. 07 of 2007 and the Banking Act No. 30 of 1988 (as amended). The Bank is governed by the regulations contained in the current Articles, subject however to repeal, alteration or addition to the Articles by special resolution when deemed necessary and appropriate.

Where the provisions of the Banking Act No. 30 of 1988 (as amended) and Banking Act Direction No. 11 of 2007 on Corporate Governance (as amended) supersedes that of the Articles of Association of the Bank, provisions of the Banking Act Directions prevail over the provisions contained in the Articles of Association. However, where the Articles of Association of the Bank set a more stringent standard than that specified in the Banking Act Directions, such provisions in the Articles of Association will be followed by the Bank.

Establishment of Seylan Bank's Corporate Governance Framework

Seylan Bank's Corporate Governance Framework is mainly founded on the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Monetary Board of the Central Bank of Sri Lanka under Section 46 (1) of the Banking Act No. 30 (as amended) including subsequent amendments to the said Directions and also related Banking Act Directions, such as the Directions relating to maintenance of capital adequacy ratio, ownership of issued capital carrying voting rights, risk management, accommodation granted to directors and related parties, etc.

The provisions of the Companies Act No. 07 of 2007, the Articles of Association of the Bank, the Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka and the Listing Rules of the Colombo Stock Exchange as amended from time to time are also taken into consideration in further strengthening the Bank's Governance Framework.

The Board of Directors proactively adopts governance policies and practices designed to align the objectives of the Bank with those of shareholders and other stakeholders and endeavours to promote standards of ethical behaviour and risk management across the organisation.

Vision and Mission

The vision of the Bank is to be Sri Lanka's leading financial services provider - as recognised by all its' stakeholders.

Customers - provides its' customers with financial services that meet their needs in terms of value, pricing, delivery and service;

Employees - are recognised and rewarded for results orientation;

Shareholders and General Public - ensures that its efforts translate to meeting the expectations of its shareholders, whilst always acting as responsible corporate citizens.

Corporate Governance Principles

Seylan Bank's approach to corporate governance is guided by the following core principles:

Ethical Culture

Strong corporate values entrenched in the culture of the Bank by extending into every aspect of its operational and business activities.

Stewardship

The Board of Directors acts as the stewards exercising independent judgement. It seeks to instill and foster a corporate environment founded on integrity and provides management with sound guidance in pursuit of long-term shareholder value and stakeholder interests.

Independence

The Board has in place effective mechanisms to ensure its independence which is fundamental to its role.

Oversight of Strategy

As key advisors to management, the Board oversees strategic direction and the formulations of plans taking into account both the opportunities and risks of the Bank's businesses.

Oversight of Risk

A key priority of the Board is to ensure a strong risk management culture throughout the organisation and overseeing the frameworks, policies and processes adopted to identify principal risks to the businesses and systems implemented to manage those risks.

Accountability

The Board has carefully defined the expectations and scope of duties of the Board, its Committees and the Management.

Transparency is fundamental to good governance, and the Board is committed to constructive shareholder engagement and clear and comprehensive disclosure of both financial and non-financial reporting.

Continuous Improvement

The Board is committed to continuous improvement of its corporate governance principles, policies and practices, which are designed to align the interests of the Board and Management with those of shareholders, to support the stewardship role of the Board, and to enhance the Board's ability to safeguard the interests of shareholders through independent supervision of management.

The Bank's Corporate Governance practices are subject to ongoing review, assessment and improvement. The recommendations of the Examiners of the Central Bank of Sri Lanka and the External Auditors pursuant to their respective audits have helped the Bank in improving its Corporate Governance practices and processes.

The External Auditors annually carry out a review of the Bank's compliance with the Banking Act Direction No. 11 of 2007 (as amended) in accordance with the Sri Lanka Related Services Practice Statement 4750 and provide a Factual Findings Report commenting on the extent of the Bank's compliance with the said Directions. Relevant disclosures are made in the Annual Report.

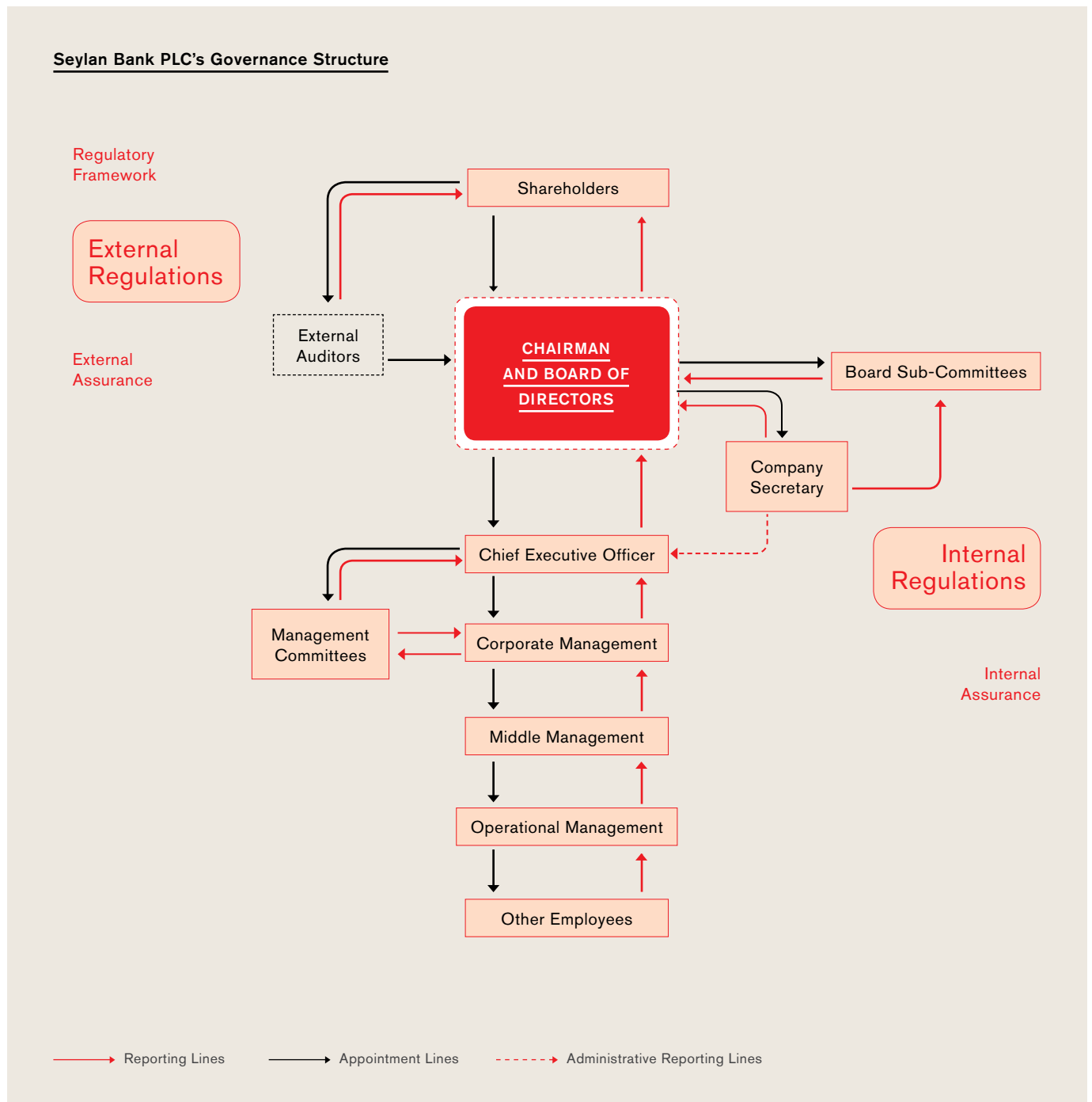
Code of Conduct and Ethics

The Code of Business Conduct and Ethics for Directors of Seylan Bank, the Bank's Policy Governing Insider Dealing and the Policy on Related Party Transactions and Avoidance of Conflicts on Interests cover principles and guidelines which the Directors are expected to abide by to protect the business interests of the Bank; maintain the Bank's reputation and foster compliance with applicable legal and regulatory obligations. The Directors annually attest their familiarity with and confirm adherence to the principles of the Code of Business Conduct and Ethics for Directors of Seylan Bank. All employees are bound by the Code of Conduct, Code of Ethics and other related policies which promote standards of ethical behaviour across the organisation.

**CORPORATE
GOVERNANCE**

Governance Structure

The fundamental relationship among the Board, management, shareholders, regulators and other stakeholders of Seylan Bank PLC is established by the governance structure, illustrated below, through which the ethical values and corporate objectives are set and the plans for achieving those objectives and monitoring performance are determined.



**Communications and
Shareholder Engagement**

The Board welcomes engagement with shareholders and encourages them to express their views. The General Meetings of the Bank provide an opportunity to shareholders to provide meaningful feedback.

Institutional shareholders are represented on the Board pursuant to the re-capitalisation process in 2009 who engages their interest in effectively contributing in the best interest of the Bank and the shareholder entities they represent.

Information relating to the Bank's major shareholders (ordinary voting and non-voting shares) and shareholding distribution are disclosed on pages 297 to 299.

Shareholders are advised to seek independent professional advice in investing and divesting decisions.

General Meetings

The principles set out in Section C.1.1 to C.1.5 of the Code of Best Practice with regard to notice of general meetings, circular notices, proxies, resolutions, voting, etc. are duly taken into consideration and complied with as relevant.

Shareholder Communication Policy

A Board approved Shareholder Communication Policy was adopted by the Board with the objective of enhancing long term shareholder value through regular communication with its shareholders both individual and institutional. Shareholders may at any time direct queries, request for publicly available information relating to the Bank, provide comments and suggestions to the Directors or management or the Company Secretary of the Bank. The Policy is published in the Bank's corporate website www.eseylan.com. The Bank also complies with the Listing Rules of the Colombo Stock Exchange (CSE) in promptly disseminating corporate announcements to the CSE which are published on the CSE's website and later updated to the Bank's page of the CSE website www.cse.lk. The Board reviews and approves the contents of major disclosure documents, including the Annual Report, quarterly financial reports, which are updated on the Bank's website and the CSE's website.

The Company Secretariat ensures that all shareholder queries/requests are duly addressed and responded effectively within a

reasonable time frame. Any correspondence which requires the Management's or Board's attention is referred to them accordingly.

**Corporate Governance Practices
Adopted During 2014****Directive on Disclosure of
Directors' Dealings in Shares
(effective 1st April 2014)**

A procedure is in place to ensure that the Directors and the Chief Executive Officer informs the Company Secretary of relevant interest in shares of the Bank in a timely manner so that the announcement could be made to the CSE as per the Directive.

**Directive on Minimum Public Float
(effective 1st January 2014)**

The Directive requires that a listed entity on the Main Board shall maintain:

- i. A minimum public holding of 20% of its total listed ordinary voting shares in the hands of a minimum 750 public shareholders, or
- ii. A market capitalisation of Rs. 5 Bn., of its public holding in the hands of a minimum 500 public shareholders while maintaining a minimum public holding of 10%.

Seylan Bank PLC was in compliance with this Directive as at 31st December 2014 and also as at the date of the Statement on Corporate Governance.

**Code of Best Practices on
Related Party Transactions Issued
Under the Securities and
Exchange Commission of Sri Lanka's
Directive Dated 12th December 2013
(Voluntary Compliance w.e.f.
1st January 2014 and Mandatory
Compliance w.e.f. 1st January 2016)**

The Bank has adopted a Board approved Policy on Related Party Transactions which ensures compliance with and adherence to all relevant regulations, guidelines and directives, mainly the Banking Act No. 30 of 1988 (as amended) and its Directions and the Sri Lanka Accounting Standards. A Board Governance and Compliance Committee was established during the year which has in its terms of reference, clear references amongst others, for compliance with the provisions of this Code subject to the extent of its applicability to the Bank and its business.

**Code of Best Practice on
Corporate Governance Issued by the
Securities and Exchange Commission
of Sri Lanka and The Institute of
Chartered Accountants of Sri Lanka -
2013 (Voluntary Compliance Effective
1st January 2014)**

The Bank has reported its extent of compliance with the above Code effective 1st January 2014 (refer pages 105 to 123)

**Board Governance and
Compliance Committee**

The Committee was established with the main objective of assisting the Board of Directors in adopting appropriate governance standards for the Bank in fulfilling the Board's responsibility for oversight of the corporate governance processes and practices and compliance practices of the Bank consistent with its Articles of Association, the Banking Act Directions on Corporate Governance No. 11 of 2007 (as amended), Code on Corporate Governance issued by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka (as amended from time to time), relevant rules, regulations and directions and principles that may come into force from time to time.

**Report on Compliance with
Corporate Governance Directions and
Related Principles**

For purposes of compliance with Section 3 (1) (xvi) of the Banking Act Direction No. 11 of 2007 on Corporate Governance (as amended) and with Section D.5.1 of the Code of Best Practice (2013) on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and The Institute of Chartered Accountants of Sri Lanka (ICASL), the statements and disclosures made from pages 100 to 123 shall be deemed as the **Annual Corporate Governance Report of the Bank.**

**Listing Rules of the Colombo Stock
Exchange (CSE) relating to Corporate
Governance -**

The disclosure on the level of compliance with the CSE's Listing Rules has not been disclosed in this Report, as the Bank mandatorily and adequately discloses its compliance under the Banking Act Direction No. 11 of 2007. Further, CSE has waived the disclosure requirement for listed Licensed Commercial Banks.

CORPORATE GOVERNANCE

Mandatory Compliance

The extent of compliance as required under the Banking Act Direction No. 11 of 2007 on Corporate Governance (as amended) issued by the Monetary Board of the Central Bank of Sri Lanka under Section 41 (6) of the Banking Act No. 30 of 1988 (as amended) (hereinafter referred to as the Banking Act Directions or CBSL Directions) including subsequent amendments to the said Directions is disclosed in the Report that follows (hereinafter referred to as the 'Governance Compliance Report') with references to the respective Banking Act Directions.

The disclosures reflecting the Bank's compliance and the extent of its compliance under this Direction covers the following eight subsections:

- The Responsibilities of the Board - Section 3 (1) of the Directions
- The Composition of the Board - Section 3 (2) of the Directions
- Fitness and Propriety of Directors - Section 3 (3) of the Directions
- Management Functions delegated by the Board of Directors - Section 3 (4) of the Directions
- Chairman and Chief Executive - Section 3 (5) of the Directions
- Board Appointed Committees - Section 3 (6) of the Directions
- Related Party Transactions - Section 3 (7) of the Directions
- Disclosures - Section 3 (8) of the Directions

The Bank engaged the External Auditors, Messrs KPMG to carry out an agreed upon procedure engagement in respect of the Bank's compliance with the above Directions in accordance with the Sri Lanka Related Services Practice Statement 4750 who have issued their Factual Finding Report.

The regulations of the Central Bank of Sri Lanka can be referred to by accessing:

http://www.cbsl.gov.lk/htm/english/09_lr/_poppers/bsd.htm

and the Directions, Determinations and Circulars issued by the Monetary Board of the Central Bank of Sri Lanka under the Banking Act No. 30 of 1988 as amended can be referred to by accessing:

http://www.cbsl.gov.lk/pics_n_docs/09_lr/_docs/directions/bsd/BSD_2013/bsd_LCB_Up_to_30_Nov_2013.pdf

Voluntary Compliance

The Bank's compliance with the Code of Best Practice (2013) on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and The Institute of Chartered Accountants of Sri Lanka (ICASL) (hereinafter referred to as the Code of Best Practice or SEC/ICASL Code; or Code) is on a voluntary basis. The main areas of the Code are:

- Directors - Sections A.1 to A.11
- Directors' Remuneration - Sections B.1 to B.3
- Relations with Shareholders - Sections C.1 to C.3
- Accountability and Audit - Sections D.1 to D.5
- Shareholders - Sections E.1 and E.2
- Other Investors - Sections F.1 and F.2
- Sustainability Reporting - Section G

Cross references to the principles of the Code have been made in the Governance Compliance Report below. Statements of compliance of the principles of the Code of Best Practice which are not cross referenced in the following Report are disclosed elsewhere in this Annual Report and a synopsis of the disclosures as required under the Code of Best Practice (Schedule H) which the Bank has followed as at 31st December 2014, is provided after the conclusion of this Report.

The Code of Best Practice referred to can be accessed via the websites of the SEC or the ICASL

<http://www.sec.gov.lk/wp-content/uploads/code%20of%20best%20practice%20-%202013.pdf>

or

https://casrilanka.com/casl/index.php?option=com_content&view=article&id=250&Itemid=65

Item No.	Compliance with the Direction/Code	CBSL Direction	SEC/ICASL Code
1.	Responsibilities of the Board		
1.1	Processes and Procedures Carried Out by the Board to Ensure to Strengthen the Safety and Soundness of the Bank		
	Strategic Objectives and Corporate Values		
	The Board approved the 4-year Strategic Plan 2012/2015 on 12th December 2011 and communicated the new strategic objectives and corporate values to the staff. The timely implementation of strategies was monitored by the CEO and Corporate Management and reviewed periodically by the Board at Board meetings. After an extensive review process, the 2012-2015 Strategic Plan was extended up to 2016 with the approval of the Board.	3 (1) (i) (a) 3 (1) (i) (b) 3 (1) (i) (c)	A.1.2
	The Strategic Plan addresses the Bank's overall business strategy. The Overall risk policy and risk management framework in line with the strategies have been formulated and regularly monitored by the Board Integrated Risk Management Committee as well as the Board.		
	The Board approved Integrated Risk Management Policy Framework formulated in accordance with the Banking Act Direction No. 07 of 2011 is constantly reviewed by the Risk Management Unit and recommendations for appropriate revisions were considered during the year.		
	The Board Integrated Risk Management sub-committee ensures that the Bank's Risk Management Unit headed by the Chief Risk Officer identifies principal risks and puts in place policies and guidelines to be reviewed and approved by the Committee. Systems put in place were constantly tested by the Risk Management Unit. A Risk Assessment Report following the Meeting of the Board Integrated Risk Management Committee is submitted/circulated to the Board for its review and concurrence and/or comments.		
1.2	Stakeholder Engagement Policy		
	A Stakeholder Engagement Policy has been approved and implemented in respect of communication with all stakeholders, including depositors, creditors, shareholders and borrowers. A Communication Policy was also recommended by the Board Marketing and Product Development Committee and approved by the Board. A separate Shareholder Communication Policy was approved during the year.	3 (1) (i) (d)	A.1.2
1.3	Internal Control Systems and Management Information Systems		
	Adequacy and integrity of the Bank's internal control systems and management information systems were reviewed by the Board Audit Committee. The decisions and/or actions taken are submitted for Board's information and/or action if deemed necessary.	3 (1) (i) (e)	A.1.2
1.4	Identification of Key Management Personnel		
	The Board has identified key management personnel who are in a position to influence and exercise control over business activities, operations and risk management and deemed as 'related parties' in order that necessary steps could be taken to abide by/comply with the relevant Banking Act Directions on related party transactions and the Sri Lanka Accounting Standard disclosures on related party transactions. The KMPs were reviewed and approved by the Board during the year.	3 (1) (i) (f)	A.1.2
1.5	Defining of Areas of Authority and Key Responsibilities		
	The key responsibilities of Key Management Personnel are defined in their job responsibilities, whilst the Directors derive their responsibilities from the regulations and directions, mainly, the Banking Act Directions. A document on the areas of authority and key responsibilities for the Board of Directors and for the Key Management Personnel was approved by the Board.	3 (1) (i) (g)	A.1.2

CORPORATE GOVERNANCE

Item No.	Compliance with the Direction/Code	CBSL Direction	SEC/ICASL Code
1.6	<p>Oversight of the Affairs of the Bank by Key Management Personnel Communication of Board approved policies and decisions of the Board and Board sub-committees are conveyed to the Key Management Personnel vide minute extracts requiring appropriate follow up actions.</p> <p>Reports and proposals from Key Management Personnel including those pursuant to discussions and decisions at corporate management meetings headed by the General Manager/CEO are submitted to the Board and Board Sub-committees for information, review, and/or approval. These processes ensure appropriate oversight of the Board on the affairs of the Bank carried by the Key Management Personnel.</p> <p>Further GM/CEO and Key Management Personnel heading different areas of authority are met at the regular meetings of the Board Sub-committees as well as at the regular Board meetings to review and discuss the implementation of the policies and corporate objectives approved and delegated by the committees and/or the Board.</p>	3 (1) (i) (h) 3 (1) (i) (k)	A.1.2
1.7	<p>Effectiveness of the Board's Own Governance Practices and Scheme of Self-Assessment Effectiveness of the Board's own governance practices is annually assessed by the Board. Individual Board Performance Evaluation Reports and Self-Assessment Reports are submitted by the Directors and the collective opinions are reviewed and discussed by the Board.</p> <p>Board Sub-committees also carry out a review of their individual performances during the year and submits their report to the Board for review. The Board reviewed the reports of the sub-committees and noted the performance of each of the Committees as satisfactory.</p>	3 (1) (i) (i) 3 (1) (xvii)	A.9.1 A.9.2 A.9.3
1.8	<p>Succession Plan for Key Management Personnel The appropriate succession plan for Key Management Personnel including development plans for the successors was reviewed by the Head of Human Resources and the General Manager/CEO and submitted to the Board Nomination Committee for its review and approval during the year.</p>	3 (1) (i) (j)	A.1.2
1.9	<p>Understanding of the Regulatory Environment The Board is updated of the changes in the regulatory environment by the General Manager/CEO and relevant Key Management Personnel at the Board Sub-committee level and at Board level which discusses and/or endorses the steps taken to comply with such changes as appropriate and ensures that an effective dialogue and relationship is maintained by the relevant officers, mainly the General Manager/CEO and the Compliance Officer.</p>	3 (1) (i) (l)	A.1.2
1.10	<p>Hiring of External Auditors A Board approved Policy for hiring and engagement of External Auditors is in place. The Board Audit Committee is vested with the responsibility of exercising due diligence and oversight in making the necessary recommendation for the hiring of the External Auditors in accordance with the said Policy.</p>	3 (1) (i) (m)	D.3.3
1.11	<p>Appointment of Chairman and Chief Executive Officer Mr. Nihal Jayamanne PC was appointed as Independent Non-Executive Chairman on 17th January 2013. Mr. Kapila Ariyaratne who was appointed on 3rd March 2011 functions as the General Manager/Chief Executive Officer of the Bank. The functions and responsibilities of the Independent Non-Executive Chairman and the Chief Executive Officer are clearly defined and documented.</p>	3 (1) (ii)	A.2
1.12	<p>Frequency of Board Meetings and Participation of Directors Regular meetings are held monthly with special meetings held as and when required. Twelve regular meetings were held on a monthly basis. Additionally, four special/emergency meetings were also held during the year to consider important and urgent issues. Resolutions by circulation are restricted to matters of a routine and/or urgent nature.</p> <p>Directors actively participate and share their views and contribute at Board proceedings. Directors have also devoted adequate time for Board meetings as well as for Board Sub-committee meetings during the year. The details of the meetings held and the Directors' attendance are disclosed in the schedule appended to this report.</p> <p>Please also refer item 1.15 for comment on Directors' attendance and quorum at Board meetings.</p>	3 (1) (iii)	A.1.1 A.1.6

CORPORATE GOVERNANCE

Item No.	Compliance with the Direction/Code	CBSL Direction	SEC/ICASL Code
1.17	<p>Minutes of Board Meetings</p> <p>Minutes of Board meetings are recorded by the Company Secretary in sufficient detail to enable a proper assessment to be made of the extent of deliberations at the meetings. Minutes of Board meetings are prepared and circulated to the Directors to enable them to peruse same and confirm/rectify and record any discrepancy at the next Board meeting. Minutes are maintained by the Company Secretary for inspection of any Director on reasonable notice.</p>	3 (1) (ix) 3 (1) (x)	A.5.10
1.18	<p>Independent Professional Advice</p> <p>Directors are entitled to seek independent professional advice at the expense of the Bank in furtherance of their duties and contribution in the best interest of the Bank, as members of the Board and as members of Board Sub-committees. A Board approved procedure is in place for this purpose.</p>	3 (1) (xi)	A.1.3
1.19	<p>Avoidance of Conflicts of Interest</p> <p>Directors avoid conflicts of interests, or the appearance of conflicts of interest in their activities with and commitments to other organisations or related parties. If a Director has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, the matter is dealt with at a Board meeting. The Directors concerned abstained from voting on any such resolution in which the Directors have related party interests or are interested by virtue of their directorships. The interested Directors are also not counted in the quorum for the relevant agenda item.</p>	3 (1) (xii)	D.1.7 Schedule 1
1.20	<p>Bank's Ability/Inability to Meet its Obligations on Payments</p> <p>The Board has approved and adopted a Contingency Funding Plan which addresses the procedures to be followed by the Bank and keeping the Director Bank Supervision informed in a liquidity crisis situation, i.e. if it considers that it is, or is unlikely to be able to meet its obligations or is about to suspend payments due to depositors and other creditors. However, the Bank did not face such a situation during the year.</p>	3 (1) (xiv)	
1.21	<p>Capitalisation of the Bank</p> <p>The Board has ensured that the Bank duly complies with Capital Adequacy requirements as required by the Monetary Board. The revised Capital Augmentation Plan for 2014/2016 was approved by the Board on 26th February 2014 which took into consideration the projected growth patterns and expected targets based on the Bank's budget for the year 2014 and Strategic Plan of the Bank ending 2016.</p> <p>The Banks estimated total capital ratio was noted to be in compliance with the regulatory limit from 2014 to 2016 confirming that it is adequately capitalised until 2016 unless there is an unexpected growth in risk-weighted assets.</p>	3 (1) (xv)	
1.22	<p>Directors Training</p> <p>The Board recognises the need for continuous professional development for Directors to effectively carry out the duties as Directors of the Bank. During the year, Directors attended symposiums and seminars including those arranged by the ICASL, SEC and the Central Bank of Sri Lanka. When Directors are appointed to the Board, they are presented with an Introductory Document with relevant material information of the Bank and other guidelines for directors such as responsibilities of directors and relevant policies.</p>		A.1.7

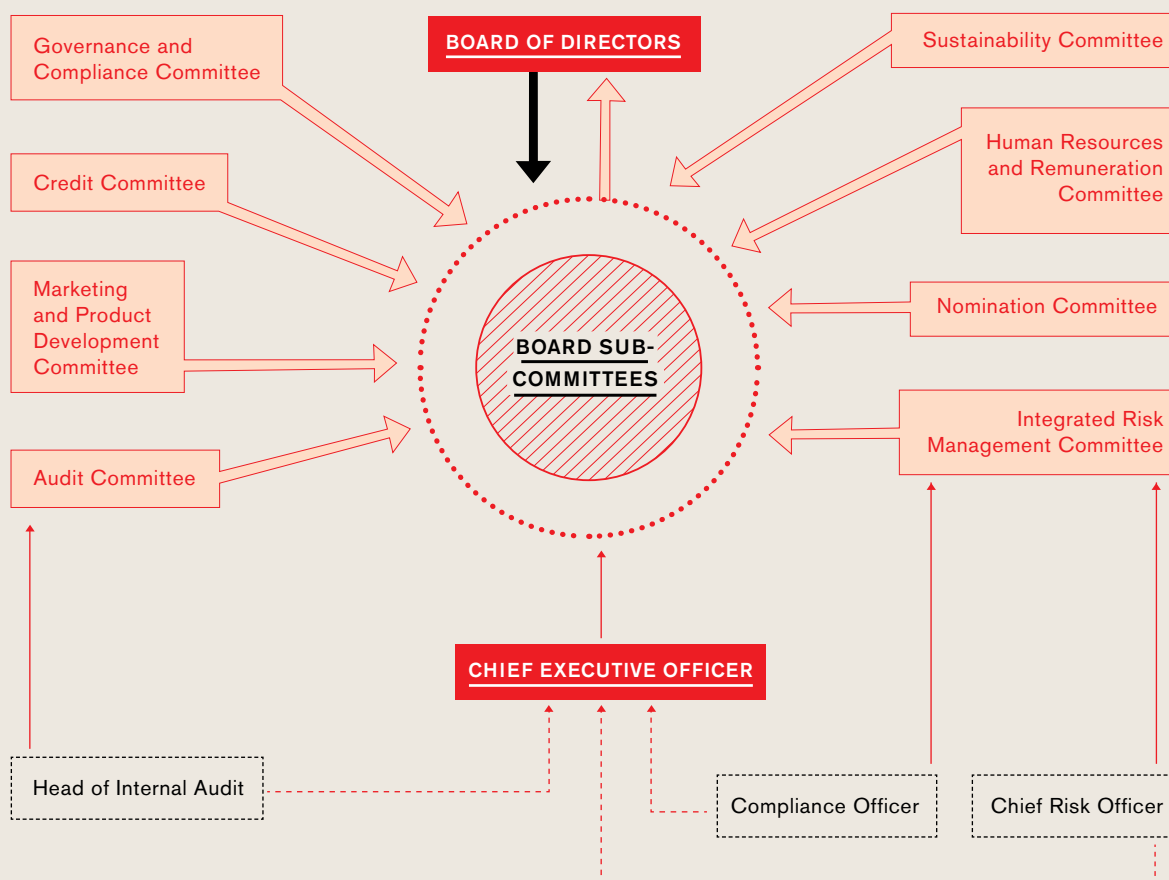
Item No.	Compliance with the Direction/Code	CBSL Direction	SEC/ICASL Code
2.	Composition of Directors	3 (2)	
2.1	<p>Board of Directors as at 31st December 2014</p> <p>At the beginning of the year 2014 and until 8th May 2014, the Board comprised of nine Directors with one Executive Director, namely, Mr. R. Nadarajah and eight Non-Executive Directors. Executive Director, Mr. R. Nadarajah retired from the Board on 8th May 2014.</p> <p>All Directors as at 31st December 2014 were Non-Executive Directors, namely:</p> <p>Mr. Nihal Jayamanne PC (Chairman/Independent Director) Mr. Ishara Nanayakkara (Deputy Chairman/Non-Executive Director) Rear Admiral Ananda Peiris (Independent Director) Mr. Samantha Ranatunga (Independent Director) Mr. Kapila Jayawardena (Non-Executive Director) Mr. Kumar Perera (Independent Director) Ms. Coralie Pietersz (Independent Director) Mr. Isuru Balapatabendi (Non-Executive Director) Mr. Upali Dharmadasa (Non-Executive Director)</p> <p>The tenure of directorship of these nine Directors has not exceeded nine years as they were appointed on or after 30th December 2008. No employees of the Bank were appointed as Executive Directors during the year.</p> <p>M/s. Isuru Balapatabendi and Upali Dharmadasa resigned from the Board on 22nd January 2015.</p> <p>Mr. Kapila Ariyaratne was appointed as an Executive Director with effect from 16th February 2015.</p>	<p>3 (2) (i)</p> <p>3 (2) (ii)</p> <p>3 (2) (iii)</p>	<p>A.5.1 -</p> <p>A.5.5</p>
2.2	<p>Independent Directors</p> <p>Throughout the year the Board consisted of five Independent Directors, namely, Mr. Nihal Jayamanne PC (Chairman), Rear Admiral Ananda Peiris, Mr. Samantha Ranatunga, Mr. Kumar Perera and Ms. Coralie Pietersz, thus exceeding the minimum requirement of three Independent Non-Executive Directors and exceeding one third of the total number of Directors on the Board at any time.</p> <p>The Board determines the Independent and Non-Independent status of the Non-Executive Directors based on the declarations submitted by them in accordance with the criteria defined in the Banking Act Directions No. 3 (2) (iv) and the Section 7.10.4 of the Rules of the Colombo Stock Exchange.</p>	3 (2) (iv)	<p>A.5.2</p> <p>A.5.4</p> <p>A.5.5</p> <p>Schedule J</p>
2.3	<p>Alternate Directors</p> <p>During the year no alternate Directors were appointed.</p>	3 (2) (v)	A.5.6
2.4	<p>Non-Executive Directors</p> <p>The Non-Executive Directors on the Board consisted of eminent personnel with extensive experience in the fields of banking, finance, law, insurance, marketing and other related fields. Their expertise brought in independent judgments on issues relating to strategy, performance and resources. Their profiles are published in the Bank's Annual Report.</p>	3 (2) (vi)	<p>A.5.1</p> <p>A.7.2</p> <p>A.10.1</p>
2.5	<p>Non-Executive Directors Composition at Board Meetings</p> <p>Meetings of the Board of Directors held during the year were duly constituted (with the required quorum) and more than one half of the Directors present at the meetings were Non-Executive Directors.</p>	3 (2) (vii)	A.5.1
2.6	<p>Identification of Status of Directors in Corporate Communications</p> <p>The Directors were identified as Executive/Non-Executive and Independent/Non-Independent in all corporate communications including the Annual Corporate Governance Report. Persons who held identified positions, e.g., Chairman and Deputy Chairman were also disclosed with such designations.</p>	3 (2) (viii)	

CORPORATE GOVERNANCE

Item No.	Compliance with the Direction/Code	CBSL Direction	SEC/ICASL Code
2.7	<p>Procedure for Appointment of Directors</p> <p>A Board approved procedure is in place for the appointment of new Directors to the Board which acts as a guideline to the Board when appointments to the Board are considered. The Board Nomination Committee is vested with the responsibility of identifying new Directors and/or considering the suitability of nominee Directors to the Board in place of Directors who resigned during the year.</p> <p>When a Director is appointed a brief profile/resume of such Director is also released to and published on the CSE's website, whilst the Publicity Unit of the Bank releases a news article to the press. The profiles of the Directors are also published in the Bank's corporate website www.eseylan.com. The Bank complied with this requirement when Non-Executive Director Mr. Upali Dharmadasa was appointed during the year.</p>	3 (2) (ix)	A.7.1 A.7.3
2.8	<p>Re-election of Directors Appointed to Fill Casual Vacancy on the Board</p> <p>Directors, Mr. Kapila Jaywardena, Mr. Kumar Perera, Ms. Coralie Pietersz and Mr. Isuru Balapatabendi were appointed to fill the casual vacancies on the Board during the year 2013 and were re-elected by the shareholders at the Annual General Meeting (AGM) held on 31st March 2014.</p> <p><i>Note: Mr. Kapila Ariyaratne who was appointed to the Board on 16th February 2015 will be subject to re-election at the forthcoming AGM scheduled for 31st March 2015.</i></p> <p>Re-election of Directors by Rotation</p> <p>Re-election of Directors is carried out in accordance with the provisions of the Articles of Association. One third of the Directors (excluding the Executive Directors) longest in office retires by rotation at the Annual General Meeting and are re-elected if eligible. The Board Nomination Committee and the Board recommended the re-election of Independent Director, Rear Admiral Ananda Peiris who was due to retire by rotation in terms of Article 82 of the Articles of Association of the Bank and was re-elected by the shareholders at the AGM held on 31st March 2014.</p> <p>Independent Director/Chairman, Mr. Nihal Jayamanne PC and Non-Executive Director/Deputy Chairman Mr. Ishara Nanayakakara are due to retire by rotation at the forthcoming Annual General Meeting in terms of the Article 82 and the Board Nomination Committee as well as the Board have recommended their re-election.</p>	3 (2) (x)	A.8.2 A.8.1
2.9	<p>Change of Directorate</p> <p>Changes of directorate (appointment and resignation of Directors) are informed to the shareholders and other interested parties vide announcements made to the Colombo Stock Exchange (CSE). Directors' resignations/retirements are informed with reasons for such resignation or retirement as appropriate.</p> <p>The retirement of Executive Director, Mr. R. Nadarajah, with effect from 8th May 2014 was informed to the CSE on 8th May 2014.</p> <p>Information pertaining to change in directorate are also published and incorporated in the notes to the interim (quarterly) Financial Statements issued to the CSE and published in the newspapers. The Bank's Annual Reports also carry information pertaining to changes to the directorate during the year.</p>	3 (2) (xi)	
2.10	<p>Appointments in any Other Bank</p> <p>No Director and no employee of the Bank was appointed, elected or nominated as a Director of another Bank. No other bank is a subsidiary or an associate of Seylan Bank PLC.</p> <p>The related policy/procedures and codes have provisions precluding Directors and employees holding directorship in other banks.</p>	3 (2) (xi)	

Item No.	Compliance with the Direction/Code	CBSL Direction	SEC/ICASL Code
3.	Criteria to Assess the Fitness and Propriety of Directors	3 (3)	
3.1	<p>Criteria to Assess the Fitness and Propriety of Directors</p> <p>All appointments to the Board are made after obtaining approval of the Director Bank Supervision, Central Bank of Sri Lanka in terms of Section 42 of the Banking Act No. 30 of 1988 (as amended). Declarations and Affidavits in terms of the said Section 42 are obtained from the persons nominated by the Board and forwarded to the Director Bank Supervision for this purpose.</p> <p>Declarations and Affidavits of the continuing Directors are also forwarded to the Director Bank Supervision prior to the Annual General Meeting for perusal and approval.</p> <p>The declarations submitted to and accepted by the Director Bank Supervision confirm that the Directors meet the criteria of fitness and propriety as per Section 42 of the Banking Act No. 30 of 1988 (as amended) and its Directions.</p>		
3.2	<p>Retirement Age of Directors</p> <p>The related Section of the CBSL Direction stipulates that a person who is over 70 years of age shall not serve as a Director.</p> <p>The Directors who were on the Board during the year were not above the age of 70 as at the dates of their appointments. Executive Director, Mr. R. Nadarajah retired from the Board on 8th May 2014 upon reaching the age of 70. The present Directors of the Board are below the age of 70 years.</p>	3 (3) (i)	
3.3	<p>Directorships in Other Companies/Institutions</p> <p>The Directors do not hold directorships in more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the Bank. Please refer Annexure to the Report of the Board of Directors for details (pages 166 to 169).</p>	3 (3) (ii) (as amended by Direction No. 03 of 2013)	A.10.1
4.	Management Functions Delegated by the Board of Directors	3 (4)	
4.1	<p>Board Delegation Arrangements in Place</p> <p>The Board is empowered by the Articles of Association subject to the provisions in the Companies Act to delegate any of its powers to Board appointed sub-committees consisting of such member or members as the Board thinks fit.</p> <p>The Board has delegated matters pertaining to the affairs of the Bank to the Board sub-committees within the scope of the respective Board approved Terms of Reference. The CEO and other Key Management Personnel work within the Board approved delegated authority limits and the scope of their job descriptions.</p> <p>Reviews and revisions of the delegation processes as proposed by the Chief Executive Officer and the respective Key Management Personnel are carried out by the Board taking into account business needs and structural changes. The Board ensures that the delegation processes do not hinder or reduce the Board's overall powers to effectively discharge its functions and ensures that they remain relevant to the needs of the Bank.</p>	3 (4) (i) 3 (4) (ii) 3 (4) (iii)	
5.	Chairman and the Chief Executive Officer	3 (5)	
5.1	<p>Chairman and Chief the Executive Officer</p> <p>Mr. Nihal Jayamanne PC is the Chairman of the Bank and Mr. Kapila Ariyaratne is the Chief Executive Officer (CEO) of the Bank.</p> <p>A Board approved document on the areas of authority and responsibilities of the Board of Directors and of the Key Management Personnel is in place which defines the role and responsibilities of the Chairman and that of the CEO.</p>	3 (5) (i)	A.2
5.2	<p>Independent Status of the Chairman</p> <p>The incumbent Chairman of the Bank, Mr. Nihal Jayamanne PC appointed as the Chairman with effect from 17th January 2013 is a Non-Executive Independent Director.</p>	3 (5) (ii)	A.5.7 A.5.8

Item No.	Compliance with the Direction/Code	CBSL Direction	SEC/ICASL Code
6.	Board Appointed Committees	3 (6)	
6.1	<p>Sub-committees appointed by the Board</p> <p>The Board has established eight Board Sub-committees including the four Committees, namely the Board Audit Committee, the Board Integrated Risk Management Committee, the Board Nomination Committee and the Board Human Resources and Remuneration Committee as set out in these directions.</p> <p>The other four Committees are Credit Committee, Sustainability Committee, Marketing and Product Development Committee and Governance and Compliance Committee.</p> <p>The Board appointed sub-committees function within the Board approved Terms of Reference.</p> <p>Company Secretary, Mrs. N.N. Najumudeen functioned as the Secretary to each of these committees during the year. Minutes of the meeting proceedings and matters arising from the minutes as well as reports that require Board's attention and/or decision were circulated to the Board by the Secretary.</p> <p>The Reports of the Board Sub-committees mentioned above as reviewed and approved by the Board of Directors are published in the Annual Report.</p>	3 (6) (i)	



— Reporting Lines — Appointment Lines - - - - Administrative Reporting Lines

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Item No.	Compliance with the Direction/Code	CBSL Direction	SEC/ICASL Code
6.2	Board Audit Committee (BAC)	3 (6) (ii)	
6.2.1	<p>Members and Chairperson of the BAC</p> <p>Ms. Coralie Pietersz [BSc, MBA, ACA (UK), FCA (SL)] who is an Independent Non-Executive Director was appointed to the BAC as its Chairperson with effect from 27th September 2013. Ms. Pietersz counts over 20 years experience in finance, banking, accounting and audit.</p> <p>The BAC comprised of four Non-Executive Directors during the year 2014, three of whom were independent, namely, Ms. Coralie Pietersz, Mr. Nihal Jayamanne PC and Mr. Samantha Ranatunga. Mr. Isuru Balapatabandi was the Non-Executive (Non-Independent) Director on the BAC. Mr. Isuru Balapatabandi resigned from the Board on 22nd January 2015.</p>	3 (6) (ii) (a) 3 (6) (ii) (b)	D.3.1
6.2.2	<p>BAC's Role with Regard to External Auditors</p> <p>In line with its Terms of Reference, the BAC has reviewed and/or made relevant recommendations including the following:</p> <ul style="list-style-type: none"> • The re-appointment of Messrs KPMG, Chartered Accountants as the Bank's External Auditors for audit services in compliance with the relevant regulations and guidelines. Pursuant to recommendations, Messrs KPMG were re-appointed as the Auditors for the financial year 2014 by the shareholders at the Annual General Meeting held on 31st March 2014. • The implementation of guidelines applicable to the External Auditors issued from time to time by the Central Bank of Sri Lanka. • The application of relevant accounting standards, including the requirements of the Sri Lanka Financial Reporting Standards (SLFRS/LKAS) complying with the IAS and the IFRS in all material respects. • The Audit Partner who was engaged from the year 2009 completed his tenure of five years as at the financial year ended 31st December 2013 and a new Audit Partner was engaged for the financial year 2014. • Representation submitted by the External Auditors stating their independence and the objectivity and effectiveness of the audit processes in accordance with applicable standards and best practices. 	3 (6) (ii) (c) 3 (6) (ii) (d)	D.3.2 D.3.3
6.2.3	<p>Non-Audit Services</p> <p>The BAC reviewed the non-audit services provided by the External Auditors and was of the view that such services were not within the category of services identified as restricted under the Guidelines issued by the Central Bank of Sri Lanka for External Auditors relating to their statutory duties in terms of Section 39 of Banking Act No. 30 of 1988 and as amended by Banking Act No. 33 of 1995. A Board approved Policy relating to the engagement of non-audit services is in place.</p>	3 (6) (ii) (e)	D.3.2
6.2.4	<p>Scope of External Audit</p> <p>The BAC discussed with the External Auditors, the nature and the scope of audit in respect of the financial year, 2014 at a meeting held with the Auditors in the last quarter of 2014. The BAC shared their understanding of the management's internal controls over financial reporting; the preparation of Financial Statements in accordance with the relevant accounting principles and reporting obligations and compliance with the Banking Act Directions on Corporate Governance.</p> <p>The letters of engagement of the External Auditors in respect of the audits of the year 2014 were reviewed and recommended by the BAC prior to approval of the Board.</p>	3 (6) (ii) (f)	D.3.2

Item No.	Compliance with the Direction/Code	CBSL Direction	SEC/ICASL Code
6.2.5	Review of the Bank's Financial Information The BAC reviews/comments and makes recommendations on the Bank's financial information and reports that are submitted by the Chief Financial Officer and ensures the relevance of the Financial Statements prepared for disclosure and published in the Bank's Annual Report and in the quarterly unaudited Financial Statements and reports. The BAC also reviews the draft unaudited interim Financial Statements before they are submitted for Board's review. The draft interim Financial Statements are reviewed by the Internal Audit before they are submitted to the BAC by the Chief Financial Officer. The BAC also meets up with the External Auditors and discusses issues and concerns arising from the Interim and Final Audits and any matters the Auditors may wish to discuss in the absence of Key Management Personnel if necessary.	3 (6) (ii) (g)	D.3.2
6.2.6	Meeting with the External Auditors The BAC met with the External Auditors during the year which included three meetings without the presence of the management and ensured that there was no limitation of scope or incidents that could have a negative impact on the effectiveness of the external audit.	3 (6) (ii) (h)	D.3.3
6.2.7	Management Letters of the External Auditors The BAC reviewed the management letters in respect of the audit for the financial year ended 31st December 2013 and interim audit in respect of the six months ended 30th June 2014 and issued appropriate recommendations and guidance where necessary to ensure that they were duly addressed by the respective line management.	3 (6) (ii) (i)	D.3.3
6.2.8	Internal Audit Functions The BAC reviewed the adequacy of the internal audit function and ensured that it conforms with the principles of the Internal Audit Charter. The BAC reviewed and recommended revisions to the Internal Audit Charter during the year. The Internal Audit Charter defines the scope, functions, authority, responsibility, adjudication, external relationship management and ethics that assist and direct/guide the Internal Audit Department to discharge its functions independently and the BAC has ensured that the internal audit function was independent of the activities it audits and that it was performed with impartiality, proficiency and due professional care.	3 (6) (ii) (j) I 3 (6) (ii) (j) VI	D.2.2 D.3.3
6.2.9	Internal Audit Plan The Internal Audit Division carried out its responsibilities in line with the approved audit plan of the internal audit for the year 2014 and reported on the audits carried out and also updated the status/extent of resolution of findings of the audits carried out, to the BAC. The BAC reviewed and issued appropriate recommendations as deemed appropriate and ensured that the relevant line management took steps to address/resolve them.	3 (6) (ii) (j) II	D.3.3
6.2.10	Adequacy of Human Resources for Internal Audit Function The BAC reviewed the adequacy of the human resources for the internal audit functions and recommended appointments/succession planning for the position of head of internal audit. The BAC is apprised of senior staff resignations of the Internal Audit Department. The BAC has reviewed the reasons submitted by such staff members. Appraisals/assessments of performance of the senior staff of the Internal Audit Department and Head of Audit are carried out annually. Evaluations of their performance during the year 2013 were carried out by the BAC at its meetings in the first quarter 2014. The evaluations in respect of the year 2014 was carried out by the BAC in the first quarter 2015.	3 (6) (ii) (j) IV 3 (6) (ii) (j) VI 3 (6) (ii) (j) III	
6.2.11	Findings of the Internal Audit Internal audit findings with attention on major findings were reported to the BAC and taken up at the BAC meetings. The BAC reviewed the management responses and made appropriate recommendations, where necessary.	3 (6) (ii) (k)	D.2.2

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Item No.	Compliance with the Direction/Code	CBSL Direction	SEC/ICASL Code
6.2.12	Meetings of the BAC The BAC met 15 times during the year with due notice. The agenda and the papers for discussions and consideration/approval were circulated prior to the meeting. The minutes of the meetings were recorded by the Company Secretary who functioned as the Secretary to the Committee. The minutes were confirmed by the BAC at the next regular meeting. The Chief Executive Officer, the Chief Financial Officer and the Acting Head of Internal Audit attended the meetings of the BAC during the year. Heads of operational and business units, Information Technology, and Human Resources were called in to the meetings to discuss management responses to audit findings. The BAC also met with representatives of the External Auditors on three occasions in the absence of the Executive Director and the Management members.	3 (6) (ii) (n) 3 (6) (ii) (p) 3 (6) (ii) (l)	
6.2.13	Authority to Investigate The BAC's Terms of Reference provides it authority to investigate into any matter within its terms of reference; obtain the resources which it needs to carry out the investigation; full access to information; and authority to obtain external professional advice and to invite outsiders with relevant experience to be involved, if necessary.	3 (6) (ii) (m)	
6.2.14	Report of the BAC A report of the BAC signed by the Chairperson is included in this Annual Report with details of the activities of the BAC, meetings and attendance of the members at the meetings held during the year. Please refer pages 126 - 127.	3 (6) (ii) (o)	D.3.4
6.2.15	Whistle-Blower Policy The Bank has in place a Whistle-Blower Policy which was reviewed/revised during the year. The BAC has ensured that all employees are duly informed and duly advised of the effective use of the whistle-blower process. Independent investigations were carried out by the Internal Audit Division on whistle-blower complaints and were reported to the BAC including follow up action as appropriate.	3 (6) (ii) (q)	D.3.3
6.3	Board Human Resources and Remuneration (BHRRC)	3 (6) (iii)	B.1.1
6.3.1	Remuneration policy The remuneration policy is within the scope of the Terms of Reference of the Board Human Resources and Remuneration Committee (BHRRC). The policy aims to establish a transparent procedure for determining the remuneration, salaries, allowances and other financial or non-financial benefits, perquisites, special incentives, etc. to Directors, the Chief Executive Officer (CEO), the Key Management Personnel (KMPs) as well as other employees of the Bank. A statement on the Remuneration Policy is given in the Report of the BHRRC on page 128.	3 (6) (iii) (a)	B.1.1 B.2.1 to B.2.3 B.2.7 B.2.8
6.3.2	Goals and targets The Key Performance Indicators (goals and targets) of the CEO and KMPs in respect of the year 2014 were tabled and approved by the Committee and the Board at the respective meetings held on 24th March 2014. Executive Director, Mr. R. Nadarajah retired with effect from 8th May 2014 and therefore, goals and targets were not set for the Executive Director.	3 (6) (iii) (b)	A.11.1
6.3.3	Evaluations of the Performance of the CEO and the KMPs The Committee considered the evaluations of the performance of the CEO and the KMPs against the agreed upon KPIs for the year 2013 which was an indicator to determine revision of remuneration and profit/performance-based bonus.	3 (6) (iii) (c)	A.11.2
6.3.4	Proceedings at Meetings of the BHRRC The CEO was not present at meetings of the Committee, when matters relating to the CEO were being discussed. Further details summarising the activities and recommendations of the Committees and attendance of Directors are provided in the Report of the BHRRC included in this Annual Report on pages 128 - 129.	3 (6) (iii) (d)	B.3 (Schedule D)

Item No.	Compliance with the Direction/Code	CBSL Direction	SEC/ICASL Code
6.4	Board Nomination Committee (BNC)	3 (6) (iv)	A.7.1
6.4.1	<p>Procedure Selection/Appointment of Directors, CEO and KMPs</p> <p>Appointment of Key Management Personnel (KMPs) including the Chief Executive Officer (CEO) comes under the scope and responsibilities of the Board Nomination Committee (BNC) as set out in its Terms of Reference.</p> <p>The procedure to select and appoint new Directors is set out in the Board approved Policy Governing Appointment of Directors.</p> <p>A Policy on Human Resources Planning, Selection and Recruitment of KMPs and a Succession Policy for the KMPs are in place.</p>	3 (6) (iv) (a)	A.7.1 A.7.2 A.7.3
6.4.2	<p>Re-election of Current Directors</p> <p>The BNC recommends the re-election of the Directors who are due to retire in accordance with the Companies Act and the Bank's Articles of Association taking into account their contribution to the Board. With the concurrence of the BNC and recommendation by the Board, it is included in the Agenda of the Annual General Meeting (AGM) seeking shareholders' approval for the re-election.</p> <p>Directors, Messrs Kapila Jayawardena, Kumar Perera, Isuru Balapatabendi and Ms. Coralie Pietersz were re-elected in terms of Article 89 at the AGM held on 31st March 2014 whilst Rear Admiral Ananda Peiris was re-elected in terms of Article 82 of the Articles of Association of the Bank) subsequent to being recommended by the BNC and the Board at the meetings held during the first quarter 2014.</p> <p>The BNC as well as the Board has recommended the re-election of Independent Director/Chairman, Mr. Nihal Jayamanne, PC and Non-Executive Director/Deputy Chairman, Mr. Ishara Nanayakkara who are due to retire by rotation in terms of Article 82 of the Articles of Association, which said recommendations have been included in the Agenda for the AGM scheduled to be held on 31st March 2015. The re-election of Mr. Kapila Ariyaratne (appointed on 16th February 2015) in terms of Article 89 of the Articles of Association has also been included in the agenda.</p>	3 (6) (iv) (b)	A.8.1 A.8.2
6.4.3	<p>Criteria for Eligibility - CEO and KMPs</p> <p>The criteria for eligibility such as qualifications, experience and key attributes to be considered for appointment or promotion to the position of CEO and KMPs are defined in the respective job descriptions of the key positions.</p>	3 (6) (iv) (c)	A.1.2
6.4.4	<p>Fit and Propriety of Directors, CEO and KMPs</p> <p>Affidavits and Declarations to assess the fit and propriety of Directors, CEO and Key Management Personnel in terms of the Banking Act and its Directions are obtained prior to the appointment of Directors and at the time of appointing a KMP. The Affidavits and Declarations are submitted to the Director Bank Supervision for review and approval.</p>	3 (6) (iv) (d)	
6.4.5	<p>Succession Plan</p> <p>The BNC considers and discusses matters relating to succession arrangements of Directors including retiring Directors prior to such occurrence and takes into consideration the regulatory guidelines and criteria to fill such vacancy.</p> <p>The Committee reviewed and approved the revised succession plan in respect of Key Management Personnel at its Meeting held during the third quarter of 2014. The reviewed/ revised Policy on Succession Planning for Key Positions was approved by the Board at the same meeting.</p>	3 (6) (iv) (e)	A.1.2
6.4.6	<p>Composition</p> <p>The BNC comprised of four Non-Executive Directors during the year 2014, three of whom were Independent and was chaired by Independent Director, Rear Admiral Ananda Peiris. The CEO attends the Meetings of the Committee by invitations.</p>	3 (6) (iv) (f)	A.7.1 Schedule A

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Item No.	Compliance with the Direction/Code	CBSL Direction	SEC/ICASL Code
6.5	Board Integrated Risk Management Committee (BIRMC)	3 (6) (v)	
6.5.1	Composition of the Committee The BIRMC was chaired by Independent Director, Mr. Samantha Ranatunga. It comprised of 4 Non-Executive Directors, three of whom were Independent Directors and was also comprised of the Chief Executive Officer and Key Management Personnel supervising market, liquidity, operations, credit and strategic risks. Other Key Management Personnel attend the meeting by invitation. Frequency of meetings The Committee's Terms of Reference provides that the Committee shall meet at least quarterly and the Committee met quarterly during the year 2014.	3 (6) (v) (a)	
6.5.2	Assessment of Risks The three executive sub-committees appointed by the BIRMC, namely the Asset Liability Management Committee, the Executive Credit Risk Management Committee and the Executive Market and Operational Risk Management Committee reviews the respective category of risks coming under their purview at their regular meetings and the Chief Risk Officer (CRO) reports to the BIRMC on a quarterly basis. Risk Assessment of the subsidiary, Seylan Developments PLC (SDP) was not reviewed during 2014 (not complied). The Committee decided on a process to review the risk assessments on a group basis by considering the risk assessments of the subsidiary effective 2015. The principal activity of SDP is property development.	3 (6) (v) (b)	D.2
6.5.3	Effectiveness of Management Level Committees The BIRMC reviewed the minutes of the Asset Liability Management Committee, the Executive Credit Risk Management Committee and the Executive Market and Operational Risk Management Committee and also the reports submitted to the Committee by the Chief Risk Officer pursuant to the proceedings and follow up action of the committees to assess the effectiveness of the three management level committees.	3 (6) (v) (c)	
6.5.4	Actions to Mitigate Specific Risks The BIRMC ensured that corrective action to mitigate the effects of specific risks are taken in case such risks are at levels beyond the prudent levels approved by the Committee on the basis of the Bank's policies and regulatory requirements.	3 (6) (v) (d)	
6.5.5	Action Against those Who Fail to Identify Specific Risks Responsible officers of branches or departments failing to identify specific risks were identified during the internal audit reviews and internal audit investigation and were reported in the audit/ investigation reports. Depending on the nature of the offence the reports were submitted to the line management and/or the Head of Human Resources and/or Chief Executive Officer and/or to the Disciplinary Unit. Any high risk offence together with a report of line management's action taken to prevent recurrence of such offence was submitted to the BIRMC for information.	3 (6) (v) (f)	
6.5.6	Risk assessment report to the Board A Risk Assessment report prepared on behalf of the Committee the Chief Risk Officer and the Secretary and signed by the Chairman of the Committee was submitted to the Board meeting that followed a BIRMC meeting or circulated to the Board members for perusal and concurrence/comments.	3 (6) (v) (g)	
6.5.7	Compliance Function The Compliance Officer is a Key Management Personnel of the Bank and assesses the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. The compliance officer reports to the Committee at its period quarterly meetings. The compliance officer also submits a monthly report to the Board informing the Board of the extent of compliance.	3 (6) (v) (h)	

Item No.	Compliance with the Direction/Code	CBSL Direction	SEC/ICASL Code
7.	Related Party Transactions	3 (7)	D.1.7
7.1	<p>Avoidance of Conflicts of Interest</p> <p>The Board takes necessary steps to avoid any conflicts of interest that may arise from any transaction of the Bank with any person, and particularly with related parties of the Bank.</p> <p>The following persons are considered 'related parties' under Direction No. 3 (7) (i):</p> <ol style="list-style-type: none"> Any of the bank's subsidiary companies; Any of the bank's associate companies; Any of the Directors of the Bank; Any of the Bank's Key Management Personnel; A close relation of any of the Bank's Directors or Key Management Personnel; A shareholder owning a material interest in the Bank; A concern in which any of the Bank's Directors or a close relation of any of the bank's Directors or any of its material shareholders has a substantial interest. <p>A Board approved Policy on Related Party Transactions and Avoidance of Conflicts of Interest is in place. The procedures set out in the Policy are followed by the line management responsible and the implementation monitored by the Compliance Officer.</p>	3 (7) (i)	
7.2	<p>Types of Transactions with Related Parties</p> <p>Transactions are carried out with related parties in the normal course of business as disclosed in the Annual Report under Notes 49 and 50 to the Financial Statements on 'Related Party Disclosures'. The relevant officers who deal in related party transactions consider the Policy guidelines in their evaluations of the related party transactions and declare their confirmation in respect of same to the Compliance Officer on a quarterly basis.</p>	3 (7) (ii)	
7.3	<p>Favourable Treatment</p> <p>The Board ensures that the Bank does not engage in transactions with related parties, in a manner that would grant such parties 'more favourable treatment' than that accorded to other constituents of the Bank carrying on the same business.</p> <p>'More favourable treatment' shall mean and include the following:</p> <ol style="list-style-type: none"> Granting of 'total net accommodation' to related parties, exceeding a prudent percentage of the Bank's regulatory capital, as determined by the Board. <ol style="list-style-type: none"> 'Accommodation' shall mean accommodation as defined in the Banking Act Directions, No. 7 of 2007 on Maximum Amount of Accommodation; The 'total net accommodation' shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the Bank's share capital and debt instruments with a maturity of 5 years or more; Charging of a lower rate of interest than the bank's best lending rate or paying more than the Bank's deposit rate for a comparable transaction with an unrelated comparable counterparty; Providing of preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties; Providing services to or receiving services from a related-party without an evaluation procedure; Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions. <p>The Board approved Policy ensures that all employees are aware of these guidelines. Periodical confirmations were obtained from the Heads of Divisions which have had transactions during the respective period and the level of compliance was monitored by the Compliance Officer.</p>	3 (7) (iii)	

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Item No.	Compliance with the Direction/Code	CBSL Direction	SEC/ICASL Code
7.4	Approval for Related Party Transactions Accommodation to a Director or to a close relation of a Director (if any) are granted with the approval of the Board of Directors with not less than two-thirds of the number of Directors other than the Director concerned, voting in favour of such accommodation. Such accommodation is also secured by such security as may from time to time be determined by the Monetary Board as well.	3 (7) (iv)	
7.5	Obtaining of required security for accommodation granted to a related party of a Director being appointed or to a Director individually prior to such Director being appointed Director, Mr. H.K. Upali Dharmadasa who was appointed during the year or his close relations had not been granted any accommodation by the Bank prior to the said Director being appointed to the Board. The Bank has complied with the requirements of the said Directions in respect of the other Directors on the Board as well, where required security has been obtained for accommodation granted to related parties of the connected Directors.	3 (7) (v)	
7.6	Accommodation to Employees or Related Parties Connected to the Employees No accommodation has been granted on 'more favourable' terms such as waiver of fees and/or commissions to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such bank or when secured by security as may be approved by the Monetary Board in respect of accommodation granted as per Direction 3 (7) (v) above.	3 (7) (vi)	
7.7	Prior Approval of Monetary Board The Bank's Policy on Related Party Transactions stipulate that if any accommodation is granted by the Bank under Direction Nos. 3 (7) (v) and 3 (7) (vi), prior approval of the Monetary Board as stipulated under Direction 3 (7) (vii) shall be obtained.	3 (7) (vii)	
8.	Disclosures	3 (8)	
8.1	Annual Audited Financial Statements and Quarterly Financial Statements The Annual Audited Financial Statements and Quarterly (unaudited) Financial Statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and accounting standards. Annual Audited Financial Statements are disclosed in the Annual Report while the Quarterly Financial Statements are published in the newspapers in all three languages. The above Reports are released to the Colombo Stock Exchange (CSE) prior to circulation to the shareholders or publishing in the newspapers. The reports are also available on the Bank's corporate website www.eseylan.com	3 (8) (i)	D.1.1
8.2	The Directors' Responsibility Statement for Financial Reporting and the Chief Executive Officer's and Chief Financial Officer's Responsibility Statement for Financial Reporting The above statements (on pages 174 to 175) confirm that the Financial Statements for the year ended 31st December 2014 published are in conformity with all rules and regulatory requirements.	3 (8) (ii) (a)	D.1.1 D.1.3
8.3	Directors' Statement on Internal Control The above statement (pages 172 to 173) confirm that the financial reporting system provides reasonable assurance regarding the financial report and that the preparation of the Financial Statements for external purposes has been done in accordance with all relevant accounting standards and regulatory requirements.	3 (8) (ii) (b)	D.1.3
8.4	External Auditors' Certification The Bank has obtained an Assurance Report on the internal controls over financial reporting from the External Auditors based on the auditing standards issued by the Institute of Chartered Accountants of Sri Lanka (page 171).	3 (8) (ii) (c)	D.1.3

Item No.	Compliance with the Direction/Code	CBSL Direction	SEC/ICASL Code																																	
8.5	Details of the Directors <ul style="list-style-type: none"> • Names, qualifications, expertise: Refer Profiles of Directors on pages 86 to 93 • Fitness and Propriety: Refer Report of the Board of Directors on page 162 • Details on Directors interest in other entities - Refer Annexure to the Report of the Board of Directors on pages 166 - 169. • Related Party Transactions - Refer Notes 49 and 50 to the Financial Statements • Fees/Remuneration paid to Directors - Refer Note 49.6 to the Financial Statements 	3 (8) (ii) (d)	A.10.1																																	
8.6	Total Net Accommodations to Related Parties Accommodation granted to related parties is given in Notes 49 and 50 to the Financial Statements. The net accommodation granted to each category of related parties is given below as a percentage of the Bank's regulatory capital: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Category of Related Party Transactions</th> <th style="text-align: right;">Amount Rs. Mn.</th> <th style="text-align: right;">% of Regulatory Capital</th> </tr> </thead> <tbody> <tr> <td>Credit Card balances outstanding from Key Management Personnel</td> <td style="text-align: right;">0.329</td> <td style="text-align: right;">0.001</td> </tr> <tr> <td>Facilities to KMP's and close relations</td> <td style="text-align: right;">15.862</td> <td style="text-align: right;">0.068</td> </tr> <tr> <td>Loans and receivables outstanding from subsidiary</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Advance payments to subsidiary</td> <td style="text-align: right;">30.000</td> <td style="text-align: right;">0.128</td> </tr> <tr> <td colspan="3">Transactions with concerns in which a Director of the Bank or material shareholder has a substantial interest:</td> </tr> <tr> <td>- Expenses paid/payable</td> <td style="text-align: right;">930.793</td> <td style="text-align: right;">3.977</td> </tr> <tr> <td>- Income received/receivable</td> <td style="text-align: right;">458.823</td> <td style="text-align: right;">1.961</td> </tr> <tr> <td colspan="3">Credit Facilities</td> </tr> <tr> <td>- Funded</td> <td style="text-align: right;">4,907.328</td> <td style="text-align: right;">20.970</td> </tr> <tr> <td>- Non-funded</td> <td style="text-align: right;">686.823</td> <td style="text-align: right;">2.935</td> </tr> </tbody> </table>	Category of Related Party Transactions	Amount Rs. Mn.	% of Regulatory Capital	Credit Card balances outstanding from Key Management Personnel	0.329	0.001	Facilities to KMP's and close relations	15.862	0.068	Loans and receivables outstanding from subsidiary	-	-	Advance payments to subsidiary	30.000	0.128	Transactions with concerns in which a Director of the Bank or material shareholder has a substantial interest:			- Expenses paid/payable	930.793	3.977	- Income received/receivable	458.823	1.961	Credit Facilities			- Funded	4,907.328	20.970	- Non-funded	686.823	2.935	3 (8) (ii) (e)	D.1.7
Category of Related Party Transactions	Amount Rs. Mn.	% of Regulatory Capital																																		
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Facilities to KMP's and close relations	15.862	0.068																																		
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- Non-funded	686.823	2.935																																		
8.7	Remuneration to Key Management Personnel and Transactions with Key Management Personnel Remuneration paid to Key Management Personnel and transactions of the Bank with Key Management Personnel are disclosed in Note 49.6 to the Financial Statements on related party transactions.	3 (8) (ii) (f)																																		
8.8	External Auditors Certification of the Compliance with Direction No. 11 of 2007 on Corporate Governance The External Auditors have performed an agreed-upon procedure in respect of the Corporate Governance Directions issued by the Central Bank of Sri Lanka in accordance with the principles set out in the Sri Lanka Related Services Practice Statement 4750 and have provided a Factual Finding Report to the Board on the Bank's extent of compliance with the Directions as disclosed in this Corporate Governance Report.	3 (8) (ii) (g)																																		
8.9	Compliance with Prudential Requirements, Regulations, Laws and Internal Controls Statement of Directors' Responsibility for Financial Reporting on page 174 and Directors' Statement on Internal Controls on pages 172 - 173 provides the extent of Bank's compliance in this regard.	3 (8) (ii) (h)	D.1.3																																	
8.10	Supervisory Concerns There were no significant supervisory concerns on lapses in the Bank's risk management system or non-compliance with these Directions that have been pointed out by the Director, Bank Supervision, Central Bank of Sri Lanka and requiring disclosure to the public.	3 (8) (ii) (i)																																		

CORPORATE GOVERNANCE

Item No.	Compliance with the Direction/Code	CBSL Direction	SEC/ICASL Code
9.	Transitional and General Provisions	3 (9)	
9.1	The Board of Seylan Bank PLC was reconstituted on the 30th December 2008 and the current Directors were appointed on or after the said date. Therefore, the Direction No. 3 (9) relating to compliance with the transitional provisions of the Banking Act Directions No. 11 of 2007, are not applicable to the Bank.		

Synopsis of Disclosures under the Code of Best Practice as at 31st December 2014

SEC/ICASL Code Reference	Subject	Complied/Not Complied Disclosure Item Reference in the above Governance Compliance Report and/or Page Reference in the Annual Report (where applicable)
A.2.1 and A.5.7	Chairman and CEO	Complied with. Refer Item Nos. 5.1 and 5.2
A.5.5	Board Balance	Complied with. Refer Item Nos. 2.1 and 2.2
A.7.1	Nomination Committee	Complied with. Refer Item Nos. 6.4, 6.4.1, 6.4.5, 6.4.6 Also refer Report of the Board Nomination Committee on pages 130
A.7.3	Appointment of New Directors	Complied with. Refer Item Nos. 2.7
A.9.3	Appraisal of Board Performance	Complied with. Refer Item No. 1.7
A.10.1	Board Related Disclosures	Complied with. Please refer Profiles of the Directors (pages 86 to 93), Annexure to the Report of the Board of Directors (pages 166 to 169) and Directors' Attendance at Board Meetings (page 123)
B.1.3	Members of Remuneration Committee	Complied with. Refer Report of the Board Human Resources and Remuneration Committee on pages 128
B.3 and B.3.1	Disclosure of Remuneration	Complied with. Refer Report of the Board Human Resources and Remuneration Committee on pages 128 to 129
C.2.2, C.2.3, C.2.4, C.2.5, C.2.6, C.2.7	Communication with Shareholders	Complied with. A Shareholder Communication Policy is in place. Please refer Statement on page 103
C.3 and C.3.1	Major and Material Transactions	There were no major transactions as defined in Section 185 of the Companies Act No. 07 of 2007 which materially affected the Bank's net asset base, necessitating shareholder approval at a General Meeting.
D.1.2	Director's Report	Complied with. Refer Report of the Board of Directors on pages 159 to 169
D.1.3	Financial Statements	Complied with. Refer page No. 174 for Directors' Responsibility for Preparation of Financial Statements and page No. 176 for Auditors' Statement.
D.1.3 and D.2.3	Statement on Internal Control	Complied with. Refer page Nos. 172 to 173
D.1.4	Management Report	Complied with. The Management Discussion and Analysis Report is published in the Annual Report. Refer pages 20 to 83
D.1.5	Going Concern	Complied with. Relevant Statements made in the Report of the Board of Directors on page 165 and Statement of Director's Responsibility for Financial Reporting on page 174
D.1.7	Related Party Transactions	Complied with. Refer page Nos. 267 to 283 (Notes to the Financial Statements)
D.3.3	Audit Committee Report	Complied with. Refer page Nos. 126 to 127
D.3.4	Audit Committee	Complied with. Refer Report of the Board Audit Committee on page Nos. 126 to 127

SEC/ICASL Code Reference	Subject	Complied/Not Complied Disclosure Item Reference in the above Governance Compliance Report and/or Page Reference in the Annual Report (where applicable)
D.4.1 and D.4.2	Code of Business Conduct and Ethics	Complied with. Refer Statement on page No. 101
D.5.1	Corporate Governance Report	Complied with. Refer page Nos. 100 to 123
E.1 and E.2	Institutional Investors	Complied with. Refer Statement (Communications and Shareholder Engagement) on page 103
F.1 and F.2	Other Investors	Complied with. Refer Statement (Communications and Shareholder Engagement) on page 103
G.1 to G.1.7	Sustainability Reporting	Complied with. Refer page Nos. 22 to 83

Directors' Attendance at the Meetings of the Board and Board Sub-Committees During 2014

Directors in office during the year 2014; Status on the Board; Dates of Appointment and Dates of Resignations/Retirement	Number of Board Meetings Attended/ Number of Board Meetings Eligible to Attend*	Membership Status in the Sub-Committees; Number of Meetings Attended/Number of Meetings Eligible to Attend							
		Board Audit Committee	Board Integrated Risk Management Committee	Board Human Resources and Remuneration Committee	Board Nomination Committee	Board Credit Committee	Board Marketing and Product Development Committee	Board Sustainability Committee	Board Governance and Compliance Committee
Mr. N.M. Jayamanne PC Independent Director/Chairman Date of Appointment 30th December 2008 (Appointed as Chairman on 17th January 2013)	14/14	M	-	C	M	-	M	-	C
Mr. I.C. Nanayakkara Non-Executive Director Date of Appointment: 24th November 2009 (Appointed as Deputy Chairman on 17th January 2013)	11/14	-	-	M	M	C	-	C	-
Mr. R. Nadarajah Executive Director Date of Appointment: 8th January 2009; Date of Retirement - 8th May 2014	5/5	-	-	-	-	M	M	M	-
Real Admiral B. Ananda J.G. Peiris Independent Director Date of Appointment: 8th January 2009	12/14	-	-	M	C	M	M	M	M
Mr. Samantha P.S. Ranatunga Independent Director Date of Appointment: 12th January 2010	13/14	M	C	M	M	-	C	M	-
Mr. W.D. Kapila Jayawardena Non-Executive Director Date of Appointment: 1st August 2013	13/14	-	M	-	-	-	-	-	-
Mr. P.L.S. Kumar Perera Independent Director Date of Appointment: 23rd September 2013	14/14	M	M	-	-	M	-	-	M
Ms. M. Coralie Pietersz Independent Director Date of Appointment: 23rd September 2013	14/14	C	M	M	-	-	-	-	M
Mr. H. Isuru Balapatabendi Non-Executive Director Date of Appointment: 27th November 2013; Date of Resignation - 22nd January 2015	12/14	M	-	-	-	-	M	M	-
Mr. H.K. Upali Dharmadasa Non-Executive Director Date of Appointment: 9th June 2014; Date of Resignation - 22nd January 2015	4/8	-	-	-	-	M	-	-	-

C - Chairman M - Member

* Special Board Meetings held on 11th September 2014, 10th December 2014 and adjourned Board meeting held on 1st September 2014 were not considered for eligibility of attendance as the said meetings were convened with less than 01 working day's notice.

** Member of the Board Marketing and Product Development Committee with effect from 31st October 2014 and no meetings of the said Committee were held for the year after the said date.

AGILITY

Sinuous suppleness...a vital quality in the art of dance...
and a 'key ingredient' of the successful,
nimble footed entity >>>



REPORT OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee with authority and responsibilities vested by the Board presents its Report for the year ended 2014 pursuant to a review of its performance during the year 2014.

Board Audit Committee's Objective

The overall objective of Seylan Bank's Board Audit Committee ('Audit Committee' or the 'Committee') is to assist the Board to fulfil its oversight responsibilities for the financial reporting process, its systems of internal control, the audit process and the process for monitoring compliance with laws, regulations and codes of conduct.

Composition of the Committee

The Committee comprised of Independent Directors, Ms. Coralie Pietersz (Chairperson), Mr. Nihal Jayamanne PC, Mr. Samantha Ranatunga and Non-Executive Director, Mr. Isuru Balapatabendi. The Chairperson of the Committee is an Associate Member of The Institute of Chartered Accountants in England and Wales and a Fellow Member of The Institute of Chartered Accountants of Sri Lanka with adequate experience in auditing, finance, accounting and banking. The profiles of the members of the Committee are given on pages 86, 89, 91 and 92 of this Annual Report.

The General Manager/CEO, Chief Financial Officer, Acting. Head of Internal Audit and Chief Manager, Internal Audit were co-opted to the Board Audit Committee, whilst the Executive Director and other Management members attended the meetings on invitation. The External Auditors also participated at the meetings of the Committee on several occasions during the year. The Company Secretary functioned as the Secretary to the Audit Committee.

Terms of Reference

The scope and responsibilities of Seylan Bank's Board Audit Committee emanates from its Terms of Reference. The Committee reviewed and revised the Terms of Reference of the Board Audit Committee (previously referred to as the Audit Committee Charter) during the year. The Committee continues to assist and direct the Board of Directors to effectively carry out its responsibilities relating to financials and other connected affairs of the Bank.

The Committee ensures that its role, composition and responsibilities comply with International Best Practices and Corporate Governance Rules as laid down in Section 3 (6) (ii) of the Banking Act Direction No. 11 of 2007 titled 'Corporate Governance for Licensed Commercial Banks in Sri Lanka' and subsequent amendments thereto; Rule 7.10.6 of the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and The Institute of Chartered Accountants of Sri Lanka (ICASL).

Whilst the management is primarily responsible for the Financial Statements, for maintaining effective internal control over financial reporting and assessing the effectiveness of such control systems, the Committee maintained vigilance in exercising its oversight role in respect of financial reporting, internal controls and risk management.

Meetings

The Committee held 15 meetings during the year 2014 which included three meetings with the External Auditors without the presence of the Executive Director and Management. The Committee also met with the External Auditors and the Management on two occasions to discuss the Management Letter 2013 and the findings from the interim financial audit as at 30th June 2014.

Level of Attendance of the Members at the Audit Committee Meetings

Audit Committee Member	Eligible to Attend	Attendance
Ms. Coralie Pietersz (Independent Non-Executive Director) - Chairperson of the Committee	15	15
Mr. Nihal Jayamanne PC (Independent Non-Executive Director) - Member	15	14
Mr. Samantha Ranatunga (Independent Non-Executive Director) - Member	15	15
Mr. Kumar Perera (Independent Non-Executive Director) - Member (ceased to be a member w.e.f. 26th June 2014)	7	7
Mr. Isuru Balapatabendi (Non-Executive Director) - Member (resigned on 22nd January 2015)	15	10

Financial Reporting

The Committee reviewed and recommended prior to tabling to the Board for approval, drafts of the unaudited Financial Statements for the quarter ended 31st December 2013, audited financial accounts for the year ended 31st December 2013, interim audited financial accounts for six months ended 30th June 2014 and interim unaudited (quarterly) Financial Statements for the first three quarters of 2014. The Committee also reviewed/discussed the matters arising from the Management Letter 2013 including the progress made on addressing and resolving the issues by the management. A meeting with the External Auditors and the Management was held to discuss the Management Letter 2013 and a further such meeting was held to discuss the findings from the Interim Financial Audit as at 30th June 2014.

Internal Audit and Inspection

The Bank's internal audit function is independent of the activities it audits and is performed with impartiality, proficiency and professionalism. The Committee ensures that the internal audit function conforms to the terms and guidelines of the Internal Audit Charter. The Internal Audit Charter defines the scope, functions, authority, responsibility, adjudication, external relationship management and ethics that assist and direct/guide the Internal Audit Department to discharge its functions independently. The Charter was reviewed and revised during the year.

REPORT OF THE BOARD AUDIT COMMITTEE

The Committee reviewed and monitored the effectiveness of the internal audit and inspection functions and the performance of the Internal Audit Department. The Committee reviewed the progress of the risk-based internal audits and inspections carried out in accordance with the Internal Audit Plan of 2014. The Internal Audit Plan for 2015 was also approved by the Committee at its meeting held in the last quarter, 2014.

Internal Controls

The Committee reviewed the effectiveness of the Bank's internal controls over financial reporting and other controls relating to core areas such as deposit accepting, credit approval, operations, compliance and risk management systems as required by the Banking Act Direction No. 11 of 2007 on Corporate Governance [Direction 3 (8) (ii) b] and the Guidelines issued by The Institute of Chartered Accountants of Sri Lanka (ICASL). The Board's statement on the effectiveness of Bank's internal control mechanism as reviewed by the Committee, is published on pages 172 and 173 of the Annual Report.

In accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3050 - Assurance Report for Banks on Directors' Statement on Internal Control, External Auditor's Independent Assurance Report on the Bank's internal control mechanism is given on page 171 of the Annual Report.

External Audit

The meetings of the Committee with the External Auditors, Messrs KPMG were focused on discussing the findings reported on their Management Letter for 2013; the external audit plan, audit scope, audit approach, methodology and procedures proposed to be adopted to carry out the audit for the year 2014 including the requirement to comply with the accounting and auditing standards.

The three meetings of the Committee with the External Auditors without the presence of the executive management during the year ensured that there was no limitation of scope or incidents that could have a negative impact on the effectiveness of the external audit.

The Audit Committee reviewed the non-audit services provided by the External Auditors and was of the view that such services were not within the category of services identified as restricted under the guidelines issued by the Central Bank of Sri Lanka for External Auditors relating to their statutory duties in

terms of Section 39 of Banking Act No. 30 of 1988 and as amended by Banking Act No. 33 of 1995.

The Committee also determined the independence of External Auditors as per the provisions of the Companies Act and the ICASL's Code of Professional Conduct and recommended their reappointment as the Auditors of the Bank for the financial year 2015 subject to the approval of the Shareholders at the forthcoming annual General Meeting.

Governance

The Committee has ensured that good corporate governance was practiced in conformity with the Banking Act Direction No. 11 of 2007 on Corporate Governance and subsequent amendments thereto, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka of 2013 (Code of Best Practice). The Bank's level of compliance with the Directions relating to the responsibilities of the Board Audit Committee required under Section 3 (6) (ii) of the Banking Act Direction No. 11 of 2007 as well as the Code of Best Practice is provided on pages 114 to 116.

Evaluation of the Board Audit Committee

The Board Audit Committee carried out a self-evaluation/appraisal of its performance and effectiveness during the year under review and submitted its Report to the Board for its review. The Board (excluding the members of the Board Audit Committee) agreed and recorded that the Committee had carried out its responsibilities satisfactorily.



Coralie Pietersz

Chairperson, Board Audit Committee
(Independent Director)

25th February 2015

REPORT OF THE BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Board Human Resources and Remuneration Committee (the Committee) presents its Report for the year ended 31st December 2014 pursuant to the review of its performance during the year 2014.

The Report highlights the activities of the Committee during the year carried out within the scope of its Terms of Reference and in conformity with the Directions of the Banking Act Direction No. 11 of 2007 on Corporate Governance (as amended) and the Code of Best Practice on Corporate Governance (2013) jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and The Institute of Chartered Accountants of Sri Lanka (ICASL).

Composition of the Board Human Resources and Remuneration Committee

The composition of the Committee during the year comprised of 4 Independent Directors and one Non-Executive Director. The Committee was chaired by Independent Non-Executive Director and Chairman of the Bank, Mr. Nihal Jayamanne PC. The other Members were: Non-Executive Director/ Deputy Chairman, Mr. Ishara Nanayakkara, and Independent Non-Executive Directors, Rear Admiral Ananda Peiris, Mr. Samantha Ranatunga and Ms. Coralie Pietersz. Company Secretary, Mrs. N.N. Najumudeen functioned as the Secretary to the Committee.

The General Manager/Chief Executive Officer (GM/CEO), Mr. Kapila Ariyaratne and Senior DGM Human Resources and Administration, Mr. S.J. Jebaratnam attended the Meetings on invitation of the Committee and participated in the deliberations except when matters of their own interest, performance and compensation were discussed.

Meetings

The Committee held 6 meetings during the year. A Resolution by circulation was also passed to formalise a recommendation of the Committee members on an important issue. Decisions and minutes and/or papers on recommendations made by the Committee were tabled at the ensuing meetings of the Board of Directors for concurrence or approval/decision as appropriate.

Attendance of Members at Meetings During the Year

Member of BHRRC	Eligible to Attend	Attendance
Mr. Nihal Jayamanne PC (Independent Non-Executive Director/Chairman) - Chairman of the Committee	6	6
Mr. Ishara Nanayakkara (Non-Executive Director/Deputy Chairman) - Member	6	3
Rear Admiral Ananda Peiris (Independent Non-Executive Director) - Member	6	6
Mr. Samantha Ranatunga (Independent Non-Executive Director) - Member	6	6
Ms. Coralie Pietersz (Independent Non-Executive Director) - Member	6	6

Objective of the Committee

The Committee was established with the objective of assisting and making recommendations to the Board of Directors in exercising its oversight role and responsibilities on matters related to human resource strategies and policies and determination of compensation, benefits and remuneration for Directors, the Chief Executive Officer (CEO) and Key Management Personnel (KMPs) of the Bank. Its primary responsibilities include reviewing, monitoring and making recommendations to the Board of Directors on matters of strategic importance related to human resources and remuneration of all other employees of the Bank as well.

Terms of Reference and Scope of the Committee

The terms of reference of the Committee specifies the overall scope to review all significant human resource and remuneration policies of the Bank and to strategically direct the building of an effective and efficient human resource and remuneration structure for the Bank.

Remuneration Policy

The remuneration policy of the Bank was reviewed, revised and approved during the year. The policy aims to establish a formal and transparent procedure for determining remuneration, salaries and allowances and other financial benefits and perquisites to Directors, the CEO, the KMPs and all other employees of the Bank. The policy and practices are linked to the short-term and

long-term strategic goals and operational objectives of the Bank and to achieve same, aims to attract, motivate and retain qualified and competent persons.

Directors' Remuneration and Benefits

The Board as a whole determines the remuneration and/or allowances and fees for both Executive and Non-Executive Directors based on the recommendations of the Board Human Resources and Remuneration Committee.

The levels of remuneration or fees paid to Non-Executive Directors reflect the time commitment and responsibilities of their role and also taking into consideration market practices. The Non-Executive Directors were paid a monthly professional fee and fee for attending Board sub-committee meetings. The Non-Executive Directors do not receive any performance or incentive/bonus payments.

The terms of reference of the Committee authorises it to make recommendations to the Board for granting any special payments and/or benefits to the Executive Directors upon their resignation or retirement and to any Non-Executive Director upon their retirement in addition to normal fees and/or remuneration subject to disclosure of the aggregate value of total special payments/benefits made to resigning/retiring Executive Directors or retiring Non-Executive Directors during the respective financial year in the Annual Report. The Bank paid monthly remuneration and allowances to

REPORT OF THE BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE

Executive Director, Mr. R. Nadarajah until 8th May 2014. Mr. R. Nadarajah retired on 8th May 2014 and the applicable/Board approved terminal benefits were settled/granted, particulars of which are disclosed under Note 49.6 to the Financial Statements.

Aggregate Remuneration to Directors, CEO and the KMPs

Aggregate remunerations paid to the Directors, CEO and the KMPs are disclosed in Notes 49.6 to the Financial Statements.

Goals and Targets and Evaluation of performance of KMPs

Goals and targets (Key Performance Indicators [KPIs]) for 2014 aligned with the Bank's approved budget for the year were set and agreed upon for the KMPs including the GM/CEO based on an agreed growth on profit after tax.

The Committee carried out an annual performance evaluation of GM/CEO and reviewed and agreed with the performance evaluation/assessments of the KMPs based on their respective KPIs for 2013. In order to streamline the process a procedure for review of the KPIs (goals and targets) and performance evaluation of the CEO and KMPs was approved to be adopted effective 2015.

Key Activities and Initiatives during the Year

The Committee advised, guided and reviewed the progress/development and recommended/approved, as appropriate human resources and remuneration initiatives including the following during the year:

- **Incentivising Performance** - Whilst the Bank continued with the existing policy on performance-related bonus to the middle management and senior management staff based on achievement of budget, the Committee considered the importance of performance based bonus based on profits to the branch management level as well and decided to work towards developing and evolving an improved process to reward performance to motivate staff across the Board. Pursuant to same a special bonus scheme to reward high performing branches were approved and announced at the Branch Performance Awards 2014 and implemented.
- Recommended the revision of benefits offered to employees at all levels including reduction of interest rates on staff loan facilities, revision of per diem allowance on overseas travel. The Committee also reviewed and amended as appropriate the remuneration and benefit package of the CEO.
- Reviewed and recommended the revision (where applicable) of all Human Resources related policies, viz. Policy on Human Resources Planning, Selection and Recruitment; Policy on Employee Transfer; Policy on Staff Rotation (Job Rotation); Policy on Staff Retention; Policy on Human Resources Contingency; Policy on Succession Planning for Key Positions; Policy on Succession Planning, Selection and Recruitment for Key Management Personnel.
- Reviewed and recommended revisions to the Code of Conduct and Code of Ethics to conform with Section D.4.1 of the Code of Best Practice on Corporate Governance (2013) jointly issued by the SEC and ICASL.

Evaluation of the Committee

The Board Human Resources and Remuneration Committee carried out a self-appraisal of the performance/effectiveness of the Committee at its meeting held on 22nd January 2015 and submitted this Report to the Members of the Board for their review and approval. The Board Members at the meeting held on 25th February 2015, expressed their satisfaction that the Committee had carried out its responsibilities effectively during the year and further approved that this Report be published in the Annual Report 2014.



Nihal Jayamanne PC

Chairman
Board Human Resources and
Remuneration Committee
(Independent Director/Chairman)

25th February 2015

REPORT OF THE BOARD NOMINATION COMMITTEE

The Board Nomination Committee (the Committee) presents its Report for the year ended 31st December 2014 pursuant to the review of its performance during the year 2014.

The Report highlights the activities of the Committee during the year carried out within the scope of its Terms of Reference and in conformity with the Directions of the Banking Act Direction No. 11 of 2007 on Corporate Governance (as amended) and the Code of Best Practice on Corporate Governance (2013) jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and The Institute of Chartered Accountants of Sri Lanka (ICASL).

Main Objective of the Board Nomination Committee

The Board Nomination Committee was established with the primary objective of assisting the Board in fulfilling its role and responsibilities involving the appointment of Directors and Key Management Personnel (KMPs) of the Bank.

Composition of the Board Nomination Committee

The Committee comprised of four Non-Executive Directors, three of whom were Non-Executive Independent Directors, namely, Rear Admiral Ananda Peiris (Chairman of the Committee), Mr. Nihal Jayamanne PC, Mr. Samantha Ranatunga and one Non-Executive Non-Independent Director, Mr. Ishara Nanayakkara. General Manager/Chief Executive Officer (GM/CEO), Mr. Kapila Ariyaratne and Senior DGM Human Resources and Administration, Mr. S.J. Jebaratnam attended the meetings of the Committee on invitation. Company Secretary, Mrs. N.N. Najumudeen functioned as the Secretary to the Board Nomination Committee during the year.

Meetings of the Board Nomination Committee

The Committee held 4 meetings during the year whilst three Resolutions were passed by circulation to recommend important proposals to the Board which said recommendations were further evaluated by the Board at the Board meetings that followed the Resolutions. Copies of the minutes of the meetings and reports on the recommendations and decisions of the Committee were tabled at the Board meetings that ensued, for perusal and concurrence/approval or decision of the Board as appropriate.

Attendance of Members at Meetings during the year

Nomination Committee Member	Eligible to Attend	Attendance
Rear Admiral (Rtd.) Ananda Peiris (Independent Non-Executive Director) - Chairman of the Committee	4	4
Mr. Nihal Jayamanne PC (Independent Non-Executive Director/Chairman) - Member	4	4
Mr. Ishara Nanayakkara (Non-Executive Director/Deputy Chairman) - Member	4	2
Mr. Samantha Ranatunga (Independent Non-Executive Director) - Member	4	3

Terms of Reference of the Board Nomination Committee

The Terms of Reference of the Committee was reviewed and revised in 2013.

Scope of work and Responsibilities of the Committee

The responsibilities that were carried out by the Committee within the scope and powers vested in it by the Board approved terms of reference are summarised below:

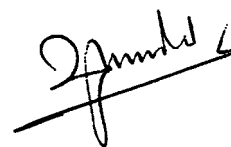
- The Committee considered and recommended the re-election of Directors, Rear Admiral Ananda Peiris who was due to retire by rotation in terms of Article 82 and the re-election of Directors, Mr. Kapila Jayawardena, Mr. Kumar Perera, Ms. Coralie Pietersz and Mr. Isuru Balapatabendi who were due to retire in terms of Article 89 of the Articles of Association of the Bank. The recommendations were concurred by the Board and the re-elections were approved by the shareholders at the Annual General Meeting held on 31st March 2014.
- The Committee reviewed and approved the key managerial and structural changes and consequent changes to the organisation structure of the Bank which were amended from time to time, taking into account the strategic and business requirements and movements in senior managerial positions due to retirements and new appointments.
- The Committee set procedural guidelines to be followed by the Bank when making recommendations for extension of services of key management personnel and other management personnel of the Bank.
- The Committee reviewed and satisfied themselves as to the fit and propriety status of key management personnel appointed during the year. The annual fit and proper declarations submitted by the

continuing Directors were also noted by the Board and submitted to the Director, Bank Supervision, prior to the Annual General Meeting (AGM). The Central Bank approved the continuation of the Directorships of those Directors who held office as at the date of the AGM on 31st March 2014.

- The Committee constantly reviewed the adequacy of the succession arrangements for Key Management Personnel and approved the revised Succession Plan for Key Management Personnel at its meeting held in September 2014. The Committee considered, deliberated and made recommendations for succession arrangements for the position of Chief Executive Officer which said recommendations were submitted to the Board for further deliberation.

Evaluation of the Committee

The Board Nomination Committee carried out a self-appraisal of its performance at the meeting of the Committee held on 22nd January 2015 and submitted of this Report to the Board for its review. The Board at the meeting held on 25th February 2015 expressed that the Committee has carried out its responsibilities satisfactorily during the year 2014 and approved that the Report be published in the Annual Report 2014.



Rear Admiral B.A.J.G. Peiris

Chairman
Board Nomination Committee/
(Independent Director)

25th February 2015

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

The Board Integrated Risk Management Committee with authority and responsibilities vested by the Board, presents its report for the year 2014.

Overall Objective of the Board Integrated Risk Management Committee

The Board Integrated Risk Management Committee ('BIRMC' or 'the Committee') of Seylan Bank PLC was formed with a mandate to ensure that the Bank implements an approved policy framework with defined procedures and systems for identifying, measuring, monitoring and controlling all credit, market, liquidity and operational and other risks facing the Bank and its reputation, managing those risks within pre-approved limits for risk appetite and ensuring compliance.

Composition of the BIRMC

As at 31st December 2014, the Committee comprised of four Non-Executive Directors, namely, Independent Directors, Mr. Samantha Ranatunga (as the Chairman of BIRMC), Ms. Coralie Pietersz and Mr. Kumar Perera, and Non-Executive Director, Mr. Kapila Jayawardena and members of the Senior Management, namely General Manager/ Chief Executive, Mr. Kapila Ariyaratne, Chief Risk Officer, Mr. Christie Nanayakkara, Chief Financial Officer, Mr. Ramesh Jayasekara, Head of Operations, Mr. Nimal Tillekeratne, Compliance Officer, Mr. Ajith Perera, Deputy General Manager Treasury, Mr. S. Palilhawadana, Acting Head of Treasury/Chief Dealer, Mr. Shanaka Perera and Heads of Credit/Business Units, Mr. Tissa Nanayakkara, Mr. K.D.W. Rohana, Mr. Delvin Pereira and Mr. Najill Farouk. Company Secretary, Mrs. N.N. Najumudeen functioned as the Secretary of the BIRMC.

Other members from the management supervising credit risk, market risk, operational risk, information technology and human resources also attended the meetings of the Committee on invitation.

Meetings of the BIRMC

The Committee met four times during 2014 on a quarterly basis. The minutes of the Committee meetings were recorded by the Secretary and confirmed minutes were made available to the Board of Directors for their information and action/instructions as appropriate.

The Members on the Committee made decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee. A Risk Assessment and Management Report of the BIRMC, including its recommendations and findings following each meeting were submitted to the Board.

Independent Directors, Mr. Samantha Ranatunga, Mr. Kumar Perera and Ms. Coralie Pietersz attended all four meetings of the Committee whilst Non-executive Director, Mr. Kapila Jayawardena attended three of the four meetings held during the year. The attendance of the members of the management were also recorded.

Terms of Reference of BIRMC vis-à-vis its activities

The Terms of Reference of the Committee addresses the composition, structure, scope and responsibilities of the Committee. The scope and responsibilities of the BIRMC include, but not limited to:

- ensuring that the Bank and the subsidiary establish a robust and pervasive risk culture;
- ensuring that an integrated risk management (IRM) framework and policies are documented, implemented and updated by the Executive Risk Management Committees covering various potential risks, possible sources of such risks, mechanism for obtaining management information and providing reports to identify and monitor such risks, effective measures to control, mitigate and manage such risks at prudent levels and identify the officers and Committees responsible for such control, mitigation and management;
- ensuring that the IRM and compliance functions monitor compliance with the above framework and policies and test the effectiveness of such framework and policies using stress tests and other measurement tools;
- Reviewing, approving and periodically monitoring exposures against strategy, limits and targets and relate them to the Bank's capital and related earnings capacity.

Risk Management Department

The Risk Management Department is an independent unit headed by the Chief Risk Officer (CRO) which carries out its responsibility for risk management across

the entire Bank. The different risk units within the Risk Management Department headed by the respective unit heads support the CRO and business managers to create, to manage and to implement a pervasive bank-wide risk culture. The BIRMC reviewed and was satisfied with the adequacy of the structure of Risk Management Department to focus on improving communication and implementation of risk management responsibilities at all levels of the Bank. The BIRMC also reviewed the succession arrangements for the position of Head of Risk and Head of Compliance.

Compliance Function

The Compliance Officer who reports directly to the BIRMC and administratively to the CEO of the Bank, is responsible for the assessment of the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. The Compliance Officer reports to the Committee at its quarterly meetings. A monthly report to the Board is also submitted by the Compliance Officer appraising the extent of compliance.

Effectiveness of Executive Risk Management Committees

The BIRMC reviewed the overall risk responsibilities delegated to the responsible line management through the three Executive Sub-committees of the BIRMC, namely the Asset Liability Management Committee, the Executive Credit Risk Management Committee and the Executive Market and Operational Risk Management Committee which made it possible for the BIRMC to carry out the aforementioned oversight functions effectively during the year.

The three Executive Sub-committees appointed by the BIRMC, assessed overall risks, namely credit, market, liquidity, operational and strategic risks to the bank on a regular basis through appropriate risk indicators and management information. The Chief Risk Officer submitted the reports to the BIRMC, based on the proceedings and actions taken by these Executive Sub-Committees. BIRMC ensures the focus and execution of corporate management's responsibilities for reviewing and implementing risk management framework and policies for better management of risk exposures.

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

Actions to Improve Accountability of Officers who fail to identify Specific Risks or take Prompt Effective Action to Correct them

Specific risk incidents which could result in operational loss as highlighted by the Internal Audit Reports to the Bank Audit Committee were reviewed by BIRMC including reports on actions taken to improve the accountabilities of officers and minimise risk of recurrence of similar unidentified risks/incidents/losses.

Integrated Risk Management Policy Framework and System Implementation

Risk management related policies were reviewed and endorsed by the Committee during the year.

Internal Capital Adequacy Assessment Process to Align Risk with Capital Usage and Profitability

The Committee reviewed the Internal Capital Adequacy Assessment Process completed during the year which enabled the BIRMC to note the measures aggregating all risks and better evaluate the sufficiency of risks related capital and management systems to support measures and manage risks in compliance with Banking Act Directions No. 05 of 2013.

Evaluation of the Board Integrated Risk Management Committee

The Members of the BIRMC carried out a self-assessment of the Committee's activities during the year and submitted this report to the Board. The Board reviewed and expressed its satisfaction with the Committee's performance during the year 2014.

A comprehensive report on the Bank's Risk Management function is presented in pages 137 to 156 of the Annual Report whilst the Bank's extent of compliance with the Directions relating to the responsibilities of the Integrated Risk Management Committee listed under section 3 (6) (v) of the Banking Act Direction No. 11 of 2007 on Corporate Governance is provided on page 118.



Samantha Ranatunga

Chairman
Board Integrated Risk Management Committee
(Independent Director)

25th February 2015

REPORT OF THE BOARD

SUSTAINABILITY COMMITTEE

Scope and Responsibilities of the Board Sustainability Committee

The Committee is required to determine and review the overall Sustainability Policy of the Bank and ensure that it is current, relevant and effective and functions in line with the Sustainability Reporting Guidelines. It also ensures that the Bank's business principles, policies and activities meet and support sustainability criteria.

Composition of the Committee

The Committee comprised of Mr. Ishara Nanayakkara (Chairman of the Committee), Mr. R. Nadarajah, Mr. Samantha Ranatunga, Rear Admiral Ananda Peiris and Mr. Isuru Balapatabendi. Mr. R. Nadarajah retired on 8th May 2014. The General Manager/CEO, Chief Financial Officer, Head of Marketing and other Management Members attended the Meetings of the Committee by invitation. Company Secretary, Mrs. N.N. Najumudeen functioned as the Secretary to the Committee.

Meetings of the

Board Sustainability Committee

Three Meetings of the Board Sustainability Committee were held during the year 2014. Copies of the Minutes of the Meeting and any recommendations arising out of the Minutes of the Meetings were submitted to the Board for review and approval and/or concurrence as appropriate.

Corporate Social Responsibility (CSR)

Activity - 2013-2016

The Committee reviewed the progress of the '100 Schools Library Project' which was approved by the Committee as the main CSR activity of the Bank from 2013 to 2016. As at the end of the year 2014, 51 library projects were completed.

The CSR activities during the year were steered by the Executive Sustainability Committee headed by the General Manager/CEO. Refer pages 22 to 83 for a detailed report on the Bank's engagement in CSR activities.

M/s. KPMG, Chartered Accountants were engaged by the Bank for assurance services relating to Sustainability Reporting who provided their assurance report in respect of the year 2014 (refer page 170).

Evaluation of the Committee

The Committee carried out a self-evaluation of the activities of the Committee and submitted this Report to the Members of the Board who recorded their satisfaction of the Committee's performance during the year.



Ishara Nanayakkara

Chairman
Board Sustainability Committee
(Non-Executive Director/Deputy Chairman)

25th February 2015

REPORT OF THE BOARD CREDIT COMMITTEE

Scope and Responsibilities of the Board Credit Committee

To improve the business and soundness of the Bank by promoting and reinforcing a robust and pervasive credit risk acceptance and management culture by:

- (a) Reviewing and where appropriate approving credit facilities or recommending them to the Board for approval.
- (b) Guiding Management to improve credit policies, procedures and lending guidelines and their implementation as well as processes for recoveries, empowerment and accountability for credit decision making,
- (c) Supporting and reinforcing the independent role of Credit Risk Management and ensuring that it has the ability, determination and assertiveness to influence key credit decision-makers at all levels.

Composition of the Board Credit Committee

The Committee was comprised of Mr. Ishara Nanayakkara (Chairman), Mr. R. Nadarajah, Rear Admiral Ananda Peiris and Mr. Kumar Perera until the retirement of Executive Director, Mr. R. Nadarajah on 8th May 2014. Mr. Upali Dharmadasa was appointed to the Board on 9th June 2014 and was subsequently appointed to the Committee. The Committee comprised of Mr. Ishara Nanayakkara (Chairman), Rear Admiral Ananda Peiris, Mr. Kumar Perera and Mr. Upali Dharmadasa, as at 31st December 2014. The General Manager/CEO and senior management members supervising credit and risk attended the meeting by invitation. The Head of Recoveries and Head of Treasury too attended the meetings as observers. The Company Secretary functioned as the Secretary to the Committee.

Meetings of the Board Credit Committee

The Committee held 26 meetings during the year 2014 (27 meetings were held in 2013). Eleven resolutions by circulations were also passed from time to time in respect of credit proposals requiring approval on an urgent basis. Recommendations of the Committee were circulated to the Board for approval whilst copies of the confirmed minutes were tabled for the perusal of the Board at the

monthly Board meetings. Recommendations of the Committee in respect of proposals for large new facilities were evaluated by the Board at the meetings of the Board of Directors. Directors abstained from voting on any resolution in which the Directors had related party interests or were interested by virtue of their directorships. The interested Directors were not counted in the quorum for the relevant agenda item.

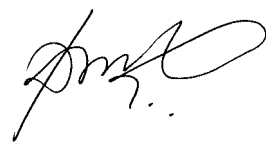
Attendance of the Committee Members at the meetings and the number of meetings they were eligible to attend during 2014 were as follows:

Attendance of Members at Meetings During the Year

Committee Member	Eligible to Attend	Attendance
Mr. Ishara Nanayakkara (Non-Executive Director) - Chairman of the Committee	26	25
Mr. R Nadarajah (Executive Director) - Member (retired - 8th May 2014)	9	9
Rear Admiral Ananda Peiris (Independent Director) - Member	26	19
Mr. Kumar Perera (Independent Director) - Member	26	25
Mr. Upali Dharmadasa (Non-Executive Director) - Member (appointed on 9th June 2014)	9	4

Evaluation of the Committee

The Report of the Board Credit Committee was submitted to the Board which recorded its satisfaction of the Committee's performance during the year.



Ishara Nanayakkara

Chairman
Board Credit Committee
(Non-Executive Director/Deputy Chairman)

25th February 2015

REPORT OF THE BOARD MARKETING AND PRODUCT DEVELOPMENT COMMITTEE

Composition of the Board Marketing and Product Development Committee

The Committee was reconstituted during the year. It comprised of Mr. Samantha Ranatunga (Chairman of the Committee), Mr. R. Nadarajah and Mr. Nihal Jayamanne PC at the beginning of the year 2014. Mr. R. Nadarajah retired on 8th May 2014 and Directors, Rear Admiral Ananda Peiris and Mr. Isuru Balapatabendi were appointed on 31st October 2014. General Manager/ CEO, Head of Marketing, Chief Financial Officer and Head of Treasury were co-opted to the Committee. Heads of business units also attended the Meetings of the Committee on invitation. Company Secretary, Mrs. N.N. Najumudeen functioned as the Secretary to the Committee.

Scope of the Committee

The scope of the Committee is to review the overall marketing plans of the Bank to ensure that the plans aim to optimise value creation of the Bank and support its strategic goals. The Committee shall also ensure that the Bank actively pursues new product opportunities and develop viable products with the aim of achieving business growth.

Terms of Reference of the Committee

The Terms of Reference of the Committee was reviewed and revised during the year, 2014.

Meetings of the Committee

The Marketing & Product Development Committee held 3 Meetings during the year 2014. The Committee approved the Strategic Marketing Plan of the Bank for the year 2014 and reviewed its progress, growth and performance of the different products of the Bank approved as per the marketing plan. The Committee also reviewed the campaigns that were undertaken by the Bank during the year with indepth deliberations on competitor strategies, market share, banking sector spends, etc.

Copies of the Minutes of the Meetings and Resolutions passed by circulation were submitted periodically for perusal of the Board. Recommendations arising out of the Minutes of the Committee Meetings were taken up at the Board Meetings that followed the Committee Meetings for review and decision.

Evaluation of the Committee

The Committee carried out a self-appraisal of performance and effectiveness of the Committee at its Meeting held on 18th February 2015 and submitted a draft of this Report to the Board for review. The Board Members at the Meeting held on 25th February 2015, expressed that the Committee had carried out its responsibilities satisfactorily during the year.



Samantha Ranatunga

Chairman
Board Marketing and Product Development
Committee
(Independent Director)

25th February 2015

REPORT OF THE BOARD GOVERNANCE AND COMPLIANCE COMMITTEE

Scope of the Board Governance and Compliance Committee

Seylan Bank PLC's Board Governance and Compliance Committee (hereinafter referred to as 'the Committee' or 'the BGCC') was established by the Board of Directors of Seylan Bank PLC ('the Bank') in the second quarter of the year, 2014 with the main objective of assisting the Board of Directors ('the Board') of Seylan Bank PLC in adopting appropriate governance standards for the Bank in fulfilling the Board's responsibility for oversight of the Corporate Governance processes and practices and compliance practices of the Bank consistent with its Articles of Association, the Banking Act Directions on Corporate Governance No. 11 of 2007 (as amended), Code on Corporate Governance issued by the Securities & Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka (as amended from time to time), relevant rules, regulations and directions and principles that may come into force from time to time.

Terms of Reference of the Committee

The Terms of the Reference was approved by the Board of Directors.

Composition

The Committee was comprised of four Independent Non-Executive Directors appointed by the Board of Directors, namely, Mr. Nihal Jayamanne PC (Chairman), Rear Admiral Ananda Peiris, Mr. Kumar Perera and Ms. Coralie Pietersz. The Independent Directors meet the criteria set out by the Colombo Stock Exchange and the Central Bank of Sri Lanka. Company Secretary, Mrs. N.N. Najumudeen functioned as the Secretary to the Committee.

The Terms of Reference of the Committee provide that any of the Directors, the Chief Risk Officer, the Head of Compliance, the Head of Audit and any other members of the Management shall normally be invited to attend any meeting of the BGCC or part thereof to provide pertinent information as necessary.

Meetings of the Board Governance and Compliance Committee

The Committee held 2 Meetings during the year 2014. All four Members were present at both Meetings.

Copies of the Minutes of the Meetings were submitted for perusal of the Board. Recommendations arising out of the Minutes of the Committee Meetings were taken up at the Board Meetings that followed the Committee Meetings for review and decision.

Key Responsibilities of the Committee Excerpted from the Terms of Reference of the Committee are as follows:

• Governance

The Committee is responsible for providing advice to the Board on the most appropriate Corporate Governance policies generally and in particular to formulate a Corporate Governance Framework for the Bank and annually review such Framework, which shall be consistent with the regulations.

• Review of Related Party Transactions

The Members of the Committee shall have access to and relevant knowledge or expertise to assess all aspects of related party transactions; review the adequacy of the Policy on Related Party Transactions and Avoidance of Conflicts of Interest; ensure compliance with the Code of Best Practices on Related Party Transactions issued under the Securities and Exchange Commission of Sri Lanka's Directive dated 12th December 2013 ('the SEC Code on Related Party Transactions'); except for transactions mentioned under Rule 27 of the SEC Code on Related Party Transactions, the Committee shall review all other related party transactions as required under Rules 28 to 33 of the said SEC Code.

• Shareholder Relationship

Ensure effective shareholder relationship and effective communication with shareholders.

• Compliance

Oversee all aspects of the Bank's Compliance Policy for all areas of compliance. Such oversight shall include reviewing and evaluating the Bank's overall state of financial and non-financial compliance and implementation, operation and effectiveness of the Compliance Policy.

Evaluation of the Committee

The Committee carried out a self-evaluation of the performance and effectiveness of the Committee and submitted this Report to the Board for review. The Board Members at the Meeting held on 25th February 2015, expressed that the Committee had carried out its responsibilities satisfactorily during the year and further approved that the Report be published in the Annual Report 2014.



Nihal Jayamanne PC

Chairman
Board Governance and Compliance Committee
(Independent Director/Chairman)

25th February 2015

RISK MANAGEMENT

Introduction

Risk is an integral part of banking business and managing risk is a process to achieve an appropriate trade-off between risk and return. It involves identification, measurement, response, monitor, control and report key risks such as credit, market, liquidity, operational, compliance and reputation. The Bank has established an integrated risk governance framework with oversight of the Board of Directors and accountability of the management and remains committed to maximising shareholder value by growing its business in line with the Board determined risk appetite.

Risk Management Framework, Strategy and Appetite

The Bank's risk management framework has been formulated and refined under the Integrated Risk Management Direction (No. 07 of 2011) of Central Bank of Sri Lanka and with a focus on supporting Bank's day-to-day business activities by building and strengthening the risk management process at all levels of the Bank.

Risk Governance

The Bank's corporate governance framework is based on three lines of defence promoting accountability, transparency and independent verification that are monitored by various Board sub-committees mainly the Integrated Risk Management Committee and the Audit Committee.



Risk Governance Structure

The risk management structure includes committees with specific terms of reference which meets monthly to review various risk exposures. The Board Integrated Risk Management Committee (BIRMC) has oversight of all risk managing activities and reviews the policies and procedures pertaining to all types of risks.

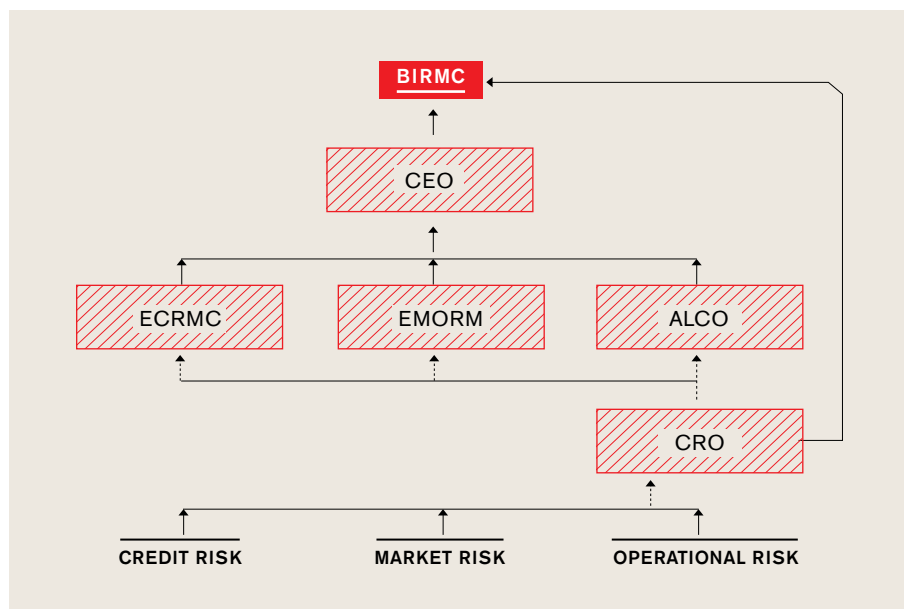
The following also will come under the purview of BIRMC:

1. Effectiveness of Executive Risk Committees
2. Review of Internal Capital Adequacy Assessment Process (ICAAP)
3. Stress Testing framework and validity of stress tests
4. Basel II implementation
5. Key Risk Indicators of credit, market liquidity and operational risks

Risk Appetite

Risk appetite defines the level and nature of risk to which the Board of Directors considers acceptable to expose the Bank. The Integrated Risk Management Policy articulates the risk appetite and set limits on various exposures, ownership by clear delegated limits and methodology to monitor any breaches.

The Executive Committee for Credit Risk Management (ECRMC) reviews the exposure to key economic/industry sectors, limits for large borrower groups, geographical areas and products. This Committee also reviews the major credit portfolios, non-performing advances and overdue/watch list loans and receivables.



- BIRMC - Board Integrated Risk Management Committee
- ECRMC - Executive Credit Risk Management Committee
- EMORMC - Executive Market and Operational Risk Management Committee
- ALCO - Assets and Liability Management Committee
- CEO - Chief Executive Officer
- CRO - Chief Risk Officer

RISK MANAGEMENT

The Executive Market and Operational Risk Management Committee (EMORMC) reviews the results of Risk Control and Self Assessment (RCSA) threshold limits set for key operational and market risk indicators.

The Assets and Liability Management Committee (ALCO) reviews the performance indicators against the budget as well as its strategic plan. It is also responsible for managing liquidity and interest rate risk.

Managing Risks

The Bank's risk management focus on the risk and how it would affect the Bank and the level of risk that can be tolerated. In such process, the Bank identifies credit, market and operational risk as vital components of risk in addition to the liquidity risk and other risk areas such as compliance, reputation risk etc.

Credit Risk Management

Credit risk arises from the potential that a counterparty is either unwilling to perform on an obligation in accordance with the agreed terms or its ability to perform such obligation is impaired resulting in loss to the Bank. In essence, the proper management of credit risk underpins a Bank's financial stability, growth prospects & profitability and as such the credit risk management in Seylan Bank is designed to be a value enhancing activity rather than being a mere exercise which is confined only to regulatory compliance.

Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. Also, the Bank manages its credit exposures following the principle of diversification across products, geographies, client and customer segments. The Bank's main objectives in credit risk management are as follows:

- Maintain a framework of controls to ensure credit risk-taking is based on sound credit risk management principles;
- Identify, assess and measure credit risk clearly and accurately across the Bank and within each separate business, from the level of individual facilities up to the total portfolio;
- Control and plan credit risk-taking in line with external stakeholder expectations and avoid undesirable concentrations;
- Monitor credit risk and adherence to agreed controls on a continuous basis to ensure that risk-reward objectives are met.

The **Credit Standards & Policy Manual** and the **Credit Procedure Manual** outline the fundamental standards and disciplines that the Bank has implemented to actively manage credit risk across our lending book. These standards, policies and processes lay down the key roles and responsibilities of those required to originate, identify, analyse, rate, review, price, report, diversify, control/mitigate and manage credit risks and are applicable to all lending activities undertaken by our Bank. The **Lending Guidelines** on the other hand outlines the Bank's strategic risk/reward objectives in the light of evolving market conditions by clearly setting out the preferred industries and lending types to target for lending growth.

In order to better manage the overall credit, liquidity and interest rate risk the Bank mainly focuses on self-liquidating facilities with short to medium term maturities. As well as establishing lending limits for each individual borrower the Bank manages counterparty credit exposures using the 'one obligor principle', so that all facilities to a group of borrowers wholly or substantially owned or controlled by common or related parties are aggregated and evaluated together under the coordination of a designated Lead Relationship Manager.

One area of particular review is concentration risk. A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. As a result, Seylan Bank constantly reviews its concentration in a number of areas including, geography, maturity and industry.

The CRO and credit risk management also identify and evaluate situations where various types of risks are correlated or where similar types of risks affect both the Bank and its borrowers compounding losses in the event of default, recommending additional limits or other controls where appropriate.

Assessment of Credit Risk

There is a clear segregation of duties between transaction originators in the businesses and approvers in the risk function in order to grow a high quality credit portfolio. All credit exposure limits are approved within a defined credit approval authority framework. Credit risk evaluation and approval is undertaken by experienced credit risk professionals operating within

a clearly defined delegated authority framework, with only the most senior credit officers entrusted with the higher levels of delegated authority. All the high value credit propositions above a certain threshold levels are approved by the Board Credit Committee or the Board of Directors as relevant.

The Bank has delegated credit approval authority to individual lending officers based upon a consistent set of standards of experience, judgment and ability. The authority levels are subject to annual review. If an individual lending officer's authority is insufficient to establish, materially change or restructure the required credit limits, the proposal must be escalated to an officer or committee with the required higher delegated authority. All customer credit limits are subject to critical annual review and require approval at the appropriate authority level. Managers recommending, reviewing or approving facilities are held accountable for the outcome. This requires monitoring the use of the facility, identifying emerging risks impacting the customer or the facility, ensuring that the facility or relationship returns the expected profitability and that the facility is repaid as agreed.

Credit Risk Management (CRM) and Credit Risk Review (CRR) Functions

The Bank's Integrated Risk Management Structure includes two credit functions, namely Credit Risk Management (CRM) and the Credit Risk Review (CRR).

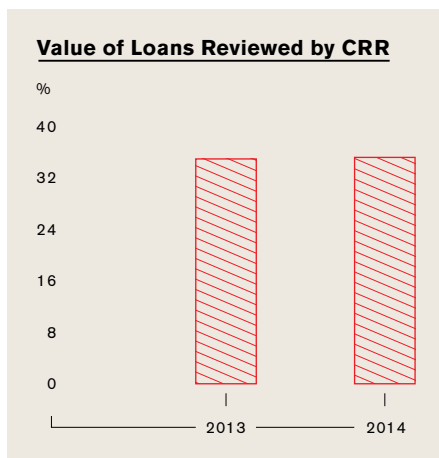
All high value lending proposals and reviews are subject to independent critical examination by Credit Risk Management (CRM) to ascertain whether the risks have been fully identified and evaluated, they are in line with the Bank's lending guidelines and risk acceptance criteria, risks have been adequately mitigated and whether proposed credit exposures are at prudent levels. CRM then recommends that the approving authority either approves the proposal (with additional conditions if necessary) or declines it.

CRM functions independently but is in regular interaction with the business units so that emerging risks and the lessons learnt through our lending and recoveries experiences are used to continuously improve our policies and practices.

CRM also monitors credit concentrations against approved prudential exposure limits and the achievements of business and lending portfolio managers in improving

credit quality as measured by their success in minimising overdue/non-performing advances portfolios and submits regular reports to the Executive Credit Risk Management Committee (ECRMC) recommending corrective action wherever required.

Credit Risk Review (CRR) independently reviews high value facilities within three months of disbursement and a minimum of 30% by value of the Bank's loan portfolio annually focusing on the approval, disbursement, relationship management and credit portfolio management processes and identifies instances of non-compliance with credit standards, policies, procedures and lending guidelines, if any. They identify emerging risks that have not earlier been evaluated and facilities where appropriate remedial action has not already been initiated. Based on this critical assessment, CRR makes recommendations designed to reduce the risk of default and minimise losses in the event of default. The lessons learnt from these reviews and recommended actions are referred to Risk Committees and circulated to all lending officers on a regular basis leading to qualitative improvements across the Bank's lending portfolio.



Credit Administration Unit

The Centralised Credit Administration Unit was set up in October 2013 to develop a strong sales and service culture in the Bank and to inculcate proper credit discipline whereby internal and external controls would not be compromised. The functions of the Unit are threefold namely preparation of security documents, disbursing of all advances on execution of security documents and post-monitoring of facilities come under the purview of the Unit. Setting up of the Unit has effectively reduced the transaction costs and improved the efficiency in processing

and managing a quality credit portfolio for the Bank. Further, the Unit is also involved in conducting training for branch and department staff in the procedures relating to Credit Administration.

Credit Rating and Measurement

Risk measurement plays a central role, along with judgement and experience, in informing risk taking and portfolio management decisions. It is a primary area for sustained investment and senior management attention.

As part of the Bank's credit risk management strategy, a 'Credit Rating System' was initially introduced in April 2007 with the broader objective of improving the credit quality of the Bank through pre-qualifying borrowers for credit facilities and risk based pricing of such credit facilities through a objective risk analysis. As a further step towards developing this credit rating system to be in line with the vastly changed macro-economic conditions and as well as to meet the regulatory requirements vis-à-vis the CBSL/ BASEL guidelines, the Bank upgraded the Credit Rating System during the year 2014.

These credit risk rating models are regularly back tested and validated against clearly defined verifiable historic data in order to be compliant with Basel II and we can demonstrate that they have the capability of predicting the Probability of Default based on borrower specific and transaction specific criteria.

Loan Origination System

The Bank is making arrangements to automate the credit evaluation/approval process across all business channels by implementing a high end Loan Origination System (LOS) during the year 2015. With the implementation of the LOS, the Bank will be in a position to further streamline the credit granting processes and to be competitive in the market by increasing process efficiencies.

Mitigation of Credit Risk

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor.

The Bank primarily relies on a rigorous assessment of credit applicants, the strength of their business model, sustainable financial

condition and our ability to meet their value creating requirements before deciding whether or not to grant facilities. Lending proposals are normally required to evidence more than one independent credible source of repayment. The primary source is established through a conservative evaluation of whether the borrower's realistic projected cash flows will be sufficient to repay their debts. The Bank normally requires this to be supported by at least one alternative way of settling the debt in the event of unforeseen adverse circumstances but believes that the availability of collateral does not in itself make an unacceptable lending proposition acceptable.

In instances where the Bank accommodates highly reputable and financially strong corporate borrowers whose performance is regularly and rigorously reassessed on the basis of reliable financial information we exceptionally grant facilities on an unsecured basis.

The Bank uses various techniques and controls to limit and mitigate credit risk exposures and reduce potential credit losses. These include documenting credit transactions with adequate terms, conditions and covenants in a comprehensive and legally enforceable basis and obtaining of guarantee, financial or other collaterals to provide a secondary recourse to minimise credit losses. These guarantee collaterals serve to mitigate the inherent risk due to credit default and minimise any related losses by either substituting the borrower default risk or improving recoveries.

The Bank ensures that the collateral accepted for risk mitigation purposes is of high quality and supported by legally effective and enforceable documentation. Collateral assets are inspected, assessed and conservatively valued by experts on a frequent basis to ensure that the Bank has adequate comfort which can be readily realised in an eventuality. An evaluation of the effectiveness and the realisability of collateral and whether this would be affected by a failure of the borrower's business forms a key part of the credit decision process. Documentation will be held to enable the Bank to realise the asset without the co-operation of the asset owner in the event that this is necessary.

Collateral impairment haircuts are applied to security valuations based on conservative and predetermined Loan/Collateral ratios in compliance with the Banking Act Direction No. 03 of 2008 'Classification of Loans and Receivables, Income Recognition and Provisioning'.

RISK MANAGEMENT

Non-Performing Advances* by Collateral Type

Collateral Type (Secured by)	2014	2013
	Rs. '000	Rs. '000
Cash/Shares	189,791	527,530
Immovable Property	6,624,074	10,731,601
Movable Assets	980,337	618,382
Pawned Articles	207,073	500,140
Other Securities	4,353,320	2,301,666
Clean	1,054,564	1,740,374
Grand Total	13,409,159	16,419,693

* Excluding interest receivables.

Monitoring, Reporting and Disclosure of Credit Risk

Corporate, Business and Area Management are primarily responsible for monitoring the performance of their lending to ensure that the Bank's portfolio profitability and lending quality objectives are obtained. Credit risk management uses a comprehensive range of quantitative tools and Bank-wide credit limits to monitor lending, contingent commitments and other off-Balance Sheet exposures, profitability, quality trends and concentrations and identifies whether the Bank is growing undue exposure concentrations and whether credit risks are adequately remunerated.

CRO reports these concentrations regularly together with his recommendations for corrective actions where needed to the ECRMC bringing material matters to the attention of BIRMC. This rigorous process enables the Board of Directors to oversee the Bank's credit risk exposures ensuring that the Bank quickly identifies emerging risks and risks that are not aligned with the Board approved credit risk appetite and initiates timely corrective measures.

Below we present the qualitative and quantitative disclosures of credit risk of the Bank.

Qualitative Disclosures

Definition of Past due and Impaired

A non-performing loan is any loan that is more than 90 days past due or is otherwise individually impaired (which represents those loans against which individual impairment provisions have been raised) and excludes:

- Loans re-negotiated before 90 days past due and on which no default in interest payments or loss of principal is expected

- Loans re-negotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since re-negotiation, and against which no loss of principal is expected.

'Impaired Loans' Comprise

- Loans where an individually identified impairment allowance has been raised and loans which are collateralised or where indebtedness has already been written down to the expected realisable value. This category includes all retail loans that have been transferred to legal/recovery. The impaired loan category may include loans, which, while impaired, are still performing.
- The 'accruing past due 90 days or more' category comprises loans that are 90 days or more past due with respect to principal or interest. An impairment allowance will be raised against these loans if the expected cash flows discounted at the effective interest rate are less than the carrying value.
- The 'impaired and restructured loans' category comprises loans not included above where, for economic or legal reasons related to the debtor's financial difficulties, a concession has been granted to the debtor that would not otherwise be considered. Where the concession results in the expected cash flows discounted at the effective interest rate being less than the loan's carrying value, an impairment allowance will be raised.

Approach on Specific and Collective Loan Loss Provisioning:

- The Bank's loan loss provisions are established to recognise impairment losses incurred either on specific loan assets or within a portfolio of loans and receivables.
- Impairment allowances may be assessed and created either for individually significant accounts or, on a collective basis, for groups of individually significant accounts for which no evidence of impairment has been individually identified or for high-volume groups of homogeneous loans that are not considered individually significant. Individually impaired loans are those loans against which individual impairment provisions have been raised.
- Estimating the amount and timing of future recoveries involves significant judgement, and considers the level of arrears as well as the assessment of matters such as future economic conditions and the value of collateral, for which there may not be a readily accessible market. Loan losses that have been incurred but have not been separately identified at the Statement of Financial Position date are determined on a portfolio basis, which takes into account past loss experience as a result of uncertainties arising from the economic environment, and defaults based on portfolio trends. Under SLFRS/LKAS, impairment allowances are recognised where there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition, and where these events have had an impact on the estimated future cash flows of the financial asset or portfolio of financial assets. Impairment of loans and receivables is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the financial

asset's original effective interest rate. If the carrying amount is less than the discounted cash flows, then no further allowance is necessary. Impairment allowances are measured individually for assets that are individually significant, and collectively where a portfolio comprises homogeneous assets and where appropriate statistical techniques are available.

Credit Risk Concentrations with Limits:

Credit concentration risk may arise from a single large exposure or from multiple exposures that are closely correlated. These concentrations occur when among other things, the Bank's advances portfolio contains a high level of direct or indirect exposures towards (a) a single counterparty (b) a group of connected counterparties (c) a particular industry or economic sector (d) a geographic region (e) an individual foreign country or group of countries whose economies are strongly interrelated (f) a type of credit facility or (g) a type of collateral. The concentration can occur in credits with the same maturity also.

Concentration risk is mitigated to a large extent by stipulating prudent credit risk limits on various parameters. CBSL also has specified certain guidelines on maximum exposures in respect of single/related party borrower limits and large exposures.

Related Party Lending

Related parties include the major shareholders, Subsidiaries, Directors and Key Management Personnel of the Bank. The Bank has ensured that credit decisions are made on a rational basis, as per the relevant legislation, approved policies and procedures and is based on market terms, with no preferential treatment.

Over Exposure to Geographical Areas, Economic Sectors and Lending Products:

Exposure to a single sector of the economy or lending product or to a narrow geographical region is another dimension of risk concentration. Borrowers may be vulnerable in the event of an economic or market downturn affecting their economic sector which in turn can affect their ability to service the loans and to mitigate this risk the Bank sets individual concentration limits for exposure to various sectors. The Bank closely monitors the quantum and quality of lending by geography (area) but is of the opinion that weaknesses in any local economy will not pose a particular risk for the foreseeable future.

Quantitative Disclosures

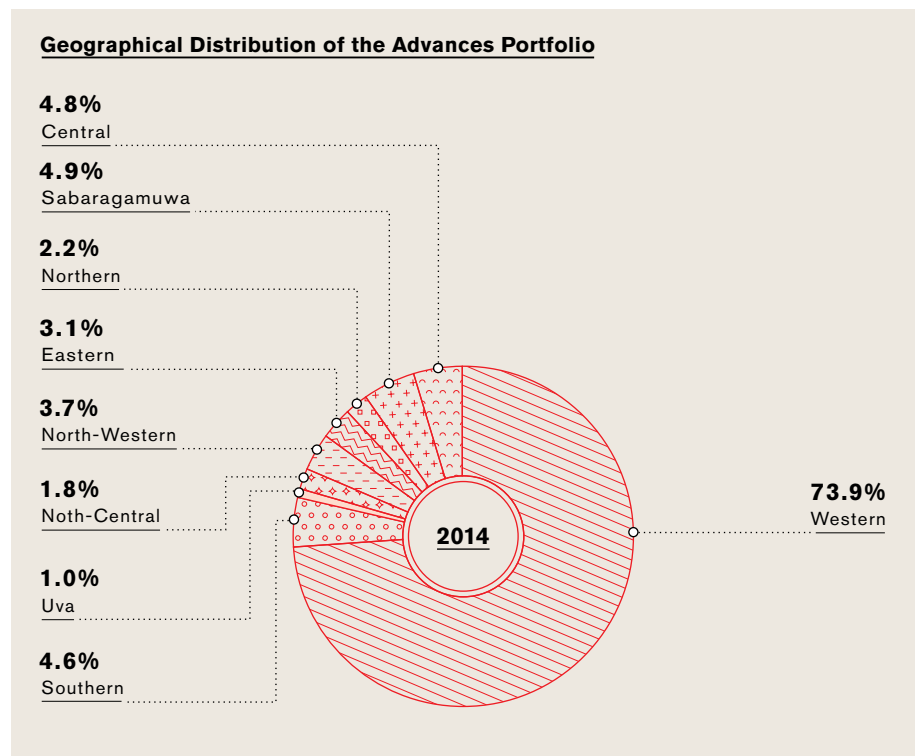
i. Credit Exposure by Product Types as at 31st December 2014

The core banking products such as term loans and overdrafts account for 66% of total advances. The specialised products are closely monitored to mitigate the inherent risks.

Loan Category	Total as at 31st December 2014 Rs. '000	Total as at 31st December 2013 Rs. '000
Credit Cards	3,135,717	2,551,355
Housing	9,173,760	8,682,549
Leasing	10,647,360	8,690,012
Term Loans	59,277,431	49,942,614
Margin Trading	4,016,938	1,835,792
Overdrafts	48,033,056	39,445,703
Pawning	8,514,872	14,370,126
Staff Term Loans	4,306,641	3,882,440
Trade Finance Related/Others	14,869,219	14,767,093
Grand Total	161,974,994	144,167,684

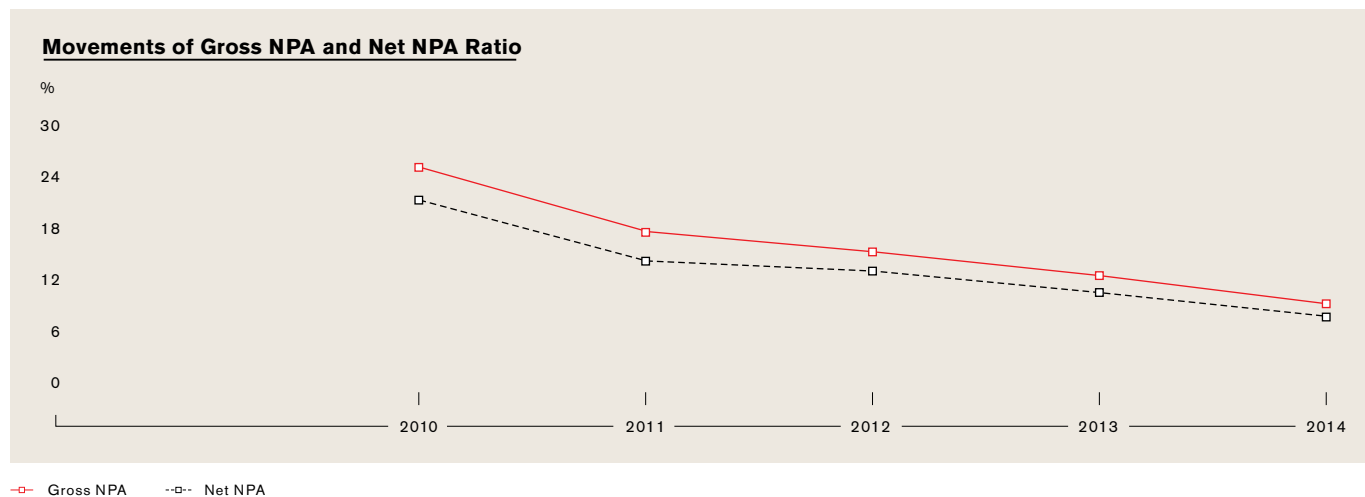
ii. The Geographical Distribution of the Advances Portfolio as at 31st December 2014

Based on the economic activity majority of the advances portfolio are in the Western Province though the Bank's branch net work is well spread throughout the country.



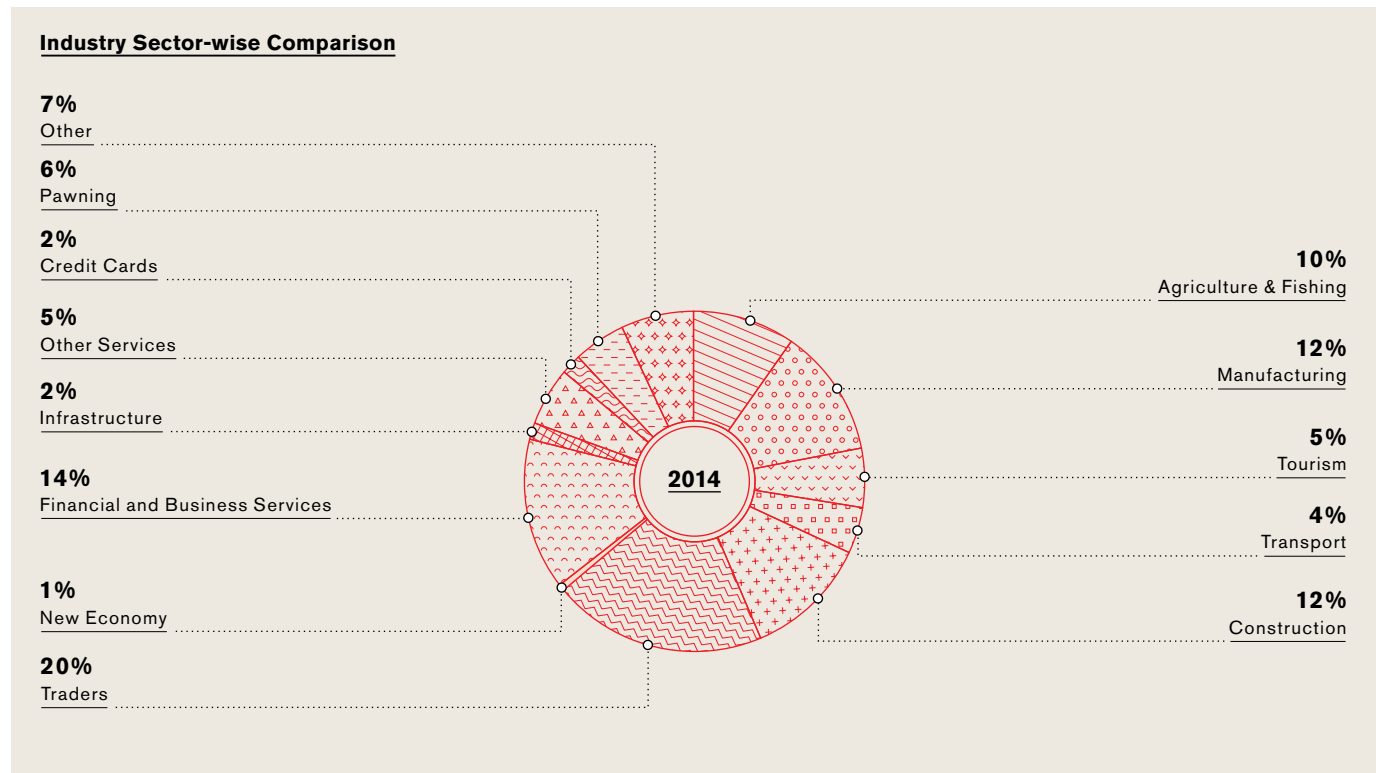
RISK MANAGEMENT**iii. Past Due and Impaired Portfolio by Product Distribution (Excluding Interest Receivables NPA Loans)****Age Analysis of NPA - 31st December**

Loan Category	3-6 Months	6-12 Months	12-18 Months	18 Months and Above	Grand Total Rs. '000
	NPA Special Mention Rs. '000	NPA Substandard Rs. '000	NPA Doubtful Rs. '000	NPA Loss Rs. '000	
Credit Cards	103,352	89,271	64,852	318,231	575,706
Housing	218,324	142,642	97,550	512,570	971,086
Leasing	157,486	113,570	81,680	225,161	577,897
Margin Trading				43,504	43,504
Overdrafts	593,496	205,528	295,378	1,527,917	2,622,319
Pawning	52,728			154,345	207,073
Staff Term Loans	13,409	12,499	59	15,803	41,770
Term Loans	701,000	668,226	615,997	6,065,228	8,050,451
Trade Finance Related/Other	129,954	–	–	189,399	319,353
Grand Total	1,969,749	1,231,736	1,155,516	9,052,158	13,409,159

iv. The Reduction in the Total Gross and Net NPA Ratio over the last five years.

v. Industry Sector-Wise Comparison

Loan Category	As at 31st December 2014 Rs. '000	As at 31st December 2013 Rs. '000
Agriculture and Fishing	15,732,682	9,700,856
Manufacturing	19,972,202	17,591,107
Tourism	8,749,343	2,935,262
Transport	7,190,974	9,745,576
Construction	19,043,307	23,565,578
Traders	33,007,040	31,133,378
New Economy	862,471	685,835
Financial and Business Services	23,087,741	16,510,701
Infrastructure	2,812,428	1,473,710
Other Services	8,840,272	8,509,410
Credit Cards	3,135,717	2,551,355
Pawning	8,514,872	14,370,126
Other	11,025,945	5,394,790
Gross Loans and Receivables	161,974,994	144,167,684

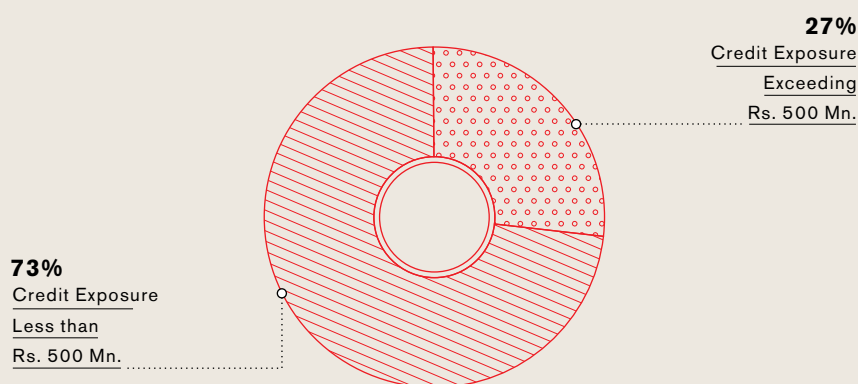


RISK MANAGEMENT

vi. Spread of Credit Exposures Exceeding Rs. 500 Mn. in Comparison to the Total Advances Portfolio of the Bank

	Rs. '000	%
Credit Exposure Exceeding Rs. 500 Mn.	43,185,640	26.66
Credit Exposure Less than Rs. 500 Mn.	118,789,354	73.34
Total Outstanding	161,974,994	100

Spread of Credit Exposures



Market Risk Management

The Bank is encouraged by the banking supervisor to adopt an integrated bank-wide risk management framework. To achieve the objective of protecting the Bank from changes in market interest rates, Foreign Exchange rates and Equity and Commodity Prices the Bank has adapted systems and techniques in managing such risks within this integrated risk management framework.

The Treasury Middle Office (TMO) which is part of the Market Risk Management (MRM) unit is independent from the risk-taking and operational units (e.g., trading and settlement) but has access to information to carry out the risk management and control function.

The Board and senior management of the Bank has seen that the market risk management unit is supported with effective risk management information systems for Assets Liability Management (ALM) and Value at Risk (VaR) functions to perform a sound risk management function.

The MRM unit and the Treasury middle office monitors the use of risk limits and ensures that quantifiable risks are within the structure of approved limits. The production and analysis of daily management reports include the evaluation of the relationship between measures of market risk exposures (e.g., value-at-risk, and trading limits).

The market risk management is responsible to managing following risks:

i. Interest Rate Risk

Interest rate risk is the risk of loss due to changes in the level and/or the volatility of interest rates. To achieve the objective of protecting the Bank from changes in market interest rates, the Bank matches the sensitivity of its assets and liabilities through maturity gap analysis. The Bank's strategy for implementing the desired matching is to align the interest rate profiles of each Statement of Financial Position component to the appropriate benchmark rates.



1.1 Interest Rate Risk in the Banking Book

Interest rate risk in the banking book arises from the structural interest rate risk caused by the differing repricing characteristics of the Bank's assets and liabilities.

The Bank is exposed interest rate risk arising from re-pricing of the liability book where the majority of the portfolio is on fixed rates. However almost the entire deposit base contractually or otherwise can be repriced within a year (other than the deposits contracted for more than one year and having a remaining maturity) which is an additional strength and serves to reduce the vulnerability to interest rate risk.

Interest rate risk is monitored through a regular review and is ensured margins are maintained by revising assets and liability pricing to mitigate any losses. The Bank generates ALM reports which shows the gap between its rate sensitive assets and liabilities (RSA&L) for different maturity buckets. The risk is monitored and managed monthly through these Gap analysis and sensitivity analysis. Periodical stress testing is applied on the earnings based approach, EaR (Earnings at Risk) and on the economic value based approach, EVE (Economic Value of Equity). ALCO monitors monthly the sensitivity of the Banking book and the impact on Net Interest Income (NII) and capital resulting from changes in interest rates for given shock levels of 1%, 2% and 2.5%. This allows ALCO to determine the changes to the interest rates and manage spreads. ALCO monitors the structural interest rate risk by setting advisory limits for each bucket.

1.2 Interest Rate Risk on the Trading Book

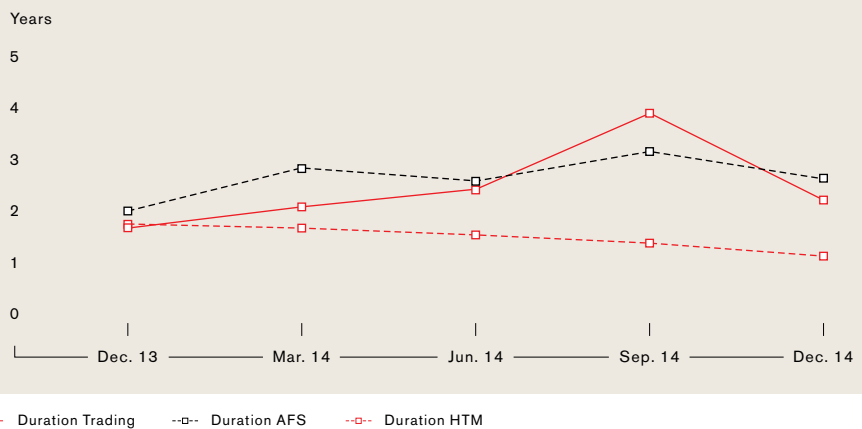
The trading book refers to investments of assets which are held with the intention of a short-term resale, with a profit expectation from short-term price fluctuations and with the intention to generate arbitrage gains. The bulk of the banks trading investments are held in fixed income securities. To determine the possible effect of changes in interest rates on bond prices, Stress Tests are carried out for a 200 basis point and 300 basis point increments, and analyses the estimated resulting change to a bond's price, at its current price, coupon rate and maturity.

Duration and convexity are factor sensitivities that describe exposures to a parallel shift in interest rates. At Seylan Bank we apply duration to the entire fixed income portfolios to assess the exposure to a parallel shift of 100bp to present value (PV01) in the yield curve to the present value of Investment. The duration analysis conveys what the impact the trading portfolio would have on the Banks financial position if interest rates rise - and if interest rates decline with the magnitude of such sensitivity. The graph below shows the portfolio durations and the impact due to a 1% price change in bond prices (PV01).

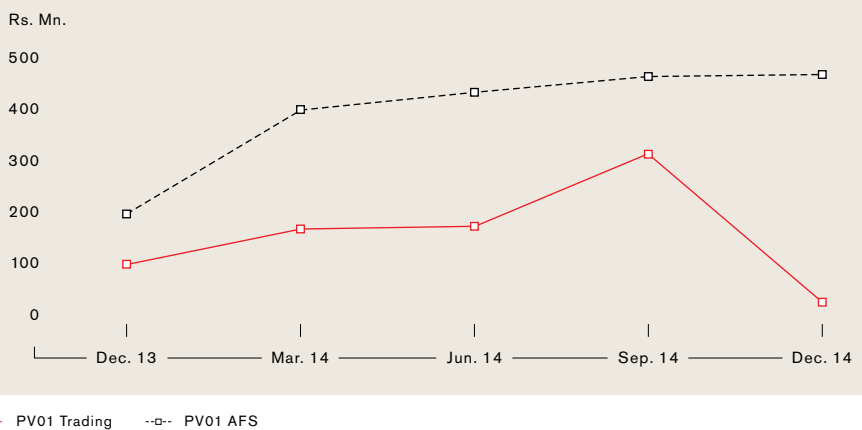
ii. Foreign Exchange Risk

Foreign exchange risk occurs due to the value of an asset/investment or liability denominated in a foreign currency is to lose value as a result of unanticipated exchange rate fluctuations between the investment's foreign currency against the Rupee. These risks arise as a result of changes in the fair value or future cash flows of financial exposures as a result of changes in foreign exchange rates.

Weighted Duration of the Government Securities Portfolios



PV01 on the Trading and AFS Portfolios



RISK MANAGEMENT

Managing foreign exchange risk is a fundamental component in the safe and sound management of the Bank. It involves prudently managing foreign currency positions within set parameters and controlling the impact of changes in exchange rates on the financial position of the Bank. At Seylan Bank while the primary responsibility of managing foreign exchange (FX) risk lies with the Treasury, the Bank has established a dynamic risk management framework to monitor and manage FX risk that ensures all exposures created through FX transactions throughout the Bank are in line with established policies and guidelines.

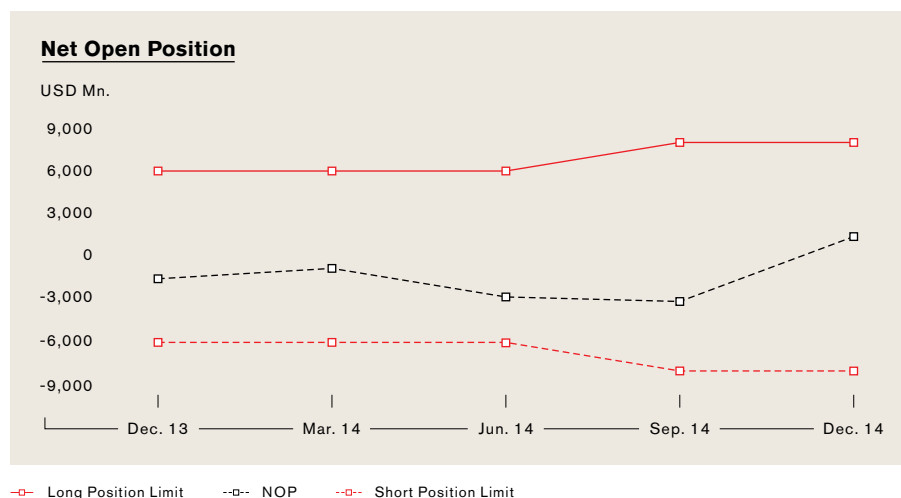
The FX risk management frame work is consistent with internal policies and procedures, along with rules and regulations applicable to FX transactions as laid down by the regulator and firmly takes into account published market practices for the FX industry to ensure that potential losses arising out of fluctuations in FX rates are within the Bank's risk appetite.

The Treasury Middle Office has an online monitoring mechanism to capture and monitor treasury dealing and limit breaches. The current limit frame work also configures counterparty, settlement, currency and country limits and is monitored ex post-facto, but not later than the following working day. The treasury system which the Bank has acquired and will be put into use during 2015 has the capability to monitor in real-time; exposures and includes pre-deal limit warnings for rapid decision making as well as the ability to invoke instant alerts upon the breach of a pre-set limit besides monitoring the current limits in force.

Bank's Foreign Currency Position

CCY	Foreign Exchange Exposure ('000)						Net Open Position	NOP in other Exchange Contracts	Overall Exposure in Respective FCY	Overall Exposure in LKR
	Spot			Forward						
	Assets	Liabilities	Net	Assets	Liabilities	Net				
USD	101,082	103,020	-1,938	116,708	113,546	3,162	1,223	-	1,223	161,463
GBP	432	6,077	-5,645	6,801	1,154	5,647	1	-	1	329
EURO	742	4,085	-3,343	3,348		3,348	5	-	5	827
JPY	278,024	443,250	-165,226	335,646	170,979	164,668	-558	-	-558	-617
AUD	664	7,317	-6,653	6,669	1	6,668	14	-	14	1,531
CAD	127	942	-815	816		816	1	-	1	70
Others	4,023	3,971	52	110	13	97	150	-	150	20,539
Total Exposure										184,142
Total Capital Funds										23,401,725
Total Exposure as a % of Total Capital Funds as per The Latest Audited Financial Statement										0.79%

Net Open Position (NOP) during the Year



The sensitivity of the FX exposures or the Net Open Position of the Bank which excludes the foreign currency banking unit exposures are stress tested for 1.5%, 2.5% and 3.5% fluctuations in the USD/LKR exchange rate. While the results are viewed daily by CRO regular monitoring is done by ALCO with an oversight by the BIRMC quarterly.

iii. Equity Risk

The Bank is exposed to equity price risk as a result of our investments in trading equities or investments. Equity price risk changes as the volatility of equity prices changes or the values of corresponding equity indices change.

In the Bank managing equity risk is aimed at limiting possible losses due to changes in the prices of equity on the stock exchange indices to a level acceptable to the Bank, by optimising the positions and the sensitivity to changes in the market parameters.

The effect of the price risk of equities on the financial position of the Bank was assessed as immaterial. The trading positions taken in equities are limited, and the Bank does not expect them to increase significantly. The market risk unit prepares daily, monthly and quarterly reports addressing equity price risk. Treasury middle office does a daily mark to

market of the trading and available-for-safe portfolio (AFS) and apprise the members of the Equity Investment Committee which comprise of the senior management. These Reports also comprise the information on equity price risk exposures and usage of available limits. The risk is managed by imposing limits on the trading portfolio and by monitoring the utilisation thereof.

The graph tabulated below explains the movement of the Bank's equity portfolio over the cumulative twelve months of the year against the stock market movement.

Liquidity Risk Management

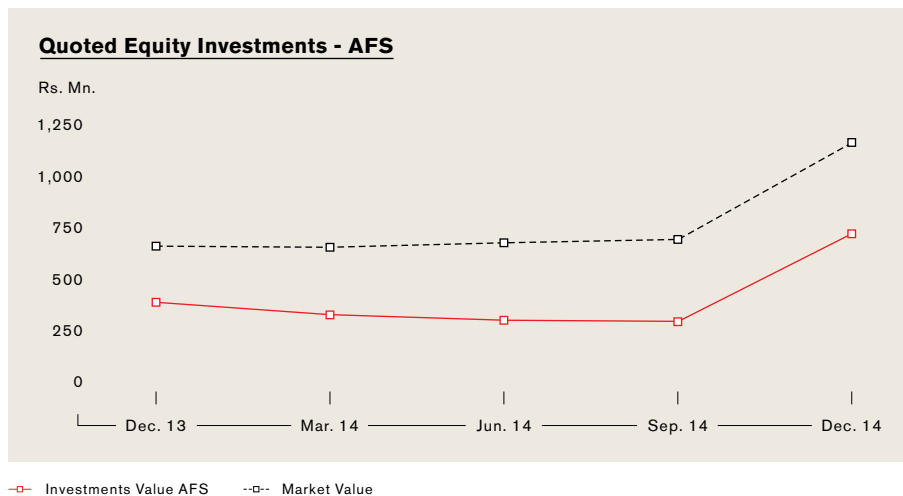
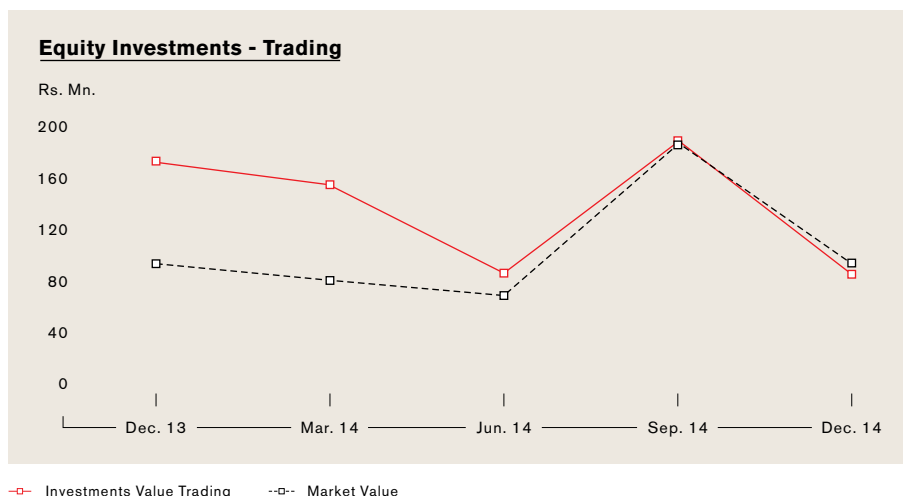
Seylan Bank adopts a holistic approach to liquidity risk management which links strategy, policy management and monitoring with appropriate prudential limits on an escalation and feedback mechanisms. This approach seeks to ensure that liquidity risks are identified promptly through the early warning indicators thru the liquidity risk tolerance framework which also facilitates compliance. This framework is intended to be dynamic. Triggers and limits are continuously assessed to determine whether they reflect the Bank's liquidity risk tolerance. The risk

indicators are monitored by ALCO and provide Board level oversight of the liquidity risks to which the Bank is exposed to. The Bank believes that its risk framework is appropriate for the current nature, scale and complexity of activities and seeks to be proactive in anticipating the impact of changes in the risk profile upon the risk management framework.

Liquidity and Funding Management

Seylan Bank manages its liquidity risk exposure to ensure that at all times it is able to meet its liabilities as and when they fall due. The Bank holds sufficient liquid assets to enable continuous normal operations even in the unlikely event that it is unable to obtain fresh resources from the market for an extended period of time. The Bank manages the liquidity risk in accordance with regulatory guidelines. In addition to the regulatory guidelines the Bank has adopted a stringent liquidity management policy incorporating prudential and regulatory limits as a monitoring tool to manage its liquidity requirements. A contingent funding plan to deal with in crisis situation is in place.

The Board approved liquidity policy requires the Bank to manage liquidity on a daily basis and Treasury middle office under the purview of Chief Risk Officer (CRO) monitors the assets and liability position with the oversight and supervision of the ALCO members. The members receive a daily report on the prudential limit frame work on the Banks liquidity position and prompt mitigating action is taken when required.



RISK MANAGEMENT

The Banks Liquidity Management Framework and the Framework as per Regulatory Guidelines are given below:

		Limits	December 14	December 13
Liquidity Management through Internal Measures				
1. Statutory Liquid Assets Ratio - DBU - Bank	Greater than	21.00%	27.60%	26.74%
2. Statutory Liquid Assets Ratio - FCBU - Bank	Greater than	21.00%	21.86%	25.93%
3. Assets (Advances) to Deposits Ratio	Below	97.50%	87.12%	86.14%
4. Advance to Deposits + Debenture Ratio	Below	95.00%	83.67%	84.50%
5. Advance to Stable Funds Ratio	Below	90.00%	81.13%	80.54%
6. Medium Term Funding Ratio	Below	200.00%	174.76%	183.91
Funding Concentration				
7. Swaps	Below	USD 75 Mn.	USD 24.30 Mn.	USD 57 Mn.
8. External Borrowing - (value in LKR)	Below	LKR 16 Bn.	10.13	10.54
Liquidity Management through Regulatory Measures				
9. Net Loans to Total Assets	Greater than	60.00%	62.16%	63.47%
10. Liquid Assets to Short-Term Liabilities	Greater than	70.00%	151.28%	139.06%
11. Large Liabilities (minus) Temporary Investments to Earning Assets (minus) Temporary Investments	Below	10.00%	5.44%	(0.87%)
12. Purchased Funds to Total Assets	Below	20.00%	14.84%	11.49%
13. Commitments & Contingencies to Total Assets	Below	25.00%	18.09%	16.49%

Operational Risk

Operational risk can be defined as the risk of loss or damage resulting from inadequate or failed internal processes, people and systems or from external events.

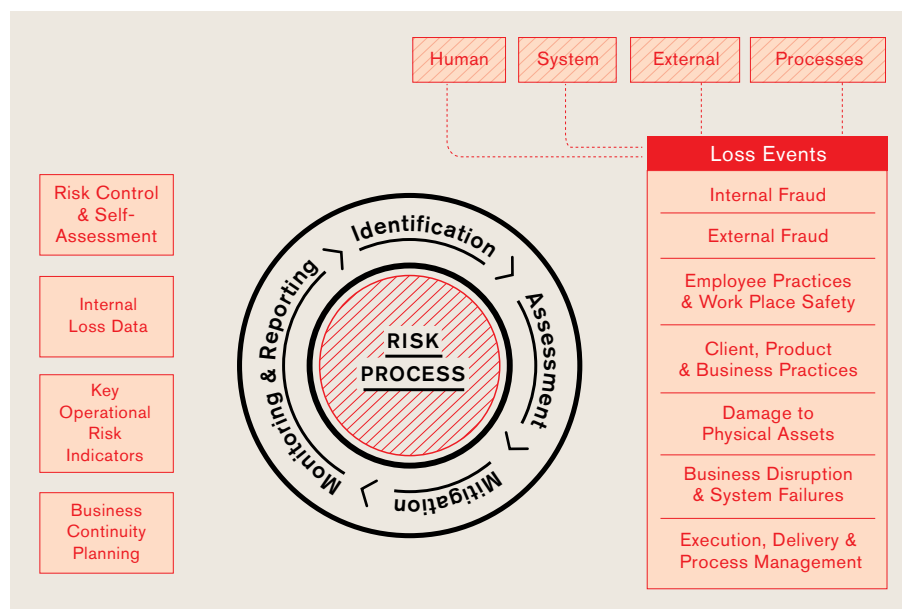
Operational risk is inherent in all of Seylan Bank business activities, as well as the internal processes, systems that support those business activities. Operational risk can result in losses arising from events such as frauds, systems failure, omissions, disasters, accidents as well as breaches in information security, laws and regulations.

Operational Risk Management Framework and Responsibilities

Operational Risk Management is primarily the responsibility of all employees and business management. Each member of Corporate Management is accountable for maintaining an oversight over operational risk and internal control, covering all businesses and operations for which they are responsible.

Bank manages Operational Risk through a comprehensive set of internal controls and management processes that drive risk identification, assessment, control and monitoring as an ongoing activity. The policies related to Operational Risk Management approved by the Board of

Directors provide a broad framework for identification, assessment, monitoring through Key Operational Risk Indicators (KORI). Chief Manager Operational Risk Management is accountable to the Chief Risk Officer (CRO) for assurance in all material operational risks of the Bank and reporting to Executive and Board Integrated Risk Management Committees.



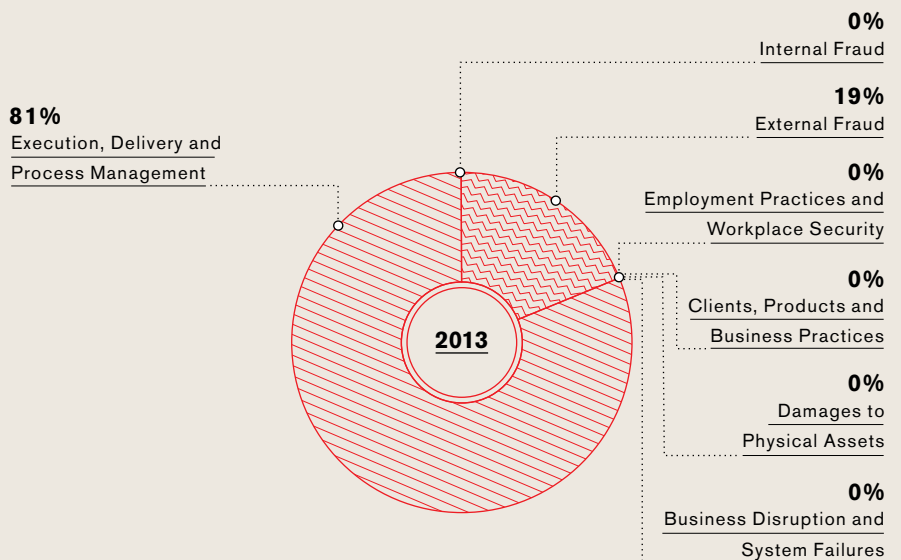
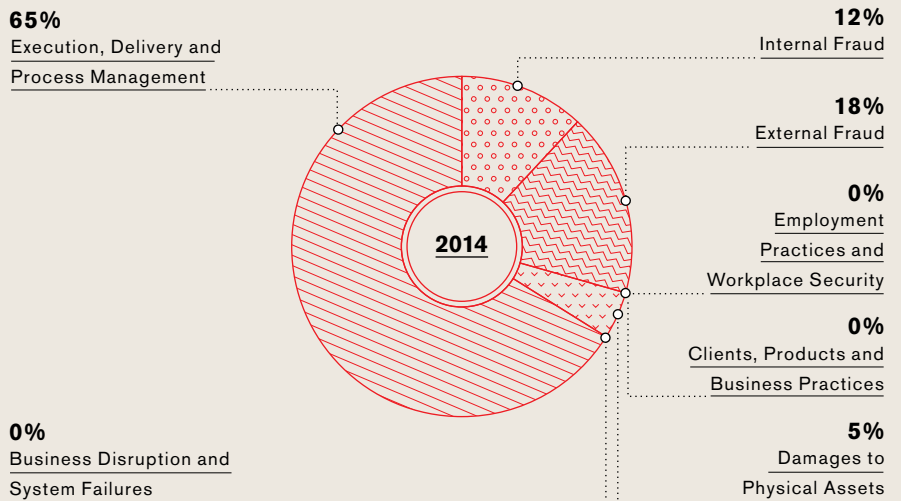
Operational Risk Management and Mitigation

Technique	Management/Mitigation
Risk Control Self-Assessment (RCSA)	Risk and Control Self-Assessment has been carried out bi-annually for the centralised key business units/branches of the Bank for their business processes, to identify and review the inherent risks and controls available to mitigate or manage the residual risks.

Collecting and analysing internal loss data (ILD), incident and near-miss data collection

Bank operates its activities in four broad business lines such as Trading and Sales, Payments and Settlements, Retail Banking and Commercial Banking. Loss events exceeding Rs. 500,000/- have been reported as required by the CBSL quarterly. Following graph exhibits the Operational Losses incurred.

Operational Losses



Bank has reduced the total operational losses reported from Rs. 126 Mn. in the year 2013 to Rs. 43 Mn. in the year 2014 by taking steps to strengthen the internal controls such as improving technology security measures, issuance of new guidelines, improve monitoring process while improving the knowledge and abilities of the staff and disciplinary actions taken against the policy violators. The booked losses were further mitigated by risk transfer through insurance claims and recovery initiatives.

RISK MANAGEMENT

Technique	Management/Mitigation
Establishing and reviewing Key Operational Risk Indicators (KORI)	After reviewing the material operational risks identified, the Executive Market and Operational Risk Management Committee identifies the KORI effacing the Bank and directs action plans to mitigate the risks and uses these indicators to critically review at each monthly meeting.
Reviewing information risk and integrity,	<p>The Bank has acquired and continuously updates its systems with best standard information security as part of its information risk management practices using the tools and techniques such as modern firewall technologies, intruder detection and prevention systems to monitor data access security so that the Bank can rapidly identify and respond to suspect information flows and intruder attacks.</p> <p>All IT modifications/implementations are routed through proper channels with recommendations in Information security aspects to avoid operational losses to the Bank.</p>
Effectiveness of business continuity and disaster recovery plans (BCP)	<p>Bank has comprehensive and sound business continuity and disaster recovery plans to ensure the capability and resilience to handle failures, business disrupting events and maintain core banking/critical businesses, systems and essential customer services in the event of prolonged or widespread disruption.</p> <p>These plans are systematically reviewed, updated and are being rolled out among all business units.</p> <p>Suitable preventive and mitigation measures are also used to minimise the likelihood and impact of damage.</p>
Outsourcing services	<p>Bank has outsourced some business functions according to the policy guided by the Central Bank with the intention of acquiring the specialised skills to undertake specific tasks such as recovery of overdue credit cards, maintenance of IT hardware and call centre operations. The list of functions is reported to CBSL annually.</p> <p>Bank manages the outsourcing process after evaluating whether the services are suitable for outsourcing based on assessment of the risks involved and undertaking due diligence tests on the companies concerned such as credibility and ability of the owners, technical and skilled manpower capability, financial strength, legal and regulatory requirements etc.</p>
Insurance arrangements	Bank has made arrangements with the insurance service providers to insure the high impact low probability events and the uncontrollable operational risk events such as natural disasters, and fire etc., as a risk mitigation tool. Further, insurance has been bought to cover the internal and external frauds, errors, omissions, hold up, employee fidelity and other controllable risk events too. However, insurance has not been used for taking upon risks that would otherwise not be undertaken thereby avoiding moral hazards. The policy on insurance is reviewed annually for effectiveness of the same.

Compliance Risk Management

The Compliance Unit within the Bank is headed by the Compliance Officer who reports directly to the Board Integrated Risk Management Committee (BIRMC). The Bank has adopted a structured framework for compliance by formulating a Compliance Policy, which has been approved by the Board of Directors and is reviewed periodically.

The Bank conducts its business in accordance with the Bank's code of conduct, laws and regulations imposed by the regulatory authorities with zero tolerance for non-compliance in order to eliminate any violations of regulatory requirements and internal policies.

The Compliance Unit functions as an independent unit and addresses the Bank's compliance with laws and regulations such as Know Your Customer (KYC) and Prevention of Money Laundering to minimise the risk of any breach and appropriate mechanisms have been adopted by the Unit. The Compliance Unit also ensures that laws and regulations applicable to the Bank are complied with and assess key compliance requirements, which are thereafter disseminated to the business and or operations units on a regular basis.

Conformity of Regulations Introduced in 2014

Date Issued	Department Issued	Regulation/Direction/Determination/Guideline	Status
31.12.2014	Exchange Control	Issuance of Foreign Currency Notes for Travel Purposes	Complied
23.12.2014	Bank Supervision	Enhancement of Minimum Capital Requirement of Banks - LCB	Complied
18.12.2014	Bank Supervision	Banking Act Determination No. 1 of 2014 on Annual License Fee of Licensed Commercial Banks and Licensed Specialised Banks	Complied
27.10.2014	Exchange Control	Opening and Maintaining Accounts in Chinese Renminbi (RMB)	Complied
30.09.2014	Bank Supervision	Guidelines on Stress Testing of Licensed Commercial Banks and Licensed Specialised Banks	Complied
29.09.2014	Exchange Control	Foreign Exchange Earners' Accounts (FEEA)	Complied
23.09.2014	Domestic Operations	Operating Instructions on Open Market Operations of the Central Bank of Sri Lanka	Complied
01.09.2014	Payments & Settlements	General Direction No. 02/2014 - Fees Chargeable on the Transactions Effected Through the Common ATM Switch	Complied
01.07.2014	Exchange Control	Amendments to the Outward Investment Account (OIA)	Complied
26.06.2014	Bank Supervision	Banking Act Direction No. 2 of 2014- Amendment to Banking Act Directions No. 7 of 2007 on Maximum Amount of Accommodation - LCBs	Complied
26.06.2014	Bank Supervision	Banking Act Directions No. 4 of 2014 - Amendment to Directions on Integrated Risk Management Framework For Licensed Banks	Complied
05.06.2014	Bank Supervision	Banking Act Directions No. 1 of 2014 - Regulatory Framework on Valuation of Immovable Property of Licensed Commercial Banks and Licensed Specialised Banks	Complied
28.05.2014	Exchange Control	Foreign Exchange Earners' Accounts (FEEA)	Complied
28.05.2014	Exchange Control	Resident Non-National Foreign Currency (RNNFC) Accounts	Complied
28.05.2014	Exchange Control	Resident Foreign Currency (RFC) Accounts	Complied
28.05.2014	Exchange Control	Special Foreign Investment Deposit Accounts (SFIDA)	Complied
28.05.2014	Exchange Control	Foreign Travel Cards (FTCs)	Complied
28.05.2014	Exchange Control	Letters of Credit (L/Cs)	Complied
28.05.2014	Exchange Control	Credit Facilities to Importers Resident in Sri Lanka by Suppliers Resident Outside Sri Lanka	Complied
28.05.2014	Exchange Control	Accommodation to Holders of Foreign Exchange Earners' Accounts (FEEA)	Complied
28.05.2014	Exchange Control	Foreign Currency Accounts for International Services Providers and their Employees (FCAISPE)	Complied
31.03.2014	Bank Supervision	Implementation of The Standardised Approach on Computation of Risk-Weighted Amount for Operational Risk under Basel II Capital Adequacy Framework	Complied
25.02.2014	Payments & Settlements	General Direction No. 01/2014 - Fees Chargeable on the Transactions Effected Through the Common ATM Switch	Complied
02.01.2014	Domestic Operations	Margin Requirements Against Letters of Credit for Importation of Motor Vehicles	Complied

RISK MANAGEMENT

Strategic Risk Management

Strategic risk is the possibility of current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.

The Bank has a well-established four-year strategic plan (extended up to 2016) which is reviewed and updated annually. Corporate management and the Board take the responsibility to lead the Bank, while maintaining its vision & mission in order to minimise the failures at the business environment.

In pursuing the Bank's strategic goals and business objectives Bank has established clear communication channels at all levels of the organisation, allocate system for operations and business lines, and increase staff capabilities through staff development and recognition process.

Reputation Risk Management

Reputation Risk is a threat or danger to the goodwill or standing of a business or entity. As risk mitigating actions the Bank has established sound policies and procedures such as customer complaint management, whistle blowing policy to maintain the goodwill in positive manner. For the purpose of extracting the customer grievances each business unit has a record of the same for the review of the inspections and responses while such complaints are allowed to be made using telephones under the whistle blowing policy. Bank had a very few incidents on this type of events and successfully solve them without any damage.

Bank also recognise the importance of making positive contribution to the society by promoting corporate social responsibility (CSR) through ethical banking practices, environmental awareness and contribution to the community. Accordingly Bank's Board Sustainability Committee quarterly monitors the progress of CSR contribution and its effectiveness.

Stress Testing

A simulation technique used on asset and liability portfolios to determine their reactions to different financial situations. Stress tests are also used to gauge how certain stresses will affect the Bank profitability and Capital adequacy. They are usually computer-generated simulation models that test hypothetical scenarios.

The Bank has currently implemented stress testing of credit and market risk using following scenarios.

Stress Testing Methodology and Results

Category	Stress Scenario
1. Credit Risk	(i) Increase in Non-Performing Assets (NPAs) (ii) Shift in NPA categories (iii) Default of large borrower/s (iv) Default in a specific sector/industry/region (v) Collateral - Devaluation
2. Market Risk	
2.1 Interest Rate Risk in the Trading Book	1. A scenario where market rates would rise by 200 b.ps and 300 b.ps on a parallel shift on the yield curve 2. A slope shift where Securities maturing within 1 year will be stress for a 200 b.p shift and securities maturing more than two years for a shift in the yield curve by 300 b.ps to analyse the impact on earnings and capital
2.2 Equity Trading	Shock levels of 5%, 10% and 15% will be applied to current market prices to analyse the impact on earnings and capital
2.3 Forex Risk	Shock levels of 1.5%, 2.5% and 3.5% will be applied on the USD/LKR exchange rate to analyse the magnitude of shock on the Net Open Position in equivalent of USD and the impact on earnings and capital
2.4 Interest Rate Risk on the Banking Book (IIRBB)	1. Shock levels of 1%, 2% and 2.5% levels will be applied to the maturity mis-match of Rate Sensitive Assets & Liabilities (RSA&L) and analyse the impact on earning or Earnings at Risk (EAR) 2. The same shock levels will be applied on the Duration Gap of RSA&L to analyse the impact on the Economic Value of Equity (EVE)
3. Liquidity Risk	Shock levels of 15%, 20% and 25% is applied to contractual maturity mis-match of assets and liabilities to analyse the magnitude of shock to and impact on Capital Adequacy Ratio (CAR)

BASEL III Approach and Readiness

We have implemented an Internal Credit Rating Module which will enable to record data and validate same to move to internal rate base approach in computing the capital adequacy for credit risk. We have conducted parallel computation of capital adequacy on operational risk under the alternative standardised approach and awaits CBSL green light to proceed.

We have moved to Pillar II to capture all other risks that are not covered under Pillar I through the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP document prepared for year 2013 was submitted to the regulator for supervisory review before the stipulated time.

The market disclosures are carried out as per CBSL Guidelines and as per disclosure policy in line with the Pillar III requirements.

Bank has commenced computing the net stable funding ratio in following the regulators road map in moving to Basel III requirements in aligning its capital to liquidity requirements.

Achievements during 2014 and Outlook for 2015

- Implementation of robust credit rating module and issue of lending guidelines covering specific economic activity/ industry segment has enable the business units to evaluate the counterparty risk. As a result we have kept the infectious ratio low.
- Rigorous monitoring of non-performing advances by the recoveries and by the Executive Credit Risk Management Committee enabled to reduce the NPA significantly.

RISK MANAGEMENT

- iii. Implementation of effective credit risk review process, where 34% of advances granted have been independently reviewed an identified shortcomings mitigated to improve the credit quality.
- iv. Several training programmes were internally designed and conducted to improve the risk taking ability of the staff of business units.
- v. Members of the risk management team too underwent several training programmes conducted by CBSL and other institutions to enhance their skills.
- vi. Several initiatives such as revalidation of Credit Rating System and computation of capital required for operational risk under alternate standardised approach taken in order to move to advance approaches of Basel II.
- vii. Exploring the possibility of deployment of predictive operational risk analytical system to capture unexpected operational risk events during 2015.
- viii. In 2014 the Bank implemented analysing the interest rate risk for the banking book of the Statement of Financial Position by matching the rate sensitive assets against the similar rate sensitive liabilities according to their contractual and assumed maturities.
- ix. In 2015, we are focused on operating in an increasingly challenging environment by achieving excellence in every aspect of our market, interest rate and liquidity risk management. Our path is laid out in enhancing market risk monitoring via more advanced methods and tools such as Value-at-Risk ('VaR'), Economic Value of Equity ('EVE') and Earnings at Risk ('EAR') and analytics such as Monte Carlo' simulation methodologies.

Key Risk Indicators**Dash Board on Key Credit, Market, Liquidity and Operational Indicators**

	Threshold/ Target %	December 2014 %	December 2013 %	Low	Medium	High
Credit Risk						
1. Gross NPA/Total Advances - (NPA Ratio)	10	9.08	12.44		○	
2. Net NPA/Total Advances (Net NPA Ratio) NPA = Gross NPA - (IIS)	8	7.69	10.58		○	
3. Increase/(Decrease) in Gross NPA		-18.16	-11.56		○	
4. Overdue + NPA/Total Advances (with interest receivables)	30	22.25	32.29		○	
5. Watch List/Total Performing (without interest receivables)	15	15.79	30.10		○	
6. Increase/(Decrease) in Overdues (without interest receivables)		-30.76	-6.82		○	
7. Open Credit Exposure Ratio	25	38.32	54.31		○	
8. Specific Provision/Gross NPA (Provision Cover)	40	26.09	21.81			○
9. Large Exposures (Over Rs. 500 Mn.)/Core Capital	4 times	1.98	1.43		○	
Market and Interest Rate Risk						
	Limit	December 2014 %	December 2013 %			
1. Maturity Gaps		%	%			
1.1 Maturity Gap Less than 3 Months to Liabilities Less than 3 Months		-6.35	-19.26	○		
1.2 Maturity Gap Less than one Year to Total Liabilities		-12.22	-14.58	○		
2. Investments						
2.1 Government Securities						
2.1.1 Government Securities to Total Assets		11.94	18.05	○		
2.2 Equities						
2.2.1 Total Equity Investments (Quoted) to Total Assets		0.25	0.23	○		
Liquidity and Funding Risk						
	Limit	December 2014 %	December 2013 %			
1. Statutory Liquidity Ratio		%	%			
1.1 Domestic Banking Unit	21.00	27.60	26.74	○		
1.2 Foreign Currency Banking Unit	21.00	21.86	25.93	○		
2. Advance to Deposit Ratio						
2.1 Advances to Deposits Ratio - Bank	97.50	87.12	86.14	○		
3. Advances to Deposits + Debentures	95.00	83.67	84.50	○		
4. Advances to Stable Funds	90.00	81.13	80.54	○		

RISK MANAGEMENT

		Threshold/ Target %	December 2014 %	December 2013 %	Low	Medium	High
Operational Risk		Limit	December 2014	December 2013			
1.	Pawning Losses as Percentage of Pawning Capital Outstanding	Zero	0.11	0.38	○		
2.	Cheque Returns as Percentage of Total Cheques in Clearing	3	3.84	5.10	○		
3.	Value and Number of Skimming Cards and Non-EMV Converted POS Transactions	Zero	4.03 Mn. 108 Trans	6.5 Mn. 163 Trans		○	

Capital Adequacy Computation - Bank**Computation of Risk-Weighted Assets - Credit Risk**

	On Balance Sheet Assets and Credit Equivalent of off-Balance Sheet Assets		Risk-Weight Factor	Risk-Weighted Assets	
	2014 Rs. '000	2013 Rs. '000	%	2014 Rs. '000	2013 Rs. '000
Assets					
Claims on Government of Sri Lanka and Central Bank of Sri Lanka	68,066,324	58,074,813	0	–	–
Claims on Banks	5,064,705	2,754,118	20-150	4,360,125	1,495,819
Claims on Financial Institutions	3,484,733	5,433,461	20-150	2,528,853	3,816,552
Claims on Corporates	49,660,188	39,157,591	20-150	49,419,345	39,008,050
Retail Claims	58,724,758	42,805,976	75-100	49,011,440	35,245,503
Claims Secured by Residential Property	11,080,222	10,171,318	50-100	5,811,123	5,275,542
Non-performing Assets (NPAs)	9,313,350	11,998,400	50-150	13,181,982	16,926,404
Cash Items	6,427,282	4,920,645	0-20	43,055	54,098
Property, Plant & Equipment, Other Fixed Assets	3,013,862	2,935,415	100	3,013,862	2,935,415
Other Assets	10,577,222	7,568,280	100	10,577,222	7,568,280
Total	225,412,646	185,820,017		137,947,007	112,325,663

	Off-Balance Sheet Assets		Credit Conversion Factor	Credit Equivalent	
	2014 Rs. '000	2013 Rs. '000	%	2014 Rs. '000	2013 Rs. '000
Instruments					
Off Balance Sheet Exposure					
Direct Credit Substitutes	553,899	482,843	100	553,899	482,843
Transaction-Related Contingencies	9,143,652	7,762,512	50	4,571,826	3,881,256
Short-Term Self-Liquidating Trade-Related Contingencies	10,117,687	7,125,193	20	2,023,537	1,425,040
Other commitments with an original maturity of up to one year or which can be unconditionally cancelled at any time	17,431,409	14,171,411	0	–	–
Foreign Exchange Contracts	54,617,978	70,579,646	0-5	1,815,320	1,411,593
Total	91,864,625	100,121,605		8,964,582	7,200,732

* The Off-Balance Sheet exposure is included in the Risk-Weighted Assets

RISK MANAGEMENT**Capital Charge for Market Risk**

	2014 Rs. '000	2013 Rs. '000
Capital Charge for Interest Rate Risk	107,936	251,242
Capital Charge for Equity	15,209	66,834
Capital Charge for Foreign Exchange and Gold	18,240	21,115
Total Capital Charge for Market Risk	141,385	339,191
Total Risk-Weighted Assets for Market Risk	1,413,850	3,391,910

Capital Charge for Operational Risk

	2014 Rs. '000	2013 Rs. '000
Gross Income		
Year 1	11,485,267	10,391,604
Year 2	12,606,760	11,540,732
Year 3	15,032,827	12,869,950
Average Gross Income	13,041,618	11,600,762
Total Capital Charge for Operational Risk - (15%)	1,956,243	1,740,114
Total Risk-Weighted Assets for Operational Risk	19,562,427	17,401,143

Computation of Capital

	2014 Rs. '000	2013 Rs. '000
Tier I: Core Capital		
Paid-up Ordinary Shares/Common Stock/Assigned Capital/Stated Capital	10,529,724	10,529,724
Statutory Reserves	995,894	841,964
Published Retained Profits/(Accumulated Losses)	8,221,342	6,433,420
General and Other Reserves	2,747,695	2,528,867
Less:		
Net Deferred Tax Assets	18,030	170,590
Other Intangible Assets	279,820	141,134
50% Investments in the Capital of Other Banks and Financial Institutions	342,498	616,825
Total Eligible Core Capital (Tier I Capital)	21,854,307	19,405,426
Tier II: Supplementary Capital		
Revaluation Reserves (as approved by Central Bank of Sri Lanka)	289,916	48,827
Approved Subordinated Term Debt	1,600,000	2,126,113
Less:		
50% Investments in the Capital of Other Banks and Financial Institutions	342,498	616,825
Total Eligible Supplementary Capital (Tier II Capital)	1,547,418	1,558,115
Total Capital Base	23,401,725	20,963,541

RISK MANAGEMENT**Computations of Ratios**

	2014 Rs. '000	2013 Rs. '000
Total Risk-Weighted Assets (RWA)		
Total Risk-Weighted Assets for Credit Risk	137,947,007	112,325,663
Total Risk-Weighted Assets for Market Risk	1,413,850	3,391,910
Total Risk-Weighted Assets for Operational Risk	19,562,427	17,401,143
Sub Total	158,923,284	133,118,716
Minimum Capital Charge		
Minimum Capital Charge for Credit Risk	13,794,701	11,232,566
Minimum Capital Charge for Market Risk	141,385	339,191
Minimum Capital Charge for Operational Risk	1,956,243	1,740,114
Sub Total	15,892,329	13,311,871
Total Capital Available to meet the Capital Charge for Credit Risk		
Total Eligible Core Capital (Tier I Capital)	21,854,307	19,405,426
Total Eligible Supplementary Capital (Tier II Capital)	1,547,418	1,558,115
Total Capital Base	23,401,725	20,963,541
Core Capital Ratio (Minimum Requirement 5%)		
Total Eligible Core Capital (Tier I Capital)	21,854,307	19,405,426
Total Risk-Weighted Assets	158,923,284	133,118,716
	13.75%	14.58%
Total Capital Ratio (Minimum Requirement 10%)		
Total Capital Base	23,401,725	20,963,541
Total Risk-Weighted Assets	158,923,284	133,118,716
	14.73%	15.75%

158	159	166	170	171	172
Financial Calendar	Report of the Board of Directors of Seylan Bank PLC on the State of Affairs of the Company for the Year 2014	Annexure to the Report of the Board of Directors on the State of Affairs of the Company	Sustainability Assurance Report	Auditors' Report on Internal Control	Directors' Statement on Internal Control
174	175	176	177	178	179
Statement of Directors' Responsibility for Financial Reporting	Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	Independent Auditors' Report	Income Statement	Statement of Profit or Loss and Other Comprehensive Income	Statement of Financial Position
180	184	187			
Statement of Changes in Equity	Cash Flow Statement	Notes to the Financial Statements			

FINANCIAL CALENDAR

Financial Calendar - 2014

Financial Statements	Released to the Colombo Stock Exchange (CSE)	Published in the Newspapers
Interim Financial Statements		
4th Quarter/Year ended 31st December 2013	26th February 2014 (Unaudited)	14th March 2014 (Audited)
Interim (Unaudited) Financial Statements		
1st Quarter/Three months ended 31st March 2014	30th April 2014	9th May 2014
2nd Quarter/Six months ended 30th June 2014	31st July 2014	7th August 2014
3rd Quarter/Nine months ended 30th September 2014	3rd November 2014	5th November 2014
Final Audited Financial Statements - Year ended 31st December 2013 and Annual Report - 2013	Issued to the CSE on 6th March 2014 Circulated to the Shareholders - March 2014 Circulated to the Debenture Holders - March 2014	
27th Annual General Meeting:	Held on 31st March 2014	
First and Final Ordinary Dividend for the year ended 31st December 2013 paid on:	9th April 2014	

Proposed Financial Calendar - 2015

Interim (Unaudited) Financial Statements	- 4th Quarter/Year ended 31st December 2014 - Released to the CSE	26th February 2015
Final Audited Financial Statements	- Year ended 31st December 2014 and Annual Report - 2014 - Released to the CSE and circulated to the Shareholders/Debenture Holders (including Notice of Annual General Meeting to the Shareholders)	March 2015
28th Annual General Meeting	- Annual General Meeting for the year ended 31st December 2014	31st March 2015
First and Final Ordinary Dividend	- Payable for the year ended 31st December 2014 (subject to approval of the shareholders at the AGM)	10th April 2015
Interim (unaudited) Financial Statements	- Statements in respect of the four quarters of 2015 will be released/published as per the Listing Rules of the Colombo Stock Exchange	

REPORT OF THE BOARD OF DIRECTORS OF SEYLAN BANK PLC

ON THE STATE OF AFFAIRS OF THE COMPANY FOR THE YEAR 2014

The Directors of Seylan Bank PLC ('the Board' or 'the Directors') present their Report on the State of Affairs of Seylan Bank PLC ('the Bank' or 'the Company') together with the Audited Financial Statements of the Bank and the Consolidated Financial Statements of the Group for the financial year ended 31st December 2014 and the Auditors' Report on those Financial Statements.

This Report hereinafter will also be referred to as 'this Report', 'Report of the Directors' or 'Report of the Board of Directors'.

The Financial Statements and the disclosures made herein conform to the requirements of the Companies Act No. 07 of 2007, the Banking Act No. 30 of 1988 (as amended) and the Directions issued by the Monetary Board under the Banking Act. The Report also includes relevant disclosures required to be made under the Banking Act Directions, Listing Rules of the Colombo Stock Exchange and is guided by the recommended best practices on accounting and corporate governance.

The Audited Financial Statements were reviewed and approved by the Board of Directors on 25th February 2015.

Seylan Bank PLC

Seylan Bank PLC is a public limited liability company incorporated in Sri Lanka on 28th August 1987 under the Companies Act No. 17 of 1982. The Bank was re-registered as required under the provisions of the Companies Act No. 07 of 2007 on 30th May 2007. The registered office and the head office of the Bank is at 'Seylan Towers', No. 90, Galle Road, Colombo 03.

The Bank has been listed in the Colombo Stock Exchange since January 1989. The Bank's Ordinary Shares (both Voting and Non-Voting) and the majority of its unsecured redeemable debentures are listed in the Colombo Stock Exchange. Fitch Ratings Lanka Limited has affirmed the Bank's National Long-Term Rating at A-(lka) with a stable outlook and has affirmed the Bank's senior unsecured debentures at A-(lka) whilst assigning a BBB+(lka) for its subordinated debt.

Vision and Mission and Corporate Conduct

The Bank's Vision and Mission Statements are given on page 4 of this Annual Report.

The Bank conducts its business activities at a high level of ethical standard in achieving its Vision and Mission. The Board of Directors of the Bank as well as its employees have pledged to abide by and comply with the respective Codes of Conduct and Ethics.

Principal Activities

The principal activities of the Bank are commercial banking and provision of related financial services which include acceptance of deposits, personal banking, trade financing, offshore banking, resident and non-resident foreign currency operations, travel-related services, corporate and retail credit, margin trading, pawn broking, project financing, lease financing, rural credit, credit card facilities, money remittance services, dealing in Government Securities and Treasury related products, etc.

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

Seylan Developments PLC

Subsidiary of the Bank, Seylan Developments PLC is a public limited liability company listed on the Colombo Stock Exchange. The principal activities of Seylan Developments PLC are property development/management. The Bank held a 68.28% stake in Seylan Developments PLC as at 31st December 2014. The Bank received a dividend of Rs. 21,177,628.74 paid by the subsidiary during the year under review.

Branch Network

As at 31st December 2014, the Bank's branch network consisted of 157 branches and 93 student savings centres. Six new branches were opened at Bambalapitiya, Wadduwa, Hikkaduwa, Rideegama, Kelaniya and Colombo Gold Centre whilst branches at Mawanella, Wijerama, Matara, Kalpitiya, Kandy and Katugastota were relocated during the year. The Colombo South Branch of the Bank was renamed as 'Wellawatte Branch' with effect from 1st December 2014. Eight new student savings centres were opened in Batticaloa, Ampara and Kandy Districts during the year.

Review of Performance in 2014 and Future Development Plans

The Chairman's Message, the Chief Executive Officer's Review and the Management Discussion and Analysis published in this Annual Report provide an overall assessment

and review of the Bank's operations and financial performance during the year 2014 and they also refer to the future development plans of the Bank.

Financial Statements

The Audited Financial Statements of the Bank and the Group for the financial year ended 31st December 2014 certified by the Chief Financial Officer and the Director/Chief Executive Officer and signed by two Directors in terms of Sections 151, 152 and 168 (l) (b) of the Companies Act No. 07 of 2007 as published in this Annual Report form an integral part of this Report.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Bank to reflect a true and fair view of its state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Banking Act No. 30 of 1988 (as amended), the Listing Rules of the Colombo Stock Exchange and Banking Act Direction No. 11 of 2007 (as amended) and the directions and guidelines thereto.

The Statement of Directors' Responsibility for Financial Reporting which appears on page 174 of this Annual Report, form an integral part of this Report of the Directors.

Auditors' Report

The Auditors of the Company Messrs KPMG, Chartered Accountants have carried out the audit of the Consolidated Financial Statements for the financial year ended 31st December 2014 and their Report on the Financial Statements appears on page 176 of this Annual Report.

Significant Accounting Policies

The Significant Accounting Policies adopted in the preparation of the Financial Statements are given on pages 187 to 216 in this Annual Report.

Financial Reporting

The Bank has adopted Sri Lanka Accounting Standards and Sri Lanka Financial Reporting Standards (SLFRS/LKAS) in the preparation of the Financial Statements. Consequently, the necessary quantifications and disclosures have also been made based on SLFRS/LKAS.

REPORT OF THE BOARD OF DIRECTORS OF SEYLAN BANK PLC

ON THE STATE OF AFFAIRS OF THE COMPANY FOR THE YEAR 2014

Financial Results

Income

The income of the Bank and the income of the Group as at the end of the year 2014 are given in the table below. An analysis of the income is given in the Notes to the Financial Statements published in this Annual Report:

Income	2014		2013	
	Bank Rs. Bn.	Group Rs. Bn.	Bank Rs. Bn.	Group Rs. Bn.
Gross Income (Note 6)	28.564	28.628	28.091	28.146
Total Operating Income	16.231	16.308	12.870	12.943

Profit and Appropriations

A summary of the consolidated financial results of the operations of the Group during the year ended 31st December 2014 is given below:

	2014 Rs. '000	2013 Rs. '000
Profit before Taxation	4,835,389	3,496,491
Less: Taxation	1,582,819	1,144,446
Profit after Taxation	3,252,570	2,352,045
Attributable to Non-Controlling Interest	73,794	25,897
Net Profit Attributable to Equity Holders	3,178,776	2,326,148
Retained Profit Brought Forward after Dividends	6,373,346	5,385,411
Profit Available for Appropriation	9,552,122	7,711,559
Adjustments/Transfer to Reserve Fund	(153,930)	(115,777)
Other Transfers/Adjustments	(104,362)	(446,275)
Balance Carried Forward	9,293,830	7,149,507

Taxation

Provision for taxation has been computed as indicated in Note 15 to the Financial Statements.

Capital Expenditure

The total capital expenditure incurred on the acquisition of Property, Plant & Equipment of the Bank and the Group during the year is given in the Notes 29, 30 and 32 to the Financial Statements. Capital expenditure approved and contracted for after the year ended 31st December 2014 is also given in Note 46 to the Financial Statements.

Property, Plant & Equipment, Leasehold Rights and Intangible Assets

The details of the Property, Plant & Equipment are given in Notes 29, 30 and 32 to the Financial Statements.

Acquisition of Property, Plant & Equipment, Leasehold Rights and Intangible Assets

BANK		GROUP	
2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
678,837	657,040	703,404	672,102

Freehold Properties

The net book value of freehold properties owned by the Bank and the Group as at the end of the financial year are given below:

BANK		GROUP	
2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
1,733,028	1,764,594	3,316,389	3,330,733

All freehold lands and buildings of the Bank were valued by professionally qualified independent valuers/panel of Chartered Valuers/Licensed Surveyors in 2013 and brought into the Financial Statements. Details of freehold properties owned by the Bank are given in Note 29.4 to the Financial Statements.

Donations

During the year, the Bank made donations amounting to Rs. 935,000/- (Donations made in 2013 amounted to Rs. 221,000/-).

Recommendation of Ordinary Dividend and Solvency Certification

The Directors have recommended the payment of a First and Final Ordinary Dividend of Rs. 2.50 per share to the ordinary voting and ordinary non-voting shareholders for the year ended 31st December 2014, payable on 10th April 2015 subject to the approval of the shareholders at the Annual General Meeting of the Bank. The Bank paid a First and Final Ordinary Dividend of Rs. 2.25 per share for the year 2013 on 9th April 2014.

The Directors are satisfied that the Bank would meet the solvency test in terms of the provisions of the Companies Act No. 07 of 2007 immediately after the proposed dividend. Board has obtained a Certificate of Solvency from the External Auditors, pursuant to providing the Statements of Solvency in respect of the proposed dividend payment.

**REPORT OF THE BOARD OF DIRECTORS OF SEYLAN BANK PLC
ON THE STATE OF AFFAIRS OF THE COMPANY FOR THE YEAR 2014**

Reserves

Total reserves (including Statutory Reserve Fund) as at the end of the financial year, are as follows:

BANK		GROUP	
2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
13,478,815	11,231,894	14,665,480	12,131,779

Stated Capital

The stated capital of the Bank as at 31st December 2014 was Rs. 10,529,724,017/-.

The shareholding of the Bank is given in the table below:

	2014	2013
Ordinary Voting Shares	175,977,401	175,977,401
Ordinary Non-Voting Shares	168,983,009	168,983,009

Shareholdings

As at 31st December 2014, the number of registered shareholders of the Bank included 9,389 ordinary voting shareholders and 7,477 ordinary non-voting shareholders. The public holding as at 31st December 2014 as per the Rules of the Colombo Stock Exchange is as follows:

	Shareholders	Shares	%
Ordinary Voting Shares	9,373	95,564,553	54.31
Ordinary Non-Voting Shares	7,469	97,103,015	57.46

An analysis of the distribution of shareholdings and lists of twenty largest ordinary voting and ordinary non-voting shareholders of the Bank are published on pages 297 to 299 of this Annual Report.

Debt Capital

As at 31st December 2014, the Bank had issued debentures (both quoted and unquoted) to the value of Rs. 7,599,870,000/- (2013 - Rs. 3,095,565,000/-).

Redemption of Debentures

Debenture Issue 2008/2013

6,305,650 unsecured subordinated redeemable quoted five-year debentures of Rs. 100/- each amounting to Rs. 630,565,000/- allotted on 12th January 2009 were matured and were redeemed on 11th January 2014.

Debenture Issue 2014

The Bank proceeded with a Debenture Issue of Thirty Million (30,000,000) listed rated senior unsecured redeemable debentures of the par value of Rupees Hundred each (Rs. 100/-) aggregating up to a value of Rupees Three Billion (Rs. 3,000,000,000/-) with an option to issue further Thirty Million (30,000,000) of such Debentures in the event of an over-subscription with the total value of the debentures in such event aggregating to Rupees Six Billion (Rs. 6,000,000,000/-) by way of a public issue. The Issue was oversubscribed on 17th December 2014 and the Bank allotted 51,348,700 debentures amounting to Rs. 5,134,870,000/- to the investors on 23rd December 2014.

Investors' Information

Information including earnings, profitability, dividend, net assets and market value per share is given under Financial Highlights of this Annual Report. Information pertaining to share prices and debenture prices is given in this Annual Report on pages 299 and 300.

Equitable Treatment of Shareholders

The Bank has at all times ensured the equitable treatment of its shareholders.

Directorate

Changes in Directorate during 2014

Name of Director	Appointments	Resignations/Retirement
Mr. R. Nadarajah - Executive Director		8th May 2014
Mr. H.K.U. Dharmadasa Non-Executive Director	9th June 2014	

The Board recorded its appreciation of the valuable contribution made by Mr. R. Nadarajah during his tenure of office as Executive Director from 8th January 2009 to 8th May 2014.

Names of the Directors who held office as at 31st December 2014 are given below:

Name of Director	Status as at 31st December 2013
Mr. N.M. Jayamanne PC	Independent Non-Executive/Chairman
Mr. I.C. Nanayakkara	Non-Executive/Deputy Chairman
Rear Admiral B.A.J.G. Peiris	Independent Non-Executive
Mr. S.P.S. Ranatunga	Independent Non-Executive
Mr. W.D.K. Jayawardena	Non-Executive
Mr. P.L.S.K. Perera	Independent Non-Executive
Ms. M.C. Pietersz	Independent Non-Executive
Mr. H.I. Balapatabendi	Non-Executive (Resigned on 22nd January 2015)
Mr. H.K.U. Dharmadasa	Non-Executive (Resigned on 22nd January 2015)

REPORT OF THE BOARD OF DIRECTORS OF SEYLAN BANK PLC

ON THE STATE OF AFFAIRS OF THE COMPANY FOR THE YEAR 2014

The Board of Directors by a Resolution passed on 16th February 2015, appointed General Manager/Chief Executive Officer, Mr. Kapila Prasanna Ariyaratne as an Executive Director of the Bank with effect from 16th February 2015, pursuant to the approval granted by the Central Bank of Sri Lanka in terms of Section 42 of the Banking Act (as amended).

The profiles of the Board of Directors are given on pages 86 to 93 of this Annual Report.

All Non-Executive Directors have submitted signed declarations confirming their independent/non-independent status in compliance with Rules 7.10.2 and 7.10.4 of the Colombo Stock Exchange Rules of Corporate Governance.

Signed Affidavits and Declarations in terms of Section 42 of the Banking Act (as amended) have also been submitted by the continuing Directors confirming their 'fit and proper' status to hold/continue in office as Directors of the Bank.

Recommendations for Re-Election of Directors

In terms of Article 82 of the Articles of Association, Mr. N.M. Jayamanne PC and Mr. I.C. Nanayakkara retire by rotation at the Annual General Meeting of the Bank and offer themselves for re-election pursuant to the Board Nomination Committee and the Board of Directors evaluating and recommending their re-elections to continue as Directors of the Bank.

In terms of Article 89 of the Articles of Association, Mr. K.P. Ariyaratne who was appointed to the Board as an Executive Director on 16th February 2015 to fill a casual vacancy on the Board, retires by rotation at the Annual General Meeting of the Bank and offers himself for re-election. His appointment to the Board was recommended by the Board Nomination Committee in December 2014 and the Board of Directors recommended the proposal for his re-election as a Director in terms of Article 89 of the Articles of Association at the meeting held on 25th February 2015.

Meetings of the Board of Directors

Twelve regular monthly meetings and four special meetings were held during the year. The special meetings were held to consider and decide on important and urgent issues. A schedule of Directors' attendance at Board meetings and at Board Sub-Committee meetings is appended to Corporate Governance on page 123.

Board Sub-Committees

The following Board Sub-Committees were functional as at 31st December 2014.

Board Audit Committee

Members:
Ms. M.C. Pietersz (Chairperson)
Mr. N.M. Jayamanne PC
Mr. S.P.S. Ranatunga
Mr. P.L.S.K. Perera
(Resigned from the Membership w.e.f. 26th June 2014)
Mr. H.I. Balapatabendi

Board HR and Remuneration Committee

Members:
Mr. N.M. Jayamanne PC (Chairman)
Rear Admiral B.A.J.G. Peiris
Mr. S.P.S. Ranatunga
Mr. I.C. Nanayakkara
Ms. M.C. Pietersz

Board Credit Committee

Members:
Mr. I.C. Nanayakkara (Chairman)
Mr. R. Nadarajah
(Retired from the Board on 8th May 2014)
Rear Admiral B.A.J.G. Peiris
Mr. P.L.S.K. Perera
Mr. H.K.U. Dharmadasa
(Appointed w.e.f. 29th August 2014)

Board Marketing and Product Development Committee

Members:
M. S.P.S. Ranatunga (Chairman)
Mr. N.M. Jayamanne PC
Mr. R. Nadarajah
(Retired from the Board on 8th May 2014)
Rear Admiral B.A.J.G. Peiris
(Appointed w.e.f. 31st October 2014)
Mr. H.I. Balapatabendi
(Appointed w.e.f. 31st October 2014)

Board Integrated Risk Management Committee

Members:
Mr. S.P.S. Ranatunga (Chairman)
Ms. M.C. Pietersz
Mr. P.L.S.K. Perera
Mr. W.D.K. Jayawardena

Board Nomination Committee

Members:
Rear Admiral B.A.J.G. Peiris (Chairman)
Mr. N.M. Jayamanne PC
Mr. S.P.S. Ranatunga
Mr. I.C. Nanayakkara

Board Sustainability Committee

Members:
Mr. I.C. Nanayakkara (Chairman)
Rear Admiral B.A.J.G. Peiris
Mr. S.P.S. Ranatunga
Mr. H.I. Balapatabendi
Mr. R. Nadarajah
(Retired from the Board on 8th May 2014)

Board Governance and Compliance Committee

(Established by the Board on 26th February 2014)
Members:
Mr. N.M. Jayamanne PC (Chairman)
Rear Admiral B.A.J.G. Peiris
Mr. P.L.S.K. Perera
Ms. M.C. Pietersz

Directors - Seylan Developments PLC

The Board of Directors of the Subsidiary, Seylan Developments PLC as at 31st December 2014 comprised five Directors, three of whom are Non-Executive, Non-Independent Directors, namely, Messrs K.P. Ariyaratne (Chairman), S. Palihawadana (Deputy Chairman) and R.J. Jayasekera. Mr. P. Saravanapavan and Dr. P.M. Gunasekera are Non-Executive, Independent Directors.

The Members of the aforementioned Board Sub-Committees have presented their respective self-assessment/evaluation reports to the Board and the Board of Directors has concurred and expressed their satisfaction of each of the Committees' activities and performance during 2014.

Reports of these Board Sub-Committees are published on pages 126 to 136 of this Annual Report.

**REPORT OF THE BOARD OF DIRECTORS OF SEYLAN BANK PLC
ON THE STATE OF AFFAIRS OF THE COMPANY FOR THE YEAR 2014**

Directors' Interest Register

The Directors have declared their interests in contracts to the Board of Directors from time to time in accordance with Section 192 (2) of the Companies Act No. 07 of 2007 and had refrained from voting on matters in which they were materially interested. The declarations of disclosures (if any) were reported to the Board at the meeting that ensues such declarations. All such disclosures made have been duly recorded in the Directors' Interest Register.

Transactions arising out of the disclosures made are given in the Note 50.1 to the Audited Financial Statements. A list of directorships held by the Directors and their substantial shareholdings including public listed (quoted) companies as at 31st December 2014 is provided in the annexure to this Report.

Directors' Interest in Shares and Debentures of the Bank

Directors' holdings in shares and debentures of the Bank as at 31st December 2014 are given below:

No change occurred in the interest in shares and debentures of the above Directors after 31st December 2014 and before the date of this Report or before the dates of resignations.

Mr. K.P. Ariyaratne who was appointed to the Board as Director/CEO on 16th February 2015 held the following interests in Seylan Bank's shares and debentures as at 31st December 2014, and as at the date of his appointment.

Shares	Debentures - Debenture Issue 2013/2018
21,117 Ordinary Voting Shares	30,000 Debentures of Rs. 100/- each (Annual category)
123,005 Ordinary Non-Voting Shares	10,000 Debentures of Rs. 100/- each (Semi-Annual category)

No change occurred in the above holdings at the date of this Report.

Name of Director	31.12.2014	31.12.2013	Shares/Debentures
Mr. N.M. Jayamanne PC	5,583	5,583	Ordinary Voting Shares
	50,000	50,000	Debentures 2013-2018 - Annual Interest
	50,000	50,000	Debentures 2013-2018 - Semi-Annual Interest
Mr. I.C. Nanayakkara	Nil	Nil	
Rear Admiral B.A.J.G. Peiris	Nil	Nil	
Mr. S.P.S. Ranatunga	Nil	Nil	
Mr. W.D.K. Jayawardena	Nil	Nil	
Ms. M.C. Pietersz	Nil	Nil	
Mr. P.L.S.K. Perera	Nil	Nil	
Mr. H.I. Balapatabendi (Resigned w.e.f. 22nd January 2015)	Nil	Nil	
Mr. H.K.U. Dharmadasa (Resigned w.e.f. 22nd January 2015)	35,900	N/A	Ordinary Non-Voting Shares
Percentage Shareholding of Directors as at 31st December 2014			
Ordinary Voting Shares (%)	0.003	0.011	
Ordinary Non-Voting Shares (%)	0.021	Nil	

REPORT OF THE BOARD OF DIRECTORS OF SEYLAN BANK PLC

ON THE STATE OF AFFAIRS OF THE COMPANY FOR THE YEAR 2014

Directors' Remuneration

Details of Directors' emoluments paid during the year in respect of the Bank and the Group for the year ended 31st December 2014 are given in Note 13 to the Financial Statements in this Annual Report in terms of the Section 168 (1) (f) of the Companies Act No. 07 of 2007.

Insurance and Indemnity

Pursuant to a decision taken by the Board (as authorised by the Articles of Association of the Bank), the Bank obtained a Directors and Officers liability insurance cover in respect of the years 2013/14.

Corporate Governance

The Board of Directors has pledged their commitment towards maintaining an effective corporate governance framework and practices within the Bank to enhance business prosperity and corporate accountability. The Bank has established systems and procedures to ensure that they are adequately and practically adopted and followed.

The extent of compliance with the Directions, Rules and Best Practice Guidelines is described in Corporate Governance appearing on pages 100 to 123.

The External Certification of the Bank's compliance with the Central Bank Code of Corporate Governance performed in line with agreed upon procedures set out in Sri Lanka Related Services Practice Statement (SLRSPS 4750) was provided by the Bank's External Auditors, Messrs KPMG, Chartered Accountants.

Risk Management and System of Internal Controls

Risk Management

The Board has ensured the implementation of a sound risk management framework. The Board Integrated Risk Management Committee reviews on a regular basis the risk exposure of the Bank. The Report of the Board Integrated Risk Management Committee is given on pages 131 to 132 of this Annual Report whilst a detailed Risk Management Report of the Bank is given on pages 137 to 156.

System of Internal Control

High quality and proportionate internal control systems are followed by the Bank to achieve its aims. The objectives of internal controls are to ensure the effectiveness and efficiency of operations, reliability and integrity of financial reporting and compliance with applicable laws and regulations. In order to achieve these objectives, the Board from time to time through the Board Audit Committee reviewed the adequacy and integrity of the internal control system of the Bank.

The Board of Directors has promoted a sound internal control framework within the Bank with a sound control environment, robust risk assessment mechanism, periodic monitoring and review of internal controls and an effective information and communication system.

The Directors' Statement on internal control appearing on pages 172 and 173 of this Annual Report provides an overview of the Bank's effort in ensuring and maintaining the effectiveness of its internal control system. The Board received independent assurance report from the External Auditors, Messrs KPMG on the Bank's internal control system and the said report is published on page 171 of this Annual Report.

Compliance with Laws and Regulations

The Bank has not engaged in any activities contravening any laws and regulations currently in force. Key Management Personnel designated in the Bank for ensuring compliance with various laws and regulations confirm compliance which is reported to the Board on a monthly basis by the Compliance Officer.

Outstanding Litigation

In the opinion of the Directors and External Legal Counsels retained by the Bank, pending litigations against the Bank disclosed in Note 45 to the Financial Statements will not have a material impact on the Financial Position of the Bank or its future operations.

Environmental Protection

The Bank has not engaged in any activity that is harmful or hazardous to the environment. Measures taken by the Bank on environmental protection are detailed in the Integrated Management Report published on pages 22 to 83.

Statutory Payments

The Directors are satisfied that all statutory payments due to the Government, to the employees of the Bank and its subsidiary have been made.

Events after the Reporting Date

No events have occurred after the Reporting Date which would require adjustments to or disclosure in the accounts, other than those given in Note 48 to the Financial Statements.

Human Resources

The Board of Directors of the Bank has placed its utmost confidence on the Human Capital of the Bank and recognises the impact it makes to the bottom line of the Bank's Financial Statements. The Bank believes in enhancing and enriching the knowledge level of the employees through continual on the job training and structured and focused indoor and outdoor training programmes offered to the employees.

Bank's HR strategies are formulated in line with the overall corporate strategies, which will gear the company to meet the challenges of the new era and be compatible of the global business environment.

Employees' Share Owning Scheme

Six employee-share owning trust companies have been established in 1995 and in 1999/2000 which have acquired shares of the Bank from time to time at the market prices prevailing at that time. The details of the facilities granted by the Bank to these companies for the purchase of such shares are provided in Note 50 to the Financial Statements.

The details of the litigation by and against the Bank, the six Employee Share Ownership Trust Companies and Ex-employees of the Bank are provided on page 265 under Note 45 to the Financial Statements.

**REPORT OF THE BOARD OF DIRECTORS OF SEYLAN BANK PLC
ON THE STATE OF AFFAIRS OF THE COMPANY FOR THE YEAR 2014**

Going Concern

The Directors are satisfied that having considered the financial position, operating conditions, regulatory and other factors and such other matters required to be addressed in the Corporate Governance Code, that the Bank has adequate resources to continue its operations in the foreseeable future. The Financial Statements of the Bank have accordingly been prepared on the going concern basis.

Auditors

The Bank's Auditors during the period under review were Messrs KPMG, Chartered Accountants. Audit Fees and Consolidated Audit Fees payable/paid are as follows:

	2014 Rs. '000	2013 Rs. '000
Audit Fees		
Audit Service Fees for the Year under Review	9,710	9,073
Audit-Related Fees	2,543	4,051
Non-Audit Fees	359	232
Consolidated Audit Fees		
Audit Service Fees for the Year under Review	10,627	9,902
Audit-Related Fees	2,543	4,134
Non-Audit Fees	443	232

Based on the declaration made by Messrs KPMG and as far as the Directors are aware, the Auditors do not have any relationship with or interest in the Company or its subsidiary other than the provision of audit and non-audit and related services as listed above.

The retiring Auditors, Messrs KPMG have expressed their willingness to continue in office and a resolution to reappoint them as Auditors and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Independence of the Auditors

Based on an assessment carried out by the Board Audit Sub-Committee upon adoption of a policy for the engagement of Auditors, the Board is of the opinion that the External Auditors, Messrs KPMG can be deemed to be independent for all intents and purposes considering the following factors:

- No partner from the Firm is on the Board of Seylan Bank or on the Board of any subsidiary Company.
- The audit and non-audit fees are negotiated and are not above industry norms.
- The firm had the necessary skills to competently carry out the non-audit related assignments entrusted to them.
- The Auditors do not receive fees from other assignments except as stated above.
- Partner and Audit-team rotation was complied with in 2014.
- Messrs KPMG is a firm of high repute and it complies with their own international guidelines.

Notice of Meeting

Notice of Meeting relating to the Twenty-Eighth Annual General Meeting of the Bank scheduled to be held on 31st March 2015 at 10.00 a.m. at the Kings Court of Cinnamon Lakeside, No. 115, Sir Chittampalam A Gardiner Mawatha, Colombo 02 is circulated to the shareholders with this Annual Report.

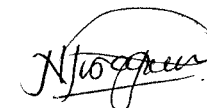
For and on behalf of the
Board of Directors of Seylan Bank PLC



Nihal Jayamanne PC
Chairman/Independent Director



I.C. Nanayakkara
Deputy Chairman/Non-Executive Director



Mrs. N.N. Najumudeen
Company Secretary

25th February 2015
Colombo

ANNEXURE TO THE REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

Directors' Interest Register and Directors' Interest in Transactions as at 31st December 2014

The Bank carries out transactions in the ordinary course of business at commercial rates with entities in which a Director of the Bank is the Chairman or a Director of such entities, or holds substantial interest in such entities.

The entities in which the Directors of the Bank hold directorships and their substantial shareholdings in other entities are disclosed below.

The transactions of the Bank with the Directors and with these entities (if any) are disclosed under Note 50 to the Financial Statements.

Directorship/Officer/Trustee in Other Entities

Mr. N.M. Jayamanne PC (Chairman/Independent Director)

Entity	Position Held	Substantial Shareholding % (if any)
Law Commission of Sri Lanka	Chairman	–
SriLankan Airlines Limited (Resigned w.e.f. 9th January 2015)	Non-Executive Director	–
SriLankan Catering (Pvt) Limited (Resigned w.e.f. 9th January 2015)	Non-Executive Director	–
Seylan Bank Employees' Gratuity Trust Fund	Trustee	–

Mr. I.C. Nanayakkara (Deputy Chairman/Non-Executive Director)

Entity	Position Held	Substantial Shareholding % (if any)
Commercial Leasing and Finance PLC**	Non-Executive Chairman	–
Brown & Company PLC**	Executive Chairman	–
Browns Investments PLC**	Executive Chairman	–
Lanka ORIX Leasing Company PLC**/**	Deputy Chairman/ Executive Director	12.6
Lanka ORIX Finance PLC**	Executive Director	–
Agstar Fertilizers PLC**	Non-Executive Director	–
LOLC Micro Credit Limited	Non-Executive Chairman	–
PRASAC Micro Finance Institute	Non-Executive Director	–
Sierra Constructions Limited	Non-Executive Director	–
BRAC Lanka Finance PLC (Formerly: Nanda Investments & Finance PLC)**	Non-Executive Director	–
LOLC Myanmar Microfinance Co. Limited	Non-Executive Director	–
Associated Battery Manufactures (Cey) Limited	Non-Executive Director	–
Lanka Century Investment PLC**	Non-Executive Director	–
FLC Holdings PLC**	Executive Director	–
Medford Investments (Pvt) Limited	Shareholder	25.00
Taprobane Holdings PLC**	Shareholder	22.53

** Listed Public Companies

*** Lanka ORIX Leasing Company PLC is the 100% holding company of LOLC Investments Limited which held 9.55% of the voting capital of the Bank.

ANNEXURE TO THE REPORT OF THE BOARD OF DIRECTORS
ON THE STATE OF AFFAIRS OF THE COMPANY

Rear Admiral B.A.J.G. Peiris (Independent Director)

Entity	Position Held	Substantial Shareholding % (if any)
Seylan Bank Employees' Gratuity Trust Fund	Trustee	–

Mr. S.P.S. Ranatunga (Independent Director)

Entity	Position Held	Substantial Shareholding % (if any)
CIC Holdings PLC**	Managing Director/CEO	–
Akzo Nobel Paints Lanka (Pvt) Limited	Non-Executive Director	–
ChemaneX PLC**	Non-Executive Director	–
CIC Agribusiness (Pvt) Limited	Non-Executive Director	–
CIC Bio Security Breeder Farms Limited	Non-Executive Director	–
CIC Feeds (Pvt) Limited	Non-Executive Director	–
CIC Poultry Farms Limited	Non-Executive Director	–
CIC Vetcare (Pvt) Limited	Non-Executive Director	–
CISCO Speciality Packaging (Pvt) Limited	Non-Executive Director	–
CIC Mahaweli Livestock & Dairies Limited	Non-Executive Director	–
Link Natural Products (Pvt) Limited	Non-Executive Director	–
CIC Seeds (Pvt) Limited	Non-Executive Director	–
CIC Agri Produce Export (Pvt) Limited	Non-Executive Director	–
Crop Management Services (Pvt) Limited	Non-Executive Director	–
CIC Lifesciences Limited	Non-Executive Director	–
CIC Dairies (Pvt) Limited	Non-Executive Director	–
Rahimafrooz CIC Agro Limited, Bangladesh	Non-Executive Director	–
Commercial Insurance Brokers (Pvt) Limited	Non-Executive Director	–
CIC Dairy Breeding & Management (Pvt) Limited	Non-Executive Director	–

** Listed Public Companies

ANNEXURE TO THE REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

Mr. W.D.K. Jayawardena (Non-Executive Director)

Entity	Position Held	Substantial Shareholding % (if any)
Lanka ORIX Finance PLC**	Non-Executive Chairman	–
Lanka ORIX Leasing Co. PLC**	Managing Director/CEO	–
LOLC General Insurance Limited	Non-Executive Director	–
LOLC Insurance Company Limited	Non-Executive Chairman	–
LOLC Micro Credit Limited	Non-Executive Director	–
LOLC Securities Limited	Non-Executive Chairman	–
Speed Italia (Pvt) Limited	Non-Executive Chairman	–
United Dendro Energy (Pvt) Limited	Non-Executive Chairman	–
Commercial Leasing & Finance PLC**	Non-Executive Director	–
Palm Garden Hotels PLC**	Non-Executive Chairman	–
Riverina Resort (Pvt) Limited	Non-Executive Director	–
Eden Hotel Lanka PLC**	Non-Executive Chairman	–
Brown & Co. PLC**	Non-Executive Director	–
Browns Investments PLC**	Non-Executive Director	–
BRAC Lanka Finance PLC (Formerly: Nanda Investments & Finance PLC)**	Non-Executive Director	–

** Listed Public Companies

Mr. P.L.S. Kumar Perera (Independent Director)

Entity	Position Held	Substantial Shareholding % (if any)
Tiruchelvam Associates	Consultant	–
Expolanka Holdings PLC**	Consultant	–

** Listed Public Company

Ms. M.C. Pietersz (Independent Director)

Entity	Position Held	Substantial Shareholding % (if any)
Finlays Colombo PLC**	Finance Director	–
Finlay Rentokil Ceylon (Pvt) Limited	Executive Director	–
Finlay Teas (Pvt) Limited	Executive Director	–
Finlay Properties (Pvt) Limited	Executive Director	–
Finlay Cold Storage (Pvt) Limited	Executive Director	–
Finlays Linehaul Express (Pvt) Limited	Executive Director	–
Finlay Insurance Brokers (Pvt) Limited	Executive Director	–
Bogala Graphite Lanka PLC**	Independent Non-Executive Director	–
Finlay Tea Solutions Colombo (Pvt) Limited	Executive Director	–

** Listed Public Companies

ANNEXURE TO THE REPORT OF THE BOARD OF DIRECTORS
ON THE STATE OF AFFAIRS OF THE COMPANY

Mr. H.I. Balapatabendi (Non-Executive Director) - (Resigned w.e.f. 22nd January 2015)

Entity	Position Held	Substantial Shareholding % (if any)
Sri Lanka Insurance Corporation Limited (Resigned w.e.f. 21st January 2015)	Non-Executive Director	–
ZRI Corporate Consultants (Pvt) Limited	Non-Executive Director	–

Mr. H.K.U. Dharmadasa (Non-Executive Director) - (Resigned w.e.f. 22nd January 2015)

Entity	Position Held	Substantial Shareholding % (if any)
Nawaloka Piling (Pvt) Limited	Chairman/ Managing Director	99.99
Nawaloka Polysacks (Pvt) Limited	Chairman/Managing Director	99.99
Nawaloka Timber Stores (Pvt) Limited	Chairman/Managing Director	99.99
New Nawaloka Trading Co. (Pvt) Limited	Chairman/Managing Director	99.99
Nawaloka Development (Pvt) Limited	Chairman/Managing Director	–
Nawaloka Industries (Pvt) Limited	Chairman/Managing Director	89.09
Nawaloka Restaurant (Pvt) Limited	Executive Chairman	100
Sri Lanka Insurance Corporation Limited (Resigned w.e.f. 21st January 2015)	Chairman/ Non-Executive Director	–
Kamar Lanka (Pvt) Limited	Executive Chairman	50
New Nawaloka Construction (Pvt) Limited	Chairman/Managing Director	50

SUSTAINABILITY ASSURANCE REPORT



KPMG
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Independent Assurance Report to Seylan Bank PLC

On the elements of Sustainability Reporting in the Integrated Annual Report for the year ended 31st December 2014

Introduction

We were engaged by the Board of Directors of Seylan Bank PLC to provide assurance on the following elements of the Sustainability Reporting in the Integrated Annual Report for the year ended 31st December 2014 of Seylan Bank PLC ('the Report').

- Reasonable assurance on the data on financial performance, as reported on pages 6 and 7 of this Report.
- Limited assurance on the sustainability performance indicators specified on pages 82 and 83, for the following stakeholder groups as detailed below.

Stakeholder Disclosures	Integrated Report Page
Investors	49 - 51
Customers	60
Employees	62 - 68
Community	74
Environment	76
Suppliers	81

Our Conclusions

(a) Data on Financial Performance:

In our opinion, the data on financial performance, as reported on pages 6 and 7 of the Annual Report 2014 are properly derived from the financial statements of the Bank for the year ended 31st December 2014.

(b) Sustainability Performance Indicators and Stakeholder Disclosures:

Based on the limited assurance procedures performed, as described below, nothing has come to our attention that causes us to believe that the sustainability performance indicators and the stakeholder disclosures as described in the pages noted above, have not in all material respects, been prepared and presented in accordance with the Sustainability Reporting Guidelines as described on page 5 of this report.

Managements' Responsibility

Management is responsible for the preparation and presentation of the Report in accordance with the Global Reporting Initiative (GRI) G4 Principles for Defining Report Content and Quality.

These responsibilities includes the identification of stakeholders and material aspects and for establishing such internal controls as management determines are necessary to enable the preparation of the reported performance information and other information in the report that are free from material misstatement whether due to fraud or error.

Our Responsibilities and Compliance with SLSAE 3000

Our responsibility is to carry out a reasonable and limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by The Institute of Chartered Accountants of Sri Lanka.

That Standard requires that we comply with applicable ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable and limited assurance about whether the Report is free from material misstatement.

Summary of Work Performed

Financial Data

A reasonable assurance engagement on financial performance reported on pages 6 and 7 of this Report involves verification that they were properly derived from Audited Financial Statements of the Bank for the year ended 31st December 2014.

Sustainability Performance Indicators

Our limited assurance engagement on the sustainability performance indicators included in the report consisted of making enquiries, primarily of persons responsible for the management, monitoring and preparation of the sustainability indicators presented in the report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;

- Enquiries of management to gain an understanding of Seylan Bank's processes for determining material issues for Seylan Bank's key stakeholder groups;
- Enquiries of relevant staff at corporate level responsible for the preparation of the report;
- Enquiries about the design and implementation of the systems and methods used to collect and report the information, including the aggregation of the reported information;
- Comparing the information presented in the report to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- Reading the Sustainability Performance Indicators presented within the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of Seylan Bank PLC;
- Reading the remainder of the Sustainability Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with Sri Lanka Standards on Auditing and Assurance Engagements, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion on the sustainability performance indicators.

Use of this Report

Our assurance report is made solely to Seylan Bank PLC in accordance with the terms of our engagement. Our work has been undertaken so that we might state to Seylan Bank PLC those matters we have been engaged to state in this assurance report and for no other purpose. We do not accept or assume responsibility to anyone other than Seylan Bank PLC for our work, for this Assurance Report, or for the conclusions we have reached.

Chartered Accountants

Colombo
25th February 2015

AUDITORS' REPORT ON INTERNAL CONTROL

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To the Board of Directors of Seylan Bank PLC

We were engaged by the Board of Directors of Seylan Bank PLC ("Bank") to provide assurance on the Directors' Statement on Internal Control ('Statement') included in the annual report for the year ended 31st December 2014 as set out in pages 172 to 173 in this Annual Report.

Management's Responsibility for the Statement on Internal Control

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with the Section 3 (8) (ii) (b) of the Banking Act Direction No. 11 of 2007, by The Institute of Chartered Accountants of Sri Lanka.

Scope of the Engagement in Compliance with SLSAE 3050

Our responsibility is to issue a report to the Board on the Statement based on the work performed. We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3050 - Assurance Report for Banks on Directors' Statement on Internal Control issued by The Institute of Chartered Accountants of Sri Lanka.

Summary of Work Performed

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the system of internal control for the Bank.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures:

- (a) Enquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the Annual Report.
- (b) Reviewed the documentation prepared by the Directors to support their Statement made.
- (c) Related the Statement made by the Directors to our knowledge of the Bank obtained during the audit of the Financial Statements.
- (d) Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.
- (e) Attended meetings of the audit committee at which the annual report, including the Statement on Internal Control is considered and approved for submission to the Board of Directors.
- (f) Considered whether the Directors' Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.
- (g) Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3050 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

Our Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the Annual Report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Bank.

Chartered Accountants

25th February 2015
Colombo

DIRECTORS' STATEMENT ON INTERNAL CONTROL

Introduction

The system of internal control is a critical component of Seylan Bank PLC's ('Bank') management and a foundation for safe and sound operations. A sound internal control system is established with the intention of ensuring that the goals and objectives of the Bank will be met, will achieve long-term profitability targets and maintain reliable financial and managerial reporting, while ensuring compliance with laws and regulations as well as internal policies and procedures.

The internal control process comprises the following main elements:

- (a) Management oversight and control culture.
- (b) Risk recognition and assessment.
- (c) Control activities and segregation of duties.
- (d) Information and communication.
- (e) Monitoring activities and correcting deficiencies.

The internal control mechanism is an ongoing process for identifying, evaluating and managing significant risks faced by the Bank and ensuring that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the relevant accounting principles and regulatory requirements.

Responsibility

The Board of Directors ('Board') is responsible for the adequacy and effectiveness of the Bank's system of internal controls. However, such a system is designed to manage the Bank's key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Bank. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

Framework for Managing

Significant Risks

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Bank and this process includes enhancing the system of internal controls as and when there are changes to the business environment and regulatory guidelines. The process is regularly reviewed by the Board and accords with the Guidance for Directors of Banks on the Directors' Statement on Internal Control issued by The Institute of Chartered Accountants of Sri Lanka (ICASL). The Board has assessed the internal control system taking into account principles for the assessment of internal control system as given in that guidance. As required by the Direction No. 11 of 2007, Section 3 (8) (ii) (b) under the Banking Act, the Board of Directors presents this Report.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks. The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

Key Features of the Process Adopted in Reviewing the Design and Effectiveness of the Internal Control System over Financial Reporting

The key processes that have been established in reviewing the design and effectiveness and integrity of the system of internal controls with respect to financial reporting include the following:

- The Board Committees established by the Board, assist the Board in ensuring the effectiveness of the Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

- The Internal Audit Division of the Bank verifies compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational basis and highlights significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of these units and branches. The annual audit plan is reviewed and approved by the Audit Committee and the findings of the audits are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee of the Bank reviews internal control issues identified by the Internal Audit Division, the External Auditors, regulatory authorities and management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Audit Committee meetings are tabled at the Board Meetings of the Bank on a periodic basis. Further, details of the activities undertaken by the Audit Committee of the Bank are set out in the Audit Committee Report on pages 126 to 127.
- The Board Committees have been established with appropriate empowerment to ensure effective management and supervision of the Bank's core areas of business operations. These Committees include the Integrated Risk Management Committee, the Governance and Compliance Committee, the Human Resource and Remuneration Committee, the Nomination Committee, the Credit Committee, the Sustainability Committee and the Marketing and Product Development Committee.

DIRECTORS' STATEMENT ON INTERNAL CONTROL

- Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of the Bank's core areas of business operations. These committees include the Asset and Liability Management Committee (ALCO), the Executive Credit Risk Management Committee, the Executive Market and Operational Risk Management Committee, the Executive Crisis Management Committee, the Business Continuity Steering Committee, the Senior Management Committee, the Performance Review Committee and the Information Technology Steering Committee.
- Policies and procedures to ensure compliance with internal controls and the relevant laws and regulations are set out in operations manuals, guidelines and the directives issued by the Bank which are updated from time to time.
- Further, based on the ICASL format under Sri Lanka Standard on Assurance Engagements 3050, all the said controls were documented including the IT general controls and the branch level application controls.
- Modifications to systems and processes have been initiated in order to automate SLFRS/LKAS based calculations. The project implementation is in final stage and expected to be completed in 2015.
- In assessing the internal control system over financial reporting, the management of the Bank collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Bank. These in turn were observed and checked by the Internal Audit Division for suitability of design and effectiveness on an ongoing basis.
- The recommendations made by the External Auditors in connection with the internal control system in the financial year ended 31st December 2013 were taken into consideration and appropriate measures were taken to incorporate them. The recommendations made by the External Auditors in connection with the internal control system for the financial year ended 31st December 2014 will be addressed in the ensuing year.
- This Report and assessment does not include the subsidiary of the Bank.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) and regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statement by External Auditors

The External Auditors have reviewed the above Directors' Statement on Internal Control of the Bank for the year ended 31st December 2014 and reported to the Board that nothing has come to their attention that causes them to believe that the above statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control system over financial reporting of the Bank. Their report to the Board is disclosed on page 171 to this Annual Report.

By Order of the Board of Directors of
Seylan Bank PLC



Nihal Jayamanne PC
Chairman



Coralie Pietersz
Chairperson - Board Audit Committee

25th February 2015

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Statement of Responsibility of the Directors of Seylan Bank PLC ('the Bank') in relation to the Financial Statements of the Bank and the Consolidated Financial Statements of the Group is set out in this Report in terms of the provisions of the Companies Act No. 07 of 2007 (the Act).

The Directors of the Bank ensure that the Bank maintains proper books of account of all its transactions so as to enable the financial position of the Company to be determined with reasonable accuracy at any time; enable the preparation of Financial Statements of the Company in accordance with the Act; and enable the Financial Statements of the Company to be readily and properly audited.

Confirmation of Directors' Responsibility

The Directors of Seylan Bank PLC confirm that to the best of their knowledge -

- the Financial Statements prepared and published on pages 177 to 290 of this Annual Report in terms of Sections 150 (1), 151 (1), 152 (1) and 153 (1) of the Companies Act, give a true and fair view of the state of affairs of the Bank and the Group and the profit or loss for the year ended 31st December 2014;
- the Financial Statements for the year ended 31st December 2014 presented in this Annual Report are consistent with the underlying books of account of the Bank and are in conformity with the Sri Lanka Accounting Standards (SLFRS/LKAS), Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Banking Act No. 30 of 1988 (as amended), Directions and Guidelines of the Central Bank of Sri Lanka, the Listing Rules of the Colombo Stock Exchange, and the Code of Best Practice on Corporate Governance (2013) issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and The Institute of Chartered Accountants of Sri Lanka (ICASL);
- in preparing the Financial Statements for the year ended 31st December 2014 appropriate accounting policies have been selected and applied on a consistent basis with material departures if any disclosed in the Financial Statements together with the rationale for same;
- proper books of account have been maintained and have also taken reasonable steps to ensure the accuracy and reliability of accounting records.

The Directors further confirm that -

- The financial reporting system is also reviewed by the Board through the management accounts submitted monthly at Board meetings. The Bank's Interim and Audited Financial Statements are also reviewed by the Board Audit Committee and the Board prior to their release.
- The Audited Financial Statements for the year ended 31st December 2014 of the Bank and the Group have been certified by the Bank's Chief Financial Officer and the Chief Executive Officer, the persons responsible for their preparation, and signed by two Directors of the Bank on 25th February 2015.

External Auditors' Reviews and Opinions

The Bank's Auditors, Messrs KPMG was engaged to carry out reviews and sample checks on the effectiveness of the systems of internal control as they consider appropriate and necessary in providing their opinion on the Financial Statements. Messrs KPMG have examined the Financial Statements made available together with all other financial records, Minutes of meetings of the Board and the Board Sub-Committees and related information and have expressed their opinion which appears on page 176 of this Annual Report.

Internal Control Mechanism over Financial Reporting

The Board is also responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Bank's assets and ensure continuity of operations. To this end, the Board has identified principal risks and implemented a system to continually assess such risks and established an appropriate control environment for ensuring proper monitoring of effectiveness of internal controls and correction of deficiencies.

The Board's Statement on the effectiveness of Bank's internal control mechanism over financial reporting, prepared in accordance with the Guidelines issued by The Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with Section 3 (B) (ii) (b) of the Banking Act Direction No. 11 of 2007 (as amended) is published on pages 172 to 173 and Bank's Independent Auditors Report on our assessment of Bank's internal controls over financial reporting is published on page 171 of this Annual Report.

Solvency

The Board of Directors confirm that they have authorised the distribution of the proposed dividend after having satisfied that the Bank would meet the solvency test in terms of the provisions of the Companies Act No. 07 of 2007 immediately after the dividend payment. The Board has obtained a statement of solvency from the External Auditors in relation to the proposed dividend payment.

The Directors confirm that to the best of their knowledge and belief, all statutory payments due and payable to all statutory and regulatory authorities as at the Reporting Date, have been paid by the Bank and its Subsidiary or where relevant provided for.

Going Concern

The Directors further confirm that having considered the financial position, operating conditions, regulatory and other factors and such other matters required to be addressed in the Corporate Governance Code, the Bank and the Subsidiary, Seylan Developments PLC have adequate resources to continue the operations of the Bank and the Group in the foreseeable future. The Financial Statements of the Bank and the Group have accordingly been prepared on a going concern basis.

The Directors are of the view that they have discharged their obligations as set out in this Statement.

By Order of the Board of Directors



(Mrs.) N.N. Najumudeen
Company Secretary

25th February 2015
Colombo

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of Seylan Bank and Group are prepared in compliance with the requirements of the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by The Institute of Chartered Accountants of Sri Lanka, the requirements of the Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Banking Act No. 30 of 1988 and amendments thereto, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

Accounting Standards Framework

The Sri Lanka Accounting Standards (SLFRS/LKAS) issued by The Institute of Chartered Accountants of Sri Lanka which are in line with the International Financial Reporting Standards, became effective from 1st January 2012, Seylan Bank has adopted these Standards successfully and Consolidated Financial Statements have been prepared accordingly.

The Board of Directors and Management of the Bank accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs. To ensure this, the Bank has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Bank were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Financial Statements of the Bank and Group were audited by Messrs KPMG, Chartered Accountants, and their Report is on page 176 of this Annual Report. The Audit Committee of the Bank meets periodically with the Internal Auditors and the External Auditors to review the manner in which these Auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

The Audit Committee pre-approves the audit and non-audit services provided by Messrs KPMG in order to ensure that the provision of such services does not impair Messrs KPMG independence.

It is also declared and confirmed that the Bank has complied with and ensured compliance by the Auditors with the guidelines for the audit of listed companies where mandatory compliance is required. It is further confirmed that all the other guidelines have been complied with.

We confirm that the Bank and its Subsidiary have complied with all applicable laws and regulations and guidelines and there are no material litigations against the Group other than those disclosed in Note 45 of the Financial Statements in this Annual Report.



Kapila Ariyaratne

Director/Chief Executive Officer



Ramesh Jayasekara

Chief Financial Officer

25th February 2015
Colombo

INDEPENDENT AUDITORS' REPORT



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To the Shareholders of Seylan Bank PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Seylan Bank PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiary ("Group"), which comprise the statement of financial position as at 31st December 2014, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 177 to 290.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") 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 Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' judgment, 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st December 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- (a) The basis of opinion and scope and limitations of the audit are as stated above.
- (b) In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
 - The financial statements of the Company give a true and fair view of its financial position as at 31st December 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - The financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

Chartered Accountants
Colombo

25th February 2015

INCOME STATEMENT

For the Year ended 31st December	Note	BANK			GROUP		
		2014 Rs. '000	2013 Rs. '000	Change %	2014 Rs. '000	2013 Rs. '000	Change %
Income	6	28,564,355	28,090,978	1.69	28,628,426	28,146,292	1.71
Interest Income		23,407,481	24,859,315	(5.84)	23,422,157	24,866,224	(5.81)
Less: Interest Expenses		12,242,991	15,139,734	(19.13)	12,223,232	15,115,430	(19.13)
Net Interest Income	7	11,164,490	9,719,581	14.87	11,198,925	9,750,794	14.85
Fee and Commission Income		2,347,472	2,208,628	6.29	2,347,129	2,208,342	6.28
Less: Fee and Commission Expenses		90,267	81,294	11.04	97,009	87,931	10.32
Net Fee and Commission Income	8	2,257,205	2,127,334	6.10	2,250,120	2,120,411	6.12
Net Interest, Fee and Commission Income		13,421,695	11,846,915	13.29	13,449,045	11,871,205	13.29
Net Trading Income	9	1,077,236	805,806	33.68	1,078,837	805,957	33.86
Net Gain on Financial Investments	10	1,186,185	190,268	523.43	1,189,706	190,268	525.28
Other Operating Income (Net)	11	545,981	26,961	1,925.08	590,597	75,501	682.24
Total Operating Income		16,231,097	12,869,950	26.12	16,308,185	12,942,931	26.00
Net Impairment Loss	12	2,269,520	1,361,169	66.73	2,134,725	1,362,117	56.72
Net Operating Income		13,961,577	11,508,781	21.31	14,173,460	11,580,814	22.39
Less: Operating Expenses	13						
Personnel Expenses	14	3,926,361	3,536,560	11.02	3,957,416	3,559,799	11.17
Premises, Equipment & Establishment Expenses		1,728,460	1,746,833	(1.05)	1,684,901	1,693,953	(0.53)
Other Expenses		2,454,308	2,022,713	21.34	2,492,750	2,081,931	19.73
Operating Expenses		8,109,129	7,306,106	10.99	8,135,067	7,335,683	10.90
Operating Profit before Taxes		5,852,448	4,202,675	39.26	6,038,393	4,245,131	42.24
Value Added Tax & Nation Building Tax on Financial Services		1,203,004	748,640	60.69	1,203,004	748,640	60.69
Operating Profit before Income Tax		4,649,444	3,454,035	34.61	4,835,389	3,496,491	38.29
Income Tax Expense	15	1,570,842	1,138,496	37.98	1,582,819	1,144,446	38.30
Profit for the Year		3,078,602	2,315,539	32.95	3,252,570	2,352,045	38.29
Profit Attributable to:							
Equity Holders of the Bank		3,078,602	2,315,539	32.95	3,178,776	2,326,148	36.65
Non-Controlling Interest					73,794	25,897	184.95
Profit for the Year		3,078,602	2,315,539	32.95	3,252,570	2,352,045	38.29
Basic/Diluted Earnings per Share (Rs.)	16	8.92	6.74	32.34	9.21	6.78	35.84

Notes on pages 187 to 290 form an integral part of these Financial Statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31st December	Note	BANK			GROUP		
		2014 Rs. '000	2013 Rs. '000	Change %	2014 Rs. '000	2013 Rs. '000	Change %
Profit for the Year		3,078,602	2,315,539	32.95	3,252,570	2,352,045	38.29
Other Comprehensive Income, Net of Income Tax							
Revaluation of Property, Plant & Equipment	43.2	–	141,434	–	27,044	808,743	(96.66)
Actuarial Gain/(Loss) on Defined Benefit Obligations	40.1.7	(65,156)	5,240	(1,343.44)	(65,125)	4,667	(1,495.44)
Net Change of Financial Assets Measured at Fair Value through Other Comprehensive Income:							
Net Change in Fair Value on Available-for-Sale Financial Assets	43.4	209,269	881,357	(76.26)	208,113	881,357	(76.39)
Net Amount Transferred to Profit or Loss on Available-for-Sale Financial Assets	43.4	(199,633)	(114,701)	74.05	(199,633)	(114,701)	74.05
Other Comprehensive Income for the Year, Net of Tax		(55,520)	913,330	(106.08)	(29,601)	1,580,066	(101.87)
Total Comprehensive Income for the Year		3,023,082	3,228,869	(6.37)	3,222,969	3,932,111	(18.03)
Total Comprehensive Income Attributable to:							
Equity Holders of the Bank		3,023,082	3,228,869	(6.37)	3,139,896	3,585,047	(12.42)
Non-Controlling Interest		–	–	–	83,073	347,064	(76.06)
Total Comprehensive Income for the Year		3,023,082	3,228,869	(6.37)	3,222,969	3,932,111	(18.03)

Notes on pages 187 to 290 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	BANK			GROUP		
		2014 Rs. '000	2013 Rs. '000	Change %	2014 Rs. '000	2013 Rs. '000	Change %
Assets							
Cash and Cash Equivalents	19	6,672,963	5,180,195	28.82	6,673,003	5,180,226	28.82
Balances with Central Bank of Sri Lanka	20	7,432,206	7,505,185	(0.97)	7,432,206	7,505,185	(0.97)
Placements with Banks and Finance Companies	21	2,334,304	970,203	140.60	2,334,304	970,203	140.60
Derivative Financial Instruments	22	191,411	287,210	(33.36)	191,411	287,210	(33.36)
Other Financial Assets Held-for-Trading	23	2,525,225	11,183,843	(77.42)	2,534,425	11,191,770	(77.35)
Securities Purchased under Resale Agreements		17,762,914	5,729,904	210.00	17,762,914	5,729,904	210.00
Customer Loans and Receivables	24	154,962,712	136,552,857	13.48	154,962,712	136,552,857	13.48
Financial Investments - Available-for-Sale	25	23,780,589	14,001,964	69.84	23,838,151	14,001,964	70.25
Financial Investments - Held-to-Maturity	26	22,438,807	24,050,862	(6.70)	22,520,079	24,130,160	(6.67)
Investment in Subsidiary	27	1,106,113	800,624	38.16	-	-	-
Group Balances Receivable	28	30,000	15,000	100.00	-	-	-
Property, Plant & Equipment	29	2,967,600	2,887,204	2.78	4,575,985	4,460,001	2.60
Leasehold Rights	30	46,262	48,286	(4.19)	609,413	618,847	(1.52)
Investment Properties	31	114,429	114,429	-	1,183,224	1,043,942	13.34
Intangible Assets	32	279,820	141,134	98.27	279,820	141,134	98.27
Current Tax Assets		-	-	-	-	992	-
Deferred Tax Assets	33	18,030	170,590	(89.43)	-	135,951	-
Other Assets	34	6,647,174	5,521,369	20.39	6,660,185	5,559,102	19.81
Total Assets		249,310,559	215,160,859	15.87	251,557,832	217,509,448	15.65
Liabilities							
Due to Banks	35	11,615,467	11,544,206	0.62	11,615,467	11,544,206	0.62
Derivative Financial Instruments	22	210,536	382,815	(45.00)	210,536	382,815	(45.00)
Customer Deposits	36	185,924,122	167,371,384	11.08	185,924,122	167,371,384	11.08
Securities Sold under Repurchase Agreements		12,419,887	4,573,955	171.53	12,419,887	4,573,955	171.53
Other Borrowings	37	14,628	12,738	14.84	14,628	12,738	14.84
Group Balances Payable	38	193,295	195,126	(0.94)	-	-	-
Debentures	39	7,655,705	3,243,299	136.05	7,655,705	3,243,299	136.05
Current Tax Liabilities		1,323,805	1,090,584	21.38	1,323,290	1,090,584	21.34
Deferred Tax Liabilities	33	-	-	-	36,507	-	-
Other Liabilities	40	5,944,575	4,985,134	19.25	6,038,099	5,091,338	18.60
Total Liabilities		225,302,020	193,399,241	16.50	225,238,241	193,310,319	16.52
Equity							
Stated Capital	41	10,529,724	10,529,724	-	10,529,724	10,529,724	-
Statutory Reserve Fund	42	995,894	841,964	18.28	995,894	841,964	18.28
Retained Earnings		9,083,743	7,209,580	26.00	9,293,830	7,149,507	29.99
Other Reserves	43	3,399,178	3,180,350	6.88	4,375,756	4,140,308	5.69
Total Equity Attributable to Equity Holders of the Bank		24,008,539	21,761,618	10.33	25,195,204	22,661,503	11.18
Non-Controlling Interest					1,124,387	1,537,626	(26.88)
Total Equity		24,008,539	21,761,618	10.33	26,319,591	24,199,129	8.76
Total Liabilities & Equity		249,310,559	215,160,859	15.87	251,557,832	217,509,448	15.65
Commitments & Contingencies	44	45,098,070	35,473,070	27.13	45,165,070	35,561,711	27.00
Net Assets Value per Share (Rs.)		69.60	63.08	10.34	73.04	65.69	11.19

Notes on pages 187 to 290 form an integral part of these Financial Statements.

The Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



Ramesh Jayasekara
Chief Financial Officer

Approved and signed for and on behalf of the Board.

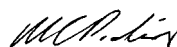


Nihal Jayamanne PC
Chairman

25th February 2015
Colombo



Kapila Ariyaratne
Director/Chief Executive Officer



Coralie Pietersz
Director

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31st December

Bank	Note	Stated Capital	
		Ordinary Shares-Voting Rs. '000	Ordinary Shares-Non-Voting Rs. '000
(1) Balance as at 1st January 2013		6,806,722	3,418,730
Total Comprehensive Income for the Year			
Profit for the Year		-	-
Other Comprehensive Income (net of tax)		-	-
(2) Total Comprehensive Income for the Year		-	-
Transactions with Equity Holders, Recognised Directly in Equity			
Cash/Scrip Dividends to Equity Holders	17	156,000	148,272
Transfers from/to Retained Profits	42,43.5,43.6	-	-
(3) Total Transactions with Equity Holders		156,000	148,272
Balance as at 31st December 2013 (1+2+3)		6,962,722	3,567,002
(1) Balance as at 1st January 2014		6,962,722	3,567,002
Total Comprehensive Income for the Year			
Profit for the Year		-	-
Other Comprehensive Income (net of tax)		-	-
(2) Total Comprehensive Income for the Year		-	-
Transactions with Equity Holders, Recognised Directly in Equity			
Dividends to Equity Holders	17	-	-
Transfers from/to Retained Profits	42,43.6	-	-
(3) Total Transactions with Equity Holders		-	-
Balance as at 31st December 2014 (1+2+3)		6,962,722	3,567,002

**STATEMENT OF
CHANGES IN EQUITY**

Statutory Reserve Fund *	Retained Earnings	Reserves				Total
		Special Risk Reserve **	Revaluation Reserve	Available-for-Sale Reserve	Other Reserves	
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
726,187	6,138,249	112,922	510,049	(125,070)	1,264,048	18,851,837
-	2,315,539	-	-	-	-	2,315,539
-	5,240	-	141,434	766,656	-	913,330
-	2,320,779	-	141,434	766,656	-	3,228,869
-	(676,160)	-	-	-	-	(371,888)
115,777	(573,288)	(112,922)	-	-	623,233	52,800
115,777	(1,249,448)	(112,922)	-	-	623,233	(319,088)
841,964	7,209,580	-	651,483	641,586	1,887,281	21,761,618
841,964	7,209,580	-	651,483	641,586	1,887,281	21,761,618
-	3,078,602	-	-	-	-	3,078,602
-	(65,156)	-	-	9,636	-	(55,520)
-	3,013,446	-	-	9,636	-	3,023,082
-	(776,161)	-	-	-	-	(776,161)
153,930	(363,122)	-	-	-	209,192	-
153,930	(1,139,283)	-	-	-	209,192	(776,161)
995,894	9,083,743	-	651,483	651,222	2,096,473	24,008,539

* Statutory Reserve Fund represents the statutory requirement in terms of the Section 20 (1) and (2) of the Banking Act No. 30 of 1988 (5% of net profit after tax).

** According to the Circular Ref. No. 08/24/002/0005/003 issued by the Central Bank of Sri Lanka, Primary Dealer Unit is required to appropriate 25% of the profit after tax for the year towards the Special Risk Reserve. However, Licensed Commercial Banks appointed as Primary Dealers were exempted from this requirement of maintaining such Special Risk Reserve as per Direction No. 08/11/011/0019/001 dated 18th March 2013.

Notes on pages 187 to 290 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31st December					
Group	Note	Stated Capital		Statutory Reserve Fund *	Retained Earnings
		Ordinary Shares-Voting Rs. '000	Ordinary Shares-Non-Voting Rs. '000		
(1) Balance as at 1st January 2013		6,806,722	3,418,730	726,187	6,061,571
Total Comprehensive Income for the Year					
Profit for the Year		-	-	-	2,326,148
Other Comprehensive Income (net of tax)		-	-	-	4,943
(2) Total Comprehensive Income for the Year		-	-	-	2,331,091
Transactions with Equity Holders, Recognised Directly in Equity					
Cash/Script Dividends	17	156,000	148,272	-	(676,160)
Transfers from/to Retained Profits	42,43.5,43.6	-	-	115,777	(573,267)
Changes in Ownership Interest in Subsidiaries					
Acquisition of Non-Controlling Interest without Change in Control		-	-	-	6,272
(3) Total Transactions with Equity Holders		156,000	148,272	115,777	(1,243,155)
Balance as at 31st December 2013 (1+2+3)		6,962,722	3,567,002	841,964	7,149,507
(1) Balance as at 1st January 2014		6,962,722	3,567,002	841,964	7,149,507
Total Comprehensive Income for the Year					
Profit for the Year		-	-	-	3,178,776
Other Comprehensive Income (net of tax)		-	-	-	(65,136)
(2) Total Comprehensive Income for the Year		-	-	-	3,113,640
Transactions with Equity Holders, Recognised Directly in Equity					
Dividends	17	-	-	-	(776,161)
Transfers from/to Retained Profits	42,43.6	-	-	153,930	(363,122)
Changes in Ownership Interest in Subsidiaries					
Acquisition of Non-Controlling Interest without Change in Control		-	-	-	169,966
(3) Total Transactions with Equity Holders		-	-	153,930	(969,317)
Balance as at 31st December 2014 (1+2+3)		6,962,722	3,567,002	995,894	9,293,830

**STATEMENT OF
CHANGES IN EQUITY**

Reserves				Total	Non-Controlling Interest	Total Equity
Special Risk Reserve ** Rs. '000	Revaluation Reserve Rs. '000	Available-for-Sale Reserve Rs. '000	Other Reserves Rs. '000	Rs. '000	Rs. '000	Rs. '000
112,922	868,928	(125,070)	1,519,261	19,389,251	1,222,004	20,611,255
-	-	-	-	2,326,148	25,897	2,352,045
-	487,300	766,656	-	1,258,899	321,167	1,580,066
-	487,300	766,656	-	3,585,047	347,064	3,932,111
-	-	-	-	(371,888)	(17,819)	(389,707)
(112,922)	-	-	623,233	52,821	19	52,840
-	-	-	-	6,272	(13,642)	(7,370)
(112,922)	-	-	623,233	(312,795)	(31,442)	(344,237)
-	1,356,228	641,586	2,142,494	22,661,503	1,537,626	24,199,129
-	1,356,228	641,586	2,142,494	22,661,503	1,537,626	24,199,129
-	-	-	-	3,178,776	73,794	3,252,570
-	17,362	8,894	-	(38,880)	9,279	(29,601)
-	17,362	8,894	-	3,139,896	83,073	3,222,969
-	-	-	-	(776,161)	(20,857)	(797,018)
-	-	-	209,192	-	-	-
-	-	-	-	169,966	(475,455)	(305,489)
-	-	-	209,192	(606,195)	(496,312)	(1,102,507)
-	1,373,590	650,480	2,351,686	25,195,204	1,124,387	26,319,591

* Statutory Reserve Fund represents the statutory requirement in terms of the Section 20 (1) and (2) of the Banking Act No. 30 of 1988 (5% of net profit after tax).

** According to the Circular Ref. No. 08/24/002/0005/003 issued by the Central Bank of Sri Lanka, Primary Dealer Unit is required to appropriate 25% of the profit after tax for the year towards the Special Risk Reserve. However, Licensed Commercial Banks appointed as Primary Dealers were exempted from this requirement of maintaining such Special Risk Reserve as per Direction No. 08/11/011/0019/001 dated 18th March 2013.

Notes on pages 187 to 290 form an integral part of these Financial Statements.

CASH FLOW STATEMENT

For the Year ended 31st December	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Cash Flows from Operating Activities				
Interest Receipts	22,780,397	23,509,328	22,795,073	23,516,237
Fees and Commission Receipts	2,347,472	2,208,628	2,347,129	2,208,342
Interest Payments	(13,136,112)	(14,339,219)	(13,116,353)	(14,314,915)
Trading Income	1,172,265	713,890	1,172,265	714,041
Receipts from Other Operating Activities	97,451	53,765	156,165	117,184
Cash Payments to Employees and Suppliers	(8,408,229)	(7,365,018)	(8,407,464)	(7,367,488)
Cash Payments for Other Operating Activities	(90,267)	(81,294)	(97,009)	(87,931)
Operating Profit before Changes in Operating Assets and Liabilities [Note (a)]	4,762,977	4,700,080	4,849,806	4,785,470
(Increase)/Decrease in Operating Assets:				
Loans and Receivables (Advanced to)/Repaid by Customers	(18,785,907)	(12,006,741)	(18,785,907)	(12,006,741)
Deposits Held for Regulatory or Monetary Control Purposes	72,979	523,476	72,979	523,476
Increase/(Decrease) in Operating Liabilities:				
Deposits from/(Withdrawals by) Customers	17,669,944	18,960,309	17,669,944	18,960,309
Negotiable Certificates of Deposit	(143,274)	883,361	(143,274)	883,361
Cash (Used in)/Generated from Operations	3,576,719	13,060,485	3,663,548	13,145,875
Income Tax Paid	(722,279)	(170,856)	(722,279)	(170,856)
Contribution Paid into Employees Retirement Benefit Plan/Employees	(214,683)	(86,753)	(214,683)	(86,753)
Net Cash (Used in)/Generated from Operating Activities	2,639,757	12,802,876	2,726,586	12,888,266
Cash Flows from Investing Activities				
Investment in Subsidiary Company	(305,489)	(7,370)	-	-
Dividend Income	40,205	40,954	19,027	23,699
Net Proceeds from Sale, Maturity and Purchase of Financial Investments of Government of Sri Lanka Treasury Bills/Bonds Maturing after 03 Months	2,924,115	(10,412,778)	2,924,115	(10,492,124)
Reverse Repurchase Agreements Maturing after 03 Months	76,956	(31)	76,956	(31)
Net Proceeds from Sale, Maturity and Purchase of Financial Investments of Shares and Debentures	(1,687,776)	(1,445,456)	(1,750,186)	(1,445,456)
Purchase of Property, Plant & Equipment, Leasehold Rights and Intangible Assets	(678,837)	(657,040)	(703,404)	(672,102)
Proceeds from Sale of Property, Plant & Equipment, Leasehold Rights and Intangible Assets	15,224	143,100	15,224	143,280
Proceeds from Sale of Investment Properties	-	-	10,954	29,275
Improvements to Investment Properties	-	-	(24,089)	-
Net Cash (Used in)/Generated from Investing Activities	384,398	(12,338,621)	568,597	(12,413,459)
Cash Flows from Financing Activities				
Increase/(Decrease) in Debentures	4,404,065	2,031,640	4,404,065	2,031,640
Securities Sold under Repurchase Agreements	7,847,735	899,115	7,847,735	899,115
Increase/(Decrease) in Other Borrowings	32,755	5,891,934	(214,668)	5,898,666
Dividends Paid - Ordinary Shares	(771,254)	(368,853)	(794,850)	(386,207)
Dividends Paid - Preference Shares	(39)	(35)	(39)	(35)
Net Cash (Used in)/Generated from Financing Activities	11,513,262	8,453,801	11,242,243	8,443,179
Net Increase/(Decrease) in Cash and Cash Equivalents	14,537,417	8,918,056	14,537,426	8,917,986
Cash and Cash Equivalents at beginning of the Year	18,399,074	9,481,018	18,399,105	9,481,119
Cash and Cash Equivalents at end of the Period	32,936,491	18,399,074	32,936,531	18,399,105
Reconciliation of Cash and Cash Equivalents				
Cash and Cash Equivalents - Notes 19 and 21	9,007,267	6,150,398	9,007,307	6,150,429
Government of Sri Lanka Treasury Bills/Bonds Maturing within 03 Months	6,166,310	6,519,216	6,166,310	6,519,216
Securities Purchased under Resale Agreements Maturing within 03 Months	17,762,914	5,729,460	17,762,914	5,729,460
	32,936,491	18,399,074	32,936,531	18,399,105

CASH FLOW STATEMENT

Note (a) Reconciliation of Operating Profit	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
For the Year ended 31st December				
Profit from Operations before Taxation	4,649,444	3,454,035	4,835,389	3,496,491
Fair Value Adjustment on Interest Income	(203,262)	(933,276)	(203,262)	(933,276)
Fair Value Adjustment on Interest Expenses	(893,121)	800,515	(893,121)	800,515
Fair Value Adjustment on Derivative Instruments	(76,480)	4,435	(78,081)	4,435
Straightlining of Operating Leases	(22,029)	(12,610)	(22,029)	(12,610)
(Gain)/Loss on Foreign Currency Translation	(198,120)	140,680	(198,120)	140,680
Amortisation of Prepaid Staff Cost	244,746	177,585	245,014	177,814
Dividend Income	(40,205)	(40,954)	(19,027)	(23,699)
(Profit)/Loss on Sale of Investment Securities	33,361	35,159	33,361	35,159
(Profit)/Loss from Sale of Property, Plant & Equipment	(12,085)	(72,922)	(12,085)	(73,017)
(Profit)/Loss from Sale of Investment Properties	-	-	(257)	(2,281)
Depreciation of Freehold Property, Plant & Equipment	393,587	432,074	420,126	452,420
Depreciation of Leasehold Property, Plant & Equipment	2,024	3,357	9,434	10,767
Depreciation of Investment Properties	-	-	8,905	8,296
Amortisation of Intangible Assets	62,950	104,391	62,950	104,391
Impairment for Loans and Other Losses	2,291,931	1,355,096	2,291,931	1,355,096
Accrual for VAT on Financial Services	14,821	228,961	14,821	228,961
Accrual for Employee Retirement Benefit Liability	72,285	66,711	71,977	62,445
Impairment Loss/(Reversal) on Investments	(22,411)	75,567	(22,411)	75,567
(Gain)/Loss on Mark to Market Valuation on Quoted Equities	(127,160)	(39,078)	(127,160)	(39,078)
(Gain)/Loss on Mark to Market Valuation on Government of Sri Lanka Treasury Bills/Bonds	67,188	(92,432)	67,188	(92,432)
Notional Tax Credit on Government Securities	(423,822)	(416,711)	(423,822)	(416,711)
Accrual for Leave Encashment	28,226	17,819	28,226	17,819
Accrual for Other Expenses	107,294	(328,560)	91,183	(320,140)
Impairment on Investment Properties	-	-	(141,618)	(12,380)
Net Gain on Financial Investments - Government Securities and Equities	(1,186,185)	(190,268)	(1,189,706)	(190,268)
Impairment Loss on Property, Plant & Equipment	-	(69,494)	-	(69,494)
Operating Profit before Changes in Operating Assets and Liabilities	4,762,977	4,700,080	4,849,806	4,785,470

Notes on pages 187 to 290 form an integral part of these Financial Statements.

CHANGE IN OPERATING ASSETS AND LIABILITIES**[INCREASE/(DECREASE)]**

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Change in Assets				
Operating Assets				
Loans and Receivables	18,785,907	12,006,741	18,785,907	12,006,741
Balances with Central Bank	(72,979)	(523,476)	(72,979)	(523,476)
Investing Assets				
Government Securities Maturing after 03 Months	(2,924,115)	10,412,778	(2,924,115)	10,492,124
Securities Purchased under Resale Agreements Maturing after 03 Months	(76,956)	31	(76,956)	31
Investments in Equities and Debentures (Net of Disposal)	1,687,776	1,445,456	1,750,186	1,445,456
Other Assets	1,030,006	(748,675)	1,005,284	(768,109)
Total	18,429,639	22,592,855	18,467,327	22,652,767
Change in Liabilities				
Operating Liabilities				
Deposits and Certificates of Deposit	17,526,670	19,843,670	17,526,670	19,843,670
Financing Liabilities				
Debentures	4,404,065	2,031,640	4,404,065	2,031,640
Securities Sold under Repurchase Agreements	7,847,735	899,115	7,847,735	899,115
Borrowings	73,151	5,409,351	73,151	5,409,351
Other Liabilities	787,162	(780,836)	774,482	(766,907)
Total	30,638,783	27,402,940	30,626,103	27,416,869

Notes on pages 187 to 290 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Seylan Bank PLC ('Bank') is a public quoted company incorporated on 28th August 1987 and domiciled in Sri Lanka. The registered office of the Bank is situated at No. 90, Galle Road, Colombo 03. The Financial Statements of the Bank as at and for the year ended 31st December 2014 comprise the Bank and its Subsidiary (together referred as the 'Group'). The shares of the Bank have a primary listing on the Colombo Stock Exchange.

The staff strength of the Bank as at 31st December 2014 is 2,947 (2013 - 3,049).

1.1 Principal Activities

The principal activities of the Bank are banking and related activities such as accepting deposits, personal banking, trade financing, off-shore banking, resident and non-resident foreign currency operations, travel related services, corporate and retail credit, project financing, lease financing, rural credit, issuing of local and international credit cards, Tele banking facilities, Internet banking, dealing in Government Securities, etc.

The Subsidiary, Seylan Developments PLC, is in the business of development, administration and maintenance of property.

2. Presentation of Financial Statements

2.1 Statement of Compliance

The Statement of Financial Position, Income Statement, Statement of Profit or Loss and Other Comprehensive Income, Statement of Profit or Loss and Changes in Equity and Cash Flow Statement have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) as issued by The Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of the Companies Act No. 07 of 2007 and Banking Act No. 30 of 1988 and amendments thereto.

2.2 Approval of Financial Statements by Directors

The Financial Statements were authorised for issue by the Board of Directors on 25th February 2015.

2.3 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements, except for the following:

- Derivative financial instruments are measured at fair value.
- Non-derivative financial instruments designated at fair value through profit and loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.
- Land and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts less accumulated depreciation and impairment losses.
- Liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the net total of the plan assets, as explained in Note 40.1.

2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Bank's functional currency. Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand unless indicated otherwise.

Financial Statements of the Bank and the Subsidiary are measured using the functional currency. There was no change in the Group's presentation and functional currency during the year under review.

2.5 Use of Estimates and Judgements

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRSs/LKASs) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are described in the following notes:

(I) Judgements

Determination of control over Employee Share Option Scheme and Share Trusts.

The judgement applied by management over determination of control over Employee Share Option Scheme and Share Trusts is set out in Note 4.2.4.

(II) Assumptions and Estimation

Uncertainties

Note 24.3	Identification and Measurement of Impaired Loans and Receivables
Note 23, 25 and 26	Recognition and Measurement of Financial Instruments
Note 40.1	Measurement of Defined Benefit Plan
Note 33	Deferred Taxation

3. Materiality and Aggregation

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

4. Significant Accounting Policies

Except for the changes set out in Note 4.1 the Group has consistently applied the accounting policies set out below to all periods presented in these Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

4.1 Changes in Accounting Policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1st January 2014.

- i. SLFRS 10 'Consolidated Financial Statements'
- ii. SLFRS 12 'Disclosure of Interests in Other Entities'
- iii. SLFRS 13 'Fair Value Measurement'

The nature and the effects of the changes are explained below:

(a) Subsidiaries, Including Structured Entities

As a result of SLFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates other entities. SLFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns.

In accordance with the transitional provisions of SLFRS10, the Group reassessed its control conclusions as of 1st January 2014. However, the reassessment did not have an impact on the Group's Financial Statements.

(b) Interests in Other Entities

As a result of SLFRS 12, the Group has expanded disclosures about its interests in its Subsidiary.

(c) Fair Value Measurement

In accordance with the transitional provisions of SLFRS 13, the Group has applied the new definition of fair value, as set out in Note 4.5.4 prospectively. The change had no significant impact on the measurements of the Group's assets and liabilities, but the Group has included new disclosures in the Financial Statements, which are required under SLFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of SLFRS 13, the Group has provided the relevant comparative disclosures under those standards.

4.2 Basis of Consolidation

4.2.1 Subsidiaries

'Subsidiaries' are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (eg. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee. The Financial Statements of Subsidiaries are included in the Financial Statements from the date that control effectively commences until the date that control effectively ceases.

The accounting policies of Subsidiaries have been changed when necessary to align them with the policies adopted by the Group. The Group Financial Statements comprise a consolidation of the Financial Statements of the Bank and its Subsidiary incorporated in Sri Lanka, Seylan Developments PLC (68.28%). The Subsidiary, Seylan Developments PLC, is in the business of development, administration and maintenance of property.

The total profit/loss of the Subsidiary is included in the Consolidated Income Statement, and the proportion of the profit or loss after taxation applicable to outside shareholders is shown under the heading 'Non-Controlling Interest'. All assets and liabilities of the Bank and its Subsidiary is included in the Consolidated Statement of Financial Position. The interest of the outside shareholders in the net assets of the Group is stated separately in the Consolidated Statement of Financial Position within Equity under the heading 'Non-Controlling Interest'.

There are no significant restrictions on the ability of the Subsidiary to transfer funds to the Bank in the form of cash dividends or repayment of loans and receivables.

4.2.2 Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the Subsidiary, any non-controlling interests and the other components of equity related to the Subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous Subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or in accordance with the Group's accounting policy for financial instruments.

4.2.3 Transactions Eliminated on Consolidation

Intra-group balances, and income and expenses arising from intra-group transactions are eliminated in preparing the Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee against the investment. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

4.2.4 Employee Share Option Schemes and Share Trusts

The trusts are treated as external entities, due to legal cases instituted and the uncertainties relating to the formation of the trusts and beneficial ownership, it was decided to account for these trusts as non-controlled entities. Due to the matters under dispute the Bank is unable to determine the payment plan. The legal status of the case is disclosed in Note 45 to the Financial Statements. The impact of such treatment is not material to the Financial Statements.

4.2.5 Non-Controlling Interest

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a Subsidiary that do not result in a loss of control are accounted for as equity transactions.

4.2.6 Non-Uniform Accounting Policies

The impact of non-uniform accounting policies adopted by the Subsidiary has been adjusted in the consolidated accounts and disclosed in Note 54.

4.3 Foreign Currency

4.3.1 Foreign Currency Translations

Transactions in foreign currencies are translated to Sri Lankan Rupees at the middle rate of exchange ruling at the dates of the transactions.

NOTES TO THE FINANCIAL STATEMENTS

Monetary assets and liabilities denominated in foreign currencies at the Reporting date are translated to Sri Lankan Rupees at the middle rate of exchange ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the Reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Sri Lankan Rupees at the exchange rates ruling at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

4.3.2 Foreign Operations

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised in other comprehensive income in the translation.

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal.

Assets and Liabilities and Basis of Valuation

4.4 Statutory Deposit with Central Bank

The Monetary Law Act requires that all commercial banks operating in Sri Lanka maintain reserves against all deposit liabilities denominated in Sri Lankan Rupees.

4.5 Financial Assets and Financial Liabilities

4.5.1 Recognition and Initial Measurement

The Group initially recognises loans and receivables, deposits, and debt securities issued on the date at which they are originated.

Changes in fair value in financial assets/liabilities held at fair value through profit and loss are recognised in the Consolidated Income Statement while any changes in fair value for available-for-sale financial assets is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

A financial asset or a financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

4.5.2 Classification

Financial Assets

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

- loans and receivables;
- held-to-maturity;
- available-for-sale; or
- at fair value through profit or loss and within the category as:
 - held-for-trading; or
 - designated at fair value through profit or loss.

Financial Liabilities

The Group initially recognises all financial liabilities on the date that they are originated and classifies its financial liabilities as measured at amortised cost or fair value through profit or loss (either as held-for-trading or designated at fair value through profit or loss).

Financial Assets and Financial Liabilities at Fair Value through Profit or Loss

A financial asset or a financial liability is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets and financial liabilities are designated as fair value through profit or loss when;

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

The Group has not designated any financial asset/liability upon initial recognition at fair value through profit or loss as at the Reporting date.

Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and receivables to customers include:

- those classified as loans and receivables
- Finance lease receivables.

Loans and receivables classified as loans and receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and receivables.

Held-to-Maturity Financial Assets

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which were not designated as fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Group has collected substantially all of the asset's original principal; and
- sales or reclassifications attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

NOTES TO THE FINANCIAL STATEMENTS

Available-for-Sale Financial Assets

Available-for-sale investments are non-derivative investments that were designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot reliably be measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it otherwise would have met the definition of loans and receivables and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity. Any permanent decline in value will be charged to Income Statement.

Financial Liabilities Measured at Amortised Cost

Financial liabilities not classified as fair value through profit or loss is recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. Deposit liabilities including savings deposits, current deposits, fixed/time deposits, call deposits, certificates of deposits and debentures are classified as financial liabilities measured at amortised cost.

4.5.3 Amortised Cost Measurement

The amortised 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 amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

4.5.4 Fair Value Measurement Policy

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the Reporting period during which the change has occurred.

Reclassifications

Reclassifications of financial assets, other than as set out below, or of financial liabilities between measurement categories are not permitted following initial recognition.

Held-for-trading non-derivative financial assets are transferred out of the held at fair value through profit or loss category in the following circumstances: to the available-for-sale category, where, in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or to the loans and receivables category, where they are no longer held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets are transferred out of the available-for-sale category to the loans and receivables category where they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Held-to-maturity assets are reclassified to the available-for-sale category if the portfolio becomes tainted following the sale of other than an insignificant amount of held-to-maturity assets prior to their maturity.

NOTES TO THE FINANCIAL STATEMENTS

Financial assets are reclassified at their fair value on the date of reclassification. For financial assets reclassified out of the available-for-sale category into loans and receivables, any gain or loss on those assets recognised in shareholders' equity prior to the date of reclassification is amortised to the Income Statement over the remaining life of the financial asset, using the effective interest method.

4.5.5 Derecognition

The Group derecognises financial asset when the contractual rights to the cash flows from the financial asset expires, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the Consolidated Statement of Financial Position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

4.5.6 Offsetting

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs/ LKASs or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

4.5.7 Identification and Measurement of Impairment

At each Reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired.

A financial asset or a group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively

assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. Impairment on Available-for-sale portfolio would mean a significant (over 50% loss in value) and a prolonged (more than 9 consecutive months of market price reduction) loss in market value. In such an instance the Other Comprehensive Income loss would be immediately transferred to the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in Other Comprehensive Income.

The Group writes off certain loans and receivables and investment securities when they are determined to be uncollectible.

4.6 Securities Purchased Under Resale Agreements (Repo)

These are loans collateralised by the purchase of Treasury Bills and/or Guaranteed Commercial Papers from the counterparty to whom the loans are granted. The sale by the counterparty is subject to a commitment by the Bank to sell back the underlying debt securities to the borrower at a predetermined price.

The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

4.7 Cash and Cash Equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Central Banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

4.8 Derivatives Held for Risk Management Purposes

Derivatives are categorised as trading unless they are designated as hedging instruments. Bank has not designated any derivatives as hedging instruments and has not followed hedge accounting as at the Reporting date.

When a derivative is not held-for-trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at fair value through profit or loss.

All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains or losses recognised in profit and loss. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

4.9 Non-Current Assets Held-for-Sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held-for-sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

4.10 Intangible Assets

4.10.1 Software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

4.10.2 Subsequent Expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

4.10.3 Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is as follows:

	Useful Life (Years)
Seylan Bank PLC (Banking Software)	6
Seylan Developments PLC	5

4.11 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes.

Investment property is recognised, if it is probable that future economic benefits that are associated with the investment property, will flow to the Group and cost of the investment property can be reliably measured.

An investment property is measured initially at its cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is its cost at the date when the construction or development is completed. The Bank applies the cost model for investment properties in accordance with LKAS 40 - 'Investment Property'. Accordingly, land classified as investment properties are stated at cost and buildings classified as investment properties are stated at cost, less any accumulated depreciation and any accumulated impairment losses. Fair values of these properties are disclosed in Note 31 to the Financial Statements. Seylan Developments PLC, the Subsidiary of the Bank, applies the fair value model in accordance with the above standard. Accordingly, investment properties are stated at fair value and an external independent valuation company having an appropriate recognised professional qualification values the portfolio annually. Any gain or loss arising from a change in fair value is recognised in Profit or Loss. Adjustment for non-uniform accounting policy is reported in Note 54.

NOTES TO THE FINANCIAL STATEMENTS

When an item of Property, Plant & Equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value are recognised directly in equity if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognised in profit or loss immediately.

If an investment property becomes owner-occupied, it is reclassified as Property, Plant & Equipment and its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

When the Company begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured, based on fair value model and is not reclassified as Property, Plant & Equipment during the redevelopment.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Company holds it to earn rentals or for capital appreciation or both.

4.11.1 Derecognition

Investment properties are derecognised when disposed of or permanently withdrawn from use because no future economic benefits are expected. Transfers are made to and from investment properties only when there is a change in use.

4.11.2 Investment Property Leased within the Group

Any property leased out to parent or subsidiary is considered as owner-occupied from the perspective of the Group and adjustments are made for consolidation purposes and changes are disclosed in Note 54 to the Financial Statements.

4.12 Property, Plant & Equipment

Property, Plant & Equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

4.12.1 Recognition and Measurement

Items of Property & Equipment are measured at cost or revaluation, less accumulated depreciation and accumulated impairment losses except for land. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (Major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognised net within other income in profit or loss.

4.12.2 Cost Model

The Bank applies cost model to Property, Plant & Equipment except for Land and Buildings and records at cost of purchase or construction together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

4.12.3 Revaluation Model

The Bank applies the revaluation model for the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land and buildings of the Bank are revalued every five years on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values at the Reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in Other Comprehensive Income and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Income. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Statement of Income or debited in the Other Comprehensive Income to the extent of any

credit balance existing in the capital reserve in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Reclassification to Investment Property

When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in Profit or Loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in Other Comprehensive Income and presented in revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

4.12.4 Subsequent Costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item, if it is probable that future economic benefits embodied within the part, will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

4.12.5 Derecognition

The carrying amount of an item of Property, Plant & Equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Property, Plant & Equipment is included in the Statement of Income when the item is derecognised.

4.12.6 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Depreciation is provided on a straight-line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal.

NOTES TO THE FINANCIAL STATEMENTS

	Life Period (Years)	Rate (%)
Freehold Buildings	40	2.5
Motor Vehicles	5	20
Computer Equipment	6	16.67
Office Equipment, Furniture & Fittings	3 - 10	33 1/3 - 10
Freehold Buildings on Leased Hold Lands	Remaining leased period or 40 years whichever is shorter	

Depreciation methods, useful lives and residual values are reassessed at each financial year end and adjusted appropriately.

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Property, Plant & Equipment are recorded at cost of purchase or valuation together with any incidental expenses thereon. The assets are stated at cost or valuation less accumulated depreciation which is provided for on the basis specified below.

Depreciation of common types of assets within the Group is in line with the Group policy disclosed above. Freehold land is not depreciated. The depreciation of other assets that are unique to Seylan Developments PLC is provided on the straight-line method at varying rates per annum based on their useful lives as follows:

	Useful Life (Years)	Depreciation Rate (%)
Furniture and Fittings	10	10
Equipment	5	20
Motor Cars	5	20
Motorcycles	4	25
Tools	3	33.3
Apartment Assets	5	20
Leasehold Equipment	5	20

4.12.7 Capital Work-in-Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation.

4.12.8 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalised as part of the cost of the asset in accordance with Sri Lanka Accounting Standard (LKAS) 23 - 'Borrowing Costs'. Capitalisation of borrowing costs ceases when substantially

all the activities necessary to prepare the qualifying asset for its intended use are completed.

4.12.9 Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the Sri Lanka Accounting Standard (LKAS) 17 - 'Leases'.

Other leases are operating leases and are not recognised in the Group's Statement of Financial Position.

4.13 Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each Reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or Cash-Generating Unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU, subject to an operating segment ceiling test.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

4.14 Inventories

Inventory mainly consists of stationery, *Tikiri* gifts and gold. Bank's policy for the accounting of inventory is as follows:

Stationery : At weighted average cost method

Gold Stock : Market value at the year-end

Tikiri gift items : At cost

4.15 Liabilities and Provisions

Deposits, Debt Securities Issued and Subordinated Liabilities

Deposits, debt securities issued and subordinated liabilities are the Group's sources of debt funding.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date ('Repo'), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's Financial Statements.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through profit or loss.

The Group carries some deposits, debt securities and subordinated liabilities at fair value, with fair value changes recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

4.15.1 Dividends Payable

Provision for final dividends is recognised at the time the dividend is recommended and declared by the Board of Directors and is approved by the shareholders. Interim dividends payable is recognised when the Board approves such dividend in accordance with the Companies Act No. 07 of 2007.

4.16 Employee Retirement Benefits

4.16.1 Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank operates an approved Gratuity Fund to facilitate the payments for permanent staff of the Bank.

The Bank's net obligation in respect of defined benefit plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the Reporting date on Government Bonds that have maturity dates approximating to the terms of the Bank's obligations. The calculation is performed by a qualified actuary using the projected unit credit method - Sri Lanka Accounting Standard (LKAS) 19 - 'Employee Benefits'.

Actuarial gains and losses occur when the actual plan experience differs from the assumed. The Bank recognises the total actuarial gains and losses that arise in calculating the Bank's obligation in respect of the plan in Other Comprehensive Income during the period in which it occurs.

When the calculations above result in a benefit to the Bank, the recognised asset is limited to the net total of any cumulative unrecognised actuarial losses and past service costs and the present value of any economic benefits available in the form of any refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Bank if it is realisable during the life of the plan or on settlement of the plan liabilities.

Monthly provision is made by the Bank for the Gratuity Fund, based on a percentage of the basic salary of employees. The percentage of contributions is determined by the same actuary and retirement benefits are provided to all permanent staff. The Bank carries out an actuarial valuation of the Gratuity Fund in December each year to ascertain the full liability of the Fund. The valuation method used by the actuary to value the Fund is the 'Projected Unit Credit Method', the method recommended by LKAS 19. The demographic assumptions underlying the valuation are retirement age (55 years), early withdrawals from service and retirement on medical grounds, death before and after retirement, etc.

However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

Changes to Gratuity Policy

Board of Directors of the Bank at its meeting held on 24th March 2009 decided to change the previous policy of gratuity payments of paying one month's salary (last drawn) to resigned staff members who have completed ten years of service in the Bank with effect from 5th March 2009.

The policy of paying half a month salary (last drawn) to resigned staff members who have completed five years of service in the Bank remains unchanged to be in line with the Government regulations.

Based on the Sri Lanka Accounting Standard (LKAS) 19 - 'Employee Benefits' the Subsidiary have adopted the Actuarial Valuation Method. Accordingly, provisions have been made based on the above method.

The gratuity liabilities are externally funded through plan assets of the Gratuity Trust Fund.

Other Long-Term Employee Benefits - (Termination Benefit - Leave Encashment)

The Bank's net obligation in respect of long-term employee benefits other than gratuity funds is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the yield at the Reporting date on Government Bonds that have maturity dates approximating to the terms of the Bank's obligations. The calculation is performed using the projected unit credit method.

Any actuarial gains and losses are recognised in profit or loss in the period in which they arise. The Bank's liability towards the portion of the accumulated leave which is expected to be utilised beyond one year from the end of the Reporting period is treated as other long-term employee benefits.

Termination Benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4.16.2 Defined Contribution Plans

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognised as expense in the Statement of Income as and when they are due.

4.16.2 (a) Employees' Provident Fund

The Bank and employees contribute 12% and 8% respectively on the salary of each employee to the approved private Provident Fund while the Subsidiary and their employees contribute the same percentages to the Employees' Provident Fund.

NOTES TO THE FINANCIAL STATEMENTS

4.16.2 (b) Employees' Trust Fund

The Bank contributes 3% of the salary of each employee to the Employees' Trust Fund. The total amount recognised as an expense to the Bank for contribution to ETF is disclosed in the Note 14 to Financial Statements.

4.17 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

4.18 Financial Guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable.

4.19 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. The Bank's share of any contingencies and capital commitments of a Subsidiary, for which the Bank is also liable severally or otherwise are also included with appropriate disclosures.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

Income Statement

4.20 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the Income Statement includes interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

Fair value changes on other derivatives held for risk management purposes, and all other financial assets and liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments at fair value through profit or loss in the Income Statement.

Interest income on available-for-sale investment securities calculated on an effective interest basis is also included in interest income.

4.21 Fee and Commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fee and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognised as the related services are performed.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received. Fee and commission expenses are recognised on a cash basis.

Net Trading Income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

Dividend Income

Dividend income is recognised in the Statement of Income on an accrual basis when the Bank's right to receive the dividend is established.

Usually this is the ex-dividend date for equity securities. Dividends are presented in net trading income or net income from other financial instruments at fair value through profit or loss based on the underlying classification of the equity investment. Dividends on equity instruments designated as at fair value through other comprehensive income are presented in other revenue in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment, in which case it is presented in other comprehensive income. Further dividends on available-for-sale equity securities are also presented in other revenue.

Accounting for Finance Lease Income

Assets leased to customers to whom the Bank transfers substantially all the risks and rewards associated with ownership other than the legal title are classified as finance leases. Amounts receivable under finance leases are included under 'Lease Rental Receivable'. Leasing balances are stated in the Statement of Financial Position after deduction of initial rentals received.

NOTES TO THE FINANCIAL STATEMENTS

The excess of aggregate rentals receivable over the cost of the leased assets constitutes the total unearned income. The unearned income is taken into revenue over the term of the lease, commencing from the month in which the lease is executed in proportion to the remaining receivable balance of the lease.

Profit/Loss from Sale of Property,

Plant & Equipment

Profit/loss from sale of Property, Plant & Equipment is recognised in the period in which the sale occurs and is classified as other income.

Profit/Loss from Sale of Investment Properties

Any gains or losses on retirement or disposal of investment properties are recognised in the month of retirement or disposal.

Rental Income

Rental income is recognised on an accrual basis.

4.22 Lease Payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

4.23 Income Tax Expense

Income tax expense comprise of current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income.

4.23.1 Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the Reporting date, and any adjustment to tax payable in respect of previous years.

4.23.2 Deferred Tax

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the Reporting date.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the Reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each Reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Details of the deferred tax assets and liabilities as at the Reporting date are given in Note 33 to the Financial Statements.

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intentions to settle on a net basis.

4.23.3 Withholding Tax on Dividends

Dividend distributed out of taxable profit of the Subsidiary attracts a 10% deduction at source and is not available for set off against the tax liability of the Bank. Thus, the withholding tax deducted at source is added to the tax expense of the Subsidiary in the Consolidated Financial Statements as a consolidation adjustment.

Withholding tax that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised.

4.23.4 Value Added Tax and Nation Building Tax on Financial Services

The value base for Value Added Tax and Nation Building Tax for the Bank is the adjusted accounting profit before tax and emoluments of employees. The adjustment to the accounting profit before tax is for economic depreciation computed on prescribed rates instead of the rates adopted in the Financial Statements.

4.23.5 Economic Service Charges (ESC)

As per the Finance Act No. 11 of 2004, and amendments thereto, the ESC was introduced with effect from 1st April 2004. Currently, the ESC is payable at 0.25% on 'Exempt Turnover' and is deductible from the income tax payments. Unclaimed ESC, if any, can be carried forward and set-off against the income tax payable in the five subsequent years.

4.23.6 Crop Insurance Levy

Section 14 of the Finance Act No. 12 of 2013 impose a crop insurance levy on institutions under the purview of:

- Banking Act No. 30 of 1988
- Finance Companies Act No. 78 of 1988
- Regulation of Insurance Industry Act No. 43 of 2000

Accordingly, Bank is required to pay 1% of the profit after tax for a year of assessment to the National Insurance Trust Fund with effect from 1st April 2013.

NOTES TO THE FINANCIAL STATEMENTS

4.24 Earnings Per Share

The Group presents Basic and Diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees (if any).

4.25 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

The Group comprises the following major operating segments - Banking, Consumer Financing (Leasing), Treasury and Property/Investments.

4.26 Cash Flow Statement

The Cash Flow Statement has been prepared using the 'Direct Method' of preparing cash flows in accordance with the LKAS 7 - 'Statement of Cash Flows'.

For the purpose of the Cash Flow Statement, cash and cash equivalents include notes and coins on hand, unrestricted balances held with Central Bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their value, and are used by the Bank in the management of its short-term commitments.

4.27 Deposit Insurance Scheme

In terms of the Banking Act Direction No. 5 of 2010 'Insurance of Deposit Liabilities' issued on 27th September 2010 and subsequent amendments there to all Licensed Commercial Banks are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No. 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from

1st October 2010. Deposits to be insured include demand, time and savings deposit liabilities and exclude the following:

- deposit liabilities to member institutions
- deposit liabilities to the Government of Sri Lanka
- deposit liabilities to Directors, Key Management Personnel and other related parties as defined in Banking Act Direction No. 11 of 2007 on Corporate Governance of Licensed Commercial Banks
- deposit liabilities held as collateral against any accommodation granted
- deposit liabilities falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act funds of which have been transferred to Central Bank of Sri Lanka.

Banks are required to pay a premium of 0.10% on eligible deposit liabilities if the Bank maintains a capital adequacy ratio of 14% or above as at the end of the immediately preceding financial year or a premium of 0.125% on eligible deposit liabilities for all other licensed commercial banks calculated on the total amount of eligible deposits as at the end of the quarter within a period of 15 days from the end of the quarter.

4.28 Investment Fund Account

Operations of the investment fund account ceased with effect from 1st October 2014.

4.29 Reserves

4.29.1 Statutory Reserve Fund

The Statutory Reserve Fund is maintained as required in terms of the Section 20 (1) and (2) of the Banking Act No. 30 of 1988. Accordingly, the Bank should transfer a sum equivalent not less than 5% out of net profit after taxation but before any dividend is declared to the Statutory Reserve Fund until the Statutory Reserve Fund is equal to 50% of the paid-up capital.

4.29.2 Capital Reserve

This reserve has been created in 1991 and the Debenture Redemption Reserve Fund was transferred to Capital Reserve in 2004.

4.29.3 Revaluation Reserve

This reserve has been created on revaluation of Land and Building of the Bank.

4.29.4 General Reserve

Consist of Rs. 25 Mn. transferred in 1995 to General Reserve, Rs. 2.7 Mn. transferred from Bad Debts Reserve and Rs. 6 Mn. transferred from Contingency Reserve in 2002 to General Reserve.

4.29.5 Investment Fund Reserve

As per the Value Added Tax (Amendment) Act No. 09 of 2011 and Inland Revenue (Amendment) Act No. 22 of 2011, Bank transfers 8% on Value Addition attributable to Financial Services and 5% of taxable profits, from retained profits to Investment Fund Reserve with effect from 1st January 2011.

Operations of the investment fund account are ceased with effect from 1st October 2014. With effect from 1st July 2014 guidelines on the operations of investment fund account shall not be applicable for the utilisation of capital funds recovered through loan repayments and maturity proceeds of long-term Government Securities. Hence, the Bank is required to reduce the value of the fund by an amount equivalent to capital funds recovered with effect from 1st July 2014.

4.29.6 Available-For-Sale Reserve

This has been created in 2012 to account the fair value changes on account of Available-for-Sale Securities.

4.30 Events Occurring after the Reporting Date

Events occurring after the Reporting date are those events, favourable and unfavourable, that occur between the Reporting date and the date of the Financial Statements are authorised for issue.

All material and important events which occur after the Reporting date have been considered and disclosed in Note 48 to the Financial Statements or adjusted as applicable.

4.31 Accounting Standards Issued but not Yet Adopted

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st January 2015. Accordingly, the Group has not applied the following new standards in preparing these Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

SLFRS 9 - 'Financial Instruments' replaces the existing guidance in LKAS 39 - 'Financial Instruments: Recognition and Measurement'. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets.

SLFRS 9 is effective for annual period beginning on or after 1st January 2018 with early adoption permitted.

The Group is assessing the potential impact on its Consolidated Financial Statements resulting from the application of SLFRS 9. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's Financial Statements.

SLFRS 15 - 'Revenue from Contracts with Customers' establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance LKAS 18 - 'Revenue', LKAS 11 - 'Construction Contracts'.

SLFRS 15 is effective for Annual Reporting period beginning on or after 1st January 2017, with early adoption permitted.

The Group is assessing the potential impact on its Consolidated Financial Statements resulting from the application of SLFRS 15.

4.32 Comparative Information

The comparative information is reclassified whenever necessary to conform with the current year's presentation in order to provide a better presentation.

5. Financial Risk Management

Introduction and Overview

The Bank has exposure to the following risks from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board discharges its governance responsibility through the Board

Integrated Risk Management Committee and the Audit Committee. Board Integrated Risk Management Committee consists of non-executive members who report regularly to the Board of Directors on their activities. There are several executive management sub-committees such as the Executive Market and Operational Committee, Asset and Liability Committee (ALCO), Executive Credit Management Committee and IT Steering Committee, which focus on specialised risk areas that support the Board Integrated Risk Management Committee.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank and Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures. The Audit Committee is assisted in these functions by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and receivables to customers and other banks and investment debt securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

For risk management purposes, credit risk arising on trading assets is managed independently and information thereon is disclosed below. The market risk in respect of changes in value in trading assets arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk, further details are provided in market risk section.

Management of Credit Risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Board Credit Committee. Bank's Credit Risk Monitoring Unit reporting to the Executive Credit Management Committee through the Chief Risk Officer is responsible for management of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Heads of Credit, Board Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk. Heads of Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and receivables) and by issuer. Refer Concentration of Risk in the Risk Report.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Heads of Credit who may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.
- Regular audits of business units and Bank Credit processes are undertaken by internal audit.

NOTES TO THE FINANCIAL STATEMENTS

Exposure to Credit Risk

The table below set out information about credit quality of financial assets and allowance for impairment held by the Bank against those assets.

Carrying Amount	Loans and Receivables to Customers 2014 Rs. '000	Investment Debt Securities AFS, HTM and Reverse Repos 2014 Rs. '000	Loans and Receivables to Customers 2013 Reclassified Rs. '000	Investment Debt Securities AFS, HTM and Reverse Repos 2013 Reclassified Rs. '000
Assets at Amortised Cost				
Individually Impaired:				
Grade 3: Impaired	1,009,920		872,066	
Grade 4: Impaired	519,768		772,228	
Grade 5: Impaired	533,773		582,321	
Grade 6: Impaired	5,688,955		6,866,561	
Gross Amount (a)	7,752,416		9,093,176	
Allowance for Impairment (b)	2,336,572		2,999,778	
Carrying Amount (a) - (b)	5,415,844		6,093,398	
Collectively Impaired:				
Grade 3: Impaired	1,388,783		2,828,105	
Grade 4: Impaired	952,422		1,002,005	
Grade 5: Impaired	801,631		811,388	
Grade 6: Impaired	4,025,836		4,496,743	
Gross amount (c)	7,168,672		9,138,241	
Allowance for Impairment (d)	4,675,710		4,615,049	
Carrying Amount (c) - (d)	2,492,962		4,523,192	
Past due but not Impaired:				
Grade 1-2: Watch List	20,174,023		29,165,147	
Carrying Amount (e)	20,174,023		29,165,147	
Past due but not Impaired Comprises:				
30-59 days	17,346,095		28,150,451	
60-89 days	2,827,928		1,014,696	
Carrying Amount				
Neither Past due nor Impaired:				
Grade 0:	126,879,883		96,771,120	
Carrying amount (f)	126,879,883		96,771,120	
Loans and Receivables (Gross) (a+c+e+f)	161,974,994		144,167,684	
Less-Allowance for Impairment (b) + (d)	7,012,282		7,614,827	
Available-for-Sale Investment Securities				
Quoted Debentures		498,234		188,296
Gross Amount		498,234		188,296
Fair Value Gain		12,353		15,744
Carrying Amount (i)		510,587		204,040
Treasury Bills & Bonds		21,881,327		12,407,810
Gross Amount		21,881,327		12,407,810
Fair Value Gain		3,891		621,519
Carrying Amount (ii)		21,885,218		13,029,329
Carrying Amount - Available-for-Sale Investment Securities (i + ii) = (g)		22,395,805		13,233,369
Held-to-Maturity Investment Securities (h)		22,438,807		24,050,862
Securities Purchased under Resale Agreements (j)		17,762,914		5,729,904
Total Carrying Amount a-b+c-d+e+f and g+h+j	154,962,712	62,597,526	136,552,857	43,014,135

**NOTES TO THE
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Impaired Loans and Investment Debt Securities

Individually impaired loans and securities are loans and receivables and investment in debt securities HTM and AFS (other than those carried at fair value through profit or loss) for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan/investment security agreement(s). These loans are graded 3 to 6 in the Bank's internal credit risk grading system. Loans and receivables and investment debt securities carried at fair value through profit or loss are not assessed for impairment but are subject to the same internal grading system.

Past Due but not Impaired Loans and Investment Debt Securities

Past due but not impaired loans and investment debt securities, other than those carried at fair value through profit or loss, are those for which contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank. These loans are graded as grade 1 and 2 in the Bank's credit grading system.

Allowances for Impairment

The Bank establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan and investment debt security portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures and for assets measured at amortised cost, a collective loan loss allowance established for banks of homogeneous assets, as well as for individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired. Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

Set out below are an analysis of the gross and net (of allowances for impairment) amounts of individually significant and collectively impaired loans/investment securities.

	Loans and Receivables					
	Individually Impaired 2014 Rs. '000	Collectively Impaired 2014 Rs. '000	Total 2014 Rs. '000	Individually Impaired 2013 Rs. '000 (Reclassified)	Collectively Impaired 2013 Rs. '000 (Reclassified)	Total 2013 Rs. '000
Gross Amount	7,752,416	7,168,672	14,921,088	9,093,176	9,138,241	18,231,417
Less: Allowance for Impairment	2,336,572	4,675,710	7,012,282	2,999,778	4,615,049	7,614,827
Carrying Amount	5,415,844	2,492,962	7,908,806	6,093,398	4,523,192	10,616,590

Write-off Policy

The Bank writes off a loan or an investment debt security balance and any related allowances for impairment losses, when Bank Credit determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status.

The Bank holds collateral against loans and receivables to customers in the form of mortgage interests over property, other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated regularly. Collateral generally is not held over loans and receivables to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities.

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An estimate made at the time of borrowing of the fair value of collateral and other security enhancements held against loans and receivables to customers and banks is given below and the value of collateral has been restricted to the value of the loans outstanding balances.

Loans and receivables are covered by the following collateral types. Where collateral values exceed the loan balance, collateral values have been restricted to the value of the loan outstanding balances.

	2014 Rs. '000	2013 Rs. '000
Documentary Bills (Excluding Export Bills Purchased at Current Exchange Rate)	198,835	191,451
Government Securities	80,807	140,018
Stocks, Bonds, Debentures, Sundries including Life Policies	4,637,784	1,464,232
Fixed, Savings, Other Deposits and Pawning	39,584,087	39,097,879
Stock-in-Trade	5,262,308	3,675,619
Immovable Property, Plant & Machinery	69,899,873	67,231,108
Personal Guarantees and Promissory Notes	8,457,111	3,108,308
Trust Receipts	7,812,572	3,255,197
Leasing, Hire Purchase Agreements and Motor Vehicles	12,155,346	11,029,938
Other Securities	6,479,827	3,899,378
	154,568,550	133,093,128
On Clean Basis	7,406,444	11,074,556
Total	161,974,994	144,167,684

Collateral Held and Other Credit Enhancement and the Financial Effect

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out principal types of collateral and their approximate collateral percentages that are held against different types of financial assets.

Type of Credit Exposure	Principal Type of Collateral Held for Secured Lending	Percentage of Exposure that is Subject to an Arrangement that Requires Collateralisation 2014 %
Derivative Financial Instruments	None	–
Loans and Receivables to Banks		
Securities Purchased under Resale Agreements	Marketable Securities	100
Placements with Banks and Finance Companies	None	–
Loans and Receivables to Retail Customers		
Mortgage Lending	Residential Property	100
Credit Cards	None	–
Loans and Receivables to Corporate Customers		
Finance Leases	Motor Vehicles and Equipment	100
Other Lending to Corporate Customers	Commercial Property, Floating Charges over Corporate Assets	95
Reverse Sale and Repurchase Agreements	Marketable Securities	100

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Details of financial and non-financial assets obtained by the Bank as at 31st December 2014 by taking possession of collateral held as security (foreclosed) against loans and receivables as well as calls made on credit enhancements and held as at the year end are shown here.

Foreclosed Properties	2014		2013	
	Loans and Receivables Rs. '000	Forced Sale Value of Foreclosed Collateral Rs. '000	Loans and Receivables Rs. '000	Forced Sale Value of Foreclosed Collateral Rs. '000
Balance as at 1st January	946,968	1,830,719	1,549,147	1,989,269
Additions during the Year	261,655	248,085	201,678	276,500
Disposal during the Year	(107,298)	(318,391)	(330,696)	(407,850)
Changes in the Fair Value	-	79,055	-	(27,200)
Write Down Against Available Provisions	(290,354)	-	(473,161)	-
Balance as at 31st December	810,971	1,839,468	946,968	1,830,719

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Bank generally does not use the non-cash collateral for its own operations.

Concentrations of Credit Risk

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk of loans and receivables at the Reporting date is shown below:

Industry Sector	2014 Rs. '000	2013 Rs. '000
Agriculture & Fishing	15,732,682	9,700,856
Manufacturing	19,972,202	17,591,107
Tourism	8,749,343	2,935,262
Transport	7,190,974	9,745,576
Construction	19,043,307	23,565,578
Traders	33,007,040	31,133,378
New Economy	862,471	685,835
Financial and Business Services	23,087,741	16,510,701
Infrastructure	2,812,428	1,473,710
Other Services	8,840,272	8,509,410
Other*	22,676,534	22,316,271
Total	161,974,994	144,167,684

* The pawning portfolio which is considered under 'others' includes part of agricultural lending.

NOTES TO THE FINANCIAL STATEMENTS

Concentration by Location	Loans and Receivables to Customers	
	2014 Rs. '000	2013 Rs. '000
Province		
Central	7,722,958	7,190,336
Eastern	4,972,206	5,487,378
North	3,557,928	4,442,267
North Central	2,918,788	2,960,403
North Western	5,998,043	5,232,250
Sabaragamuwa	7,978,933	7,147,060
Southern	7,510,817	5,295,026
Uva	1,578,096	1,632,647
Western	119,737,225	104,780,317
	161,974,994	144,167,684

Concentration by location for loans and receivables is measured based on the location of the Branch entity holding the asset, which has a high correlation with the location of the borrower.

The table below shows the carrying amounts of the Bank's exposures to other financial instruments:

	2014 Rs. '000	2013 Rs. '000
Financial Assets Held-for-Trading	2,525,225	11,183,843
Derivatives	191,411	287,210
Investment Securities:		
Financial Investments - Available-for-Sale	23,780,589	14,001,964
Financial Investments - Held-to-Maturity	22,438,807	24,050,862

Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of Liquidity Risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

Bank Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Bank Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and receivables to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity requirements of business units and subsidiary are met through short-term loans from Bank and Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Bank. A summary report, including any exceptions and remedial actions taken, is submitted regularly to ALCO.

The Bank relies on deposits from customers and banks, and issues debt securities and subordinated liabilities as its primary sources of funding. While the Bank's debt securities and subordinated liabilities have maturities of five years, deposits from customers and banks generally have shorter maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the Bank's liquidity risk and the Bank actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

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Exposure to Liquidity Risk

The key measure used by the Bank for managing liquidity risk is the ratio of liquid assets to deposits from customers and other liabilities. For this purpose, liquid assets are considered as including cash and cash equivalents and investment for which there is an active and liquid market. A similar, but not identical, calculation is used to measure the Bank's compliance with the liquidity limit established by the, Central Bank of Sri Lanka. Details of the reported Bank ratio of net liquid assets to liabilities from customers at the Reporting date and during the year were as follows:

	2014		2013	
	DBU %	FCBU %	DBU %	FCBU %
At 31st December	27.60	21.86	26.74	25.93
Average for the year	29.10	25.85	25.28	23.53
Maximum for the year	31.05	29.69	27.02	26.20
Minimum for the year	25.16	21.86	22.80	20.68

Maturity analysis for the financial liabilities are shown below with their undiscounted impact over the future periods to explain the contractual liability.

Financial Liabilities - 2014

	Less than 3 Months Rs. '000	3 Months to 1 Year Rs. '000	1-5 Years Rs. '000	More than 5 Years Rs. '000	Total Rs. '000
Non-Derivative Liabilities					
Deposits from Banks/Borrowings	8,348,275	4,478,548	578,173	331,642	13,736,638
Deposits from Customers and Finance Companies	84,674,322	93,537,645	13,687,950	7,945,474	199,845,391
Debentures	-	568,700	5,522,288	4,095,415	10,186,403
Securities Sold Under Repurchase Agreements	11,588,382	1,192,103	-	-	12,780,485
Derivative Liabilities	210,536	-	-	-	210,536

Financial Liabilities - 2013

	Less than 3 Months Rs. '000	3 Months to 1 Year Rs. '000	1-5 Years Rs. '000	More than 5 Years Rs. '000	Total Rs. '000
Non-Derivative Liabilities					
Deposits from Banks/Borrowings	10,024,633	2,588,797	508,838	405,420	13,527,688
Deposits from Customers and Finance Companies	77,642,115	82,948,974	11,908,074	7,123,573	179,622,736
Debentures	796,180	-	3,144,601	-	3,940,781
Securities Sold Under Repurchase Agreements	4,196,154	515,423	-	-	4,711,577
Derivative Liabilities	382,815	-	-	-	382,815

To manage the liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents and investment grade investment securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements.

NOTES TO THE FINANCIAL STATEMENTS

Liquidity Reserve

The table below sets out the components of Bank's liquid assets that are held for the liquidity purpose:

	2014 Carrying Amount Rs. '000	2014 Fair Value Rs. '000
Cash & Short-Term Funds*	6,672,963	6,672,963
Placements with Banks and Finance Companies*	2,334,304	2,334,304
Balances with Central Banks*	7,432,206	7,432,206
Reverse Repos*	17,762,914	17,762,914
Treasury Bills/Bonds (Net of Repos)	30,630,296	31,264,274
Bills Purchased*	1,487,805	1,487,805
Total Liquidity Reserve	66,320,488	66,954,466

* The carrying amounts approximate their fair values as those are short term in nature (less than twelve months).

The table below sets out the availability of financial and non-financial assets held by the Bank on the basis of being encumbered or unencumbered as of 31st December 2014 and 31st December 2013:

	2014			
	Encumbered		Unencumbered	
	Pledged as Collateral Rs. '000	Other Rs. '000	Other Rs. '000	Total Rs. '000
Cash and Cash Equivalents	–	–	6,672,963	6,672,963
Placements with Banks	–	–	2,334,304	2,334,304
Assets Held-for-Trading	–	–	2,525,225	2,525,225
Loans and Receivables	–	–	154,962,712	154,962,712
Investment Securities	12,419,887	–	33,799,509	46,219,396
Other Assets	–	–	36,595,959	36,595,959
Total Assets	12,419,887	–	236,890,672	249,310,559

	2013			
	Encumbered		Unencumbered	
	Pledged as Collateral Rs. '000	Other Rs. '000	Other Rs. '000	Total Rs. '000
Cash and Cash Equivalents	–	–	5,180,195	5,180,195
Placements with Banks	–	–	970,203	970,203
Assets Held-for-Trading	–	–	11,183,843	11,183,843
Loans and Receivables	–	–	136,552,857	136,552,857
Investment Securities	4,573,955	–	33,478,871	38,052,826
Other Assets	–	–	23,220,935	23,220,935
Total Assets	4,573,955	–	210,586,904	215,160,859

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/ issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**NOTES TO THE
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	2014		
	Carrying Amount Rs. '000	Trading Portfolios Rs. '000	Non-Trading Portfolios Rs. '000
Assets Subject to Market Risk			
Assets Held-for-Trading	2,525,225	2,525,225	-
Derivative Financial Instruments	191,411	-	191,411
Loans and Receivables to Banks	2,334,304	-	2,334,304
Loans and Receivables to Customers	154,962,712	-	154,962,712
Financial Investments - Available-for-Sale	23,780,589	-	23,780,589
Securities Purchased under Resale Agreements	17,762,914	-	17,762,914
	201,557,155	2,525,225	199,031,930
Liabilities Subject to Market Risk			
Derivative Financial Instruments	210,536	-	210,536
Customer Deposits	185,924,122	-	185,924,122
Debentures	7,655,705	-	7,655,705
Borrowings	11,630,095	-	11,630,095
Securities Sold under Repurchase Agreements	12,419,887	-	12,419,887
	217,840,345	-	217,840,345

	2013		
	Carrying Amount Rs. '000	Trading Portfolios Rs. '000	Non-Trading Portfolios Rs. '000
Assets Subject to Market Risk			
Assets Held-for-Trading	11,183,843	11,183,843	-
Derivative Financial Instruments	287,210	-	287,210
Loans and Receivables to Banks	970,203	-	970,203
Loans and Receivables to Customers	136,552,857	-	136,552,857
Financial Investments - Available-for-Sale	14,001,964	-	14,001,964
Securities Purchased under Resale Agreements	5,729,904	-	5,729,904
	168,725,981	11,183,843	157,542,138
Liabilities Subject to Market Risk			
Derivative Financial Instruments	382,815	-	382,815
Customer Deposits	167,371,384	-	167,371,384
Debentures	3,243,299	-	3,243,299
Borrowings	11,556,944	-	11,556,944
Securities Sold under Repurchase Agreements	4,573,955	-	4,573,955
	187,128,397	-	187,128,397

NOTES TO THE FINANCIAL STATEMENTS

Management of Market Risk

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by the Bank's Treasury Department and include positions arising from market making and also held with a view to earn a profit of financial assets and liabilities that are managed on a fair value basis.

Overall authority for market risk is vested in ALCO. The Bank's Market Risk Management Unit under the Chief Risk Officer is responsible for the development of detailed risk management policies which is overseen by the Executive Market and Operation Risk Management Committee (EMORC), (subject to review and approval by ALCO) and for the day-to-day review of their implementation. The Bank employs a range of tools to monitor and limit market risk exposures.

Value at Risk (VaR)

Value at risk, often referred to as VaR, measures the amount of potential loss that could happen in an investment or a portfolio of investments over a given time period.

The Bank uses VaR to gauge the potential portfolio losses. Value at risk is used in order to measure and control the level of risk which the Bank undertakes through market risk.

There are three components to a VaR measurement: a time frame, a confidence level and a loss amount.

Taking into consideration these three aspects Seylan Bank measures VaR through a historical simulation method on the trading and foreign exchange exposures for a one day holding period, at a 99% confidence level. To measure VaR the Bank uses 250 days of historical data where the method simply re-organises actual historical returns, putting them in order from worst to best, to then assume from a risk perspective to give out the worst case at the given confidence level.

A summary of the VaR position of the Bank as at 31st December 2014 and 2013 are as follows:

	As at 31st December 2014 Rs. Mn.	As at 31st December 2013 Rs. Mn.
Foreign Currency Risk	-0.3	-0.6
Interest Rate Risk	-2.3	-3.7
Equity Price Risk	-2.4	-3.1
Overall	-5.0	-7.4

Exposure to Interest Rate Risk on the Banking Book (IRRBB)

The collective capital of the Bank is invested to generate a cash return, and the risk of which depends on how the capital is allocated to different types of interest-bearing assets. This gives the Bank an interest 'net position' which we earn interest on the assets and pay interest on the funding or liabilities which should be managed to avoid losses due to volatility as interest rates move.

The Bank mainly focuses on our asset strategy on commercial and retail loans. These loans are funded using a combination of equity, retained earnings, deposits, publicly issued debentures and interbank loans. The Bank understands while the core risk is credit, interest rate fluctuations impact earnings, and also create 'equity risk' for the Bank as the value of its assets and liabilities change.

The Bank focuses on the impact interest rate changes have on the Bank's earnings (EAR) in the near-term, and considers a 1 year horizon. In turn, we focus on the impact interest rate changes may have on the Economic Value of Equity (EVE) by discounting future cash flows. While the short-term interest rate fluctuations impact the Bank's Net Interest Income the long-term impact is on the Bank's Net Worth since the Economic value of the Bank's assets, liabilities and off-balance sheet exposures are affected.

The Bank uses maturity/re-pricing schedules of Rate Sensitive Assets and Liabilities (RSA&L) to generate simple indicators of the interest rate risk sensitivity of both earnings and economic value to changing interest rates. While EVE at risk highly depends on the duration gap of the Bank's assets and liabilities, much emphasis is directed on the maturity composition of portfolios, as accurate information is required for proper assessment of these IRR exposures.

The Bank is realistic in its treatment of some deposits (example-savings component) tend not to move in close correlation with changes in the general level of market interest rates and is considered only at higher magnitude shock levels in stressing the banking book to analyse the impact on its earnings (EAR).

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Maturity Gaps

A summary of the Banks total assets and liabilities as at 31st December 2014, based on the remaining period at the Reporting date to the respective cash flow/maturity dates together with the maturity gaps are given below:

	Carrying Amount Rs. '000	Less than 3 Months Rs. '000	3 Months to 1 Year Rs. '000	1-5 Years Rs. '000	More than 5 Years Rs. '000
31st December 2014					
Interest Earning Assets					
Placements with Banks	2,334,304	2,334,304	–	–	–
Loans and Receivables to Customers	154,962,712	76,725,938	34,511,872	35,534,884	8,190,018
Investments Excluding Shares	46,225,788	6,166,310	6,504,198	30,536,852	3,018,428
Securities Purchased Under Resale Agreements	17,762,914	17,762,914	–	–	–
Non-Interest Earning Assets	28,024,841	21,151,258	10,448	178,411	6,684,724
Total Assets	249,310,559	124,140,724	41,026,518	66,250,147	17,893,170
Interest-Bearing Liabilities					
Deposits from Customers	170,754,651	68,915,896	85,665,029	10,729,756	5,443,970
Bank and Other Borrowings	11,630,095	6,848,035	4,101,610	453,220	227,230
Securities Sold Under Repurchase Agreements	12,419,887	11,328,118	1,091,769	–	–
Debt Securities Issued	7,655,705	–	520,835	4,328,830	2,806,040
Group Balances Payable	193,295	43,295	–	150,000	–
Non-Interest Bearing Liabilities	46,656,926	22,648,387	–	–	24,008,539
Total Liabilities	249,310,559	109,783,731	91,379,243	15,661,806	32,485,779
Gaps	–	14,356,993	(50,352,725)	50,588,341	(14,592,609)

	Carrying Amount Rs. '000	Less than 3 Months Rs. '000	3 Months to 1 Year Rs. '000	1 -5 Years Rs. '000	More than 5 Years Rs. '000
31st December 2013					
Interest Earning Assets					
Placements with Banks	970,203	970,203	–	–	–
Loans and Receivables to Customers	136,552,857	66,826,611	35,509,283	28,915,409	5,301,554
Investments Excluding Shares	48,374,173	6,998,213	10,654,831	29,508,861	1,212,268
Securities Purchased Under Resale Agreements	5,729,904	5,729,460	444	–	–
Non-Interest Earning Assets	23,533,722	16,390,196	45,649	148,844	6,949,033
Total Assets	215,160,859	96,914,683	46,210,207	58,573,114	13,462,855
Interest-Bearing Liabilities					
Deposits from Customers	155,898,870	65,715,942	75,967,556	9,334,541	4,880,831
Bank and Other Borrowings	11,556,944	8,509,384	2,370,910	398,870	277,780
Securities Sold Under Repurchase Agreements	4,573,955	4,101,913	472,042	–	–
Debt Securities Issued	3,243,299	778,299	–	2,465,000	–
Group Balances Payable	185,264	25,264	110,000	50,000	–
Non-Interest Bearing Liabilities	39,702,527	17,718,588	222,321	–	21,761,618
Total Liabilities	215,160,859	96,849,390	79,142,829	12,248,411	26,920,229
Gaps	–	65,293	(32,932,622)	46,324,703	(13,457,374)

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The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's interest sensitive assets and liabilities to various standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp), a 200 bp, and a 250 bp parallel fall or rise in all yield curves. An analysis of the Banks' sensitivity to an increase or decrease in market interest rates, assuming non asymmetrical movement in yield curves and a constant financial position, is as follows:

	100 bp Parallel Increase Rs. Mn.	100 bp Parallel Decrease Rs. Mn.	200 bp Parallel Increase Rs. Mn.	200 bp Parallel Decrease Rs. Mn.	250 bp Parallel Increase Rs. Mn.	250 bp Parallel Decrease Rs. Mn.
Sensitivity of Projected Net Interest Income 2015 (EAR)						
As at 31st December 2013	79.42	-79.42	158.85	-158.85	198.57	-198.57
As at 31st December 2014	99.52	-99.52	199.04	-199.04	248.80	-248.80

Exposure to Other Market Risk

Equity Price Risk

The Bank is exposed to market risk changes in the equity prices of our investments in the stock market. The Bank uses various risk management techniques in accordance with our policies to manage the volatility relating to these exposures. Through market value and sensitivity analyses, we monitor our equity price risk exposures to reduce the risks relating to equity prices.

To limit our exposures and benefit from price fluctuations of common stocks, we use marking to market of these investments and are accounted for changes in the fair value of the investments that we account for as trading or available-for-sale.

Equity price risk is subject to regular monitoring by the Bank's Market Risk Management Unit.

A sensitivity analysis of the Share Trading Portfolio is shown below at shock level of 10%, 15% and 20%.

2014			2013	
Equity Trading Portfolio			Equity Trading Portfolio	
	Investment Rs. Mn.	Market Value Rs. Mn.	Investment Rs. Mn.	Market Value Rs. Mn.
As at 31st December	86	94	173	94

At Shock Levels of %	Impact on Income Statement due to Fall in Market Value Rs. Mn.	Effect on Portfolio Rs. Mn.	At Shock Levels of %	Impact on Income Statement due to Fall in Market Value Rs. Mn.	Effect on Portfolio Value Rs. Mn.
10.00	9	85	10.00	9	85
15.00	14	80	15.00	14	80
20.00	19	75	20.00	19	75

Foreign Currency Risk

The foreign currency trading risk is managed through the Net Open Position (NOP) which is regulated through a limit imposed by the Central Bank of Sri Lanka (CBSL). CBSL manages the overall systemic risk by regulating banks through NOP limits.

The Bank, having a strategic view of the exchange rate movements maintained a short position during most part of the year switched to maintaining a long position during the last quarter of the year.

NOTES TO THE FINANCIAL STATEMENTS

Given below are the foreign currency exposures and their Rupee equivalent in the major currencies, in which the Bank trades in:

	In Original FCY		Functional Currency of the Bank	
	2014 '000	2013 '000	2014 Rs. '000	2013 Rs. '000
Net Foreign Currency Exposure				
Great Britain Pound	2	3	329	646
United States Dollar	1,224	-1,526	161,463	-199,319
Euro	5	4	827	668
Japanese Yen	-558	221	-617	275
Australian Dollar	14	12	1,531	1,407

Foreign Exchange Risk

A sensitivity analysis of the foreign currency Net Open Position (NOP) was carried out applying shock level increases of 1.5%, 2.5% and 3.5% levels on the current exchange rate and the impact on the overall foreign currency NOP (in USD) and the impact on Income Statement is given below.

NOP as on 31st December 2014				NOP as on 31st December 2013			
	USD '000	Rs. '000	FX Rate		USD '000	Rs. '000	FX Rate
NOP (Overall Bank)	1,396	184,142	131.95	NOP	-1,529	-199,747	130.65

At Shock Levels of %	FX Rate After Shock	Revised Rupee Position Rs. '000	Effect on Income Statement Rs. '000	At Shock Levels of %	FX Rate After Shock	Revised Rupee Position Rs. '000	Effect on Income Statement Rs. '000
1.50	133.93	186,904	2,762	1.50	132.61	-202,744	-2,997
2.50	135.25	188,745	4,603	2.50	133.92	-204,741	-4,994
3.50	136.57	190,587	6,445	3.50	135.22	-206,739	-6,992

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's involvement with financial instruments, including processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions; or
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;

- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with Bank's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS

Capital Management

Capital adequacy is a measure of a commercial bank's ability to withstand the associated risks of its business. Regulators find it necessary that every bank holds adequate capital to absorb unexpected losses as a going concern, while they price their products and services to take care of expected risks. Capital Adequacy Ratio (CAR) is measured under Basel II and takes into account the credit, market and operations risks. Keeping with the international standards of Basel Committee on Banking Regulations and Supervisory Practices, Sri Lanka has been following Basel II CAR calculation from January 2008 after conducting parallel calculations in 2007.

Available Capital

Basel I and Basel II accords recognise three capital elements, namely Tier I, Tier II and Tier III capital. Tier I capital includes paid-up ordinary share capital, paid-up non-cumulative, non-redeemable preference shares, share premium, statutory reserve fund, published retained earnings, general and other reserves less goodwill.

Tier II capital includes 50% of asset revaluation reserves (created by revaluation carried out every seven years) general provision for advances, hybrid debt/equity instruments and approved subordinated term debts. Tier II capital cannot exceed Tier I capital and subordinated debt cannot exceed 50% of the Tier I capital.

Tier III capital will consist only of short-term debt instrument and will be used for calculation of market risk only. Tier III is subject to a maximum of 250% of Tier I capital after meeting the credit and operational risk.

Equity investments in unconsolidated banking and financial subsidiaries and investments in capital of other banks/financial associates are deducted from capital in arriving at the capital base. The Bank is required to maintain a minimum total risk weighted capital ratio of 10% in respect of Domestic Banking Unit (DBU) and Foreign Currency Banking Unit (FCBU) operations.

Capital base has been adjusted based on SLFRSs/LKASs

Capital Adequacy Details as at 31st December

	BANK		GROUP	
	2014 Rs. Mn.	2013 Rs. Mn.	2014 Rs. Mn.	2013 Rs. Mn.
Total Tier I Capital	21,854	19,405	22,653	20,359
Total Tier I & Tier II Capital	23,402	20,963	24,170	21,873
Total Risk-weighted Assets	158,923	133,118	161,339	135,597
Off-Balance Sheet Exposure	8,964	7,201	9,031	7,267
Capital Adequacy Ratios				
Tier I (%)	13.75	14.58	14.04	15.01
Tier I & Tier II (%)	14.73	15.75	14.98	16.13

Use of Estimates and Judgements

Management discusses with the Bank Audit Committee the development, selection and disclosure of the Bank's critical accounting policies and their application and assumptions made relating to major estimation uncertainties.

Key Sources of Estimation Uncertainty

Allowances for Credit Losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy Note No. 4.5.7. The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the credit function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and receivables and investment securities measured at amortised cost (prior to 1st January 2012 also held-to-maturity investment securities) with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In

order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

Fair Value of Financial Instruments

Determining Fair Values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy Note No. 4.5.4. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The fair value hierarchy of financial instruments is given below:

- Level 1 - fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

Valuation Models

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as foreign exchange forward contracts that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the entity and the counterparty risk.

Valuation Framework

The Bank has an established control framework with respect to the measurement of fair values. This framework includes a oversight by the market risk function, which is independent of front office management. Market risk has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving both Product Control and Group Market Risk;
- quarterly calibration and back-testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month.

When third-party information, such as broker quotes or pricing services, is used to measure fair value, market risk assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRSs/LKASs. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- If a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

Significant valuation issues are reported to the Bank's Audit Committee.

Financial Instruments Measured at Fair Value - Fair Value Hierarchy

The following table analyses financial instruments measured at fair value at the Reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

	2014			2013		
	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Trading and AFS Assets						
Financial Assets Held-for-Trading	1,484,736	1,040,489	–	11,183,843	–	–
Derivative Financial Instruments	–	191,411	–	–	287,210	–
Financial Investments - Available-for-Sale	20,210,397	3,346,574	223,618	13,497,704	398,691	105,569
Trading Liabilities						
Derivative Financial Instruments	–	210,536	–	–	382,815	–

NOTES TO THE FINANCIAL STATEMENTS

i. Level 3 Fair Value Measurements - Reconciliation

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	2014 Rs. '000	2013 Rs. '000
Financial Investments - Available-for-Sale (Level 3)		
Balance as at 1st January	105,569	91,253
Total Fair Value Gain in Other Comprehensive Income	118,049	14,316
Balance as at 31st December	223,618	105,569

ii. Unobservable Inputs used in Measuring Fair Value

The table below sets out information about significant unobservable inputs used as at 31st December 2014 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of Financial Instrument	Fair Values as at 31st December 2014 Rs. '000	Valuation Technique	Significant Unobservable Input	Fair Value Measurement Sensitivity to Unobservable Inputs
Investment in Unquoted Securities	223,618	Net Assets Per Share	None	None

iii. The Effect of Unobservable Inputs on Fair Value Measurement

In the absence of any other appropriate valuation technique, the unquoted investments have been valued using net assets per share basis. Accordingly no assumptions have been used in the valuation of unquoted securities.

31st December 2014	Effect on Other Comprehensive Income		Effect on Statement of Financial Position	
	Favourable Rs. '000	Unfavourable Rs. '000	Favourable Rs. '000	Unfavourable Rs. '000
Investment in Unquoted Equity Securities	118,049	-	118,049	-
Total	118,049	-	118,049	-

Financial Instruments Not Measured at Fair Value

The table below shows a comparison of the carrying amounts, as reported on the Statement of Financial Position and fair values of all financial assets and liabilities carried at amortised cost:

	31st December 2014	
	Carrying Value Rs. '000	Fair Value Rs. '000
Financial Assets		
Cash and Cash Equivalents	6,672,963	6,672,963
Securities Purchased under Resale Agreements	17,762,914	17,762,914
Customer Loans and Receivables	154,962,712	155,476,207
Financial Investments - Held-to-Maturity	22,438,807	23,025,404
Other Assets	6,647,174	6,647,174
Financial Liabilities		
Bank and Other Borrowings	11,630,095	11,630,095
Customer Deposits	185,924,122	185,924,122
Securities Sold Under Repurchase Agreements	12,419,887	12,419,887
Debentures	7,655,705	8,119,297
Other Liabilities	5,944,575	5,944,575

**NOTES TO THE
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There are various limitations inherent in this fair value disclosure particularly where prices may not represent the underlying value due to dislocation in the market. Not all of the Bank's financial instruments can be exchanged in an active trading market. The Bank obtains the fair values for investment securities from quoted market prices where available. Where securities are unlisted and quoted market prices are not available, the Bank obtains the fair values, by means of discounted cash flows and other valuation techniques that are commonly used by market participants. These techniques address factors such as interest rates, credit risk and liquidity.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

31st December 2014	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Assets				
Cash and Cash Equivalents	-	6,672,963	-	6,672,963
Securities Purchased under Resale Agreements	17,762,914	-	-	17,762,914
Loans and Receivables to Customers	-	-	155,476,207	155,476,207
Held-to-Maturity Investment Securities	16,408,712	-	6,616,692	23,025,404
Other Assets	-	-	6,647,174	6,647,174
Liabilities				
Bank and Other Borrowings	-	-	11,630,095	11,630,095
Customer Deposits	-	-	185,924,122	185,924,122
Securities Sold under Repurchase Agreements	12,419,887	-	-	12,419,887
Debentures	7,637,768	-	481,529	8,119,297
Other Liabilities	-	-	5,944,575	5,944,575

Given below are the methodologies and assumptions used in fair value estimates:

Cash and Cash Equivalents

The carrying amounts of cash and cash equivalents, approximate their fair value as those are short term in nature and are receivable on demand.

Securities Purchased under Resale Agreements

These are short-term reverse repurchase contracts which will be matured within twelve months from the Reporting date and thus the carrying amounts of such contracts approximate to their fair values.

Loans and Receivables

Approximately 72% of the total portfolio of loans and receivables to customers have a remaining contractual maturity of less than one year.

The fair value of loans and receivables with a maturity of more than one year is the present value of future cash flows expected to be received from such loans and receivables calculated based on interest rates at the Reporting date for similar types of loans and receivables. Such loans include both fixed and floating rate loans. Majority of the floating rate loans can be re-priced while for fixed rate loans, the loan contract allows the Bank to change the contracted rate if there is a material difference between the contracted rate and the market interest rate.

The Bank calculated the fair value of the housing loan portfolio and leasing advances with a fixed interest rate and that will have a maturity of more than 12 months from the Reporting date. Fair value of such loans as at 31st December 2014 was Rs. 9,539 Mn. and Rs. 10,794 Mn. as against the carrying value which amounted to Rs. 9,173 Mn. and Rs. 10,647 Mn. respectively.

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Held-to-Maturity Financial Assets

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which were not designated as fair value through profit or loss or as available-for-sale.

However, for the disclosure purpose the Bank has calculated the fair value of such assets based on price formula applicable to such instruments at the Reporting date. For the debentures held under HTM portfolio, fair value has been calculated using the market rate applicable for each instrument based on the remaining maturity period. Sri Lanka Development Bonds are variable rate instruments issued by the Government where re-pricing happens semi annually. Thus the carrying value of these bonds approximate to their fair value as at the Reporting date.

Liabilities

Bank and Other Borrowings

Approximately 94% of the amounts due to banks and others as at the Reporting date have a remaining contractual maturity of less than one year. Majority of the balance amount comprised of floating rate instruments. Therefore, fair value of amounts due to banks approximate to the carrying value as at the Reporting date.

Deposits

More than 91% of the customer deposits are either repayable on demand or have a remaining contractual maturity of less than one year. Customer deposits with a contractual maturity of more than one year are subject to premature upliftment. Amounts paid to customers in the event of premature upliftment would not be materially different to its carrying value as at date. Therefore, fair value of customer deposits approximates to their carrying value as at the Reporting date.

Securities Sold Under Repurchase

Agreements

Securities sold under repurchase agreements have a remaining contractual maturity of less than twelve months. Accordingly, carrying value of these borrowings would not be materially different to their fair values as at the Reporting date.

Debentures

Debentures include fixed and variable rate debentures. In respect of fixed rate debentures, fair value has been determined by discounting the future cash flows by the interest rates prevailing as at the Reporting date for similar instruments. Accordingly, the total debentures had a fair value of Rs. 8,119 Mn. as at 31st December 2014 as against its carrying value which amounted to Rs. 7,655 Mn.

**NOTES TO THE
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	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
6. Income				
Interest Income (Note 7)	23,407,481	24,859,315	23,422,157	24,866,224
Fee and Commission Income (Note 8.1)	2,347,472	2,208,628	2,347,129	2,208,342
Net Trading Income (Note 9)	1,077,236	805,806	1,078,837	805,957
Net Gain on Financial Investments (Note 10)	1,186,185	190,268	1,189,706	190,268
Other Operating Income - Net (Note 11)	545,981	26,961	590,597	75,501
Total Income	28,564,355	28,090,978	28,628,426	28,146,292
7. Net Interest Income				
Interest Income				
Placements with Banks	21,690	48,018	21,690	48,081
Customer Loans and Receivables*	18,210,805	20,178,173	18,210,724	20,177,786
Sri Lanka Government Securities**	4,875,291	4,360,751	4,876,009	4,360,867
Debentures - Available-for-Sale	39,355	21,661	41,162	21,661
Debentures - Held-to-Maturity	260,340	250,712	271,965	257,200
Other	-	-	607	629
Total Interest Income	23,407,481	24,859,315	23,422,157	24,866,224

* Interest Income on Customer Loans and Receivables includes interest accrued on impaired loans of Rs. 593,881,353/- in 2014 (Rs. 567,586,662/- for 2013).

** Includes Interest Income from Government Securities of Trading, Available-for-Sale and Held-to-Maturity portfolios.

According to Section 137 of the Inland Revenue Act No. 10 of 2006, any person who derives income from secondary market transactions in Government Securities is entitled to a notional tax credit in relation to the tax payable by such person. Notional tax credit would be determined by grossing up the income from the secondary market transactions to an amount equal to 1/9 of same and credit to be afforded for a like sum. Accordingly, the Bank has accounted for Rs. 423,822,384/- as notional tax credit for the year 2014 (Rs. 416,710,544/- for 2013).

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Interest Expenses				
Due to Banks and Other Borrowings	546,861	757,664	546,861	757,938
Customer Deposits	10,844,904	13,480,695	10,839,413	13,463,916
Securities Sold under Repurchase Agreements	484,621	439,807	478,278	438,633
Debentures	366,605	461,568	358,680	454,943
Total Interest Expenses	12,242,991	15,139,734	12,223,232	15,115,430
Net Interest Income	11,164,490	9,719,581	11,198,925	9,750,794
7.1 Net Interest Income from Sri Lanka Government Securities				
Interest Income	4,875,291	4,360,751	4,876,009	4,360,867
(Less): Interest Expenses	484,621	439,807	478,278	438,633
Net Interest Income from Sri Lanka Government Securities	4,390,670	3,920,944	4,397,731	3,922,234

NOTES TO THE FINANCIAL STATEMENTS

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
8. Net Fee and Commission Income				
8.1 Fee and Commission Income				
Fee Income	813,400	837,465	813,057	837,179
Commission Income	1,534,072	1,371,163	1,534,072	1,371,163
Total Fee and Commission Income	2,347,472	2,208,628	2,347,129	2,208,342
Comprising				
Loans	515,914	329,217	515,914	329,217
Cards	510,695	482,013	510,695	482,013
Trade and Remittances	537,632	487,151	537,632	487,151
Deposits	125,871	182,955	125,528	182,669
Guarantees	226,334	190,120	226,334	190,120
Other Financial Services	431,026	537,172	431,026	537,172
Total Fee and Commission Income	2,347,472	2,208,628	2,347,129	2,208,342
8.2 Fee and Commission Expenses				
Commission Expenses	90,267	81,294	97,009	87,931
Total Fee and Commission Expenses	90,267	81,294	97,009	87,931
Comprising				
Brokerage Fees	33,431	24,268	40,173	30,905
Cards	21,389	17,089	21,389	17,089
Other Financial Services	35,447	39,937	35,447	39,937
Total Fee and Commission Expenses	90,267	81,294	97,009	87,931
Total Net Fee and Commission Income	2,257,205	2,127,334	2,250,120	2,120,411
9. Net Trading Income				
Foreign Exchange	260,650	486,290	260,650	486,290
Derivative Financial Instruments	76,480	130,404	76,480	130,404
Other Financial Assets Held-for-Trading	740,106	189,112	741,707	189,263
Total Net Trading Income	1,077,236	805,806	1,078,837	805,957
10. Net Gain on Financial Investments				
Available-for-Sale				
Debentures	775	–	775	–
Equities	36,049	19,370	36,049	19,370
Government Securities	1,149,361	170,898	1,152,882	170,898
Total Net Gain on Financial Investments	1,186,185	190,268	1,189,706	190,268

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	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
11. Other Operating Income - Net				
Dividend Income				
Trading Equities	2,089	3,515	2,089	3,515
Available-for-Sale Investment - Quoted	10,442	10,338	10,442	10,338
Available-for-Sale Investment - Unquoted	6,496	9,846	6,496	9,846
Investment in Subsidiary	21,178	17,255	-	-
Profit on Sale of Property, Plant & Equipment	12,085	72,922	12,085	73,017
Profit on Sale of Investment Properties	-	-	257	2,281
Gain/(Loss) on Revaluation of Foreign Exchange	198,120	(140,680)	198,120	(140,680)
Recovery of Loans Written Off	140,944	53,765	140,944	53,765
Others	154,627	-	220,164	63,419
Total Other Operating Income - Net	545,981	26,961	590,597	75,501
12. Net Impairment Loss				
Loans and Receivables (Note 12.1)	2,291,931	1,355,096	2,291,931	1,355,096
Financial Investments (Note 12.2)	(22,411)	75,567	(22,411)	75,567
Investment Properties	-	-	(134,795)	948
Property, Plant & Equipment (Net Reversal)	-	(69,494)	-	(69,494)
Total Net Impairment Loss	2,269,520	1,361,169	2,134,725	1,362,117
12.1 Loans and Receivables				
Net Impairment Loss - Individual (Note 24.3.1)	2,021,892	1,305,790	2,021,892	1,305,790
Net Impairment Loss - Collective (Note 24.3.2)	60,661	(92,572)	60,661	(92,572)
Loans Written-Off*	209,378	141,878	209,378	141,878
Total Net Impairment Loss on Loans and Receivables	2,291,931	1,355,096	2,291,931	1,355,096

* Includes Pawning auction Losses amounting to Rs. 180,135,796/- for 2014 (Rs. 125,143,612/- for 2013).

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
12.2 Financial Investments				
Available-for-Sale Investment Securities (Note 12.2.1)	(22,411)	75,567	(22,411)	75,567
Total Net Impairment Loss/(Reversal) on Financial Investments	(22,411)	75,567	(22,411)	75,567
12.2.1 Available-for-Sale Investment Securities				
Equities				
Quoted	(22,411)	75,567	(22,411)	75,567
Total Net Impairment Loss/(Reversal) on Available-for-Sale Investment Securities	(22,411)	75,567	(22,411)	75,567

NOTES TO THE FINANCIAL STATEMENTS

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
13. Operating Expenses				
Operating Expenses include the following:				
Directors' Emoluments	2,918	8,362	3,608	9,052
Auditors' Remunerations				
Audit Fees and Expenses	9,710	9,073	10,627	9,902
Audit-Related Fee and Expenses	2,543	4,051	2,543	4,134
Non-Audit Services	359	232	443	232
Depreciation - Freehold Property, Plant & Equipment (Note 29)	393,587	432,074	420,126	452,420
Depreciation - Leasehold Rights (Note 30)	2,024	3,357	9,434	10,767
Depreciation - Investment Properties (Note 31)	-	-	8,905	8,296
Amortisation of Intangible Assets (Note 32)	62,950	104,391	62,950	104,391
Donations	935	221	1,885	700
Legal Expenses	74,210	77,750	75,396	79,165
Sri Lanka Deposit Insurance Fund Contribution	149,918	134,169	149,918	134,169
Operating Lease Expenses	413,073	366,336	413,073	366,336
Crop Insurance Levy	30,785	23,155	30,785	23,155
14. Personnel Expenses				
Personnel Expenses include the following:				
Salaries and Wages	2,135,629	2,008,903	2,150,750	2,024,336
Contribution to Employees' Provident Fund	256,241	241,171	258,156	243,023
Contribution to Employees' Trust Fund	64,068	60,293	64,547	60,756
Provision for Defined Benefit Obligations (Note 40.1.6)	72,285	66,711	71,977	62,445
Amortisation of Prepaid Staff Cost	244,746	177,585	245,014	177,814
Other	1,153,392	981,897	1,166,972	991,425
Total Personnel Expenses	3,926,361	3,536,560	3,957,416	3,559,799
15. Income Tax Expense				
The components of income tax expense for the years ended 31st December 2014 and 2013 are:				
15.1 Current Tax Expense				
- Income Tax on Current Year's Profits (Note 15.2)	1,634,465	1,043,087	1,637,067	1,047,796
- Under/(Over) Provision in Respect of Previous Years	(155,680)	22,000	(155,686)	20,635
Deferred Taxation				
- Transfer to Deferred Taxation (Note 33)	92,057	73,409	101,438	76,015
Total Income Tax Expense	1,570,842	1,138,496	1,582,819	1,144,446

- i. Current tax on profits has been computed at the rate of 28% on the taxable income arising from banking activities.
- ii. Seylan Developments PLC has computed taxation based on the rate applicable for such Company (28%).

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	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
15.2 Reconciliation of the Accounting Profit to Income Tax Expense				
Profit Before Tax	4,649,444	3,454,035	4,835,389	3,496,491
Less: Profit from Leasing Activities	284,463	305,469	284,463	305,469
Profit from Banking Activities	4,364,981	3,148,566	4,550,926	3,191,022
Add: Disallowable Expenses	2,602,407	1,597,499	2,603,946	1,679,875
Less: Allowable Expenses	665,530	770,634	749,428	850,684
Exempt/Allowable Income	464,482	250,121	564,863	286,439
Business Income	5,837,376	3,725,310	5,840,581	3,733,774
Income from Other Sources	-	-	12,552	18,132
Business Income from Banking Activities	5,837,376	3,725,310	5,853,133	3,751,906
Business Loss from Leasing Activities (Note 15.3)	(203,127)	(34,824)	(203,127)	(34,824)
Total Statutory Income	5,837,376	3,725,310	5,853,133	3,751,906
Less: Tax Loss Set-Off (Note 15.3)	-	-	5,515	9,308
Assessable Income	5,837,376	3,725,310	5,847,618	3,742,598
Qualifying Payments	-	-	950	470
Taxable Income	5,837,376	3,725,310	5,846,668	3,742,128
Income Tax on Current Year's Profit	1,634,465	1,043,087	1,637,067	1,047,796
Under/(Over) Provision in Respect of Previous Years	(155,680)	22,000	(155,686)	20,635
Transfer to Deferred Taxation (Note 15.5)	92,057	73,409	101,438	76,015
Total Income Tax Expense	1,570,842	1,138,496	1,582,819	1,144,446
Effective Tax Rate (Note 15.4)	34%	33%	33%	33%
Effective Tax Rate (Excluding Deferred Tax)	32%	31%	31%	31%

	2014 %
Income Tax Rates on	
a. Domestic Operations of the Bank	28
b. Foreign Currency Banking Unit of the Bank (On-Shore Operations and Off-Shore Operations)	28
c. Seylan Developments PLC	28

NOTES TO THE FINANCIAL STATEMENTS

	BANK				GROUP			
	2014		2013		2014		2013	
	Taxable Income Rs. '000	Tax Expense Rs. '000	Taxable Income Rs. '000	Tax Expense Rs. '000	Taxable Income Rs. '000	Tax Expense Rs. '000	Taxable Income Rs. '000	Tax Expense Rs. '000
Bank - Domestic Banking Unit and On-Shore Profits - 28%	5,835,664	1,633,986	3,723,871	1,042,684	5,844,956	1,636,588	3,740,689	1,047,393
Off-Shore Profits - 28%	1,712	479	1,439	403	1,712	479	1,439	403
	5,837,376	1,634,465	3,725,310	1,043,087	5,846,668	1,637,067	3,742,128	1,047,796

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
15.3 Tax Losses Brought Forward				
Tax Losses Brought Forward	569,216	534,392	1,376,287	1,350,771
Add: Tax Losses Incurred during the Year	203,127	34,824	203,127	34,824
Less: Tax Losses Utilised during the Year	-	-	5,515	9,308
Less: Tax Losses Disallowed to be Carried Forward	138,494	-	138,494	-
Unutilised Tax Losses Carried Forward	633,849	569,216	1,435,405	1,376,287

	BANK				GROUP			
	2014		2013		2014		2013	
	%	Rs.	%	Rs.	%	Rs.	%	Rs.
15.4 Reconciliation of Effective Tax Rate								
Profit before Income Tax		4,649,444		3,454,035		4,835,389		3,496,491
Less: Profit from Leasing Business		284,463		305,469		284,463		305,469
Profit from Banking Activities		4,364,981		3,148,566		4,550,926		3,191,022
Income Tax using Domestic Tax Rate	26	1,222,194	26	881,599	26	1,274,259	26	893,487
Disallowable Expenses	16	728,674	13	447,300	15	729,105	13	470,365
Allowable Expenses	(4)	(186,348)	(7)	(215,778)	(4)	(209,840)	(7)	(238,192)
Exempt Income	(3)	(130,055)	(2)	(70,034)	(3)	(158,162)	(2)	(80,203)
Income from Other Sources	-	-	-	-	-	3,515	-	5,077
Tax Losses Set-Off	-	-	-	-	-	(1,544)	-	(2,606)
Qualifying Payments	-	-	-	-	-	(266)	-	(132)
Under/(Over) Provision in respect of Previous Years	(3)	(155,680)	1	22,000	(3)	(155,686)	1	20,635
Other Temporary Differences	2	92,057	2	73,409	2	101,438	2	76,015
Total Income Tax Expense (Note 15.2)	34	1,570,842	33	1,138,496	33	1,582,819	33	1,144,446

**NOTES TO THE
FINANCIAL STATEMENTS**

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
15.5 Deferred Tax Expense/(Income)				
Deferred Tax - Liabilities				
Property, Plant & Equipment	37,865	(15,613)	45,700	(15,613)
Lease Rentals	139,202	98,024	139,202	98,024
Mark to Market Gain	-	(26,482)	-	(26,482)
	177,067	55,929	184,902	55,929
Deferred Tax - Assets				
Leave Encashment Provision	(7,903)	(4,990)	(7,903)	(4,990)
Collective and Individually Significant Impairment	(40,374)	39,636	(40,374)	39,636
Other Provisions	(18,635)	(26,874)	(18,635)	(26,874)
Tax Losses C/F	(18,098)	(9,750)	(16,552)	(7,144)
Impact on Devaluation of Property	-	19,458	-	19,458
	(85,010)	17,480	(83,464)	20,086
Transferred to Income Statement	92,057	73,409	101,438	76,015

16. Basic/Diluted Earnings Per Share

Basic Earnings Per Share has been calculated by dividing Profit after tax attributable to Equity Holders of the Bank by the weighted average number of Ordinary Shares in issue (Both Voting and Non-Voting) during the year ended 31st December 2014 & 2013.

Diluted Earnings per Share and the Basic Earnings per Share is the same due to non-availability of potentially dilutive Ordinary Shares.

	BANK		GROUP	
	2014	2013	2014	2013
Total Profit after Tax Attributable to Equity Holders of the Bank (Rs. '000)	3,078,602	2,315,539	3,178,776	2,326,148
Weighted Average Number of Ordinary Shares - Bank ('000)	344,960	343,339	344,960	343,339
Basic/Diluted Earnings Per Share (Rs.)	8.92	6.74	9.21	6.78

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
17. Dividends				
Ordinary Share Dividends				
Net Dividends				
Cash Dividends	702,640	306,544	702,640	306,544
Scrip Dividends	-	304,272	-	304,272
Tax Deducted at Source	73,521	65,344	73,521	65,344
Gross Dividend (Note 48)	776,161	676,160	776,161	676,160

NOTES TO THE FINANCIAL STATEMENTS

18. Measurement of Assets and Liabilities

18.1 Bank

	2014					
	Held-for-Trading (HFT) Rs. '000	Held-to-Maturity (HTM) Rs. '000	Loans and Receivables (L&R) Rs. '000	Available-for-Sale (AFS) Rs. '000	Others Rs. '000	Total Rs. '000
Assets						
Cash and Cash Equivalents	-	-	6,672,963	-	-	6,672,963
Balances with Central Bank of Sri Lanka	-	-	7,432,206	-	-	7,432,206
Placements with Banks and Finance Companies	-	-	2,334,304	-	-	2,334,304
Derivative Financial Instruments	191,411	-	-	-	-	191,411
Other Financial Assets Held-for-Trading	2,525,225	-	-	-	-	2,525,225
Securities Purchased under Resale Agreements	-	-	17,762,914	-	-	17,762,914
Customer Loans and Receivables	-	-	154,962,712	-	-	154,962,712
Financial Investments - Available-for-Sale	-	-	-	23,780,589	-	23,780,589
Financial Investments - Held-to-Maturity	-	22,438,807	-	-	-	22,438,807
Group Balances Receivable	-	-	30,000	-	-	30,000
Other Assets	-	-	3,321,826	-	-	3,321,826
Total Financial Assets	2,716,636	22,438,807	192,516,925	23,780,589	-	241,452,957
Investment in Subsidiary	-	-	-	-	1,106,113	1,106,113
Property, Plant & Equipment	-	-	-	-	2,967,600	2,967,600
Leasehold Rights	-	-	-	-	46,262	46,262
Investment Properties	-	-	-	-	114,429	114,429
Intangible Assets	-	-	-	-	279,820	279,820
Deferred Tax Assets	-	-	-	-	18,030	18,030
Other Assets	-	-	-	-	3,325,348	3,325,348
Total Non-Financial Assets	-	-	-	-	7,857,602	7,857,602
Total Assets	2,716,636	22,438,807	192,516,925	23,780,589	7,857,602	249,310,559

	2014			
	Held-for-Trading (HFT) Rs. '000	Amortised Cost Rs. '000	Others Rs. '000	Total Rs. '000
Liabilities				
Due to Banks	-	11,615,467	-	11,615,467
Derivative Financial Instruments	210,536	-	-	210,536
Customer Deposits	-	185,924,122	-	185,924,122
Securities Sold under Repurchase Agreements	-	12,419,887	-	12,419,887
Other Borrowings	-	14,628	-	14,628
Group Balances Payable	-	193,295	-	193,295
Debentures	-	7,655,705	-	7,655,705
Current Tax Liabilities	-	1,323,805	-	1,323,805
Other Liabilities	-	4,431,775	-	4,431,775
Total Financial Liabilities	210,536	223,578,684	-	223,789,220
Other Liabilities	-	-	1,512,800	1,512,800
Total Non-Financial Liabilities	-	-	1,512,800	1,512,800
Total Liabilities	210,536	223,578,684	1,512,800	225,302,020
Equity	-	-	24,008,539	24,008,539
Total Liabilities and Equity	210,536	223,578,684	25,521,339	249,310,559

**NOTES TO THE
FINANCIAL STATEMENTS**

2013					
Held-for- Trading (HFT) Rs. '000	Held-to- Maturity (HTM) Rs. '000	Loans and Receivables (L&R) Rs. '000	Available- for-Sale (AFS) Rs. '000	Others Rs. '000	Total Rs. '000
-	-	5,180,195	-	-	5,180,195
-	-	7,505,185	-	-	7,505,185
-	-	970,203	-	-	970,203
287,210	-	-	-	-	287,210
11,183,843	-	-	-	-	11,183,843
-	-	5,729,904	-	-	5,729,904
-	-	136,552,857	-	-	136,552,857
-	-	-	14,001,964	-	14,001,964
-	24,050,862	-	-	-	24,050,862
-	-	15,000	-	-	15,000
-	-	2,678,650	-	-	2,678,650
11,471,053	24,050,862	158,631,994	14,001,964	-	208,155,873
-	-	-	-	800,624	800,624
-	-	-	-	2,887,204	2,887,204
-	-	-	-	48,286	48,286
-	-	-	-	114,429	114,429
-	-	-	-	141,134	141,134
-	-	-	-	170,590	170,590
-	-	-	-	2,842,719	2,842,719
-	-	-	-	7,004,986	7,004,986
11,471,053	24,050,862	158,631,994	14,001,964	7,004,986	215,160,859

2013					
Held-for- Trading (HFT) Rs. '000	Amortised Cost Rs. '000	Others Rs. '000	Total Rs. '000		
-	11,544,206	-	11,544,206		
382,815	-	-	382,815		
-	167,371,384	-	167,371,384		
-	4,573,955	-	4,573,955		
-	12,738	-	12,738		
-	195,126	-	195,126		
-	3,243,299	-	3,243,299		
-	1,090,584	-	1,090,584		
-	3,586,134	-	3,586,134		
382,815	191,617,426	-	192,000,241		
-	-	1,399,000	1,399,000		
-	-	1,399,000	1,399,000		
382,815	191,617,426	1,399,000	193,399,241		
-	-	21,761,618	21,761,618		
382,815	191,617,426	23,160,618	215,160,859		

NOTES TO THE FINANCIAL STATEMENTS

18.2 Group

	2014					
	Held-for-Trading (HFT) Rs. '000	Held-to-Maturity (HTM) Rs. '000	Loans and Receivables (L&R) Rs. '000	Available-for-Sale (AFS) Rs. '000	Others Rs. '000	Total Rs. '000
Assets						
Cash and Cash Equivalents	-	-	6,673,003	-	-	6,673,003
Balances with Central Bank of Sri Lanka	-	-	7,432,206	-	-	7,432,206
Placements with Banks and Finance Companies	-	-	2,334,304	-	-	2,334,304
Derivative Financial Instruments	191,411	-	-	-	-	191,411
Other Financial Assets Held-for-Trading	2,534,425	-	-	-	-	2,534,425
Securities Purchased under Resale Agreements	-	-	17,762,914	-	-	17,762,914
Customer Loans and Receivables	-	-	154,962,712	-	-	154,962,712
Financial Investments - Available-for-Sale	-	-	-	23,838,151	-	23,838,151
Financial Investments - Held-to-Maturity	-	22,520,079	-	-	-	22,520,079
Current Tax Assets	-	-	-	-	-	-
Other Assets	-	-	3,326,069	-	-	3,326,069
Total Financial Assets	2,725,836	22,520,079	192,491,208	23,838,151	-	241,575,274
Property, Plant & Equipment	-	-	-	-	4,575,985	4,575,985
Leasehold Rights	-	-	-	-	609,413	609,413
Investment Properties	-	-	-	-	1,183,224	1,183,224
Intangible Assets	-	-	-	-	279,820	279,820
Deferred Tax Assets	-	-	-	-	-	-
Other Assets	-	-	-	-	3,334,116	3,334,116
Total Non-Financial Assets	-	-	-	-	9,982,558	9,982,558
Total Assets	2,725,836	22,520,079	192,491,208	23,838,151	9,982,558	251,557,832

	2014			
	Held-for-Trading (HFT) Rs. '000	Amortised Cost Rs. '000	Others Rs. '000	Total Rs. '000
Liabilities				
Due to Banks	-	11,615,467	-	11,615,467
Derivative Financial Instruments	210,536	-	-	210,536
Customer Deposits	-	185,924,122	-	185,924,122
Securities Sold under Repurchase Agreements	-	12,419,887	-	12,419,887
Other Borrowings	-	14,628	-	14,628
Debentures	-	7,655,705	-	7,655,705
Current Tax Liabilities	-	1,323,290	-	1,323,290
Other Liabilities	-	4,433,799	-	4,433,799
Total Financial Liabilities	210,536	223,386,898	-	223,597,434
Deferred Tax Liabilities	-	-	36,507	36,507
Other Liabilities	-	-	1,604,300	1,604,300
Total Non-Financial Liabilities	-	-	1,640,807	1,640,807
Total Liabilities	210,536	223,386,898	1,640,807	225,238,241
Equity	-	-	26,319,591	26,319,591
Total Liabilities and Equity	210,536	223,386,898	27,960,398	251,557,832

**NOTES TO THE
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2013						
Held-for-Trading (HFT) Rs. '000	Held-to-Maturity (HTM) Rs. '000	Loans and Receivables (L&R) Rs. '000	Available-for-Sale (AFS) Rs. '000	Others Rs. '000	Total Rs. '000	
-	-	5,180,226	-	-	5,180,226	
-	-	7,505,185	-	-	7,505,185	
-	-	970,203	-	-	970,203	
287,210	-	-	-	-	287,210	
11,191,770	-	-	-	-	11,191,770	
-	-	5,729,904	-	-	5,729,904	
-	-	136,552,857	-	-	136,552,857	
-	-	-	14,001,964	-	14,001,964	
-	24,130,160	-	-	-	24,130,160	
-	-	992	-	-	992	
-	-	2,704,953	-	-	2,704,953	
11,478,980	24,130,160	158,644,320	14,001,964	-	208,255,424	
-	-	-	-	4,460,001	4,460,001	
-	-	-	-	618,847	618,847	
-	-	-	-	1,043,942	1,043,942	
-	-	-	-	141,134	141,134	
-	-	-	-	135,951	135,951	
-	-	-	-	2,854,149	2,854,149	
-	-	-	-	9,254,024	9,254,024	
11,478,980	24,130,160	158,644,320	14,001,964	9,254,024	217,509,448	

2013				
Held-for-Trading (HFT) Rs. '000	Amortised Cost Rs. '000	Others Rs. '000	Total Rs. '000	
-	11,544,206	-	11,544,206	
382,815	-	-	382,815	
-	167,371,384	-	167,371,384	
-	4,573,955	-	4,573,955	
-	12,738	-	12,738	
-	3,243,299	-	3,243,299	
-	1,090,584	-	1,090,584	
-	3,593,145	-	3,593,145	
382,815	191,429,311	-	191,812,126	
-	-	-	-	
-	-	1,498,193	1,498,193	
-	-	1,498,193	1,498,193	
382,815	191,429,311	1,498,193	193,310,319	
-	-	24,199,129	24,199,129	
382,815	191,429,311	25,697,322	217,509,448	

NOTES TO THE FINANCIAL STATEMENTS

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
19. Cash and Cash Equivalents				
Cash in Hand - Local Currency	5,550,018	4,486,231	5,550,058	4,486,262
Cash in Hand - Foreign Currency	159,069	138,918	159,069	138,918
Balances with Local Banks	6,102	38,016	6,102	38,016
Balances with Foreign Banks	957,774	517,030	957,774	517,030
	6,672,963	5,180,195	6,673,003	5,180,226

20. Balances with Central Bank of Sri Lanka

A cash balance is required to be maintained with the Central Bank of Sri Lanka according to statutory requirements. At present, the minimum cash reserve requirement is 6% of the Rupee Deposit Liabilities.

	BANK /GROUP	
	2014 Rs. '000	2013 Rs. '000
Average Rupee Deposit Liabilities for 2nd Half of November	157,866,225	143,661,767
Statutory Reserve Requirement	9,471,973	8,619,706
Less: Average Sri Lanka Currency Notes and Coins Held Over and Above 2% of Average Deposit Liabilities, But Not Exceeding 4%	1,537,255	1,301,231
Total Reserve Required to be held with Central Bank	7,934,718	7,318,475
Average Balance held by the Bank for the 2nd Half of December	7,934,802	7,318,605
Statutory Balances with Central Bank as at 31st December	7,432,206	7,505,185
Balances with Central Bank of Sri Lanka	7,432,206	7,505,185

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
21. Placements with Banks and Finance Companies				
Term Deposits with Banks	2,334,304	970,203	2,334,304	970,203
Term Deposits with Finance Companies	-	-	5,943	5,943
Impairment Provision	-	-	(5,943)	(5,943)
	2,334,304	970,203	2,334,304	970,203
22. Derivative Financial Instruments				
22.1 Derivative Assets				
Foreign Currency Derivatives				
Forward Foreign Exchange Contracts	191,411	287,210	191,411	287,210
	191,411	287,210	191,411	287,210
22.2 Derivative Liabilities				
Foreign Currency Derivatives				
Forward Foreign Exchange Contracts	210,536	382,815	210,536	382,815
	210,536	382,815	210,536	382,815

The Bank uses derivatives not designated in a qualifying hedge relationship such as forward contracts to manage its exposure to foreign currency.

**NOTES TO THE
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	2014		2013	
	Carrying Amount Rs. '000	Market Value Rs. '000	Carrying Amount Rs. '000	Market Value Rs. '000
23. Other Financial Assets Held-for-Trading				
Seylan Bank PLC (Note 23.1)	2,441,008	2,525,225	11,159,600	11,183,843
Seylan Developments PLC (Note 23.2)	10,000	9,200	10,180	7,927
Total Other Financial Assets Held-for-Trading - Group	2,451,008	2,534,425	11,169,780	11,191,770
23.1 Seylan Bank PLC				
Quoted Equities (Note 23.1.1)	85,488	93,560	172,499	93,901
Government of Sri Lanka Treasury Bills (Note 23.1.2)	305,219	305,399	5,020,919	5,060,949
Government of Sri Lanka Treasury Bonds (Note 23.1.3)	1,050,301	1,085,777	5,966,182	6,028,993
Unit Trusts (Note 23.1.4)	1,000,000	1,040,489	-	-
Total Other Financial Assets Held-for-Trading - Bank	2,441,008	2,525,225	11,159,600	11,183,843

	2014				2013		
	No. of Ordinary Equities	Carrying Amount Rs. '000	% of Total Carrying Amount	Market Value Rs. '000	No. of Ordinary Equities	Carrying Amount Rs. '000	Market Value Rs. '000
23.1.1 Quoted Equities - Bank							
Hotels and Travel							
Galadari Hotels Lanka PLC	-	-	-	-	457,654	15,504	5,171
Hotel Services (Ceylon) PLC	-	-	-	-	1,279,659	37,948	16,891
						53,452	22,062
Banks, Finance and Insurance							
Commercial Bank of Ceylon PLC	201,381	24,427		34,436	198,265	24,427	24,010
Janashakthi Insurance Company PLC	-	-		-	102,380	2,003	1,300
		24,427	28.57	34,436		26,430	25,310
Diversified Holdings							
John Keells Holdings PLC	90,000	22,105		22,500	-	-	-
John Keells Holdings PLC - Share Warrant 2016	40,000	3,193		2,900	-	-	-
Aitken Spence PLC	36,021	4,039		3,728	19,491	2,427	2,015
Browns Investments PLC	-	-		-	1,171,500	5,858	2,812
		29,337	34.32	29,128		8,285	4,827
Manufacturing							
Textured Jersey Lanka PLC	1,000,000	19,992		20,600	-	-	-
Hayleys MGT Knitting Mills PLC	-	-		-	20,000	792	222
Sierra Cables PLC	-	-		-	5,893,300	27,376	10,608
Royal Ceramics Lanka PLC	-	-		-	125,000	20,125	10,750
		19,992	23.39	20,600		48,293	21,580
Healthcare							
Nawaloka Hospitals PLC	-	-		-	1,885,000	8,089	5,655
Power & Energy							
Access Engineering PLC	290,000	11,732		9,396	-	-	-
Vallibel Power Erathna PLC	-	-		-	1,918,434	20,135	11,127
Hemas Power PLC	-	-		-	182,499	7,815	3,340
		11,732	13.72	9,396		27,950	14,467
Total Held-for-Trading Quoted Equities - Bank		85,488	100.00	93,560		172,499	93,901
Marked to Market Valuation Gain/(Loss) from Quoted Equities		8,072				(78,598)	

NOTES TO THE FINANCIAL STATEMENTS

	Year of Maturity	2014			2013		
		Face Value Rs. '000	Carrying Amount Rs. '000	Market Value Rs. '000	Face Value Rs. '000	Carrying Amount Rs. '000	Market Value Rs. '000
23.1.2 Government of Sri Lanka Treasury Bills - Bank							
	2014	-	-	-	5,303,296	5,020,919	5,060,949
	2015	311,819	305,219	305,399	-	-	-
Total Held-for-Trading Government of Sri Lanka Treasury Bills - Bank			305,219	305,399		5,020,919	5,060,949
Marked to Market Valuation Gain from Treasury Bills*				180		40,030	
23.1.3 Government of Sri Lanka Treasury Bonds - Bank							
	2014	-	-	-	3,181,164	3,288,489	3,297,801
	2015	97,692	101,170	101,615	50,000	53,200	53,483
	2016	54,200	54,681	55,732	68,300	65,217	67,050
	2017	510,000	520,923	529,717	-	-	-
	2018	384,373	373,527	398,713	2,600,000	2,461,129	2,510,845
	2021	-	-	-	80,000	77,188	77,304
	2028	-	-	-	25,000	20,959	22,510
Total Held-for-Trading Government of Sri Lanka Treasury Bonds - Bank			1,050,301	1,085,777		5,966,182	6,028,993
Marked to Market Valuation Gain from Treasury Bonds*				35,476		62,811	

* Marked to Market Valuation Gain/(Loss) from Treasury Bills and Bonds is included in Net Trading Income (Note 9).

	No. of Units	2014		2013	
		Carrying Amount Rs. '000	Market Value Rs. '000	Carrying Amount Rs. '000	Market Value Rs. '000
23.1.4 Unit Trusts - Bank					
Ceylon Asset Management Co. Limited	74,108,935.47	1,000,000	1,040,489	-	-
Marked to Market Valuation Gain from Unit Trusts			40,489		-
Total Other Financial Assets Held-for-Trading- Bank (Note Nos. 23.1.1, 23.1.2, 23.1.3, 23.1.4)		2,441,008	2,525,225	11,159,600	11,183,843

Other Financial Assets Held-for-Trading Held by Subsidiary

	No. of Ordinary Equities	2014		2013	
		Carrying Amount Rs. '000	Market Value Rs. '000	Carrying Amount Rs. '000	Market Value Rs. '000
23.2 Seylan Developments PLC					
23.2.1 Quoted Equities					
City Housing & Real Estate PLC	-	-	-	250	2
Colombo Land & Development Company PLC	-	-	-	1,250	1
Blue Diamonds Jewellery Worldwide PLC	-	-	-	78,600	177
Commercial Leasing & Finance Company PLC	2,000,000	10,000	9,200	2,000,000	10,000
Total Held-for-Trading Quoted Equities - Subsidiary		10,000	9,200	10,180	7,927
Marked to Market Valuation Loss from Quoted Equities			(800)		(2,253)
Total Other Financial Assets Held-for-Trading - Subsidiary (Note No. 23.2.1)		10,000	9,200	10,180	7,927

**NOTES TO THE
FINANCIAL STATEMENTS**

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
24. Loans and Receivables				
Gross Loans and Receivables (Note 24.1)	161,974,994	144,167,684	161,974,994	144,167,684
Less: Impairment Allowance for Loans and Receivables				
Individual Impairment (Note 24.3.1)	(2,336,572)	(2,999,778)	(2,336,572)	(2,999,778)
Collective Impairment (Note 24.3.2)	(4,675,710)	(4,615,049)	(4,675,710)	(4,615,049)
Total Impairment Allowance for Loans and Receivables (Note 24.3.3)	(7,012,282)	(7,614,827)	(7,012,282)	(7,614,827)
Total Loans and Receivables - Net	154,962,712	136,552,857	154,962,712	136,552,857
24.1 Analysis of Gross Loans and Receivables				
24.1.1 Analysis of Rupee Gross Loans and Receivables by Product				
Export Bills	101,381	18,638	101,381	18,638
Import Bills	100,860	127,889	100,860	127,889
Local Bills	122,315	169,123	122,315	169,123
Lease Rentals Receivable (Note 24.2)	10,647,360	8,690,012	10,647,360	8,690,012
Overdrafts	46,884,578	38,964,190	46,884,578	38,964,190
Trust Receipt Loans/Revolving Import Loans (RIL)	8,988,594	9,812,635	8,988,594	9,812,635
Staff Loans	4,306,641	3,882,440	4,306,641	3,882,440
Housing Loans	9,173,760	8,682,549	9,173,760	8,682,549
Pawning Receivables	8,514,872	14,370,126	8,514,872	14,370,126
Refinance Loans	671,716	584,504	671,716	584,504
Credit Cards	3,135,717	2,551,355	3,135,717	2,551,355
Other Loans	56,910,626	47,800,886	56,910,626	47,800,886
Rupee Gross Loans and Receivables	149,558,420	135,654,347	149,558,420	135,654,347
24.1.2 Analysis of Foreign Currency Gross Loans and Receivables by Product				
Export Bills	977,966	702,052	977,966	702,052
Import Bills	128,727	66,702	128,727	66,702
Local Bills	56,556	71,785	56,556	71,785
Overdrafts	1,148,478	481,513	1,148,478	481,513
Trust Receipt Loans/Revolving Import Loans (RIL)	107,697	406,991	107,697	406,991
Other Loans	9,997,150	6,784,294	9,997,150	6,784,294
Foreign Currency Gross Loans and Receivables	12,416,574	8,513,337	12,416,574	8,513,337
Total Gross Loans and Receivables	161,974,994	144,167,684	161,974,994	144,167,684
24.1.3 Analysis of Gross Loans and Receivables by Currency				
Sri Lankan Rupee	149,558,420	135,654,347	149,558,420	135,654,347
United States Dollar	12,318,118	8,469,221	12,318,118	8,469,221
Great Britain Pound	34,710	32,081	34,710	32,081
Japanese Yen	22,641	9,457	22,641	9,457
Euro	34,669	674	34,669	674
Australian Dollar	-	22	-	22
Swiss Franc	6,436	1,882	6,436	1,882
Gross Loans and Receivables	161,974,994	144,167,684	161,974,994	144,167,684

NOTES TO THE FINANCIAL STATEMENTS

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
24.1.4 Analysis of Gross Loans and Receivables by Industry-wise				
Agriculture and Fishing	15,732,682	9,700,856	15,732,682	9,700,856
Manufacturing	19,972,202	17,591,107	19,972,202	17,591,107
Tourism	8,749,343	2,935,262	8,749,343	2,935,262
Transport	7,190,974	9,745,576	7,190,974	9,745,576
Construction	19,043,307	23,565,578	19,043,307	23,565,578
Traders	33,007,040	31,133,378	33,007,040	31,133,378
New Economy	862,471	685,835	862,471	685,835
Financial and Business Services	23,087,741	16,510,701	23,087,741	16,510,701
Infrastructure	2,812,428	1,473,710	2,812,428	1,473,710
Other Services	8,840,272	8,509,410	8,840,272	8,509,410
Credit cards	3,135,717	2,551,355	3,135,717	2,551,355
Pawning	8,514,872	14,370,126	8,514,872	14,370,126
Other	11,025,945	5,394,790	11,025,945	5,394,790
Gross Loans and Receivables	161,974,994	144,167,684	161,974,994	144,167,684

Sector-wise analysis of credit portfolio given above, reflects the exposure to credit risk in the various sectors of the economy.

Pawning includes agriculture sector lending.

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
24.2 Lease Rentals Receivable				
Lease Rentals Receivable Within One Year (Note 24.2.1)	4,184,544	3,591,858	4,184,544	3,591,858
Lease Rentals Receivable Later Than One Year and Not Later Than Five Years (Note 24.2.2)	6,458,692	5,093,868	6,458,692	5,093,868
Lease Rentals Receivable Later Than Five Years (Note 24.2.3)	4,124	4,286	4,124	4,286
	10,647,360	8,690,012	10,647,360	8,690,012
24.2.1 Lease Rentals Receivable Within One Year				
From the Reporting Date	5,501,454	4,804,637	5,501,454	4,804,637
Less: Unearned Income	(1,316,910)	(1,212,779)	(1,316,910)	(1,212,779)
	4,184,544	3,591,858	4,184,544	3,591,858
24.2.2 Lease Rentals Receivable Later than One Year and Not Later than Five Years				
From the Reporting Date (a)	7,557,781	6,089,597	7,557,781	6,089,597
Less: Unearned Income	(1,099,089)	(995,729)	(1,099,089)	(995,729)
	6,458,692	5,093,868	6,458,692	5,093,868
a. Lease Rentals Receivable	7,636,801	6,174,412	7,636,801	6,174,412
Less: Deposit of Rentals	(79,020)	(84,815)	(79,020)	(84,815)
	7,557,781	6,089,597	7,557,781	6,089,597
24.2.3 Lease Rentals Receivable Later than Five Years				
From the Reporting Date	5,219	5,393	5,219	5,393
Less: Unearned Income	(1,095)	(1,107)	(1,095)	(1,107)
	4,124	4,286	4,124	4,286

**NOTES TO THE
FINANCIAL STATEMENTS**

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
24.3 Movement in Impairment Allowance on Loans and Receivables				
24.3.1 Allowance for Individual Impairment				
Balance as at 1st January	2,999,778	3,537,698	2,999,778	3,537,698
Net Impairment during the Year	2,021,892	1,305,790	2,021,892	1,305,790
Reversal for Write-off	(2,091,217)	(1,276,124)	(2,091,217)	(1,276,124)
Interest Accrued on Impaired Loans and Receivables	(593,881)	(567,586)	(593,881)	(567,586)
Balance as at 31st December	2,336,572	2,999,778	2,336,572	2,999,778
24.3.2 Allowance for Collective Impairment				
Balance as at 1st January	4,615,049	4,707,621	4,615,049	4,707,621
Net Impairment during the Year	60,661	(92,572)	60,661	(92,572)
Balance as at 31st December	4,675,710	4,615,049	4,675,710	4,615,049
24.3.3 Movement in Impairment Allowance for Loans and Receivables				
Balance as at 1st January	7,614,827	8,245,319	7,614,827	8,245,319
Net Impairment during the Year	2,082,553	1,213,218	2,082,553	1,213,218
Reversal for Write-off	(2,091,217)	(1,276,124)	(2,091,217)	(1,276,124)
Interest Accrued on Impaired Loans and Receivables	(593,881)	(567,586)	(593,881)	(567,586)
Balance as at 31st December	7,012,282	7,614,827	7,012,282	7,614,827

	2014		2013	
	Carrying Amount Rs. '000	Market Value Rs. '000	Carrying Amount Rs. '000	Market Value Rs. '000
25. Financial Investments - Available-for-Sale				
Seylan Bank PLC (Note 25.1)	25,454,021	23,780,589	15,338,670	14,001,964
Seylan Developments PLC (Note 25.2)	115,047	57,562	56,329	—
Total Financial Investments - Available-for-Sale - Group	25,569,068	23,838,151	15,394,999	14,001,964
25.1 Seylan Bank PLC				
25.1.1 Financial Investments - Available-for-Sale - Bank				
Quoted Equities (Note 25.1.1.1)	720,500	1,161,166	388,024	663,026
Unquoted Equities (Note 25.1.1.2)	2,354,540	223,618	2,354,540	105,569
Government of Sri Lanka Treasury Bills (Note 25.1.1.3)	315,438	316,380	2,294,519	2,458,132
Government of Sri Lanka Treasury Bonds (Note 25.1.1.4)	18,208,201	18,222,264	9,721,341	10,172,506
Sri Lanka Development Bonds (Note 25.1.1.5)	3,357,108	3,346,574	391,950	398,691
Quoted Debentures (Note 25.1.1.6)	498,234	510,587	188,296	204,040
Total Financial Investments - Available-for-Sale - Bank	25,454,021	23,780,589	15,338,670	14,001,964

NOTES TO THE FINANCIAL STATEMENTS

	2014			2013		
	No. of Ordinary Equities	Carrying Amount	Market Value	No. of Ordinary Equities	Carrying Amount	Market Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
25.1.1.1 Quoted Equities - Bank						
Visa Inc.	13,328	75,217	461,113	13,328	61,422	387,753
The Finance Company PLC	3,241,240	94,968	68,066	4,607,760	135,007	46,541
Dialog Axiata PLC	7,707,100	46,243	102,505	12,459,100	74,755	112,132
Richard Pieris & Company PLC	2,100,000	13,650	17,850	7,000,000	45,500	44,100
John Keells Hotels PLC	4,058,272	49,917	69,802	5,800,000	71,340	72,500
Distilleries Company of Sri Lanka PLC	392,757	83,182	82,675	-	-	-
Sampath Bank PLC	492,604	116,082	115,762	-	-	-
Colombo Dockyard PLC	73,607	14,796	14,206	-	-	-
John Keells Holdings PLC	575,000	143,425	143,750	-	-	-
Hatton National Bank PLC	181,787	34,540	35,448	-	-	-
Lanka IOC PLC	835,931	48,480	49,989	-	-	-
Total Available-for-Sale Quoted Equities - Bank		720,500	1,161,166		388,024	663,026
25.1.1.2 Unquoted Equities - Bank						
Credit Information Bureau of Sri Lanka*	2,900	290	23,037	2,900	290	17,047
Transnational Lanka Records Solutions (Pvt) Limited*	1,000,000	10,000	26,039	1,000,000	10,000	24,871
LankaClear (Pvt) Limited*	1,000,000	10,000	71,982	1,000,000	10,000	61,409
Lanka Financial Services Bureau Limited*	225,000	2,250	2,284	225,000	2,250	2,242
Prime Grameen Micro Finance Limited**	233,200,000	2,332,000	***100,276	233,200,000	2,332,000	****-
Total Available-for-Sale Unquoted Equities - Bank		2,354,540	223,618		2,354,540	105,569

* Market value is based on Net Assets per Share Basis as per the Audited Financial Statements of these Companies as at following dates:

Credit Information Bureau of Sri Lanka - 31st December 2013

Transnational Lanka Records Solutions (Pvt) Limited - 30th June 2014

LankaClear (Pvt) Limited - 31st March 2014

Lanka Financial Services Bureau Limited - 31st March 2014

** The Bank restructured its loan portfolio to Grameen Micro Credit Company Limited (Rs. 2.725 Bn.) by obtaining approval from the Monetary Board and converted Rs. 1 Bn. of the outstanding loan to 15% Cumulative/Redeemable/Convertible/Preference Shares. Further, Bank has converted the balance of Rs. 1.725 Bn. to Secured Debentures at an interest rate of Treasury Bills + 10% per annum which will mature from 2012 to 2019.

However, with effect from 25th June 2012, the Central Bank of Sri Lanka has directed to convert the investments in Grameen Micro Credit Company Limited to Rs. 665 Mn. Debentures which are secured against the mortgaged properties (redeemable from 2020 to 2040) and the balance Rs. 2,060 Mn. together with interest due amounting to Rs. 272 Mn. to 233,200,000 Non-voting Shares of Rs. 10/- each amounting to Rs. 2,332,000,000/-.

*** Market value is based on Directors' Valuation Basis.

****Has been fully provided due to permanent decline in value of shares.

**NOTES TO THE
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	Year of Maturity	2014			2013		
		Face Value Rs. '000	Carrying Amount Rs. '000	Market Value Rs. '000	Face Value Rs. '000	Carrying Amount Rs. '000	Market Value Rs. '000
25.1.1.3 Government of Sri Lanka Treasury Bills - Bank							
	2014	-	-	-	2,532,099	2,294,519	2,458,132
	2015	322,220	315,438	316,380	-	-	-
Total Available-for-Sale Government of Sri Lanka Treasury Bills - Bank			315,438	316,380		2,294,519	2,458,132
25.1.1.4 Government of Sri Lanka Treasury Bonds - Bank							
	2014	-	-	-	2,593,115	2,589,239	2,504,099
	2015	588,000	609,682	613,842	2,364,000	2,389,525	2,485,589
	2016	82,572	82,570	84,811	189,830	176,666	183,355
	2017	7,150,000	7,482,856	7,514,591	50,000	46,491	50,122
	2018	8,345,480	8,719,222	8,725,401	4,825,000	4,519,420	4,949,341
	2019	200,000	238,071	235,626	-	-	-
	2021	10,000	9,776	10,818	-	-	-
	2022	20,000	24,898	24,840	-	-	-
	2024	800,000	1,041,126	1,012,335	-	-	-
Total Available-for-Sale Government of Sri Lanka Treasury Bonds - Bank			18,208,201	18,222,264		9,721,341	10,172,506

	Year of Maturity	2014			2013						
		Face Value USD '000	Carrying Amount USD '000	Market Value USD '000	Carrying Amount Rs. '000	Market Value Rs. '000	Face Value USD '000	Carrying Amount USD '000	Market Value USD '000	Carrying Amount Rs. '000	Market Value Rs. '000
25.1.1.5 Sri Lanka Development Bonds - Bank											
	2015	10,000	10,242	10,163	-	-	-	-	-	-	-
	2016	3,000	3,032	3,032	-	-	3,000	3,000	3,052	-	-
	2017	12,000	12,168	12,167	-	-	-	-	-	-	-
Total Available-for-Sale Sri Lanka Development Bonds - Bank			25,442	25,362	3,357,108	3,346,574		3,000	3,052	391,950	398,691

	Year of Maturity	2014		2013	
		Carrying Amount Rs. '000	Market Value Rs. '000	Carrying Amount Rs. '000	Market Value Rs. '000
25.1.1.6 Quoted Debentures - Bank					
People's Leasing and Finance PLC (1,784,531 Debentures of Rs. 100/-each)	2018	194,565	213,883	188,296	204,040
DFCC Bank (2,964,900 Debentures of Rs. 100/- each)	2017	303,669	296,704	-	-
Total Available-for-Sale Quoted Debentures - Bank		498,234	510,587	188,296	204,040
Total Financial Investments - Available-for-Sale - Bank (Note Nos. 25.1.1.1, 25.1.1.2, 25.1.1.3, 25.1.1.4, 25.1.1.5, 25.1.1.6)		25,454,021	23,780,589	15,338,670	14,001,964

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Financial Investments - Available-for-Sale Held by Subsidiary

	2014			2013		
	No. of Ordinary Equities	Carrying Amount	Market Value	No. of Ordinary Equities	Carrying Amount	Market Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
25.2 Seylan Developments PLC						
25.2.1 Financial Investments - Available-for-Sale						
25.2.1.1 Unquoted Equities						
Ceylinco Venture Capital Investment Limited	95,000	950	–	95,000	950	–
Ceylinco Sports Complex	220,000	2,200	–	220,000	2,200	–
Ceycom Global Communication Limited	40,500	405	–	40,500	405	–
Asian Finance Company Limited	75,000	750	–	75,000	750	–
MBSL Savings Bank Limited	25,000	250	–	25,000	250	–
Ceylinco International Property Developers (Pvt) Limited	50,000	500	–	50,000	500	–
Ceyenergy Electronic Company (Pvt) Limited	15,000	150	–	15,000	150	–
Certis Lanka Home Nursing & Swift Care (Pvt) Limited	75,000	750	–	75,000	750	–
Independent Financial News & Views (Pvt) Limited	4,900	49	–	4,900	49	–
Ceylinco International Realty (Pvt) Limited	200,000	2,000	–	200,000	2,000	–
e.Ceylinco.Com (Pvt) Limited	60,000	600	–	60,000	600	–
International Consultancy & Corporate Services (Pvt) Limited	5,000	50	–	5,000	50	–
Ceylinco PLC Technology (Pvt) Limited	177,500	1,775	–	177,500	1,775	–
Standard Credit Lanka Limited	4,000,000	40,000	–	4,000,000	40,000	–
The Sitar (Pvt) Limited	60,000	600	–	60,000	600	–
Ceylinco Seraka Investments Limited	510,000	5,100	–	510,000	5,100	–
Ceylinco Cisco Ranaviru Services (Pvt) Limited	10,000	100	–	10,000	100	–
Certis Lanka Secure Logistics (Pvt) Limited	10,000	100	–	10,000	100	–
Total Available-for-Sale Unquoted Equities - Subsidiary		56,329	–*		56,329	–*

*Unquoted Shares have been fully provided due to permanent diminution in value of shares.

	Year of Maturity	2014		2013	
		Carrying Amount	Market Value	Carrying Amount	Market Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
25.2.1.2 Quoted Debentures					
DFCC Bank PLC (573,300 Debentures of Rs. 100/- each)	2017	58,718	57,562	–	–
Total Available-for-Sale Quoted Debentures - Subsidiary		58,718	57,562	–	–
Total Financial Investments - Available-for-Sale - Subsidiary (Note Nos. 25.2.1.1, 25.2.1.2)		115,047	57,562	56,329	–

	BANK		GROUP	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
25.3 Movement in Impairment during the Year				
Balance as at 1st January	2,407,567	2,332,000	2,463,896	2,388,329
Impairment made during the Year (Note 12.2)	–	75,567	–	75,567
Impairment reversal during the Year (Note 12.2)	(22,411)	–	(22,411)	–
Balance as at 31st December	2,385,156	2,407,567	2,441,485	2,463,896

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	2014		2013	
	Carrying Amount Rs. '000	Market Value Rs. '000	Carrying Amount Rs. '000	Market Value Rs. '000
26. Financial Investments - Held-to-Maturity				
Seylan Bank PLC (Note 26.1)	22,438,807	23,025,404	24,050,862	24,126,645
Seylan Developments PLC (Note 26.2)	81,272	82,475	79,298	75,000
Total Financial Investments - Held-to-Maturity - Group	22,520,079	23,107,879	24,130,160	24,201,645
26.1 Seylan Bank PLC				
26.1.1 Held-to-Maturity Investment Securities - Bank				
Government of Sri Lanka Treasury Bills (Note 26.1.1.1)	-	-	620,856	617,439
Government of Sri Lanka Treasury Bonds (Note 26.1.1.2)	14,574,461	15,209,858	15,681,431	15,751,305
Sri Lanka Development Bonds (Note 26.1.1.3)	5,199,328	5,197,909	5,003,384	5,028,294
Other Bonds (Note 26.1.1.4)	252,363	252,363	252,380	252,380
Quoted Debentures (Note 26.1.1.5)	1,246,235	1,198,854	999,583	983,999
Unquoted Debentures (Note 26.1.1.6)	1,166,420	1,166,420	1,493,228	1,493,228
Total Financial Investments - Held-to-Maturity - Bank	22,438,807	23,025,404	24,050,862	24,126,645

	Year of Maturity	2014			2013		
		Face Value Rs. '000	Carrying Amount Rs. '000	Market Value Rs. '000	Face Value Rs. '000	Carrying Amount Rs. '000	Market Value Rs. '000
26.1.1.1 Government of Sri Lanka Treasury Bills - Bank							
	2014	-	-	-	683,500	620,856	617,439
Total Held-to-Maturity Government of Sri Lanka Treasury Bills - Bank		-	-	-	683,500	620,856	617,439
26.1.1.2 Government of Sri Lanka Treasury Bonds - Bank							
	2014	-	-	-	1,400,000	1,371,287	1,374,355
	2015	7,170,000	7,405,663	7,483,212	7,170,000	7,458,540	7,477,569
	2016	3,200,000	3,155,139	3,281,983	3,200,000	3,082,305	3,084,652
	2017	50,000	42,819	49,896	50,000	40,193	46,409
	2018	2,600,000	2,546,107	2,710,146	2,600,000	2,516,838	2,479,241
	2019	100,000	86,982	105,844	100,000	84,634	95,675
	2020	392,700	324,653	379,704	392,700	315,375	343,576
	2021	519,000	474,139	561,435	379,000	389,009	409,841
	2022	370,000	345,008	394,963	290,000	251,456	255,410
	2028	230,000	193,951	242,675	205,000	171,794	184,577
Total Held-to-Maturity Government of Sri Lanka Treasury Bonds - Bank			14,574,461	15,209,858		15,681,431	15,751,305

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Year of Maturity	2014					2013				
	Face Value USD '000	Carrying Amount USD '000	Market Value USD '000	Carrying Amount Rs. '000	Market Value Rs. '000	Face Value USD '000	Carrying Amount USD '000	Market Value USD '000	Carrying Amount Rs. '000	Market Value Rs. '000
26.1.1.3 Sri Lanka Development Bonds - Bank										
2014	-	-	-	-	-	9,000	9,111	9,128	-	-
2015	8,000	8,076	8,081	-	-	8,000	8,103	8,098	-	-
2016	21,000	21,222	21,211	-	-	21,000	21,082	21,261	-	-
2017	10,000	10,106	10,100	-	-	-	-	-	-	-
Total Held-to-Maturity Sri Lanka Development Bonds - Bank		39,404	39,392	5,199,328	5,197,909		38,296	38,487	5,003,384	5,028,294

Year of Maturity	2014			2013		
	Face Value Rs. '000	Carrying Amount Rs. '000	Market Value Rs. '000	Face Value Rs. '000	Carrying Amount Rs. '000	Market Value Rs. '000
26.1.1.4 Other Bonds - Bank						
CWE Bond						
	2016	250,000	252,363	252,363	250,000	252,380
Total Held-to-Maturity Other Bonds - Bank			252,363	252,363		252,380

Year of Maturity	2014		2013	
	Carrying Amount Rs. '000	Market Value Rs. '000	Carrying Amount Rs. '000	Market Value Rs. '000
26.1.1.5 Quoted Debentures - Bank				
SMB Leasing PLC (187,240 Debentures of Rs. 100/- each)	2016	18,974	18,717	18,974
Hayleys PLC (119,200 Debentures of Rs. 1,000/- each)	2016	123,481	119,200	123,481
Softlogic Finance PLC (250,000 Debentures of Rs. 100/- each)	2016	25,340	27,185	25,340
Alliance Finance Company PLC (1,000,000 Debentures of Rs. 100/- each)	2016	107,813	105,040	103,949
HDFC Bank of Sri Lanka (655,800 Debentures of Rs. 100/- each)	2016	67,977	65,580	67,273
Central Finance Company PLC (481,100 Debentures of Rs. 100/- each)	2016-2017	51,288	48,110	48,438
Merchant Bank of Sri Lanka PLC (3,768,400 Debentures of Rs. 100/- each)	2016-2017	429,126	398,358	378,989
Abans PLC (1,441,400 Debentures of Rs. 100/- each)	2016-2017	154,403	144,140	144,586
Senkadagala Finance PLC (417,038 Debentures of Rs. 100/- each)	2016-2017	43,504	45,288	43,504
LB Finance PLC (445,200 Debentures of Rs. 100/- each)	2018	45,049	49,417	45,049
Hemas Holdings PLC (274,200 Debentures of Rs. 100/- each)	2019	28,180	28,015	-
Richard Pieris and Company PLC (1,470,100 Debentures of Rs. 100/- each)	2017-2019	151,100	149,804	-
Total Held-to-Maturity Quoted Debentures - Bank		1,246,235	1,198,854	999,583
26.1.1.6 Unquoted Debentures - Bank				
People's Leasing & Finance PLC (500,000 Debentures of Rs. 100/- each)		-	-	51,539
Urban Development Authority (4,357,400 Debentures of Rs. 100/- each)	2015	447,296	447,296	447,296
Bank of Ceylon (500,000 Debentures of Rs. 100/- each)	2016	50,362	50,362	50,362
Senkadagala Finance PLC (240,000 Debentures of Rs. 1,000/- each)		-	-	272,432
Prime Grameen Micro Finance Limited	2020-2040	668,762	668,762	671,599
Total Held-to-Maturity Unquoted Debentures - Bank		1,166,420	1,166,420	1,493,228
Total Financial Investments - Held-to-Maturity - Bank (Note Nos. 26.1.1.1, 26.1.1.2, 26.1.1.3, 26.1.1.4, 26.1.1.5, 26.1.1.6)		22,438,807	23,025,404	24,050,862

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Financial Investments - Held-to-Maturity Held by Subsidiary

	Year of Maturity	2014		2013	
		Carrying Amount Rs. '000	Market Value Rs. '000	Carrying Amount Rs. '000	Market Value Rs. '000
26.2 Seylan Developments PLC					
26.2.1 Held-to-Maturity Investment Securities					
26.2.1.1 Quoted Debentures					
People's Leasing & Finance PLC (500,000 Debentures of Rs. 100/- each)	2017	54,159	57,475	54,159	50,000
Merchant Bank of Sri Lanka PLC (250,000 Debentures of Rs. 100/- each)	2016-2017	27,113	25,000	25,139	25,000
Total Held-to-Maturity Quoted Debentures - Subsidiary		81,272	82,475	79,298	75,000
Total Financial Investments - Held-to-Maturity - Subsidiary		81,272	82,475	79,298	75,000

	Principal Activity	Number of Equities as at 31.12.2014	Holding %	Cost as at 31.12.2014 Rs. '000	Market Value as at 31.12.2014 Rs. '000	Number of Equities as at 31.12.2013	Holding %	Cost as at 31.12.2013 Rs. '000	Market Value as at 31.12.2013 Rs. '000
27. Investment in Subsidiary									
Held-to-Maturity Quoted - Ordinary Shares									
Seylan Developments PLC	Property Development/ Management	101,027,265	68.28	1,106,113	1,424,484	77,493,339	52.37	800,624	697,440
				1,106,113	1,424,484			800,624	697,440

	2014 Rs. '000	2013 Rs. '000
27.1 Non-Controlling Interest (NCI) in Subsidiary		
NCI Percentage (%)	31.72	47.63
Total Assets	4,882,871	4,805,335
Total Liabilities	598,464	575,225
Net Assets	4,284,407	4,230,110
Carrying Amount of NCI	1,124,387	1,537,626
Revenue	185,973	181,832
Profit	99,811	18,414
Total Comprehensive Income	98,686	17,812
Profit Allocated to NCI	73,794	25,897
Cash flow from Operating Activities	90,782	52,435
Cash flow from Investing Activities	(41,790)	(24,720)
Cash flow from Financing Activities, before dividend to NCI	(23,531)	(19,172)
Cash flow from Financing Activities - dividend to NCI	(20,858)	(17,819)
Net increase in Cash and Cash equivalents	4,602	(9,277)

NOTES TO THE FINANCIAL STATEMENTS

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
28. Group Balances Receivable				
Name of Company				
Seylan Developments PLC	30,000	15,000	-	-
	30,000	15,000	-	-

	Freehold Land	Freehold Buildings	Computer Equipment	Machinery/ Equipment	Furniture/ Fittings	Motor Vehicles	Leased Assets	Capital Work- in-Progress	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
29. Property, Plant & Equipment									
29.1 Bank									
Cost/Valuation									
Balance as at 1st January 2013	665,887	842,130	2,999,017	1,339,835	1,218,283	175,536	55,395	737	7,296,820
Additions and Improvements	-	-	235,219	81,433	255,946	39,758	-	1,061	613,417
Surplus/(Impairment) on Revaluation	112,807	84,369	-	-	-	-	-	-	197,176
Disposals	(52,800)	-	(45,366)	(43,063)	(83,211)	(41,599)	(630)	(1,719)	(268,388)
Transfers from/(to) Leasehold Rights/ Investment Properties	102,648	9,553	(394)	882	(257)	-	(231)	-	112,201
As at 31st December 2013	828,542	936,052	3,188,476	1,379,087	1,390,761	173,695	54,534	79	7,951,226
Balance as at 1st January 2014	828,542	936,052	3,188,476	1,379,087	1,390,761	173,695	54,534	79	7,951,226
Additions and Improvements	-	-	150,998	99,336	219,017	7,850	-	-	477,201
Disposals	-	-	(48,154)	(72,135)	(90,318)	(25,834)	(643)	(79)	(237,163)
As at 31st December 2014	828,542	936,052	3,291,320	1,406,288	1,519,460	155,711	53,891	-	8,191,264
Accumulated Depreciation									
Balance as at 1st January 2013	-	49,881	2,673,577	1,071,861	912,941	141,629	55,395	-	4,905,284
Charge for the Year	-	24,793	197,925	84,447	109,147	15,762	-	-	432,074
Revaluation Adjustment on Accumulated Depreciation	-	(75,722)	-	-	-	-	-	-	(75,722)
Disposals	-	-	(45,366)	(42,877)	(79,112)	(30,225)	(630)	-	(198,210)
Transfers from/(to) Leasehold Rights/ Investment Properties	-	1,048	(1,583)	(7,805)	9,167	-	(231)	-	596
As at 31st December 2013	-	-	2,824,553	1,105,626	952,143	127,166	54,534	-	5,064,022
Balance as at 1st January 2014	-	-	2,824,553	1,105,626	952,143	127,166	54,534	-	5,064,022
Charge for the Year	-	31,566	128,635	85,586	133,483	14,317	-	-	393,587
Disposals	-	-	(48,154)	(72,076)	(89,583)	(23,489)	(643)	-	(233,945)
As at 31st December 2014	-	31,566	2,905,034	1,119,136	996,043	117,994	53,891	-	5,223,664
Carrying Amount									
As at 31st December 2013	828,542	936,052	363,923	273,461	438,618	46,529	-	79	2,887,204
As at 31st December 2014	828,542	904,486	386,286	287,152	523,417	37,717	-	-	2,967,600

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	Freehold Land	Freehold Buildings	Computer Equipment	Machinery/ Equipment	Furniture/ Fittings	Motor Vehicles	Leased Assets	Capital Work- in-Progress	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
29.2 Group									
Cost/Valuation									
Balance as at 1st January 2013	665,887	1,546,643	3,003,146	1,398,272	1,224,415	175,536	55,926	737	8,070,562
Additions and Improvements	-	12,502	235,512	81,800	257,846	39,758	-	1,061	628,479
Surplus/(Impairment) on Revaluation	112,807	933,493	-	-	-	-	-	-	1,046,300
Disposals	(52,800)	-	(45,488)	(47,327)	(83,215)	(41,599)	(1,035)	(1,719)	(273,183)
Transfers from/(to) Leasehold Rights/ Investment Properties and Other Transfers	102,648	9,553	(394)	882	(257)	-	(231)	-	112,201
As at 31st December 2013	828,542	2,502,191	3,192,776	1,433,627	1,398,789	173,695	54,660	79	9,584,359
Balance as at 1st January 2014	828,542	2,502,191	3,192,776	1,433,627	1,398,789	173,695	54,660	79	9,584,359
Additions and Improvements	-	-	153,048	121,249	219,621	7,850	-	-	501,768
Surplus/(Impairment) on Revaluation	-	17,222	-	-	-	-	-	-	17,222
Disposals	-	-	(48,156)	(72,135)	(90,318)	(25,834)	(643)	(79)	(237,165)
As at 31st December 2014	828,542	2,519,413	3,297,668	1,482,741	1,528,092	155,711	54,017	-	9,866,184
Accumulated Depreciation									
Balance as at 1st January 2013	-	120,265	2,677,188	1,119,393	914,258	141,629	55,926	-	5,028,659
Charge for the Year	-	33,084	198,084	95,355	110,135	15,762	-	-	452,420
Revaluation Adjustment on Accumulated Depreciation	-	(154,397)	-	-	-	-	-	-	(154,397)
Disposals	-	-	(45,407)	(47,141)	(79,112)	(30,225)	(1,035)	-	(202,920)
Transfers from/(to) Leasehold Rights/ Investment Properties and Other Transfers	-	1,048	(1,583)	(7,805)	9,167	-	(231)	-	596
As at 31st December 2013	-	-	2,828,282	1,159,802	954,448	127,166	54,660	-	5,124,358
Balance as at 1st January 2014	-	-	2,828,282	1,159,802	954,448	127,166	54,660	-	5,124,358
Charge for the Year	-	51,905	128,944	90,116	134,844	14,317	-	-	420,126
Revaluation Adjustment on Accumulated Depreciation	-	(20,339)	-	-	-	-	-	-	(20,339)
Disposals	-	-	(48,155)	(72,076)	(89,583)	(23,489)	(643)	-	(233,946)
As at 31st December 2014	-	31,566	2,909,071	1,177,842	999,709	117,994	54,017	-	5,290,199
Carrying Amount									
As at 31st December 2013	828,542	2,502,191	364,494	273,825	444,341	46,529	-	79	4,460,001
As at 31st December 2014	828,542	2,487,847	388,597	304,899	528,383	37,717	-	-	4,575,985

Investment property rented to Seylan Bank PLC by its Subsidiary Seylan Developments PLC is classified as Property, Plant & Equipment in the Group Financial Statements.

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29.3 Fully-Depreciated Assets

The initial cost of fully-depreciated Property, Plant & Equipment and Intangible Assets (Software and Software Related) as at 31st December which are still in use as at Reporting Date are as follows:

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Computer Equipment	2,816,663	2,047,863	2,817,372	2,048,625
Software and Software Related	1,714,783	1,440,198	1,714,783	1,440,198
Office Machines and Equipment	864,502	881,875	864,502	881,875
Fixtures, Fittings and Furniture	715,463	775,556	715,463	775,556
Motor Vehicles	87,807	96,572	87,807	96,572
Leased Assets	53,891	54,534	54,017	54,660
	6,253,109	5,296,598	6,253,944	5,297,486

The Bank is currently in the process of replacing the fully-depreciated assets and therefore estimation of useful economic life is not reassessed due to replacement.

29.4 Freehold/Leasehold Land and Buildings - Bank

The Bank has revalued its Land and Buildings in 2013 and the valuations were made on the basis of Market values for existing use. Such valuations were carried by an independent valuer.

The book values of the property were adjusted to the revalued amount and the resultant surplus was credited to the Revaluation Reserve.

Address	Extent	Cost/Valuation			Net Book Value as at 31.12.2014 Rs. '000	Date of Valuation
		Freehold Land as at 31.12.2014 Rs. '000	Freehold Buildings as at 31.12.2014 Rs. '000	Accumulated Depreciation as at 31.12.2014 Rs. '000		
A. Freehold						
Mt. Lavinia						
198, Galle Road, Ratmalana	36.30P	81,674	23,325	975	104,024	23.12.2013
Badulla						
10, Cocowatte Road, Badulla	1R 5.50P	81,200	18,800	592	99,408	20.11.2013
Kochchikade						
66, Chilaw Road, Kochchikade	8.0P	9,750	13,950	376	23,324	31.12.2013
Avissawella						
71, Ratnapura Road, Avissawella	18.92P	28,900	12,100	552	40,448	02.01.2014
Grandpass						
401, Prince of Wales Avenue, Colombo 14	1R 6.0P	57,500	16,000	768	72,732	16.12.2013
Bandarawela						
Badulla Road, Bandarawela	27.01P	32,939	21,061	965	53,035	05.02.2014
Sarikkamulla						
97, Old Galle Road, Sarikkamulla	11.56P	7,468	5,532	186	12,814	31.12.2013
Tissamaharama						
547, Debarawewa, Tissamaharama	1R 1.50P	9,338	8,162	345	17,155	16.01.2014
Raddolugama						
171, National Housing Scheme, Raddolugama	12.08P	5,440	10,870	441	15,869	23.11.2013

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Address	Extent	Cost/Valuation		Accumulated Depreciation as at 31.12.2014 Rs. '000	Net Book Value as at 31.12.2014 Rs. '000	Date of Valuation
		Freehold Land as at 31.12.2014 Rs. '000	Freehold Buildings as at 31.12.2014 Rs. '000			
Nuwara-Eliya						
61, Haddon Hill Road, Nuwara-Eliya	1R 36P	53,200	17,800	897	70,103	31.12.2013
Maradagahamula						
150, Divulapitiya Road, Maradagahamula	35.0P	8,025	6,975	189	14,811	30.12.2013
Anuradhapura						
23-A1, Anuradhapura	1R 3.65P	19,643	357	18	19,982	29.12.2013
Embilipitiya						
73, New Town Road, Embilipitiya	22.1P	12,155	28,845	881	40,119	11.11.2013
Nugegoda						
211, High Level Road, Nugegoda	14.0P	51,000	31,000	1,060	80,940	10.12.2013
Ratnapura						
6, Goods Shed Road, Ratnapura	6.13P	11,650	8,350	290	19,710	09.01.2014
Embilipitiya						
Pettigala Road, Balangoda	3R 22.04P	30,100	1,500	52	31,548	07.01.2014
Siri Nivasa						
No. 2, Deal Place, Colombo 3	19.0P	122,200	10,560	305	132,455	31.12.2013
Gampola						
44, Kandy Road, Gampola	13.5P	30,375	12,125	395	42,105	07.11.2013
Koggala						
9, Export Processing Zone, Koggala	20P	–	8,500	429	8,071	26.01.2014
Negombo						
115, Rajapaksa Broadway, Negombo	29.15P	60,950	17,800	497	78,253	31.12.2013
Kandana						
99, Station Road, Kandana	1A 1R 9.84P	115,035	12,440	330	127,145	08.01.2014
Head Office						
90, Galle Road, Colombo 3	37,416 Square Feet	–	650,000	21,023	628,977	31.12.2013
Total Freehold Land & Buildings - Bank		828,542	936,052	31,566	1,733,028	
Seylan Towers - East Tower		–	1,583,361	–	1,583,361	20.01.2015
Total Freehold Buildings - Seylan Developments PLC		–	1,583,361	–	1,583,361	
Total Freehold Land and Buildings - Group		828,542	2,519,413	31,566	3,316,389	

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Address	Extent	Cost - Land as at 31.12.2014	Cost - Buildings as at 31.12.2014	Accumulated Depreciation - Land as at 31.12.2014	Accumulated Depreciation - Buildings as at 31.12.2014	Net Book Value as at 31.12.2014
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
B. Leasehold Properties						
Nuwara-Eliya						
48 & 48/1, Park Road, Nuwara-Eliya	20.28P	22,603	19,580	2,479	2,268	37,436
Hingurakgoda						
13 & 14, Airport Road, Hingurakgoda	15.84P	4,356	8,544	1,376	2,698	8,826
Total Leasehold Land and Buildings - Bank		26,959	28,124	3,855	4,966	46,262
Seylan Tower Land - East Tower						
90, Galle Road, Colombo 3		640,549	-	77,398	-	563,151
Total Leasehold Land - Seylan Developments PLC		640,549	-	77,398	-	563,151
Total Leasehold Land and Buildings - Group		667,508	28,124	81,253	4,966	609,413
Total Land and Buildings - Group		1,496,050	2,547,537	81,253	36,532	3,925,802

	Cost/Valuation	Depreciation	Market Value/ Net Book Value
	Rs. '000	Rs. '000	Rs. '000
29.5 Summary of Freehold/Leasehold Properties			
Freehold Land	828,542	-	828,542
Freehold Buildings	936,052	31,566	904,486
Total Freehold Land and Buildings	1,764,594	31,566	1,733,028
Leasehold Land	26,959	3,855	23,104
Leasehold Buildings	28,124	4,966	23,158
Total Leasehold Land and Buildings	55,083	8,821	46,262
Total Land and Buildings - Bank	1,819,677	40,387	1,779,290
Freehold Buildings - Seylan Developments PLC	1,583,361	-	1,583,361
Leasehold Land - Seylan Developments PLC	640,549	77,398	563,151
Total Land and Buildings - Seylan Developments PLC	2,223,910	77,398	2,146,512
Total Land and Buildings - Group	4,043,587	117,785	3,925,802

**NOTES TO THE
FINANCIAL STATEMENTS**

29.6 Revaluation - Freehold Land and Buildings

The fair values of Land and Buildings were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and the category of property being valued.

The fair value measurements for all of the Freehold Land and Buildings have been categorised as Level 3 fair value measurements.

The Bank's entire Freehold Land and Buildings were revalued in the year 2013. Valuation was made on the basis of open market value and the revaluation surplus or deficit was transferred to the Revaluation Reserve/Income Statements respectively.

If Freehold Land and Buildings were stated at historical cost, the amounts would have been as follows:

	BANK					
	2014			2013		
	Land Rs. '000	Buildings Rs. '000	Total Rs. '000	Land Rs. '000	Buildings Rs. '000	Total Rs. '000
Properties Revalued						
Cost						
Freehold	465,586	926,383	1,391,969	465,586	926,383	1,391,969
Accumulated Depreciation						
Freehold	-	(234,317)	(234,317)	-	(211,157)	(211,157)
Carrying Value of Freehold Land and Buildings	465,586	692,066	1,157,652	465,586	715,226	1,180,812

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
30. Leasehold Rights				
Cost/Valuation				
Balance as at 1st January	55,083	44,084	695,632	684,633
Transfer from/(to) Property, Plant & Equipment	-	10,999	-	10,999
As at 31st December	55,083	55,083	695,632	695,632
Accumulated Depreciation				
Balance as at 1st January	6,797	4,488	76,785	67,066
Charge for the Year	2,024	3,357	9,434	10,767
Transfer from/(to) Property, Plant & Equipment	-	(1,048)	-	(1,048)
As at 31st December	8,821	6,797	86,219	76,785
Carrying Amount	46,262	48,286	609,413	618,847

Bank - Leasehold Property consists of the Property situated at Park Road, Nuwara-Eliya acquired in the year 2001, and the property situated at Airport Road, Hingurakgoda acquired in 2010.

Seylan Developments PLC entered into a 99-year Lease with the view to set up/conduct and operate a business for the construction of an office and apartment complex in the year 1992.

NOTES TO THE FINANCIAL STATEMENTS

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
31. Investment Properties				
Cost				
Balance as at 1st January	114,429	253,748	1,434,450	1,614,091
Add: Additions during the Year	-	-	24,089	-
Less: Disposals during the Year	-	-	(17,776)	(40,322)
Transferred to Property, Plant & Equipment	-	(139,319)	-	(139,319)
Cost as at 31st December (Notes 31.2 & 31.3)	114,429	114,429	1,440,763	1,434,450
Less - Provision for Impairment (Note 31.1)	-	-	(71,462)	(213,080)
Cost Less Impairment as at 31st December	114,429	114,429	1,369,301	1,221,370
Accumulated Depreciation				
Balance as at 1st January	-	-	177,428	169,132
Charge for the Year	-	-	8,905	8,296
Reversal during the Year	-	-	(256)	-
Balance as at 31st December	-	-	186,077	177,428
Carrying Value as at 31st December	114,429	114,429	1,183,224	1,043,942
31.1 Provision for Impairment - Investment Properties				
Balance as at 1st January	-	16,119	213,080	241,579
Impairment made during the Year	-	-	-	948
Reversal during the Year	-	-	(141,618)	(13,328)
Transferred to Property, Plant & Equipment	-	(16,119)	-	(16,119)
Balance as at 31st December	-	-	71,462	213,080

Bank has accounted its Investment Properties at cost and revalued these properties periodically on a systematic basis for disclosure purposes.

	BANK			
	Extent	Date of Valuation	Cost Rs. '000	Market Value Rs. '000
31.2 Investment Properties (Bank) - 2014				
Address				
Kahapola, Piliyandala	20A 1R 39.5P	31.12.2014	114,429	140,000
			114,429	

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FINANCIAL STATEMENTS**

	GROUP			
	Extent	Date of Valuation	Cost Rs. '000	Market Value Rs. '000
31.3 Investment Properties (Group) - 2014				
Address				
Kahapola, Piliyandala	20A 1R 39.5P	31.12.2014	114,429	140,000
Seylan Towers - West Tower* 90, Galle Road, Colombo 3	111,191sq. ft.	20.01.2015	1,024,322	1,548,407
257, Union Place, Colombo 2	0A 1R 12.27P	27.12.2014	204,535	329,000
Moratuwa Lake Villas, St. Peter's Road, Moratuwa	0A 1R 05P	22.01.2015	3,361	2,250
Ja-Ela Commercial Complex**			70,351	-
Kanda Road, Detagamuwa, Kataragama	1A 0R 0.05P	31.12.2014	23,765	25,000
			1,440,763	

* The rent income from the Seylan Towers - West Tower for the year 2014 is Rs. 68.7 Mn. (2013 - Rs. 72.6 Mn.).

** Full provision for impairment has been made.

Methods and Assumptions used in the Fair Valuation of Investment Properties

Property	Name and Qualifications of the Valuer	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Bank-Seylan Bank PLC				
Kahapola, Piliyandala	J.M.J. Fernando Chartered Valuation Surveyor	Land contains an extent of 20A - 1R - 39.50P. As per the notional plan annexed to valuer's valuation report dated 10th April 2009 the subject property has been divided into 157 allotments with an allowance for reservation for public purpose and internal roadways.	Considering the location, extent and shape the land values of the subject property may be determined by adopting rates from Rs. 68,000.00 to Rs. 145,000.00 per perch. Expected Development Cost contains promotion & marketing cost (1.5%), allowance for improvements (10%), developer's profit (20%). Discounted value as Present Value of one Rupee for one year @ 15%.	Estimated fair value would decrease if adopted rates of the allotments get lower. There is an inverse relationship between the estimated fair value and the expected development cost. Estimated fair value would increase if promotion & marketing cost get lower. Estimated fair value would decrease if discounting factor is increased.

NOTES TO THE FINANCIAL STATEMENTS

Property	Name and Qualifications of the Valuer	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Subsidiary - Seylan Developments PLC				
Seylan Towers - West Tower 90, Galle Road, Colombo 3	Sunil Fernando & Associates (Pvt) Ltd. Chartered Valuation Surveyors	Investment Basis of Valuation and Depreciated Replacement Value basis of valuation have been adopted. As the subject property is of two mix uses, Commercial and Residential, a prudent investor is expected to make his bid to purchase on two different risks attached to the commercial and residential uses of the property.	Valuation has used market rental (Rs. 202.00 per sq. ft.) based on current market rental of comparable commercial property and has been adjusted to take cognisance of location of a central business district and peripherals.	Estimated fair value would increase if adopted market rental rates get higher.
			Rentals of two similar nature residential apartment buildings have been taken as comparable residential market rents (Rs. 325,000.00 & Rs. 380,000.00).	Reduction of market rents cause negative impact on estimated fair value.
			All risk rates for residential and commercial segment of the subject property have been taken at 4% and 5.75% respectively.	There is an inverse relationship between the estimated fair value and all risk rates.
			Current replacement cost of construction is estimated as Rs. 15,750.00 per sq. ft.	Estimated fair value would increase if replacement cost gets higher.
			Full life of the building is taken as 99 years and the remaining life is taken as 73 years limiting them to the conditions in lease agreement.	Increase in lifetime of the building will result in an increase in the estimated fair value.
			Land Value is taken at Rs. 9,250,000.00 per perch.	Estimated fair value would increase if the market value of the land gets higher.
257, Union Place, Colombo 2	G.J. Sumanasena Incorporated Valuer	Used the Open Market Method in valuation. The Open Market Value is intended to mean the best price at which an interest in a property might reasonably be expected to be sold in the Private Treaty at the date of valuation.	The land values in this prime commercial area are estimated at Rs. 7,000,000.00 per perch.	Estimated fair value would increase if the market value of the land increases.
			Estimated litigation cost rate is 10% in order to obtain free and an unencumbered possession of the property.	Estimated fair value would decrease if the litigation cost increases.
Moratuwa Lake Villas, St. Peter's Road, Moratuwa	D.N.D. Baranage Corporate & Registered Valuer	The valuation is on the basis that the present owner has an unencumbered freehold title.	The available evidence of land values in the locality considered.	Estimated fair value would increase if the market value of the land gets higher.

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Property	Name and Qualifications of the Valuer	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Kanda Road, Detagamuwa, Kataragama	M.A.A. Sarath Associate of the Institute of Valuers (Panel Valuer - Banks & State Institutions)	The valuation is based on sales of lands in the vicinity, present trend in property market, condition of the building improvements made to property etc.	The General current land values in this locality considered as Rs. 42,500.00 per perch.	Estimated fair value would increase if the market value of the land gets higher.
			Estimated development cost & profit rate considered as 40%.	Estimated fair value would decrease if the development cost & profit rate get higher.
			The value of the buildings are considered as Rs. 4,000.00 & Rs. 6,500.00 per sq.ft.	Estimated fair value would increase if the value of the building gets higher.
			Over-head water tank, landscaping & site development estimated at Rs. 1.8 Mn & Rs. 2 Mn. respectively.	Estimated fair value would increase if the value of the infrastructure gets higher.

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
32. Intangible Assets				
Software and Software Related				
Cost				
Balance as at 1st January	1,911,620	1,884,074	1,911,620	1,884,074
Additions for the Year	201,636	43,623	201,636	43,623
Transfer from/(to) Property, Plant & Equipment	-	-	-	-
Write-offs during the Year	(390)	(16,077)	(390)	(16,077)
As at 31st December	2,112,866	1,911,620	2,112,866	1,911,620
Accumulated Amortisation				
Balance as at 1st January	1,770,486	1,681,720	1,770,486	1,681,720
Amortisation for the Year	62,950	104,391	62,950	104,391
Transfer from/(to) Property, Plant & Equipment	-	452	-	452
Write-offs during the Year	(390)	(16,077)	(390)	(16,077)
As at 31st December	1,833,046	1,770,486	1,833,046	1,770,486
Carrying Amount	279,820	141,134	279,820	141,134

NOTES TO THE FINANCIAL STATEMENTS

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
33. Deferred Taxation				
Balance Brought Forward	170,590	253,171	135,951	481,588
Recognised in the Profit or Loss				
Charge for the Year (Note 15.1)	(92,057)	(73,409)	(101,438)	(76,015)
Recognised in Other Comprehensive Income				
Effect on Revaluation of Property, Plant & Equipment (Note 43.2)	–	(9,172)	(10,517)	(269,622)
Effect on Fair Value Gains on Available-for-Sale Financial Assets (Note 43.4)	(60,503)	–	(60,503)	–
Balance Carried Forward (Notes 33.1 & 33.2)	18,030	170,590	(36,507)	135,951

	BANK			
	2014		2013	
	Temporary Difference Rs. '000	Tax Rs. '000	Temporary Difference Rs. '000	Tax Rs. '000
33.1 Analysis of Deferred Tax Assets and Liabilities				
Deferred Tax - Liabilities				
Property, Plant & Equipment	904,325	253,211	769,094	215,346
Lease Rentals	2,029,468	568,251	1,532,319	429,049
Revaluation Gain B/F	59,539	16,671	59,539	16,671
Mark to Market Gain	–	–	–	–
Gain on Available-for-Sale Reserve	216,082	60,503	–	–
	3,209,414	898,636	2,360,952	661,066
Deferred Tax - Assets				
Leave Encashment Provision (Note 40.2)	246,693	69,074	218,467	61,171
Collective and Individually Significant Impairment	2,107,661	590,145	1,963,470	549,771
Other Provisions	224,030	62,728	157,476	44,093
Tax Losses C/F	633,849	177,478	569,216	159,380
Impact on Devaluation of Property	61,575	17,241	61,575	17,241
	3,273,808	916,666	2,970,204	831,656
Net Deferred Tax Assets/(Liabilities) (Note 33.1.1)	64,394	18,030	609,252	170,590

**NOTES TO THE
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	BANK							
	2014				2013			
	Balance as at 1st January Rs. '000	Recognised in Profit or Loss Rs. '000	Recognised in Reserves Rs. '000	Balance as at 31st December Rs. '000	Balance as at 1st January Rs. '000	Recognised in Profit or Loss Rs. '000	Recognised in Reserves Rs. '000	Balance as at 31st December Rs. '000
33.1.1 Movement in Temporary Differences								
Deferred Tax - Liabilities								
Property, Plant & Equipment	769,094	135,231	-	904,325	824,854	(55,760)	-	769,094
Lease Rentals	1,532,319	497,149	-	2,029,468	1,182,233	350,086	-	1,532,319
Revaluation Gain B/F	59,539	-	-	59,539	26,783	-	32,756	59,539
Mark to Market Gain	-	-	-	-	94,579	(94,579)	-	-
Gain on Available-for-Sale Reserve	-	-	216,082	216,082	-	-	-	-
	2,360,952	632,380	216,082	3,209,414	2,128,449	194,747	32,756	2,360,952
Deferred Tax - Assets								
Leave Encashment Provision	218,467	28,226	-	246,693	200,648	17,819	-	218,467
Collective and Individually Significant Impairment	1,963,470	144,191	-	2,107,661	2,105,026	(141,556)	-	1,963,470
Other Provisions	157,476	66,554	-	224,030	61,496	95,980	-	157,476
Tax Losses C/F	569,216	64,633	-	633,849	534,392	34,824	-	569,216
Impact on Devaluation of Property	61,575	-	-	61,575	131,069	(69,494)	-	61,575
	2,970,204	303,604	-	3,273,808	3,032,631	(62,427)	-	2,970,204
Net Deferred Tax Assets/(Liabilities)	609,252	(328,776)	(216,082)	64,394	904,184	(262,174)	(32,756)	609,252

	GROUP			
	2014		2013	
	Temporary Difference Rs. '000	Tax Rs. '000	Temporary Difference Rs. '000	Tax Rs. '000
33.2 Analysis of Deferred Tax Assets and Liabilities				
Deferred Tax - Liabilities				
Property, Plant & Equipment	932,310	261,046	769,094	215,346
Lease Rentals	2,029,468	568,251	1,532,319	429,049
Revaluation Gain B/F	1,027,882	287,807	990,318	277,290
Mark to Market Gain	-	-	-	-
Gain on Available-for-Sale Reserve	216,082	60,503	-	-
	4,205,742	1,177,607	3,291,731	921,685
Deferred Tax - Assets				
Leave Encashment Provision	246,693	69,074	218,467	61,171
Collective and Individually Significant Impairment	2,107,661	590,145	1,963,470	549,771
Other Provisions	224,030	62,728	157,476	44,093
Tax Losses C/F	1,435,405	401,912	1,376,287	385,360
Impact on Devaluation of Property	61,575	17,241	61,575	17,241
	4,075,364	1,141,100	3,777,275	1,057,636
Net Deferred Tax Assets/(Liabilities) (Note 33.2.1)	(130,378)	(36,507)	485,544	135,951

NOTES TO THE FINANCIAL STATEMENTS

	GROUP							
	2014				2013			
	Balance as at 1st January Rs. '000	Recognised in Profit or Loss Rs. '000	Recognised in Reserves Rs. '000	Balance as at 31st December Rs. '000	Balance as at 1st January Rs. '000	Recognised in Profit or Loss Rs. '000	Recognised in Reserves Rs. '000	Balance as at 31st December Rs. '000
33.2.1 Movement in Temporary Differences								
Deferred Tax - Liabilities								
Property, Plant & Equipment	769,094	163,216	-	932,310	824,854	(55,760)	-	769,094
Lease Rentals	1,532,319	497,149	-	2,029,468	1,182,233	350,086	-	1,532,319
Revaluation Gain B/F	990,318	-	37,564	1,027,882	27,386	-	962,932	990,318
Mark to Market Gain	-	-	-	-	94,579	(94,579)	-	-
Gain on Available-for-Sale Reserve	-	-	216,082	216,082	-	-	-	-
	3,291,731	660,365	253,646	4,205,742	2,129,052	199,747	962,932	3,291,731
Deferred Tax - Assets								
Leave Encashment Provision	218,467	28,226	-	246,693	200,648	17,819	-	218,467
Collective and Individually Significant Impairment	1,963,470	144,191	-	2,107,661	2,105,026	(141,556)	-	1,963,470
Other Provisions	157,476	66,554	-	224,030	61,496	95,980	-	157,476
Tax Losses C/F	1,376,287	59,118	-	1,435,405	1,350,771	25,516	-	1,376,287
Impact on Devaluation of Property	61,575	-	-	61,575	131,069	(69,494)	-	61,575
	3,777,275	298,089	-	4,075,364	3,849,010	(71,735)	-	3,777,275
Net Deferred Tax Assets/(Liabilities)	485,544	(362,276)	(253,646)	(130,378)	1,719,958	(271,482)	(962,932)	485,544

Defined Benefit Obligation (Gratuity Provision)

The Bank has a separate Gratuity Trust Fund which was approved by the Commissioner General of Inland Revenue. As per the approval, Bank could transfer Gratuity provision of 62.5% of the last month's salary of the year and deduct it from the tax computation. Therefore, no temporary differences arise on the gratuity obligation.

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
34. Other Assets				
Deposits and Prepayments	876,692	893,549	881,094	897,592
Clearing House Balance	1,829,037	1,402,368	1,822,262	1,402,613
Inventories	591,086	98,395	591,086	98,395
Sundry Debtors	167,795	151,458	167,795	151,458
Other Receivables	45,674	32,825	45,674	32,825
Due from Trust Companies	113,688	124,742	113,688	124,742
Prepaid Staff Cost	2,364,950	2,430,494	2,364,950	2,430,494
Others	658,252	387,538	673,636	420,983
	6,647,174	5,521,369	6,660,185	5,559,102

**NOTES TO THE
FINANCIAL STATEMENTS**

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
35. Due to Banks				
Call Money Borrowings	10,167,827	10,542,249	10,167,827	10,542,249
Refinance Borrowings	684,271	651,921	684,271	651,921
Borrowings from Local Banks	33,221	203,369	33,221	203,369
Borrowings from Foreign Banks	730,148	146,667	730,148	146,667
	11,615,467	11,544,206	11,615,467	11,544,206
36. Customer Deposits				
Total Customer Deposits	185,924,122	167,371,384	185,924,122	167,371,384
36.1 Analysis of Customer Deposits				
36.1.1 By Product				
Local Currency				
Demand Deposits	14,220,049	10,727,342	14,220,049	10,727,342
Savings Deposits	51,012,395	38,991,037	51,012,395	38,991,037
Time Deposits	101,092,034	99,858,932	101,092,034	99,858,932
Certificates of Deposit	5,931,267	6,074,541	5,931,267	6,074,541
	172,255,745	155,651,852	172,255,745	155,651,852
Foreign Currency				
Demand Deposits	949,422	745,172	949,422	745,172
Savings Deposits	5,413,393	4,587,352	5,413,393	4,587,352
Time Deposits	7,305,562	6,387,008	7,305,562	6,387,008
	13,668,377	11,719,532	13,668,377	11,719,532
Total Customer Deposits by Product	185,924,122	167,371,384	185,924,122	167,371,384
36.1.2 By Currency				
Sri Lankan Rupee	172,255,745	155,651,852	172,255,745	155,651,852
United States Dollar	10,591,924	8,855,251	10,591,924	8,855,251
Great Britain Pound	1,238,143	1,201,900	1,238,143	1,201,900
Japanese Yen	255,411	31,571	255,411	31,571
Euro	660,277	692,923	660,277	692,923
Swiss Franc	24,490	26,238	24,490	26,238
Australian Dollar	762,755	793,802	762,755	793,802
Canadian Dollar	106,409	102,797	106,409	102,797
Singapore Dollar	16,521	11,650	16,521	11,650
New Zealand Dollar	6,186	2,743	6,186	2,743
Swedish Kroner	558	134	558	134
Danish Kroner	4,901	523	4,901	523
Hongkong Dollar	802	-	802	-
Total Customer Deposits by Currency	185,924,122	167,371,384	185,924,122	167,371,384

NOTES TO THE FINANCIAL STATEMENTS

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
36.1.3 By Customer Category				
Banks	1,312,746	1,290,106	1,312,746	1,290,106
Finance Companies	3,051,934	715,969	3,051,934	715,969
Other Customers	181,559,442	165,365,309	181,559,442	165,365,309
	185,924,122	167,371,384	185,924,122	167,371,384
36.1.4 By Maturity				
Due within One Year	169,750,396	153,156,012	169,750,396	153,156,012
Due after One Year	16,173,726	14,215,372	16,173,726	14,215,372
	185,924,122	167,371,384	185,924,122	167,371,384
37. Other Borrowings				
Refinance Borrowings - Other Institutions (Coconut Cultivation Board)	14,628	12,738	14,628	12,738
	14,628	12,738	14,628	12,738
38. Group Balances Payable				
Seylan Developments PLC	193,295	195,126	-	-
	193,295	195,126	-	-

39. Debentures

Year of Issue	Year of Redemption	Private/Public Issue	Fixed Rate Annually	Fixed Rate Semi-Annually	Fixed Rate Quarterly	Fixed Rate Monthly	Floating Rate Quarterly	BANK	GROUP
								Amount Outstanding as at 31.12.2014 Rs. '000	Amount Outstanding as at 31.12.2014 Rs. '000
2010	2015	Private Issue	-	-	11.00	-	7.36	475,874	475,874
2013	2018	Public Issue	15.50	15.00	-	14.50	-	2,134,130	2,134,130
2014	2018	Public Issue	-	8.00	-	-	-	463,192	463,192
2014	2019	Public Issue	8.60	8.35	-	-	-	1,870,508	1,870,508
2014	2020	Public Issue	8.75	8.60	-	-	-	2,712,001	2,712,001
								7,655,705	7,655,705

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Debenture Category	BANK					Value as at 31.12.2014 Rs. '000	Value as at 31.12.2013 Rs. '000
	Colombo Stock Exchange Listing	Interest Payable Frequency	Allotment Date/Period	Maturity Date/Period			
Fixed Rate Debentures							
2008/2013 - 21.50% p.a.	Listed	Annually	12.01.2009	11.01.2014	-	231,610	
2008/2013 - 20.50% p.a.	Listed	Monthly	12.01.2009	11.01.2014	-	395,445	
2010/2015 - 11.00% p.a.	Not listed	Quarterly	07.12.2010 - 29.12.2010	06.12.2015 - 28.12.2015	255,874	258,364	
2013/2018 - 15.50% p.a.	Listed	Annually	14.02.2013 - 22.02.2013	21.02.2018	1,235,913	1,235,912	
2013/2018 - 15.00% p.a.	Listed	Semi-Annually	14.02.2013 - 22.02.2013	21.02.2018	831,885	832,126	
2013/2018 - 14.50% p.a.	Listed	Monthly	14.02.2013 - 22.02.2013	21.02.2018	66,332	66,332	
2014/2018 - 8.00% p.a.	Listed	Semi-Annually	23.12.2014	22.12.2018	463,192	-	
2014/2019 - 8.35% p.a.	Listed	Semi-Annually	23.12.2014	22.12.2019	30	-	
2014/2019 - 8.60% p.a.	Listed	Annually	23.12.2014	22.12.2019	1,870,478	-	
2014/2020 - 8.60% p.a.	Listed	Semi-Annually	23.12.2014	22.12.2020	2,406,168	-	
2014/2020 - 8.75% p.a.	Listed	Annually	23.12.2014	22.12.2020	305,833	-	
					7,435,705	3,019,789	
Floating Rate Debentures							
2008/2013 - Note 01	Listed	Annually	12.01.2009	11.01.2014	-	120	
2008/2013 - Note 02	Listed	Quarterly	12.01.2009	11.01.2014	-	3,390	
2010/2015 - Note 03	Not listed	Quarterly	07.12.2010 - 29.12.2010	06.12.2015 - 28.12.2015	220,000	220,000	
					220,000	223,510	
Total Debentures					7,655,705	3,243,299	

Note

- One (1) year net Treasury Bill rate plus 2½% payable annually on par value (simple average of the one year weighted average Treasury Bill rate during the month preceding the commencement of the respective years).
- Three (3) months net Treasury Bill rate plus 2½% payable quarterly on par value (simple average of the 3 months weighted average Treasury Bill rate during the month preceding the commencement of the respective quarters).
- AWPLR (Five-year floating rate) - ('AWPLR' means the simple average of the Average Weighted Prime Lending Rate published by the Central Bank of Sri Lanka for the 12-week period immediately preceding each Interest Determination Date).

NOTES TO THE FINANCIAL STATEMENTS

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
40. Other Liabilities				
Accrued Expenses	817,029	710,734	847,610	757,426
Margin Accounts	805,086	661,667	805,086	661,667
Deposit Funding Accounts	1,765,210	1,390,378	1,765,210	1,390,378
Dividend Payable	21,026	16,159	26,009	21,526
Provision for Defined Benefit Obligations (Net) - (Note 40.1.1)	(73,388)	3,854	(81,022)	(3,441)
Sundry Creditors	484,533	409,234	484,533	409,234
Value Added Tax and Other Statutory Payables	568,994	407,483	568,994	407,483
Cheques and Drafts Payable	731,718	572,687	731,718	572,687
Leave Encashment Provision - (Note 40.2)	246,693	218,467	246,693	218,467
Others	577,674	594,471	643,268	655,911
	5,944,575	4,985,134	6,038,099	5,091,338

40.1 Defined Benefit Obligations

The Bank pays half a month's salary (last drawn) for each completed year of service as gratuity for employees who have worked for more than 5 years at the time of retirement/resignation.

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
40.1.1 The Amount Recognised in the Statement of Financial Position				
Present Value of Defined Benefit Obligations (Note 40.1.3)	1,117,804	939,724	1,122,890	944,003
Fair Value of Plan Assets (Note 40.1.4)	(1,191,192)	(935,870)	(1,203,912)	(947,444)
Provision for Defined Benefit Obligations	(73,388)	3,854	(81,022)	(3,441)
40.1.2 Plan Assets Consist the Following				
Balance with Banks	43,198	15,526	51,058	22,592
Investment in Treasury Bills and Bonds	1,147,994	920,344	1,152,854	924,852
	1,191,192	935,870	1,203,912	947,444

Plan Assets are held by an approved external gratuity fund.

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
40.1.3 Movement in the Present Value of Defined Benefit Obligations (PV DBO)				
Liability for Defined Benefit Obligations as at 1st January	939,724	858,227	944,003	865,682
Current Service Cost	71,900	63,798	72,321	64,172
Interest Cost	93,972	85,823	94,400	86,569
Actuarial (Gains)/Losses on PV DBO	49,031	(7,340)	49,164	(6,786)
Payments Made (Including Benefits Paid by the Plan)	(36,823)	(60,784)	(36,998)	(61,354)
Past Service Cost - Non-Vested Benefits	-	-	-	(89)
Past Service Cost - Vested Benefits	-	-	-	(4,191)
Liability for Defined Benefit Obligations as at 31st December	1,117,804	939,724	1,122,890	944,003

**NOTES TO THE
FINANCIAL STATEMENTS**

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
40.1.4 Movement in Plan Assets				
Fair Value of Plan Assets as at 1st January	935,870	829,091	947,444	840,148
Expected Return on Plan Assets	93,587	82,910	94,744	84,016
Contribution Paid into Plan	214,683	86,753	214,683	86,753
Benefits Paid by the Plan	(36,823)	(60,784)	(36,998)	(61,354)
Actuarial Gain/(Loss) on Plan Assets	(16,125)	(2,100)	(15,961)	(2,119)
Fair Value of Plan Assets at 31st December	1,191,192	935,870	1,203,912	947,444
40.1.5 Unrecognised Actuarial (Gain) or Loss				
Actuarial (Gain)/Loss for year - Obligation	49,031	(7,340)	49,164	(6,786)
Actuarial (Gain)/Loss for year - Plan Assets	16,125	2,100	15,961	2,119
Actuarial Gain/(Loss) Recognised in Other Comprehensive Income	(65,156)	5,240	(65,125)	4,667
40.1.6 Amount Recognised in the Income Statement				
Current Service Cost	71,900	63,798	72,321	64,172
Interest Cost	93,972	85,823	94,400	86,569
Expected Return on Plan Assets	(93,587)	(82,910)	(94,744)	(84,016)
Past Service Cost/(Gain) - Non-Vested Benefits	-	-	-	(89)
Past Service Cost - Vested Benefits	-	-	-	(4,191)
Balance as at 31st December (Note 14)	72,285	66,711	71,977	62,445
40.1.7 Amount Recognised in the Other Comprehensive Income				
Actuarial (Gain)/Loss Recognised in the year	65,156	(5,240)	65,125	(4,667)
Balance as at 31st December	65,156	(5,240)	65,125	(4,667)

	BANK	
	2014	2013
40.1.8 Actuarial Assumptions - Bank		
Retirement Age	55 Years	55 Years
Discount Rate	9.25%	10%
Salary Increment	1st year - 12.5%, (including 2% increment) 2nd year - 11%, (including 2% increment) 3rd year - 12% (including 2% increment), and thereafter 3%, 3%, 12% per annum. Next increment due on 1st January 2015	8%, (including 3% increment) and thereafter 12%, (including 3% increment) 3%, 3%, 12% per annum. Next increment due on 1st January 2014

NOTES TO THE FINANCIAL STATEMENTS

40.1.9 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Income Statement and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the Income Statement and employment benefit obligation for the year.

Seylan Bank PLC

		2014	
Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Increment Rate	Sensitivity Effect on Income Statement Increase/(Reduction) in Charge for the Year Rs. '000	Sensitivity Effect on Employment Benefit Obligation Increase/(Decrease) in the Liability Rs. '000
1%	**	(86,929)	(86,929)
(1%)	**	98,917	98,917
*	1%	104,966	104,966
*	(1%)	(93,381)	(93,381)

* Discount Rate is fixed at 9.25%.

** Salary Increment Rates 1st year - 12.5%, 2nd year - 11%, 3rd year - 12%, thereafter 3%, 3% and 12%.

Seylan Developments PLC

		2014	
Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Increment Rate	Sensitivity Effect on Income Statement Increase/(Reduction) in Charge for the Year Rs. '000	Sensitivity Effect on Employment Benefit Obligation Increase/(Decrease) in the Liability Rs. '000
1%	**	(344)	(344)
(1%)	**	384	384
*	1%	419	419
*	(1%)	(379)	(379)

* Discount Rate is fixed at 9.25%.

** Salary Increment Rate 5%.

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
40.2 Leave Encashment Provision				
Balance as at 1st January	218,467	200,648	218,467	200,648
Amount Charged to Income Statement during the Year	28,226	17,819	28,226	17,819
Balance as at 31st December	246,693	218,467	246,693	218,467

**NOTES TO THE
FINANCIAL STATEMENTS**

	BANK	
	2014	2013
40.2.1 Actuarial Assumptions		
Retirement Age	55 years	55 years
Discount Rate	9.25%	10%
Salary Increment	1st year - 12.5%, (including 2% increment) 2nd year - 11%, (including 2% increment) 3rd year - 12% (including 2% increment), and thereafter 3%, 3%, 12% per annum. Next increment due on 1st January 2015	8% (including 3% increment), and thereafter 12% (including 3% increment) 3%, 3%, 12% per annum. Next increment due on 1st January 2014

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
41. Stated Capital				
Ordinary Shares - Voting (Note 41.1)	6,962,722	6,962,722	6,962,722	6,962,722
Ordinary Shares - Non-Voting (Note 41.2)	3,567,002	3,567,002	3,567,002	3,567,002
	10,529,724	10,529,724	10,529,724	10,529,724
41.1 Ordinary Shares - Voting				
Balance as at 1st January	6,962,722	6,806,722	6,962,722	6,806,722
Issued during the Year - 2,644,068 Ordinary Shares of Rs. 59/- each	-	156,000	-	156,000
175,977,401 Ordinary Shares - Voting (33,560,000 shares of Rs. 10/- each , 4,000,000 shares of Rs. 25/- each, 92,440,000 shares of Rs. 35/- each, 2,644,068 shares of Rs. 59/- each, 43,333,333 shares of Rs. 75/- each and net of issue expenses Rs. 114,277,753/-)	6,962,722	6,962,722	6,962,722	6,962,722
41.2 Ordinary Shares - Non-Voting				
Balance as at 1st January	3,567,002	3,418,730	3,567,002	3,418,730
Issued during the Year - 4,236,343 Ordinary Shares of Rs. 35/- each	-	148,272	-	148,272
168,983,009 Ordinary Shares - Non-Voting (83,560,000 shares of Rs. 12.50 each, 40,000,000 shares of Rs. 25/- each, 45,423,009 shares of 35/- each and net of issue expenses Rs. 67,302,925/-)	3,567,002	3,567,002	3,567,002	3,567,002

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
42. Statutory Reserve Fund				
Balance as at 1st January	841,964	726,187	841,964	726,187
Add: Transferred during the Year**	153,930	115,777	153,930	115,777
Balance as at 31st December	995,894	841,964	995,894	841,964

** 5% of Net Profit after Tax.

Statutory Reserve Fund represents the statutory requirement in terms of the Section 20 (1) and (2) of the Banking Act No. 30 of 1988.

NOTES TO THE FINANCIAL STATEMENTS

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
43. Other Reserves				
Capital Reserve (Note 43.1)	418,021	418,021	673,234	673,234
Revaluation Reserve (Note 43.2)	651,483	651,483	1,373,590	1,356,228
General Reserve (Note 43.3)	33,787	33,787	33,787	33,787
Available-for-Sale Reserve (Note 43.4)	651,222	641,586	650,480	641,586
Special Risk Reserve (Note 43.5)	-	-	-	-
Investment Fund Reserve (Note 43.6)	1,644,665	1,435,473	1,644,665	1,435,473
	3,399,178	3,180,350	4,375,756	4,140,308
43.1 Movement in Capital Reserve				
Balance as at 1st January	418,021	418,021	673,234	673,234
Balance as at 31st December	418,021	418,021	673,234	673,234

Bank - Consists of the Debenture Redemption Reserve Fund of Rs. 400 Mn. transferred to Capital Reserve in 2004. Debenture Redemption Reserve Fund was created for the redemption of five year Debentures amounting to Rs. 400 Mn. issued in November 1999. Balance consisting of Rs. 18 Mn. was transferred to Capital Reserve in 1991.

Seylan Developments PLC - Capital Redemption Reserve Fund which was created at the time of redeeming the Preference Shares of Seylan Developments PLC (Transferred to Capital Reserve in year 2011).

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
43.2 Movement in Revaluation Reserve				
Balance as at 1st January	651,483	510,049	1,356,228	868,928
Transferred to/(from) Revaluation Reserve	-	150,606	37,561	1,078,365
Transferred to Non-Controlling Interest	-	-	(9,682)	(321,443)
Transferred from/(to) Deferred Tax (Note 33)	-	(9,172)	(10,517)	(269,622)
Balance as at 31st December	651,483	651,483	1,373,590	1,356,228

In addition to the Bank's Revaluation Reserve, Group includes the surplus on revaluation of fixed assets of Seylan Developments PLC.

**NOTES TO THE
FINANCIAL STATEMENTS**

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
43.3 Movement in General Reserve				
Balance as at 1st January	33,787	33,787	33,787	33,787
Balance as at 31st December	33,787	33,787	33,787	33,787

Consist of Rs. 25 Mn. transferred in 1995 to General Reserve, Rs. 2.7 Mn. transferred from Bad Debts Reserve and Rs. 6 Mn. transferred from Contingency Reserve in 2002 to General Reserve.

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
43.4 Available-for-Sale Reserve				
Balance as at 1st January	641,586	(125,070)	641,586	(125,070)
Add: Fair Value Gain during the Year	269,772	881,357	268,616	881,357
Less: Transferred to Non-Controlling Interest	-	-	414	-
Less: Transferred to Income Statement	(199,633)	(114,701)	(199,633)	(114,701)
Transferred from/(to) Deferred Tax (Note 33)*	(60,503)	-	(60,503)	-
Balance as at 31st December	651,222	641,586	650,480	641,586

* Deferred Tax on Available-for-Sale Financial Assets.

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
43.5 Movement in Special Risk Reserve				
Balance as at 1st January	-	112,922	-	112,922
Less: Transferred to Retained Profits	-	(112,922)	-	(112,922)
Balance as at 31st December	-	-	-	-

According to the Circular Ref. No. 08/24/002/0005/003 issued by the Central Bank of Sri Lanka, Primary Dealer Unit is required to appropriate 25% of the profit after tax for the year towards the Special Risk Reserve. However, Licensed Commercial Banks appointed as Primary Dealers were exempted from this requirement of maintaining such Special Reserve as per Direction No. 08/11/011/0019/001 dated 18th March 2013.

NOTES TO THE FINANCIAL STATEMENTS

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
43.6 Movement in Investment Fund Reserve				
Balance as at 1st January	1,435,473	812,240	1,435,473	812,240
Add: Transferred during the Year	231,230	623,233	231,230	623,233
Less: Recovered during the Year	(22,038)	–	(22,038)	–
Balance as at 31st December	1,644,665	1,435,473	1,644,665	1,435,473

As per the Value Added Tax (Amendment) Act No. 09 of 2011 and Inland Revenue (Amendment) Act No. 22 of 2011, Bank transferred 8% on value addition attributable to Financial Services and 5% of Taxable Profits, from retained profits to Investment Fund Reserve with effect from 1st January 2011. The requirement of this transfer ceased with effect from 1st October 2014.

Transfers to the Investment Fund Reserve	Rs. '000
8% on the Value Addition Attributable to Financial Services	1,257,105
5% of Taxable Profits	409,598
	1,666,703

Utilisation of Investment Fund Reserve

	Maturity Value (Rs.)	Date of Maturity	Rate of Interest (%)
Long-Term Government Securities Maturity Period over 7 years			
Treasury Bond	347,600,000	01.08.2020	6.20
Treasury Bond	150,000,000	15.08.2018	7.50
Treasury Bond	290,000,000	01.01.2022	8.00
Treasury Bond	100,000,000	05.01.2019	8.50
Treasury Bond	45,100,000	06.01.2020	8.00
Treasury Bond	230,000,000	01.07.2028	9.00
Treasury Bond	80,000,000	01.07.2022	11.20
Treasury Bond	519,000,000	01.05.2021	9.00
	1,761,700,000		
Short-Term Government Securities			
Treasury Bills	60,130,000	24.07.2015	5.50
	60,130,000		

**NOTES TO THE
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Qualifying Loans

Purpose	No. of Loans Granted	Amount Outstanding (Rs.)	Tenure of the Loan	Rate of Interest
Construction of Hotels and for Related Purpose	1	39,996,117	7 Years	5 Year T Bond rate + 2%
Construction of Hotels and for Related Purpose	1	55,000,000	10 Years	5 Year T Bond rate + 2%
		94,996,117		
		1,916,826,117		

44. Commitments and Contingencies

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
44.1 Commitments				
Undrawn Credit Lines	17,431,409	14,171,411	17,431,409	14,171,411
Capital Commitments (Note 46.1)	126,072	114,104	126,072	135,745
	17,557,481	14,285,515	17,557,481	14,307,156
44.2 Contingencies				
Acceptances	6,639,218	6,345,014	6,639,218	6,345,014
Standby Letters of Credit	90,064	338,385	90,064	338,385
Guarantees	11,959,894	10,056,560	12,026,894	10,123,560
Documentary Credit	5,731,067	3,679,196	5,731,067	3,679,196
Bills for Collection	3,214,975	944,948	3,214,975	944,948
Forward Exchange Contracts (Net)	(94,629)	(176,548)	(94,629)	(176,548)
	27,540,589	21,187,555	27,607,589	21,254,555
Total Commitments and Contingencies	45,098,070	35,473,070	45,165,070	35,561,711

NOTES TO THE FINANCIAL STATEMENTS

45. Cases Against the Bank

In the normal course of business, the Bank is involved in various types of litigation with borrowers or others who have asserted or threatened claims/counter claims against the Bank, including the following:

Civil Cases

1. CHC 157/2001(1) - [SC (CH C) APP 01/10]

Plaintiff filed action against Seylan Bank for dishonouring a Guarantee issued by former BCCI Bank after Seylan Bank took over the local operations of BCCI. Judgement delivered in favour of the plaintiff. Seylan Bank has appealed. (Guarantee value USD 72,730.23 and USD 56,732.25). To be mentioned on 2nd May 2015.

2. HC CIVIL 137/99 (1) - (SC CHC 20/2007)

Plaintiffs filed action to invalidate the appropriation of dividends paid by liquidator of BCCI. Judgement delivered in favour of the Bank. Plaintiffs have appealed to Supreme Court against judgement. Hearing on 7th May 2015.

3. CHC 14/98(1) - (S C (APP.) C H C 26B/2005 & SC (APP.) C H C 26A/2005)

Action filed claiming damages of Rs. 111 Mn. for dishonouring cheques and a letter of credit. Judgement delivered against the Bank only for Rs. 2.5 Mn. Both the plaintiff and the Bank filed appeals against the said Judgement. Appeal cases have been listed for hearing on 10th July 2015.

4. D C Ratnapura 23391/MR & H C (Civil) 159/06

Two actions filed claiming wrongful takeover of property under Parate Action by Bank claiming Rs. 23,761,000/-. Further Trial on 24th March 2015.

5. D C Colombo DSP 114/10, WP/HCCA/ COL 115/2010 (SC/HCCA/LA/283/12)

Plaintiff obtained an Interim injunction preventing the Bank from proceeding with Parate Action stating that he has not obtained any facility from the Bank. Interim injunction granted by DC. Appeal made by the Bank was dismissed by Civil Appeal

Courts. This appellate courts judgement was set-aside by Supreme Courts and redirected to Appellate Courts to consider the merits of the case. Matter to be mentioned on 13th March 2015 in Appellate Courts.

6. CHC 243/2002 and CHC 320/2002

Action filed against the Bank and others seeking a declaration that the defendants are not entitled to vote/sell/alienate/transfer shares (held as security for the facility of the Company) without the consent of the plaintiff company. Trial on 16th March 2015.

7. CHC 744/2010/MR - (SC APPEAL 52/2012)

Plaintiff filed action claiming damages of Rs. 10 Mn. alleging negligence of Bank due to credit card not being activated and unable to make payment. Case laid by due to the plaintiff appealing against an interim order given in favour of the Bank.

8. DC/Kandy 36780/MR (CP CA 69/2014)

Plaintiff filed action against the Bank regarding the fraudulent withdrawals totaling Rs. 280,000/- from her savings accounts by her own twin sister. Judgement was given against the Bank and the Bank has appealed to Civil Appeal Courts.

9. DC Colombo 367/DMR - CHC 559/10/MR

Damages for Rs. 5.0 Mn. claimed by the plaintiff by filing case No. DC COL 00367/DMR/09 stating Bank has wrongfully refused to issue Dollars for travel purpose. Matter is fixed for Further Trial on 1st April 2015.

10. D C Colombo DMR/1605/11

Action filed by the plaintiff on the basis of being the landlord of the former Savings and Travel Branch premises of Seylan Bank claiming Rs. 2.5 Mn. for loss of revenue and Rs. 1,814,871/- as damages for delay in vacating the premises and Rs. 75,000/- as costs. Further Trial on 25th February 2015.

11. D C Colombo D M R 09088/10 - CHC 377/12 MR

Plaintiff filed action for negligence against a cheque fraud claiming Rs. 5 Mn. as damages. Case is fixed for Trial on 24th March 2015.

12. DC Ampara 356/Damages

The plaintiff who is an ex-staff member of the Bank and who was involved in a fraud at Ampara branch filed the case claiming damages of Rs. 50.0 Mn. for wrongful termination from work, wrongful custody and remand, defamation and pain of mind. Ex-Trial 20th April 2015.

13. CHC 157/2007/MR

Action filed against the Bank as collecting Bank on collection of a forged cheque for unjust enrichment claiming Rs. 9.5 Mn. Judgement delivered in favour of plaintiff. Bank has appealed to the Supreme Court against the order. Case still not listed.

14. DC COLOMBO 17/99/CO - SC (APP) 85A/2009

Action filed by Hatton National Bank to nullify the Mortgage Bond executed in favour of the Seylan Bank on a mortgaged property that has now been acquired by the Government under the provisions of 'Revival of Underperforming Enterprises or Underutilised Assets Act No. 43 of 2011. Argument on 3rd March 2015.

15. HC (Civil) Case No. 321/12/MR

Action filed to nullify several mortgage bonds executed in favour of the Bank and claiming damages of Rs. 100 Mn. for non-release of mortgage bonds on some of the Apartments owned by the Plaintiff. Trial on 18th May 2015.

16. DC Mount Lavinia Case No. 4246/03/M

Action filed claiming damages for Rs. 2.0 Mn. alleging wrongful seizure of goods in execution of a writ by Seylan Bank. Trial on 18th March 2015.

17. DC Kurunegala 7945/L

Action filed by a third party who purchased an acquired property sold by the Bank, claiming damages of Rs. 200,000/- per month from March 2013 until final determination of the action alleging that an erroneous entry has been made in Land Registry records. Trial/Settlement 23rd April 2015.

**NOTES TO THE
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Cases Filed by the Bank

**18. CHC 638/09/MR
(DC Colombo 6033/SPL)**

Case was filed against a former Director preventing him from using confidential information gathered by him, which has been subsequently withdrawn by the Bank. (During his tenure as a Director of the Bank) Trial based on claim in reconvention. Further Trial on 27th February 2015.

19. DC Ratnapura 12734/M

Bank has filed this case in DC Ratnapura to recover the dues, there is a cross claim of Rs. 2, 500,000/- made by the client. Trial on 01st April 2015.

Labour - Related Cases

**20. Against Share Owning
Trust Companies**

There have been 6 cases DTR 003/2010, DTR 004/2010, DTR 006/2010, DTR 007/2010, DTR 008/2010 and DTR 009/2010 filed by former employees of Seylan Bank PLC against the Bank, share owning trust companies Sotse (Private) Limited, Seyshop (Private) Limited, Seyfest (Private) Limited, Esots (Private) Limited, Seybest (Private) Limited and Sesot (Private) Limited of the Bank and other defendants in the District Court of Colombo. The cases relate to the respective trust properties owned by these trust companies. Interim injunctions were issued against the trustees of the respective trust companies restraining them from receiving the proceeds of the sale of the respective trust properties and restraining the trustees from selling their shares of Seylan Bank PLC. The Bank has filed answer in reply to the claims and all pre trial steps have been completed. These cases are to be called on 11th March 2015.

Six appeals WP/HCCA/COL 17/2012, 18/2012, 19/2012, 47/2012, 48/2012 and 49/2012 have been filed by the trust companies and the Bank before the Colombo Civil Appeal High Court against interim injunctions granted in the cases in District Court of Colombo, restraining the trustees of

the respective trust companies from selling their shares of Seylan Bank PLC and the Bank from receiving any such sale proceeds. These appeals are to be mentioned on 26th February 2015 to verify the progress of the main/connected District Court cases.

**21. C A 891/2009 - Related to
Gratuity Payments**

The Bank had issued a circular dated 5th October 2004 to pay a quantum of Gratuity beyond the requirement of law (one month salary for each year of service who had completed 10 years of service) and subsequently in 2009 reverted to the statutory requirement of payment of half month salary for each year of service. Thereafter an application was made to the Labour Commissioner by 15 retired employees of the Bank seeking an order for reinstatement of the circular dated 5th October 2004. The Labour Commissioner made an order granting their request and the Bank filed a writ application in the Court of Appeal seeking to quash the order of the Labour Commissioner.

The order was delivered by the Court of Appeal on 21st January 2015 dismissing the Bank's Writ Application and accepting the decision of the Labour Commissioner. The Board of Directors resolved to appeal against this order by way of Special Leave to Appeal to the Supreme Court.

Other Matters

Other than the details of cases disclosed above there are cases filed against the Bank relating to Credits, Property and Labour issues which do not have any material impact on the Bank under the normal course of business.

No adjustments have been made with regard to the legal cases mentioned above due to the uncertainty of the outcome.

Tax Assessments Against the Bank

1. Assessment No. VATFS/BFSU/2009/130 for VAT on Financial Services for 2007, Tax Appeals Commission confirmed the determination issued by the Commissioner General of Inland Revenue with an additional liability

of Rs. 118,733,184/-. Bank stated a case in the Court of Appeal against the Commissioner General of Inland Revenue.

2. Assessment No. VATFS/BFSU/2010/263 for VAT on Financial Services for 2008, Tax Appeals Commission confirmed the determination issued by the Commissioner General of Inland Revenue with an additional liability of Rs. 98,741,152/-. Bank stated a case in the Court of Appeal against the Commissioner General of Inland Revenue.
3. Assessment No. VATFS/BFSU/2012/328 for VAT on Financial Services for 2009, Commissioner General issued the determination with an additional liability of Rs. 302,182,585/-. Bank lodged an appeal with the Tax Appeals Commission and awaits the determination.
4. Assessment No. 6129284 for Income Tax for 2007, Tax Appeals Commission confirmed the determination issued by the Commissioner General of Inland Revenue with an additional liability of Rs. 102,497,210/- on interest income from Sri Lanka Development Bonds. Bank stated a case in the Court of Appeal against the Commissioner General of Inland Revenue.

The Bank is of the view that the above assessments will not have any material impact on the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

46. Capital Commitments

Capital expenditure approved by the Board of Directors for which provision has not been made in these Financial Statements amounted to approximately:

	BANK		GROUP	
	2014 Rs. Mn.	2013 Rs. Mn.	2014 Rs. Mn.	2013 Rs. Mn.
46.1 Approved and Contracted for	126.072	114.104	126.072	135.745
46.2 Approved but not Contracted for	-	-	-	0.135

47. Operating Leases

The Group leases a number of branch and office premises under operating leases. The leases generally run for a period of 10 years.

At 31st December, the future minimum lease payments under non-cancellable operating leases were payable as follows:

	BANK		GROUP	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Less than One Year	102,489	110,556	102,489	110,556
Between One & Five Years	362,034	432,712	362,034	432,712
More than Five Years	771,497	497,233	771,497	497,233
	1,236,020	1,040,501	1,236,020	1,040,501

**NOTES TO THE
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48. Events after the Reporting Period

• Proposed Final Dividend

The Board of Directors of the Bank recommended that a final dividend of Rs. 2.50 per share on both Voting and Non-Voting shares of the Bank, be paid by way of cash dividend for the financial year ended 31st December 2014. Further, this dividend is to be approved at the Annual General Meeting to be held on 31st March 2015. This proposed final dividend has not been recognised as a liability as at 31st December 2014. Under the Inland Revenue Act No. 10 of 2006, a withholding tax of 10% has been imposed on dividends declared. Final dividend proposed for the year 2014 amounts to Rs. 862,401,025.

Compliance with Sections 56 & 57 of Companies Act No. 07 of 2007 - As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Bank satisfied the solvency test in accordance with the Section 57, prior to recommending the final dividend. A statement of solvency completed and duly signed by the Directors on 25th February 2015 has been audited by Messrs KPMG.

- In the interim budget proposal presented by the Minister of Finance on 29th January 2015, an additional one-off tax of 25% was proposed to be charged on entities that earned a profit in excess of Rs. 2,000 Mn. for the year of assessment 2013/14. Though the Company made a profit in excess of such amount for such year, in the absence of a measurement criteria being enacted or substantially enacted at the time of issue of these Financial Statements, no provision has been made for such an amount in these Financial Statements.
- Mr. H.I. Balapatabendi, Non-Executive Director resigned from the Board with effect from 22nd January 2015.
- Mr. H.K.U. Dharmadasa, Non-Executive Director resigned from the Board with effect from 22nd January 2015.
- Mr. K.P. Ariyaratne, General Manager/Chief Executive Officer of the Bank has been appointed as the Director/Chief Executive Officer of the Bank with effect from 16th February 2015.
- No Circumstances have arisen since the Reporting Date which would require adjustments to or disclosure in the Financial Statements other than above.

49. Related Party Transactions

49.1 According to Sri Lanka Accounting Standard LKAS 24 - 'Related Party Disclosures', Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly, including any director (whether executive or otherwise) of that entity. Accordingly, the Board of Directors, General Manager/Chief Executive Officer (GM/CEO), Key Employees of the Bank holding directorships in subsidiary companies have been classified as Key Management Personnel (KMP) of the Bank.

Close family members are defined as spouse or dependent. Dependent is defined as any one who depends on the respective Director for more than 50% of his/her financial needs.

As the Bank is the Ultimate Parent of its subsidiary mentioned in Note 50 and the Board of Directors of the Bank has the authority and responsibility for planning, directing and controlling the activities of the group, the Directors of the Bank and their immediate family members have been identified as the KMP of the Group.

Therefore, employees of the Seylan Bank who are Directors of the subsidiary have also been classified as KMP of the subsidiary only.

49.2 Transactions with Key Management Personnel (KMP) for Credit Facilities

	Facilities	2014		Security	2013	
		Limit Rs. Mn.	Outstanding Rs. Mn.		Limit Rs. Mn.	Outstanding Rs. Mn.
Mr. K.P. Ariyaratne	Housing Loan	6.000	4.090	Mortgage Over property	6.000	4.700
	Overdraft	1.000	NIL	Lien Over Fixed Deposit	0.500	0.500
Mr. S. Palihawadana	Housing Loan	NIL	NIL	Mortgage Over property	3.800	0.160
	Vehicle Loan	6.500	0.552	Mortgage Over Vehicle/Lien over FD	6.500	2.860
Mr. R.J. Jayasekara	Vehicle Loan	6.500	3.250	Mortgage Over Vehicle	6.500	4.520
	Housing Loan	6.000	5.860	Mortgage Over Property	6.000	5.700
	Overdraft	0.400	NIL	Lien Over Fixed Deposit	NIL	NIL
	Employee Provident Fund Loan	2.300	2.110	Assignment over Employee Provident Fund balance	NIL	NIL

NOTES TO THE FINANCIAL STATEMENTS

49.3 Deposits by Key Management Personnel (KMP) and Close Family Members

	2014 Rs. Mn.	2013 Rs. Mn.
Mr. N.M. Jayamanne PC/Mrs. R.C. Jayamanne	8.851	20.551
Mr. R. Nadarajah*	N/A	0.092
Mrs. U. Nadarajah*	N/A	3.067
Mr. R. Nadarajah/Mrs. U. Nadarajah*	N/A	7.104
Rear Admiral B.A.J.G. Peiris	10.124	11.228
Mrs. K.L.G. Jayanthi	0.177	0.166
Mrs. R.N.A. De Silva	0.165	0.171
Mrs. R.R.K. Ranathunge	0.013	0.088
Mr. K.P. Ariyaratne	4.540	6.658
Mr. S. Palihawadana	6.615	9.287
Mrs. R.S. Palihawadana	3.292	2.875
Mr. R.J. Jayasekara	0.272	3.067
Mr. R.J. Jayasekara/Mrs. E.J. Jayasekara	4.218	4.441
Mrs. E.J. Jayasekara	3.523	4.305

* Mr. R. Nadarajah retired from the Board with effect from 8th May 2014.

49.4 Other Instruments by Key Management Personnel (KMP) and Close Family Members

		2014 Rs. Mn.	2013 Rs. Mn.
Mr. N.M. Jayamanne PC/Mrs. R.C. Jayamanne	Debentures	10.000	10.000
	Treasury Bill	18.000	NIL
Mr. R. Nadarajah/Mrs. U. Nadarajah*	Debentures	N/A	4.000
	Treasury Bond	N/A	NIL
Mr. R. Nadarajah*	Repo	N/A	0.403
Mr. K.P. Ariyaratne	Treasury Bill	0.400	0.600
	Treasury Bond	NIL	0.500
	Repo	2.000	NIL
	Debentures	4.000	4.000
Mr. S. Palihawadana	Reverse Repo	NIL	3.705
	Treasury Bill	NIL	5.000
	Treasury Bond	NIL	9.400
	Debentures	7.000	5.000
	Repo	0.825	NIL
Mrs. E.J. Jayasekara	Debentures	3.000	1.500

* Mr. R. Nadarajah retired from the Board with effect from 8th May 2014.

**NOTES TO THE
FINANCIAL STATEMENTS**

49.5 Accommodation Granted to KMP and Close Family Members for Credit Cards

Name of Key Management Personnel	2014		2013
	Credit Card Limit Rs. '000	Outstanding Rs. '000	Outstanding Rs. '000
Mr. N.M. Jayamanne PC	500	Supplementary	Supplementary
Mrs. R.C. Jayamanne	500	153	250
Mr. I.C. Nanayakkara	250	NIL	NIL
Mrs. R.N. Avanthi de Silva	250	NIL	NIL
Mr. R. Nadarajah*	500	N/A	9
Rear Admiral B.A.J.G. Peiris	500	2	NIL
Mr. S.P.S. Ranatunga	500	18	NIL
Mr. K.P. Ariyaratne	500	40	15
Mr. S. Palihawadana	500	65	89
Mr. R.J. Jayasekara	500	51	51
Mrs. E.J. Jayasekara	500	Supplementary	Supplementary

* Mr. R. Nadarajah retired from the Board with effect from 8th May 2014.

49.6 Compensation to Key Management Personnel (KMP)

	2014 Rs. Mn.	2013 Rs. Mn.
Directors' Remuneration - Executive Director(s)	2.918	8.362
Directors' Fees - Non-Executive Directors	10.275	14.282
Other Non-Cash Benefits to Non-Executive Directors	2.632	1.657
Remuneration to Key Management Personnel	44.142	39.219
Other Benefits to Key Management Personnel	3.294	NIL
Post-Employment Benefits	4.745	4.645
Terminal Benefits Paid**	10.660	NIL

** Terminal benefits paid to Mr. R. Nadarajah (Executive Director) retired from the Board with effect from 8th May 2014.

In addition to their salaries, Bank also provides Non-Cash Benefits to the Executive Officers and contributes to a post employment defined benefit plan on their behalf. Executive Directors emoluments are disclosed in Note 13 to the Financial Statements.

49.7 All other interests of each Director, direct or indirect in financial and other arrangements are disclosed under Note 50, other related party transactions.

**NOTES TO THE
FINANCIAL STATEMENTS**

Nature of Accommodation	Aggregate Amount of Accommodation			Accommodation Outstanding (Funded) as a % of Regulatory Capital	Services Obtained/Other Transactions		
	Outstanding as at 31.12.2014				Nature of Service	Amount Payable/Receivable	Amount Paid/Received
	Limit	Funded	Non-Funded				
	Rs. Mn.	Rs. Mn.	Rs. Mn.		Rs. Mn.	Rs. Mn.	
Overdraft	25.000		-		Expenses		
	25.000		-		Rent Payable/Paid	5.632	107.674
					Work Order Paid	-	0.787
					Interest Payable/Paid	6.870	12.889
					Management Fee Payable	3.500	-
						16.002	121.350
					Net Dividend Received		21.178
					Fee Income		0.343
					Interest Received		0.081
							21.602
					Rent Deposit		30.000
					Repo		9.855
	21.201		1.201		Net	(15.958)	(106.864)
Investment in Treasury Bonds amounting to face value Rs. 1,042.906 Mn.							
Investment in Repo amounting to Rs. 111.001 Mn.							
Annual contribution to Gratuity Trust Fund amounting to Rs. 214.683 Mn.							
					Interest Paid		91.749
							91.749
					Net		(71.299)
Investment in Seylan Bank PLC Debentures amounted to Rs. 757 Mn.					Interest Payable/Paid		
Investment in Treasury Bills/Bonds amounting to face value Rs. 1,529 Mn.					Debentures	44.031	14.679
Investment in Repo's amounting to face value Rs. 970 Mn.					Treasury Bills/Bonds	34.563	135.902
					Repo's	-	7.356
						78.594	157.937
					Net	(75.259)	(188.849)

NOTES TO THE FINANCIAL STATEMENTS

Party/Parties Accommodated	Name of Director/Key Managerial Personnel Relationship	Deposit	Rs. Mn.
Sesot (Pvt) Limited	Mr. R. Nadarajah - Chairman (Retired w.e.f. 08.05.2014)	Demand Deposit	0.855
	Mr. K.P. Ariyaratne - Chairman (Appointed as Chairman w.e.f. 25.06.2014)		0.855
	Mr. S.J. Jebaratnam - Director		
	Mrs. K.G. Hatch - Director		
2013 Comparatives			7.389
Seyfest (Pvt) Limited	Mr. R. Nadarajah - Chairman (Retired w.e.f. 08.05.2014)	Demand Deposit	14.134
	Mr. K.P. Ariyaratne - Chairman (Appointed as Chairman w.e.f. 26.09.2014)		14.134
	Mr. S.J. Jebaratnam - Director		
	Mrs. K.G. Hatch - Director		
2013 Comparatives			8.355
Sotse (Pvt) Limited	Mr. R. Nadarajah - Chairman (Retired w.e.f. 08.05.2014)		
	Mr. K.P. Ariyaratne - Chairman (Appointed as Chairman w.e.f. 26.09.2014)		
	Mr. S.J. Jebaratnam - Director		
	Mrs. K.G. Hatch - Director		
2013 Comparatives			
Seyshop (Pvt) Limited	Mr. R. Nadarajah - Chairman (Retired w.e.f. 08.05.2014)		
	Mr. K.P. Ariyaratne - Chairman (Appointed as Chairman w.e.f. 26.09.2014)		
	Mr. S.J. Jebaratnam - Director		
	Mrs. K.G. Hatch - Director		
2013 Comparatives			
Seybest (Pvt) Limited	Mr. R. Nadarajah - Chairman (Retired w.e.f. 08.05.2014)		
	Mr. K.P. Ariyaratne - Chairman (Appointed as Chairman w.e.f. 26.09.2014)		
	Mr. S.J. Jebaratnam - Director		
	Mrs. K.G. Hatch - Director		
2013 Comparatives			
Esots (Pvt) Limited	Mr. R. Nadarajah - Chairman (Retired w.e.f. 08.05.2014)		
	Mr. K.P. Ariyaratne - Chairman (Appointed as Chairman w.e.f. 26.09.2014)		
	Mr. S.J. Jebaratnam - Director		
	Mrs. K.G. Hatch - Director		
2013 Comparatives			

Note - Impairment provision of Rs. 93.0 Mn has been made for Sotse (Pvt) Limited, Seyshop (Pvt) Limited, Seybest (Pvt) Limited and Esots (Pvt) Limited as at 31st December 2014.

**NOTES TO THE
FINANCIAL STATEMENTS**

Nature of Accommodation	Aggregate Amount of Accommodation				Services Obtained/Other Transactions		
	Outstanding as at 31.12.2014			Accommodation Outstanding (Funded) as a % of Regulatory Capital	Nature of Service	Amount Payable/Receivable	Amount Paid/Received
	Limit	Funded	Non-Funded				
	Rs. Mn.	Rs. Mn.	Rs. Mn.		Rs. Mn.	Rs. Mn.	
No. of Ordinary Voting Shares - 2,279,042					Net Dividend Paid		4.642
							4.642
Rs. 40.854 Mn. Payable to Seylan Bank PLC							
					Net		(2.035)
No. of Ordinary Voting Shares - 3,017,940					Net Dividend Paid		6.147
Rs. 23.000 Mn. Payable to Seylan Bank PLC							6.147
					Net		(2.695)
Term Loan	38.550	27.193			Net Dividend Paid		1.990
	38.550	27.193		0.116			1.990
No. of Ordinary Voting Shares - 977,010					Loan Agreement Forms for Rs. 38.8 Mn.		
Rs. 8.080 Mn. Payable to Seylan Bank PLC					Interest Rate - 10.00%	8.808	0.593
						8.808	0.593
Loan Capital Repayment Rs. 1.312 Mn.							
	38.550	28.506		0.136	Net	6.707	(0.287)
Term Loan	54.375	29.259			Net Dividend Paid		4.410
	54.375	29.259		0.125			4.410
No. of Ordinary Voting Shares - 2,165,435					Loan Agreement Form for Rs. 55.1 Mn.		
Rs. 14.248 Mn. Payable to Seylan Bank PLC					Interest Rate 10.00%	2.132	3.841
						2.132	3.841
Loan Capital Repayment Rs. 0.401 Mn.							
	54.375	29.661		0.141	Net	3.099	(0.077)
Term Loan	54.510	28.566			Net Dividend Paid		4.410
	54.510	28.566		0.122			4.410
No. of Ordinary Voting Shares - 2,165,435					Loan Agreement Form for Rs. 55.1 Mn.		
Rs. 14.258 Mn. Payable to Seylan Bank PLC					Interest Rate - 10.00%	2.081	3.699
						2.081	3.699
Loan Capital Repayment Rs. 0.541 Mn.							
	54.510	29.107		0.139	Net	2.971	(0.078)
Term Loan	53.860	29.249			Net Dividend Paid		4.375
	53.860	29.249		0.125			4.375
No. of Ordinary Voting Shares - 2,148,132					Loan Agreement Form for Rs. 54.6 Mn		
Rs. 13.248 Mn. Payable to Seylan Bank PLC					Interest Rate - 10.00%	2.131	3.817
						2.131	3.817
Loan Capital Repayment Rs. 0.392 Mn.							
	53.860	29.641		0.141	Net	3.072	(0.078)

NOTES TO THE FINANCIAL STATEMENTS

Party/Parties Accommodated	Name of Director/Key Managerial Personnel Relationship	Deposit	Rs. Mn.
(c) State Institutions			
Sri Lanka Insurance Corporation Limited	Mr. H.I. Balapatabendi - Director (Resigned w.e.f. 22.01.2015)	Fixed Deposit	626.468
	Mr. H.K.U. Dharmadase - Chairman (Appointed w.e.f. 09.06.2014 and Resigned w.e.f. 22.01.2015)	Demand Deposit	1.645
			628.113
		Treasury Bonds Rs. 500 Mn.	
2013 Comparatives			320.031
(d) Common Directorship Entities			
Finlay Rentokil Ceylon (Pvt) Limited	Ms. Miriam Coralie Pietersz - Executive Director		
2013 Comparatives			
LOLC Insurance Company Limited	Mr. W.D.K. Jayawardene - Director	Demand Deposit	2.486
			2.486
2013 Comparatives			0.738
Ceylon Chamber of Commerce	Mr. S.P.S. Ranatunga - Vice-Chairman		
2013 Comparatives			
Brown & Co. PLC	Mr. I.C. Nanayakkara - Executive Chairman	Demand Deposit	0.984
			0.984
2013 Comparatives			2.936

**NOTES TO THE
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Nature of Accommodation	Aggregate Amount of Accommodation				Services Obtained/Other Transactions			
	Outstanding as at 31.12.2014			Accommodation Outstanding (Funded) as a % of Regulatory Capital	Nature of Service	Amount Payable/ Receivable	Amount Paid/ Received	
	Limit	Funded	Non-Funded					
	Rs. Mn.	Rs. Mn.	Rs. Mn.		Rs. Mn.	Rs. Mn.		
					Interest Payable/Paid	39.921	73.378	
					Insurance Premium Paid	-	2.408	
					Net Dividend Paid	-	53.766	
4,495,200 No. of Debentures of Rs. 100/- each						39.921	129.552	
No. of Ordinary Voting Shares - 26,396,608 (15.00%)								
5,000,000 No. of Debentures of Rs. 100/- each								
					Net	(8.674)	(188.501)	
					Pest Control		0.467	
					Sanitact Unit Service		0.277	
							0.744	
					Net		0.930	
					Commission Received		1.963	
							1.963	
					Insurance Premium Paid,		18.944	
					Bankers Indemnity, Business Premises, Computer, Public Liability		18.944	
					Net		(28.516)	
					Sponsorship/Annual Subscription		0.130	
							0.130	
					Net		(0.540)	
					Net Dividend Paid		49.734	
No. of Ordinary Voting Shares - 24,416,750 (13.87%)					Repairs to Office Machines and Equipment		1.850	
					Photo Copying Charges		6.202	
					Purchase of Tikiri Gift Items		2.400	
							60.186	
					Net		(24.003)	

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Party/Parties Accommodated	Name of Director/Key Managerial Personnel Relationship	Deposit	Rs. Mn.
CIC Lifesciences Limited	Mr. S.P.S. Ranatunga - Director	Savings Account	0.028
			0.028
2013 Comparatives			8.404
Agstar Fertilizers PLC	Mr. I.C. Nanayakkara - Director	Demand Deposit	0.192
			0.192
2013 Comparatives			
Eden Hotel Lanka PLC	Mr. W.D.K. Jayawardene - Director	Demand Deposit	0.116
			0.116
2013 Comparatives			
Lanka ORIX Finance PLC	Mr. I.C. Nanayakkara - Executive Director		
	Mr. W.D.K. Jayawardene - Director		
2013 Comparatives			0.316
Medford Investments (Pvt) Limited	Mr. I.C. Nanayakkara - Shareholder (25%)	Demand Deposit	1.020
			1.020
2013 Comparatives			1.021

NOTES TO THE FINANCIAL STATEMENTS

Party/Parties Accommodated	Name of Director/Key Managerial Personnel Relationship	Deposit	Rs. Mn.
Sierra Constructions (Pvt) Limited	Mr. I.C. Nanayakkara - Director	Fixed Deposit	68.219
		Demand Deposit	2.976
			71.195
2013 Comparatives			57.329
Taprobane Holdings PLC	Mr. I.C. Nanayakkara - Shareholder (22.53%)	Demand Deposit	0.862
			0.862
2013 Comparatives			0.047
Lanka ORIX Leasing Company PLC	Mr. I.C. Nanayakkara - Deputy Chairman (12.60%)	Demand Deposit	0.870
		Mr. W.D.K. Jayawardene - Managing Director/CEO	0.870
2013 Comparatives			66.487
LOLC Investments Limited	100% Owned Subsidiary of Lanka ORIX Leasing Company PLC		
2013 Comparatives			

**NOTES TO THE
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Nature of Accommodation	Aggregate Amount of Accommodation				Services Obtained/Other Transactions		
	Outstanding as at 31.12.2014			Accommodation Outstanding (Funded) as a % of Regulatory Capital	Nature of Service	Amount Payable/Receivable	Amount Paid/Received
	Limit	Funded	Non-Funded				
	Rs. Mn.	Rs. Mn.	Rs. Mn.		Rs. Mn.	Rs. Mn.	
Overdraft (Interest Rate - 6.49%)	500.000	499.649			Interest Receivable/Received	0.338	78.213
Letter of Credit Sight (Commission 0.3 % per Quarter)	50.000					0.338	78.213
Revolving Import Loan/Letter of Credit Usance (Interest Rate -15.5%)	(50.000)*				Interest Paid/Payable	0.109	3.083
Bank Guarantee (Commission - 2.00%)	300.000		256.432		Dividend Paid	-	0.002
Local Bills Purchased (Interest Rate -15.5%)	150.000					0.109	3.085
Short-Term Loan (Interest Rate -12.50%)	(101.770)*	84.670					
	1,000.000	584.319	256.432	2.497			
Lien over rupee fixed deposits for Rs. 53.7 Mn. Mortgage over stocks for Rs. 50.0 Mn. Assignment over contract funds Assignment over Bills to be discounted Joint and Several Guarantee of the Directors for Rs. 465.0 Mn. Corporate guarantee from Sierra Holdings for Rs. 500.0 Mn., 50 million number of shares of Agstar Fertilizer held in a custodian account. (only for OD of Rs. 500.0 Mn.)							
No. of Ordinary (Voting) Shares	1.015						
	1,000.000	630.284	134.913	3.007	Net	(5.630)	91.744
Margin Trading	1,030.000	839.435			Interest Received		22.244
Up to 780,000,000 - 9%							22.244
780,000,000 - 1,030,000,000 - 10%							
Guarantee	1.750			3.587	Interest Paid		4.187
	1,031.750	839.435					4.187
Quoted Shares Value Rs. 1,758,941,350							
	5.500				Net	0.103	8.271
					Commission Received		1.964
							1,964
					Interest Paid		1.534
					Net Dividend Paid		119.371
							120.905
No. of Non-Voting Ordinary Shares - 71,688,535							
No. of Ordinary Voting Shares - 89							
	59.100	59.100		0.282	Net	(0.034)	(42.254)
No. of Ordinary Voting Shares 16,808,502 (9.55%)					Net Dividend Paid		34.236
							34.236
					Net		(15.012)

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Party/Parties Accommodated	Name of Director/Key Managerial Personnel Relationship	Deposit	Rs. Mn.
SriLankan Catering (Pvt) Limited	Mr. N.M. Jayamanne PC - Director	Demand Deposit	0.174
		Fixed Deposit	7.183
			<u>7.357</u>
2013 Comparatives			7.596
CIC Agribusiness (Pvt) Limited	Mr. S.P.S. Ranatunga - Director	Demand Deposit	0.010
			<u>0.010</u>
2013 Comparatives			0.010
LOLC Micro Credit Limited	Mr. I.C. Nanayakkara - Chairman Mr. W.D.K. Jayawardene - Director	Demand Deposit	8.275
			<u>8.275</u>
2013 Comparatives			0.779
Browns Investments PLC	Mr. I.C. Nanayakkara - Executive Chairman Mr. W.D.K. Jayawardene - Director	Demand Deposit	0.059
			<u>0.059</u>
		Repo	1.245
			<u>0.092</u>
2013 Comparatives			6.336
Commercial Leasing & Finance PLC	Mr. I.C. Nanayakkara - Chairman Mr. W.D.K. Jayawardene - Director	Demand Deposit	7.503
			<u>7.503</u>
2013 Comparatives			6.336
Crop Management Services (Pvt) Limited	Mr. S.P.S. Ranatunga - Director	Demand Deposit	0.025
			<u>0.025</u>
2013 Comparatives			0.025
LOLC Securities Limited	Mr. W.D.K. Jayawardene - Director	Demand Deposit	0.077
			<u>0.077</u>
2013 Comparatives			0.029
CIC Feeds (Pvt) Limited	Mr. S.P.S. Ranatunga - Director	Demand Deposit	1.683
			<u>1.683</u>
2013 Comparatives			3.250

NOTES TO THE FINANCIAL STATEMENTS

Party/Parties Accommodated	Name of Director/Key Managerial Personnel Relationship	Deposit	Rs. Mn.		
CIC Poultry Farms (Pvt) Limited	Mr. S.P.S. Ranatunga - Director	Demand Deposit	1.300		
			1.300		
2013 Comparatives			2.642		
CIC Seeds (Pvt) Limited	Mr. S.P.S. Ranatunga - Director	Demand Deposit	0.406		
			0.406		
2013 Comparatives			0.297		
CIC Dairies (Pvt) Limited	Mr. S.P.S. Ranatunga - Director	Demand Deposit	11.493		
			11.493		
2013 Comparatives			13.132		
Akzo Nobel Paints Lanka (Pvt) Limited	Mr. S.P.S. Ranatunga - Director				
2013 Comparatives			1.307		
Bogala Graphite Lanka PLC	Ms. Miriam Coralie Pietersz - Independent Non-Executive Director				
2013 Comparatives			0.041		
Finlay Insurance Brokers (Pvt) Limited	Ms. Miriam Coralie Pietersz - Executive Director				
SriLankan Airlines Ltd.	Mr. N.M. Jayamanne PC - Director				
Lanka Century Investment PLC	Mr. I.C. Nanayakkara - Director	Demand Deposit	0.147		
			0.147		
Brac Lanka Finance PLC	Mr. I.C. Nanayakkara - Director	Savings Account	0.008		
			Mr. W.D.K. Jayawardene - Director	Demand Deposit	2.292
					2.300

NOTES TO THE FINANCIAL STATEMENTS

50.2 Transactions with the Government of Sri Lanka/Entities Controlled, Jointly Controlled or Significantly Influenced by the Government of Sri Lanka

The Government of Sri Lanka indirectly holds 35.3% of the voting rights of the Bank as at 31st December 2014 through Sri Lanka Insurance Corporation Limited, Employees' Provident Fund, Bank of Ceylon, Employees' Trust Fund and thus has significant influence over the financial and operating policies of the Bank.

Bank has considered the Government of Sri Lanka and other entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka (Government-Related Entities) as Related Parties according to LKAS 24 - 'Related Party Disclosures'.

However, limited disclosures have been made in accordance with LKAS 24 'Related Party Disclosures' for transactions that are individually significant because of their size although these transactions were undertaken on normal terms in the ordinary course of business.

Percentage of voting share holding by State Institutions in Seylan Bank PLC is 35.3% as at 31st December 2014 and the break up is given below:

	No. of Shares - Voting	%
Sri Lanka Insurance Corporation Limited	26,396,608	15.000
Bank of Ceylon	13,198,305	7.500
Employees' Provident Fund	17,525,425	9.959
Employees' Trust Fund	5,000,001	2.841
Total Holdings by State Institutions	62,120,339	35.300
Total Ordinary Shares – Voting	175,977,401	

Percentage of non-voting share holding by State Institutions in Seylan Bank PLC is 9.834% as at 31st December 2014 and the break up is given below:

	No. of Shares – Non-Voting	%
Employees' Provident Fund	14,795,106	8.755
Employees' Trust Fund	1,822,971	1.079
Total Holdings by State Institutions	16,618,077	9.834
Total Ordinary Shares – Non-Voting	168,983,009	

Name of the Government Entity	Relationship with the Bank	Nature of Transactions	Amount (Rs. '000)
Central Bank of Sri Lanka	Government - Related Entity	Treasury Bills (Notes 23.1.2, 25.1.1.3)	621,779
		Treasury Bonds including Sri Lanka Development Bonds (Notes 23.1.3, 25.1.1.4, 25.1.1.5, 26.1.1.2, 26.1.1.3)	42,428,404
		Interest Income (Note 7)	4,875,291
		Interest Expenses (Note 7)	484,621
		Annual License Fees	20,000
		Deposit Insurance Premium (Note 13)	149,918
		Statutory Reserve Requirement (Note 20)	7,432,206

Other than above, the Bank makes several statutory payments and has made purchases and obtained services in the ordinary course of business with the Government related entities. There are no other transactions that are collectively significant with Government related entities.

**NOTES TO THE
FINANCIAL STATEMENTS**

51. Maturity Analysis

51. 1 Assets - Bank

An analysis of the total assets employed as at 31st December 2014, based on the remaining period at the Reporting Date to the respective contractual cash flows/maturity periods is given below:

	Up to 3 Months Rs. '000	3 to 12 Months Rs. '000	1 to 3 Years Rs. '000	3 to 5 Years Rs. '000	More Than 5 Years Rs. '000	Total as at 31.12.2014 Rs. '000
Interest Earning Assets						
Bills of Exchange	1,470,871	16,934	–	–	–	1,487,805
Loans and Receivables	75,255,067	34,494,938	24,865,053	10,669,831	8,190,018	153,474,907
Placements with Banks and Finance Companies	2,334,304	–	–	–	–	2,334,304
Government of Sri Lanka Treasury Bills/Bonds	6,166,310	5,930,225	17,193,213	11,659,370	2,353,428	43,302,546
Investments in Debentures	–	573,973	1,315,368	368,901	665,000	2,923,242
Securities Purchased under Resale Agreements	17,762,914	–	–	–	–	17,762,914
	102,989,466	41,016,070	43,373,634	22,698,102	11,208,446	221,285,718
Non-Interest Earning Assets						
Cash In Hand	5,709,087	–	–	–	–	5,709,087
Statutory Deposit with CBSL	7,432,206	–	–	–	–	7,432,206
Balances with Banks	963,876	–	–	–	–	963,876
Investments in Equities	2,518,833	–	–	–	1,106,113	3,624,946
Investment Properties	–	–	–	–	114,429	114,429
Group Balances Receivable	30,000	–	–	–	–	30,000
Property, Plant & Equipment/ Lease Hold Rights/Intangible Assets	–	–	–	–	3,293,682	3,293,682
Deferred Taxation Assets	18,030	–	–	–	–	18,030
Derivative Financial Instruments	191,411	–	–	–	–	191,411
Other Assets	4,287,815	10,448	80,902	97,509	2,170,500	6,647,174
	21,151,258	10,448	80,902	97,509	6,684,724	28,024,841
Total Assets	124,140,724	41,026,518	43,454,536	22,795,611	17,893,170	249,310,559

NOTES TO THE FINANCIAL STATEMENTS

51.2 Liabilities and Equity - Bank

An analysis of the total liabilities and equity as at 31st December 2014, based on the remaining period at the Reporting Date to the respective contractual cash flows/maturity periods is given below:

	Up to 3 Months Rs. '000	3 to 12 Months Rs. '000	1 to 3 Years Rs. '000	3 to 5 Years Rs. '000	More Than 5 Years Rs. '000	Total as at 31.12.2014 Rs. '000
Interest Bearing Liabilities						
Deposits from Customers other than Demand Deposits	68,915,896	85,665,029	6,792,860	3,936,896	5,443,970	170,754,651
Securities Sold under Repurchase Agreements	11,328,118	1,091,769	–	–	–	12,419,887
Borrowings	6,848,035	4,101,610	205,540	247,680	227,230	11,630,095
Debentures	–	520,835	–	4,328,830	2,806,040	7,655,705
Group Balances Payable	43,295	–	–	150,000	–	193,295
	87,135,344	91,379,243	6,998,400	8,663,406	8,477,240	202,653,633
Non-Interest Bearing Liabilities						
Demand Deposits	15,169,471	–	–	–	–	15,169,471
Other Liabilities	5,923,549	–	–	–	–	5,923,549
Derivative Financial Instruments	210,536	–	–	–	–	210,536
Current Tax Liabilities	1,323,805	–	–	–	–	1,323,805
Dividend Payable	21,026	–	–	–	–	21,026
Equity	–	–	–	–	24,008,539	24,008,539
	22,648,387	–	–	–	24,008,539	46,656,926
Total Liabilities and Equity	109,783,731	91,379,243	6,998,400	8,663,406	32,485,779	249,310,559

**NOTES TO THE
FINANCIAL STATEMENTS**

51.3 Assets - Group

An analysis of the total assets employed as at 31st December 2014, based on the remaining period at the Reporting Date to the respective contractual cash flows/maturity periods is given below:

	Up to 3 Months Rs. '000	3 to 12 Months Rs. '000	1 to 3 Years Rs. '000	3 to 5 Years Rs. '000	More Than 5 Years Rs. '000	Total as at 31.12.2014 Rs. '000
Interest Earning Assets						
Bills of Exchange	1,470,871	16,934	–	–	–	1,487,805
Loans and Receivables	75,255,067	34,494,938	24,865,053	10,669,831	8,190,018	153,474,907
Placements with Banks and Finance Companies	2,334,304	–	–	–	–	2,334,304
Government of Sri Lanka Treasury Bills/Bonds	6,166,310	5,930,225	17,193,213	11,659,370	2,353,428	43,302,546
Investments in Debentures	–	573,973	1,454,202	368,901	665,000	3,062,076
Securities Purchased under Resale Agreements	17,762,914	–	–	–	–	17,762,914
	102,989,466	41,016,070	43,512,468	22,698,102	11,208,446	221,424,552
Non-Interest Earning Assets						
Cash In Hand	5,709,127	–	–	–	–	5,709,127
Statutory Deposit with CBSL	7,432,206	–	–	–	–	7,432,206
Balances with Banks	963,876	–	–	–	–	963,876
Investments in Equities	2,528,033	–	–	–	–	2,528,033
Investment Properties	–	–	–	–	1,183,224	1,183,224
Property, Plant & Equipment/ Leasehold Rights/Intangible Assets	–	–	–	–	5,465,218	5,465,218
Derivative Financial Instruments	191,411	–	–	–	–	191,411
Other Assets	4,300,826	10,448	80,902	97,509	2,170,500	6,660,185
	21,125,479	10,448	80,902	97,509	8,818,942	30,133,280
Total Assets	124,114,945	41,026,518	43,593,370	22,795,611	20,027,388	251,557,832

NOTES TO THE FINANCIAL STATEMENTS

51.4 Liabilities and Equity - Group

An analysis of the total liabilities and equity as at 31st December 2014, based on the remaining period at the Reporting Date to the respective contractual cash flows/maturity periods is given below:

	Up to 3 Months Rs. '000	3 to 12 Months Rs. '000	1 to 3 Years Rs. '000	3 to 5 Years Rs. '000	More Than 5 Years Rs. '000	Total as at 31.12.2014 Rs. '000
Interest Bearing Liabilities						
Deposits from Customers other than Demand Deposits	68,915,896	85,665,029	6,792,860	3,936,896	5,443,970	170,754,651
Securities Sold under Repurchase Agreements	11,328,118	1,091,769	–	–	–	12,419,887
Borrowings	6,848,035	4,101,610	205,540	247,680	227,230	11,630,095
Debentures	–	520,835	–	4,328,830	2,806,040	7,655,705
	87,092,049	91,379,243	6,998,400	8,513,406	8,477,240	202,460,338
Non-Interest Bearing Liabilities						
Demand Deposits	15,169,471	–	–	–	–	15,169,471
Other Liabilities	6,012,090	–	–	–	–	6,012,090
Derivative Financial Instruments	210,536	–	–	–	–	210,536
Current Tax Liabilities	1,323,290	–	–	–	–	1,323,290
Deferred Taxation Liabilities	36,507	–	–	–	–	36,507
Dividend Payable	26,009	–	–	–	–	26,009
Equity	–	–	–	–	25,195,204	25,195,204
Non-Controlling Interest	–	–	–	–	1,124,387	1,124,387
	22,777,903	–	–	–	26,319,591	49,097,494
Total Liabilities and Equity	109,869,952	91,379,243	6,998,400	8,513,406	34,796,831	251,557,832

52. Segment Reporting

Segment information is presented in respect of the Group's Operating Segments. Operating Segments are based on the Group's management and internal reporting structure.

The Group comprises the following main Operating Segments:

Banking: Loans and Advances (including Leases and Bills), Margin Trading, Insurance, Deposits and other transactions and balances with corporate and retail customers.

Treasury: Undertakes the Group's funding and centralised risk management activities through borrowings, issue of debt securities, use of derivatives for risk management purpose and investing in liquid assets such as short-term placements, corporate debt securities and Government debt securities.

Property/Investment: The property investment income, expenses, assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

	Banking		Treasury		Property/Investments		Unallocated/Eliminations		Total	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Interest Income	20,040,104	20,946,591	2,234,988	2,271,323	34,516	31,874	1,112,549	1,616,436	23,422,157	24,866,224
Interest Expense	11,525,726	14,129,917	715,514	1,009,610	81	661	(18,089)	(24,758)	12,223,232	15,115,430
Net Interest Income	8,514,378	6,816,674	1,519,474	1,261,713	34,435	31,213	1,130,638	1,641,194	11,198,925	9,750,794
Fee and Commission Income	2,345,138	2,202,561	-	-	-	-	1,991	5,781	2,347,129	2,208,342
Fee and Commission Expenses	48,087	48,722	41,826	32,572	6,742	6,637	354	-	97,009	87,931
Net Fee and Commission Income	2,297,051	2,153,839	(41,826)	(32,572)	(6,742)	(6,637)	1,637	5,781	2,250,120	2,120,411
Net Interest, Fee and Commission Income	10,811,429	8,970,513	1,477,648	1,229,141	27,693	24,576	1,132,275	1,646,975	13,449,045	11,871,205
Net Trading Income	67,770	435,628	951,680	415,108	1,601	151	57,786	(44,930)	1,078,837	805,957
Net Gain on Financial Investments	-	-	1,186,185	190,268	3,521	-	-	-	1,189,706	190,268
Other Operating Income (Net)	291,757	(48,117)	215,968	17,558	183,131	48,540	(100,259)	57,520	590,597	75,501
Inter-Segment Revenue	(91,196)	(72,044)	28,917	12,942	-	-	62,279	59,102	-	-
Total Operating Income	11,079,760	9,285,980	3,860,398	1,865,017	215,946	73,267	1,152,081	1,718,667	16,308,185	12,942,931
Depreciation and Amortisation Charge for the Year	234,154	181,699	987	1,189	1,157	634	265,117	392,352	501,415	575,874
Impairment Losses for the Year	2,291,931	1,283,283	-	75,567	-	948	(157,206)	2,319	2,134,725	1,362,117
Operating Expenses, VAT & NBT	6,834,913	5,520,664	614,332	382,153	101,017	29,229	1,286,394	1,576,403	8,836,656	7,508,449
Reportable Segment Profit Before Income Tax	1,718,762	2,300,334	3,245,079	1,406,108	113,772	42,456	(242,224)	(252,407)	4,835,389	3,496,491
Income Tax Expense									1,582,819	1,144,446
Profit for the Year									3,252,570	2,352,045
Profit Attributable to:										
Equity Holders of the Bank									3,178,776	2,326,148
Non-Controlling Interests									73,794	25,897
Profit for the Year									3,252,570	2,352,045
Other Comprehensive Income, Net of Income Tax	(65,156)	5,240	9,636	766,656	(1,125)	(602)	27,044	808,772	(29,601)	1,580,066
Other Information										
Reportable Segment Assets	148,672,357	132,926,712	80,188,823	63,274,979	4,869,873	4,981,407	25,222,320	23,475,407	258,953,373	224,658,505
Segment Accumulated Amortisation	(705,491)	(646,691)	(55,683)	(54,695)	(3,183)	(2,026)	(6,631,184)	(6,445,645)	(7,395,541)	(7,149,057)
Total Assets	147,966,866	132,280,021	80,133,140	63,220,284	4,866,690	4,979,381	18,591,136	17,029,762	251,557,832	217,509,448
Reportable Segment Liabilities and Equity	194,473,134	176,010,344	24,087,220	11,959,088	4,866,690	4,979,381	28,130,788	24,560,635	251,557,832	217,509,448
Total Liabilities and Equity	194,473,134	176,010,344	24,087,220	11,959,088	4,866,690	4,979,381	28,130,788	24,560,635	251,557,832	217,509,448
Cash Flows from Operating Activities	(515,332)	11,291,052	3,246,066	1,407,297	90,782	52,435	(94,930)	137,482	2,726,586	12,888,266
Cash Flows from Investing Activities	155,461	104,915	1,046,020	(11,818,192)	(41,790)	(24,720)	(591,094)	(675,462)	568,597	(12,413,459)
Cash Flows from Financing Activities	-	-	12,284,555	8,822,689	(44,389)	(36,991)	(997,923)	(342,519)	11,242,243	8,443,179
Capital Expenditure	(510,419)	(407,006)	(1,991)	(881)	(48,656)	(15,062)	(142,338)	(249,153)	(703,404)	(672,102)

SLFRS 8 requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters (the 'management approach').

Such operating segments are identified on the basis of internal reports that the entity's Board of Directors reviews regularly in allocating resources and in assessing their performance.

Bank reviewed the existing reporting segments and concluded that no material change is required.

NOTES TO THE FINANCIAL STATEMENTS

53. Comparative Information

The comparative information has been re-classified to conform with current year's presentation.

54. Non-Uniform Accounting Policies

The impact of non-uniform accounting policies adopted by Subsidiary Company has been adjusted in the Consolidated Financial Statements as set out below:

Adjustment due to Different Accounting Policies of the Parent and the Group Entity, Seylan Developments PLC (SD)

Seylan Bank PLC accounted investment properties at cost, whereas Seylan Developments PLC accounts investment properties at fair value.

Seylan Towers (East Towers) owned by Seylan Developments PLC is rented out to Seylan Bank PLC and is occupied by the Bank.

Therefore, the land and building does not qualify as investment property in the Consolidated Financial Statements.

The land is treated as Leasehold Rights and the building as a property in the Consolidated Financial Statements and have been depreciated accordingly (LKAS 40).

	Adjustment Rs. '000	Group Impact Rs. '000	Non-Controlling Interest Impact Rs. '000
Adjustments to Revaluation Gain/(Loss) on Investment Properties and its Deferred Tax Impact			
Reversal of Revaluation Gain recognised in the Statement of Comprehensive Income by SD in 2014	(12,998)	(8,345)	(4,653)
Reversal of Deferred Tax on Revaluation Gain recognised in the Statement of Comprehensive Income by SD in 2014	14,981	9,618	5,363
Gain on Revaluation of East Tower in 2014 adjusted to Revaluation Reserves in Consolidated Financial Statements	37,561	24,114	13,447
Deferred Tax on Revaluation Gain of East Tower in 2014 recognised in Consolidated Financial Statements	(10,517)	(6,752)	(3,765)
Gain on Disposal of Moratuwa Property of SD adjusted in Consolidated Financial Statements	257	165	92
Reversal of Impairment on Investment Properties adjusted in Consolidated Financial Statements	134,795	86,538	48,257
	164,079	105,338	58,741
Charging of Depreciation			
Depreciation Charges Adjusted to Consolidated Statement of Comprehensive Income for 2014	(41,700)	(23,740)	(17,960)
	(41,700)	(23,740)	(17,960)

292	294	295	296	297	302
Ten Years at a Glance	Summary of Performance Indicators	Statement of Comprehensive Income in US Dollars	Statement of Financial Position in US Dollars	Investor Information	Branch Network
306	307	311	312	314	316
Geographical Analysis	GRI Content Index 'In Accordance' GRI G4 Core	Alphabetical Index	Glossary	Sinhala Translation of the Chairman's Letter	Tamil Translation of the Chairman's Letter
318	Enclosed				
Corporate Information	Notice of Annual General Meeting	Form of Proxy	Investor Feedback Form		

TEN YEARS AT A GLANCE

Year Ended 31st December	2014	2013	2012	2011	2010*
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trading Results					
Gross Income	28,564,355	28,090,978	23,725,992	18,824,460	20,032,477
Profit before Taxation	4,649,444	3,454,035	3,199,358	1,180,521	1,997,634
Taxation	1,570,842	1,138,496	1,135,160	505,089	768,653
Profit after Taxation	3,078,602	2,315,539	2,064,198	675,432	1,228,981
Other Comprehensive Income, Net of Income Tax	(55,520)	913,330	(139,243)	(346,147)	
Total Comprehensive Income	3,023,082	3,228,869	1,924,955	329,285	
Dividends Proposed (Ordinary)	Rs. 2.50 Per Share	Rs. 2.25 Per Share	Rs. 2.00 Per Share	Rs. 1.00 Per Share	Rs. 1.00 Per Share

As at 31st December	2014	2013	2012	2011	2010
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Position					
Assets					
Cash & Short-Term Funds (Including Securities sold under Repurchase Agreements)	24,435,877	10,910,099	6,727,822	7,863,893	5,965,190
Statutory Deposit with Central Bank of Sri Lanka	7,432,206	7,505,185	8,028,661	7,070,728	5,453,833
Investments (Including Investment Properties)	48,859,050	49,351,098	33,878,970	35,032,952	40,341,445
Loans & Receivables, Placements with Banks and Finance Companies (Including Leases & Bills of Exchange)	157,297,016	137,523,060	124,728,371	106,390,440	89,090,809
	238,024,149	205,289,442	173,363,824	156,358,013	140,851,277
Investment in Subsidiary	1,106,113	800,624	793,254	793,254	358,916
Other Assets (Including Income Taxation)	6,886,615	5,994,169	6,871,112	5,977,144	6,010,469
Property, Plant & Equipment, Leasehold Rights and Intangible Assets	3,293,682	3,076,624	2,633,486	2,815,462	3,010,495
Total Assets	249,310,559	215,160,859	183,661,676	165,943,873	150,231,157
Liabilities					
Deposits from Customers and Due to Banks	197,539,589	178,915,590	152,865,002	131,291,751	112,879,627
Borrowings and Debentures	20,090,220	7,829,992	4,896,289	12,202,565	18,183,086
Other Liabilities	6,327,380	5,546,916	6,352,349	4,906,438	6,366,369
Taxation	1,323,805	1,090,584	683,040	216,996	40,580
Dividends	21,026	16,159	13,159	23,535	22,398
Total Liabilities	225,302,020	193,399,241	164,809,839	148,641,285	137,492,060
Equity					
Stated Capital	10,529,724	10,529,724	10,225,452	10,259,353	5,567,820
Reserve Fund	995,894	841,964	726,187	619,095	569,295
Reserves	12,482,921	10,389,930	7,900,198	6,424,140	6,601,982
Total Equity	24,008,539	21,761,618	18,851,837	17,302,588	12,739,097
Total Liabilities & Equity	249,310,559	215,160,859	183,661,676	165,943,873	150,231,157
Commitments and Contingencies	45,098,070	35,473,070	31,286,844	36,247,216	30,197,078

*Based on SLAS applicable prior to 1st January 2012.

SUMMARY OF PERFORMANCE INDICATORS

	Measure	2014	2013	2012	2011	2010*
Size						
Assets Growth	%	15.87	17.15	10.68	10.46	12.74
Commitments and Contingencies/(Total Assets + Commitments and Contingencies)	%	15.32	14.15	14.56	17.93	10.85
Interest Earning Assets/Total Assets	%	88.76	89.06	85.83	87.48	85.76
Cash and Reserves/Total Assets	%	5.66	5.90	7.94	7.00	6.78
Risk-Weighted Assets Growth	%	19.38	10.18	9.33	1.21	10.62
Profitability						
Return on Average Assets	%	1.33	1.16	1.18	0.42	0.87
Return on Average Equity	%	13.45	11.40	11.42	4.43	10.88
Profit for the Year/(Total Assets + Commitments and Contingencies)	%	1.05	0.92	0.96	0.33	0.68
Net Interest Margin (NII/Avg. Int. Earn. Assets)	%	5.22	5.32	5.64	5.88	6.66
Net Interest Income/Total Income	%	39.09	34.60	37.99	45.74	40.27
Cost to Income Ratio**	%	57.37	62.59	67.31	82.02***	68.69
Average Interest Yield	%	10.95	13.62	13.23	11.58	13.69
Average Interest Cost	%	6.48	9.41	8.68	6.58	7.68
Interest Rate Spread	%	4.47	4.21	4.55	5.00	6.01
Interest Yield on Average Customer Advances	%	11.90	14.56	14.42	11.99	13.41
Interest Cost on Average Customer Deposits	%	6.14	8.58	7.64	5.82	6.76
Spread on Customer Deposits and Advances	%	5.76	5.98	6.78	6.17	6.65
Dividend Payout****	%	28.01	33.52	32.76	50.85	20.92
Growth Rate of Equity	%	10.33	15.43	8.95	35.82	14.48
Earnings per Share	LKR	8.92	6.74	6.11	2.18	4.60
Ordinary Dividends per Share	LKR	2.50	2.25	2.00	1.00	1.00
Asset Quality						
Impairment Allowances for Loans and Receivables	LKR Mn.	7,012	7,615	8,245	10,194	
Impairment Allowances/Loans and Receivables	%	4.33	5.28	6.20	8.74	
Net Assets Value per Share	LKR	69.60	63.08	55.76	51.08	47.58
Capital Adequacy						
Leverage on Shareholders' Funds	Times	9.38	8.89	8.74	8.58	11.37
Leverage on Capital Funds (Including Debentures)	Times	6.87	7.60	8.15	7.25	8.30
Percentage Earnings Retained	%	71.99	66.48	67.24	49.15	79.08
Equity/Deposits, Borrowings and Securities Sold Under Repurchase Agreements	%	11.43	11.86	12.04	12.43	9.75
Equity/Total Assets	%	9.63	10.11	10.26	10.54	8.06
Equity/Loans and Receivables	%	14.82	15.09	14.18	15.00	13.26
Liquidity and Funding						
Loans and Receivables/Deposits, Borrowings and Securities Sold Under Repurchase Agreements	%	77.14	78.56	84.94	82.86	73.53
Deposits/Deposits, Borrowings, Debentures and Securities Sold under Repurchase Agreements	%	85.43	89.63	93.01	86.40	86.05
Liquid Assets/Total Assets	%	31.68	30.78	25.89	29.61	31.66
Liquid Assets/Deposits, Borrowings and Securities Sold under Repurchase Agreements	%	37.62	36.09	30.37	34.92	38.31
Net Lending or (Borrowings) in Call Money Market	LKR Mn.	(7,834)	(9,572)	(4,707)	(5,841)	(2,096)
Other Data						
Number of Banking Centres		157	151	147	133	122
Number of Staff Members		2,947	3,049	3,061	3,150	3,622
Profits per Staff Member	LKR '000	1,045	759	674	211	339
Number of Ordinary Shares - Voting	000	175,977	175,977	173,333	173,333	130,000
- Non-Voting	000	168,983	168,983	164,747	164,747	123,560
Share Prices as at 31st December - Voting	LKR	95.00	64.20	56.00	67.60	97.80
- Non-Voting	LKR	57.50	31.00	35.10	30.80	49.00

Note

Performance indicators are computed based on the balances adjusted for SLFRS/LKAS impacts.

* Based on SLAS applicable prior to 1st January 2012

** Cost to Income Ratio for 2011 to 2014 is calculated with fair value & Impairment impacts due to the adoption of SLFRS/LKAS

*** Cost to Income Ratio of 2011 calculated excluding VRS

**** Dividends for the year 2014 are accounted for as per the Accounting Standards - LKAS 10

STATEMENT OF COMPREHENSIVE INCOME IN US DOLLARS

For the Year ended 31st December	BANK			GROUP		
	2014 US\$ '000	2013 US\$ '000	Change %	2014 US\$ '000	2013 US\$ '000	Change %
Income	216,479	215,009	0.68	216,964	215,433	0.71
Interest Income	177,396	190,274	(6.77)	177,508	190,327	(6.74)
Less: Interest Expenses	92,785	115,880	(19.93)	92,635	115,694	(19.93)
Net Interest Income	84,611	74,394	13.73	84,873	74,633	13.72
Fee and Commission Income	17,791	16,905	5.24	17,788	16,903	5.24
Less: Fee and Commission Expenses	684	622	9.97	735	673	9.21
Net Fee and Commission Income	17,107	16,283	5.06	17,053	16,230	5.07
Net Interest, Fee and Commission Income	101,718	90,677	12.18	101,926	90,863	12.18
Net Trading Income	8,164	6,168	32.36	8,176	6,169	32.53
Net Gain on Financial Investments	8,990	1,456	517.45	9,016	1,456	519.23
Other Operating Income (Net)	4,138	206	1,908.74	4,476	578	674.39
Total Operating Income	123,010	98,507	24.87	123,594	99,066	24.76
Net Impairment Loss	17,200	10,418	65.10	16,178	10,426	55.17
Net Operating Income	105,810	88,089	20.12	107,416	88,640	21.18
Less: Operating Expenses						
Personnel Expenses	29,756	27,069	9.93	29,992	27,247	10.07
Premises, Equipment and Establishment Expenses	13,099	13,370	(2.03)	12,769	12,966	(1.52)
Other Expenses	18,601	15,483	20.14	18,892	15,935	18.56
Operating Expenses	61,456	55,922	9.90	61,653	56,148	9.80
Operating Profit before Taxes	44,354	32,167	37.89	45,763	32,492	40.84
Value Added Tax and Nation Building Tax on Financial Services	9,117	5,730	59.11	9,117	5,730	59.11
Operating Profit before Income Tax	35,237	26,437	33.29	36,646	26,762	36.93
Income Tax Expense	11,905	8,714	36.62	11,996	8,760	36.94
Profit for the Year	23,332	17,723	31.65	24,650	18,002	36.93
Profit Attributable to:						
Equity Holders of the Bank	23,332	17,723	31.65	24,091	17,804	35.31
Non-Controlling Interest	–	–	–	559	198	182.32
Profit for the Year	23,332	17,723	31.65	24,650	18,002	36.93
Basic/Diluted Earnings per Share (US\$)	0.07	0.05	40.00	0.07	0.05	40.00
Other Comprehensive Income, Net of Income Tax						
Revaluation of Property, Plant & Equipment	–	1,083	–	205	6,190	(96.69)
Actuarial Gain/(Loss) on Defined Benefit Obligations	(494)	40	(1,335.00)	(494)	36	(1,472.22)
Net Change of Financial Assets Measured at Fair Value through Other Comprehensive Income:						
Net Change in Fair Value on Available-for-Sale Financial Assets	1,586	6,746	(76.49)	1,577	6,746	(76.62)
Net Amount Transferred to Profit or Loss on Available-for-Sale Financial Assets	(1,513)	(878)	72.32	(1,513)	(878)	72.32
Other Comprehensive Income for the Year, Net of Tax	(421)	6,991	(106.02)	(225)	12,094	(101.86)
Total Comprehensive Income for the Year	22,911	24,714	(7.30)	24,425	30,096	(18.84)
Total Comprehensive Income Attributable to:						
Equity Holders of the Bank	22,911	24,714	(7.30)	23,795	27,440	(13.28)
Non-Controlling Interest	–	–	–	630	2,656	(76.28)
Total Comprehensive Income for the Year	22,911	24,714	(7.30)	24,425	30,096	(18.84)

Exchange rate of US\$ 1 was Rs. 131.95 as at 31st December 2014 (Rs. 130.65 as at 31st December 2013).

The Income Statement given on this page is solely for the convenience of the Shareholders, Bankers, Investors, Customers and Other Users of Financial Statements and does not form a part of the Audited Financial Statements.

STATEMENT OF FINANCIAL POSITION IN US DOLLARS

As at 31st December	BANK			GROUP		
	2014 US\$ '000	2013 US\$ '000	Change %	2014 US\$ '000	2013 US\$ '000	Change %
Assets						
Cash and Cash Equivalents	50,572	39,649	27.55	50,572	39,650	27.55
Balances with Central Bank of Sri Lanka	56,326	57,445	(1.95)	56,326	57,445	(1.95)
Placements with Banks and Finance Companies	17,691	7,426	138.23	17,691	7,426	138.23
Derivative Financial Instruments	1,451	2,198	(33.99)	1,451	2,198	(33.99)
Other Financial Assets Held-for-Trading	19,138	85,602	(77.64)	19,207	85,662	(77.58)
Securities Purchased under Resale Agreements	134,619	43,857	206.95	134,619	43,857	206.95
Customer Loans and Receivables	1,174,405	1,045,181	12.36	1,174,405	1,045,181	12.36
Financial Investments - Available-for-Sale	180,224	107,172	68.16	180,660	107,172	68.57
Financial Investments - Held-to-Maturity	170,055	184,086	(7.62)	170,671	184,693	(7.59)
Investment in Subsidiary	8,383	6,128	36.80	-	-	-
Group Balances Receivable	227	115	97.39	-	-	-
Property, Plant & Equipment	22,490	22,099	1.77	34,680	34,137	1.59
Leasehold Rights	351	370	(5.14)	4,619	4,737	(2.49)
Investment Properties	867	876	(1.03)	8,967	7,990	12.23
Intangible Assets	2,121	1,080	96.39	2,121	1,080	96.39
Current Tax Assets	-	-	-	-	8	-
Deferred Tax Assets	137	1,306	(89.51)	-	1,041	-
Other Assets	50,376	42,261	19.20	50,475	42,550	18.63
Total Assets	1,889,433	1,646,851	14.73	1,906,464	1,664,827	14.51
Liabilities						
Due to Banks	88,029	88,360	(0.37)	88,029	88,360	(0.37)
Derivative Financial Instruments	1,596	2,930	(45.53)	1,596	2,930	(45.53)
Customer Deposits	1,409,050	1,281,067	9.99	1,409,050	1,281,067	9.99
Securities Sold under Repurchase Agreements	94,126	35,009	168.86	94,126	35,009	168.86
Other Borrowings	111	97	14.43	111	97	14.43
Group Balances Payable	1,465	1,494	(1.94)	-	-	-
Debentures	58,020	24,824	133.73	58,020	24,824	133.73
Current Tax Liabilities	10,033	8,347	20.20	10,029	8,347	20.15
Deferred Tax Liabilities	-	-	-	277	-	-
Other Liabilities	45,051	38,159	18.06	45,760	38,972	17.42
Total Liabilities	1,707,481	1,480,287	15.35	1,706,998	1,479,606	15.37
Equity						
Stated Capital	79,801	80,595	(0.99)	79,801	80,595	(0.99)
Statutory Reserve Fund	7,548	6,444	17.13	7,548	6,444	17.13
Retained Earnings	68,842	55,182	24.75	70,434	54,723	28.71
Other Reserves	25,761	24,343	5.83	33,162	31,690	4.64
Total Equity Attributable to Equity Holders of the Bank	181,952	166,564	9.24	190,945	173,452	10.09
Non-Controlling Interest	-	-	-	8,521	11,769	(27.60)
Total Equity	181,952	166,564	9.24	199,466	185,221	7.69
Total Liabilities and Equity	1,889,433	1,646,851	14.73	1,906,464	1,664,827	14.51
Commitments and Contingencies	341,782	271,512	25.88	342,289	272,191	25.75
Net Assets Value per Share (US\$)	0.53	0.48	10.42	0.55	0.50	10.00

Exchange rate of US\$ 1 was Rs.131.95 as at 31st December 2014 (Rs. 130.65 as at 31st December 2013).

The Statement of Financial Position given on this page is solely for the convenience of the Shareholders, Bankers, Investors, Customers and Other Users of Financial Statements and does not form a part of the Audited Financial Statements.

INVESTOR INFORMATION

Twenty Largest Shareholders as at 31st December 2014

Ordinary Voting Shares

	2014		Comparative Holdings of the Top 20 Holders in 2013	
	No. of Shares	%	No. of Shares	%
1. Sri Lanka Insurance Corporation Limited [includes Sri Lanka Insurance Corporation Limited (General Fund) - 17,597,739 and Sri Lanka Insurance Corporation Limited (Life Fund) - 8,798,869]	26,396,608	15.00	26,396,608	15.00
2. Brown & Company PLC A/c No. 1*	24,416,750	13.87	24,416,750	13.87
3. Employees' Provident Fund	17,525,425	9.96	17,525,425	9.96
4. LOLC Investments Limited**	16,808,502	9.55	16,808,502	9.55
5. Bank of Ceylon No. 1 Account	13,198,305	7.50	13,198,305	7.50
6. Waldock Mackenzie Limited/Mr. D.S.K. Amarasekera	11,689,430	6.64	11,322,734	6.43
7. Mellon Bank N.A. Frontier Market Opportunities Master Fund, L.P.	5,029,000	2.86	-	-
8. Employees Trust Fund Board	5,000,001	2.84	1	-
9. Mellon Bank N.A. Frontier Market Select Fund II L.P.	4,341,650	2.47	-	-
10. Seyfest (Private) Limited	3,017,940	1.71	3,017,940	1.71
11. Commercial Bank of Ceylon PLC/Capital Trust Holdings Limited	2,535,131	1.45	222,712	0.13
12. Sesot (Private) Limited	2,279,042	1.30	2,279,042	1.30
13. Seybest (Private) Limited	2,165,435	1.23	2,165,435	1.23
14. Seyshop (Private) Limited	2,165,435	1.23	2,165,435	1.23
15. Esots (Private) Limited	2,148,132	1.22	2,148,132	1.22
16. HSBC Intl Nom Ltd-SSBT-Russell Institutional Funds Public Limited Company	2,131,000	1.21	-	-
17. Lanka Century Investments PLC	2,077,330	1.18	-	-
18. Sampath Bank PLC/Dr. T. Senthilverl	1,611,137	0.92	-	-
19. Seylan Bank PLC/W.D.N.H. Perera	1,589,781	0.90	-	-
20. AIA Insurance Lanka PLC A/c No. 7	1,500,000	0.85	-	-
Total Shares held by the Top 20 Holders - 2014	147,626,034	83.89	-	-
Balance Shares held by other 9,369 Ordinary Voting shareholders - 2014	28,351,367	16.11	-	-
Total Ordinary Voting Shares	175,977,401		175,977,401	
Total Ordinary Voting Shareholders	9,389		9,889	

Notes

Brown & Company PLC* and LOLC Investments Limited** collectively hold 23.42% of the issued capital of the Bank. This joint shareholding limit has been approved by the Central Bank vide their letter dated 14th September 2011 subject to the following:

- (i) Shareholding of Brown & Company PLC A/C No. 1* to be reduced from 13.87% to 9.55% within five years from 16th June 2011.
- (ii) The joint holding of Brown & Company PLC A/C No. 1* and LOLC Investments Limited** to be reduced from 23.42% to 15% level within a period of 15 years from 13th October 2009.

INVESTOR INFORMATION**Ordinary Non-Voting Shares**

	2014		Comparative Holdings of the Top 20 Holders in 2013	
	No. of Shares	%	No. of Shares	%
1. Lanka Orix Leasing Company PLC	71,688,535	42.42	57,474,003	34.01
2. Employees' Provident Fund	14,795,106	8.75	16,896,029	10.00
3. Pershing LLC S/A Averbach Grauson & Co.	3,904,011	2.31	2,986,012	1.77
4. Commercial Bank of Ceylon PLC/Dunamis Capital PLC	3,818,755	2.26	-	-
5. Mr. E. Thavagnanasooriyam & Mr. E. Thavagnanasundaram	2,649,968	1.57	2,699,968	1.60
6. Seylan Bank PLC/ARC Capital (Pvt) Limited	2,299,578	1.36	-	-
7. Commercial Bank of Ceylon PLC/ARC Capital (Pvt) Limited	2,203,000	1.30	-	-
8. Trading Partners (Pvt) Limited	2,139,298	1.27	-	-
9. Merrill J. Fernando & Sons (Pvt) Limited	1,877,057	1.11	1,877,057	1.11
10. Employees' Trust Fund Board	1,822,971	1.08	1,985,355	1.17
11. Mr. N. Balasingam	1,762,693	1.04	1,762,693	1.04
12. Mr. H.A. Van Starrex	1,405,116	0.83	30,010	0.02
13. Deutsche Bank AG - National Equity Fund	1,253,265	0.74	-	-
14. Deutsche Bank AG as Trustees for NAMAL Acuity Value Fund	1,150,000	0.68	-	-
15. Deutsche Bank AG as Trustees for J.B. Vantage Value Equity Fund	1,080,707	0.64	-	-
16. People's Leasing & Finance PLC/Mr. L.P. Hapangama	923,142	0.55	-	-
17. Mr. E. Thavagnanasooriyam	853,598	0.51	853,598	0.51
18. Pan Asia Banking Corporation PLC/Mrs. M. Mathews	826,857	0.49	-	-
19. Miss. S. Durga	770,808	0.46	683,808	0.40
20. Dr. S. Yaddehige	744,123	0.44	1,042,330	0.62
Total Shares held by the Top 20 Holders	117,968,588	69.81	-	-
Balance Shares held by other 7,457 Ordinary Non-Voting Shareholders	51,014,421	30.19	-	-
Total Ordinary Non-Voting Shares	168,983,009		168,983,009	
Total Ordinary Non-Voting Shareholders	7,477		8,866	

Shareholdings of Directors as at 31st December 2014

Directors' shareholdings as at 31st December 2014 are given on page 163 of the Annual Report of the Board of Directors.

Shareholding of the Chief Executive Officer

Mr. K.P. Ariyaratne

As at 31st December 2014	As at 31st December 2013
21,117 Ordinary Voting Shares	21,117 Ordinary Voting Shares
123,005 Ordinary Non-Voting Shares	118,367 Ordinary Non-Voting Shares

INVESTOR INFORMATION**Ordinary Shares (Quoted)**

	Voting (SEYB-N)		Non-Voting (SEYB-X)	
	2014	2013	2014	2013
No. of Shares Issued	175,977,401	175,977,401	168,983,009	168,983,009
Dividend - Proposed (Rs. per Share)	2.50	2.25	2.50	2.25
Share Prices				
Highest (Rs.)	102.00	74.00	63.00	41.20
Lowest (Rs.)	58.60	55.00	30.20	29.20
Last Traded (Rs.)	95.00	64.20	57.50	31.00
Percentage of Public Holding (%)	54.31%	61.55%	57.46%	65.91%

Analysis of the Distribution of Shareholders as at 31st December 2014

Range of Shareholding	Ordinary (Voting) Shares			Ordinary (Non-Voting) Shares		
	No. of Shareholders	No. of Shares	Percentage of Shareholding (%)	No. of Shareholders	No. of Shares	Percentage of Shareholding (%)
1 - 1,000	6,941	1,542,040	0.88	3,665	1,177,906	0.70
1,001 - 10,000	2,139	5,495,584	3.12	2,971	8,963,691	5.30
10,001 - 100,000	246	6,946,282	3.95	731	20,028,295	11.85
100,001 - 1,000,000	42	13,352,207	7.59	95	24,963,057	14.77
1,000,001 & Above	21	148,641,288	84.46	15	113,850,060	67.38
Total	9,389	175,977,401	100.00	7,477	168,983,009	100.00
Resident/Non-Resident						
Resident	9,240	161,984,336	92.05	7,389	159,504,329	94.39
Non-Resident	149	13,993,065	7.95	88	9,478,680	5.61
Individuals/Institutions						
Individuals	9,088	15,748,817	8.95	7,154	46,285,051	27.39
Companies/Institutions	301	160,228,584	91.05	323	122,697,958	72.61

INVESTOR INFORMATION**Debentures****Debentures 2008 (Matured on 11th January 2014)**

(Listed on CSE in January 2009). Total number of unsecured subordinated redeemable debentures allotted: 6,305,650

(SEYB D141, D142, D143 & D144)	Monthly Interest (20.50%)		Annual Interest (21.50%)		Floating Rate of Interest Payable Quarterly		Floating Rate of Interest Payable Annually	
	2014	2013	2014	2013	2014	2013	2014	2013
Five year Debentures								
No. of Debentures Issued	3,954,450		2,316,100		1,200		33,900	
Debenture Prices:								
Highest (Rs.)	Not	100.00	Not	100.00	Not traded in 2013 and 2014		Not traded in 2013 and 2014	
Lowest (Rs.)	Traded	100.00	Traded	100.00	Not traded in 2013 and 2014		Not traded in 2013 and 2014	
Last Traded (Rs.)	in 2014	100.00	in 2014	100.00	Not traded in 2013 and 2014		Not traded in 2013 and 2014	

Debentures 2013

(Listed on CSE in February 2013). Total number of unsecured subordinated redeemable debentures allotted: 20,000,000

(SEYB D178, F179 & D180) Five year Debentures	Monthly Interest (14.50%)		Semi-Annual Interest (15.00%)		Annual Interest (15.50%)	
	2014	2013	2014	2013	2014	2013
No. of Debentures Issued		660,700		8,430,200		10,909,100
Debenture Prices:						
Highest (Rs.)	Not traded in 2013 and 2014				118.29	106.00
Lowest (Rs.)	Not traded in 2013 and 2014				104.00	100.00
Last Traded (Rs.)	Not traded in 2013 and 2014				117.39	100.00

Debentures 2014

(Listed on CSE on 31st December 2014) Total number of senior unsecured redeemable debentures allotted: 51,348,700

(SEYB D313, D314, D315, D316, & D317)	Type A 4-year Debentures (8.0% p.a.) Semi-Annual		Type B 5-year Debentures (8.35% p.a.) Semi-Annual		Type C 5-year Debentures (8.60% p.a.) Annual		Type D 6-year Debentures (8.60% p.a.) Semi-Annual		Type E 6-year Debentures (8.75% p.a.) Annual	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
No. of Debentures Issued	4,622,800		300		18,665,200		25,055,200		3,005,200	
Debenture Prices:										
Highest (Rs.)	Not	N/A	Not	N/A	Not	N/A	Not	N/A	Not	N/A
Lowest (Rs.)	traded	N/A	traded	N/A	traded	N/A	traded	N/A	traded	N/A
Last Traded (Rs.)	in 2014	N/A	in 2014	N/A	in 2014	N/A	in 2014	N/A	in 2014	N/A

INVESTOR INFORMATION

	2014	2013
Debt/Equity Ratio	0.32	0.15
Interest Cover	13.68	8.48
Quick Asset Ratio	0.82	0.81
2013/2018 Issue		
Interest Yield as at Date of Last Trade		
Annual Interest (01.12.2014)/(14.10.2013)	13.25%	15.50%
Semi Annual Interest	*	*
Monthly Interest	*	*
Yield to Maturity of Trade Done on		
Annual Interest (01.12.2014)/(14.10.2013)	9.13%	15.41%
Semi Annual Interest	*	*
Monthly Interest	*	*
Interest Rate of Comparable Government Security	7.02%	10.55%
2014 Issue - Listed in Market on 31st December 2014		
4 Years Semi - Annual	*	
5 Years Semi - Annual	*	
5 Years Annual	*	
6 Years Semi - Annual	*	
6 Years Annual	*	
Interest Rate of Comparable Government Security		
4 Years	7.15%	
5 Years	7.32%	
6 Years	7.60%	

* No Trading During The Period

BRANCH NETWORK

A

Akkaraipattu

Zakir City, Pothuvil Road, Akkaraipattu
Branch : 067-2279781/067-2279782
Fax : 067-2279783
E-mail : akkaraipattu.bmg@seylan.lk

Akuressa

No. 119, Deniyaya Road, Akuressa
Branch : 041-2284951/041-2284952
Fax : 041-2284950
E-mail : akuressa.bmg@seylan.lk

Ambalangoda

No. 24A, Galle Road, Ambalangoda
Branch : 091-2258010/091-2258710
Manager: 091-2256154
Fax : 091-2258011
Email : ambalangoda.bmg@seylan.lk

Ambalantota

No. 154, Tissa Road, Ambalantota
Branch : 047-2225482/047-2225483
Fax : 047-2225484
E-mail : ambalantota.bmg@seylan.lk

Ampara

No. 129, D.S. Senanayake Street, Ampara
Branch : 063-2224898
Manager: 063-2224899
Fax : 063-2224897
Email : ampara.bmg@seylan.lk

Anuradhapura

No. 250, Maitreepala Senanayaka Mawatha, Anuradhapura
Branch : 025-2224649/025-2236372/
025-2223646
Fax : 025-2223116
Email : anuradhapura.bmg@seylan.lk

Aralaganwila

No. 14/82, Kolongas Junction, Aralaganwila
Branch : 027-2257274/027-2257275
Fax : 027-2257273
Email : aralaganwila.bmg@seylan.lk

Attidiya

No. 214, Main Road, Attidiya, Dehiwela
Branch : 011-2729696/011-2738453/
011-2710021
Fax : 011-2722967
Email : attidiya.bmg@seylan.lk

Avissawella

No. 71, Ratnapura Road, Avissawella
Branch : 036-2222007/036-2232265/
036-2233555
Fax : 036-2222009
Email : avissawella.bmg@seylan.lk

B

Badulla

No. 10, Cocowatta Road, Badulla
Branch : 055-2222073/055-2223414/
055-2223773/055-2228034
Fax : 055-2222884
Email : badulla.bmg@seylan.lk

Baduraliya

No. 92, Ratnapura Road, Baduraliya
Branch : 034-2246716/034-2246721
Fax : 034-2246733
Email : baduraliya.bmg@seylan.lk

Balangoda

No. 123, Barns Ratwatte Mawatha, Balangoda
Branch : 045-2287007/045-2287107
Manager: 045-2288577
Fax : 045-2287344
Email : balangoda.bmg@seylan.lk

Bambalapitiya

No. 122, 124, Galle Road, Colombo 04
Branch : 011-2506295/011-2506294
011-2506335
Fax : 011-2506291
Email : bambalapitiya.bmg@seylan.lk

Bandaragama

No. 17A, Horana Road, Bandaragama
Branch : 038-2290706/038-2290460
038-2290903
Fax : 038-2291125
Email : bandaragama.bmg@seylan.lk

Bandarawela

No. 240, Badulla Road, Bandarawela
Branch : 057-2223144
Manager: 057-2231085
Fax : 057-2222964
Email : bandarawela.bmg@seylan.lk

Battaramulla

No. 119A, Pannipitiya Road, Battaramulla
Branch : 011-2876102/011-2876103
Fax : 011-2876104
E-mail : battaramulla.bmg@seylan.lk

Batticaloa

No. 06, Lloyds Avenue, Batticaloa
Branch : 065-2224419/065-2226395
Manager: 065-2224587
Fax : 065-2224353
Email : batticaloa.bmg@seylan.lk

Beliatta

No. 73, Tangalle Road, Beliatta
Branch : 047-2243441
Manager: 047-2251478
Fax : 047-2243619
Email : beliatta.bmg@seylan.lk

Beruwala

No. 82, Galle Road, Beruwala
Branch : 034-2279887/034-2279211
Fax : 034-2279888
Email : beruwala.bmg@seylan.lk

Bogawanthalawa

No. 79, Main Street, Bogawanthalawa
Branch : 052-2267576/052-2267578
Fax : 052-2267578
Email : bogawanthalawa.bmg@seylan.lk

Boralessgamuwa

No. 24, Kesbewa Road, Boralessgamuwa
Branch : 011-2509824/011-2517548/
011-2517549
Manager: 011-5525054
Fax : 011-2509526
Email : boralessgamuwa.bmg@seylan.lk

Borella

No. 1119, Maradana Road, Borella
Branch : 011-2681191/011-2678190/
011-2681192
Manager: 011-2678191
Fax : 011-2681194
Email : borella.bmg@seylan.lk

Bowatta

No. 476/2, Kurunegala Road, Bowatta, Bingiriya
Branch : 032-2245771/032-2245752
Fax : 032-2245772
E-mail : bowatta.bmg@seylan.lk

C

Chankanai

Mallakkam Junction, Main Street, Chankanai
Branch : 021-3205965
Fax : 021-2250025
E-mail : chankanai.bmg@seylan.lk

Chavakachcheri

No. 179, 181, 183 and 185, Kandy Road, Chavakachcheri
Branch : 021-2270525/021-2270526
Fax : 021-2270527
Email : chavakachcheri.bmg@seylan.lk

Chenkalady

Main Street, Chenkalady
Branch : 065-3063525/065-3063526
Fax : 065-2241511
Email : chenkalady.bmg@seylan.lk

Chilaw

No. 46, Kurunegala Road, Chilaw
Branch : 032-2222121/032-4860550
Fax : 032-2223279
Email : chilaw.bmg@seylan.lk

Cinnamon Gardens

No. 4, Baptist Chapel Road, Colombo 07
Branch : 011-2694966/011-2683418
Manager: 011-2683726
Fax : 011-2683725
Email : cinnamongardens.bmg@seylan.lk

Colombo Fort Branch

No. 69, Janadhipathi Mawatha, Colombo 01
Branch : 011-2445840/011-2445841/
011-2445842
Manager: 011-2327200
Fax : 011-2447990
E-mail : colombofortbranch.bmg@seylan.lk

Colombo Gold Center

Shop Nos. 47 & 51, Colombo Gold Center, Central Super Market, Pettah
Branch : 011-2339840/011-2339841
Fax : 011-2339842
Email : colombogoldcenter.bmg@seylan.lk

D

Dambulla

No. 601, Anuradhapura Road, Dambulla
Branch : 066-2283022/066-2283367
Fax : 066-2283023
E-mail : dambulla.bmg@seylan.lk

Dam Street

No. 203, Dam Street, Colombo 11
Branch : 011-2390981
011-2345797
Fax : 011-2347138
Email : damstreet.bmg@seylan.lk

Deal Place

No. 2, Deal Place, Colombo 3
Branch : 011-2575746/011-2575761/
011-2575729
Fax : 011-2575719
Email : dealplace.bmg@seylan.lk

Dehiattakandiya

No. 83/84, Main Street, Dehiattakandiya
Branch : 027-2250034/027-2250035
Manager: 027-2250267
Fax : 027-2250268
Email : dehiattakandiya.bmg@seylan.lk

Dehiwela

No. 166D, Galle Road, Dehiwela
Branch : 011-2738843/011-2726395/
011-4201756
Manager: 011-4201757
Fax : 011-2739128
Email : dehiwela.bmg@seylan.lk

Dummalasuriya

No. 128, Main Street, Dummalasuriya
Branch : 032-2242221/032-2242223
Fax : 032-2242224
Email : dummalasuriya.bmg@seylan.lk

E

Embilipitiya

New Town Road, Embilipitiya
Branch : 047-2230340/047-2230341
Fax : 047-2230342
Email : embilipitiya.bmg@seylan.lk

Eppawala

114B, Thalawa Road, Eppawala
Branch : 025-2249923/025-2249924
Fax : 025-2249922
Email : eppawala.bmg@seylan.lk

F

Foreign Employment Bureau (EBC)

No. 109, Main Street, Battaramulla
Branch : 0113-301114
Email : foreignemploymentbureau.bmg@seylan.lk

G

Galenbindunuwewa

Kahatagasdigiliya Road, Galenbindunuwewa
Branch : 025-2258778/025-2258779
Fax : 025-2258777
Email : galenbindunuwewa.bmg@seylan.lk

Galle

No. 34, 1st Cross Street, Talbot Town, Galle
Branch : 091-2223514/
091-2234542
091-2232242
Manager: 091-5454647
Fax : 091-2234642
Email : galle.bmg@seylan.lk

Gampaha

No. 1J, Bauddhaloka Mawatha, Gampaha
Branch : 033-2226511/033-2222618
Manager: 033-2230717
Fax : 033-2222934
Email : gampaha.bmg@seylan.lk

BRANCH NETWORK**Gampola**

No. 44, Kandy Road, Gampola
Branch : 081-2352741/081-2352742
Manager: 081-4485435
Fax : 081-2352740
Email : gampola.bmg@seylan.lk

Ganemulla

No. 4/2, Kirindiwita Road, Ganemulla
Branch : 033-2260738
Manager: 033-2260230
Fax : 033-2260737
Email : ganemulla.bmg@seylan.lk

Godagama

No. 157/A, High Level Road,
Godagama
Branch : 011-2895741/011-2895742
Fax : 011-2895743
Email : godagama.bmg@seylan.lk

Gothatuwa

No. 31, Gothatuwa New Town, Angoda
Branch : 011-2411256/011-2410985
Fax : 011-2410986
E-mail : gothatuwa.bmg@seylan.lk

Grandpass

No. 401, Prince of Wales Avenue,
Colombo 14
Branch : 011-2331726/011-2331727
011-4610175
Manager: 011-2451061
Fax : 011-2440117
Email : grandpass.bmg@seylan.lk

H**Hambantota**

No. 57A, Tissa Road, Hambantota
Branch : 047-2220507
Manager: 047-2220518
Fax : 047-2220519
Email : hambantota.bmg@seylan.lk

Hasalaka

No. 95/96, Co-operative Society
Building, Kandy Road, Hasalaka
Branch : 055-2258325/055-2258755
Fax : 055-2258324
Email : hasalaka.bmg@seylan.lk

Hatton

No. 42, Dunbar Road, Hatton
Branch : 051-2222347
Manager: 051-2222234
Fax : 051-2222682
Email : hatton.bmg@seylan.lk

Havelock Town

No. 164, 166, Havelock Road,
Colombo 05
Branch : 011-2596550/011-2596553
Manager: 011-2597497
Fax : 011-2597498
Email : havelocktown.bmg@seylan.lk

Hikkaduwa

No. 271, Galle Road, Hikkaduwa
Branch : 091-2276964
Manager: 091-2276965
Fax : 091-2276966
Email : hikkaduwa.bmg@seylan.lk

Hingurakgoda

No. 13,14, Airport Road, Hingurakgoda
Branch : 027-2246242
Manager: 027-2246087
Fax : 027-2246043
Email : hingurakgoda.bmg@seylan.lk

Homagama

No. 94, High Level Road, Homagama
Branch : 011-2894846/011-2855065
011-4442021
Manager: 011-4442022
Fax : 011-2855066
Email : homagama.bmg@seylan.lk

Horana

No. 160/1/1, Ratnapura Road, Horana
Branch : 034-2261176/034-2262963
034-4285853
Manager: 034-2261018
Fax : 034-2263518
Email : horana.bmg@seylan.lk

I**Ingiriya**

No. 23/1, Central Building,
Padukka Road, Ingiriya
Branch : 034-2269754/034-2268390
Fax : 034-2269900
Email : ingiriya.bmg@seylan.lk

J**Ja-Ela**

No. 165, 165/1 Colombo Road, Ja-Ela
Branch : 011-2232328/011-4030556
011-2237421
Manager: 011-5858171
Fax : 011-2237416
Email : jaela.bmg@seylan.lk

Jaffna

No. 560-562, Hospital Road, Jaffna
Branch : 021-2223047/021-2223755
Manager: 021-2228224
Fax : 021-2223047/021-2223755
Email : jaffna.bmg@seylan.lk

K**Kadawatha**

No. 28B, Ganemulla Road, Kadawatha
Branch : 011-2925594/011-2925595
011-2925914
Manager: 011-4816821
Fax : 011-2925596
Email : kadawatha.bmg@seylan.lk

Kaduruwela

No. 824A, Main Street, Kaduruwela
Branch : 027-2225319/027-2225320
Fax : 027-2225321
E-mail : kaduruwela.bmg@seylan.lk

Kalavanchikudi

No. 225, Main Street, Kalavanchikudi
Branch : 065-2251536/065-2251823
Fax : 065-2251535
Email : kalavanchikudy.bmg@seylan.lk

Kalmunai

No. 159, Batticaloa Road, Kalmunai
Branch : 067-2225842
Manager: 067-2225841
Fax : 067-2225843
Email : kalmunai.bmg@seylan.lk

Kalpitiya

No. 73, Main Street, Kalpitiya
Branch : 032-2260012/032-2260804
032-2260803
Fax : 032-2260805
E-mail : Kalpitiya.bmg@seylan.lk

Kalubowila

No. 32, S. De S. Jayasinghe Mawatha,
Kalubowila, Dehiwala
Branch : 011-2822944/011-2822945
Manager: 011-4202648
Fax : 011-2822870
Email : kalubowila.bmg@seylan.lk

Kalutara

No. 338, Main Street, Kalutara
Branch : 034-2225035/034-2225036
Manager: 034-5081841
Fax : 034-2223033
Email : kalutara.bmg@seylan.lk

Kamburupitiya

No. 5, Akuessa Road, Kamburupitiya
Branch : 041-2292555/041-2292515
Fax : 041-2293555
Email : kamburupitiya.bmg@seylan.lk

Kandy

No. 63, Kings Street, Kandy
Branch : 081-2232767/081-2233833
081-2233834/081-2233763
Manager: 081-2233484
Fax : 081-2232322/081-2234805
Email : kandy.bmg@seylan.lk

Kantale

No. 189, Agrabodhi Mawatha, Kantale
Branch : 047-2236247/047-2236248
Fax : 026-2234479
Email : kantale.bmg@seylan.lk

Katharagama

No. 1, New Town, Katharagama
Branch : 047-2236247/047-2236248
Fax : 047-2236248
Email : katharagama.bmg@seylan.lk

Kattankudy

No. 230, Main Street, Kattankudy
Branch : 065-2247456
Manager: 065-2246625
Fax : 065-2246696
Email : kattankudy.bmg@seylan.lk

Katugastota

No. 81, Kurunegala Road, Katugastota
Branch : 081-2498778/081-2212870
081-2498765
Fax : 081-2212871
Email : katugastota.bmg@seylan.lk

Katunayake

No. 32, Dhammaloka Mawatha,
Averiyawatte, Katunayake
Branch : 011-2252566
Manager: 011-2251462
Fax : 011-2252567
Email : katunayake.bmg@seylan.lk

Katuneriya

No. 99/1, Colombo Chilaw Road,
Katuneriya
Branch : 031-2255209/031-2257765
Manager: 031-2257764
Fax : 031-2253149
Email : katuneriya.bmg@seylan.lk

Kegalle

No. 112, Colombo Road, Kegalle
Branch : 035-2222007/035-2223538
Manager: 035-2222100
Fax : 035-2222006
Email : kegalle.bmg@seylan.lk

Kekirawa

No. 6, Yakalla Road, Kekirawa
Branch : 025-2264590/025-2264591
Manager: 025-2263215
Fax : 025-2264592
Email : kekirawa.bmg@seylan.lk

Kelaniya

No. 32, Kandy Road, Dalugama
Kelaniya
Branch : 011-2987321/011-2987322
Fax : 011-2987323
Email : kelaniya.bmg@seylan.lk

Kilinochchi

No. 77, 79, Kandy Road, Kilinochchi
Branch : 021-2285310
Fax : 021-2285311
Email : kilinochchi.bmg@seylan.lk

Kiribathgoda

No. 65A, Makola Road, Kiribathgoda
Branch : 011-2910581/011-2912378
011-2908113
Manager: 011-2936902
Fax : 011-2912379
Email : kiribathgoda.bmg@seylan.lk

Kirindiwela

No. 89, Gampaha Road, Kirindiwela
Branch : 033-2269709
Fax : 033-2269709
Email : kirindiwela.bmg@seylan.lk

Kirulapone

No. 280B, High Level Road,
Colombo 06
Branch : 011-2829054/011-2829055
Fax : 011-2768432
Email : kirulapone.bmg@seylan.lk

Kochchikade

No. 66, Chilaw Road, Kochchikade
Branch : 031-2277661
Manager: 031-2277580
Fax : 031-2277341
Email : kochchikade.bmg@seylan.lk

Koggala

No. 9, Export Processing Zone,
Koggala, Habaraduwa
Branch : 091-2283389/091-2283390
Fax : 091-2283390
Email : koggala.bmg@seylan.lk

Kollupitiya

No. 428, R.A. De Mel Mawatha,
Colombo 03
Branch : 011-2576911/011-2576912/
011-5665172/011-2564080/
011-2564084
Manager: 011-2576910
Fax : 011-2576914
Email : kollupitiya.bmg@seylan.lk

Kotagala

No. 190, Wootan Bazaar, Kotagala
Branch : 051-2244062/051-2244044
Fax : 051-2244044
Email : kotagala.bmg@seylan.lk

BRANCH NETWORK**Kotahena**

No. 310, George R. De Silva Mawatha,
Colombo 13
Branch : 011-2447041/011-2337911
Fax : 011-2399660
Email : kotahena.bmg@seylan.lk

Kotiyakumbura

No. 5, Main Street, Kotiyakumbura
Branch : 035-2289035/035-2289350
Fax : 035-2289067
Email : Kotiyakumbura.bmg@seylan.lk

Kottawa

No. 34, Nawsiri Building,
High Level Road, Kottawa
Branch : 011-2842682/011-2842683
011-2846720
Manager: 011-4304784
Fax : 011-2851292
Email : kottawa.bmg@seylan.lk

Kuliyapitiya

No. 137, Hettipola Road, Kuliyapitiya
Branch : 037-2281450/037-2281510
Manager: 037-4696450
Fax : 037-2281451
Email : kuliyapitiya.bmg@seylan.lk

Kurunegala

No. 64, Colombo Road, Kurunegala
Branch : 037-2223581/037-2223582
037-2224276
Fax : 037-2224277
Email : kurunegala.bmg@seylan.lk

**Maharagama**

No. 134B, High Level Road,
Maharagama
Branch : 011-2841997/011-2850648
Manager: 011-2841999
Fax : 011-2850649
Email : maharagama.bmg@seylan.lk

Mahiyanganaya

No. 13, Kandy Road, South
Mahiyanganaya
Branch : 055-2268112/055-2258113
Fax : 055-2258114
Email : mahiyanganaya.bmg@seylan.lk

Malabe

No. 11, Athurugiriya Road, Malabe
Branch : 011-2561415/011-2560403
Manager: 011-2560515
Fax : 011-2561414
Email : malabe.bmg@seylan.lk

Manampitiya

9/B, Main Street, Manampitiya
Branch : 027-3279171
Fax : 027-2224455
Email : manampitiya.bmg@seylan.lk

Manipay

No. 103, Jaffna Road, Manipay
Branch : 021-2255526/021-2256245
Fax : 021-2255527
Email : manipay.bmg@seylan.lk

Mannar

No. 54, Main Street, Word No. 5, Mannar
Branch : 023-2223241/023-2223242
Fax : 023-2223243
Email : mannar.bmg@seylan.lk

Marandagahamulla

No. 150, Divulapitiya Road,
Marandagahamulla
Branch : 031-2246377
Manager: 031-2246096
Fax : 031-2246378
Email : marandagahamulla.bmg@seylan.lk

Maradana

No. 250, Sri Sangaraja Mawatha,
Colombo 10
Branch : 011-2473281/011-2334185
Manager: 011-2473773
Fax : 011-2473280
Email : maradana.bmg@seylan.lk

Matale

No. 166-168, Main Street, Matale
Branch : 066-2232936/066-2232934
066-2223241/066-2223242
Manager: 066-4460123
Fax : 066-2232935
Email : matale.bmg@seylan.lk

Matara

No. 58, Esplanade Road, Matara
Branch : 041-2221181/041-2222393
041-2227167
Manager: 041-2221182
Fax : 041-2223064
Email : matara.bmg@seylan.lk

Mathugama

No. 121, Agalawatta Road, Mathugama
Branch : 034-2247544/034-2247545
Manager: 034-4931350
Fax : 034-2247091
Email : mathugama.bmg@seylan.lk

Mawanella

No. 1/3, New Kandy Road, Mawanella
Branch : 035-2246007/035-2247899
Manager: 035-2246988
Fax : 035-2246989
Email : mawanella.bmg@seylan.lk

Mawathagama

No. 69/A, Kurunegala Road,
Mawathagama
Branch : 037-2298666/037-2296366
Fax : 037-2296336
Email : mawathagama.bmg@seylan.lk

Medawachchiya

No.82/C, Jaffna Road, Medawachchiya
Branch : 025-2245383
Fax : 025-2245384
Email : medawachchiya.bmg@seylan.lk

Meegoda

Meegoda Economic Centre Complex,
Old Road, Meegoda
Branch : 011-2830820
Manager: 011-2830817
Fax : 011-2830820
Email : meegoda.bmg@seylan.lk

Millennium Branch

No. 90, Galle Road, Colombo 03
Branch : 011-2456145
Manager: 011-2456135
Fax : 011-2452506
Email : millennium.bmg@seylan.lk

Minuwangoda

No. 40, Colombo Road, Minuwangoda
Branch : 011-2299004/011-2294199
Fax : 011-2299005
Email : minuwangoda.bmg@seylan.lk

Mirigama

No. 70/1, Giriulla Road, Mirigama
Branch : 033-2273001
Manager: 033-2273002
Fax : 033-2273000
Email : mirigama.bmg@seylan.lk

Monaragala

No. 94/3, New Bus Stand, Monaragala
Branch : 055-2276212/055-2276221
Fax : 055-2276164
Email : monaragala.bmg@seylan.lk

Moratumulla

No. 242, (330 & 330/1),
De Soysa Road, Moratumulla, Moratuwa
Branch : 011-2652084/011-2652094
Fax : 011-2652085
Email : moratumulla.bmg@seylan.lk

Moratuwa

No. 433, Galle Road, Rawathawatta,
Moratuwa
Branch : 011-2656902/011-2656903
011-2655555
Manager: 011-4011244
Fax : 011-2656901
Email : moratuwa.bmg@seylan.lk

Mount Lavinia

No. 198, Galle Road, Ratmalana
Branch : 011-2731266/011-2723272
Manager: 011-4213194
Fax : 011-2723271
Email : mountlavinia.bmg@seylan.lk

Mullaitivu

P.W.D. Road, Mullaitivu
Branch : 021-2290065/021-2290066
Fax : 021-2290067
Email : mullaitivu.bmg@seylan.lk

**Narammala**

No. 150, Kurunegala Road, Narammala
Branch : 037-2248764/037-2248765
Fax : 037-2248745
Email : narammala.bmg@seylan.lk

Nawala

No. 48/A, Narahenpita Road, Nawala
Branch : 011-2806727/011-4547855
Manager: 011-2507329
Fax : 011-2805779
Email : nawala.bmg@seylan.lk

Nawalapitiya

No. 2, Baily Road, Nawalapitiya
Branch : 054-2222056/054-2222057
Manager: 054-2222018
Fax : 054-2223832
Email : nawalapitiya.bmg@seylan.lk

Negombo

No. 141, Rajapakse Broadway,
Negombo
Branch : 031-2224334/031-2224336
Manager: 031-2233054
Fax : 031-2224335
Email : negombo.bmg@seylan.lk

Nelliaddy

No. 149, Point Pedro Road, Nelliaddy
Branch : 021-2262953/021-2262954
Manager: 021-3205961
Fax : 021-2264966
Email : nelliaddy.bmg@seylan.lk

Nittambuwa

No. 195/1, Colombo Road,
Nittambuwa
Branch : 033-2295270/033-2295271
Manager: 033-2295272
Fax : 033-2296650
Email : nittambuwa.bmg@seylan.lk

Nochchiyagama

No. 211, Puttalam Road,
Nochchiyagama
Branch : 025-2257220
Fax : 025-2257324
Email : nochchiyagama.bmg@seylan.lk

Nugegoda

No. 211, High Level Road, Nugegoda
Branch : 011-2811180/011-2811181
Manager: 011-2809955
Fax : 011-2811182/011-4300310
Email : nugegoda.bmg@seylan.lk

Nuwara-Eliya

No. 48, Park Road, Nuwara-Eliya
Branch : 052-2223026/052-2223593
Manager: 052-2234338
Fax : 052-2223002
Email : nuwaraeliya.bmg@seylan.lk

**Old Moor Street**

No. 315-317, Old Moor Street,
Colombo 12
Branch : 011-2447537/011-2447539
Manager: 011-2446046
Fax : 011-2331774
Email : oldmoorstreet.bmg@seylan.lk

**Padaviya**

'Vidushi Building' Bandaranayake
Junction, Padaviya
Branch : 025-2253003/025-2253033
Fax : 025-2253016
Email : padaviya.bmg@seylan.lk

Pallekelle

Kandy Industrial Park, BOI, Pallekelle
Branch : 081-2423958/081-2052135
Fax : 081-2423135
Email : pallekelle.bmg@seylan.lk

Panadura

No. 401, Galle Road, Panadura
Branch : 038-2299172/038-2233173
Manager: 038-2238355
Fax : 038-2235304
Email : panadura.bmg@seylan.lk

Pelmadulla

No. 17, Galwatta Road, Pelmadulla
Branch : 045-2275037
Manager: 045-2275625
Fax : 045-2275527
Email : pelmadulla.bmg@seylan.lk

Pettah

No. 96, Main Street, Colombo 11
Branch : 011-2337823/011-2337825
Manager: 011-2441471
Fax : 011-2337826/011-2384493
Email : pettah.bmg@seylan.lk

BRANCH NETWORK**Piliyandala**

No. 7, Old Road, Piliyandala
Branch : 011-2604982/011-2604983
Fax : 011-2604983
Email : piliyandala.bmg@seylan.lk

Pitakotte

No. 143A, Pagoda Road, Pitakotte
Branch : 011-2827871/011-2827872
Fax : 011-2827873
Email : pitakotte.bmg@seylan.lk

Polonnaruwa

Lake View Building, Polonnaruwa
Branch : 027-2223168/027-2223169
Manager: 027-2224590
Fax : 027-2223168/027-2223169
Email : polonnaruwa.bmg@seylan.lk

Pothuvil

Main Street, Pothuvil
Branch : 063-2248515/063-2248516
Fax : 063-2050846
Email : pothuvil.bmg@seylan.lk

Pussellawa

No. 429, Nuwara-Eliya Road, Pussellawa
Branch : 081-2478131/081-2478132
Fax : 081-2478135
Email : pussellawa.bmg@seylan.lk

Puttalam

No. 56, Kangani Kulam Street, Puttalam
Branch : 032-2265194/032-2265580
Manager: 032-2266215
Fax : 032-2265469
Email : puttalam.bmg@seylan.lk

R**Raddolugama**

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Manager: 011-2292252
Fax : 011-2292372
Email : raddolugama.bmg@seylan.lk

Ranpokunagama

No. 1, Maduwegedara, Nittambuwa
Branch : 033-2282242/033-2283266
Fax : 033-2282241
Email : ranpokunagama.bmg@seylan.lk

Ratnapura

No. 6, Goodshed Road, Ratnapura
Branch : 045-2225801/045-2225802
045-2223730
Fax : 045-2222111
Email : ratnapura.bmg@seylan.lk

Rideegama

No. 2, Dodangaslanda Road, Rideegama
Branch : 037-2252690/037-2252691
Fax : 037-2252692
Email : rideegama.bmg@seylan.lk

Ruwanwella

No. 88, Main Street, Ruwanwella
Branch : 036-2267445/036-2267446
036-2268047
Manager: 036-2268623
Fax : 036-2267447
Email : ruwanwella.bmg@seylan.lk

S**Sammanthurai**

No. 113, Hijra Junction, 1st Street, Sammanthurai
Branch : 067-2261284/067-2058001/
067-2058002
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Email : sammanthurai.bmg@seylan.lk

Sarikkammulla

No. 97, Old Galle Road, Sarikkammulla, Panadura
Branch : 038-2235264
Manager: 038-2235265
Fax : 038-2233082
Email : sarikkammulla.bmg@seylan.lk

Siyambalanduwa

Ampara Junction, Siyambalanduwa
Branch : 055-2279138/
055-3600038/
055-3600039
Fax : 055-2279139
Email : siyambalanduwa.bmg@seylan.lk

Soysapura

No. 5, Angulana Junction, Katudedda, Moratuwa
Branch : 011-2622756/011-2623939
Manager: 011-5524673
Fax : 011-2612003
Email : soysapura.bmg@seylan.lk

T**Talawakelle**

No. 10, Kotmale Road, Talawakelle
Branch : 052-2258635/052-2258638
Fax : 052-2258639
Email : talawakelle.bmg@seylan.lk

Tissamaharama

No. 169, Kachcheriyagama, Hambantota Road, Tissamaharama
Branch : 047-2237161/047-2237459
Manager: 047-2237162
Fax : 047-2237163
Email : tissamaharama.bmg@seylan.lk

Trincomalee

No. 289, Central Road, Trincomalee
Branch : 026-2227701/026-2227965
Manager: 026-2227704
Fax : 026-2227702
Email : trincomalee.bmg@seylan.lk

U**Udappu**

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Email : udappu.bmg@seylan.lk

V**Vavuniya**

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Email : vavuniya.bmg@seylan.lk

Veyangoda

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Branch : 033-2295050
Fax : 033-2295051
Email : veyangoda.bmg@seylan.lk

W**Wadduwa**

No. 14, Station Road, Wadduwa.
Branch : 038-2294672/038-2294205
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Warakapola

No. 192, Main Street, Warakapola
Branch : 035-2267628/035-2267629
Manager: 035-2267100
Fax : 035-2267123
Email : warakapola.bmg@seylan.lk

Wattala

No. 276, Negombo Road, Wattala
Branch : 011-2981548/011-2946266
Manager: 011-4814717
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Email : wattala.bmg@seylan.lk

Welimada

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057-2244628
Fax : 057-2245350
Email : welimada.bmg@seylan.lk

Wellawatte

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Branch : 011-2593405/011-2593407
Fax : 011-2593406
Email : wellawatte.bmg@seylan.lk

Weliveriya

No. 477/20/15, Edwin Estate, Main Street, Weliveriya
Branch : 033-2255021/033-2255291
Manager: 033-2257710
Fax : 033-2255355
Email : weliveriya.bmg@seylan.lk

Wijerama

No. 675/1, High Level Road, Wijerama Junction Gangodawila, Nugegoda
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Email : wijerama.bmg@seylan.lk

Y**Yakkala**

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033-2233526
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Yatiantota

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GEOGRAPHICAL ANALYSIS

Deposits and Loans & Receivables

As at 31st December 2014

Province	No. of Branches	Deposits		Loans & Receivables	
		Rs. Mn.	%	Rs. Mn.	%
Western	70	127,805	68.8	119,737	73.9
Southern	12	9,705	5.2	7,511	4.6
Uva	6	3,119	1.7	1,578	1.0
North-Central	12	4,531	2.4	2,919	1.8
North-Western	12	8,775	4.7	5,998	3.7
Eastern	12	5,578	3.0	4,972	3.1
Northern	9	3,924	2.1	3,558	2.2
Sabaragamuwa	10	10,600	5.7	7,979	4.9
Central	14	11,887	6.4	7,723	4.8
	157	185,924	100.0	161,975	100.0
Impairment Allowance for Loans and Receivables - Individual Impairment		-		(2,337)	
Impairment Allowance for Loans and Receivables - Collective Impairment		-		(4,675)	
Total	157	185,924		154,963*	

* Loans and Receivables net of impairment.

Commitments and Contingencies

As at 31st December 2014

Province	No. of Branches	Acceptances	Standby Letters of Credit	Guarantees	Documentary Credit	Bills for Collection	Forward Exchange Contracts (Net)	Total
		Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Western	70	6,201	90	7,902	5,251	2,978	(95)	22,327
Southern	12	107		590	64	55		816
Uva	6	-		161	1	-		162
North-Central	12	-		782	3	-		785
North-Western	12	92		688	169	18		967
Eastern	12	1		545	5	-		551
Northern	9	2		274	1	-		277
Sabaragamuwa	10	73		404	75	24		576
Central	14	163		614	162	140		1,079
Contingencies	157	6,639	90	11,960	5,731	3,215	(95)	27,540
Commitments								
Undrawn Credit Lines and Capital Commitments								17,558
Total	157	6,639	90	11,960	5,731	3,215	(95)	45,098

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GLOSSARY

A

Acceptances

The signature on a Bill of Exchange indicates that the person on whom it is drawn accepts the conditions of the bill. In other words, a bill of exchange that has been accepted.

Accrual Basis

Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalents.

Associate Company

An associate is an entity in which the investor has significant influence and which is neither a subsidiary nor an interest in a joint venture.

B

Bills of Collection

A bill of exchange drawn by an exporter usually at a term, on an importer overseas and brought by the exporter to his bank with a request to collect the proceeds.

BIS Surplus

The total Capital Adequacy in excess of the minimum stipulated by Basel International Standards and as modified to suit local requirements by Central Bank of Sri Lanka.

C

Capital Adequacy

The percentage of risk-adjusted assets supported by capital as defined under the framework of risk-based capital standards developed by the Bank for International Settlement (BIS) and as modified to suit local requirements by the Central Bank of Sri Lanka.

Capital Gain (Capital Profit)

The gain on the disposal of an asset calculated by deducting the cost of the asset from the proceeds received on its disposal.

Capital Reserves

Capital reserves consist of revaluation reserves arising from revaluation of properties owned by the Bank and Reserve Fund set aside for specific purposes defined under the Banking Act No. 30 of 1988 and shall not be reduced or impaired without the approval of the Monetary Board.

Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash and which subject to an insignificant risk of changes in value.

Commitments

Credit facilities approved but not yet utilised by the clients as at the Balance Sheet date.

Contingencies

A condition or situation, the ultimate outcome of which, gain or loss, will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Correspondent Bank

A bank in a foreign country that offers banking facilities to the customers of a bank in another country.

Cost Income Ratio

Operating expenses as a percentage of net income.

Cost Method

A method of accounting whereby the investment is recorded at cost. The Income Statement reflects income from the investment only to the extent that the investor receives distributions from accumulated net profits of the investee arising subsequent to the date of acquisition.

Cost-Push Inflation

A continuous increase in average price levels due to an increase in production costs.

Credit Ratings

An evaluation of a corporate ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to customers and other banks and investment debt securities.

D

Dealing Securities

These are marketable securities acquired and held with the intention to resale over a short period of time.

Deferred Tax

Sum set aside in the Financial Statements that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

Derivatives

A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g., an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

Dividend Cover

Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by the current year's distributable profits.

Dividend Yield

Dividend earned per share as a percentage of its market value.

Documentary Letters of Credit (L/Cs)

Written undertakings by a bank on behalf of its customers, authorising a third party to draw on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

E

Earnings Per Share (EPS)

The profit attributable to each ordinary share in the Bank, based on the profit for the period after tax and after deducting minority interest and preference share dividends.

Economic Value Added (EVA)

A measure of productivity which takes into consideration cost of total invested equity.

Effective Tax Rate

Provision for taxation excluding deferred tax divided by the profit before taxation.

Equity Method

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

ESOP (Employee Share Ownership Plan)

A method of giving employees shares in the business for which they work.

F

Fair Value

Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Finance Lease

A lease in which the lessee acquires all the financial benefits and risks attaching to ownership of whatever is being leased.

Foreign Exchange Income

The realised gain recorded when assets or liabilities denominated in foreign currencies are translated into Sri Lankan Rupees on the Balance Sheet date at prevailing rates which differ from those rates in force at inception or on the previous Balance Sheet date. Foreign exchange income also arises from trading in foreign currencies.

Forward Exchange Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

G

General Provisions

General provisions are established for loans and advances for anticipated losses on aggregate exposures where credit losses cannot yet be determined on an individual facility basis.

Gross Dividend

The portion of profits distributed to the shareholders including the tax withheld.

Group

A group is a parent and all its subsidiaries.

Guarantees

A promise made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfil the contractual obligations.

H

Hedging

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (Interest rate, foreign exchange rate, commodity prices, etc.)

HTM (Held-to-Maturity) Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold to maturity.

I

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Intangible Asset

An identifiable non-monetary asset without physical substance held for use in the production/supply of goods/services or for rental to others or for administrative purposes.

Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Interest Margin

Net interest income expressed as a percentage of interest earning assets.

Interest Rate SWAP

Arrangement whereby one party exchanges one set of interest payments for another.

Interest Spread

This represents the difference between the average interest rate earned and the average interest rate paid on funds.

Interest in Suspense

Interest suspended on non-performing loans and advances.

Investment Properties

Investment property is property (land or a building - or part of a building - or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

Investment Securities

Securities acquired and held for yield or capital growth purposes and are usually held to maturity.

J**Joint Control**

Joint control is the contractually agreed sharing of the control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Joint Venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

K**Key Management Personnel (KMP)**

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

L**Letter of Credit (L/Cs)**

Written undertakings by a bank on behalf of its customer (typically an importer), authorising a third party (e.g., an exporter) to draw drafts on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange and Treasury Bills and Bonds.

Loan Losses and Provisions

Amounts set aside against possible losses on loans, advances and other credit facilities as a result of such facilities becoming partly or wholly uncollectible.

M**Market Capitalisation**

The value of a company obtained by multiplying the number of issued shares by its market value as at a date.

Market Risks

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of Financial Statements.

Minority Interest

The interest of individual shareholders, if more than 50% of which is owned by a holding company.

N**Net Asset Value Per Share**

Shareholders' funds divided by the number of ordinary shares in issue.

Net-Interest Income (NII)

The difference between what a bank earns on assets such as loans and securities and what it pays on liabilities such as deposits refinance funds and inter-bank borrowings.

Non-Performing Advances (NPA)

All loans are classified as non-performing when a payment is 90 days in arrears.

Non-Performing Advances Cover (NPA Cover)

Cumulative loan loss provision as a percentage of total non-performing advances (net of interest in suspense).

NPA Ratio

Total non-performing advances (net of interest in suspense) divided by total advances portfolio (net of interest in suspense).

O**Off-Balance Sheet Transactions**

Transactions that are not recognised as assets or liabilities in the Balance Sheet, but which give rise to contingencies and commitments.

Open Credit Exposure Ratio

Total net non-performing loans and advances expressed as a percentage of regulatory capital base.

Operational Risk

Operational risk refers to the losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

P**Parent**

A parent is an entity that has one or more subsidiaries.

Price-Earnings Ratio (P/E Ratio)

The current market price of the share is divided by the earnings per share of the Bank.

Provision for Bad and Doubtful Debts

A charge to income statement which is added to the allowance for loan losses. Specific provisions are established to reduce the book value of specific assets (primarily loans) to estimated realisable values.

Prudence

Inclusion of a degree of caution in the exercise of judgement needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

R**Related Parties**

Parties where one party has ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Return on Average Assets (ROA)

Net income expressed as a percentage of average total assets, used along with ROE, as a measure of profitability and as a basis of intra-industry performance comparison.

Return on Equity (ROE)

Net income, less preferred share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Revenue Reserves

Reserves set aside for future distribution and investment.

Rights Issue

Issue of shares to the existing shareholders at an agreed price, generally lower than market price.

Risk Weighted Assets

Used in the calculation of risk-based capital ratios. The face amount of lower risk assets is discounted using risk weighting factors in order to reflect a comparable risk per Rupee among all types of assets. The risk inherent in Off-Balance Sheet instruments is also recognised, first by adjusting notional values to Balance Sheet (or credit) equivalents and then by applying appropriate risk weighting factors.

S**Securities Sold Under Repurchase Agreement (REPO)**

This relates to Treasury Bills and Bonds sold subject to a commitment to repurchase them at a predetermined price on a specified future date. Securities purchased under resale agreement (reverse REPO). These are loans collateralised by the purchase of Treasury Bills and/or guaranteed commercial papers from the counterparty to which the loans are granted. The sale by the counterparty is subject to a commitment by the Bank to sell back the underlying debt securities to the borrower at a predetermined price on a specific future date.

Segmental Analysis

Analysis of financial information by segments of an enterprise specifically, the different industries and the different geographical areas in which it operates.

Shareholders' Funds

Total of issued and fully paid share capital and capital and revenue reserves.

Single Borrower Limit

30% of Tier II capital.

Statutory Reserve Fund

A capital reserve created as per the provisions of the Banking Act No. 30 of 1988.

Subsidiary Company

A subsidiary is an enterprise that is controlled by another enterprise (known as the parent).

Substance Over Form

The consideration that the accounting treatment and the presentation in Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

SWAPS (Currency)

The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement. Alternatively a simultaneous spot sale and forward purchase of a currency.

T**Tier I Capital (Core Capital)**

Core capital includes selected items of capital funds. Major core capital items are share capital, share premium, statutory reserve funds, retained profits, general reserves, surpluses/ losses after tax arising from the sale of fixed and long-term investments.

Tier II Capital (Supplementary Capital)

Supplementary capital includes, approved revaluation reserves, general provisions, hybrid (debt/equity) capital items and approved subordinated term debts.

Total Capital

Capital base is summation of the core capital (Tier I) and the supplementary capital (Tier II).

V**Value Added**

Wealth created by providing banking and other services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to Government by way of taxes and retained for expansion and growth.

Y**Yield to Maturity**

Discount rate at which the present value of future payments would equal the security's current price.

සභාපතිතුමාගේ පණිවිඩය

ප්‍රිය කොටස්හිමියෙනි,

2014 දෙසැම්බර් 31 දිනෙන් අවසන් වූ මූල්‍ය වර්ෂය වෙනුවෙන් සෙලාන් බැංකුවේ වාර්ෂික වාර්තාව හා මූල්‍ය ප්‍රකාශන ඉදිරිපත් කිරීමට මට අවස්ථාව ලැබීම වරප්‍රසාදයක් හා සතුට දනවන කරුණක් ලෙස සලකමි.

2014 අපට භාරදුර මෙන්ම වැදගත් වර්ෂයක් වූ අතර, අපගේ වැදගත් අපේක්ෂාවන් කිහිපයක් සපුරාගැනීමට හැකි වූ වර්ෂයක් වශයෙන් ද හැඳින්විය හැකිය. අපගේ 26 වසරක ඉතිහාසයෙහි ඉහළ ම ලාභය වීම වර්ෂයේ දී අපි වාර්තා කළෙමු. 2014 තුළ දී (අවිනිශ්චිත පොලිය අඩු කළ පසු) අපගේ ශුද්ධ අක්‍රීය අත්තිකාරම් අනුපාතිකය තනි සංඛ්‍යාංකයකට අඩුකර ගැනීමට ද අපට හැකි විය. අපගේ සේවකයින් ගේ කැපවීම හා බැඳීම මෙන් ම, උපාය මාර්ගික සැලසුමට අනුගතවීම ද තුළින් විශිෂ්ට මූල්‍ය ප්‍රතිඵල උදාකර ගන්නට බැංකුවට අවස්ථාව ලැබිණි.

ආර්ථික පරිසරය

ගෝලීය වශයෙන්, 2013 දී අත්පත් කරගත් 2.5% ආර්ථික වර්ධනය හා සසඳන කල්හි, 2.6% පමණක් වර්ධනය වීම හේතුවෙන්, 2014 ආර්ථික වර්ධනය මන්දගාමී ස්වභාවයක් ගත්තේය. එක්සත් ජනපදයට හැර සෙසු මුල් පෙළේ ආර්ථිකයන්ට, අපේක්ෂිත ඉලක්කයන් සාක්ෂාත් කරගැනීම අපහසු විය. චීනයේ වර්ධනය මන්දගාමීවීම, ආසියානු කලාපයටත් විශේෂයෙන් ම පිබිඳෙමින් සිටි ආසියානු රටවල් වලටත් අහිතකර ලෙස බලපෑවේය.

දකුණු ආසියාතික සගයින් ඉක්මවා යමින් පැවැති ශ්‍රී ලංකාවේ ආර්ථික වර්ධනය, ආසියානු කලාපයේ වේගවත් ම වර්ධනයන්ගෙන් එකක් වූයේ ය. සේවා සම්පාදනය අඛණ්ඩව ම මූලික ක්ෂේත්‍රය වූ අතර, කර්මාන්ත ක්ෂේත්‍රය දෙවන තැන ගත්තේ ය. අඛණ්ඩවම මාස 71ක් ම වාර්ෂික සාමාන්‍ය උද්දමනය තනි සංඛ්‍යාංකයක පැවැතියේ ය. ජාත්‍යන්තර මුදල් වෙළෙඳ පොළ තුළ දැඩි අස්ථාවරතාවයක් පවතිද්දී වුවද විනිමය අනුපාතය ස්ථාවරව පැවතිණි.

2014 දී, බැංකු කර්මාන්තය තුළ ඉහළ මට්ටමේ ද්‍රවශීලතාවයක් දක්නට හැකි විය. ලිහිල් කරන ලද මූල්‍ය ප්‍රතිපත්ති ක්‍රමවේදය හේතුවෙන්, වසර තුළ දී වෙළෙඳ පොළ පොලී අනුපාතිකයක් දැඩි ලෙස පහත වැටිණි. 2014 තෙවන කාර්තුව තෙක් ණය ඉල්ලුම අඩු පරමාණයකින් පැවති නමුත්, ඉක්බිතිව පෞද්ගලික ක්ෂේත්‍රය තුළ ණය සඳහා ඉල්ලුම වර්ධනයක් අපට අත්දැකිය හැකි විය.

සිත් බඳනා 2014 ප්‍රතිඵල

2014 සඳහා අප ලැබූ ප්‍රතිඵල, දැනට ක්‍රියාත්මකවන අපගේ උපාය මාර්ගික අවධානයෙහි සාර්ථකත්වය පිළිබිඹු කරන අතර, එමගින් අපගේ තරඟකරුවන්ගෙන් අප වෙන්කොට හඳුනාගැනීමට පමණක් නොව, අභියෝගාත්මක ආර්ථික ප්‍රවණතාවන්හි දී අපට ස්ථාවරත්වයක් ද හිමිකර දෙනු ලබයි. ගෙවී ගිය වසර තුළදී ස්ථාවර වර්ධන ගමනාවක් පවත්වා ගනිමින්, ශක්තිමත් කාර්යය සාධනයක් අප විසින් අඛණ්ඩව ම වාර්තාකරනු ලැබ තිබේ.

එතෙක් ඉහළම ලාභය වූ පසුගිය වසරේ වාර්තා කළ ලාභය ඉක්මවා යමින්, 2014 දී බදු වලට පසු ලාභය රුපියල් බිලියන 3.079 දක්වා ළඟා විය. පොලී ආර්ථිකයන් පවුලෙහිත් කිබිය දී පවා, අපගේ ශුද්ධ පොලී ආදායම රුපියල් මිලියන 11,164ක් වූයේ 14.87%ක වර්ධනයක් පෙන්නුම් කළේය. 14.73%ක් වූ ප්‍රාග්ධන ප්‍රමාණාත්මකතා අනුපාතය, නියාමනීය අවශ්‍යතාවන්ට වඩා බෙහෙවින් ඉහළ මට්ටමක පැවතිණි.

අදාළ වසර තුළ දී අපගේ තැන්පතු පදනම රුපියල් බිලියන 185.9 දක්වා 11.08%කින් වර්ධනය කර ගැනීමට අපි සමත්වීමු. ජංගම හා ඉතුරුම් තැන්පතු රැස්කිරීම තුළින් මෙම කැපී පෙනෙන වර්ධනය සාක්ෂාත් කරගනු ලැබූ අතර, එමගින් අපගේ අඩු පිරිවැය තැන්පතු පදනම 33% සිට මුළු තැන්පත්වලින් 39% දක්වා පමණ වැඩි කරගත හැකි විය.

වසරේ ප්‍රථම භාගය තුළ දක්නට ලැබුණු, ණය සඳහා වෙළෙඳ පොළ ඉල්ලුමෙහි පැවැති මන්දගාමීත්වය 2014 තෙවන හා සිව්වන කාර්තුවල දී යහපත් අතට හැරුණි. 2013 දී රුපියල් මිලියන 136,553ක් වශයෙන් පැවැති ශුද්ධ අත්තිකාරම් ප්‍රමාණය 2014 දී රුපියල් මිලියන 154,963 දක්වා 13.48%ක ශුද්ධ ණය වර්ධනයක් වශයෙන් වාර්තා කරනු ලැබීමෙන් මෙය මනාව ස්ථිර වෙයි.

රත්රන් මිල අඩුවීම උකස් පදනම කෙරෙහි බලපෑමක් ඇති කළද, අපගේ වත්කම් ගුණාත්මක භාවය හා අදාළ ව, 10.58%ක් වශයෙන් 2013 දී වාර්තා වූ (අවිනිශ්චිත පොලිය අඩු කළ පසු) අපගේ ශුද්ධ අක්‍රීය අත්තිකාරම් අනුපාතිකය, 2014 දෙසැම්බර් අවසානය වනවිට 7.69%ක් ලෙස තනි සංඛ්‍යාංකයකට රැගෙන එමින් සැලකිය යුතු වර්ධනයක් පෙන්නුම් කිරීමට අපට හැකි විය.

සිත් ඇදගන්නාසුළු මෙම කාර්ය සාධනයෙහි ප්‍රතිඵලයක් වශයෙන්, 2014 වසර තුළදී කොටසක් වෙනුවෙන් ඉපැයීම රුපියල් 6.74 සිට රුපියල් 8.92 දක්වා ඉහළ නැංගේ ය.

ශක්තිමත් පදනම

අපගේ දීර්ඝකාලීන සාර්ථකත්වය ගොඩනගනු ලැබ ඇත්තේ ආයතනික යහපාලනය, විවක්ෂණශීලී අවදානම් කළමනාකරණය වර්ධිත මනා සංස්කෘතිය, වගවීම සහ අවංකභාවය මත රැඳුණු ස්ථාවර විශිෂ්ට පදනමක් මත ය.

ඵලදායක ආයතනික යහපාලනය අපගේ බැංකුවෙහි වැදගත් පදනමක් වෙයි. ප්‍රබල කාර්ය සාධනයක මූලික සාධකයක් වන විය අපගේ සාර්ථකත්වයට ද හේතු සාධකයක් වන්නේ ය. මනා ආයතනික යහපාලනය ඔස්සේ නිවැරදි දැක්මක් හා වගවීමක් සිදුවන අතර, අපගේ පාර්ශ්වකරුවන් සමග විශ්වාසය ගොඩනැගීම හා අභ්‍යන්තර හා බාහිර සබඳතා ශක්තිමත් කිරීම ද සිදු කෙරේ. ස්වාධීන අධ්‍යක්ෂවරුන්ගෙන් සමන්විත 'පාලන හා අනුකූලතා මණ්ඩල අනුකම්පිවක්' අදාළ වර්ෂය තුළ දී ස්ථාපිත කරනු ලැබීමෙන්, අප විසින් අපගේ බැංකුවෙහි ආයතනික යහපාලන කාර්ය රාමුව තව දුරටත් ශක්තිමත් කරනු ලැබීය. ඊට අමතරව, අභ්‍යන්තර පාලනයන්, ප්‍රතිපත්තීන් හා ක්‍රියා පිළිවෙත් කෙරෙහි ද අවධානය යොමු කරමින්, අවදානම් කළමනාකරණ අධීක්ෂණය ශක්තිමත් කිරීම ද අඛණ්ඩව ම සිදුකෙරිණි.

අනුග්‍රාහකයින්ගේ පහසුව වර්ධනය කරනු පිණිස ශාඛා ප්‍රතිස්ථාපන කිරීම හා උත්ශ්‍රේණිගත කිරීම ද, වර්ෂය තුළ දී අඛණ්ඩව හා සීඝ්‍ර ලෙස ක්‍රියාත්මක වූයේ ය. ඒ අනුව දැන් අපගේ ශාඛා පාලය, ශාඛාවන් 157කින් ද, ස්වයංක්‍රීය ටෙලි බැංකුකරණ ස්ථාන 177කින් ද, ශිෂ්‍ය ඉතුරුම් මධ්‍යස්ථාන 93කින් ද සමන්විත වෙයි.

ආයතනික සමාජ වගකීම් ධාරාව කෙරෙහි අපගේ කැපවීම වශයෙන් අධ්‍යාපන ක්ෂේත්‍රය කෙරෙහි අපගේ අවධානය දිගින් දිගට ම යොමු කරන ලද අතර, වරප්‍රසාද නොමැති පාසල්වල පුස්තකාල පහසුකම් වැඩි දියුණු කිරීම යටතේ පුස්තකාල සියයේ ව්‍යාපෘතිය අප විසින් වේගවත් කරනු ලැබිණි. 2013 වසරේ සිට මේ දක්වා එසේ විවෘත කරන ලද පුස්තකාල සංඛ්‍යාව 51ක් බවට පත් කරමින්, 2014 තුළ පාසල් පුස්තකාල 39ක් ආරම්භ කරන ලද බව සතුටින් සඳහන් කිරීමට කැමැත්තෙමි.

අපගේ සෙලාන් බැංකු සේවක කණ්ඩායමේ කැපවීම හා ඔවුන්ට මගපෙන්වන ප්‍රධාන වටිනාකම් සමුදාය කොමැති වන්නට, අපගේ සාර්ථකත්වය පිළිබඳ වාර්තාව සටහන් කළ නොහැකි වන්නේ ය. අදාළ වර්ෂය තුළ දී, බැංකුවේ ප්‍රගමණය සඳහා කළමනාකරණ හා කාර්යය මණ්ඩල සාමාජිකයින් ගේ සහයෝගිතාව, උදෙසාගය සහ කැපවීම අතිශයින් ම වැදගත් භූමිකාවක් ඉටු කළ බව සඳහන් කළ යුත්තේම ය.

ඉදිරි දැක්ම

අපගේ කොටස්කරුවන් සඳහා ශක්තිමත් හා තිරසාර ප්‍රතිලාභයන් හිමිකර දෙමින් ම, සුරක්ෂිතව මෙන් ම, විවික්ෂණශීලීව ද වර්ධනය වීමට අපට හැකි වූ බව, 2014 සඳහා වූ අපගේ කාර්යසාධන ක්‍රියාවලිය හැචතත් පෙන්වා දෙයි.

අපගේ පාරිභෝගිකයින්ට සුපිරි වටිනාකම් ලබා දීමේ අපගේ පූර්ණ කැපවීම තුළින්, ගෙවී ගිය වසරවල දී අපගේ වර්ධන ගමනාව පවත්වා ගැනීමට අපට හැකි විය. අපගේ ඉදිරි ගමනේ දී ද, තොරතුරු තාක්ෂණ වර්ධනයන් ද, ශාඛා ජාල පුළුල්කරණය ද, නිර්මාණශීලීත්වය හා සේවා ගුණාත්මකභාවය වැඩි දියුණුව ද ඔස්සේ, මෙම ධනාත්මක ප්‍රවණතාව දිගට ම පවත්වා ගනු ලැබේ. 2015 වසරේ දී විවෘතවන ඇතැයි අප අපේක්ෂා කරන වෙළෙඳ පොළ අවස්ථාවන් ද අප විසින් උපරිම ලෙස ප්‍රයෝජනයට ගනු ඇත.

ඔබට ස්තූතියි

තවත් සාර්ථක වසරක් සමාප්ත කරන මෙම අවස්ථාවේ දී, අප වෙත පිරිනමන ලද අඛණ්ඩ මාර්ගෝපදේශකත්වය හා සහාය වෙනුවෙන් ශ්‍රී ලංකා රජයට ද, ශ්‍රී ලංකා මහ බැංකුවේ අධිපතිතුමාට ද, එහි ම බැංකු අධීක්ෂණ දෙපාර්තමේන්තුවට ද මම ස්තූතිය පළ කරමි. ස්වකීය පූර්ණ සහයෝගය හා උපාය මාර්ගික මාර්ගෝපදේශකත්වය ලබා දීම වෙනුවෙන් බැංකුවේ අධ්‍යක්ෂ මණ්ඩලයේ සාමාජිකයින් කෙරෙහි ද මගේ කෘතචේදී ප්‍රශංසාව පිරිනමමි. අධ්‍යක්ෂ හා ප්‍රධාන විධායක නිලධාරී කපිල ආරියරත්න මහතා විදහා පෑ ප්‍රබල නායකත්වය හා සෙලාන් බැංකු සේවකයින් දැක් වූ විශිෂ්ට කැපවීම, අනුගතවීම හා සේවා දායකත්වය වෙනුවෙන් ඔවුන් සෑම දෙනාට ද මම වෙසෙසින් ම ස්තූති කරනු කැමැත්තෙමි. සෙලාන් බැංකුව කෙරෙහි එහි කොටස්කරුවන් අඛණ්ඩව ම පෙන්වූ පක්ෂපාතිත්වය හා විශ්වාසදායකත්වය ද, අපගේ පාරිභෝගිකයින් දැක්වූ අනුග්‍රාහකත්වය ද මම බෙහෙවින් අගය කරමි. ඉදිරි වසරවල දී ද ඔබ වෙනුවෙන් ශක්තිමත්, අඛණ්ඩ හා අපේක්ෂිත පරිදි ප්‍රතිඵල උදාකරලීම සඳහා දිගින් දිගට ම අපි කැපවී සිටීමු.



ජනාධිපති නීතිඥ
නිහාල් ජයමාන්න
සභාපති

2015 පෙබරවාරි 25

தலைவரின் கடிதம்

அன்புக்குரிய பங்குதாரர்களே,

2014 டிசம்பர் 31 ஆந் திகதி முடிவடைந்த நிதியாண்டுக்கான செலான் வங்கியின் ஆண்டறிக்கையையும் நிதிக்கூற்றுக்களையும் சமர்ப்பிப்பதில் பெருமகிழ்ச்சியடைகின்றேன்.

சில முக்கியமான மைல்கற்களை அடையப் பெற்றதன் மூலம் 2014 ஆம் ஆண்டு எமக்கு மிகவும் முக்கியத்துவம் வாய்ந்த ஒரு வருடமாக அமைந்தது. எமது 26 வருட காலத்தில் ஆகக் கூடிய இலாபம் இவ்வாண்டில் பதிவாகியது. 2014 ஆம் ஆண்டில் எமது தேறிய NPA வீதத்தை (Net of IIS) தனி இலக்கத்திற்கு குறைப்பதும் சாத்தியமாகியது. எமது ஊழியர்களின் அர்ப்பணிப்பும் கடமையுணர்வும், உபாய முறைத் திட்டத்திற்கு இணங்கிய செயற்பாடுகளுமே வங்கிக்கு கவர்ச்சிகரமான நிதியியல் பெறுபேறுகள் கிடைப்பதற்குக் காரணமாக அமைந்தன.

பொருளாதாரச் சூழல்

உலகளாவிய பொருளாதாரம், 2013 ஆம் ஆண்டின் 2.5% வளர்ச்சியுடன் ஒப்பிடுகையில் இவ்வாண்டில் 2.6% சதவீதமாக மந்த கதியில் வளர்ச்சி கண்டது. ஐக்கிய அமெரிக்காவைத் தவிர பிரதான பொருளாதாரங்களின் மீள் வளர்ச்சி எதிர்பார்க்கப்பட்ட அளவினை விட சிறிது குறைவாகவே காணப்பட்டது. சீனாவின் வளர்ச்சி மந்த கதியை அடைந்தது. இது இப்பிராந்தியத்தின் மீது குறிப்பாக எழுச்சிபெற்று வரும் ஆசியாவின் மீது எதிர்மறையான தாக்கங்களை ஏற்படுத்தியது.

இலங்கையின் பொருளாதாரம், தென்னாசியாவில் ஏனைய நாடுகளின் பொருளாதார வளர்ச்சியை விஞ்சிய விதத்தில் ஆசியப் பிராந்தியத்தில் மிகத் துரிதமான வளர்ச்சியைக் கொண்ட பொருளாதாரங்களில் ஒன்றாக விளங்குகின்றது. சேவைகள் துறையானது கைத்தொழில் துறைக்கு அடுத்த நிலையில் ஒரு முன்னணித் துறையாக இருந்து வருகின்றது. வருடாந்த சராசரி பணவீக்கம் கடந்த 71 மாதங்களாக தனி இலக்கத்தில் இருந்து வருகின்றது. சர்வதேச நாணயச் சந்தைகளில் ஏற்ற இறக்கங்கள் காணப்பட்ட போதிலும் நாணயப் பரிமாற்ற வீதமும் நிலையானதாகக் காணப்படுகின்றது.

வங்கித்தொழில் துறையானது 2014 ஆம் ஆண்டில் உயர் மட்டத்திலான திரவத் தன்மையைக் கொண்டிருந்தது. தளர்த்தப்பட்ட நாணயக் கொள்கை நிலைப்பாட்டைப் பிரதிபலிக்கும் வகையில் இவ்வருடத்தில்

சந்தை வட்டி வீதங்கள் குறிப்பிடத்தக்களவில் வீழ்ச்சியடைந்தன. கடனுக்கான கேள்வி 2014 ஆம் ஆண்டின் மூன்றாம் காலாண்டு வரையில் குறைவானதாகக் காணப்பட்டதுடன் அக்காலப் பகுதியில் தனியார் துறை கடன் வளர்ச்சியில் உந்துதலொன்று காணப்பட்டது.

2014 ஆம் ஆண்டின் கவர்ச்சிகரமான பெறுபேறுகள்

2014 ஆம் ஆண்டுக்கான பெறுபேறுகள் எமது உபாயமுறைக் கரிசணைகளின் வெற்றியைப் பிரதிபலிப்பதாகவும் எமது போட்டியாளர்களிடமிருந்து எம்மை வேறுபடுத்திக் காட்டக்கூடியதாகவும் சவால்மிக்க பொருளாதார நிலைமைகளில் ஸ்திரத்தன்மையை வழங்கக் கூடியதாகவும் உள்ளது. கடந்த வருட காலத்தில் நாம் உறுதியான வளர்ச்சிப் போக்கைப் பேணி வந்த அதேவேளை சிறந்த செயலாற்றுகையினையும் வெளிப்படுத்தியுள்ளோம்.

கடந்த வருடத்தில் பெற்றிருந்த வரலாற்றில் மிகச் சிறந்த இலாபத்தை விஞ்சிய விதத்தில் வரிக்குப் பின்னான இலாபம் ரூபா 3,079 பில்லியனாகக் காணப்பட்டது. இலாபத்தின் அளவு குறுகலடைந்த போதிலும், தேறியவட்டி வருமானம் 14.87% ஆல் அதிகரித்து ரூபா 11,164 பில்லியனாகக் காணப்பட்டது. மேலும் மூலதன நிறைவு விகிதம் 14.73% ஆகக் காணப்பட்டதுடன் ஒழுங்குவிதித் தேவைப்பாடுகளைவிட மிகவும் உயர்ந்ததாகும்.

இவ்வருடத்தில் எமது வைப்புக்களின் அளவை 11.08% ஆல் அதிகரித்து ரூபா 185.9 பில்லியன் வரை அதிகரிக்க முடிந்தது. இது நடைமுறை மற்றும் சேமிப்பு வைப்புக்களைத் திரட்டியதன் மூலம் அடையப் பெற்றது, இதன் மூலம் மொத்த வைப்புக்களின் பெறுமதியில் செலவு குறைந்த வைப்புக்களின் அளவு 33% இலிருந்து 39% வரை அதிகரித்தது.

இவ் ஆண்டின் முதல் அரைப் பகுதியில் மந்தகதியில் காணப்பட்ட கடனுக்கான சந்தைக் கேள்வி பின்னரைப் பகுதியில் மாற்றம் கண்டதன் மூலம் 2014 ஆம் ஆண்டின் மூன்றாம், நான்காம் காலாண்டுகளில் வளர்ச்சிக்கான உந்துதலாக அமைந்தது. இதற்கு 13.48% தேறிய கடன் வளர்ச்சியின் சான்றாக அமைவதுடன் 2013 ஆம் ஆண்டில் 136,553 பில்லியன் ரூபாவாகக் காணப்பட்ட தேறிய முற்பணம் 154,963 பில்லியன் ரூபாவாக அதிகரித்தது.

தங்கத்தின் விலைகளில் வீழ்ச்சி கண்டு அதன் தாக்கங்கள் அடகுத் துறையில் உணரப்பட்ட போதிலும், 2013 டிசம்பரில் 10.58% ஆகக் காணப்பட்ட எமது NPA (Net of IIS) ஐ 2014 டிசம்பர் இறுதியில் 7.69% என்ற தனி இலக்கத்துக்குக் குறைத்து எம்மால் எமது ஆதனங்களின் தரத்தை மேம்படுத்த முடிந்தது.

இந்த கவர்ச்சிகரமான செயலாற்றுகையின் காரணமாக ரூபா 6.74 ஆகக் காணப்பட்ட பங்குகொன்றிற்கான உழைப்பு 2014 ஆம் ஆண்டில் ரூபா 8.92 ஆக அதிகரித்தது.

உறுதியான அடித்தளம்

எமது நீண்டகால வெற்றியானது நிறுவனத்தின் நிர்வாகத்தில் உறுதியான அடித்தளமொன்றின் மீதும், கவனமான இடர் முகாமைத்துவத்துவத்தின் மிகவும் சிறப்பாக வளர்ச்சியடைந்த கலாசாரம், பொறுப்புக்கூறல் மற்றும் ஒருங்கிணைப்பு என்பவற்றின் மீதும் கட்டி எழுப்பப்பட்டுள்ளது.

எமது வங்கியின் மிக முக்கிய அடித்தளமாக வினைத்திறன்மிக்க நிர்வாகத்துறை காணப்படுகின்றது. இது உறுதியான செயலாற்றுகைக்கான பிரதான உந்து சக்தியாகவும் எமது வெற்றிக்கான அடிப்படையாகவும் காணப்படுகின்றது. நிர்வாகத் துறையானது முறையான மேற்பார்வையையும் பொறுப்புக்கூறும் தன்மையினையும் வழங்குகின்றதுடன் எமது பங்காளர்களுடன் நம்பிக்கையினைக் கட்டியெழுப்புவதோடு உள்ளக மற்றும் வெளியக உறவுகளையும் ஸ்திரப்படுத்துகின்றது. சுயாதீனமான பணிப்பாளர்களைக் கொண்ட “நிர்வாகம் மற்றும் இணக்கப்பாட்டு சபை உப குழு” ஒன்றினை உருவாக்கியதன் மூலம் குறித்த வருடத்தின் போது எமது வங்கியின் நிர்வாகத் துறை சட்டகம் மேலும் உறுதிப்படுத்தப்பட்டது. இதற்கு மேலதிகமாக, உள்ளகக் கட்டுப்பாடுகள், கொள்கைகள் மற்றும் நடைமுறைகள் என்பவற்றின் மீது கூடிய கவனம் செலுத்தி இடர் முகாமைத்துவ மேற்பார்வையினை நாம் மேலும் உறுதிப்படுத்தி வருகின்றோம்.

எமது வாடிக்கையாளர்களின் செளகரியத்தினை மேலும் அதிகரிப்பதற்காக குறித்த வருடத்தின் போது கிளை இடமாற்றல் மற்றும் தரமுயர்த்தல் கருத்திட்டம் முழு அளவில் இடம்பெற்றது. தற்பொழுது எமது கிளை வலையமைப்பு 157 கிளைகளைக் கொண்டிருப்பதுடன் 177 தன்னியக்க இயந்திரங்கள் (ATMs) மற்றும் 93 மாணவர் சேமிப்பு நிலையங்களையும் கொண்டுள்ளது.

நிறுவனத்தின் சமூகப் பொறுப்புடைமையினை நிறைவேற்றுகின்றமை எமது அர்ப்பணிப்பு என்றவகையில், நாம் கல்வி தொடர்பான விடயங்களுக்கு கூடிய கவனம் செலுத்தி வருவதுடன் வசதி குறைந்த பாடசாலைகளுக்கான 100 நூலகங்கள் என்ற கருத்திட்டத்தையும் விரைவுபடுத்தியுள்ளோம். 2014 ஆம் ஆண்டில் அவ்வாறான 39 பாடசாலை நூலகங்கள் திறக்கப்பட்டுள்ளன என்பதை தெரிவித்துக்கொள்வதில் சந்தோசமடைகின்றேன். 2013 இலிருந்து அவ்வாறு திறக்கப்பட்ட மொத்த நூலகங்கள் 51 ஆகும்.

செலான் வங்கியாளர் அணியின் அர்ப்பணிப்பும் அவர்களை வழிநடாத்தும் முக்கிய பெறுமானங்களும் இல்லாதிருப்பின் எம்மால் இந்த வெற்றியை அடைந்திருக்க முடியாது. முகாமைத்துவ மற்றும் ஊழியர் குழாத்தின் அங்கத்தவர்களின் ஒத்துழைப்பும் ஊக்கம் மற்றும் அர்ப்பணிப்பு இவ்வருடத்தில் வங்கியின் முன்னேற்றத்தில் மிக முக்கிய வகிபாகத்தைக் கொண்டிருந்தன.

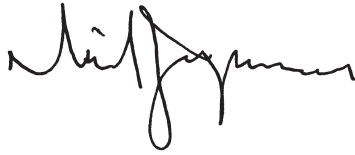
முன்னோக்கிய பார்வை

2014 இல் எமது செயலாற்றுகை மீண்டும் பாதுகாப்பான மற்றும் மிகவும் கவனமான முறையில் வளர்ச்சியடைய முடியுமாக இருந்த அதேவேளை, எமது பங்குடமையாளர்களுக்கு உறுதியானதும் நிலையானதுமான வருமானங்களை வழங்குகின்றது.

எமது வாடிக்கையாளர்களுக்கு மிக உயர்ந்த பெறுமதியினை வழங்குவது எமது முழுமூச்சான அர்ப்பணிப்பாகக் காணப்படுவதுடன், நாம் முன்னேற்றப் பாதையில் பயணிக்கின்றோம் என்ற வகையில், தகவல் தொழில்நுட்ப விருத்தி, எமது கிளை வலையமைப்பினை விரிவாக்குதல், புத்தாக்கங்கள் மற்றும் சேவைத் தர மேம்பாடு என்பவற்றினூடாக இந்த சாதகமான வளர்ச்சிப்போக்கினை நாம் தொடர்ந்து முன்னெடுப்போம். 2015 இன் போது நாம் ஆரம்பிப்பதற்கு எதிர்பார்க்கின்ற சந்தை வாய்ப்புகளில் முதலீடு செய்வதற்கும் நாம் எதிர்பார்த்துள்ளோம்.

நன்றிகள்

நாம் மற்றுமொரு வெற்றிகரமான வருடத்தைப் பூர்த்தி செய்துள்ள இவ்வேளையில், இலங்கை அரசாங்கம், இலங்கை மத்திய வங்கியின் ஆளுநர் மற்றும் இலங்கை மத்திய வங்கியின் வங்கி மேற்பார்வைத் திணைக்களம் ஆகியோர் வழங்கி வரும் தொடர்ச்சியான வழிகாட்டல் மற்றும் ஒத்துழைப்புக்காக எனது மனமார்ந்த நன்றிகளைத் தெரிவிக்க விரும்புகின்றேன். அத்துடன் சிறப்பாக ஒத்துழைத்து உபாயமுறை வழிகாட்டல்களை வழங்கி வரும் பணிப்பாளர் சபையின் சக அங்கத்தவர்களுக்கும் எனது நன்றிகளைத் தெரிவித்துக் கொள்கின்றேன். உறுதியான தனது தலைமைத்துவத்தை வழங்கும் பணிப்பாளர்/ பிரதம நிறைவேற்று அதிகாரி திரு. கபில ஆரியர்தன் அவர்களுக்கும் அர்ப்பணிப்புடன் கடினமாக உழைக்கும் செலான் வங்கியாளர் குழுவுக்கும் எனது விசேட நன்றிகளைத் தெரிவித்துக் கொள்கின்றேன். செலான் வங்கியின் மீது பங்குரிமையாளர்கள் தொடர்ச்சியாகக் காட்டிவரும் விசுவாசத்தையும் நம்பிக்கையையும் வாடிக்கையாளர்கள் தொடர்ச்சியாக வழங்கிவரும் ஆதரவையும் நான் மனப்பூர்வமாகப் பாராட்டுகிறேன். அடுத்து வரும் வருடங்களிலும் உறுதியானதும் சீரானதும் எதிர்வுகூறப்படக்கூடியதுமான பெறுபேறுகளை உங்களுக்கு வழங்குவதற்காக நாம் அர்ப்பணிப்புடன் செயற்படுவோம்.



நிறூல் ஜயமான்ன PC
தலைவர்

25 பெப்ரவரி 2015

CORPORATE INFORMATION

Name of Company

Seylan Bank PLC

Company Registration Number

PQ 9

Registered Office and Head Office

Seylan Towers,
No. 90, Galle Road, Colombo 03, Sri Lanka
Tel: (94)-(11)-2456000
Fax: (94)-(11)-2456456
Swift: SEYBLKLX
Email: info@seylan.lk
Website: www.eseylan.com

Legal Form

A public limited liability company incorporated in Sri Lanka on 28th August 1987 under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007 on 30th May 2007. Commenced business operations as a licensed commercial bank regulated under the Banking Act No. 30 of 1988 (as amended) on 24th March 1988. Company was listed in the Colombo Stock Exchange in January 1989.

Colombo Stock Exchange Listing

The ordinary voting shares (SEYB-N) and ordinary non-voting shares (SEYB-X) and the Rated, Unsecured Redeemable Debentures allotted in 2013 and 2014 are listed on the Colombo Stock Exchange.

Accounting Year

1st January to 31st December

Credit Rating

The Bank has been assigned A- (Ika) National rating for implied long-term unsecured senior debt, by Fitch Ratings Lanka Limited.

Board of Directors

Mr. Nihal M. Jayamanne PC
Chairman/Independent Director

Mr. Ishara C. Nanayakkara
Deputy Chairman/Non-Executive Director

Rear Admiral B. Ananda J.G. Peiris
Independent Director

Mr. Samantha P.S. Ranatunga
Independent Director

Mr. W.D. Kapila Jayawardena
Non-Executive Director

Mr. P.L.S. Kumara Perera
Independent Director

Ms. M. Coralie Pietersz
Independent Director

Mr. H. Isuru Balapatabendi
Non-Executive Director
(Resigned on 22nd January 2015)

Mr. H.K. Upali Dharmadasa
Non-Executive Director
(Appointed on 9th June 2014 and resigned on 22nd January 2015).

Mr. Kapila P. Ariyaratne
Director/Chief Executive Officer
(Appointed on 16th February 2015)

Company Secretary

(Mrs.) N.N. Najumudeen
ACIS (UK), ACCS (SL)

Auditors

Messrs KPMG
Chartered Accountants

Subsidiary

Seylan Developments PLC
(Company Registration No. PQ151)
Level 15, Seylan Towers
90, Galle Road, Colombo 03, Sri Lanka

For any clarifications on this Report, please contact:

The Finance Department,
Seylan Bank PLC,
Seylan Towers,
90, Galle Road,
Colombo 03.
Email : act@seylan.lk
Tel : 011 2456366
Fax : 011 2452612

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty Eighth Annual General Meeting of Seylan Bank PLC will be held on Tuesday, 31st March 2015 at 10.00 a.m. at the Kings Court, Cinnamon Lakeside, No.115, Sir Chittampalam A Gardiner Mawatha, Colombo 02 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Audited Financial Statements for the year ended 31st December 2014 together with the Report of the Auditors thereon.
2. To declare a first and final ordinary dividend of Rs. 2.50 per ordinary share for the financial year ended 31st December 2014 as recommended by the Board of Directors.
3. To re-elect as a Director, Mr. N.M. Jayamanne PC, who retires by rotation at the Annual General Meeting in terms of Article 82 of the Articles of Association of the Company. Mr. N.M. Jayamanne PC is the Chairman/Independent Director of the Bank appointed to the Board on 31st December 2008 and as Chairman on 17th January 2013. His profile, Board sub-committee memberships and other directorships/positions held are published on pages 86, 123 and 166 respectively of this Annual Report.
4. To re-elect as a Director, Mr. I.C. Nanayakkara, who retires by rotation at the Annual General Meeting in terms of Article 82 of the Articles of Association of the Company. Mr. I.C. Nanayakkara is the Deputy Chairman/Non-Executive Director of the Bank appointed to the Board on 24th November 2009 and was appointed as its Deputy Chairman on 17th January 2013. His profile, Board sub-committee memberships and other directorships/positions held are published on pages 87, 123, 166 respectively of this Annual Report.
5. To re-elect as a Director, Mr. K.P. Ariyaratne, who retires by rotation at the Annual General Meeting in terms of Article 89 of the Articles of Association of the Company. Mr. K.P. Ariyaratne is the Director/Chief Executive Officer (CEO) of the Bank. He was appointed as the General Manager/CEO of the Bank on 03rd March 2011 and was appointed as an Executive Director with effect from 16th February 2015. His profile is published on page 93 of this Annual Report.
6. To re-appoint Messrs KPMG, Chartered Accountants as the Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.
7. To authorise the Board of Directors to determine donations for 2015.
8. To consider any other business of which due notice has been given.

By Order of the Board of
Seylan Bank PLC



(Mrs.) N.N. Najumudeen

Company Secretary

Colombo, 2nd March 2015

Notes

- (a) A shareholder entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to attend, speak and vote instead of him/her. A shareholder who is entitled only to attend and speak at the meeting is entitled to appoint a proxy holder to attend and speak on his/her behalf.
A proxy holder need not be a shareholder of the Company. A Form of Proxy is enclosed for this purpose.
- (b) The completed form of Proxy should be deposited at the Office of the Company Secretary at Level 13, Seylan Towers, No. 90, Galle Road, Colombo 03 not less than 48 hours before the time appointed for the holding of the Annual General Meeting. Only registered proxy holders will be permitted to attend the Annual General Meeting.
Shareholders/proxy holders are requested to bring with them their National Identity Cards or any other form of valid identification when attending the Annual General Meeting.

FORM OF PROXY

I/We*.....
ofbeing a shareholder/s of Seylan Bank PLC
hereby appoint Mr./Mrs./Miss*.....
(N.I.C. No.) ofor failing him/her

Mr. Nihal Michael Jayamanne PC of Colombo 08, whom failing,
Mr. Ishara Chinthaka Nanayakkara of Rajagiriya, whom failing,
Rear Admiral Baminahennadige Ananda Jayalal Gurukula Peiris of Pannipitiya, whom failing,
Mr. Samantha Pradeep Samarawickrama Ranatunga of Colombo 05, whom failing,
Mr. Waduthanthri Darshan Kapila Jayawardena of Battaramulla, whom failing,
Mr. Paththayame Lekamalage Sisira Kumar Perera of Seeduwa, whom failing,
Ms. Miriam Coralie Pietersz of Battaramulla, whom failing,
Mr. Kapila Prasanna Ariyaratne of Colombo 08,

as my/our* Proxy to represent me/us* and to vote on my/our* behalf at the Annual General Meeting of the Company to be held on Tuesday, 31st March 2015 and at any adjournment thereof. I/We* the undersigned hereby authorise my/our* Proxy to vote for me/us* and on my/our* behalf in accordance with the preferences as indicated below:

	(**)	For	Against
1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Audited Financial Statements for the year ended 31st December 2014 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a first and final ordinary dividend of Rs. 2.50 per share for the financial year ended 31st December 2014 as recommended by the Board of Directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a Director, Mr. N.M. Jayamanne PC, who retires by rotation in terms of Article 82 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as a Director, Mr. I.C. Nanayakkara, who retires by rotation in terms of Article 82 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect as a Director, Mr. K.P. Ariyaratne, who retires by rotation in terms of Article 89 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint Messrs KPMG, Chartered Accountants as the Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise the Board of Directors to determine donations for the year 2015.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(*Please delete the inappropriate words)
(**Please mark your preference with an 'X')

Signed this day of, 2015.

.....
Signature/s of Shareholder/s

.....
Shareholder/s N.I.C./Co. Reg. No.

Notes and Instructions as to the completion of the Form of Proxy are noted on the reverse hereof.

FORM OF
PROXY

Instructions for the Completion of Form of Proxy

1. In terms of Article 63 of the Articles of Association of the Company the instrument appointing a proxy shall be in writing and -
 - a. in the case of an individual be under the hand of the appointer or his attorney, or
 - b. if such appointer is a company or corporation either under its common seal or under the hand of an officer or attorney authorised in that behalf in accordance with its Articles of Association or Constitution.

In terms of Article 69, a company or corporation being a member of the Company may appoint any of its officers or any other person to be its representative or proxy at any meeting or meetings of the Company and any person so appointed shall be entitled to be present and vote and exercise all other powers in regard to any such meeting on behalf of the Company or corporation which he represents as if he were a member holding the shares of such Company or corporation.

(The company may, but shall not be bound to require evidence of the authority of any such attorney or representative officer.)
2. The full name and address of the shareholder should be filled in legibly on the Form of Proxy together with the National Identity Card Number/Passport/Company Registration Number (as applicable).

Please indicate with an 'X' in the space provided as to how your proxy is to vote on each Resolution. If no indication is given, the proxy shall exercise his/her discretion and vote as he/she thinks fit.
3. The completed Form of Proxy should be deposited at the Office of the Company Secretary at Level 13, Seylan Towers, No. 90, Galle Road, Colombo 03 not later than 48 hours before the time appointed for the holding of the meeting.
4. If the Form of Proxy has been signed by an attorney, a notarially certified copy of the Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
5. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.



The Chitrasena Dance Company

The dancers depicted in the thematic pages of this Annual Report represent the Chitrasena Dance Company (CDC). The dance company was established in 1943 by Guru Chitrasena, who was the pioneer in bringing our ritual dance on to the modern stage. Today, the third generation of dancer-teachers continues to innovate within the tradition, and have embarked on a five year vision to elevate our Kandyan dance form to a globally recognisable classical dance tradition. Proceeds from this appearance for Seylan Bank will go towards the Endowment Fund CDC has established to further this vision.



This Annual Report is Carbon Neutral

This Seylan Bank PLC annual report has been produced by Smart Media The Annual Report Company, a certified carbon neutral organisation. Additionally, the greenhouse gas emissions resulting from activities outsourced by Smart Media in the production of this annual report, including the usage of paper and printing, are offset through verified sources.

This is an Integrated Annual Report

This Seylan Bank PLC annual report has been prepared using the Smart Integrated Reporting Methodology™ of Smart Media The Annual Report Company.





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