



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
+94 - 11 254 1249  
Internet : www.kpmg.com/lk

6<sup>th</sup> March 2018

The Board of Directors,  
Seylan Bank PLC.  
Seylan Towers  
No. 90,  
Galle Road,  
Colombo 03.

**CERTIFIED TRUE COPY**

**SEYLAN BANK PLC**

*[Signature]*  
.....  
Company Secretary

07/03/2018

Dear Sirs,

## ACCOUNTANTS' REPORT FOR INCLUSION IN THE PROSPECTUS OF SEYLAN BANK PLC

This report has been prepared for the inclusion in the Prospectus issued in connection with the Public Offer of BASEL III Compliant, Rated, listed, Unsecured Subordinated, and Redeemable Debentures worth of Rs. 6 Billion with a Non-viability conversion in compliance with BASEL III requirements at a par value of LKR 100/- to be converted to Ordinary Voting Shares by the Bank upon the occurrence of a Trigger Event, with an option to issue Debentures by a further Rs. 4 Billion in the event of an oversubscription.

We have examined the financial statements of Seylan Bank PLC for the financial years ended 31<sup>st</sup> December 2013 to 31<sup>st</sup> December 2017, included in the prospectus and report as follows.

### 1. INCORPORATION

Seylan Bank PLC ("the Bank") is a listed Company incorporated in 1987 and domiciled in Sri Lanka. As per section 487 (2) of Companies Act No. 7 of 2007, the Bank has been reregistered under the registration number PQ9. The shares of the Bank have a primary listing on the Colombo Stock Exchange.

The Bank is licensed by the Central Bank of Sri Lanka to conduct banking and related activities such as accepting deposits, corporate and retail banking, personal financial services, off shore banking, foreign currency operations, trade services, rural finance, project finance, dealing in government securities, etc. under the provisions of the Banking Act No. 30 of 1988.

### 2. FINANCIAL STATEMENTS

#### 2.1 Five Years Summary of Financial Statements

A summary of Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows of Seylan Bank PLC for the years ended 31<sup>st</sup> December 2013 to 31<sup>st</sup> December 2017, based on the audited financial statements of the Bank are set out in Annexure 1.



Summaries presented for Operating Results, Assets, Liabilities and Shareholders' funds for financial years ending 31<sup>st</sup> December 2013 to 2017 are based on the financial statements prepared in accordance with SLFRSs and LKASs, effective from 1<sup>st</sup> January 2012 applied from the date of transition of 1<sup>st</sup> January 2011.

## 2.2 Audit Reports

We have audited the financial statements of the Bank for the years ended 31<sup>st</sup> December 2013 to 31<sup>st</sup> December 2017. Unqualified audit opinions have been issued for the said financial years.

## 2.3 Application of Accounting Standards and Accounting Policies

The financial statements of the Bank for the financial years ended 31<sup>st</sup> December 2013 to 31<sup>st</sup> December 2017 complied with the applicable Sri Lanka Accounting Standards.

The accounting policies of the Bank are stated in detail in the audited financial statements of Seylan Bank PLC for the year ended 31<sup>st</sup> December 2017. The adoption of revised/ new accounting standards and a summary of related amendments to the accounting policies of the Bank from financial years ended 31<sup>st</sup> December 2013 to 31<sup>st</sup> December 2017 are given below.

Financial Year	Adoption of revised Accounting Standards and related changes in Accounting Policies
31 <sup>st</sup> December 2013	<p>The financial statements of the bank for the year ended 31<sup>st</sup> December 2013 was prepared in accordance with SLFRSs and LKASs issued by the Institute of Chartered Accountants of Sri Lanka and the amendments issued.</p> <p>Adoption of the amendments to SLFRSs and LKASs resulted in the following change.</p> <p><b>Reclassification of Actuarial Gains and Losses</b></p> <ul style="list-style-type: none"><li>• In accordance with LKAS 19 "Employee Benefits", the Bank recognized all actuarial gains and losses on retirement benefit obligation in other comprehensive income. Under previous SLASs the Bank recognized such actuarial gains and losses in the profit or loss immediately.</li></ul>
31 <sup>st</sup> December 2014	<p>The financial statements of the bank for the year ended 31<sup>st</sup> December 2014 was prepared in accordance with SLFRSs and LKASs issued by the Institute of Chartered Accountants of Sri Lanka and the amendments issued.</p> <p>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 1<sup>st</sup> January 2014.</p> <p>The nature and the effects of the changes are explained below.</p> <p><b>(a) Subsidiaries, including structured entities</b></p> <p>As a result of SLFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it</p>

	<p>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.</p> <p>In accordance with the transitional provisions of SLFRS10, the Group reassessed its control conclusions as of 1 January 2014. However, the reassessment did not have an impact on the Group's financial statements.</p> <p><b>(b) Interests in other entities</b></p> <p>As a result of SLFRS 12, the Group has expanded disclosures about its interests in its subsidiary.</p> <p><b>(c) Fair value measurement</b></p> <p>In accordance with the transitional provisions of SLFRS 13, the Group has applied the new definition of fair value. 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.</p>
<p>31<sup>st</sup> December 2015</p>	<p>The financial statements of the bank for the year ended 31<sup>st</sup> December 2015 was prepared in accordance with SLFRSs and LKASs issued by the Institute of Chartered Accountants of Sri Lanka and the amendments issued.</p> <p>The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards.</p> <p><b>Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax</b></p> <p>As per the provisions of Part III of the Finance Act, No. 10 of 2015 which was certified on 30 October 2015, the Bank is liable for Super Gain tax. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of Super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.</p> <p>This SoAT supersedes paragraph 46 of LKAS 12 "<i>Income Tax</i>". Further, this SoAT must be applied by all Companies who are liable to pay Super Gain Tax as required under Part III of the Finance Act without any option.</p>



	As per the SoAT, super gain tax expense is deemed to be an expenditure for the year ended 31 <sup>st</sup> December 2013, it should be recorded as an adjustment to the opening retained earnings reported in the Statement of Changes in Equity as at 1 <sup>st</sup> January 2015 in the Financial Statements of the Bank.
31 <sup>st</sup> December 2016	No change during the year 2016.
31 <sup>st</sup> December 2017	No change during the year 2017.

## 2.4 Dividends

The Bank has paid the following dividends in respect of Ordinary Shares during the years ended 31<sup>st</sup> December 2013 to 31<sup>st</sup> December 2017.

Year ended 31 <sup>st</sup> December	Dividend Paid Rs. '000	Dividend Per Share Rs.
2012	676,160	2.00*
2013	776,161	2.25
2014	862,401	2.50
2015	948,641	2.75
2016	1,121,121	3.25**

\* Rs.1/- by way of cash dividend and Rs. 1/- by way of a scrip dividend

\*\* Rs.1/- by way of cash dividend and Rs. 2.25/- by way of a scrip dividend.

## 2.5 Events after the Reporting Date

The Board of directors of the Bank has recommended that a final dividend of Rs. 3.50 per share on both voting and non-voting shares of the Bank, will be paid by way of cash dividend of Rs. 1.00 per share and scrip dividend of Rs. 2.50 per shares for the year ended 31<sup>st</sup> December 2017.

Yours faithfully,

**Chartered Accountants**  
Colombo



Annexure 1: Five Year Summary

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Financial period ended 31st December	Bank					Group				
	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000
<b>Trading Results</b>										
<b>Gross Income</b>	49,338,298	37,872,893	28,586,081	28,564,355	28,090,978	49,873,378	37,912,779	28,628,850	28,628,426	28,146,292
Profit before Taxation	6,656,451	5,733,718	5,776,711	4,649,444	3,454,035	7,284,923	5,771,245	5,822,611	4,835,389	3,496,491
Taxation	2,226,053	1,723,268	1,945,767	1,570,842	1,138,496	2,281,292	1,736,355	1,936,662	1,582,819	1,144,446
<b>Profit after Taxation</b>	4,430,398	4,010,450	3,830,944	3,078,602	2,315,539	5,003,631	4,034,890	3,885,949	3,252,570	2,352,045
Other Comprehensive Income, Net of Income Tax	2,425,819	(345,204)	(1,053,977)	(55,520)	913,330	2,406,845	(327,867)	(1,047,397)	(29,601)	1,580,066
<b>Total Comprehensive Income</b>	6,856,217	3,665,246	2,776,967	3,023,082	3,228,869	7,410,476	3,707,023	2,838,552	3,222,969	3,932,111
Dividends Proposed (Ordinary)	Rs. 3.50 Per Share	Rs. 3.25 Per Share	Rs. 2.75 Per Share	Rs. 2.50 Per Share	Rs. 2.25 Per Share	Rs. 3.50 Per Share	Rs. 3.25 Per Share	Rs. 2.75 Per Share	Rs. 2.50 Per Share	Rs. 2.25 Per Share

STATEMENT OF FINANCIAL POSITION

As At 31st December	Bank					Group				
	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000
<b>Assets</b>										
Cash & Short Term Funds (Including Securities purchased under resale agreements)	10,070,239	15,653,165	10,113,036	24,435,877	10,910,099	10,070,279	15,653,215	10,113,086	24,435,917	10,910,130
Statutory Deposit with Central Bank of Sri Lanka	19,119,843	16,211,618	8,563,888	7,432,206	7,505,185	19,119,843	16,211,618	8,563,888	7,432,206	7,505,185
Investments ( Including Investment properties )	82,976,028	73,336,421	72,202,855	48,859,050	49,351,098	83,833,044	74,300,959	73,419,658	50,075,879	50,367,836
Loans & Receivables, Placements with Banks and Finance Companies (Including Leases & Bills of Exchange)	282,317,022	236,354,427	193,860,992	157,297,016	137,523,060	282,317,022	236,354,427	193,860,992	157,297,016	137,523,060
Investment in Subsidiary	1,153,602	1,153,602	1,151,929	1,106,113	800,624	-	-	-	-	-
Assets Held-for-Sale	900,543	-	-	-	-	-	226,827	-	-	-
Other Assets (Including Taxation)	7,689,546	8,669,319	6,915,475	6,886,615	5,994,169	7,697,184	8,677,889	6,902,727	6,851,596	5,983,255
Property, Plant & Equipment, Leasehold Rights and Intangible Assets	3,899,016	4,634,004	3,521,958	3,293,682	3,076,624	6,946,383	6,824,506	5,725,213	5,465,218	5,219,982
<b>Total Assets</b>	408,125,839	356,012,556	296,330,133	249,310,559	215,160,859	409,983,755	358,249,441	298,585,564	251,557,832	217,509,448



## Annexure 1: Five Year Summary (Continued)

## STATEMENT OF FINANCIAL POSITION (CONTINUED)

## Liabilities

## Deposits from Customers and

Due to Banks	334,151,874	291,184,637	244,309,626	197,539,589	178,915,590	334,151,874	291,184,637	244,309,626	197,539,589	178,915,590
Borrowings and Debentures	29,148,394	28,491,412	18,605,329	20,090,220	7,829,992	29,148,394	28,491,412	18,605,329	20,090,220	7,829,992
Other Liabilities	8,196,102	7,755,716	7,485,946	6,327,380	5,546,916	7,112,905	7,605,598	7,389,639	6,222,626	5,452,627
Taxation	2,381,422	762,259	842,814	1,323,805	1,090,584	2,477,543	828,426	890,049	1,359,797	1,090,584
Dividends Payable	42,124	46,250	30,741	21,026	16,159	52,400	53,904	35,987	26,009	21,526
<b>Total Liabilities</b>	<b>373,919,916</b>	<b>328,240,274</b>	<b>271,274,456</b>	<b>225,302,020</b>	<b>193,399,241</b>	<b>372,943,116</b>	<b>328,163,977</b>	<b>271,230,630</b>	<b>225,238,241</b>	<b>193,310,319</b>

## Equity

Stated Capital	11,228,269	10,529,724	10,529,724	10,529,724	10,529,724	11,228,269	10,529,724	10,529,724	10,529,724	10,529,724
Reserve Fund	1,609,484	1,387,964	1,187,441	995,894	841,964	1,609,484	1,387,964	1,187,441	995,894	841,964
Reserves	21,368,170	15,854,594	13,338,512	12,482,921	10,389,930	22,989,220	17,102,586	14,570,575	13,669,586	11,289,815
Non Controlling Interest	-	-	-	-	-	1,213,666	1,065,190	1,067,194	1,124,387	1,537,626
<b>Total Equity</b>	<b>34,205,923</b>	<b>27,772,282</b>	<b>25,055,677</b>	<b>24,008,539</b>	<b>21,761,618</b>	<b>37,040,639</b>	<b>30,085,464</b>	<b>27,354,934</b>	<b>26,319,591</b>	<b>24,199,129</b>

<b>Total Liabilities &amp; Equity</b>	<b>408,125,839</b>	<b>356,012,556</b>	<b>296,330,133</b>	<b>249,310,559</b>	<b>215,160,859</b>	<b>409,983,755</b>	<b>358,249,441</b>	<b>298,585,564</b>	<b>251,557,832</b>	<b>217,509,448</b>
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Commitments and Contingencies	99,500,731	64,110,695	57,222,365	45,098,070	35,473,070	99,568,595	64,184,994	57,302,098	45,165,070	35,561,711
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\* Based on SLAS applicable prior to 1st January 2012



Annexure 1: Five Year Summary (Continued)

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31<sup>st</sup> December - Bank

	Stated Capital			Statutory Reserve Fund *	Retained Earnings	Reserves				Total
	Ordinary Shares - Voting	Ordinary Shares - Non Voting	preference Shares			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	
Balance as at 1 <sup>st</sup> January 2013	6,806,722	3,418,730	-	726,187	6,138,249	112,922	510,049	(125,070)	1,264,048	18,851,837
Total Comprehensive Income for the Year										
Profit for the Year	-	-	-	-	2,315,539	-	-	-	-	2,315,539
Other Comprehensive Income (Net of Tax)	-	-	-	-	5,240	-	141,434	766,656	-	913,330
Total Comprehensive Income for the Year	-	-	-	-	2,320,779	-	141,434	766,656	-	3,228,869
Transactions With Equity Holders , Recognized Directly In Equity										
Cash/ Scrip Dividends	156,000	148,272	-	-	(676,160)	-	-	-	-	(371,888)
Transfers from / to Retained Earnings	-	-	-	115,777	(573,288)	(112,922)	-	-	623,233	52,800
Total Transactions with Equity Holders	156,000	148,272	-	115,777	(1,249,448)	(112,922)	-	-	623,233	(319,088)
Balance as at 31 <sup>st</sup> December 2013	6,962,722	3,567,002	-	841,964	7,209,580	-	651,483	641,586	1,887,281	21,761,618
Balance as at 1 <sup>st</sup> January 2014	6,962,722	3,567,002	-	841,964	7,209,580	-	651,483	641,586	1,887,281	21,761,618
Total Comprehensive Income for the Year										
Profit for the Year	-	-	-	-	3,078,602	-	-	-	-	3,078,602
Other Comprehensive Income (Net of Tax)	-	-	-	-	(65,156)	-	-	9,636	-	(55,520)
Total Comprehensive Income for the Year	-	-	-	-	3,013,446	-	-	9,636	-	3,023,082
Transactions With Equity Holders , Recognized Directly In Equity										
Dividends	-	-	-	-	(776,161)	-	-	-	-	(776,161)
Transfers from / to Retained Earnings	-	-	-	153,930	(363,122)	-	-	-	209,192	-
Total Transactions with Equity Holders	-	-	-	153,930	(1,139,283)	-	-	-	209,192	(776,161)
Balance as at 31 <sup>st</sup> December 2014	6,962,722	3,567,002	-	995,894	9,083,743	-	651,483	651,222	2,096,473	24,008,539
Balance as at 1 <sup>st</sup> January 2015	6,962,722	3,567,002	-	995,894	9,083,743	-	651,483	651,222	2,096,473	24,008,539
Super Gain Tax ****	-	-	-	-	(867,428)	-	-	-	-	(867,428)
Adjusted balance as at 1 <sup>st</sup> January 2015	6,962,722	3,567,002	-	995,894	8,216,315	-	651,483	651,222	2,096,473	23,141,111
Total Comprehensive Income for the Year										
Profit for the Year	-	-	-	-	3,830,944	-	-	-	-	3,830,944
Other Comprehensive Income (net of tax)	-	-	-	-	66,071	-	-	(1,120,048)	-	(1,053,977)
Total Comprehensive Income for the Year	-	-	-	-	3,897,015	-	-	(1,120,048)	-	2,776,967
Transactions With Equity Holders , Recognized Directly In Equity										
Dividends	-	-	-	-	(862,401)	-	-	-	-	(862,401)
Transfers from / to Retained Earnings	-	-	-	191,547	(125,263)	-	-	-	(66,284)	-
Total Transactions with Equity Holders	-	-	-	191,547	(987,664)	-	-	-	(66,284)	(862,401)
Balance as at 31 <sup>st</sup> December 2015	6,962,722	3,567,002	-	1,187,441	11,125,666	-	651,483	(468,826)	2,030,189	25,055,677



Annexure 1: Five Year Summary (Continued)

STATEMENT OF CHANGES IN EQUITY (Continued)

For the Year ended 31<sup>st</sup> December - Bank(Continued)

Balance as at 01 <sup>st</sup> January 2016	6,962,722	3,567,002	-	1,187,441	11,125,666	-	651,483	(468,826)	2,030,189	25,055,677
<b>Total Comprehensive Income for the Year</b>										
Profit for the Year	-	-	-	-	4,010,450	-	-	-	-	4,010,450
Other Comprehensive Income (net of tax)	-	-	-	-	54,555	-	822,999	(1,222,758)	-	(345,204)
<b>Total Comprehensive Income for the Year</b>	-	-	-	-	4,065,005	-	822,999	(1,222,758)	-	3,665,246
<b>Transactions with Equity Holders , Recognised Directly In Equity</b>										
Dividends to Equity Holders	-	-	-	-	(948,641)	-	-	-	-	(948,641)
Transferred to Statutory Reserve Fund*	-	-	-	200,523	(200,523)	-	-	-	-	-
Transferred from Investment Fund Reserve	-	-	-	-	8,726	-	-	-	(8,726)	-
<b>Total Transactions with Equity Holders</b>	-	-	-	200,523	(1,140,438)	-	-	-	(8,726)	(948,641)
Balance as at 31 <sup>st</sup> December 2016	6,962,722	3,567,002	-	1,387,964	14,050,233	-	1,474,482	(1,691,584)	2,021,463	27,772,282
(1) Balance as at 01 <sup>st</sup> January 2017	6,962,722	3,567,002	-	1,387,964	14,050,233	-	1,474,482	(1,691,584)	2,021,463	27,772,282
<b>Total Comprehensive Income for the Year</b>										
Profit for the Year	-	-	-	-	4,430,398	-	-	-	-	4,430,398
Other Comprehensive Income (net of tax)										
- Deferred Tax on Revaluation Surplus of Land **	-	-	-	-	-	-	(231,989)	-	-	(231,989)
- Actuarial Gain on Defined Benefit Obligations	-	-	-	-	28,182	-	-	-	-	28,182
- Net Gain on Re-measuring Available-for-Sale Financial Assets	-	-	-	-	-	-	-	2,636,992	-	2,636,992
- Net Movement of Cash Flow Hedge Reserve	-	-	-	-	-	-	-	-	(7,366)	(7,366)
<b>(2) Total Comprehensive Income for the Year</b>	-	-	-	-	4,458,580	-	(231,989)	2,636,992	(7,366)	6,856,217
<b>Transactions with Equity Holders , Recognised Directly In Equity</b>										
Cash/Scrip Dividends to Equity Holders	356,354	342,191	-	-	(1,121,121)	-	-	-	-	(422,576)
Transferred to Statutory Reserve Fund*	-	-	-	221,520	(221,520)	-	-	-	-	-
Transferred from Investment Fund Reserve	-	-	-	-	11,852	-	-	-	(11,852)	-
<b>(3) Total Transactions with Equity Holders</b>	356,354	342,191	-	221,520	(1,330,789)	-	-	-	(11,852)	(422,576)
Balance as at 31 <sup>st</sup> December 2017 (1 + 2 + 3)	7,319,076	3,909,193	-	1,609,484	17,178,024	-	1,242,493	945,408	2,002,245	34,205,923

\* 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).

\*\* The Bank recognises deferred tax liability for the revaluation surplus of land in accordance with the related tax provisions introduced by the Inland Revenue Act No. 24 of 2017.



Annexure 1: Five Year Summary (Continued)

STATEMENT OF CHANGES IN EQUITY (Continued)

For the Year ended 31<sup>st</sup> December - Group

	Stated Capital			Statutory Reserve Fund *	Retained Earnings	Reserves				Total	Non Controlling Interest	Total Equity
	Ordinary Shares - Voting	Ordinary Shares - Non Voting	preference Shares			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			
<b>Balance as at 1<sup>st</sup> January 2013</b>	6,806,722	3,418,730	-	726,187	6,061,571	112,922	868,928	(125,070)	1,519,261	19,389,251	1,222,004	20,611,255
<b>Total Comprehensive Income for the year</b>												
Profit for the Year	-	-	-	-	2,326,148	-	-	-	-	2,326,148	25,897	2,352,045
Other Comprehensive Income (Net of Tax)	-	-	-	-	4,943	-	487,300	766,656	-	1,258,899	321,167	1,580,066
<b>Total Comprehensive Income for the Year</b>	-	-	-	-	2,331,091	-	487,300	766,656	-	3,585,047	347,064	3,932,111
<b>Transactions With Equity Holders , Recognized Directly In Equity</b>												
Cash/ Scrip Dividends	156,000	148,272	-	-	(676,160)	-	-	-	-	(371,888)	(17,819)	(389,707)
Transfers from / to Retained Earnings	-	-	-	115,777	(573,267)	(112,922)	-	-	623,233	52,821	19	52,840
<b>Changes in Ownership Interest without Change in Control</b>												
Acquisition of Non-Controlling Interest without Change in Control	-	-	-	-	6,272	-	-	-	-	6,272	(13,642)	(7,370)
<b>Total Transactions with Equity Holders</b>	156,000	148,272	-	115,777	(1,243,155)	(112,922)	-	-	623,233	(312,795)	(31,442)	(344,237)
<b>Balance as at 31<sup>st</sup> December 2013</b>	6,962,722	3,567,002	-	841,964	7,149,507	-	1,356,228	641,586	2,142,494	22,661,503	1,537,626	24,199,129
<b>Balance as at 1<sup>st</sup> January 2014</b>	6,962,722	3,567,002	-	841,964	7,149,507	-	1,356,228	641,586	2,142,494	22,661,503	1,537,626	24,199,129
<b>Total Comprehensive Income for the year</b>												
Profit for the Year	-	-	-	-	3,178,776	-	-	-	-	3,178,776	73,794	3,252,570
Other Comprehensive Income (Net of Tax)	-	-	-	-	(65,136)	-	17,362	8,894	-	(38,880)	9,279	(29,601)
<b>Total Comprehensive Income for the Year</b>	-	-	-	-	3,113,640	-	17,362	8,894	-	3,139,896	83,073	3,222,969
<b>Transactions With Equity Holders , Recognized Directly In Equity</b>												
Dividends	-	-	-	-	(776,161)	-	-	-	-	(776,161)	(20,857)	(797,018)
Transfers from / to Retained Earnings	-	-	-	153,930	(363,122)	-	-	-	209,192	-	-	-
<b>Changes in Ownership Interest without Change in Control</b>												
Acquisition of Non-Controlling Interest without Change in Control	-	-	-	-	169,966	-	-	-	-	169,966	(475,455)	(305,489)
<b>Total Transactions with Equity Holders</b>	-	-	-	153,930	(969,317)	-	-	-	209,192	(606,195)	(496,312)	(1,102,507)
<b>Balance as at 31<sup>st</sup> December 2014</b>	6,962,722	3,567,002	-	995,894	9,293,830	-	1,373,590	650,480	2,351,686	25,195,204	1,124,387	26,319,591
<b>Balance as at 1<sup>st</sup> January 2015</b>	6,962,722	3,567,002	-	995,894	9,293,830	-	1,373,590	650,480	2,351,686	25,195,204	1,124,387	26,319,591
Super Gain Tax ****	-	-	-	-	(870,371)	-	-	-	-	(870,371)	(1,257)	(871,628)
<b>Revised Balance as at 1<sup>st</sup> January 2015</b>	6,962,722	3,567,002	-	995,894	8,423,459	-	1,373,590	650,480	2,351,686	24,324,833	1,123,130	25,447,963
<b>Total Comprehensive Income for the year</b>												
Profit for the Year	-	-	-	-	3,855,296	-	-	-	-	3,855,296	30,653	3,885,949
Other Comprehensive Income (Net of Tax)	-	-	-	-	65,810	-	5,193	(1,120,359)	-	(1,049,356)	1,959	(1,047,397)
<b>Total Comprehensive Income for the Year</b>	-	-	-	-	3,921,106	-	5,193	(1,120,359)	-	2,805,940	32,612	2,838,552
<b>Transactions With Equity Holders , Recognized Directly In Equity</b>												
Dividends	-	-	-	-	(862,401)	-	-	-	-	(862,401)	(23,364)	(885,765)
Transfers from / to Retained Earnings	-	-	-	191,547	(125,263)	-	-	-	(66,284)	-	-	-
<b>Changes in Ownership Interest without Change in Control</b>												
Acquisition of Non-Controlling Interest without Change in Control	-	-	-	-	19,368	-	-	-	-	19,368	(65,184)	(45,816)
<b>Total Transactions with Equity Holders</b>	-	-	-	191,547	(968,296)	-	-	-	(66,284)	(843,033)	(88,548)	(931,581)
<b>Balance as at 31<sup>st</sup> December 2015</b>	6,962,722	3,567,002	-	1,187,441	11,376,269	-	1,378,783	(469,879)	2,285,402	26,287,740	1,067,194	27,354,934



Annexure I: Five Year Summary (Continued)

STATEMENT OF CHANGES IN EQUITY (Continued)

For the Year ended 31<sup>st</sup> December - Group (Continued)

Balance as at 01 <sup>st</sup> January 2016	6,962,722	3,567,002	-	1,187,441	11,376,269	-	1,378,783	(469,879)	2,285,402	26,287,740	1,067,194	27,354,934
Total Comprehensive Income for the Year												
Profit for the Year												
Other Comprehensive Income (net of tax)					4,013,132					4,013,132	21,758	4,034,890
- Revaluation of Property, Plant and Equipment					54,941		835,267	(1,223,186)		(332,978)	5,111	(327,867)
- Reversal of Revaluation surplus on Property, Plant and Equipment Written Off							835,267			835,267	5,131	840,398
- Actuarial Gain/(Loss) on Defined Benefit Obligations					35					35	15	50
- Net Gain/(Loss) on Re-measuring Available-for-Sale Financial Assets					54,906					54,906	146	55,052
								(1,223,186)		(1,223,186)	(181)	(1,223,367)
Total Comprehensive Income for the Year					4,068,073		835,267	(1,223,186)		3,680,154	26,869	3,707,023
Transactions with Equity Holders , Recognised Directly In Equity												
Dividends												
Transferred to Statutory Reserve Fund*					(948,641)					(948,641)	(26,179)	(974,820)
Transferred from Investment Fund Reserve				200,523	(200,523)							
Others					8,726				(8,726)			
Changes in Ownership Interest in Subsidiary												
Acquisition of Non-Controlling Interest without Change in Control					1,021					1,021	(2,694)	(1,673)
Total Transactions with Equity Holders				200,523	(1,139,417)				(8,726)	(947,620)	(28,873)	(976,493)
Balance as at 31 <sup>st</sup> December 2016	6,962,722	3,567,002	-	1,387,964	14,304,925	-	2,214,050	(1,693,065)	2,276,676	29,020,274	1,065,190	30,085,464
(1) Balance as at 01 <sup>st</sup> January 2017	6,962,722	3,567,002	-	1,387,964	14,304,925	-	2,214,050	(1,693,065)	2,276,676	29,020,274	1,065,190	30,085,464
Total Comprehensive Income for the Year												
Profit for the Year												
Other Comprehensive Income (net of tax)					4,816,834					4,816,834	186,797	5,003,631
- Revaluation of Property, Plant and Equipment												
- Deferred Tax on Revaluation Surplus of Land **							(14,334)			(14,334)	(5,995)	(20,329)
- Actuarial Gain on Defined Benefit Obligations							(231,989)			(231,989)		(231,989)
- Net Gain on Re-measuring Available-for-Sale Financial Assets					27,569					27,569	(257)	27,312
- Net Movement of Cash Flow Hedge Reserve								2,638,561		2,638,561	656	2,639,217
									(7,366)	(7,366)		(7,366)
(2) Total Comprehensive Income for the Year					4,844,403		(246,323)	2,638,561	(7,366)	7,229,275	181,201	7,410,476
Transactions with Equity Holders , Recognised Directly In Equity												
Cash/Scrip Dividends												
Transferred to Statutory Reserve Fund*	356,354	342,191			(1,121,121)					(422,576)	(32,725)	(455,301)
Transferred from Investment Fund Reserve				221,520	(221,520)							
(3) Total Transactions with Equity Holders	356,354	342,191		221,520	(1,330,789)				(11,852)	(422,576)	(32,725)	(455,301)
Balance as at 31 <sup>st</sup> December 2017 (1 + 2 + 3)	7,319,076	3,909,193		1,609,484	17,818,539		1,967,727	945,496	2,257,458	35,826,973	1,213,666	37,040,639

\* 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)

\*\* The Bank recognises deferred tax liability for the revaluation surplus of land in accordance with the related tax provisions introduced by the Inland Revenue Act No. 24 of 2017.



Annexure I: Five Year Summary (Continued)

STATEMENT OF CASH FLOWS

For the Year ended 31 <sup>st</sup> December	Bank					Group				
	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000
<b>Cash Flows from Operating Activities</b>										
Interest Receipts	42,302,083	31,128,413	22,615,496	22,780,397	23,509,328	42,308,120	31,142,336	22,630,736	22,795,073	23,516,237
Fees and Commission Receipts	3,952,760	3,223,231	2,811,140	2,347,472	2,208,628	3,952,557	3,222,864	2,810,961	2,347,129	2,208,342
Interest Payments	(26,385,903)	(17,405,026)	(11,335,122)	(13,136,112)	(14,339,219)	(26,308,073)	(17,388,299)	(11,318,430)	(13,116,353)	(14,314,915)
Trading Income	20,309	(62,541)	1,474,212	1,172,265	713,890	20,309	(62,541)	1,473,212	1,172,265	714,041
Receipts from Other Operating Activities	2,346,937	1,409,056	77,484	97,451	53,765	2,427,052	1,491,645	153,580	156,165	117,184
Cash Payments to Employees and Suppliers	(11,650,905)	(10,463,660)	(8,907,410)	(8,408,229)	(7,365,018)	(11,624,867)	(10,448,905)	(8,876,496)	(8,407,464)	(7,367,488)
Cash Payments to Other Operating Activities	(164,619)	(119,983)	(113,694)	(90,267)	(81,294)	(170,553)	(125,626)	(120,450)	(97,009)	(87,931)
<b>Operating Profit before Changes in Operating Assets and Liabilities</b>	<b>10,420,662</b>	<b>7,709,490</b>	<b>6,622,106</b>	<b>4,762,977</b>	<b>4,700,080</b>	<b>10,604,545</b>	<b>7,831,474</b>	<b>6,753,113</b>	<b>4,849,806</b>	<b>4,785,470</b>
<b>(Increase)/Decrease in Operating Assets :</b>										
Loans and Receivables to Customers	(45,762,794)	(43,062,023)	(38,623,971)	(18,785,907)	(12,006,741)	(45,762,794)	(43,062,023)	(38,623,971)	(18,785,907)	(12,006,741)
Deposits Held for Regulatory or Monetary Control Purposes	(2,908,225)	(7,647,730)	(1,131,682)	72,979	523,476	(2,908,225)	(7,647,730)	(1,131,682)	72,979	523,476
<b>Increase/(Decrease) in Operating Liabilities :</b>										
Deposits from Customers	32,495,066	46,515,044	41,395,660	17,669,944	18,960,309	32,495,066	46,515,044	41,395,660	17,669,944	18,960,309
Certificates of Deposit from Customers	(629,747)	180,911	(2,043,812)	(143,274)	883,361	(629,747)	180,911	(2,043,812)	(143,274)	883,361
<b>Cash Generated from Operations</b>	<b>(6,385,038)</b>	<b>3,695,692</b>	<b>6,218,301</b>	<b>3,576,719</b>	<b>13,060,485</b>	<b>(6,201,155)</b>	<b>3,817,676</b>	<b>6,349,308</b>	<b>3,663,548</b>	<b>13,145,875</b>
Income Tax Paid	(1,039,353)	(976,036)	(2,371,829)	(722,279)	(170,856)	(1,051,018)	(976,036)	(2,376,470)	(722,279)	(170,856)
Contribution Paid into Employees Retirement Benefit Plan / Employees	(156,808)	(138,527)	(123,033)	(214,683)	(86,753)	(156,808)	(138,527)	(123,033)	(214,683)	(86,753)
<b>Net Cash (Used in)/Generated from Operating Activities</b>	<b>(7,581,199)</b>	<b>2,581,129</b>	<b>3,723,439</b>	<b>2,639,757</b>	<b>12,802,876</b>	<b>(7,408,981)</b>	<b>2,703,113</b>	<b>3,849,805</b>	<b>2,726,586</b>	<b>12,888,266</b>
<b>Cash Flows from Investing Activities</b>										
Investment in Subsidiary Company	-	(1,673)	(45,816)	(305,489)	(7,370)	-	-	-	-	-
Dividend Income Received	113,994	97,715	92,751	40,205	40,954	43,570	41,376	47,195	19,027	23,699
Net Proceeds from Sale, Maturity and Purchase of Financial Investments of Government of Sri Lanka Treasury Bills/Bonds and Development Bonds										
Maturing after 03 months	(9,321,771)	134,783	(29,407,227)	2,924,115	(10,412,778)	(9,321,771)	134,783	(29,407,227)	2,924,115	(10,492,124)
Reverse Repurchase Agreements Maturing After 03 Months	(7,209)	-	-	76,956	(31)	(7,209)	-	-	76,956	(31)
Net Proceeds from Sale, Maturity and Purchase of Financial Investments of Shares and Debentures	938,396	756,550	1,406,427	(1,687,776)	(1,445,456)	1,042,315	773,054	1,423,676	(1,750,186)	(1,445,456)
Purchase of Property, Plant & Equipment and Intangible Assets	(861,584)	(850,209)	(714,214)	(678,837)	(657,040)	(884,211)	(851,674)	(774,346)	(703,404)	(672,102)
Proceeds From Sale Of Property, Plant & Equipment	13,311	38,066	20,510	15,224	143,100	13,405	38,066	22,678	15,224	143,280
Proceeds from Sale of Investment Properties	-	-	155,000	-	-	-	-	155,000	10,954	29,275
Proceeds from Disposal of Assets Held-for-Sale	-	-	-	-	-	748,164	-	-	-	-
Improvements to Investment Properties	-	-	-	-	-	(7,538)	(360)	(30,155)	(24,089)	-
<b>Net Cash (Used in) / Generated from Investing Activities</b>	<b>(9,124,863)</b>	<b>175,232</b>	<b>(28,492,569)</b>	<b>384,398</b>	<b>(12,338,621)</b>	<b>(8,373,275)</b>	<b>135,245</b>	<b>(28,563,179)</b>	<b>568,597</b>	<b>(12,413,459)</b>



Annexure 1: Five Year Summary (Continued)

STATEMENT OF CASH FLOWS (CONTINUED)

**Cash Flows from Financing Activities**

Increase / (Decrease) in Debentures	-	5,000,000	(465,000)	4,404,065	2,031,640	5,000,000	(465,000)	4,404,065	2,031,640
Proceeds from Issue of Share Capital	-	-	-	-	-	-	-	-	-
Redemption of Preference Shares	-	-	-	-	-	-	-	-	-
Securities Sold under Repurchase Agreements	665,351	4,552,673	(991,147)	7,847,735	899,115	665,351	4,552,673	(991,147)	7,847,735
Increase / (Decrease) in Other Borrowings	9,962,716	(2,780,901)	8,823,565	32,755	5,891,934	9,076,828	(2,832,866)	8,795,981	(214,668)
Dividends Paid - Ordinary Shares	(1,125,247)	(933,132)	(852,687)	(771,254)	(368,853)	(1,163,175)	(963,164)	(880,849)	(794,850)
Dividends Paid - Preference Shares	-	-	-	(39)	(35)	-	-	-	(39)
<b>Net Cash (Used in) Generated from Financing Activities</b>	<b>9,502,820</b>	<b>5,838,640</b>	<b>6,514,731</b>	<b>11,513,262</b>	<b>8,453,801</b>	<b>8,579,004</b>	<b>5,756,643</b>	<b>6,458,985</b>	<b>11,242,243</b>
Net Increase / (Decrease) in Cash and Cash Equivalents	(7,203,242)	8,595,001	(18,254,399)	14,537,417	8,918,056	(7,203,252)	8,595,001	(18,254,389)	14,537,426
Cash and Cash Equivalents at beginning of the Year	23,277,093	14,682,092	32,936,491	18,399,074	9,481,018	23,277,143	14,682,142	32,936,531	18,399,105
<b>Cash and Cash Equivalents at end of the Year</b>	<b>16,073,851</b>	<b>23,277,093</b>	<b>14,682,092</b>	<b>32,936,491</b>	<b>18,399,074</b>	<b>16,073,891</b>	<b>23,277,143</b>	<b>14,682,142</b>	<b>32,936,531</b>
<b>Reconciliation of Cash and Cash Equivalents</b>									
Cash and Cash Equivalents	8,319,384	8,336,143	7,800,488	6,672,963	5,180,195	8,319,424	8,336,193	7,800,538	6,673,003
Placements with Banks and Finance Companies	1,455,115	334,230	757,050	2,334,304	970,203	1,455,115	334,230	757,050	2,334,304
Government of Sri Lanka Treasury Bills/Bonds and Development Bonds Maturing within 03 Months	4,555,706	7,289,698	3,812,006	6,166,310	6,519,216	4,555,706	7,289,698	3,812,006	6,166,310
Securities Purchased under Resale Agreements Maturing with in 03 Months	1,743,646	7,317,022	2,312,548	17,762,914	5,729,460	1,743,646	7,317,022	2,312,548	17,762,914
	<b>16,073,851</b>	<b>23,277,093</b>	<b>14,682,092</b>	<b>32,936,491</b>	<b>18,399,074</b>	<b>16,073,891</b>	<b>23,277,143</b>	<b>14,682,142</b>	<b>32,936,531</b>