



**A
SENSE OF**

PROOF IS IN THE NUMBERS

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.

OUR VISION

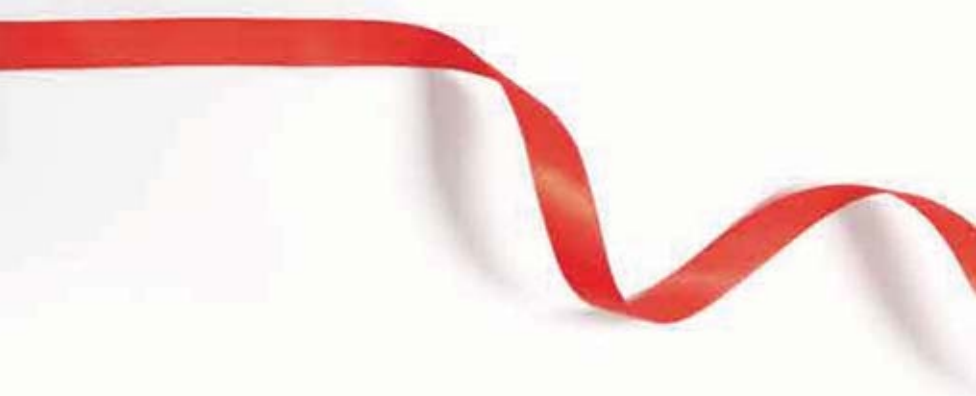
To be Sri Lanka's leading financial services provider as recognised by all our stakeholders.

OUR 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.





A SENSE OF JOY

PROOF 1S 1N THE NUMBERS

A simple little three letter word encapsulates perfectly what it means when strategy and action succeed. Not only does the Bank experience euphoric joy when targets set through our strategic plan are achieved, but we are immensely honoured to infuse the lives of our stakeholders with that same joy.

A 'beautiful performance' invariably produces 'a sense of joy' – the Bank is committed to sustainable growth and returns to its stakeholders in the coming years too.

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ABOUT THE REPORT

6 Seylan Bank's Annual Report for 2015 is based on an integrated concept that has been adopted over the last two years. This presents a comprehensive, integrated report, facilitating better understanding by the readers, while maintaining the transparency of the information for the benefit of all our stakeholders. Our Report is therefore a combination of three key areas viz. financial review, management discussion and the sustainability aspects.

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 428 and information on share ownership is found in the section on 'Investor Information' of this Annual Report.

Presence and Scale of Operations

Our total presence in 2015 is felt through 159 fully-fledged branches, 182 ATMs and 95 student savings centres.

Our Group consists of a subsidiary, namely Seylan Developments PLC which the Bank holds 70.42% of stake as explained in the Notes to the Financial Statements on page 333. There was no material change to our group structure or the scale of operation during the year under review.

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 and 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 78 and 79 of this Annual Report.

Compliance

This, our third integrated Report, accordingly, summarises the Bank's commitment to delivering on the economic, social and environmental aspects of its operations for the period of 1st January 2015 to 31st December 2015.

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.

Sustainability Reporting Framework

Our report is based on the Global Reporting Initiative (GRI) G4 and is prepared in accordance with core criteria.

Our discussion is focused on material economic, social and environmental aspects across this Annual Report, which gives a comprehensive idea of our strategic priorities and approach to sustainability; and is presented, with a focus on value creation and capital formation.

Stakeholder Inclusiveness

The Bank recognises the strategic and key stakeholder groups to ensure materiality in engagement and reporting. Therefore, investors, customers, employees, community, business partners and suppliers and the environment are recognised as key stakeholders of the Bank.

Content of the Report

The report presents both positive and negative performance of the Bank in a manner in which our stakeholders are able to see the total picture of the Bank's policies, operations and processes. This holistic approach has helped us to identify our weaknesses, and build on our strengths to make our presence sustainable.

Comparative Information

The sustainability report for the financial year 2015, presents key performance indicators together with comparative information for the last year and includes a summary of sustainability indices, which we have developed to monitor our performance in relation to diverse stakeholder interests.

Specific limitations and Reporting on the Subsidiary

The Bank is a financial services provider and hence, some of the GRI indicators are not applicable to its operations. This report does not extend to the Bank's subsidiary, Seylan Developments PLC, which produces its own Annual Report.

Independent Assurance

The Bank's policy recognises the importance of an independent assurance on its sustainability report and has, accordingly, appointed Messrs KPMG as an independent assurer provider for the sustainability report which is on page 117 of this Annual Report.

Contact Person for Editorial Information

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HIGHLIGHTS

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Financial Highlights

	Bank			Group		
	2015 Rs. '000	2014 Rs. '000	Change %	2015 Rs. '000	2014 Rs. '000	Change %
During The Year						
Income	28,586,081	28,564,355	0.08	28,628,850	28,628,426	-
Profit from Operations before Taxation	5,776,711	4,649,444	24.25	5,822,611	4,835,389	20.42
Income Tax Expense	1,945,767	1,570,842	23.87	1,936,662	1,582,819	22.36
Profit for the year Attributable to Equity Holders of the Bank	3,830,944	3,078,602	24.44	3,855,296	3,178,776	21.28
Other Comprehensive Income for the Year, Net of Tax	(1,053,977)	(55,520)	(1,798.37)	(1,047,397)	(29,601)	(3,438.38)
Total Comprehensive Income for the Year Attributable to Equity Holders of the Bank	2,776,967	3,023,082	(8.14)	2,805,940	3,139,896	(10.64)
Revenue to Government	3,202,007	2,773,846	15.44	3,192,902	2,785,823	14.61
Gross Dividend – Note	948,641	862,401	10.00	948,641	862,401	10.00
At The Year End						
Total Equity Attributable to Equity Holders of the Bank	25,055,677	24,008,539	4.36	26,287,740	25,195,204	4.34
Retained Earnings	11,125,666	9,083,743	22.48	11,376,269	9,293,830	22.41
Customer Deposits	224,525,455	185,924,122	20.76	224,525,455	185,924,122	20.76
Net Customer Loans and Receivables	193,103,942	154,962,712	24.61	193,103,942	154,962,712	24.61
Total Assets	296,330,133	249,310,559	18.86	298,585,564	251,557,832	18.69
Information Per Ordinary Share						
Basic/Diluted Earnings (Rs.)	11.11	8.92	24.44	11.18	9.21	21.28
Dividends (Rs.) – Note	2.75	2.50	10.00	2.75	2.50	10.00
Net Asset Value (Rs.)	72.63	69.60	4.36	76.21	73.04	4.34
Market Value (Rs.) – As at End of the Year						
Voting Shares	95.00	95.00	-	-	-	-
Non-Voting Shares	73.00	57.50	26.96	-	-	-
Statutory/Other Ratios (%)						
Core Capital Adequacy (Minimum Requirement – 5%)	12.24	13.75	(10.98)	12.48	14.04	(11.11)
Total Capital Adequacy (Minimum Requirement – 10%)	12.87	14.73	(12.63)	13.08	14.98	(12.68)
Liquidity						
– Domestic Banking Unit Operations (%) (Minimum Requirement – 20%)	27.56	27.60	(0.14)	-	-	-
– Foreign Currency Banking Unit Operations (%) (Minimum Requirement – 20%)	21.51	21.86	(1.60)	-	-	-
Price Earnings Ratio – Voting (Times)	8.55	10.65	(19.72)	8.50	10.31	(17.56)
– Non-Voting (Times)	6.57	6.44	2.02	6.53	6.24	4.65
Dividend Cover (Times) – Note	4.04	3.57	13.17	4.06	3.69	10.03

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

Achieved the Highest
ever Net Profit of

RS. 3.83
BILLION

Total Asset Base
reached

RS. 296.33
BILLION

Deposit Base of

RS. 224.5
BILLION

Recorded a

20.76%

Growth in Deposits YOY

Net Advance
Base of

RS. 193.1
BILLION

Recorded a

24.61%

Growth in NET
Advances YOY

Capital Adequacy
Ratio of

12.87%

NPA (Net of IIS) of

4.68%

Operational Highlights



Added 2 branches and 5 ATMs
to the network.



Replaced 100 ATMs with a
view of improving efficiency.



Implemented a new AML
system.



Launch of the 'Freedom'
Credit Card.



Opened 29 'Seylan Pahasara'
libraries across the country in
2015, taking the total number
of libraries to 80.



Signed a three year collective
agreement (2015-2017) with
Bank's Employee Unions.



Revamped and upgraded the
SMS alert system.



Relaunched of the Bank's
corporate website.



Yet another year of success – a sense of joy and a sense of achievement! Our results speak for themselves and put the Bank on track to greater heights for the future!

Reflecting steady and consistent progress in the execution of our strategies and actions, the Bank has transformed itself into a strong and stable financial institution, providing a solid foundation for its renewed success.

Dear Shareholders,

It is indeed with a sense of joy – our theme for the Bank's Annual Report this year – that I present to you the Annual Report of Seylan Bank PLC for the financial year ended 31st December 2015.

The joy of yet another remarkable year, with results that reinforce our confidence in the strategy we are pursuing. It makes me proud to acknowledge that our focused, strategic, business agenda has not only enabled the Bank to thrive in an increasingly challenging and evolving industry, but has also brought stability to the Bank and placed it firmly in a growth trajectory.

The Bank has been going from strength to strength over the last few years and this year we surpassed our financial performance of 2014, reflecting steady and consistent progress in the execution of our strategies and actions. Profits in 2015 grew by 24.4% to Rs. 3,831 Mn., to record the highest profits in the Bank's history, which has enabled consistent, increased, returns to shareholders. Today, I can confidently say that Seylan Bank has transformed itself into a strong and stable financial institution, providing a solid foundation for its renewed success in the future.

Operating Environment

As cited by the World Bank, global growth again fell short of expectations in 2015, slowing to 2.4% from 2.6% in 2014. The disappointing performance is attributed to a continued deceleration of economic activity in emerging and developing economies, amidst weakening commodity prices, global trade and capital flows. On the other hand, the recovery in major high-income countries gained traction; the United States in particular, driven increasingly by stronger domestic demand. However, growth in China declined mainly on account of a sectoral rebalancing from industry to services.

Sri Lanka's economic growth for the second half of 2015 was 5.5% with the services sector maintaining its position as the lead sector, followed by the industrial sector. The growth of credit extended to the private sector by commercial banks, which rebounded towards end 2014, accelerated further during the first eight months of 2015, driven by low market lending rates, increased real wages, as well as increased import demand. Accordingly, credit to the private sector increased by 27% on a year-on-year basis by end November 2015, compared to 8.8% recorded at end 2014.

Headline inflation, according to the Central Bank's monetary policy review, increased to 3.1%, year-on-year, in November 2015, from 1.7% in October 2015.

Responding to current excess liquidity in the domestic money market and to ensure continued monetary and price stability, the Monetary Board decided, to raise the Statutory Reserve Ratio (SRR) applicable to all rupee deposit liabilities of commercial banks by 1.50 percentage points to 7.50%, to be effective from the reserve week commencing 16th January 2016.

A Stellar Performance

The strong commitment and the outstanding efforts of the Board, the management team and members of the staff saw us deliver another year of strong financial performance in 2015.

We grew our net advances portfolio to Rs. 193.1 Bn., reflecting an increase of 24.6% year-on-year. Despite the slow credit growth in the first six months of the year, aggressive credit growth was experienced during the third and fourth quarters of the year. We also increased our deposit base by 20.8% to Rs. 224.5 Bn. Profit After Tax swelled by 24.4% to Rs. 3.83 Bn., surpassing last year's best ever.

The downward trend in NPA (net of IIS) to 4.68%, was a singular achievement in 2015, considering that we were at a dismal level of approximately 30% just 6 years ago. It is noteworthy that our recovery efforts have paid rich dividend in contributing to significantly reducing NPA year-on-year. We are confident that with the many new strategic initiatives taken in this regard, under the direct supervision of the CEO, we will soon be able to achieve a NPA of below 3.5% in the ensuing year.

Our impressive results in 2015 translated into enhanced market indices. The Bank's EPS increased from Rs. 8.92 to Rs. 11.11 in 2015, which further consolidated our position in the market.

Setting a Solid Foundation —

We continued to execute our 4-year strategic plan, focusing on the 4 key segments of profitability, advances and deposits, NPAs and customer service. We are happy to state that we have achieved all strategic goals that we set out to achieve. Our new Strategic Plan which is being developed will chart the course for the Bank for the next 4 years to take Seylan Bank to greater heights, making it a bigger and stronger bank.

2015 saw a further expansion of our branch network to reach 159 branches. In our commitment to serve customers across the nation, we plan to expand our outreach through 75 more branches in the next three years.

An expression of the Board's consistent commitment to good corporate governance, saw the establishment of a Board Governance Committee. We strongly believe that good governance and full disclosure are critical to the long-term creation of value. Our commitment to best practice in corporate governance, plays a key role in managing our risks and maximising our opportunities and in maintaining the trust of our stakeholders.

We continue to focus our sustainability initiatives on education. We built 29 libraries in schools during the year, increasing the total to 80. You can find more details about our specific initiatives in the Management Discussion and Analysis of this Report.

Our Strategic Direction for 2016 —

We are conscious of the different and dynamic environment we currently operate in, unlike what prevailed a few years ago. Characteristically, the financial services industry continues to evolve rapidly and Seylan Bank is quick to embrace the change through our relentless efforts to adapt and evolve. Our strategic agenda clearly articulates and identifies those areas which require a sharper focus going forward. Accordingly, we have embarked upon a digital transformation of the Bank, to ensure a consistently excellent, customer experience and efficient operations.

For the future, the growth strategies of the banking industry would need to reckon the cost of the tax revisions introduced by the 2016 budget. With our strong infrastructure and excellent team, we are confident about our ability to meet this challenge in the ensuing year.

The projected growth in GDP and the Government's commitment to financial inclusion and a cashless society leading to a digital and electronic age, will see a surge in economic activity in the SMEs and in the retail sector in particular. With our branch expansion drive and our customer-centric strategies, we are well positioned to take advantage of this opportunity and support financial inclusion in the country.

Sustainability will continue to gain momentum and is embedded in our culture. The Board is committed to the highest levels of governance in its policy initiatives, which ensure the protection of the long-term interests of our shareholders, customers, the broader community and our team. In this regard, our strategic plan places greater emphasis on succession planning and on our human capital.

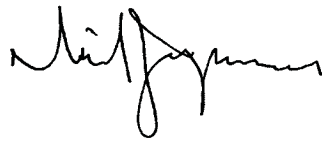
Change of Directors

I wish to acknowledge the recent changes to the Board of Directors of the Bank. We are grateful for the guidance provided by two directors who stepped down from service during the year: Upali Dharmadasa and Isuru Balapatabendi of the Sri Lanka Insurance Corporation. We welcome the three new Board members: Ravi Dias, Viran Corea and Kapila Ariyaratne, our CEO. We look forward to their wide expertise and valuable contributions to the prosperity of the Bank.

Appreciation

As I conclude, I extend my appreciation to the Government of Sri Lanka, the Governor of the Central Bank of Sri Lanka and the Bank Supervision Department of the CBSL for their continued support and guidance. I wish to acknowledge the efforts of the senior management team and the excellent leadership of our CEO, Kapila Ariyaratne. Together, they have set clear strategic priorities for the Bank and delivered against them – growing our annual profits in the past five years and generating increased returns for shareholders. I express my appreciation to my colleagues on the Board for their guidance and relentless focus on governance and our strategy. I am grateful to our shareholders for the confidence and trust they have placed in us.

I am extremely proud of what our Bank has accomplished. This unprecedented achievement is the result of a dynamic and compelling corporate strategy adopted by Seylan Bank and its meticulous execution by our team. I am extremely proud of our team, both Management and Staff and acknowledge their focused determination, their spirit and their passion and their skills of management and their dynamism. I am convinced that Seylan Bank will continue to deliver a strong performance to all our stakeholders.



Nihal Jayamanne PC
Chairman

25th February 2016



The 2012-2016 plan gave direction to the Bank and brought about the required motivation and cohesion. I'm happy to state that we have achieved all targets we had set out to achieve under this plan.

This is an apt demonstration of Seylan Bank's capacity to consistently build on its performance in an increasingly challenging and competitive environment.

A Sense of Joy

2015 was a good year for us and the theme of this Report encapsulates our feelings. This performance is also a demonstration of Seylan Bank's capacity to consistently build on its performance in an increasingly challenging and competitive environment. Our profits reached an all time high of Rs. 3.83 Bn., deposits swelled by 20.76% to Rs. 224.5 Bn. and net advances by 24.61% to Rs. 193.1 Bn. Our asset base grew to Rs. 296.3 Bn., recording an Year-on-Year increase of 18.86%.

These results were achieved by pursuing a clear strategic vision, maintaining a disciplined commitment with a long-term perspective and instilling enduring values in a team that is unparalleled in commitment, professionalism, talent and excellence.

The year didn't commence on a positive note for the banking industry. Credit growth was flat during the first half of the year, which saw two national elections being held. Added to that, there was also the internal distraction of a somewhat protracted collective agreement negotiations. However, despite these distractions, the team ensured that customer service levels were never compromised and came up with a very noteworthy performance in the second half of the year to ensure a memorable overall performance for the year.

Building on a Firm Foundation

We began to consciously diversify our markets in 2015. Although, we were serving both retail and corporate customers, the middle market hitherto made up our largest customer group. With our nation achieving the middle income status, we focused our attention on the burgeoning retail sector. Therefore, products such as personal loans, housing and leasing gained more prominence in our product portfolio and recorded a commendable growth during the year. The Personal Assistance

Loan, which is a financial facility extended for miscellaneous purposes based on customer's income, was relaunched and immediately showed promising growth. The credit growth recorded during the latter part of the year, was helped by our increased focus on the corporate sector, which recorded a healthy performance during the fiscal year.

We strongly believe that pawning is an important product, serving a specific and important segment in the economy. Hence, taking the learnings of 2013, we rehashed the entire pawning operation, improving the processes and controls. Consequently and despite the low advance ratio and the low gold prices, the portfolio performed well during the year. Our cards portfolio too gathered market share with our continued investment in this product.

On the deposit side, we continued to focus on low cost products. Some of the products were rehashed and promoted aggressively, in keeping with our strategic focus. The flagship *Tikiri* children's savings accounts continued a very pleasing growth momentum.

One of the most noteworthy achievements during the year was bringing down the NPAs to below 5%. This still includes two large legacy loans, the resolution of which has been statutorily determined and awaits settlement. If these are discounted, our NPA ratio will be well within local industry norms. This is the first time in our Bank's history, that the NPAs have been brought down to this level, which is a testament not only to our focus on effective recovery and rehabilitation efforts but also to the quality of the new loans.

The remittance infrastructure was further developed and the processes and systems were simplified. Promotions were carried out to attract the beneficiaries to save with the Bank as well and a firm platform has been established to jump-start this process in the ensuing year.

Branch expansion didn't continue at the pace we had planned, largely on account of the changes in the operating environment. All our Convenient Banking Centres which were converted to stand-alone branches during the year 2014, enhanced the overall service proposition delivered through our network. In addition to this, 85% of our branch network was refurbished over the last 4 years to further enhance the customer experience. The remaining branches will be upgraded in the coming year, completing the refurbishment schedule and offering our customers one of the most modern networks in the country.

Our branches are now managed through 13 regional offices, ensuring faster turnaround times for customers and creating more opportunities for the staff to gain experience and career advancement.

Building Our Human Capital

Our people are our most valuable asset and we are deeply committed to their ongoing development. They project our brand values and our passion for excellence at every service touchpoint and we continued to invest in the development of our employees, to ensure high performance standards. In the financial year 2015, we invested over Rs. 32 Mn. in training and development to enable our pleasant and professional staff members to have the skills they need to deliver an exceptional customer service while enhancing the cross-sell ratio of products. Our Chief Managers were put through assessment centres and we are now giving leadership training to the next Tier as well.

The collective agreement finalised in 2015 will see a 36% increase in wages over a three year period. After this adjustment, the salary scales of our Bank will be on par with the top Tier financial institutions in Sri Lanka.

Gaining Recognition

Our brand was recognised in the top 20 companies by the LMD. The brand has also reclaimed a significantly higher share of mind of target customer segments and this is reflected in the enhanced footfall across our branches and the enhanced interaction that we now enjoy with all segments – from retail to top tier corporates.

We gained significant recognition on the digital sphere as well. Our new website was launched, offering an exceptional user experience and fully-attuned to the needs of those who visit it. The website was carefully planned from the users' point of view with intuitive seamless navigation, easy access to necessary information and a user-friendly convenient experience. Our customers are now enabled to carry out a large portion of their banking activities online, saving their time and effort. In addition, an online chat service is available for web visitors, with a dedicated team of agents on hand to attend to requests for immediate clarifications or queries.

Building a Stronger Bank

In a fast changing and highly challenging economic environment, uncertainty is inherent and new risks materialise regularly and constantly. Whilst we are very conscious of these risks, your Board of Directors considers risk

assessment and risk management to be of utmost importance. We have taken all necessary measures to strengthen risk management and increase the resilience of our Bank. The strengthening of our internal systems and procedures continued, with the implementation of new systems for compliance and anti-money laundering and giving the required training to staff members. The Integrated Risk Management Framework of the Bank undergoes constant and continuous strengthening as well. The risk and governance committees meet regularly to assess the trends and take apt actions to manage risks. These efforts have contributed to bringing down the NPA level and to ensure a commendable growth in profits during the year.

Maintaining Optimal Capital Levels

We have maintained optimal capital levels through prudent portfolio and expense management. Our record of generating and retaining adequate profits has also contributed to our strong capital levels. We have rewarded you, our shareholders by providing reasonable and consistent returns. You have supported us over the years, especially in 2009 and again in 2011, when we had the rights issues and we have grown into a strong and solid financial institution, serving our clientele and country, whilst maintaining reasonable margins and consistently high ROE.

Contributing to the Communities

As a corporate citizen, Seylan Bank continued to discharge its social responsibilities through our chosen activity of supporting reading and

learning among schoolchildren by building and endowing school libraries. We have further enhanced this project by donating computers and promoting digital learning as well. In addition, our support is being extended to an institute engaged in the education of the differently abled.

A Look to the Future

Our four-year strategic plan (2012/2015) focused significantly on areas which include advance/deposit growth, branch expansion, customer service improvement, staff development, NPA reduction, new product development and IT infrastructure etc. However, in mid 2013, we revised and updated this plan following the policy and environmental changes that had taken place and extended it to include year 2016 as well. New strategies and an action plan for their implementation were developed, which is being adhered to at present. The 2012-2016 plan gave direction to the Bank and brought about the required motivation and cohesion among staff members. I'm happy to state that we have achieved or exceeded all targets we had set out to achieve under this plan and are now about to embark on the next stage of our planning process to set our future direction.

While the operating environment will continue to pose significant challenges for us, we are building momentum and making progress on seizing new opportunities for the future. The initiatives we took in 2015 have given us greater agility, a deeper knowledge base and an exciting mix of talent to adapt to

changes in the market. Despite the uncertainty created by the new developments in local and global markets, we look forward to much greater opportunities for growth with the renewed optimism that has been created in our nation. In this context, we are gearing ourselves to capitalise on the opportunities that will open up with the new initiatives planned by the Government.

Our new strategic plan for 2017 to 2020, will map out the direction of the Bank for the next 4 years. It would be one that would make Seylan Bank bigger, stronger and even more sustainable, one that would enable the Bank to grow exponentially and capture market share. We will continue to upgrade and strengthen our internal systems and processes and also build our human resources. Our training budget will be increased to provide continuous training and development to our staff members.

More investments will be made in the digital sphere to launch innovative products catering to the emerging needs of the customers. In this context, we will launch a new mobile Point of Sale (POS) in the upcoming year. A new Treasury system will be implemented in 2016, which would improve our agility and risk management capacity in the fixed income securities and FOREX. We are in the process of implementing a loan origination system, which will speed up the approval process and make the process paperless as well.

Today, as we look forward with enthusiasm to the opportunities ahead in 2016 and beyond, I would like to extend my gratitude to

our Chairman and the Board of Directors, senior management, all staff members and last but not least our customers across the island and overseas for their constant, unwavering support in pursuing our strategic agenda. The entire Seylan team, together as one is primed for an exciting future of growth and prosperity.



Kapila Ariyaratne
Director/Chief Executive Officer

25th February 2016

Our Strategic Focus

This chapter is written based on the Bank's strategic plan and the strategies adopted by the said plan. We have attempted to substantiate the theme of this year's Annual Report 'A Sense of Joy' with the relevant hard facts and figures, thus helping the reader to understand the progress made during the year under review together with a glimpse of our future strategies. We have identified strategic priorities according to the following scope and detailed them in the relevant sections, where necessary.

- Expansion, growth and focus on customer service
- Improved credit quality
- Technology-driven banking
- Social responsibility and sustainable banking

Sustainable Banking through Stakeholder Engagement

Social Responsibility and Sustainable Banking

2015 has heralded in a year of historical significance for Sri Lankans with a significant increase in opportunities and expectations across all sectors of the economy. While embracing the changes for the better and in our enthusiasm to benefit from the opportunities that are before us, we must be mindful of the need to ensure that they lead to a sustainable development of the community and the country

as a whole and result in uplifting the standard of living of the people we serve.

At Seylan Bank, we have always attempted to integrate strategic CSR into the Bank's business strategy and report thereon in a quantifiable manner. It is a true gesture that demonstrates our commitment towards sustainability; it underscores our responsiveness to those whom we serve and who want to know us better – our shareholders, customers, employees, community, suppliers and business partners.

Materiality Assessment

In the preparation and compilation of this Sustainability Report, materiality proved to be a challenge.

As outlined in the GRI Guidelines, the Bank recognises and accepts the importance of materiality. Thus, in this context, this Annual Report covers topics and indicators that reflect the Bank's significant economic, environmental and social impacts that would substantively influence the assessment and balanced decisions of its stakeholders.

The basis of our assessment has been the degree of significance to our stakeholders and to the Bank to operate ethically and as a responsible corporate citizen as detailed below:

- Degree of influence the Bank has over each aspect
- The extent to which the resources in question are used in the Bank's operations

- The extent of various stakeholder 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 the Bank's customers, and other contributors to our supply chain
- The degree of value that the Bank can deliver in relation to each aspect.

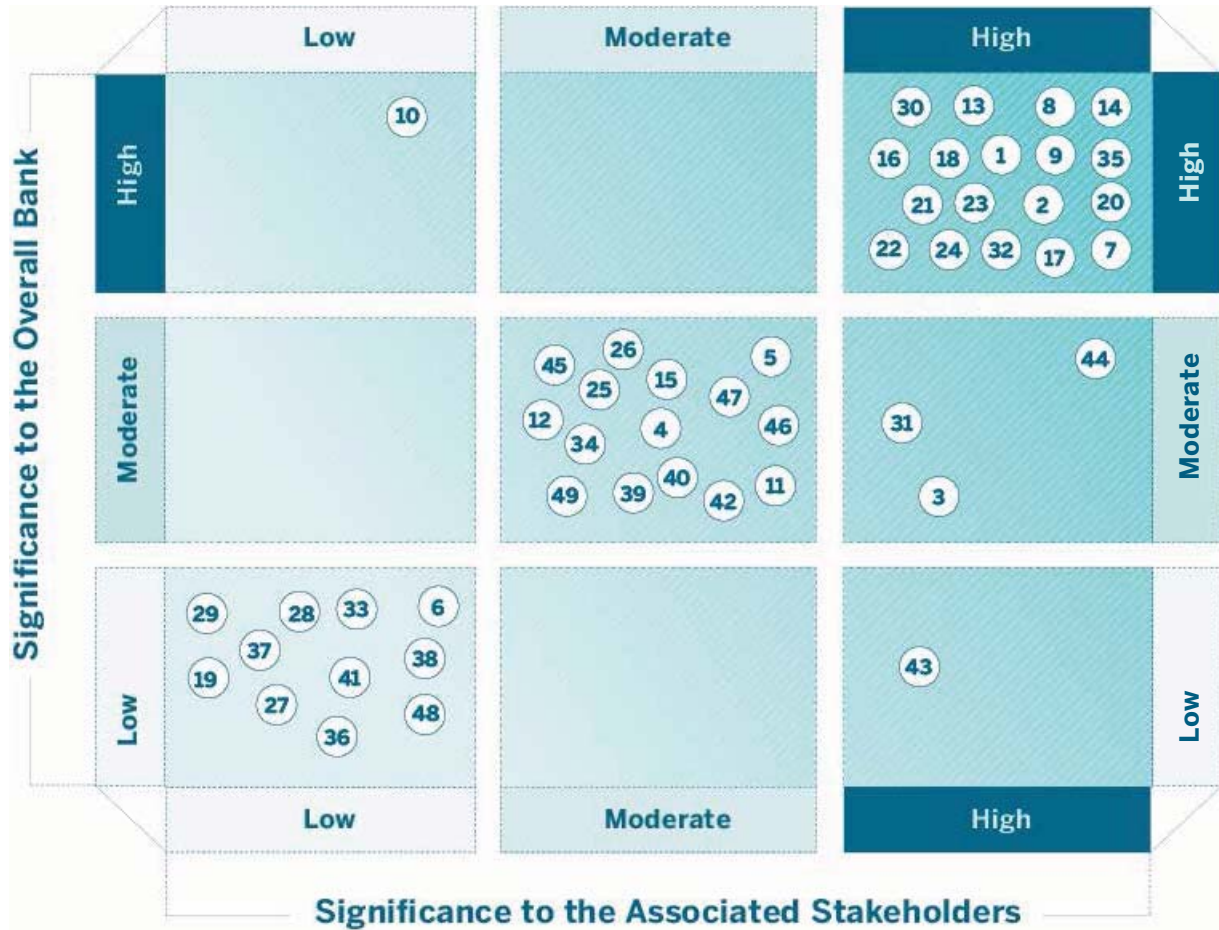
The Bank follows a systematic process to determine materiality of issues to be reported on, as depicted below:

Assessment of Materiality for Reporting

Aspect	Boundary	Significance to the Overall Bank	Significance to the Associated Stakeholders	Indicator	Reporting or Not Reporting
Economic					
1. Economic Performance	Investors	High	High	G4-EC1-EC4	✓
2. Market Presence	Investors	High	High	G4-EC5-EC6	✓
3. Indirect Economic Impact	Investors/Community	Moderate	High	G4-EC7-EC8	✓
4. Procurement Practices	Suppliers	Moderate	Moderate	G4-EC9	✓
Social: Product Responsibility					
5. Customer Health and Safety	Customers	Moderate	Moderate	G4-PR1-PR2	✓
6. Product and Service Labelling	Customers	Low	Low	G4-PR3-PR5	✓
7. Marketing Communications	Customers	High	High	G4-PR6-PR7	✓
8. Customer Privacy	Customers	High	High	G4-PR8	✓
9. Compliance	Suppliers	High	High	G4-PR9	✓
10. Product Portfolio	Customers	High	Low	G4-FS1-FS8	✓
11. Audit	Customers	Moderate	Moderate	G4-FS9	✓
12. Active Ownership	Customers	Moderate	Moderate	G4-FS12	✓
Social: Labour Practices and Decent Work					
13. Employment	Employees	High	High	G4-LA1-LA3	✓
14. Labour/Management Relations	Employees	High	High	G4-LA4	✓
15. Occupational Health and Safety	Employees	Moderate	Moderate	G4-LA5-LA8	✓
16. Training and Development	Employees	High	High	G4-LA9-LA11	✓
17. Diversity and Equal Opportunity	Employees	High	High	G4-LA12	✓
18. Equal Remuneration for Men and Women	Employees	High	High	G4-LA13	✓
19. Supplier Assessment for Labour Practices	Employees	Low	Low	-	*
20. Labour Practices/Grievance Mechanisms	Employees	High	High	G4-LA16	✓
Social: Human Rights					
21. Investment	Employees	High	High	G4-HR2	✓
22. Non-Discrimination	Employees	High	High	G4-HR3	✓
23. Freedom of Association and Collective Bargaining	Employees	High	High	G4-HR4	✓
24. Child Labour	Employees	High	High	G4-HR5	✓
25. Forced or Compulsory Labour	Employees	Moderate	Moderate	G4-HR6	✓
26. Security Practices	Employees	Moderate	Moderate	G4-HR7	✓
27. Indigenous Rights	Employees	Low	Low	G4-HR8	✓
28. Assessment – Human Rights	Employees	Low	Low	G4-HR9	✓
29. Supplier Human Rights Assessment	Suppliers	Low	Low	-	*
30. Human Rights Grievance Mechanisms	Employees	High	High	G4-HR12	✓

Aspect	Boundary	Significance to the Overall Bank	Significance to the Associated Stakeholders	Indicator	Reporting or Not Reporting
Social: Society					
31. Local Communities	Community	Moderate	High	G4-S01-S02	√
32. Anti-Corruption	Community	High	High	G4-S03-S05	√
33. Public Policy	Community	Low	Low	G4-S06	√
34. Anti-Competitive Behaviour	Community	Moderate	Moderate	G4-S07	√
35. Compliance	Community	High	High	G4-S08	√
36. Supplier Assessment for Impacts on Society	Suppliers	Low	Low	-	*
37. Grievances Mechanisms for Impacts on Society	Community	Low	Low	G4-S011	√
Environment					
38. Materials	Environment	Low	Low	G4-EN1	√
39. Energy	Environment	Moderate	Moderate	G4-EN3-EN7	√
40. Water	Environment	Moderate	Moderate	G4-EN8	√
41. Biodiversity	Environment	Low	Low	G4-EN11-EN12	√
42. Emissions	Environment	Moderate	Moderate	G4-EN17	√
43. Effluents and Waste	Environment	Low	High	G4-EN23	√
44. Products and Services	Environment	Moderate	High	G4-EN27	√
45. Compliance	Environment	Moderate	Moderate	G4-EN29	√
46. Transport	Environment	Moderate	Moderate	G4-EN30	√
47. Overall	Environment	Moderate	Moderate	G4-EN31	√
48. Supplier Environment Assessment	Environment Suppliers/	Low	Low	-	*
49. Environmental Grievance Mechanism	Environment	Moderate	Moderate	G4-EN34	√

* Not assessed for the reporting purpose due to remote and insignificant impact to both Bank and Stakeholder.



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 a number of key stakeholder groups. The frequency of engagement varies from period to adhoc meetings, discussions and other forms of communication.

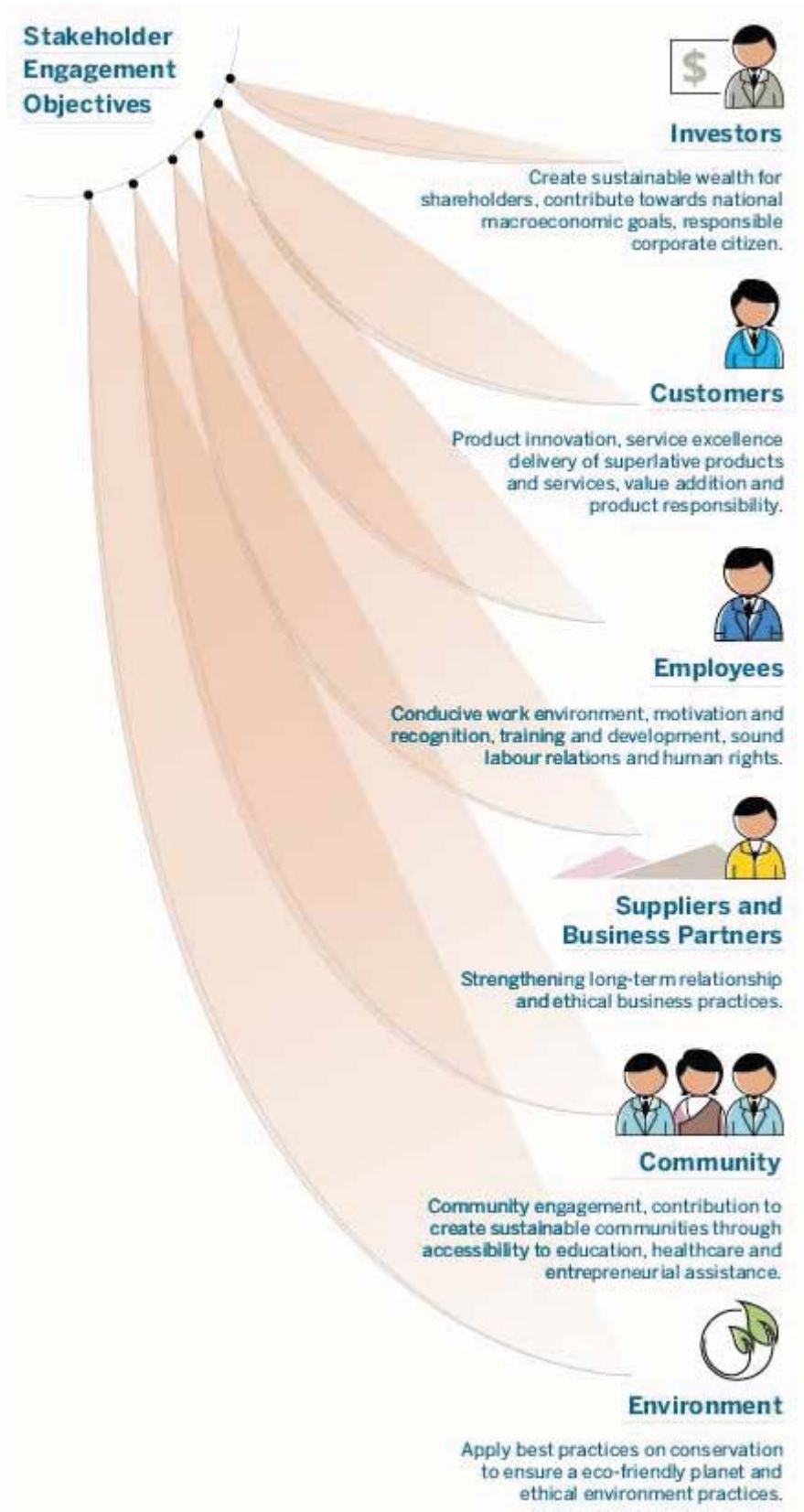
We employ a range of channels and mechanisms to gather stakeholder feedback, responding without delay, thus effectively strengthening the two-way communication with the stakeholders and the Bank. The Bank uses a decentralised model to engage with shareholders, with individual business units/branches or head

office undertaking the engagement activities appropriate to the particular subject. Our stakeholder related forums, comprising business units, liaise with our stakeholders based on our code of ethics and on values that are predetermined. Our staff is well educated and trained to handle the stakeholder engagement effectively.

We are committed to developing and maintaining appropriate relationships with our stakeholders, across all business units and functions. Our stakeholder engagement policy clearly defines responsibility and approaches in handling stakeholder engagement. We are responsible for coordinating our engagement effectively with all the stakeholders and in this regard our strategic priorities are to:

- Build a meaningful and mutually beneficial, partnership at all levels, to enable us to partner with and support effective engagement to achieve economic, social and environmental goals.
- Participate appropriately and effectively in policy and regulatory dialogue with government, regulators and other stakeholders.
- Identify and mitigate potential risks.
- Develop appropriate systems and relationships to enable us to respond proactively to stakeholder related issues and concerns.

The Bank considers stakeholder feedback, a critical criterion for the future enhancement of its sustainability reporting initiatives. As such, an Investor/Stakeholder Feedback Form is attached to this Report and serves as a formal feedback mechanism, in addition to the continuous stakeholder engagement process.



Stakeholder Group, Goals, Our Commitments, Method of Engagement and Frequency of Engagement

Stakeholder	Goals	Our Commitment	Method of Engagement	Frequency of Engagement
Investors	Creating wealth, sustainable growth, enhance shareholder value, aligning the national macro level objectives, responsible corporate citizen and recognition.	<ul style="list-style-type: none"> • Manage the business effectively and efficiently to deliver sustainable wealth and a superior return. • Implement effective risk management policies, and adequate internal controls. • Ensure regulatory compliance and responsible banking. • Protect and facilitate stakeholder rights and ensure fairness and transparency. 	<ul style="list-style-type: none"> • Annual reports • Interim financial statements • Annual general meeting • Extraordinary general meetings • Investor presentation • Media releases • Announcements submitted to the Colombo Stock Exchange • Face-to-face discussions • Bank website 	<p>Annually</p> <p>Quarterly</p> <p>Annually</p> <p>As and when required</p> <p>As and when required</p> <p>As and when required</p> <p>As and when required</p> <p>As and when required</p> <p>Regularly</p>
Customers	Product innovation convenient banking, value addition, service excellence, and product responsibility.	<ul style="list-style-type: none"> • Product innovation and prudent management. • Make banking convenient and flexible. • Delivering superior customer services with constant value additions & greater flexibility. • Shared values. 	<ul style="list-style-type: none"> - Branches - ATMs - Call centres - Student saving centres - e-Banking - Bank website - Customer satisfaction surveys - Customer targeted workshops - Kids banking day events - Relationship officers and managers - Customer complaints - Social media channels 	<p>Regularly</p> <p>Regularly</p> <p>Regularly</p> <p>Regularly</p> <p>Regularly</p> <p>Annually</p> <p>As and when required</p> <p>As and when required</p> <p>As and when required</p> <p>As and when required</p> <p>As and when required</p> <p>Regularly</p>

Stakeholder	Goals	Our Commitment	Method of Engagement	Frequency of Engagement
Employees	Conducive work environment, motivation and recognition, training and development, sound labour management and human rights.	<ul style="list-style-type: none"> • Remuneration, rewards and recognition policies. • Provide necessary training and development. • Effective performance appraisal system. • Effective utilisation of resources. • Maintain equal opportunity, human rights and conducive labour relations practices. 	<ul style="list-style-type: none"> • Managers meetings • Staff meetings • Performance review meetings • Discussion with unions • ‘Seylan Banker’ newsletter • Intranet • Internal circulars • Latest updates through staff email • Internal customer service manager • Quiz competition, get together and sports competitions 	<ul style="list-style-type: none"> - Monthly - Monthly - Monthly - Monthly - Quarterly - Regularly - Regularly - As and when required - As and when required - Annually
Suppliers and business partners	Focus on long-term partnerships, and ethical business practices.	<ul style="list-style-type: none"> • Comprehensive and transparent procurement policy with adequate controls. • Respect the rights of both parties and build long-lasting relationships. 	<ul style="list-style-type: none"> - Onsite service representatives - Visits and meetings - Official communication (Letters, Calls etc.) - Tender invitations - Suppliers registration 	<ul style="list-style-type: none"> - Regularly - As and when required - As and when required - As and when required - Annually
Community	Create sustainable communities through engagement in community projects, contribute for national priorities and being a responsible corporate citizen.	<ul style="list-style-type: none"> • Integrate with the community to improve the well-being of people. • Provide assistance for self-employment through micro financing. • Enhancing financial inclusion by inculcating the banking habit. • Support needy children in education and other activities. • Contribute towards a healthy nation. • Other contributions and sponsorships. 	<ul style="list-style-type: none"> - Bank’s delivery channels - Media releases - Sponsorship for community events - Donations - Seminars/workshops - Bank website - Social media 	<ul style="list-style-type: none"> Regularly As and when required As and when required As and when required As and when required Regularly Regularly

Stakeholder	Goals	Our Commitment	Method of Engagement	Frequency of Engagement
Environment	Ensure a sustainable environment through conservation and preservation of resources, adopting environmental policies and best practices.	<ul style="list-style-type: none"> • Promote green compliance. • Save resources and power. • Educate and create awareness. 	<ul style="list-style-type: none"> - CSR activities - Awareness workshops - Eco-friendly lending - E-based solutions 	<ul style="list-style-type: none"> - As and when required - As and when required - As and when required - As and when required

Compliance and Being Responsible

While ensuring and maintaining a high level of return to investors and other stakeholders, as a responsible corporate entity, we stand committed to comply with all statutory laws and regulations. We recognise all our statutory obligations and the requirement for being compliant as a key aspect in our day-to-day operations. The levels of compliance with all statutory requirements are monitored monthly at Board level.

We are governed by the regulatory directions issued by the Central Bank of Sri Lanka, the Colombo Stock Exchange (CSE) and industry codes of best practices, ensuring responsible sound and safe banking and certain key practices/guidelines are listed below:

Internal policies for responsible banking

- Staff Code of Conduct
- Information Security Policy
- Credit Policy
- Recovery Policy
- Treasury Investment Policy
- Assets & Liability Policy
- Sustainability Policy
- Integrated Risk Management Policy
- Whistle-Blowing Policy
- Related Party Policy

Regulatory directions and voluntary code of practice adopted by the Bank for responsible banking

- Know Your Customer Policy
- Anti-money Laundering Policy
- Customer Charter
- Misleading and Unethical Advertisements
- Display of interest rates, exchange rates and service charges
- Inadequate/Incorrect Disclosures/ Press Statements
- Code of Best Practices for Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka (SEC)
- Approval of CBSL for the authority to accept deposits and do other banking functions
- Accounting Standards – SLFRS/LKAS

Our Sustainability as an Integral Part of Our Core Business

The 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.

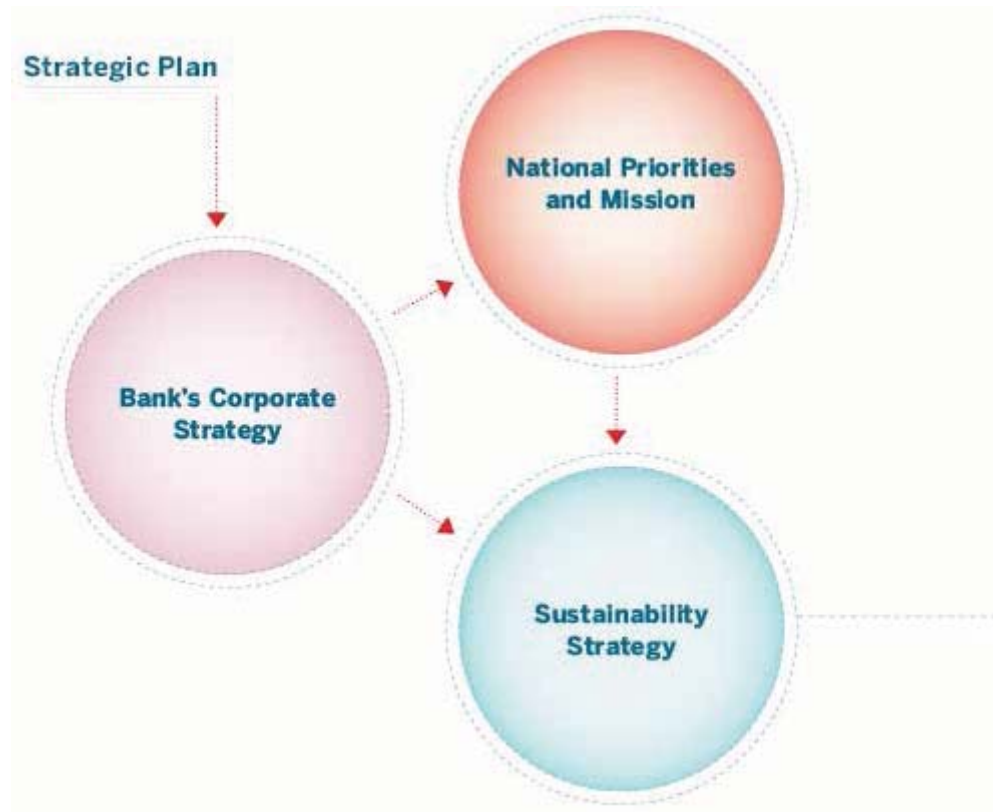
Our business objective is to provide superior financial services to cater to the needs of our stakeholders. The core banking business does not only support to meet the financial needs; it has a significant impact on lives of the people in terms of employment, education, health, protection of environment etc. Therefore, we play a crucial role in boosting economic growth, reducing poverty, unemployment, improving living conditions, empowering people and making a safe environment for all our stakeholders and community at large.

We firmly believe that the sustainable banking practices could deliver long lasting economic and social benefits, while mitigating impacts on the environment.

The Bank’s business strategy has and continues to pivot on the end achievement of national priorities of the entire community and the country. The Bank strives to address the requirements of the community and the country and meet national objectives through the effective implementation of its own business strategy. The Bank consistently devises its own unique approach and business case for sustainability

as a part of the core business that delivers long-lasting economic, social and environmental benefits with the unique value system of being a business partner, who contributes for the development of an economically stable, ecologically responsible and a socially fair society.

The Bank has been recognised as ‘The Bank with a Heart’, which continuously provides micro, Small and Medium Entrepreneurs (SME) assistance from its inception over twenty eight years. Bank is considered a pioneer in the introduction of financial services to persons considered otherwise as ‘less-bankable’ through its island-wide network and the committed loyal staff strength. We are known by our name across the country for the service excellence and passion for service.



Our Sustainability Strategy

Our CSR Strategy which is described in detail in the report, has been revolved around the stakeholders of the Bank towards the economic prosperity of the entire nation. It is amalgamated with the core business strategies and implemented for the best interest of the stakeholders, to meet the objectives set out below and explained in detail under each stakeholder engagement.

1. Creating value and the wealth for our investors.
2. Product innovation, service excellence, value addition, product responsibility and improving financial literacy of our customers.
3. Conducive work environment, motivation, recognition and sound labour management for our staff.
4. Long-lasting ethical relationship with our suppliers and business partners.
5. Community engagement, contribution for national priorities and corporate responsibility for our community.
6. Minimising our impact on the environment through resource efficiency.

Governance, Risk Management and Sustainability Stewardship

Committed to upholding the highest standards of business integrity and professional ethics on all scores, Seylan corporate governance framework rewards our stakeholders with a greater creation of value, year on year. Sustainability is one of our core determinants of the core banking business, which works around maximising our shareholders’

wealth in a sustainable manner and safeguarding the rights of all our stakeholders, as paramount. We support initiatives across the corporate world to improve governance and disclosures.

With all our activities, the Bank’s sustainability too is governed by our corporate ethics and values. Our governance framework is set out in detail in the ‘Corporate Governance’ segment of this Annual Report. Risk is an integral aspect of the banking business and the Bank consistently aims towards delivering superior long-term shareholder value by achieving an appropriate trade-off between risk and returns. The details of the approaches are explained in detail in the risk report.

Our sustainability mechanism is driven by the Board Sub-committee which is responsible for formulating of strategies in line with the core banking business and implementing the same. In addition to the Board level, the Sub-committee is assisted by the Management Committees which are led by the members of the Senior Management that focus on Economic, Social, Environmental Initiatives and Strategies. In the year 2011, the Bank formulated a separate division headed by a Sustainability Manager to strengthen the sustainability initiatives of the Bank, who is being assisted by the sustainability wardens appointed in island-wide branches.



Members of Sustainability Management Committee

- Director/Chief Executive Officer
- Chief Financial Officer
- Deputy General Manager – Marketing and Personal Banking
- Assistant General Manager – Finance
- Assistant General Manager – Premises and Maintenance
- Assistant General Manager – Supplies
- Sustainability Manager

Management Committee is responsible for:

- Overseeing progress across the sustainability strategies,
- Developing the sustainability action plans, implementing and monitoring the same,
- Ensuring conformance with GRI Sustainability Guidelines,
- Identifying and managing areas of non-compliance with the sustainability principles,
- Setting standards, policies and procedures in meeting sustainability principles.
- Monitoring the ongoing projects, reviewing progress and reporting to the Board Sub-committee on Sustainability.

Operating Environment

Global Outlook

Global growth again fell short of expectations in 2015, slowing to 2.4% from 2.6% in 2014. The disappointing performance was mainly due to a continued deceleration of economic activity in emerging and developing economies, amidst weak commodity prices, global trade and capital flows. Global growth is projected to edge up, but at a slower pace than previously envisioned, reaching 2.9% in 2016. Downside risks dominate and have become increasingly centred on emerging and developing countries.

A further deceleration of activity in key emerging and developing economies, overshadowed a modest recovery in major high-income countries in 2015. Growth in 2015 is estimated to be 0.4% points below June 2015 projections. Global inflation is expected to increase

moderately in 2016 as commodity prices level off, but will remain low by historical standards.

Headline inflation declined in advanced economies, mostly reflecting the decline in prices of oil and other commodities, while core inflation remained stable. With regard to emerging markets, lower prices for oil and other commodities (including food, which has a larger weight in the consumer price index of emerging market and developing economies) have generally contributed to reductions in inflation, but sizeable currency depreciation has led to offsets on the upside, in some economies.

Future Outlook

Economic growth is expected to remain robust and above trend through 2016, in advanced economies, supported by lower oil prices, monetary easing and currency depreciations. Further, growth in emerging market and developing economies is also projected to rebound in 2016.

In advanced economies, inflation is projected to rise in 2016 and in emerging market and developing economies, is projected to decline, with markedly lower inflation in countries that experienced sizeable depreciation in recent months.

World trade growth is projected to remain modest, as in the past two years. A pickup in trade is forecast for advanced economies. For emerging markets import growth is projected to decline further,

reflecting weakening domestic demand and depreciating exchange rates, but export growth is projected to increase, sustained by higher oil exports from the Middle East and the pickup of domestic demand in advanced economies.

According to the IMF, the distribution of risks to the projected modest global economic growth for 2015 and 2016, remains tilted to the downside, as new risks related to financial stability and growth have emerged.

Sri Lankan Economy

The Sri Lankan economy recorded a growth of 5.2% in the third quarter of 2015, with positive contributions from agriculture, industry and service related activities. In view of the continued low inflation environment as well as favourable inflation expectations, the Central Bank continued its accommodative monetary policy stance during 2015 to encourage a smooth flow of credit to the private sector, thereby supporting economic activity. Net foreign inflows to the financial account of the balance of payments (BOP) also moderated and consequently, the BOP is estimated to have recorded a deficit of the third quarter of 2015. The anticipated hike in US interest rates, together with the higher demand for imports, placed undue pressure on the Rupee. Fiscal management continued to be challenging, mainly due to

the lower than expected, increase in Government Revenue and the significant increase in the recurrent expenditure. In financing the budget deficit, the Government relied largely on domestic sources, although the receipt of the proceeds of the successful issuance of the ninth International Sovereign Bond (ISB) is likely to ease pressure on domestic financing in the last two months of the year. Meanwhile, the financial sector remained stable.

Inflation

Inflation remained at single digit levels for the seventh consecutive year, and year on year headline inflation declined to negative territory during the third quarter. The continued low inflation could be attributed to prudent demand management policies of the Central Bank, improved domestic supply conditions and low international commodity prices. Reflecting declines in food and fuel prices, annual average inflation rate stood at 3.8% in 2015.

The Trade Deficit

The merchandise trade deficit widened during the first eleven months of 2015 as a result of weakening global demand and significantly high domestic demand for imported goods. Accordingly, earnings from exports during this period declined by 4.4%, year on year, while expenditure on imports also decreased by 2.1% largely due to the significant drop in international commodity prices – especially fuel.

Overall BOP is estimated to have recorded a deficit during the first eleven months of 2015, in comparison to a surplus recorded during the corresponding period of 2014.

Robust growth in earnings from tourism, supported with workers' remittances, cushioned the current account of the balance of payment. Earnings from tourism registered a sharp growth of 17.8%, with tourist arrivals surpassing 1.75 Mn. during the year.

Remittances

The growth of workers' remittances was below the expected levels during the first eleven months of the year. Workers' remittances, which account for most of the secondary income inflows, increased marginally by 0.8% during this period, compared to the growth of 8.7% recorded in the corresponding period of 2014. This decline could be partly attributed to the drop in income of oil exporting countries, as a result of the decline in global oil prices, and geopolitical tensions in the Middle East.

International Reserves and Exchange Rate Movements

Sri Lanka's gross official reserves stood at US\$ 7.3 Bn. as at end November 2015, equivalent to 4.6 months of imports, with total foreign assets amounting to US\$ 9.1 Bn., equivalent to 5.7 months of imports.

The Sri Lanka Rupee

The Sri Lankan Rupee that remained broadly stable during the first eight months of the year, supported by Central Bank's intervention, depreciated thereafter as the Central Bank allowed greater flexibility in the determination of the exchange rate. Subsequent to this decision the Sri Lankan Rupee depreciated by 6.64%, resulting in an overall depreciation of 9.03% against the US\$ during the year. Over the year, based on cross currency exchange rate movements, the Sri Lankan rupee has appreciated against the Australian Dollar and the Euro, while depreciating against the Japanese Yen during this period.

Unemployment hovered at 4.5% - 5% during the year, which was marginally above the previous year's average rate of 4.3%. Unemployment in both industrial and agricultural sectors, witnessed a slight increase in 2015. The unemployment among females was higher than males, which reported 7.8% and 3.5% respectively.

Future Outlook

Sri Lanka is now focusing on mid-term, long-term, strategic and structural development challenges, as it attempts to transition towards an upper middle-income country.

Economic growth is anticipated to recover in 2016, as political uncertainties are expected to diminish, paving the way for a revival of private and public investment. Healthy growth is anticipated from the services sector, predominantly through earnings from tourism and construction with moderate growth in the agricultural and industrial sectors.

Exports are expected to strengthen in the year 2016 as the economies of Sri Lanka's trading partners pick up pace, with improvements in bilateral trade relations with the Country's key trading partners and with increased competitiveness. Further, the possible regaining of the GSP+ facility as well as the likely removal of the ban on fish exports to the European Union, are expected to strengthen earnings from exports. At the same time, imports are expected to increase in several sub sectors, with imports of intermediate and investment goods to support domestic economic activities, despite recent policy measures taken by the Government to curtail certain imports, particularly motor vehicles.

Reflecting the firming up of aggregate demand conditions in the economy, the annual average inflation rate is expected to rebound to mid single digit levels in 2016. The present Rupee depreciation trend may continue for a short period and is anticipated to stabilise by mid 2016.

Sri Lanka plans to create a knowledge-based social market economy and an export-oriented economy with a financial hub in Colombo. The creation of several business and technology development areas, specialising in various sectors island-wide, as well as well planned tourism zones, is envisaged. Overall, improved domestic conditions and a strengthened external sector performance, would support the Sri Lankan economy to accomplish its mid to long-term growth projections.

Banking Sector

The stability and soundness of the financial sector was maintained during the period under review, with improved performance in all major sectors. The banking system as well as the Non-Bank Financial Institutions (NBFIs) regulated by the Central Bank recorded an accelerated growth in assets and profitability, while accessibility has also improved with the expansion in the branch and ATM network.

The Central Bank continued to introduce new prudential policy measures with the objective of enhancing the stability and soundness of the banking system and the NBFIs sector.

The asset base of the banking sector continued to expand with the support of increased private and public sector credit demand. The total assets base of the banking sector surpassed Rs. 7 Tn. during the year. Total loans and advances recorded an increase of 15% (3Q) during the year, the rapid acceleration in loans and advances being driven by low interest rate regimes and consumption related activities. Notable declining trend was recorded in pawning advances mainly due to the decline in global gold prices. Continuing the trend in previous years, deposits were the main source of funds for lending activities and total deposits grew by 9% (3Q). An increase in profits reported from the banking sector was mainly due to higher margins and increased lending, investment activities and business expansion.

The sector maintained healthy levels of liquidity, as well as sufficient capital adequacy ratios throughout the year. However, as a result of an increase in non-performing loans, asset quality in the banking sector declined marginally during the period.

Financial accessibility expanded with the addition of 46 new branches to the network and the installation of 60 new ATM machines in the first eight months of the year. There was an increasing tendency amongst banks, to move away from traditional banking channels and to move towards e-based solutions, to deliver superior benefits to their customers.

Several key policy measures and regulations were introduced by the regulators, to enhance the soundness of the banking sector. Accordingly, the Basel III liquidity standards, a loan-to-value (LTV) ratio for leasing and enhanced interest on accommodation to exporters, were imposed during the year. Additionally, the present limits on the share ownership structure of banks and the assessment criteria for fitness and propriety of the Boards of Directors, were reviewed, to strengthen the governance and resilience of the banking sector. On the other hand, the proposed consolidation process was held back for further review.

Future Outlook

2016 will prove to be a challenging year for the banking sector, consequent to several budgetary proposals which were expected to have a direct impact on bank profitability and the Statement of Financial Position.

The proposed enhancement of the minimum regulatory capital requirements, is expected to strengthen the financial soundness of the sector for the future keeping in-line with international standards, while ensuring adequate short-term and long-term liquidity in-line with the Basel standards, as a safeguard against systemic instability, resulting from financial and economic stress.

Credit growth is expected to continue apace, despite the constraints of higher regulatory reserves in 2016, due to the present low interest rate regime, while deposit growth is also anticipated as a result of favourable macroeconomic conditions.

Non-performing loans and increase in foreign exchange exposures, need to be closely monitored to ensure that proper risk management mechanisms are in place to mitigate potential risks.

The banking sector will continue to expand its traditional access points (branches and ATMs), whilst placing more emphasis on digital

and e-based initiatives in the coming years. The domestic, systemically important banks will look for avenues of regional expansion, which will progressively enhance the geographical reach of the banking sector.

Internal Capital Formation – Financial Review

- Maintained the growth momentum in profits surpassing last year’s figure, recording the highest ever profit after tax of Rs. 3.83 Bn. during the Bank’s 28 years history.
- Total Assets base reached Rs. 296 Bn., a growth of 18.86% over 2014.
- Successfully mobilised Rs. 38.6 Bn. of deposits, a growth of 20.76% in comparison with 2014.
- Total net advances recorded a growth of 24.61% over 2014 and stood at Rs. 193.1 Bn.
- Recorded a Capital Adequacy Ratio of 12.87%, which is well above the statutory limit.
- Strong liquidity, recording a ratio of 27.56% (DBU) as at 31st December 2015.

- Profit per employee in year 2015, was Rs. 1.24 Mn. as against Rs. 1.04 Mn. in 2014.
- Significant achievement in asset quality with decline in NPA (net of IIS), from 7.69% in 2014 to 4.68% by end 2015.

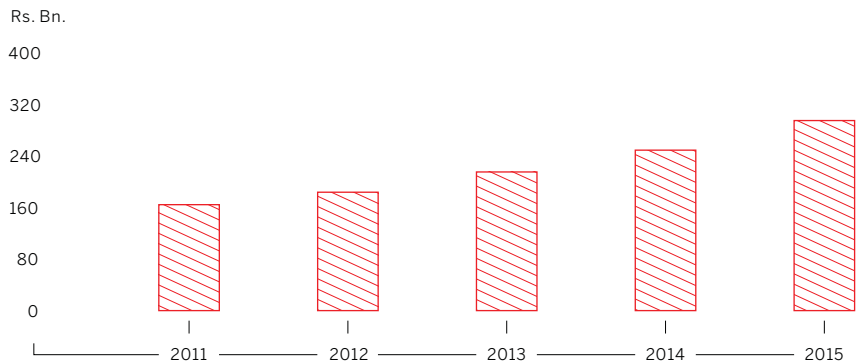
Statement of Financial Position as at end December 2015

Growth

Total assets increased by 18.86% to Rs. 296 Bn., which was significantly higher than last year’s growth rate of 15.87% and indeed one of the highest asset growth rates achieved. By nearing the total assets base of the Bank to Rs. 300 Bn., Seylan was able to consolidate its position as one of the systemically important domestic commercial banks in the country’s financial system.

This growth was financed primarily by a commensurate growth in deposits of 20.76%, as against 11.08% in 2014. The distribution of assets was largely in credit, which grew by 24.61% and in the form of other financial investments (Held for trading and available-for-sale).

Total Assets



Customer deposits reached



achieving a 20.76% YOY growth

Advances

A significant growth momentum in credit was experienced during the third and fourth quarters resulted in a surge in credit growth in 2015 of 24.61%, compared to 13.48% in 2014. Leasing business grew by 40.15% in a conducive business environment for vehicle imports, as opposed to a growth of 22.52% in 2014. The restrictions imposed on imported vehicles in the last quarter of the 2015 has subsequently slowed this growth. Trust Receipts Loans and RIL's saw a growth of 35.81% with term loans and housing loans growing by 28.04% and 20.55% respectively. Consolidation of the pawning portfolio continued into 2015 with marginal growth. Foreign currency financing grew by 37.65% , the major component of which was

in United States Dollars (US\$), with export bill financing recording a growth of 67.49% and term loans by 32.76%.

Deposits

Deposit growth recorded at 20.76%, which out performed our 2014 growth rate of 11.08%. The deposit campaigns conducted across the island were very fruitful, which helped to increase the total deposit base to Rs. 224.53 Bn., recording a growth of 20.76% over deposits in 2014. The Bank's multiple range of deposit products with diverse value added features, targeting a wide spectrum of customer segments from infants to senior citizens, contributed to this growth. Senior citizen deposits introduced in the budget proposals at higher interest, recorded a growth in the year under review.

In our deposit drive in 2015, we continued our thrust for low-cost CASA deposits, which accounted for 25.58% (Rs. 9.873 Bn.) of the overall 20.76% growth in deposits. CASA ratio to total deposits stood at 36.28% in 2015.

Asset Quality

The quality of new credit in 2015, was much higher with gross NPA (based on CBSL Guidelines) declining from Rs. 14.921 Bn. in 2014 to Rs. 11.200 Bn. in 2015, a decline of 24.94%. The overall gross NPA ratio too declined from 9.08% in 2014 to 5.57%, while the NPA ratio, (net of interest in suspense) declined from 7.69% to 4.68%, which was a significant achievement in 2015. The Bank's rigorous efforts in recovering NPA's, through continuous monitoring, contributed significantly to the reduction of NPA.

Impairment Allowance on Loans and Receivables

The improvement in credit risk exposure in 2015, was reflected in the greatly reduced individual impairment allowance in 2015, which declined from approximately Rs. 2.337 Bn. in 2014, to Rs. 2.020 Bn. with the net impairment for 2015 of Rs. 841.302 Mn., recording a decline of 58.39% over 2014 thus signifying considerable improvement in the quality of new credit granted. Collective impairment provisions also declined from Rs. 4.68 Bn. to Rs. 3.72 Bn. during the year under review reflecting a reduction of 20.47%.

Income Statement/ Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st December 2015

Income

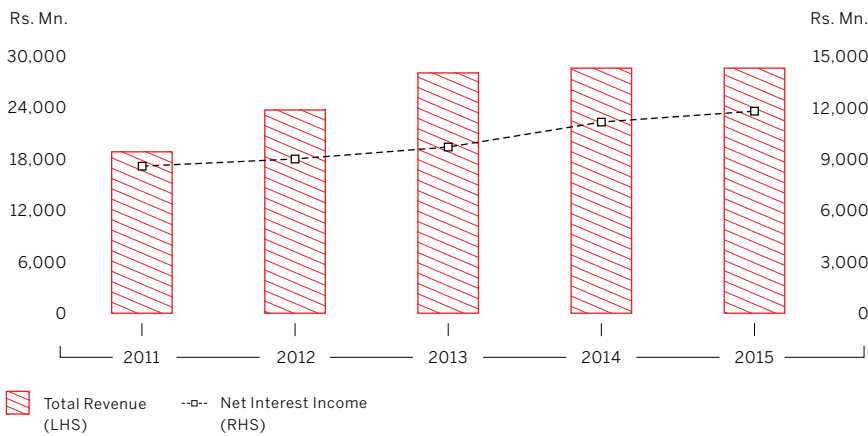
The increase in total income was marginal from Rs. 28.564 Bn. in 2014 to Rs. 28.586 Bn. in 2015. Net interest margins of the Bank reduced from 4.92% in 2014 to 4.42% in 2015, due to pressure on margins. It was also noted that the non-interest income growth across other business lines supported the growth in the overall income base. Bridging the shrinking yields and the low interest scenario, Fee and Commission income grew by 19.75% in 2015 which is well above the growth rate of 6.29% recorded in 2014.

to the increase in Net Interest income (NII). The timely repricing of funds and effective management of the Bank's assets and liabilities with excess liquidity diverted to higher-yielding loans and advances, has enabled the growth momentum in profits maintained in 2015. The contribution of NII to total operating income, increased to 73.24% in 2015 from 68.78% in 2014.

Fee and Commission Income

Fee and commission income of Rs. 2,811 Mn. in 2015, reflected a significant increase of 19.75% over the previous year, reflecting the enhanced business available mainly on lending, trade financing and credit card operations in 2015 and represented 17.41% of total operating income in 2015, compared to 14.46% recorded in 2014. The Bank continued to forge its trade finance service and credit card operations through a superior and personalised service.

Total Revenue and Net Interest Income (NII)



The low interest rate climate that prevailed in 2014 continued into 2015, causing net interest income to record a growth of 5.92%. On the other hand, the continued low interest rate cost on deposits and other borrowings in 2015, saw an increase in interest expense of only 0.68% on an increase in total deposits of 20.76%, which contributed largely

Net Trading Income, Net Gain on Financial Investment and Other Operating Income (Net)

Net Trading Income, Net Gain on Financial Investments and Other Operating Income (net) accounted for 10.06% of Total Operating Income in 2015, against 17.31% in 2014. The main decline being due to the lower contribution of capital gains on the Government securities portfolio.

During 2014, the cumulative capital gains on the Government Securities portfolio, recorded in the Income Statement, was Rs. 1,831 Mn. while it reduced to Rs. 317 Mn. in 2015.

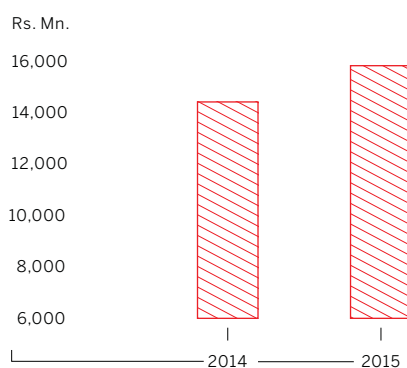
Other operating income in 2015 recorded a decline of 75.06% over 2014 due to foreign exchange losses reported during the year.

Total Operating Income

Total operating income was Rs. 16,146 Mn. in 2015, as compared with Rs. 16,231 Mn. in 2014.

A significant contributor to last year's performance, was the capital gains on the Government Securities Portfolio, which was Rs. 1,831 Mn. as compared with Rs. 317 Mn. earned in 2015. Once capital gains are excluded, total operating income reflects Rs. 15,829 Mn. in 2015, as compared with Rs. 14,400 Mn. in 2014, reflecting a 10% growth in the core business activities of the Bank.

Total Operating Income (Excluding Capital Gains)



Cost Controls

Expense growth was reduced further in 2015 to 6.36% from 10.99% in 2014. Operating expenses increased from Rs. 8,109.13 Mn. in 2014 to Rs. 8,624.57 Mn. in 2015, due to the increase in staff salary cost as per the latest Collective Agreement and also investment on relocation and refurbishment of existing branches. Establishment expenses increased by 5.87%, compared to 1.05% reduction recorded in 2014. Other overhead expenses increased by 5.96% over the last year and stood at Rs. 2,600.55 Mn. in 2015. The growth of operating expenses has been managed and maintained throughout the year as a result of various cost

control initiatives, the adoption of practices in maintaining low cost branch model and the redeployment of existing staff.

Taxation

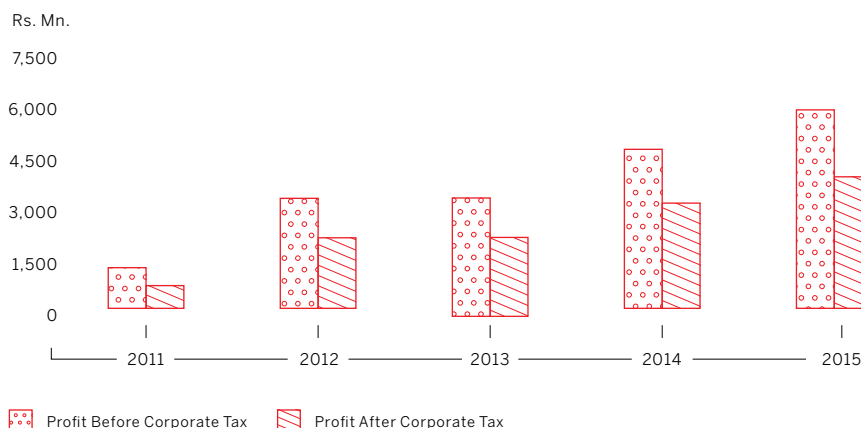
The effective tax rate remained at 34% in 2015, similar to 2014. Total income tax provision increased by 23.87% for the year to Rs. 1,946 Mn. from Rs. 1,571 Mn. in 2014. The Bank recorded a net deferred tax liability of Rs. 336.1 Mn. as at 31st December 2015, as against a net deferred tax asset of Rs. 18 Mn. as at end of 2014. The tax effects of temporary differences that gave rise to significant portions of deferred tax liability, are presented in Note No. 33 to the Financial Statements. In

addition, the Bank paid a one-off Super Gains Tax of Rs. 867.4 Mn. during 2015, based on the budget proposals enacted in the month of September in three installments, commencing October 2015.

Profitability

The Bank's pre-tax profits recorded a growth of 24.25% in 2015 to Rs. 5,776.71 Mn. from Rs. 4,649.44 Mn. in 2014, while Group pre-tax profits also improved by 20.42% to Rs. 5,822.61 Mn. The net profit after tax recorded a growth of 24.44% and stood at Rs. 3,830.94 Mn. while the Group net profit after tax recorded a year-on-year growth of 19.47% to Rs. 3,885.95 Mn. for the year ended 31st December 2015.

Profit Before and After Corporate Tax



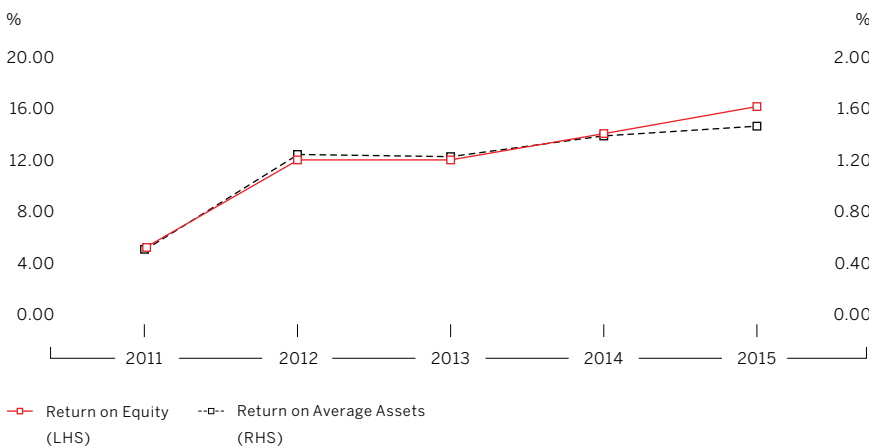
Profitability ratios also reflected the strong earnings in 2015 and were impressive, as evidenced by an increase in after tax Return on Assets (ROA) to 1.40%, from 1.33% in 2014 and after tax Return on Equity (ROE) of 15.62%, which increased from 13.45% in 2014.

Recorded the highest ever profit after tax of



in the Bank's history with an impressive 5-year CAGR of 25.53%

Return on Average Assets & Return on Equity



Individual and Collective Impairment Allowance

Overall, the strong operating performance was largely sustained by the significantly reduced individual and collective impairment

provisions made in 2015. Individual impairment allowance in 2015, which declined from approximately Rs. 2.336 Bn. in 2014, to Rs. 2.020 Bn. with the net impairment for 2015 of Rs. 841.302 Mn. recording a decline of 58.39% over 2014, thus signifying considerable improvement in the quality of new credit granted.

Allowance for collective impairment declined from Rs. 4,676 Mn. to Rs. 3,718 Mn. (-20.47%), further explaining the improvement of credit quality.

Capital

The Bank continued to be well capitalised, with a core capital ratio and a total Capital Adequacy Ratio of 12.24% and 12.87% in 2015, slightly lower than those recorded in 2014. Although internally generated capital, in the form of retained earnings increased by 22.48% in 2015, a decline in other reserves by 34.90% mainly due to the mark-to-market loss on the available-for-sale portfolio and the payment of Super Gains Tax and the increase in risk-weighted assets by 22.72%, caused the ratios to decline marginally over those of 2014.

A Common Equity Tier I ratio of 12.24%, 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, augurs well for the capital strength of the Bank and for the expansion of risk assets.

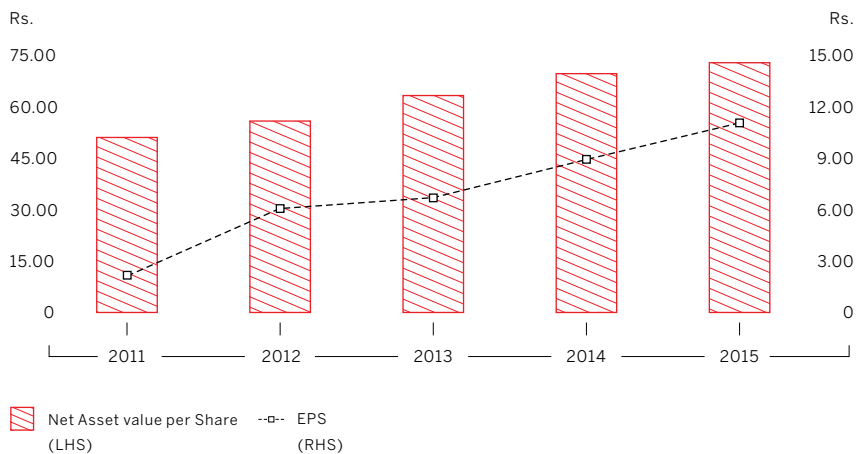
Overall the Statement of Financial Position remains strong, with the key financial soundness indicators of capital and asset quality continuing to gain traction with the net non-performing loan (Net of IIS) ratio improving significantly from 7.69% in 2014 to 4.68% in 2015 (As per CBSL Guidelines).

Shareholders' Funds

Shareholders' Funds increased by Rs. 1,047.14 Mn. or by 4.36% in 2015. The shareholders' funds were impacted by the payment of the Super Gains Tax and the mark-to-market loss on the available-for-sale portfolio.

Accordingly, the net assets value of the Bank, improved from Rs. 69.60 per share to Rs. 72.63 per share in 2015, while the net assets value of the Group improved from Rs. 73.04 per share in 2014 to Rs. 76.21 per share in 2015.

Earnings Per Share and Net Asset Value Per Share



The Bank proposes a final cash dividend of Rs. 2.75 per share, amounting to a gross dividend payment of approximately Rs. 949 Mn.

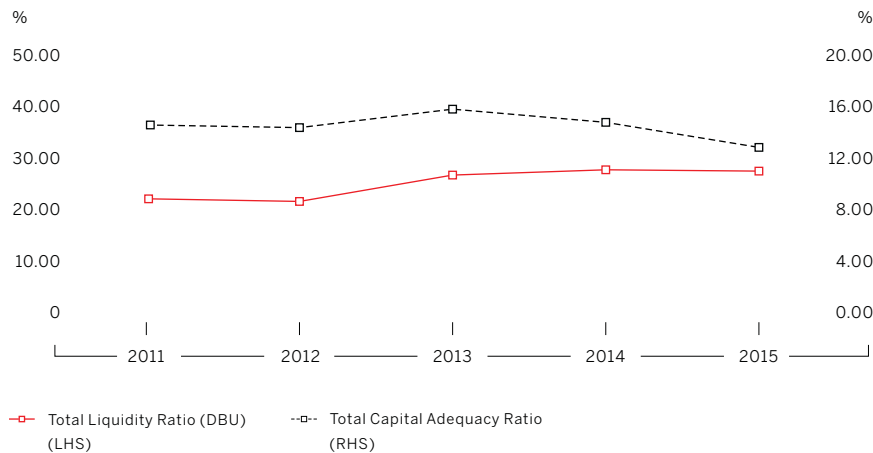
Our Financial Soundness Indicators (FSIs)

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.

Total Capital Adequacy Ratio & Liquidity Ratio



Capital Adequacy

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 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 standards, despite a significant growth in risk-weighted assets in 2015.

Organic Growth of Capital

At 12.87%, 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 Tier I common equity or core capital at 12.24%, 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 around 71% of profits have been retained over the last 3 years. The growth momentum in retained earnings in 2015 of 22.48%, has been maintained at the same level as in 2014.

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, established to cover potential losses in the business. The Reserve Fund as at end 2015, is in excess of Rs. 1 Bn. and stands at Rs. 1.187 Bn.

Capital Growth

The growth trend in capital, since the Bank was first recapitalised in 2009, at an annual average growth rate of 36.70% is significant, which has 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 to Rs. 25.056 Bn, are already in excess of the proposed increase in minimum capital funds for domestic banks of Rs. 10.0 Bn.

Assessment of 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 standards, our economic capital too is consistently assessed under the Internal Capital Adequacy Assessment Plan (ICAAP), all banks are subjected to, by the regulators. 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

The major earning asset of the Bank continues to be its credit portfolio, where credit stood at Rs. 193.10 Bn. or 65.17% of total assets, yielding a net interest income representing 73.24% of total operating income. The quality of credit too was higher than 2014. Impaired loans and advances representing 5.6% of total credit, declining from 9.1% in 2014, which is a decline of 38.46%. It is noteworthy that the value of gross impaired loans had declined by Rs. 3.721 Bn. 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 rich dividend.

With the transition from time-based to incurred-loss-based provisioning for loans and advances under LKAS 39, the Bank made a provision of approximately Rs. 488.90 Mn. against impairment for loan losses for 2015. (In 2014, the Bank incurred impairment losses for loans and receivables of Rs. 2,291.93 Mn.).

38 Total net impairment losses decreased from Rs. 2,269.52 Mn. in 2014, to Rs. 488.90 Mn in 2015, mainly due to decrease of Rs. 1,180.59 Mn. for individual impairment and Rs. 430.80 Mn. for collective impairment.

The NPA ratio of the Bank (net of IIS and based on CBSL Guidelines) as at end December 2015, declined from 7.69% to 4.68%, which was a significant achievement in 2015. The Bank's rigorous effort in recovering NPA's contributed significantly to this reduction of NPA.

	2015 Rs. Mn	2014 Rs. Mn
Impaired Loans		
Individually Impaired Loans	5,323	7,752
Collectively Impaired Loans	5,877	7,169
	11,200	14,921
Less: Allowance for Impairment		
Individually Impaired	2,020	2,336
Collectively Impaired	3,718	4,676
	5,738	7,012
Impaired Loans net of Allowance for impairment	5,462	7,909

Details of impaired loans based on SLFRS/LKAS is given in Note 24 to the Financial Statements.

Liquidity – Adequate and in Excess of Mandatory Limits

Liquid assets of the Bank represent 30.35% of total assets and 35.17% of deposits and other liabilities, reflecting a healthy credit to deposit ratio of 88.56%, approximately. Liquid assets to short-term current and savings deposits stood at 90.59%. Liquidity has been well managed much above the statutory limit of 20%.

Liquidity in the Domestic Banking Unit stood at 27.56% and in the Foreign Currency Banking Unit at 21.51%, 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 and 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 these gaps at the least cost to the Bank. The liquidity ratios, as enumerated in 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 24.25% to reach Rs. 5,776.71 Mn. compared to Rs. 4,649.44 Mn. 2014, while Group pre-tax profits also improved by 20.42% to Rs. 5,822.61 Mn. The net profit after tax for the Bank recorded a similar growth of 24.44% and stood at Rs. 3,830.94 Mn. while the Group net profit after tax recorded a year-on-year growth of 19.47% to Rs. 3,885.95 Mn. for the year ended 31st December 2015.

The resultant profitability ratios too for 2015 were impressive, as evidenced by an increase in after tax Return on Assets (ROA) to 1.40% from 1.33% in 2014 and after tax Return on Equity (ROE) of 15.62% which increased from 13.45% in 2014.

Cost to Income/ Efficiency Ratio

The cost to income ratio increased by 3.83% points to 61.20% in 2015, compared to 57.37% in 2014, due to increase of staff salary cost as per the latest collective agreement and additional investment on branch relocations and refurbishments (cost to income ratio excluding VAT and NBT in 2015 stood at 53.41%, in comparison with 49.96% in 2014).

Key Performance Indicators (KPIs)

Growth Trend in Assets, Deposits and Advances – Market Share of 4% 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.

	2015	2014	Growth/ (Reduction)	KPI's against the budget achieved/not achieved
	Rs. Mn.	Rs. Mn.	%	
Customer Deposits	224,525	185,924	20.76	✓
Net Customer Loans and Receivables	193,104	154,963	24.61	✓
NPA (with Interest Receivables)	11,200	14,921	(24.94)	✓
Net Interest Income (NII)	11,825	11,164	5.92	✓
Fee and Other Income (Net)	4,321	5,067	(14.72)	✓
Profit After Tax	3,831	3,079	24.44	✓

Assets – Positive Growth Trend Continued

The positive growth trend in total assets continued by 18.86% in 2015, which was significantly higher than the 15.87% growth in 2014. The growth thrust in 2015 was primarily in loans and advances and in other financial investments.

Deposits – Growth Momentum in Low-Cost CASA Deposits Maintained

Deposits and Deposits Growth



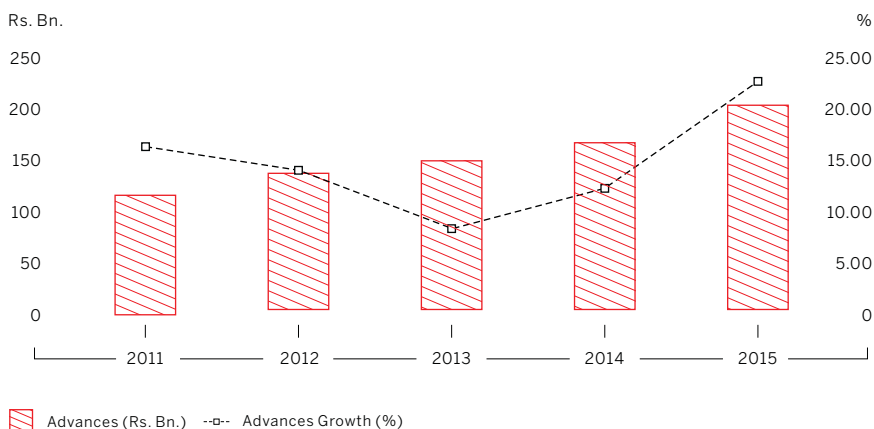
Deposits stood at Rs. 224.53 Bn. as at 31st December 2015, compared to Rs. 185.92 Bn. at the end of 2014, which was a considerable improvement and a growth of 20.76% in 2015. Deposits funded 75.77% of total assets in 2015. The growth in low cost deposits was 13.79% and stood at Rs. 81,468 Mn. as at 31st December 2015. Low-cost CASA

deposits accounted for 25.58% of the net deposit growth for 2015 and accounted for 36.28% of total deposits. Total interest-bearing deposits increased to Rs. 206.78 Bn. in 2015 from Rs. 170.76 Bn. a year ago. Total non-interest bearing deposits increased to Rs. 17.75 Bn. in 2015 from Rs. 15.17 Bn. a year ago.

Loans and Advances – Growth Momentum Commensurate with Deposit Growth

Supported by the growth in deposits, net loans and advances outpaced deposit growth to record a growth of approximately 24.61% to Rs. 193.104 Bn. as at 31st December 2015, compared to a growth of 13.48% as at end December 2014. The increase reflected the business climate which prevailed in 2015 and was reflected largely in leasing (40.15%), trade financing (35.81%) and in term loans (28.04%). Pawning advances grew marginally. The special leasing campaign announced in 2014, gathered momentum in 2015, while credit growth was largely driven by the SME and corporate sectors. We will continue to focus both on increasing our market share in the corporate sector.

Advances and Advances Growth



Future Outlook

Enhancing Our ROA and 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 returns to 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 order to deliver the best to our investors and other stakeholders.

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

Year	2015 Actual	2014 Actual	2016 Target
ROE (%)	15.62	13.45	>16.00
ROA (%)	1.40	1.33	>1.45

Growth of the Business Volumes

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

Net Loans & Advances recorded a



YOY growth and reached Rs. 193 Bn.

Our actual and estimated growth in deposits and advances are indicated in the table below:

	2015 Actual Rs. Bn.	2014 Actual Rs. Bn.	2016 Target Rs. Bn.
Total Deposits	225	186	>255
Total Gross Advances	199	162	>240

Improvement of Processes

Further, the Bank is continuously working on several strategic initiatives to enhance the operational efficiency, service quality, pricing and optimising returns to stakeholders.

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

Performance of Business Units

Our divisional performance during 2015 was remarkable and contributed to the highest profits in the Bank's 28-year history. Most of the business units achieved their KPIs, well above the targets set, as stated below and detailed later under each unit.

Branch Network and Delivery Channels



Branch Banking

Branch banking has been the major source of the Bank's business with over 2,000 staff under its purview. Our branch footfall is spread all over the island with 159 branches and 95 students' savings centres, where we serve all segments of the community.

Branch banking consists of the entire Branch Network, Branch Operations and delivery channels.

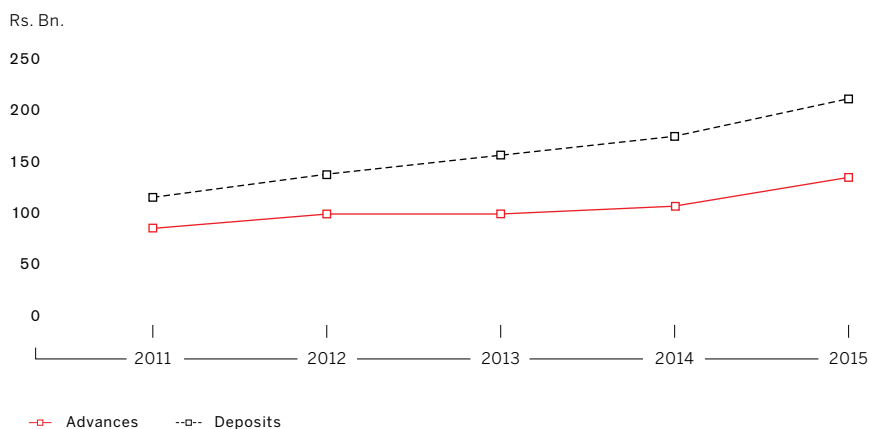
Strategies Adopted and Measures Taken Over the Period to Strengthen Branch Banking

	Strategies	Measures/ Actions Taken
2009	<ul style="list-style-type: none"> Building local customers' confidence 	<ul style="list-style-type: none"> Numerous measures were taken to regain customer confidence Customers were visited by Branch Managers, Area Managers and Deputy General Managers to maintain a close relationship All branches were equipped with adequate liquidity to honour all withdrawals in order to prove the stability of the Bank
2010	<ul style="list-style-type: none"> Selected operation processes were transferred to centralised services to enhance efficiency and cost savings Outsourcing services 	<ul style="list-style-type: none"> Identified key back office functions such as input of customer information, standing order processing, account maintenance etc, were centralised The monthly statements process, cash transportation and other services were outsourced
2011	<ul style="list-style-type: none"> Structural changes within Branch Banking Expansion of our branch network Especially in North and East areas 	<ul style="list-style-type: none"> Divided in to two zones, headed by a DGM for each zone Administration, approval and monitoring of credit related to branches were made a responsibility of the Head of Branch Credit Opened 11 new branches, which includes 9 in North and East areas (since 2009) Extended banking hours adjusted from branch to branch to suit the needs and customs of the locality
2012	<ul style="list-style-type: none"> Expansion of delivery channels Recovery drive clinics Performance monitoring 	<ul style="list-style-type: none"> Added 15 new branches and 21 ATMs to reach new customers Initiated recovery drive clinics at branch level – 59 were conducted in 2012 Each branch was set with 6 financial KPI's such as advances, deposits, NPL, net interest income, other income and profit before tax by which performance is monitored on a monthly basis
2013	<ul style="list-style-type: none"> Streamlined the credit operation process 	<ul style="list-style-type: none"> Established the Credit Administration Unit to streamline back office credit functions from branches Credit administration in the hands of an independent and specialised unit
2014	<ul style="list-style-type: none"> Customer convenience 	<ul style="list-style-type: none"> Refurbished most branches with modern layouts availing greater convenience and offering superior customer service
<p>Strategies Adopted in 2015</p> <ul style="list-style-type: none"> Reallocated the branches under new and existing Regional Area Offices aligned with the competition, regional challenges in the banking industry and the Bank's branch network expansion. Area officers were increased from 11 to 13. Created a Branch Supervision Unit to bring uniformity and controls among branches. 		<ul style="list-style-type: none"> Conducted regional training programmes in order to elevate confidence levels to serve customer needs more effectively. Restructured extended business hours and weekend banking. Reorganised the clearing process, centralised certain functions and implemented management information system, availing branch staff to complete related tasks with greater convenience and efficiency.

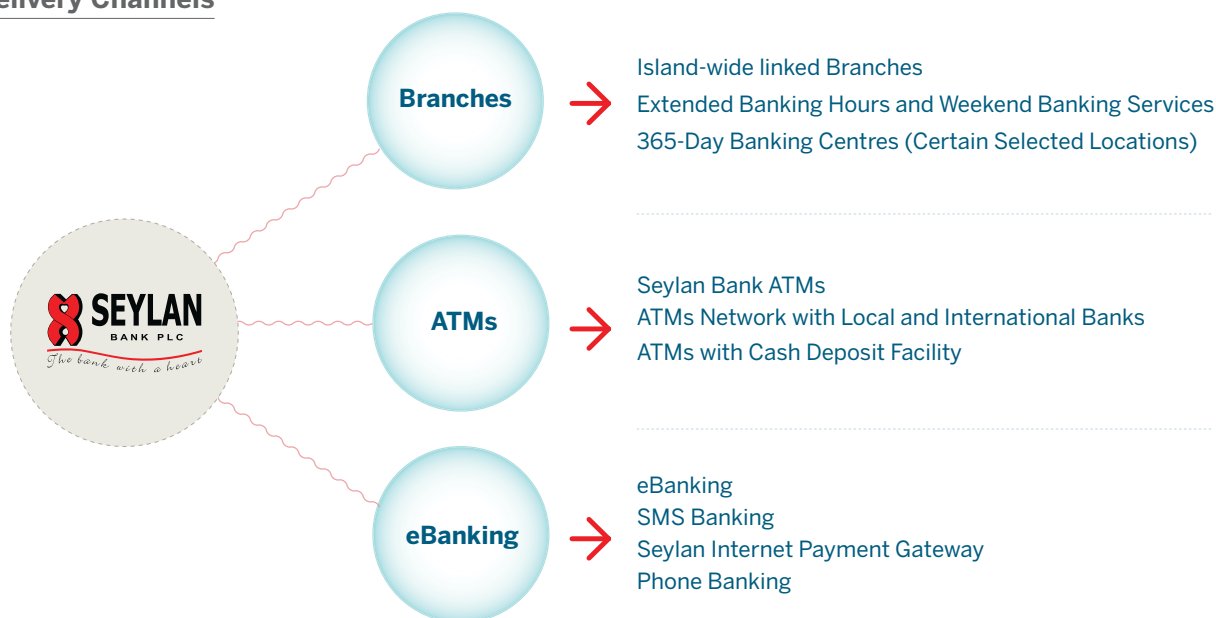
Financial Performance of Branch Banking

As at 31st December	Actual 2015 Rs. Mn.	Budgeted 2015 Rs. Mn.	Variance Rs. Mn.	Actual 2014 Rs. Mn.
Loans and Receivables	134,718	122,265	12,453	106,917
Deposits	211,273	199,946	11,327	174,851
Net Interest Income	6,965	8,283	(1,318)	6,551
Fee-based Income	1,809	1,835	(26)	1,518
Operating Expenses	6,115	6,799	(684)	6,433
Profit Before Tax	2,659	3,319	(660)	1,636

Branch Banking-Advances & Deposits



Our Delivery Channels



Future Strategies/Outlook

- Dedicated SME Units to be established in selected areas.
- Selected branches will be converted to 365-day banking centres to enhance customer convenience.
- Automation and adoption of user/customer-friendly processes will continue.
- The Branch supervision role will be expanded to the regional level under operations department.
- A delinquency follow-up system and loan-origination system will be fully implemented.
- Mobilise business volumes based on region-specific attributes, through the expansion of the branch network.
- Enhance the quality of branch operations, monitoring and customer service through technology-based platforms.



Branch Network and Reach

In 2015, the Bank opened 2 new branches, increasing its main delivery channels to a total of 159. Those key delivery channels provide an island-wide physical presence for the Bank and are located in the hearts of respective towns across the country. New branches were set up in Peradeniya and Pilimathalawa towns. 2 branches were moved to new locations in order to serve customers better in new premises, which offer comfortable, modern banking environments, with disability access and many other value additions. Over 85% of our branches have been refurbished since 2011.

Our branches are equipped to offer a full range of banking services under one roof, ensuring a high level of customer convenience. All our branches are linked on a real time basis with a core banking system to deliver a trusted and quality service to our valued customers.

ATM Network

The ATM network is a key delivery channel, facilitating the carrying out of personal banking transactions 24 hours a day. The Seylan ATM network can be considered as one of the most geographically distributed ATM networks in the country. Presently there are 182 ATMs installed by the Bank including 11 off-site. These

ATMs are connected to Visa, Master, Maestro and Cirrus accredited networks. During 2014, Seylan Bank teamed up with the 'Lanka Pay' network, enabling customers to use ATMs of other banks in Sri Lanka. In-line with its business plan, the Bank consistently invests in developing its ATM technology, and considered as an image builder with a cutting edge.

Commensurate with its branch expansion, the Bank installed five new ATMs in 2015. The Bank also replaced 100 ATM's in its network for additional customer convenience.

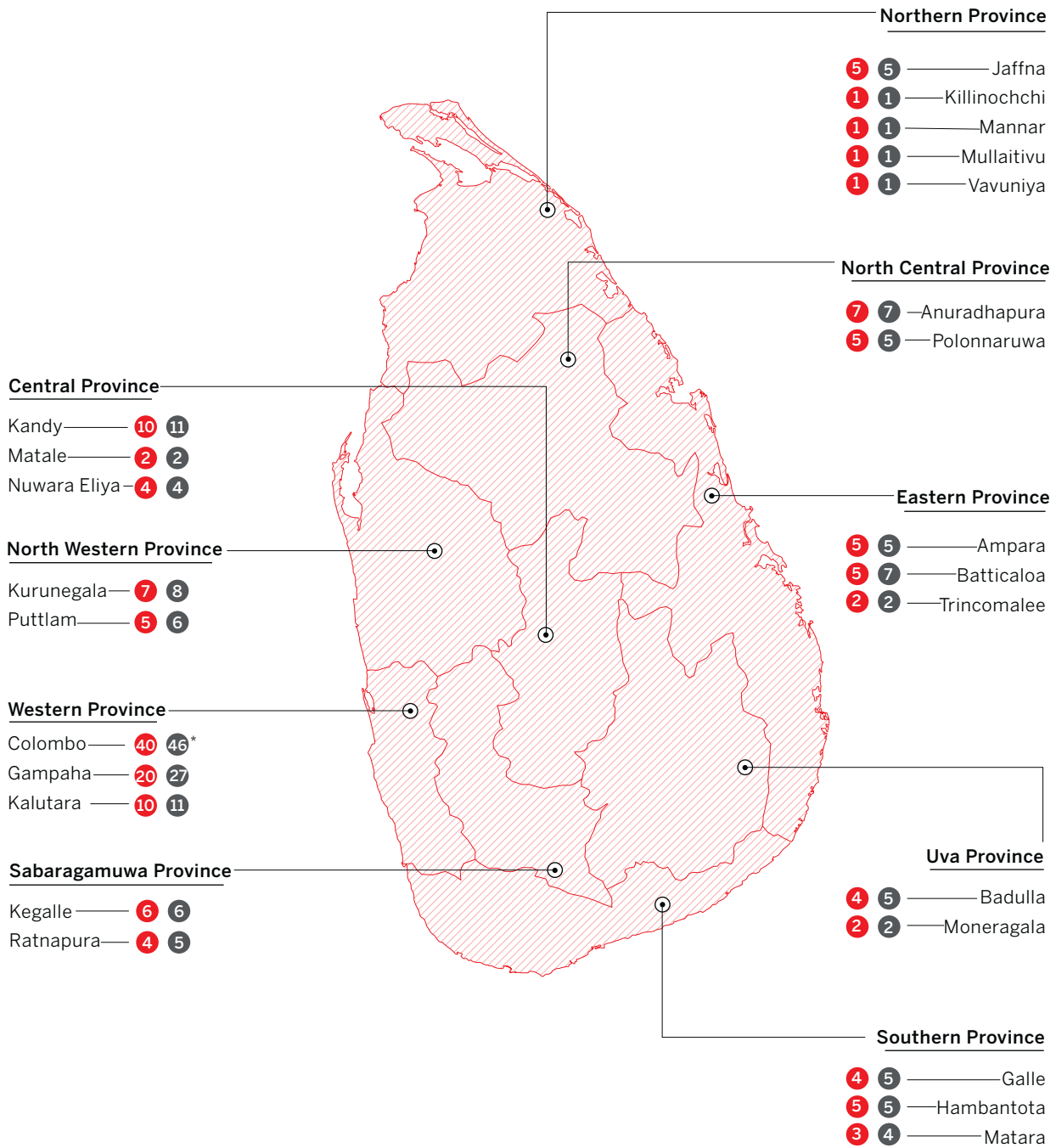
Performance of ATMs and Utilisation

As at 31st December	2015	2014	2013	2012
Number of ATMs	182	177	158	154
Value of Cash Dispensed during the year (Rs. Bn.)	43.59	40.80	35.49	37.58
Daily Average Value of Cash Dispensed (Rs. Mn.)	119.45	111.79	97.25	102.96
Number of Transactions during the Year (Mn.)	4.644	4.816	4.445	4.91
Uptime of the ATM Network (%)	99.53	99.48	99.50	98.90

Alternative Banking Channels



**Our Geographical Presence –
Branches and ATMs**



● Branches ● ATMs

* Including 01 Mobile ATM

Strong islandwide coverage with



Banking Centres

ATMs

Internet Banking

Being one of the pioneer banks in Sri Lanka to launch web based banking solutions to its clients, Seylan Bank has upgraded its Internet Banking system from time to time in the past, to provide more solutions banking services to its valuable customers.

A new internet banking system is due to be rolled out in 2016, enabling customers to carry out their online transactions more conveniently and speedily. The new system offers many value added functionalities to the clients while strengthening their transaction security. Some of the added functions are:

- Simplification of the registration process with the option given to clients to register online.

- Placement of FDs and opening of new savings accounts.
- A straight-through fund transfers to other bank accounts.
- Enhanced security with the introduction of two factor authentication/SMS-based one-time password (OTP) system to enhance transaction security.

SMS Banking

Seylan Bank introduced SMS banking as far back as 2004, enabling its customers to do their banking transactions via mobile phones, instead of visiting the Bank physically.

With the introduction of the SMS alert facility in a new marketing thrust, clients now get immediate notification of their credit/debit card transactions, standing order reminders and loan payment reminders. This facility is considered to be a fraud prevention method for account holders. Seylan Bank currently is in the process of improving the SMS banking facility, with a view to facilitate more enhanced security features and provide advanced banking solutions to its customers.

Phone Banking

‘Seylaphone’, the first ever multilingual phone banking product in Sri Lanka, was launched by Seylan Bank in 1998. The facility is provided to customers free of charge for a life time. Account holders of the Bank could register and use this facility in their preferred language of Sinhala, Tamil or English. Phone Banking provides our customers with account services, activation of cards, report of lost/stolen cards, interest rate inquiries and many more services.

Internet Payment Gateway

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

In 2015, the Bank canvassed a giant, private, telecommunication services provider, thus increasing the Bank’s exposure substantially to the telecommunications sector. Seylan Bank acquired 61 IPG merchants as of end 2015.

Seylan Bank Website

The Bank’s website was revamped and re-launched in an innovative manner, by way of crowd sourcing, a world’s first by a bank, where customers were invited to cut the ribbon and launch the site online. The site has all the latest features and is mobile- responsive. Some unique features are online chat service, interactive calculators, online application and secure socket layer certification (SSL). The website address was changed from www.eseylan.com to www.seylan.lk for convenience to customers.

Growth in Alternative Channels

No. of Customers As at 31st December	2015	2014	2013	2012
Internet Banking	27,822	23,553	19,811	16,216
SMS Banking	275,269	163,068	116,345	85,712
Phone Banking	88,069	88,069	88,066	88,038
Call Centre Call Handling	432,313	466,224	403,090	399,670
Seylan Corporate website hits	926,430	674,511	386,601	403,332
No. of Payment Gateway Merchants	61	48	36	29

Future Strategies/Outlook

1. ATM Network
 - Review ATM operations for process improvement and cost saving.
 - Enhance ATM service offered with additional features and security.
2. Internet Banking
 - New internet banking system to be introduced.
 - Strategies to be taken to attract new customers, especially the younger generation.
3. SMS Banking
 - To market SMS Banking as a value-added service and offer additional alert services, based on transaction types.

4. Phone Banking:
 - Convert Phone Banking customers to Mobile Internet Banking.
5. Internet Payment Gateway (IPG)
 - Market IPG to a wider customer base as a value added service.

Corporate Banking



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

Division mainly focused on strengthening and expanding relationship with the Bank's corporate customers through a solid relationship which offers customised service with tailor-made products.

Strategies Adopted and Measures Taken Over the Period to Strengthen Corporate Banking

	Strategies	Measures/ Actions Taken
2009	<ul style="list-style-type: none"> Maintained corporate customers' confidence Quality lending 	<ul style="list-style-type: none"> Continuous contact and dialogues were maintained with customers to retain them Selective and strict lending practices paved the way for improved credit quality and lower credit risk
2010	<ul style="list-style-type: none"> Concentration on fee-based income 	<ul style="list-style-type: none"> Focused on trade finance, transaction services and foreign exchange as main fee-based income areas for bottom line growth
2011	<ul style="list-style-type: none"> Structural changes 	<ul style="list-style-type: none"> Leasing and margin trading units were brought under the corporate banking unit, so that stronger corporate relationships were built
2012 /13	<ul style="list-style-type: none"> Expansion of lending avenues 	<ul style="list-style-type: none"> Focused on emerging sectors, such as leisure and tourism Continued to extend assistance to export sector and renewable energy sector
2014	<ul style="list-style-type: none"> Strengthening corporate relationships 	<ul style="list-style-type: none"> Provided exceptionally personalised service to attract corporate clients Cost effective business approach used to gear financial solutions at competitive prices. Competitive prices being the main driver
<p>Strategies Adopted in 2015</p> <ul style="list-style-type: none"> Dedicated relationship management concept was adopted to service corporate customers better. Customised the offerings – we were able to customise the services and product solutions to suit the needs of the customers business. 		<ul style="list-style-type: none"> Listening to our customers – Primarily to improve our product and service delivery to better understand our top end clients. Active and aggressive scouting of off-shore business opportunities.

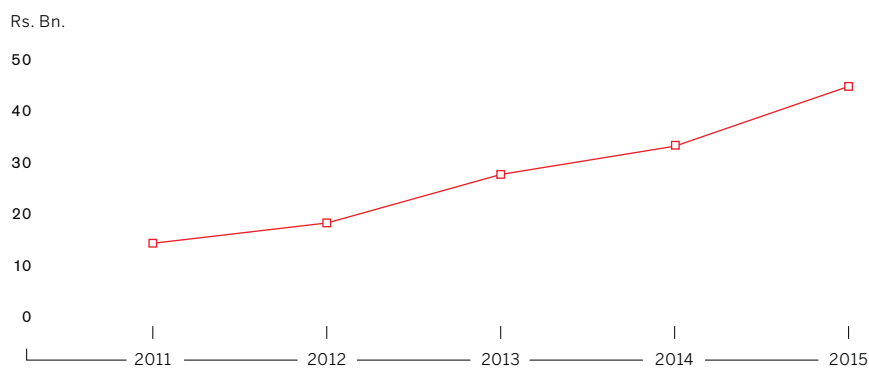
Financial Performance of Corporate Banking

As at 31st December	Actual 2015 Rs. Mn.	Budgeted 2015 Rs. Mn.	Variance Rs. Mn.	Actual 2014 Rs. Mn.
Loans and Receivables	44,622	40,259	4,363	33,135
Deposits	8,458	6,229	2,229	5,443
Net Interest Income	768	945	(177)	840
Fee based Income	201	191	10	216
Operating Expenses	212	240	(28)	471
Profit before Tax	757	896	(139)	585

Future Strategies/Outlook

- Meeting new demands of corporate banking customers through a well established internal structure to successfully address such demands in a coordinated manner.
- Continue to canvass trade customers with an emphasis on the ever increasing importance of trading business.
- Driving customer satisfaction and successful product cross sell – Delivering a consistently excellent customer experience, with the right product mix and superior service delivery.
- Strict and close monitoring of NPA.

Corporate Advances



Retail Banking



The Bank’s retail banking business represents credit cards, pawning, leasing, housing loans and margin trading, which serves its customers through the branch network.

The Bank was successful in achieving its objectives of increasing portfolios and maintaining quality in all portfolios with stiff market competition. Further, the Bank introduced several innovative solutions as well as conducted aggressive marketing campaigns and offered exclusive benefits for our customers throughout the year.

Strategies Adopted and Measures Taken Over the Period to Strengthen Retail Banking

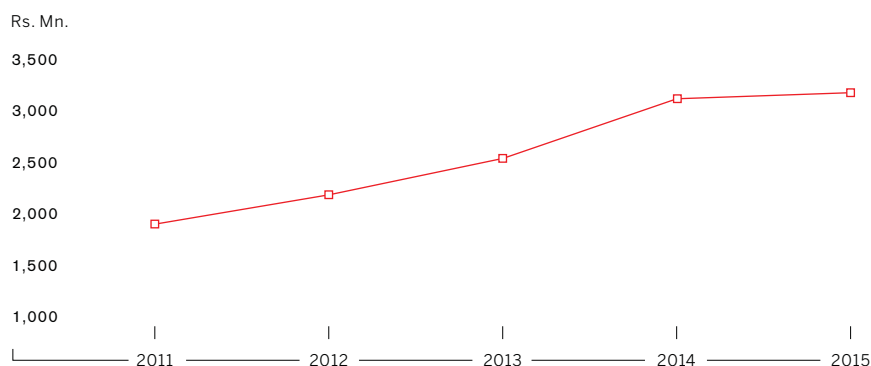
	Strategies	Measures/ Actions Taken
2009	<ul style="list-style-type: none"> Restructure the personal banking division 	<ul style="list-style-type: none"> Appointed a Senior Deputy General Manager as head of credit card centre, housing loans and pawning. Further, all other alternative banking channels were assigned under his purview
2010	<ul style="list-style-type: none"> Enhancing customer interaction 	<ul style="list-style-type: none"> Revamped and upgraded all electronic communications channels Encouraged customers to utilise e-channels by providing various value additions and offering free of charge services to enhance the customer's banking experience Enhanced security features of the systems by enabling 'verified by visa' facility, SMS alert service for every card transaction etc.
2011	<ul style="list-style-type: none"> Competitive advantage through innovation and new products 	<ul style="list-style-type: none"> Rebranded the housing loan scheme to 'Siri Nivasa' and established a special unit to carryout operations Expanded the pawning activities especially in Northern and Eastern Provinces Launched an innovative product 'Seylan Scholar' targeting students pursuing higher education
2012	<ul style="list-style-type: none"> Enhance customer experience through value additions 	<ul style="list-style-type: none"> Introduced the 4-day housing loan product Phone banking facility was provided to customers free of charge for life time Further expanded pawning facility to identified areas Decentralisation of issuance of debit cards
2013	<ul style="list-style-type: none"> Improve services and enhance security features. 	<ul style="list-style-type: none"> Enhanced card system security by introducing the 'Verified by visa' facility, SMS alerts for every card transaction and a 3DS security system Added Australian Dollar and Saudi Riyal travellers card and re-launched Travel card
2014	<ul style="list-style-type: none"> Improved customer convenience 	<ul style="list-style-type: none"> Tied up with 'LankaPay ATM Switch' to provide our customers greater accessibility to their accounts at a lower cost Introduced first ever 'Multi Currency Travel Card' carrying 6 currencies Outsourced call centre operations to provide professional service for its customers Launched 5 year fixed rate housing loan product to the market
<p>Strategies Adopted in 2015</p> <ul style="list-style-type: none"> Exclusive credit card offers were given throughout the year to increase monthly credit card spend of customers. Freedom Credit Card launched in June 2015. 		<ul style="list-style-type: none"> Conducted SMS campaign to attract more customers. Introduced a special proposition for professionals who are granted with higher limits and enhanced the limits based on the past payment pattern for regular payers. Revamped/Relaunched the existing affinity projects.

Credit Cards

Financial Performance of the Card Operations

As at 31st December	Actual 2015 Rs. Mn.	Budgeted 2015 Rs. Mn.	Variance Rs. Mn.	Actual 2014 Rs. Mn.
Loans and Receivables	3,190	3,333	(143)	3,136
Net Interest Income	281	303	(22)	250
Fee-based Income	641	635	6	530
Operating Expenses	540	579	(39)	558
Profit before Tax	382	359	23	222

Card Portfolio



Future Strategies/Outlook

- Recruitment of competent sales staff in a permanent capacity to drive card sales.
- New proposal for tie-ups with large corporates.
- New acquisition channels to increase Credit Card sales.
- Branches to have Credit Card targets as a component of their KPIs to enhance card cross sell opportunities.

Pawning

As shown in the table below, compared to the reduction experienced in 2014, the Bank's pawning base increased by Rs. 464 Mn. during 2015.

Financial Performance – Pawning

As at 31st December	Actual 2015 Rs. Mn.	Budgeted 2015 Rs. Mn.	Variance Rs. Mn.	Actual 2014 Rs. Mn.
Loans and Receivables	8,979	8,859	120	8,515
Interest Income	1,009	908	101	1,011

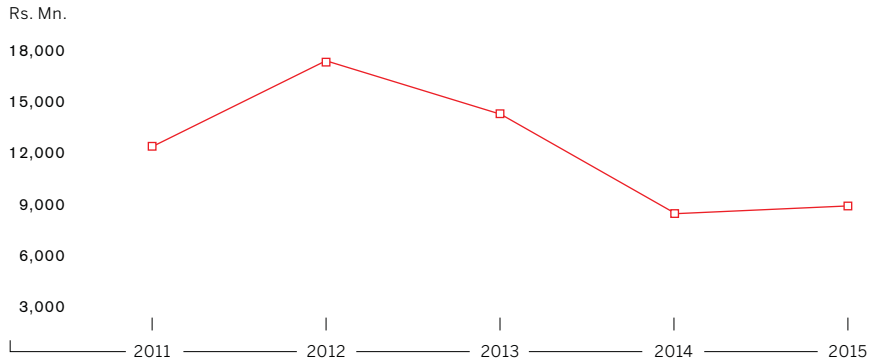
Strategies Adopted in 2015

- Focused on selective lending with a more personalised service.

Future Strategies/Outlook

- Continuous growth in the pawning base with envisaged expansion of the branch network
- Selective area campaigns to be carried out

Pawning – Advances



Leasing



Financial Performance – Leasing

As at 31st December	Actual 2015 Rs. Mn.	Budgeted 2015 Rs. Mn.	Variance Rs. Mn.	Actual 2014 Rs. Mn.
Loans and Receivables	14,922	12,353	2,569	10,647
Interest Income	1,665	1,317	348	1,376

Growth in Volumes

	2015	2014	Growth %	2013
Amount Granted (Rs. Mn.)	9,984	6,161	62	3,714
No. of Leases Granted	3,717	2,150	73	1,605

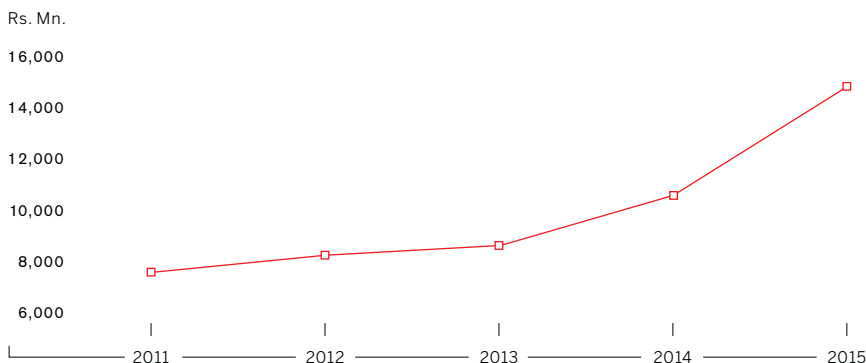
Strategies Adopted in 2015

- Post interim budget period commencing January 2015, saw a rapid increase in the import of vehicles to the country, which further enhanced the conducive environment for leasing.
- The Bank took full advantage of this situation by adopting a number of strategies such as added benefits on upgradeable leases.

Future Strategies/Outlook

- The Bank's leasing system is to be upgraded in the first half of 2016.
- Fiscal measures taken by the Government during the post budget period commencing November 2015, to curb the growth of vehicle imports, together with the regulatory decision taken to restrict the Loan to Value Ratio to 70% is expected to slow down the growth momentum of leasing during the year 2016.

Leasing – Advances



Housing



During 2015, the Bank was able to exploit the demand for housing and other loans.

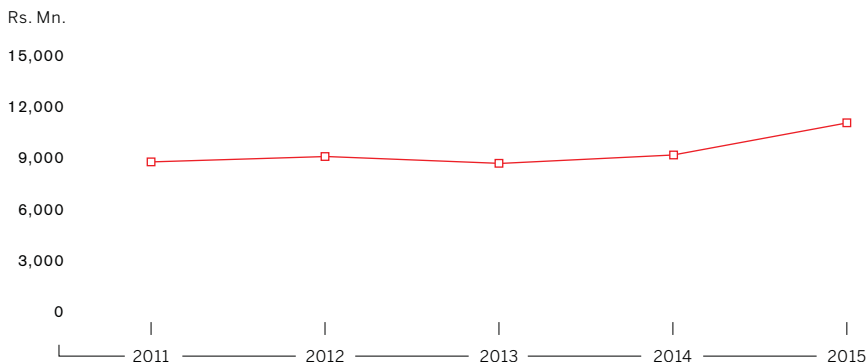
Strategies Adopted in 2015

- Price adjustments in-line with market prices.
- Promoting housing loans and simplifying the process.
- Tie up with several condominium property companies and assisting the buyers with credit facilities.

Financial Performance Housing

As at 31st December	Actual 2015 Rs. Mn.	Budgeted 2015 Rs. Mn.	Variance Rs. Mn.	Actual 2014 Rs. Mn.
Loans and Receivables	11,059	10,429	630	9,174
Interest Income	1,135	1,070	65	1,111

Housing – Advances



Growth in Volumes

As at 31st December	2015	2014	Growth (%)	2013
Amount Granted (Rs. Mn.)	4,713	2,424	94	1,014
No. of Housing Loans Granted	1,235	1,044	18	531

Future Strategies/Outlook

- Pursue tie-ups with property developers and condominium property companies.

Margin Trading

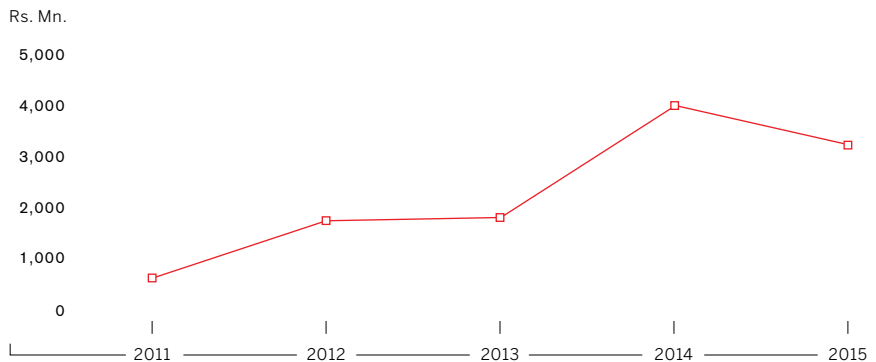
Strategies Adopted in 2015

- The Capital and investment market during 2015, was not as conducive when compared to the previous year, with fluctuations in the market indices, which saw an average decline throughout the year.
- The main strategy of the Bank was to retain its portfolio, which the Bank was successful in maintaining for most part of the year, despite the strong competition prevailing in the market.

Financial Performance Margin Trading

As at 31st December	Actual 2015 Rs. Mn.	Actual 2014 Rs. Mn.
Loans and Receivables	3,242	4,024
Interest Income	346	338

Margin Trading Portfolio



Future Strategies/Outlook

We expect the capital market to pick up during 2016 and plan to capitalise on the upturn, with direct marketing to selected high net worth individuals and institutional customers.

NPA (Net of IIS) brought down to



**as at 31st December 2015 from 29.29%
as at 31st December 2009, a singular
feat by itself**

Treasury



Despite volatile in local and international market conditions, the Bank's Treasury Division had an extremely successful year and contributed significantly to the Bank's bottom line. The Treasury was faced with volatile exchange rates in major currencies, due to mixed signals from the US and European markets, as well as from a depreciating Sri Lankan Rupee.

Our Treasury Division consists of treasury department, primary dealer unit and the gold investment unit.

Strategies Adopted and Measures Taken Over the Period to Strengthen the Treasury Division

	Strategies	Measures/ Actions Taken
2009	<ul style="list-style-type: none"> Restructure the personal banking division Optimal utilisation of funds and other resources 	<ul style="list-style-type: none"> Restructured the Division with proper Back Office, Middle Office and Front Office reporting lines Reassigned the Treasury Middle Office function under Head of Risk Operations were closely monitored at ALCO and periodic performance reviews
2010	<ul style="list-style-type: none"> Staffing and resources 	<ul style="list-style-type: none"> The Treasury Front Office staff cadre strengthened with addition of new staff Commenced a market focused corporate sales desk within the Treasury to further strengthen the Treasury Operations Treasury staff is continuously trained to be in-line with changing market trends
2011	<ul style="list-style-type: none"> Improve the risk management 	<ul style="list-style-type: none"> Reduced the exposure to the equity market with a reduced trading portfolio Treasury Back Office function was reassigned under DGM – International
2012	<ul style="list-style-type: none"> Efficiency of processes 	<ul style="list-style-type: none"> Amalgamation of the primary dealing unit with Treasury
2013	<ul style="list-style-type: none"> Strategic deviation 	<ul style="list-style-type: none"> Reduced our exposure on the equity portfolio and bid aggressively in the primary market for Treasury Bills
2014	<ul style="list-style-type: none"> Proactively managed the portfolio 	<ul style="list-style-type: none"> Prudently managed Government Security Investments and maximised contribution to the Bank's bottom line The 'Treasury corporate sales desk' fully focused on customer acquisition, retention and advisory services
<p>Strategies Adopted in 2015</p> <ul style="list-style-type: none"> Government security investment portfolio holdings were increased to capitalise on the high risk-free returns prevalent in the market. Increased funding lines were sourced from international banks to finance the Bank's expanding trade activities. 		<ul style="list-style-type: none"> Increased FOREX trading lines put in place to facilitate arbitrage trading in major currencies and position covering. The Bank also implemented a robust treasury risk-management framework and limit structure as per regulatory requirements. Treasury corporate sales desk staff was deployed to acquire new treasury and trade customers, treasury product sales, customer advisory services in relation to treasury and high value deposit mobilisation etc.

Financial Performance of the Treasury Division

As at 31st December	Actual 2015 Rs. Mn.	Budgeted 2015 Rs. Mn.	Variance Rs. Mn.	Actual 2014 Rs. Mn.
Net Interest Income	1,869	1,391	478	1,516
Foreign Exchange Income	594	404	190	359
Other Income	424	220	204	1,943
Operating Expenses	415	362	53	559
Profit before tax	2,472	1,653	819	3,259

Future Strategies/Outlook

- Maximise the potential to increase the volume on the back of operational effectiveness with the implementation of the new Treasury system.
- Increase our volumes in dollar/ rupee trading.
- Bid more aggressively in the market for Treasury Instruments
- Target corporate and retail clientele sales for the Treasury Bills secondary market operations.

International and Trade



Despite restraints in the global market environment for Sri Lankan exports, International Division has contributed commendably for the Bank's performance during 2015.

Bank's International Division was restructured to handle the operational aspects of the trade and remittances services while it strengthened and delegated the branches to promote the business which create strong relationships with customers.

Strategies Adopted and Measures taken Over the Period to Strengthen the International and Trade Operations

	Strategies	Measures/ Actions Taken
2009	<ul style="list-style-type: none"> Build the local customers' and correspondent banks' confidence 	<ul style="list-style-type: none"> Retained the trade clients through personalised service and by taking maximum effort to cater to their needs overseas Developed new relationships to perform overseas business
2010	<ul style="list-style-type: none"> The year of consolidation 	<ul style="list-style-type: none"> Trade business was almost doubled compared with previous years while the remittance business too increased progressively
2011	<ul style="list-style-type: none"> Focus on business development 	<ul style="list-style-type: none"> The support of our key correspondents was also noteworthy and it helped the Bank to conduct more business than in previous years Seminars and customised workshops on international business were held for the existing and potential clients
2012	<ul style="list-style-type: none"> Target new clients while improving existing business More focus given to remittances services 	<ul style="list-style-type: none"> Canvassed new business clients and the preservation of existing relationships Joint customer visits with business managers Appointed representatives in Lebanon and Qatar to provide and promote Seylan Bank's remittance services
2013	<ul style="list-style-type: none"> Enhanced value additions 	<ul style="list-style-type: none"> Set up dedicated trade desks at identified branches Expanded trade business in-line with expansion of the branch network
2014	<ul style="list-style-type: none"> Strengthened relationship 	<ul style="list-style-type: none"> Introduced the 'branch co-ordinator' concept where the key trade clients of branches were allocated among the officers of the Trade Department to provide them a personalised service 'Trade road show concept' was initiated targeting high potential areas along with the relevant branches to canvass trade clients
<p>Strategies Adopted in 2015</p> <ul style="list-style-type: none"> Offered flexible trade tariff and competitive exchange rates to create a sustainable competitive advantage over the others. Visited prime and potential trade clients attached to branches to strengthen the Bank-client relationship. 		<ul style="list-style-type: none"> Successfully automated the transaction processing procedure to reduce the turnaround time and to receive remittances online real-time with several web based remittance products. Successful negotiations with correspondent banks for higher rebates on trade transactions. Training sessions were carried out at client premises for selected clients on the operational aspects of trade finance.

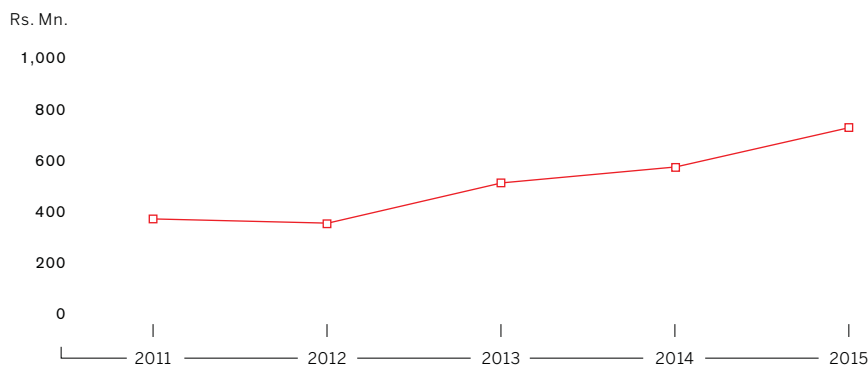
Financial Performance

As at 31st December	Actual 2015 Rs. Mn.	Budgeted 2015 Rs. Mn.	Variance Rs. Mn.	Actual 2014 Rs. Mn.
International Trade Related Fee Income	726	704	22	572

Future Strategies/Outlook

- Steps to be taken to canvass trade clients from diversified fields, enabling us to have a diversified portfolio of clients so that reliance on a few sectors will be minimised.
- To negotiate with correspondent banks for higher rebate schemes and to optimise the same by higher usage.
- A priority counter to be set up at Imports to exclusively cater to corporate and prime clients of branches so that these sectors will be more focused in the future.
- A time and motion study is to be carried out with the objective of having a standardised client service of high quality.
- Special internal training programmes are to be held for branch managers of potential trade areas, where adequate business is not routed.
- Further centralisation of several trade operations.
- Increase our overseas presence by placing Bank representatives in key corridors.

Trade Related Fee Income



Support Functions

Recoveries

Even though the non-performing advances marginally increased across the Sri Lankan banking sector, Seylan Bank has managed to reduce it drastically in the last few years. The Bank achieved this feat by recovering several large scale advances, auctioning unredeemable pawning articles, selling acquired properties and vehicles with the collective effort through past years.

A well-documented recovery process is available which clearly defines the functions of the branches, area offices and main recoveries division. With the support of Recoveries Division, branches and area offices strictly monitor and manage their NPAs while achieving set goals.

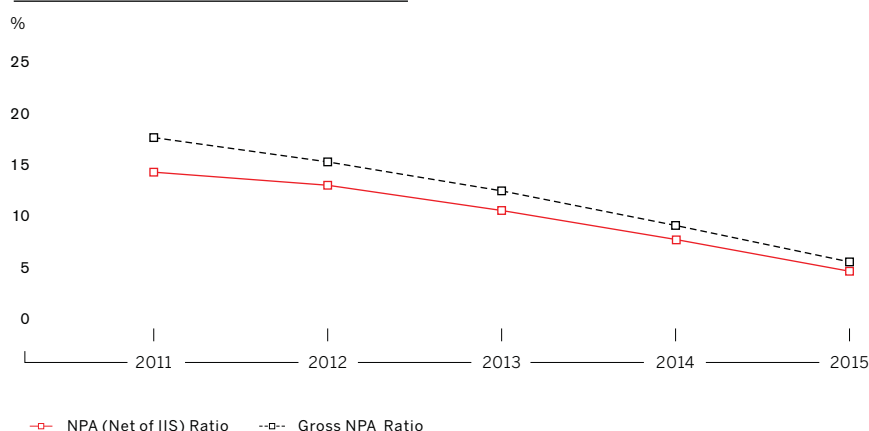
Strategies Adopted and Measures Taken Over the Period to Strengthen the Recoveries Division

	Strategies	Measures/ Actions Taken
2010	<ul style="list-style-type: none"> Restructured the division 	<ul style="list-style-type: none"> A Senior Deputy General Manager was assigned as Head of Department and provided with other resources to speed up the recoveries process Duties and functions were clearly segregated between Recoveries and Legal Divisions Long-and short-term policies and processes were initiated to reduce high NPA of the Bank
2011	<ul style="list-style-type: none"> Strengthened the recovery drive 	<ul style="list-style-type: none"> Introduced special recovery strategies for NPA below Rs. 200,000/- Established closer link between branches and various departments in order to achieve speedy recovery of overdue advances and acquiring properties
2012	<ul style="list-style-type: none"> Focused recovery 	<ul style="list-style-type: none"> Appointed a special task force to review NPA Special concessions given to recover small values of NPA based on specific guidelines Established a separate unit to dispose of foreclosed properties
2013	<ul style="list-style-type: none"> Improved control mechanism and automate NPA system 	<ul style="list-style-type: none"> Credit proposals beyond a stipulated threshold were subject to review by the Chief Risk Officer and the health of the credit portfolio as a whole was monitored by Risk Management Unit. Effective measures were introduced to control new entrants to NPA
2014	<ul style="list-style-type: none"> Reinforced the recovery process 	<ul style="list-style-type: none"> Recoveries department closely liaised with regional and branch managers in monitoring borderline customers Reached amicable settlements with those customers in genuine difficulty
<p>Strategies Adopted in 2015</p> <ul style="list-style-type: none"> Initiated a special monitoring process under the direct supervision of the CEO. A special committee comprising key senior management meets regularly to review the progress of all overdue credit files over certain limits. 		<ul style="list-style-type: none"> Automated the NPA system and provided training for relevant staff, which allowed branches to review their position daily for effective monitoring. Clients who were under litigation were encouraged to reach out-of-court settlements. Special emphasis was given through advertising, as well as personal contacts, to expedite the sale of acquired properties. Special focus was given to customers on watch-list (overdue) in order to control new additions to NPA.

Financial Performance – NPA Details Calculated Based on CBSL Guidelines

As at 31st December	Actual 2015	Budgeted 2015	Variance	Actual 2014
Gross NPA (Rs. Mn.)	11,200	11,996	796	14,921
NPA (Net of IIS) (Rs. Mn.)	9,319	9,943	624	12,445
Gross NPA Ratio %	5.57	6.19	0.62	9.08
NPA (Net of IIS) %	4.68	5.19	0.51	7.69

Gross NPA and NPA (Net of IIS) Ratio



Future Strategies/Outlook

- Control potential borrowers to the non-performing category, with stringent monitoring and quick corrective measures thus, effectively controlling the inflow of new entrants, into the non-performing category.
- Assess risk related controls and ensure a high level of credit quality
- Further strengthen the monitoring process.
- The recovery of certain identified hardcore credit files will be outsourced.
- Measures will be initiated to timely identify potential NPAs, monitor and take corrective action.

Marketing



Marketing plays a pivotal role in enhancing the Bank’s corporate image, positioning product portfolio and strengthening market share through ordinary and innovative media. Marketing Division successfully achieved its key challenges throughout the years in a highly competitive banking environment.

Strategies Adopted and Measures Taken over the Period by Marketing

	Strategies	Measures/ Actions Taken
2009	<ul style="list-style-type: none"> Image building 	<ul style="list-style-type: none"> Conducted multi-front public information campaign with the participation of the Central Bank Governor, Chairman, Directors, GM and other corporate staff Carried out first ever door-to-door public awareness and promotional campaign known as 'Jaya Maga'
2010	<ul style="list-style-type: none"> Internal sales opportunities 	<ul style="list-style-type: none"> Used the Bank's 3000+ workforce to canvass their network of friends and relations
2011	<ul style="list-style-type: none"> Evaluate product marketing strategies in terms of profitability/ viability 	<ul style="list-style-type: none"> Special efforts were made to energise the newly launched <i>Tikiri Plus</i> and <i>Seylan Sure</i> (formerly known as Merit Rewards) products with a view to strengthening the low-cost deposit base Aggressive marketing campaigns and strong relationship building exercises helped branches to achieve deposits and credit growth during the period
2012	<ul style="list-style-type: none"> Enhance service quality Marketing via social media 	<ul style="list-style-type: none"> Introduced '<i>Suhada Sewa</i>' to provide a personalised service to elderly people, pregnant mothers, clergy and disabled persons etc. Conducted mystery shopper surveys to identify gaps. Established a liability product management unit to focus on managing all deposits products and work closely with business units Launched Seylan Bank's Facebook fan page and enhanced fan base to 20,000 in two months from date of launch
2013	<ul style="list-style-type: none"> Building Corporate image Product innovation Special concern given to product portfolio 	<ul style="list-style-type: none"> Conducted 'beyond just banking' campaign which displayed the Bank's values of 'service, innovation, trust and stability' to reinforce corporate image Launched Seylan Flexi-FD as a new product to the market Revamped Seylan Sure, Seylan <i>Thilina Sayura</i> and Seylan <i>Tikiri</i> products to offer enhanced benefits to its customers
2014	<ul style="list-style-type: none"> Internal competitions Social and digital marketing 	<ul style="list-style-type: none"> Conducted internal campaigns and rewarded best performing branches and area managers Seylan social and digital media enabled the Bank to be visible on all online channels, related to business and also provides instant information to customers on products and services offered in a more efficient manner
<p>Strategies Adopted in 2015</p> <ul style="list-style-type: none"> Launched a strong corporate campaign to depict the Bank's strength, stability and customer service excellence. Conducted aggressive marketing campaigns to enhance Bank's image among general public. 		<ul style="list-style-type: none"> Carried out various innovative customer engaged campaigns and awarded prizes for same. (i.e. Tikiri creative till campaign, Online Vesak Lantern competition etc.). The Bank's website was revamped and re-launched in an innovative manner by way crowd sourcing, world's first by a bank, where customers were invited to cut the ribbon and launch the site online. Measures were taken to enhance Bank's social and digital media visibility in the digital space as well as most socially engaged bank.

Future Strategies/Outlook

- Enhance the branch equity value of the Bank.
- Focus on youth and womens’ segments as strong potential growth segments for the Bank.
- Focus on below the line (BTL) campaigns for small and medium enterprises.

Information Technology



As a key facilitator for the Bank’s operations, Information Technology (IT) plays a leading role in providing technical solutions to the entire Bank to provide it a competitive edge in today’s banking environment.

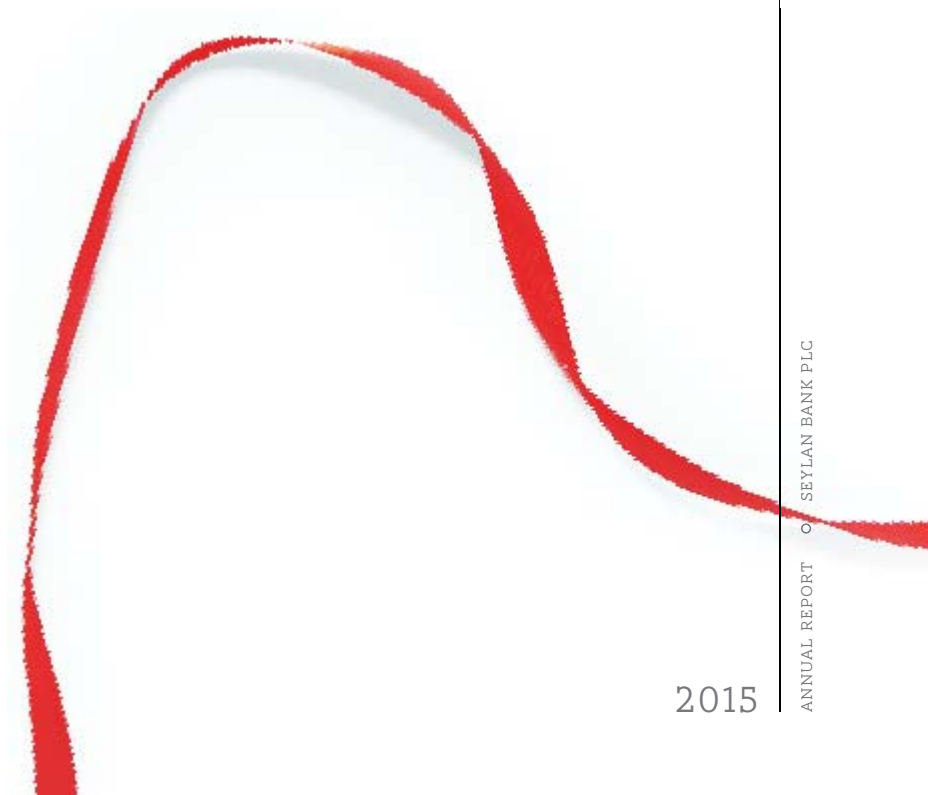
Strategies Adopted and Measures Taken Over the Period to Strengthen Information Technology

	Strategies	Measures/Actions Taken
2009	<ul style="list-style-type: none"> • Automation and improvements 	<ul style="list-style-type: none"> • All identified possible operation processes were transferred to centralised services for specialised support to ensure efficiency and cost savings
2010 /11	<ul style="list-style-type: none"> • Enhanced IT based solutions to deliver superior benefits to internal and external customer 	<ul style="list-style-type: none"> • The funds transfer process was automated, enabling business units to make better informed decisions • Many HR processes that were hitherto manual were automated, among them staff appraisal, training etc. • In a ‘green’ initiative, the printing of salary slip was discontinued and customers also enjoy the option of getting their monthly statements online
2012	<ul style="list-style-type: none"> • Automation and improvements 	<ul style="list-style-type: none"> • Data from the Bank’s separate systems was consolidated in a single ‘client view’ • Internal development team rolled out comprehensive remittances module, cheque return management module and a few other modules to enhance efficiency of the branches • The IT Department in conjunction with Misys developed and parametrised the module which automated the downgrading of non-performing current accounts in 2012
2013	<ul style="list-style-type: none"> • Enhanced IT infrastructure efficiency 	<ul style="list-style-type: none"> • Upgraded core banking system and added several functions such as fast passbook printing, deal account mobility, salary monitoring module etc. • The hardware platform was upgraded. We are one of the pioneer banks in Sri Lanka to implement the latest i-series POWER 7 architecture from IBM • Upgraded Sigcap module, Indus recoveries module, Seycash remittance module and card system to enhance efficiency

Strategies	Measures/Actions Taken
<div style="position: absolute; top: -20px; left: -20px; background-color: red; color: white; border-radius: 50%; padding: 5px; font-weight: bold;">2014</div> <ul style="list-style-type: none"> Enhanced IT communication platform and security features. 	<ul style="list-style-type: none"> Increased communication bandwidth for branches and provision of a second communication link. Relocated the Bank's Disaster Recovery Centre Developed several value additions (SMS & email alerts) to Seycash remittance module
<p>Strategies Adopted in 2015</p> <ul style="list-style-type: none"> Automation of anti-money laundering system, which reduced manual workload and increased the accuracy of mandatory reporting requirements of customer transactions to the CBSL. Launched the online utility bill payment system to enable Seylan customers to settle their utility bills using ATMs/internet banking/counter/debit cards/credit cards. This system 	<p>enables the utility account of the customer to be updated immediately on payment of the bill through any of the above channels.</p> <ul style="list-style-type: none"> Revamped and upgraded the SMS alert system to meet the current requirements of the customers. Obtained EMV certification for issuing and acquiring of MasterCard and VISA transactions; increase security and reduce fraud resulting from counterfeit, lost and stolen cards. Replaced 100 ATMs with a view to improving the efficiency of day-to-day operations.

Future Strategies/Outlook

- Evaluate all current processes in the Bank to re-engineer and improve efficiency levels, enabling a faster and superior customer service.
- System improvements and automation to enhance the Bank's capacity to grow.



Branch Credit



Strategies Adopted in 2015

- Further strengthening client relationships to ensure that we have adequately met their financial requirements and canvassing prospective clients.
- Speeding up the approval process of credit facilities.
- Special officer assigned to approve/recommend high-end customers' credit facilities at branches to offer personalised, speedier service.
- Revamped and introduced new loan schemes to cater to the demands of different segments. (Loan schemes for Pensioners, Armed forces and Police etc).
- Conducted 9 Capacity Building training programmes through resource personnel for Low end SME clients in our branches to enhance entrepreneur aptitudes.

Future Strategies/Outlook

- Focus more on business opportunities arising through strategic development projects, initiated by the Government such as tourism, construction of hotels and other related areas. Construction, financing of condominium projects, financing of other infrastructure projects, financing of new export-oriented or import- substitute industries, financing of agro-based exports.
- Maximise lending opportunities through new branches to be opened and focus on taking over loans and advances granted to SMEs by other banks and financial institutions.
- Revamping of re-finance/interest subsidy loan schemes and enhance volumes with special emphasis given to agro-based micro lending schemes for which Field Agriculture Officers are to be re-instated/deployed.
- Implementation of Islamic Banking and setting up a separate unit to handle 'Project lending'.

Credit Administration

Strategies Adopted in 2015

- The operations of the Centralised Credit Administration Unit were expanded in 2015 and now cover the total branch network and the Corporate Banking Department.
- This has further improved efficiency in credit operations and monitoring procedures.
- The Unit has continued to train branch staff on the importance of obtaining proper security documents and also in other areas of credit administration procedures.
- The clear distinction between credit marketing and credit origination functions from the operational credit functions, has also assisted branch staff to focus on growing their books.

Future Strategies/Outlook

- The Unit intends expanding the services extended and to also contribute towards cost saving initiatives of the Bank, by centralisation of further areas of credit monitoring and credit operations.

Compliance

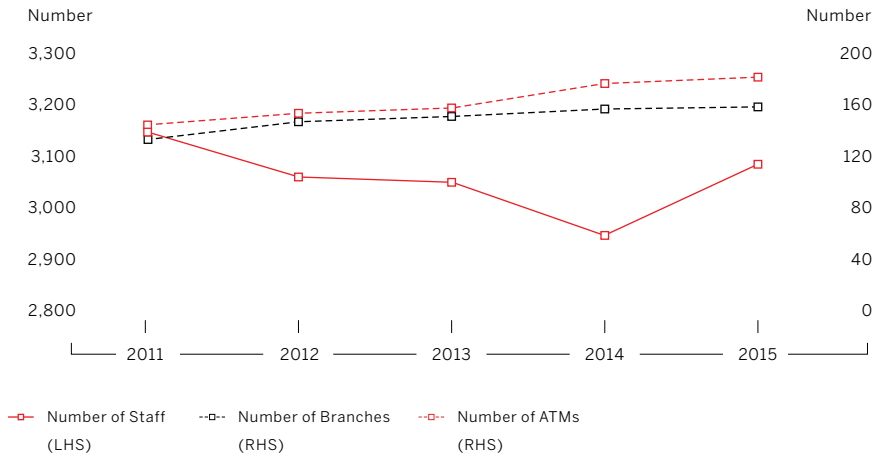
Strategies Adopted in 2015

- Carried out 'Compliance Audits' in branches and departments to identify compliance related issues/shortcomings and implemented remedial action where necessary.
- Implemented the anti-money laundering system, which is able to monitor transaction patterns and report any suspicious cases to the appropriate authority.
- Regular monitoring of Related Party Transactions, in order to ensure compliance with regulatory requirements.
- Introduced Risk Based Compliance Programme to fulfill regulatory requirements.
- Closely monitored obtaining of KYC details to reduce the number of accounts without KYC details.

Future Strategies/Outlook

- Organise awareness programmes on the areas in which repetitive audit lapses were identified to ensure a fully compliant Bank.
- Automating the sanctions monitoring process for Trade and Remittance Departments.
- Initiate measures to fulfil the regulatory requirements on KYC/CDD.

Number of Staff/Branches/ATMs



Group Performance

Seylan Developments PLC

Seylan Developments PLC (SDP) is a public limited liability company incorporated in Sri Lanka on 3rd September 1992, quoted in the Colombo Stock Exchange on the same day and re-registered under the Companies Act, 07 of 2007 on May 2008. Seylan Bank PLC is the Parent Company of Seylan Developments PLC holding 70.42% as at 31st December 2015, compared to 68.28% recorded in one year before.

SDP manages and maintains 'Seylan Towers' which comprises twin towers in which the east tower is the head office of Seylan Bank PLC and west tower comprises 16 numbers of luxury apartments.

The Company's Board of Directors is as follows:

- Mr. Kapila Ariyaratne - Chairman
- Mr. S. Palihawadana - Deputy Chairman
- Mr. P. Saravanapavan - Independent Non-Executive Director
- Mr. R. J. Jayasekera - Non-Executive Director

Mr. Piyal Hennayake was appointed as an Independent Non-Executive Director of the Company effective from 11th January 2016.

ROE improved to



in 2015 reflecting the efficient and productive use of capital by the Bank

Financial Performance

The Company delivered another improved financial performance for the period ended 31st December 2015. The results demonstrate the underlying potential of the Company to create financial value to its stakeholders.

The Company's revenue is derived from leasing space available at the Seylan Towers. The Company was able to achieve 100% occupancy as at 31st December 2015.

A post-tax profit of Rs. 201.31 Mn., was recorded for the year ended 31st December 2015, compared to Rs. 99.81 Mn. recorded in 2014. The increase is mainly due to increase of fair value of investment properties to Rs. 87.13 Mn., compared, to Rs. 12.99 Mn. recorded in the previous year. In addition, rental income also showed a 10.8% increase compared to the previous year, mainly due to the increase of rent income from Seylan Bank PLC during the year under review.

The Company generated Rs. 1.36 earning for each unit of shares for the year ended 31st December 2015, compared to Rs. 0.67 recorded in 2014 (the total ordinary shares stand at 147,964,860).

The net asset value attributable to an ordinary share was Rs. 29.72 as at the end of December 2015, which is a 2.62% increase over the amount recorded in 2014 (2014 – Rs. 28.96).

Internal Capital Formation – Institutional Capital

Institutional Capital is an integral part of our internal capital which together with Financial Capital helps the Bank deliver value to its stakeholders, thereby build various forms of external capital and derive value in return therefore for the Bank. Its essential components are intellectual property, knowledge, systems and procedures, brand value, corporate culture, business values, ethics and integrity.

At a time when formal and rule based culture dominated the banking industry which was too inflexible to cope up with the challenges arising from the technological developments and the demands of the new generation of customers, Seylan Bank was established in 1987 with its distinctive brand 'Bank with a Heart' and has, unequivocally, defined itself as a friendly and service oriented alternative. From inception, the Bank attempted to instill a value-based culture and has been able to successfully uphold these values to date by presenting itself as a flexible, customer-friendly, banking institution. We are a bank built on a more ethical and caring culture and it is in our DNA. This unique identity has helped us to differentiate 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 extensively leverage Information and Communication Technology, both for front office as well as, for back office operations. We have developed strong in-house software development capabilities. Our software interfaces plus the information from the customer database, have immensely helped us by providing insights to understand the customer well, leading to enhanced customer convenience through our extensive reach via both conventional and alternative channels, comprehensive range of products and services, benchmarked service standards and streamlined internal processes. Given the monumental changes that are happening on both the demand and the supply sides of the equation, we will be banking heavily on information and communication technology in our future development. 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.

Unlike financial capital, institutional capital cannot be measured or quantified. However, over the years, we have been able to build on our institutional capital base, 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 in our drive to deliver value to and derive value from stakeholders.

External Capital Formation – Our Commitment to Stakeholders – Investors



Economic Policy

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.

Our key strategic priorities in 2015 were:

- Consistent creation of wealth for shareholders through sustainable growth of bottom line
- Ensuring a sustainable return on investment
- Transparent and responsible banking

Consistent Creation of Wealth for Stakeholders

The year 2015 was the best year of performance, over the last 28 years and recorded a milestone in the Bank’s history, with its strong performance and highest profitability, despite changes to the economic and political environment of the country.

During the year, the Bank’s key performance indicators (KPIs) were measured, controlled and monitored through a variety of indicators at various levels and the required strategies were adopted, implemented and followed up to reach the expected targets according to the Bank’s strategic plan (2012-2016) and budget 2015.

Growth in Turnover, Profitability and Asset Base Over the Last Five Years

	2015 Rs. Mn.	2014 Rs. Mn.	2013 Rs. Mn.	2012 Rs. Mn.	2011 Rs. Mn.
Turnover	28,586	28,564	23,091	23,726	18,824
Profit Before Tax	5,777	4,649	3,454	3,199	1,180
Profit After-Tax	3,831	3,079	2,316	2,064	675
Total Asset Base	296,330	249,311	215,161	183,662	165,944

The Bank’s distribution of income to various stakeholders was very significant as reflected in the value-added statement given below. It illustrates that the Bank distributed 8% to its investors and retained 29% for future expansion, while 36% was distributed among employees.

The Bank's contribution to the development of the country has been Rs. 3,202 Mn. representing 46% of profit before income tax and VAT & NBT on financial services.

Financial Value Added Statement

	2015 Rs. Mn.	%	2014 Rs. Mn.	%
Value Added				
Income Earned by Providing Banking Services	28,586		28,564	
Cost of Services	(16,387)		(16,056)	
Value Added by Banking Services	12,199		12,508	
Impairment Charges for Loans and Other Losses	(489)		(2,270)	
	11,710		10,238	
Value Allocation				
To Employees				
Salaries, Wages and Other Benefits	4,194		3,926	
	4,194	35.82	3,926	38.35
To Government				
Income Tax	1,946		1,571	
VAT & NBT on Financial Services	1,256		1,203	
	3,202	27.34	2,774	27.10
To Shareholders				
Dividends	949		862	
	949	8.10	862	8.42
To Expansion and Growth				
Retained Profit	2,882		2,217	
Depreciation and Amortisation	483		459	
		28.74		26.13
	11,710	100.00	10,238	100.00

Economic Value Creation for Stakeholders

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

Economic Value Addition

	2015 Rs. Mn.	2014 Rs. Mn.
Shareholders' Funds	25,056	24,008
Add: Impairment provision for Loans and Receivables	5,738	7,012
	30,794	31,020
Earnings		
Profit Attributable to Shareholders	3,831	3,079
Add: Provision for Credit Losses/Impairment on Advances	489	2,292
	4,320	5,371
Economic Cost % (12 months average Treasury Bill rate plus 2% Risk Premium)	8.65%	8.66%
Cost of Shareholders' funds	2,664	2,686
Economic Value Addition (EVA)	1,656	2,685

Ensuring Sustainable Return on Investment



The Bank's shareholders have always been a source of strength to us and their continued support has been one of the key success factors for the Bank. It is thus the Bank's duty to create sustainable value for its investors and not just an obligatory responsibility.

Hence, over the years, we have worked with a strong sense of purpose to create a suitable value-based management formula that projects an adequate representation of our shareholder expectations.

Our robust performance has helped us delivering a consistently high dividend, year on year. Moreover, our shares have also been able to produce significant capital gains for our shareholders from time to time, which is yet another testament to the sustainability of our business model.

In addition to our commitment to deliver consistent value to our shareholders, we remain committed to a zero tolerance policy with regard to our legal and mandatory obligations that ensure the safeguarding of shareholder interests, now and into the future.

Share Capital and its Concentration

	2015	2014	2013	2012	2011
Stated Capital – Rs. Mn.	10,530	10,530	10,530	10,225	10,259
No. of Shares Voting & Non-Voting	344,960,410	344,960,410	344,960,410	338,079,999	338,079,999
No. of Shareholders Voting & Non-Voting	16,477	16,866	18,755	20,094	22,274
No. of Shares – Resident	323,148,443	321,488,665	334,180,259	328,452,922	325,952,392
No. of Resident Shareholders	16,232	16,629	18,501	19,871	22,037
No. of Shares – Non-Resident	21,811,967	23,471,745	10,780,151	9,627,077	12,127,607
No. of Non-Resident Shareholders	245	237	254	223	237
No. of Shares – Individuals	64,244,024	62,033,868	74,293,653	87,575,620	118,298,819
No. of Individual Shareholders	15,810	16,242	18,139	19,402	21,424
No. of Shares – Corporates	280,716,386	282,926,542	270,666,757	250,504,379	219,781,180
No. of Shareholders – Corporates	667	624	616	692	850
No. of Shares Held by the 20 largest shareholders					
Voting	144,722,578	147,626,034	156,641,775	151,857,473	146,557,437
Non-Voting	112,335,603	117,968,588	112,267,580	99,716,241	78,301,564

The number of shareholders in 2015 has declined as a result of the consolidation of shares in the hands of a limited number of shareholders. The list of 20 largest shareholders is given on pages 403 and 404 of this Annual Report. Meanwhile, the 20 largest shareholders (of each category of shares) hold 74.52% of the shares of the Bank as at the end of 2015, showcasing their strategic long-term interests.

The percentage of public voting shareholding as at 31st December 2015 was 54%.

Distribution of Shares Among the Investors

	No. of Shareholders	No. of Shares	%
1 – 1,000	10,555	2,703,979	0.78
1,001 – 10,000	4,795	13,993,065	4.06
10,001 – 100,000	923	26,198,113	7.59
100,001 – 1,000,000	168	48,019,805	13.92
Over 1,000,000	36	254,045,448	73.65
Total	16,477	344,960,410	100.00

Seylan Bank Shares are largely in the hands of a few strategic corporate investors. However, 2015 saw a considerable quantum of shares traded in the market.

	Highest		Lowest		Closing	
	Voting Rs.	Non-Voting Rs.	Voting Rs.	Non-Voting Rs.	Voting Rs.	Non-Voting Rs.
1st Quarter	103.00	67.00	89.90	57.90	100.00	63.40
2nd Quarter	120.50	81.50	97.00	60.20	102.60	72.60
3rd Quarter	116.00	79.90	98.50	70.00	102.00	75.00
4th Quarter	105.20	79.40	92.00	70.00	95.00	73.00

Although, equity markets showed some volatility and a dip in 2015, the Bank's share price experienced less volatility throughout the year, which can be attributed to our earnings record and strong wealth-creation potential Earnings Per Share (EPS) of Rs. 11.11 in 2015, recording a strong 24.55% growth compared to last year's EPS of Rs. 8.92.

Year	Share Price (Closing)		Stated Capital Rs. Mn.	EPS Rs.
	Voting	Non-Voting		
2015	95.00	73.00	10,530	11.11
2014	95.00	57.50	10,530	8.92
2013	64.20	31.00	10,530	6.74
2012	56.00	35.10	10,225	6.11
2011	67.60	30.80	10,259	2.18
2010	97.80	49.00	5,568	4.60
2009	37.00	16.00	5,568	2.83

Transparent and Responsible Banking

Capital Adequacy and Growth Capabilities

It is a mandatory requirement of the CBSL, that all Licensed Commercial Banks meet the minimum capital requirements. In this regard the Bank maintained a very strong capital adequacy ratio throughout the period, in excess of the regulatory minimum, to support its capacity for growth and stability. A well-structured risk weighted assets base and the potential for internal capital generation, were well aligned to support and manage the regulatory capital adequacy requirements.

Financial Reporting and Compliance

We ensure that shareholders and the public are kept up to date regularly on the financial soundness of the Bank, primarily through Annual Reports and through quarterly Interim Reports.

The Financial Statements and the Notes to the accounts of this Report, have been audited by our external Auditors, Messrs KPMG and other qualitative information and compliance with GRI, are assured by an Independent Auditor. The Report is also submitted to the Sri Lanka Accounting and Auditing Standards Monitoring Board to review compliance with accounting standards.

The Bank is committed to publish its Annual Reports and Quarterly Reports in a timely manner and submit the required information to the CSE on the stipulated dates. The quarterly accounts of 2015 were published well in advance to support the decisions of investors and other groups.

Automation of Sri Lanka Financial Reporting Standards (SLFRS/LKAS)

The Bank recognises the importance of developing our annual reporting framework in line with national and international developments to enable shareholders and prospective investors to make informed and balanced investment decisions. The Financial Statements of 2015 have been prepared in accordance with Financial Reporting Standards (SLFRS/LKAS), which facilitate greater transparency and comparability. To facilitate transparency, accuracy and completeness, the Bank made an extra effort with a considerable investment on the automation of SLFRS/LKAS application. The 2015 Financial Statements have been prepared based on the automated SLFRS/LKAS system.

Defined Benefit and Defined Contribution Plans

The Bank operates a retirement gratuity (defined benefit plan) for employees as required under the Gratuity Act No. 12 of 1983.

The Bank duly carried out an actuarial valuation on the retirement benefit obligation as of the year-end and the Bank’s actuary has used the Projected Unit Credit Method as prescribed in LKAS 19 ‘Employee Benefits’.

The Bank makes contributions to two types of defined contribution plans for its employees as given below:

- Employees’ Provident Fund
- Employees’ Trust Fund

More details on these contribution plans/defined benefit plans are given in the accounting policies and the notes respectively.

Awards and Recognitions

The Bank was recognised with a number of awards during the year for various aspects of its operations, including financial reporting and compliance, customer services, marketing initiatives etc.



Award Category	Product/Promotion	Awarded by	Award Type
Best 25 Corporate Entities in Sri Lanka	Overall Bank	Business Today Magazine	20th Position
SME and Retail Bank in Sri Lanka	Overall Bank	The Global Banking and Finance Review 2015	Best SME Bank in Sri Lanka
SME and Retail Bank in Sri Lanka	Overall Bank	The Global Banking and Finance Review 2015	Best Retail Bank in Sri Lanka
Annual Report – Banks National	Seylan Bank Annual Report 2014	ARC Awards	Gold Award – Photography Bronze Awards – Non-traditional Annual Report
Annual Report – Banking Category	Seylan Bank Annual Report 2014	2014 Vision Awards – League of American Communications Professionals	Silver Award
Annual Report – Banking Sector	Seylan Bank Annual Report 2014	CA Sri Lanka	Bronze Award
Best Use of Social Media in Marketing	Seylan Bank Social and Digital Media	Golden Globe Tiger Awards 2015	Gold
Digital Marketing	Successful use of CSR	4th Asian Customer Engagement Forum	Gold
Best Use of Facebook	Seylan Bank Facebook Page	6th CMO ASIA Social and Digital Marketing Awards 2015	Gold
Best Use of Social Media	Seylan Bank Social and Digital Channels	6th CMO ASIA Social and Digital Marketing Awards 2015	Gold
Innovative Campaign launch	Seylan Website-Crowd Sourced Launch	World Marketing Congress	Gold
Best Use of Social Media in Marketing	Seylan Social Media Channels	World Marketing Congress	Gold
Seylan Card Centre	Pre-paid Multicurrency Travel Card	Future of Digital Payment Forum 2015	Award for Pioneering in Innovation



Future Outlook

Create wealth and value to our stakeholders with constant and sustainable growth levels, which is explained in detail in the overall outlook of the Bank in the Management Report.

- Improvement of risk management and compliance as a key aspect of the Bank's day-to-day business process.
- Enrich the banking functions within a proper economic integrated framework, based on the country's economic outlook.

External Capital Formation – Our Commitment to Stakeholders – Customers

Customer Responsibility

The Bank accepts the rights of customers for superior banking solutions, backed by a banking architecture that is both efficient and customer-friendly. We have always sought to facilitate customer needs through unique and innovative solutions and fulfil their expectations in the most sustainable manner possible.

We recognise that our responsibility extends beyond the concept of banking, to deliver value to our customers and business partners with whom we interact. Our strategic priorities towards both customer responsibility and customer relationship were:

- Product Innovation and Service Excellence
- Product Responsibility

Product Innovation and Service Excellence










We are renowned to serve with a heart and have displayed the commitment to execute robust customer-centric strategies from the inception. Seylan Bank has emerged and been recognised as a leading service provider with customer orientation, extending beyond merely providing services sought by its customers.

The Bank provides a whole spectrum of financial services to its customers through a number of delivery channels, meeting their expectations and thus enhancing the value addition which is explained in detail below:












The Bank caters to all segments of the country, adding value to their lives. We support our customers to be educated, healthy and to improve their life expectancy. We need them to be respected in all stages of their life cycle. In this regard, the following schemes and projects are designed to support them as detailed below:

Deposits Products

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<p>Product</p> <hr/> <p>Description</p> <hr/> <p>Source of Income/ Expenses</p> <hr/> <p>Market Served</p>	 <p>Seylan Sure</p> <p>Offers definite benefits for personal savings & current account holders</p> <hr/> <p>Interest & reward benefits</p> <hr/> <p>Individuals aged above 18 years</p>	 <p>Tikiri Plus</p> <p>Big account for the little ones</p> <hr/> <p>Interest, reward gifts & bonus interest benefits</p> <hr/> <p>Children below 16 years of age</p>	 <p>Seylan Harasara</p> <p>Senior citizen's account</p> <hr/> <p>Interest & reward benefits</p> <hr/> <p>Senior citizens aged above 55 years</p>	 <p>Cool Cash</p> <p>Youth savings account with definite cash gift for birthday</p> <hr/> <p>Interest & reward benefits</p> <hr/> <p>Youths aged between 18-29 years</p>
<p>Product</p> <hr/> <p>Description</p> <hr/> <p>Source of Income/ Expenses</p> <hr/> <p>Market Served</p>	 <p>Millennium 30</p> <p>30 day fixed deposit</p> <hr/> <p>Interest benefits</p> <hr/> <p>Corporate, SME, retail & individual clients</p>	 <p>Flexi Deposit</p> <p>Allow depositor to decide the period of deposit</p> <hr/> <p>Interest benefits</p> <hr/> <p>Corporate, SME, retail & individual clients</p>	 <p>Seylan Shakthi</p> <p>4 year fixed deposit</p> <hr/> <p>Interest & reward benefits</p> <hr/> <p>Corporate, SME, retail & individual clients</p>	 <p>5star</p> <p>5 year fixed deposit</p> <hr/> <p>Interest & reward benefits</p> <hr/> <p>Corporate, SME, retail & individual clients</p>
<p>Product</p> <hr/> <p>Description</p> <hr/> <p>Source of Income/ Expenses</p> <hr/> <p>Market Served</p>	 <p>Thilina Sayura</p> <p>Foreign currency deposit account with rewards</p> <hr/> <p>Interest & reward benefits</p> <hr/> <p>Non-resident & non-Sri Lankan individuals</p>	<p><i>*All our Products and Services are available in island wide branches.</i></p>		

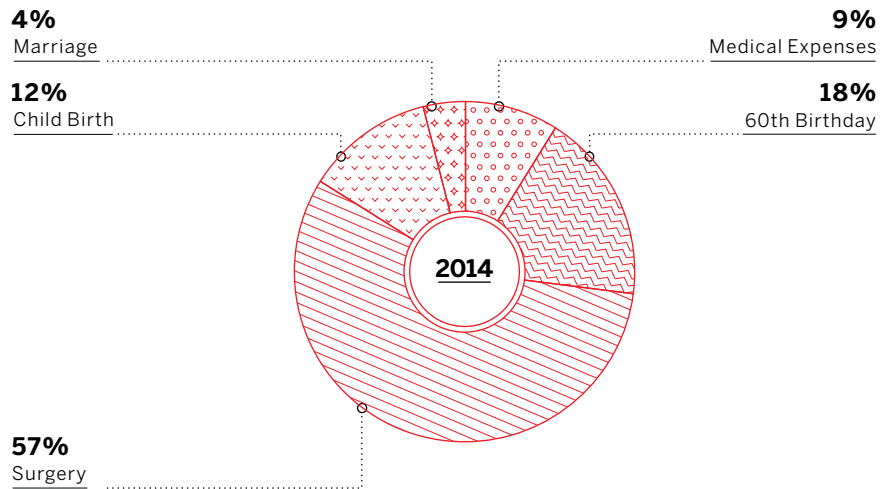
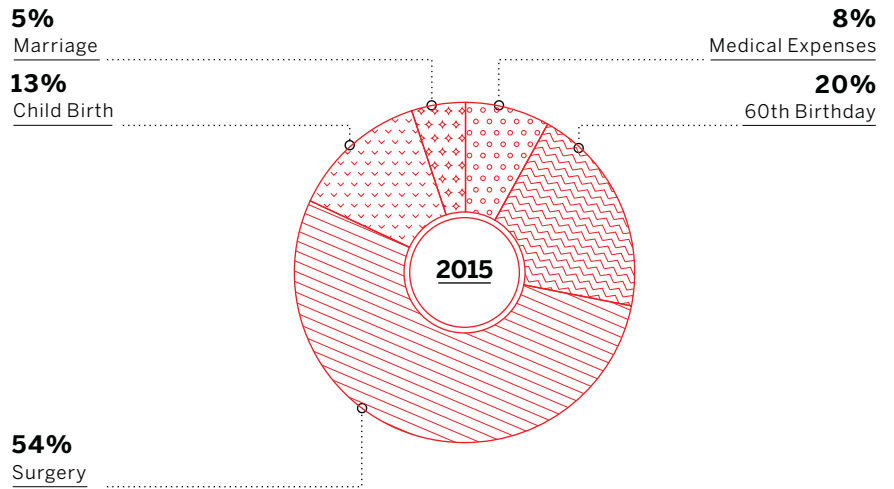
Lending Products

				
<p>Seylan Siri Nivasa</p>	<p>Seylan Pawning</p>	<p>Seylan Leasing</p>	<p>Seylan Personal Loans</p>	<p>Seylan SME</p>
<p>Unique housing loans scheme</p>	<p>Secure & friendly service for any cash emergency</p>	<p>Financial lease for vehicles, motor cycles, machinery, plants and equipment</p>	<p>Personal loan for any purpose</p>	<p>Specialised loan scheme for SME sector</p>
<p>Interest benefits</p>	<p>Interest benefits</p>	<p>Interest benefits</p>	<p>Interest benefits</p>	<p>Interest benefits</p>
<p>Individual clients</p>	<p>Individual clients</p>	<p>Corporate, SME, retail and individual clients</p>	<p>Individual clients</p>	<p>SME clients</p>
<p style="text-align: center;">Other Services</p>				
				
<p>Scholar Loans</p>	<p>Seylan Credit & Debit Cards</p>	<p>Overdrafts</p>	<p>Seylan Suhada Sewa</p>	<p>Seylan eBanking</p>
<p>Unique higher education loan scheme</p>	<p>Visa, Master credit & debit cards</p>	<p>Overdraft facilities for personal & corporate current account holders</p>	<p>Dedicated service for needy people in the society</p>	<p>Able to carry out variety of banking functions at their convenience at the click of a button</p>
<p>Interest benefits</p>	<p>Interest, Annual fee & Commission benefits</p>	<p>Interest & commission benefits</p>	<p>Free of charge</p>	<p>Access charges from commercial clients & free of charge for others</p>
<p>Individual clients</p>	<p>Individual clients</p>	<p>Corporate, SME, retail & individual clients</p>	<p>Clergy, senior citizens, disabled people, pregnant ladies & mothers with infants</p>	<p>Corporate, SME, retail & individual clients, minor & credit cardholders</p>
<p>Trade Finance</p>	<p>Other Facilities</p>			
<p>Import Export</p>	<p>Treasury Investments, Margin Trading facilities, Offshore Banking</p>		<p>SMS Banking</p>	<p>SEY Cash</p>
<p>Commission & interest benefits</p>	<p>Commission & interest benefits</p>		<p>Opportunity to carry out selected banking functions by sending SMS</p>	<p>Authorised agent for global money transfer service</p>
<p>Corporate, SME, retail & individual clients</p>	<p>Corporate, SME, retail & individual clients</p>		<p>Free of charge</p> <p>Corporate, SME, retail & individual clients, minor & credit cardholders</p>	<p>Commission benefits</p> <p>Individual clients</p>

Innovation and Value Creation

Seylan Sure scheme operates as a helping hand to our loyal customers and delivers many benefits and value addition to enhance their lives. It supports our customers at various ages and in instances, where they need moral and financial support. This scheme is not an insurance scheme and the whole expectation of the scheme is to support our loyal customers and share their happiness and sorrow, where the need arises. The scheme is operated in full compliance with the CBSL's guidelines.

Distribution of Seylan Sure Benefits





The Bank recognised the need to bridge an important gap by fostering relationships and by taking financial literacy to children and youth. Thus, our products for children and youth – Tikiri, Student, Saving centres, and Tikiripola programmes were, born to satisfy the needs of the younger generation.

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

Similarly the objective of promoting a savings culture among students has been significantly enhanced with our *Tikiri* savings product. The product, Tikiri, has contributed immensely to the life of minors in the country towards their personal growth, creating a sense of self assurance, capability and confidence amongst students from an early age.

Events Conducted for Children

	2015	2014
No. of 'Tikiri pola' Events	54	45
World Children's day Events	112	20
Avurudu Events and Other Events	4	30

The Bank also financially supports students who want to proceed to higher education locally and abroad. Further, we have partnered with leading education institutes that conduct MBA/Degree/Diploma programmes to promote higher studies in Sri Lanka which is vital for their future.

	2015	2014
No. of education loans granted	61	71

Customer Satisfaction Survey

The annual survey on customer perception enabled us to improve our customer service levels by simplifying procedures and offering tailor-made products, whilst providing continuous training to our staff. With these initiatives we have been able to improve our overall customer satisfaction. The 'Mystery Shopper' research project was carried out to assess customer satisfaction levels in 2015.

Product Responsibility

We respect customer rights to have fair information on any banking transaction. Communication of the Bank's products and services is always based on principles of ethical and responsible advertising. The Bank is extremely conscious of the need to safeguard the interests of its depositors and loan customers and maintain a high degree of risk management through systems security, internal controls, policies and procedures.

We have a zero tolerance policy on any form of corruption, malpractice and irregularity in public or in-house, which threatens social well-being.

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

Product and Service Labelling

As a service organisation, our operations have no impact or potential impact on the following:

- The sourcing of components of the product or service
- Content, particularly with regard to substance that might have an environmental or social impact
- Safe use of the product or service
- Disposal of the product and environmental/social impact

Our versatile, multi-layered range of financial products and banking solutions has been developed in accordance with the Bank’s product policy and certified by the Bank’s Product Development Committee, by screening all the relevant aspects including statutory and national regulations. We have not made any regulatory violations, or any incidents of non-compliance with voluntary codes in relation to disclosure of product information and labelling of our products or services.

Compliance

In addition to the stipulations of our Product Policy, we have always strictly complied with all mandatory laws and governing standards relating to advertising and branding. No incidents of non-compliance with laws and regulations, or breach of customer privacy, were reported during the reporting period. Further, no significant fines were imposed or paid for non-compliance with laws and regulations concerning the provision and use of products and services.

Product Policy

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.

Customer Privacy

Seylan Bank has always upheld the customers’ right to privacy and their personal data. The following measures have been integrated into our day-to-day operations in order to ensure and preserve customer privacy at all times.

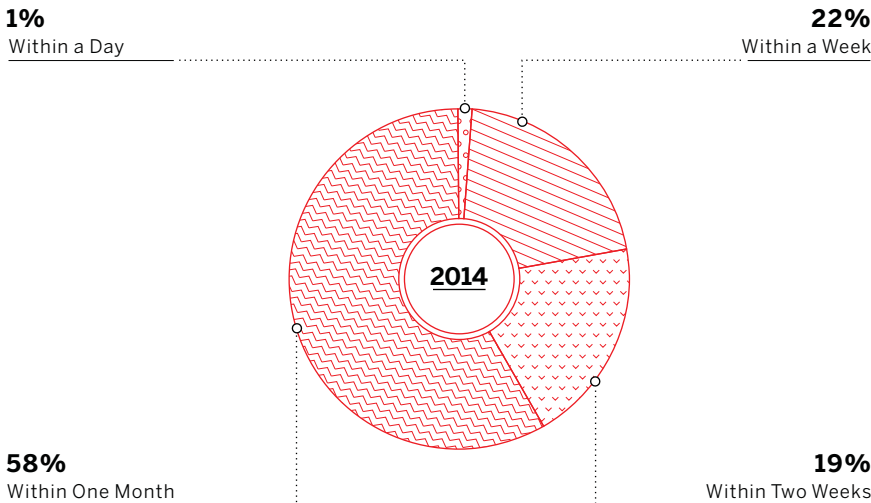
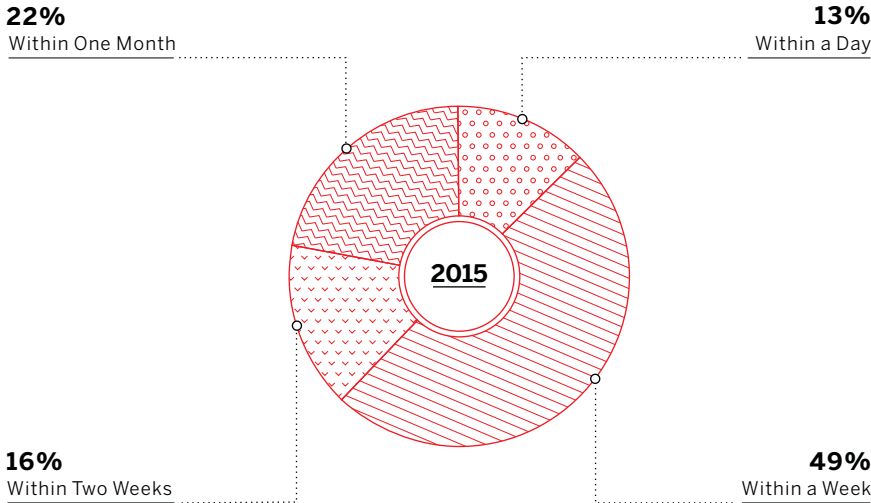
Measures adopted in order to ensure customer privacy:

- Terminal Line Encryption with the intention to prevent risk of counterfeit credit cards.
- Additional security to credit card holders via added encryption for chip enabled cards.
- SMS alerts to notify each transaction.
- Direct calls to customers prior to performing high value transactions by a responsible officer as appropriate.
- One time password (OTP) for online credit card payments.

Customer Complaints

Seylan Bank facilitates all its customers to lodge their complaints directly with the Personal Assistant to the Chief Executive Officer and those complaints are handled confidentially and efficiently .

Customer Complaints Resolved



Customer Health and Safety

Given the nature of our business as a Bank, the impact on health and safety aspects cannot be assessed with regard to our products and services. However, our determination to ensure customer well-being has led us to formulate products and services that do not in any way impair or harm the health and safety of our customers. As such no incidents were reported on non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during the reporting period. The Bank has, accordingly, not been subject to any fines or litigation arising from statutory violations in this regard.

Banned Products

The Bank engages in service oriented business and does not sell or market products or services that are banned in the market or subject to stakeholder questions or public debate.

Future Outlook

- Improve the value addition to the customers while making our products innovative, customer friendly meeting the needs of the customers.
- Our efforts in growing savings will promote financial literacy among children, youth and women.
- Expansion of our technology based channels for convenient banking.
- Improve service quality as a key aspect of the customer service.

Profit per staff member increased to



a reflection of enhanced productivity

External Capital Formation – Our Commitment to Stakeholders – Employees



We believe that the key to our success and competitive advantage is our unique commitment to a results-oriented, continuous improvement. We are committed to encouraging our team members to enhance their skills, map out their careers and grow both personally and professionally.

We also ensure that the Bank espouses and practices an equal opportunity approach that fosters high levels of motivation.

We give due recognition to the Seylan team and we believe in their high level of active contribution towards our corporate values. As in the previous years, a complete transformation commencing with staff development, increasing productivity and service quality and aligning the vision and the mission of the Bank, to customer service tenets and business strategies, became high priorities in the year 2015.

Our key strategic priorities in 2015 were:

- Staff recognition and motivation.
- Training and development
- Sound labour relations and human rights
- Conducive work environment and work-life balance

Our Team Profile

The Seylan team comprised 3,085 staff members as at the year end 2015 (2,947 in 2014). Actual growth in staff members in the year 2015 was 4.7% over the previous year.

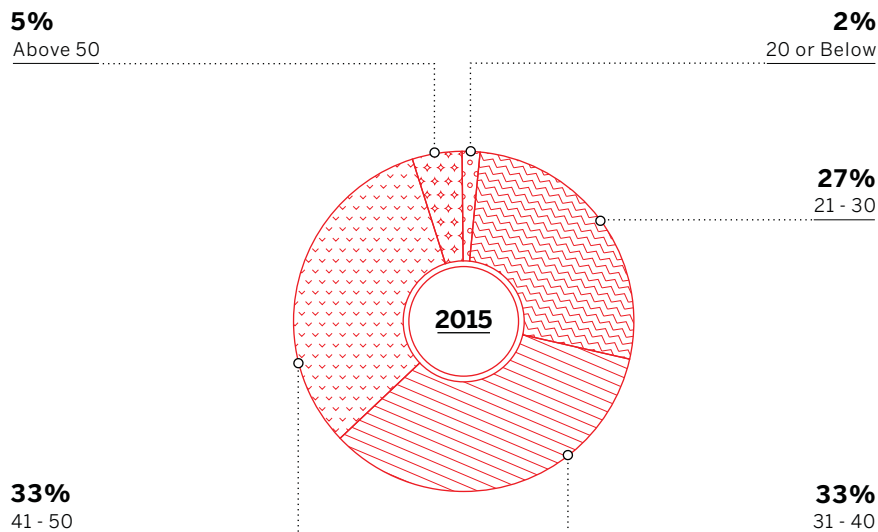
We have strengthened the staff cadre in 2015. While the increase in our network and the anticipated branch expansion, primarily contributed to the increase in staff cadre, we also redeployed staff in island-wide branches for better reach and high level of customer service.

The fact that the average age of our staff is below the industry average and the retention period is high, are valuable assets to our organisation, due to the high potential for development, both for the organisation and the members.

Our Workforce – 2015

As at 31st December	20 or Below		21-30		31-40		41-50		Above 50		Total		Grand Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Corporate Management	-	-	-	-	3	-	6	1	11	3	20	4	24
Middle Management	-	-	-	1	7	3	78	32	38	12	123	48	171
Operational Management	-	-	15	3	237	134	306	304	16	31	574	472	1,046
Other Staff	15	35	388	424	403	268	223	53	24	11	1,053	791	1,844
Total	15	35	403	428	650	405	613	390	89	57	1,770	1,315	3,085

Our Workforce – Age Wise



Employees Analysed by Type of Employment Contract & Gender

As at 31st December	2015	2014	2013	2012	2011	2010	2009
Full Time	3,085	2,947	3,049	3,061	3,150	3,622	3,733
Part time	-	-	-	-	-	-	-
Total	3,085	2,947	3,049	3,061	3,150	3,622	3,733
Permanent	2,843	2,829	2,863	2,954	3,072	3,543	3,504
Contract	22	11	16	16	48	51	45
Trainees	220	107	170	91	30	28	184
Total	3,085	2,947	3,049	3,061	3,150	3,622	3,733

	Non-Corporate Management		Corporate Management		Total		Total
	Male	Female	Male	Female	Male	Female	
Permanent	1,677	1,145	17	4	1,694	1,149	2,843
Contract	14	5	3	-	17	5	22
Trainees	59	161	-	-	59	161	220
Total	1,750	1,311	20	4	1,770	1,315	3,085

We continue to recruit talented individuals from all over the country. In this regard, we have set strict guidelines to ensure that the most competent people are recruited, based on quality and that all recruitments are free of bias and discrimination. All our senior management recruitments are from local communities.

As a part of the long-term employee development strategy, all new recruits are subjected to a comprehensive orientation programme that encompasses on-the-job training with regular evaluations conducted in parallel, during the two-year training period. Upon successful completion of the orientation module and the period of training, recruits are eligible for confirmation and are absorbed into the permanent employment cadre. Further, there is no different salary scale applicable for entry level employees based on locations and we pay industry level wages to them.

Details of Staff Recruitments

Recruitments Province-Wise

Province	2015					2014				
	Male	%	Female	%	Total	Male	%	Female	%	Total
Central	21	43	28	57	49	-	-	1	100	1
Eastern	5	29	12	71	17	-	-	-	-	-
Northern	13	50	13	50	26	-	-	-	-	-
North Central	2	22	7	78	9	-	-	-	-	-
North Western	5	31	11	69	16	-	-	1	100	1
Sabaragamuwa	1	12	7	88	8	2	67	1	33	3
Southern	6	37	10	63	16	-	-	2	100	2
Uva	3	50	3	50	6	-	-	1	100	1
Western	38	33	76	67	114	2	17	10	83	12
Total	94	36	167	64	261	4	20	16	80	20

Recruitments Age Wise

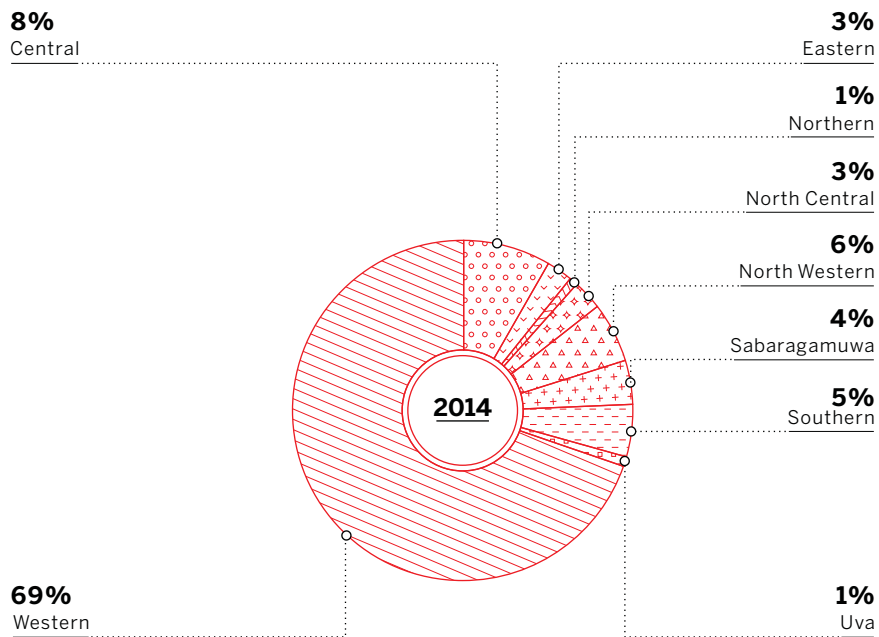
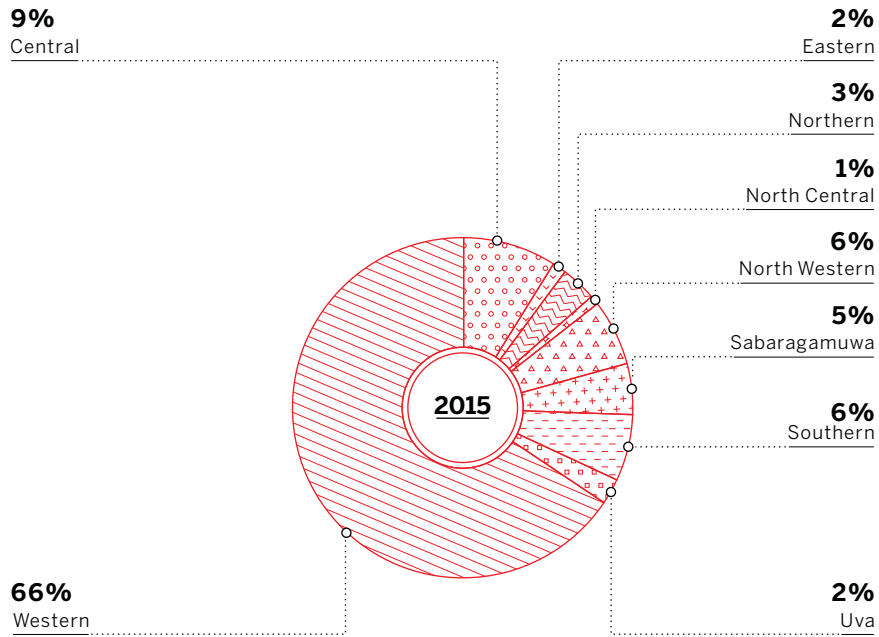
Age	2015			2014		
	Male	Female	Total	Male	Female	Total
20 or below	32	53	85	-	1	1
21 - 30	49	109	158	3	10	13
31 - 40	10	3	13	-	3	3
41 - 50	1	2	3	-	2	2
Above 50	2	-	2	1	-	1
Total	94	167	261	4	16	20

Employee Turnover

Employee retention levels remain high and staff satisfaction survey results (given later) substantiate it.

Reason for Leaving	2015			2014		
	Male	Female	Total	Male	Female	Total
Retirement	20	7	27	3	1	4
Overseas Migration	5	7	12	13	5	18
Further Studies	3	-	3	4	-	4
Change of Employment	31	1	32	34	2	36
Personal Reasons	10	9	19	7	9	16
Other	23	8	31	19	23	42
Total	92	32	124	80	40	120

Staff Turnover by Province



Staff Turnover by Age and Gender

Age	2015			2014		
	Male	Female	Total	Male	Female	Total
20 or below	4	-	4	2	2	4
21 - 30	35	10	45	40	15	55
31 - 40	19	11	30	28	10	38
41 - 50	8	5	13	9	3	12
Above 50	26	6	32	1	10	11
Total	92	32	124	80	40	120

The following key indicators reflect staff loyalty, encouragement and recognition.

	2015	2014	2013	2012
Average Age	36	37	35	35
Average Service Period	12.8	12.9	11.9	11.4
Average Training Hours per Employee	22	19	25	24
No. of Promotions	297	346	326	334
- Female	117	145	120	68
- Male	180	201	206	266

Employee Benefits

The average cost per employee increased from Rs. 1.332 Mn in 2014 to Rs. 1.360 Mn in 2015, mainly due to the salary revision based on the collective agreement. Apart from the basic salary and emoluments, the following benefits are also offered to the permanent cadre employees of the Bank.

- Comprehensive medical and insurance scheme.
- Half a month's salary as a holiday incentive.
- Housing loan at concessionary interest rates.
- Vehicles loans at special interest rates.
- Special allowance for cashiers in difficult stations, temporary signing power holders etc.
- Discretionary two month bonus.
- Holiday bungalow facilities owned by the Bank.

Staff Benefits	2015	2014	2013	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Staff Salaries					
Basic Salary	2,355,912	2,135,629	2,008,903	1,841,979	1,840,563
EPF 12%	282,259	256,241	241,171	220,888	220,863
ETF 3%	70,572	64,068	60,293	55,222	55,253
Total	2,708,743	2,455,938	2,310,367	2,118,089	2,116,679
Other Benefits					
Holiday Pay	94,885	84,397	78,676	76,008	70,013
Medical	77,839	60,590	62,046	50,830	55,675
Bonus	478,714	432,299	314,992	361,709	293,224
Insurance	105,835	72,434	69,238	65,499	78,094
Welfare	51,679	56,103	62,078	53,773	50,729
Training	17,983	14,971	10,544	14,416	6,579
Other Allowances/Benefits*	483,604	504,883	451,034	405,548	414,926
Amortisation of Prepaid Staff Cost	174,853	244,746	177,585	98,982	45,400
Cost of VRS	-	-	-	-	698,650
Total Other Benefits	1,485,392	1,470,423	1,226,193	1,126,765	1,713,290
Total Benefits	4,194,135	3,926,361	3,536,560	3,244,854	3,829,969
Total No. of Staff	3,085	2,947	3,049	3,061	3,150
Average Benefits per Employee	1,360	1,332	1,160	1,060	994**

*Provision for leave encashment reduced during the year. (Note 40.2)

**Excluding VRS

Staff Satisfaction

The staff satisfaction survey is considered the key strategy used by the Bank to identify staff attitudes and training & development needs. The results of the survey conducted in 2015 are as follows:

Segment	Satisfaction Index 2015
Culture	71
Growth Opportunities	60
Job Responsibilities	69
Recognition	66
Salary and Benefits	55
Guidance from Senior Leaders	67
Supervisor/Manager Support	70
Work Environment	67

Recognition and Motivation

A staff appraisal system has been formulated to recommend annual salary increments and identify employee skills, 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. Funds mobilisation targets are given to all staff members, creating a competitive environment for skill management and development of human capital.

We annually reward the branches that achieve their KPIs with additional monetary and other rewards, based on a screening done and evaluated at very senior levels. This process is highly transparent and we announce the criteria to the staff at the beginning of the year. The performance reward and recognition system, is coupled with external training and career development opportunities both locally and overseas.

**Net Assets Value per share of the Bank
as at 31st December 2015 was**



Occupational Health and Safety

We follow a zero accident work practice. As such we seek to create a hazard-free environment and have introduced policies and procedures to secure all premises in which we operate across the island. Basic safety instructions are prominently displayed at all Bank locations, while a specialised crisis control plan seeks to contain potential emergencies. Moreover, a business continuity plan is in

place, as a contingency control measure and health and safety are considered as priority areas under the Business Continuity Plan. Further, as a service sector organisation, our employees are not exposed to the risk of occupational diseases.

Culture of Diversity and Equal Opportunity

As we strive to achieve HR excellence in our business, we continue to pursue an inclusive strategy to

develop a workplace where equality and diversity is a prominent feature.

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 inception we have employed a high percentage of women in our organisation that amounted to 43% in 2015.

Remuneration Based on the Gender

	2015						2014					
	Basic Salary (Monthly) Rs. Mn.		Total No. of Staff		Average Basic Salary (Monthly) Rs.		Basic Salary (Monthly) Rs. Mn.		Total No. of Staff		Average Basic Salary (Monthly) Rs.	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Corporate Management	8.94	1.15	20	4	446,757	286,741	9.33	1.27	25	5	373,150	253,126
Middle Management	19.38	7.39	123	48	157,545	153,903	18.16	6.63	127	48	142,990	138,055
Operational Management	43.17	35.84	574	472	75,213	75,930	36.68	31.47	536	457	68,439	68,872
Other Staff	47.63	32.21	1,053	791	45,231	40,722	45.28	27.37	1,082	667	41,847	41,040

Gender Distribution

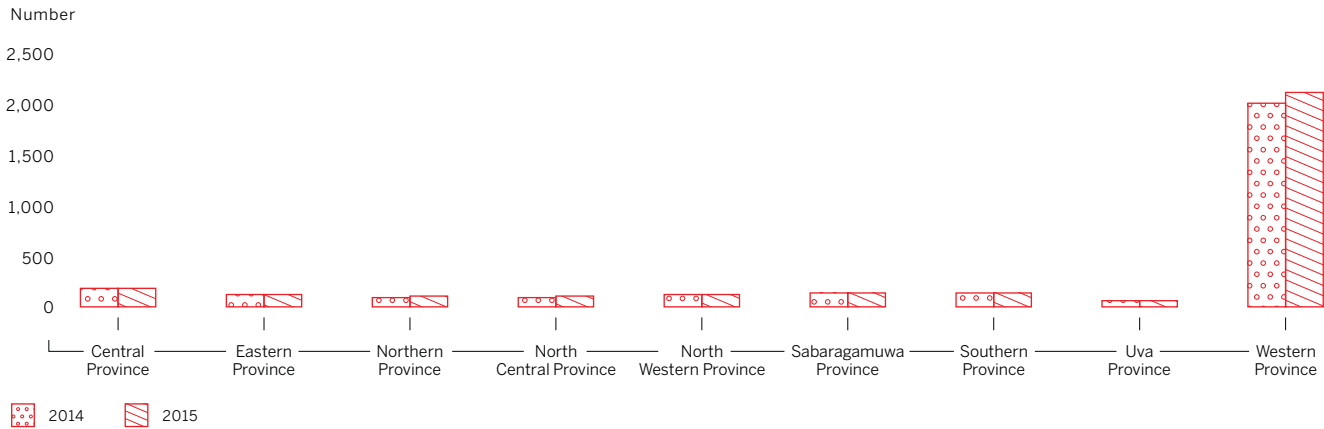
	2015					2014				
	Male	%	Female	%	Total	Male	%	Female	%	Total
Corporate Management	20	83	4	17	24	25	83	5	17	30
Middle Management	123	72	48	28	171	127	73	48	27	175
Operational Management	574	55	472	45	1,046	536	54	457	46	993
Others	1,053	57	791	43	1,844	1,082	62	667	38	1,749
Total	1,770	57	1,315	43	3,085	1,770	60	1,177	40	2,947

Distribution of Staff by Province and Gender

Our workforce is mainly concentrated in the Western Province with 68% of the total staff based in the head office and branches in the Western Province. In an effort to promote a healthy diversification of staff across the country and an equitable regional distribution of the staff, we have been curbing recruitments from the Western Province and at the same time, we make use of every possibility to recruit workforce mainly from the Central, Southern, Eastern and Northern Provinces.

Province	2015						2014					
	No. of Branches	No. of Staff	Male		Female		No. of Branches	No. of Staff	Male		Female	
			No.	%	No.	%			No.	%	No.	%
Central	16	187	105	56	82	44	14	179	106	59	73	41
Eastern	12	121	74	61	47	39	12	117	77	66	40	34
Northern	9	104	64	62	40	38	9	91	61	67	30	33
North Central	12	101	79	78	22	22	12	98	77	79	21	21
North Western	12	126	74	59	52	41	12	125	77	62	48	38
Sabaragamuwa	10	136	85	62	51	38	10	132	87	66	45	34
Southern	12	138	84	61	54	39	12	138	87	63	51	37
Uva	6	64	48	75	16	25	6	67	51	76	16	24
Western	70	2,108	1,157	55	951	45	70	2,000	1,147	57	853	43
Total	159	3,085	1,770	57	1,315	43	157	2,947	1,770	60	1,177	40

Distribution of Staff by Province



Workforce Based on the Ethnic Group

Ethnicity	2015			2014			2013			2012		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Sinhalese	1,576	1,146	2,722	1,579	1,044	2,623	1,662	1,059	2,721	1,691	1,058	2,749
Tamil	141	140	281	130	107	237	135	107	242	127	100	227
Muslim	40	15	55	39	13	52	41	14	55	37	13	50
Burgher	12	13	25	13	12	25	13	12	25	11	11	22
Others	1	1	2	9	1	10	6	-	6	12	1	13
Total	1,770	1,315	3,085	1,770	1,177	2,947	1,857	1,192	3,049	1,878	1,183	3,061

Workforce Based on Service Period

	4 Years or Below	5 to 8 Years	9 to 12 Years	13 to 16 Years	17 to 20 Years	More than 20 Years	Total
Corporate Management	11	2	-	1	1	9	24
Middle Management	10	2	9	5	20	125	171
Operational Management	15	26	115	93	451	346	1,046
Other Staff	426	376	619	134	195	94	1,844
Total	462	406	743	233	667	574	3,085

Employees Who Obtained Maternity Leave and Returned for Work

	2015	2014	2013
No. of Staff	75	63	54
Returned to work (%)	100	100	100

Training and Development

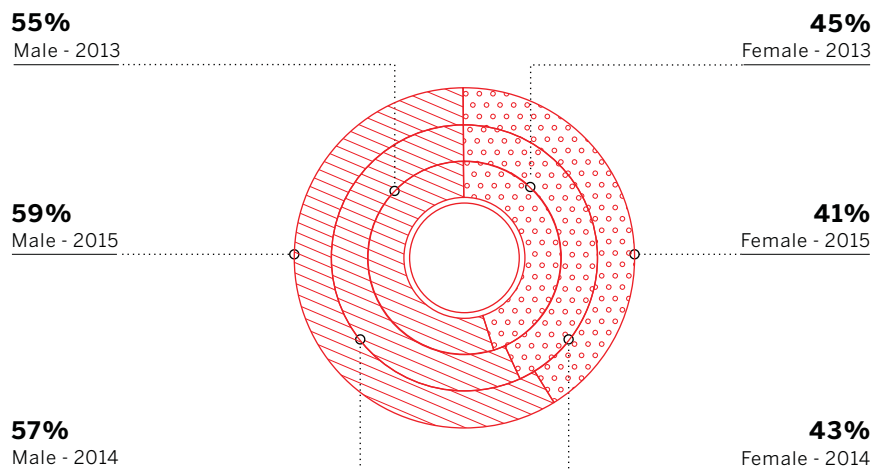


Our Training and Development function is designed in a way that it continuously provides a desired level of competencies to ensure achievement of the objectives of the Bank. The Bank has a comprehensive training and development plan which encompasses technical and non-technical training.

The annual training plan is designed based on the results of the training needs analysis that includes competency assessments, customer expectations and developments in the Bank and the banking sector.

	2015			2014			2013		
	No. of Programmes	Total Hours	No. of Participants	No. of Programmes	Total Hours	No. of Participants	No. of Programmes	Total Hours	No. of Participants
Internal	174	66,251	5,851	195	51,293	6,281	210	71,888	7,966
External	126	2,560	320	141	3,872	354	121	3,735	373
Foreign	18	320	21	11	494	16	10	412	15
Total	318	69,131	6,192	347	55,659	6,651	341	76,035	8,354

Gender Wise Training Distribution



The Bank has initiated several programmes as mentioned below, to enhance knowledge development of the staff members and to facilitate career development.

- Well scheduled, structured, training programmes were conducted for all levels of staff to enhance their skills. Over 300 programmes were conducted during the year under review.
- Continuous, in-house and external, training and orientation programmes on new products, services and procedures, improvement of service quality and to enhance credit knowledge.

- While recognising the importance of language skills, the Management introduced competency-based English and Tamil Learning Programmes for those who lack proficiency in this medium.
- Continued with the ongoing programme of training on systems and software usage, with the help of the IT Division. Around 400 employees received training.
- Special emphasis was given to front office staff to improve their interpersonal skills. Around 800 branch staff were trained on improving interpersonal skill.

- Four outward-bound residential workshops were conducted during the year, involving around 500 members of staff. The programme and activities in these workshops were carefully designed to develop the values of team building. The unique feature of these workshops was that it was entirely developed and implemented using external resources.
- Reimbursing of honorarium for examinations passed and qualifications gained while in employment.
- Giving special recognition in the staff promotion policy for obtaining additional banking qualifications.

Name of Training Modules	2015			2014			2013		
	No. of Programmes	Total Hours	No. of Participants	No. of Programmes	Total Hours	No. of Participants	No. of Programmes	Total Hours	No. of Participants
General Banking Practice	209	34,481	3,147	274	26,891	3,055	144	24,664	2,671
Professional Development	7	725	70	4	520	65	18	6,521	473
Communication and Negotiation Skills	10	2,083	185	7	1,672	209	15	1,708	582
Marketing and Marketing Communications	25	9,678	866	17	7,896	987	20	5,138	633
HR Management, Staff/Personnel Development	31	9,030	747	24	8,120	1,015	39	19,164	1,474
Compliance and Specialised areas	36	13,134	1,177	21	10,560	1,320	105	18,840	2,521
Total	318	69,131	6,192	347	55,659	6,651	341	76,035	8,354

Special Training



We have identified specific training needs for our staff especially in the areas of banking practices, customer care, customer rights, industry practices, banking law, governance, anti-corruption, risk management, development regulations, organisational policies and procedures etc. In response to the training needs identified through customer and staff satisfaction surveys and individual performance appraisals in 2014, banking practices,

customer care was identified as a priority area for training needs, in 2015.

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 Sri Lanka Police and the Department of the Registration of Motor Vehicles.

Professional Education

The conducive strategies implemented in the recent years have resulted and are reflected in a significant qualitative improvement in our workforce. The number of Academic and Professional staff increased by 190 in 2015 over 2014.

	2015					2014					2013				
	Academic Qualifications		Professional Qualifications		Total	Academic Qualifications		Professional Qualifications		Total	Academic Qualifications		Professional Qualifications		Total
	Male	Female	Male	Female		Male	Female	Male	Female		Male	Female	Male	Female	
Below 20	-	-	1	1	2	-	-	-	1	1	-	-	-	1	1
21 – 30	14	12	136	134	296	17	16	97	50	180	16	13	98	54	181
31 – 40	56	43	237	182	518	50	37	210	194	491	53	38	245	221	557
41 – 50	79	59	218	157	513	68	42	187	158	455	53	35	156	132	376
Above 50	7	7	27	14	55	15	7	27	18	67	14	5	27	9	55
Total	156	121	619	488	1,384	150	102	521	421	1,194	136	91	526	417	1,170

Training for Awareness

The Staff is kept well informed on product development, policies, procedures, regulatory changes and developments through circulars and internal memos. These communiqués are originated by the respective departments and disseminated centrally by the Operations Department. Procedure manuals are in place for all products and services and are updated regularly. Operational policies are periodically reviewed and updated. Training programmes are conducted on all new products and procedures when necessary.

Security Training

As Bank-wide security is an outsourced service. All required basic training is handled by the respective service providers and is facilitated by the Bank. In addition the Bank

conducts training on customer care for security personnel, to facilitate their role at branches and the head office.

Grievance Handling Mechanisms

The objective of the policy is to identify, appraise and provide appropriate solutions/feedback for grievances of team members arising out of their employment, in order to enhance employee motivation, commitment and further strengthen employee relations. The Bank recognises the importance of providing a fair and transparent procedure for handling grievances where they are managed fairly, sensitively and expeditiously. Staff grievances are sorted out as and when those are raised, however, there is no formal recording process currently available with the Bank.

Human Rights

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.

For our part, we have worked diligently to uphold the dignity, respect and fundamental human rights of all our employees. Moreover, we have always complied fully with all relevant national regulations concerning our employees and their interests. Our uncompromising

stance in this regard has led to an unblemished record, with no human rights violations to taint our reputation. Moreover, with a view to strengthening employee relations and maintaining a zero industrial dispute environment, we provide continuous training on industrial relations best practice to employees.

Non-Discrimination, Freedom of Association and Collective Bargaining

We consider freedom of association as a right of each employee and respect each individual's right to be a part of employee associations, provided their actions do not violate the laws of the country or infringe on the fundamental human rights of others.

Freedom of association and collective bargaining is a human right of the workers in an organisation, as defined by the Universal Declaration of Human Rights and ILO conventions. Collective bargaining is a form of stakeholder engagements beyond the collective bargaining mechanism. We recognise the Ceylon Bank Employees' Union (CBEU) and Seylan Bank Employees' Union (SBU), which comprise almost 93% (2015) of our staff across all grades, as a consultative and supportive group that articulates a forum for improved communication, grievance handling, career counselling and creating an environment conducive to healthy employee relations.

Child Labour, Forced or Compulsory Labour, Indigenous People's Rights and Assessments

	2015	2014	2013
No. of Incidents of Discriminations	Nil	Nil	Nil
No. of Incidents from Forced or Compulsory Labour	Nil	Nil	Nil
No. of Child Labour Related Issues	Nil	Nil	Nil
No. of Identified Incidents of Violations Involving the Rights of Indigenous People	Nil	Nil	Nil

Pending Litigation

Pending Litigation against the Bank has been reported in Note 45 of the Financial Statements.

Key Performance Indicators – Labour Relations and Human Rights

	2015	2014
CEBU and SBU membership	2,881	2,966
Membership %	93	98
No. of hours of staff trained on HR policies and procedures relevant to operation	38	11

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, one month's notice (senior levels-three months notice) is given where practical 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 members at the time of their appointment and is also made available in all departments for reference purpose. The Board of Directors of the Bank has appointed two officers to receive whistle-blower complaints on corruption malpractices as a regulatory requirement of the Central Bank. These officers are responsible to submit a summary of complaints received at regular intervals to the Board, for necessary actions. A proper mechanism is in place to handle whistle-blower complaints.

Initiatives to Improve Work-Life Balance

Apart from the Health Plan, we have 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 risk allowance and a difficult area allowance, 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 addressing safety of staff in emergency situations.
- Improving a healthy and a safe environment; 13 branches were fully refurbished with new facilities during the year, whilst many divisions in the head office were also refurbished/relocated.
- Arrangements were made to provide safe drinking water and implement a standard lighting system in all branches.
- Fire teams are appointed among staff members consisting of team leader, fire wardens, evacuation wardens and reserves at each level of head office and all branches.

	2015	2014	2013	2012	2011
Staff covered by the health plan %	100	100	100	100	100
Average medical claims per employee – Rs.	25,230	20,560	20,350	16,606	17,675
Occupational injuries	Nil	Nil	Nil	Nil	Nil
No. of occupational diseases	Nil	Nil	Nil	Nil	Nil
No. of lost days rate	Nil	Nil	Nil	Nil	Nil



Future Outlook

- Increased staff recognition to promote autonomy.
- Training and development on the crucial areas of credit quality, product knowledge, service excellence.
- Career development and growth.
- Fostering employee voluntarism.

External Capital Formation – Our Commitment to Stakeholders – Suppliers and Business Partners

We recognised that strengthening relationships and adopting ethical business practices are key success factors in banking business and accordingly made them our strategic priorities in 2015 as follows:

- Strengthening the long-lasting relationships
- Ethical practices

Strengthening Long-Lasting Relationships

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

- Credit Information Bureau
- Employers’ Federation of Sri Lanka
- Institute of Bankers of Sri Lanka (IBSL)
- Lanka Swift User Group (LSUG)
- Sri Lanka Banks’ Association (Guarantee) Limited

- The Ceylon Chamber of Commerce, Sri Lanka
- The Clearing Association of Bankers
- 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 and CIMA etc.

We have been maintaining a cordial account relationship with all our correspondent banks listed below:

Country	City	Name of the Bank	Commencement of Relationship
Relationship more than 15 years			
Australia	Melbourne	National Australia Bank	Jan-93
Canada	Toronto	Royal Bank of Canada	Jan-93
Denmark	Copenhagen	Danske Bank	May-94
England	London	Barclays Bank	Jan-93
England	London	Bank of Ceylon	Jan-93
Germany	Frankfurt	Deutsche Bank AG	Jan-93
Hongkong	Hongkong	Standard Chartered Bank	Mar-96
India	Chennai	Bank of Ceylon – USD	Jan-96
India	Mumbai	Standard Chartered Bank	Jan-96
New Zealand	Wellington	Bank of New Zealand	May-93
Norway	Oslo	DNB Nor Bank	Jan-93
Saudi Arabia	Riyadh	Saudi British Bank	Apr-96
Singapore	Singapore	Overseas Chinese Banking Corporation	Mar-96
Singapore	Singapore	Standard Chartered Bank	Aug-00
Singapore	Singapore	United Overseas Bank	Dec-95
UAE	Dubai	Mashreq Bank, Dubai	Jan-00
USA	New York	Deutsche Bank AG	Jan-93
USA	New York	Mashreq Bank, Dubai	Jan-00
USA	New York	Standard Chartered Bank	Mar-96

Country	City	Name of the Bank	Commencement of Relationship
Relationship between 10 to 15 Years			
Australia	Sydney	Commonwealth Bank of Australia	Sep-01
Germany	Frankfurt	Commerz Bank	Apr-02
Germany	Muenchen	Unicredit Bank Ag	May-02
Italy	Milano	Unicredito Italiano	Mar-02
Japan	Tokyo	Wells Fargo Bank	May-01
Pakistan	Karachi	Standard Chartered Bank	Jan-04
USA	New York	Wells Fargo Bank	May-01
Relationship between 5 to 10 Years			
Italy	Milano	Banca Popolare Di Milano	May-08
South Korea	Seoul	Korea Exchange Bank	Sep-07
UAE	UAE	National Bank of Abu Dhabi	Feb-09
Relationship Less than 5 years			
Bangladesh	Dhaka	Standard Chartered Bank	Oct-11
China	Shanghai	Standard Chartered Bank	Oct-12
Hongkong	Hongkong	National Bank of Abu Dhabi	May-12
India	Chennai	Bank of Ceylon – EUR	Mar-11
South Korea	Seoul	KB Kookmin Bank – South Korea	Oct-13
Switzerland	Zurich	Zurcher Kantonalbank	Sep-15
Sweden	Stockholm	Danske Bank	Dec-15
USA	New York	Habib American Bank	Oct-11
USA	New York	Standard Chartered Bank	May-15

Close and Ongoing Connectivity

The following banks visited Seylan Bank during the year:

- Zurcher Kantonalbank, Zurich
- Bank Dhofar, Sultanate of Oman
- Wells Fargo N.A
- Landesbank, Germany
- Erste Group Bank AG, Austria
- National Australia Bank, Australia
- Habib American Bank, USA
- Bank Al Jazira, KSA

- Emirates Bank – UAE
- Mashreq Bank – UAE
- YES Bank – India
- Caixa Bank – Spain
- Commerz Bank, Germany
- Banca UBAE, Italy
- UBAF, France
- Standard Chartered Bank
- Habib Bank Limited
- Axis Bank, India
- NBAD, Abu Dhabi
- Bank of Ceylon – London

Sharing Mutual Benefits

Seylan Bank was invited for seminars conducted by the following correspondents:

- Commerzbank – held in Chennai, India
On Bank Guarantees and International Trade
- Wells Fargo – held at Hilton, Colombo
On latest Trends in Trade and Payments
- Standard Chartered Bank – Hilton, Colombo Residence
On International Trade Finance and Global Payments

In line with the growth in profit after tax, Earnings Per Share of the Bank improved by 24.44% to



- Commerz Bank – held at Galle Face Hotel, Colombo
On Trade Business and Understanding Complexities in Compliance
- Wells Fargo – held at Hilton Colombo
On Compliance and Risk
- Mashreq Bank, Dubai, held at The Outrigger Phuket Resort, Thailand
On Economic Challenges and Opportunities
Compliance: Current Guidelines & Future Road Map - Impact of Globalisation on International Trade

Strategic Alliances

New Correspondent Banking Relationships

- Banco Santander, Mexico
- HSBC, Korea
- China Construction Bank
- Agricultural Bank of China
- TD Bank, Hong Kong
- Iyo Bank, Japan

Bankers Acceptance Transactions

- Standard Chartered Bank, Singapore
- Mashreq Bank, New York
- United Bank Limited, Dubai
- Bank Dhofar, Sultanate of Oman
- Wells Fargo, New York

Account Relationships

- Standard Chartered Bank, New York
- Zucher Kantonalbank, Switzerland
- Danske Bank, Sweden

Credit Lines

- HSBC, Malaysia
- Unicredit, Austria
- Bank Sinarmas, Jakarta

New Rebate Arrangements were made with –

- Habib American Bank, NY
- Unicredit, Germany

Ethical Practices

Procurement Policy and Practices

All procurements follow a transparent tender procedure. Price negotiations are conducted by designated teams and committees depending on the contract value and focus. Suppliers and supplier information are treated with confidentiality and fair dealing.

The Bank recognises its responsibility to carry out its procurement activities in an environmentally and socially responsible manner. The Bank recognises its responsibility to encourage suppliers to minimise negative environmental and social effects, associated with the products and services they provide.

Thus, in accordance with the Bank's Sustainability Strategy and Corporate Procurement Strategy, it strives to incorporate environmental and social considerations into the procurement process. The Bank follows a concerted policy of non-discrimination, irrespective to level of supplier business especially whether they are small-scale suppliers or Small and Medium Enterprises (SMEs).

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

Local Sourcing

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 attempts to select locally based suppliers and service providers from the vicinity of our branches especially for repairs and maintenance, janitorial services etc. Stationery which is our main material is being purchased from local suppliers.

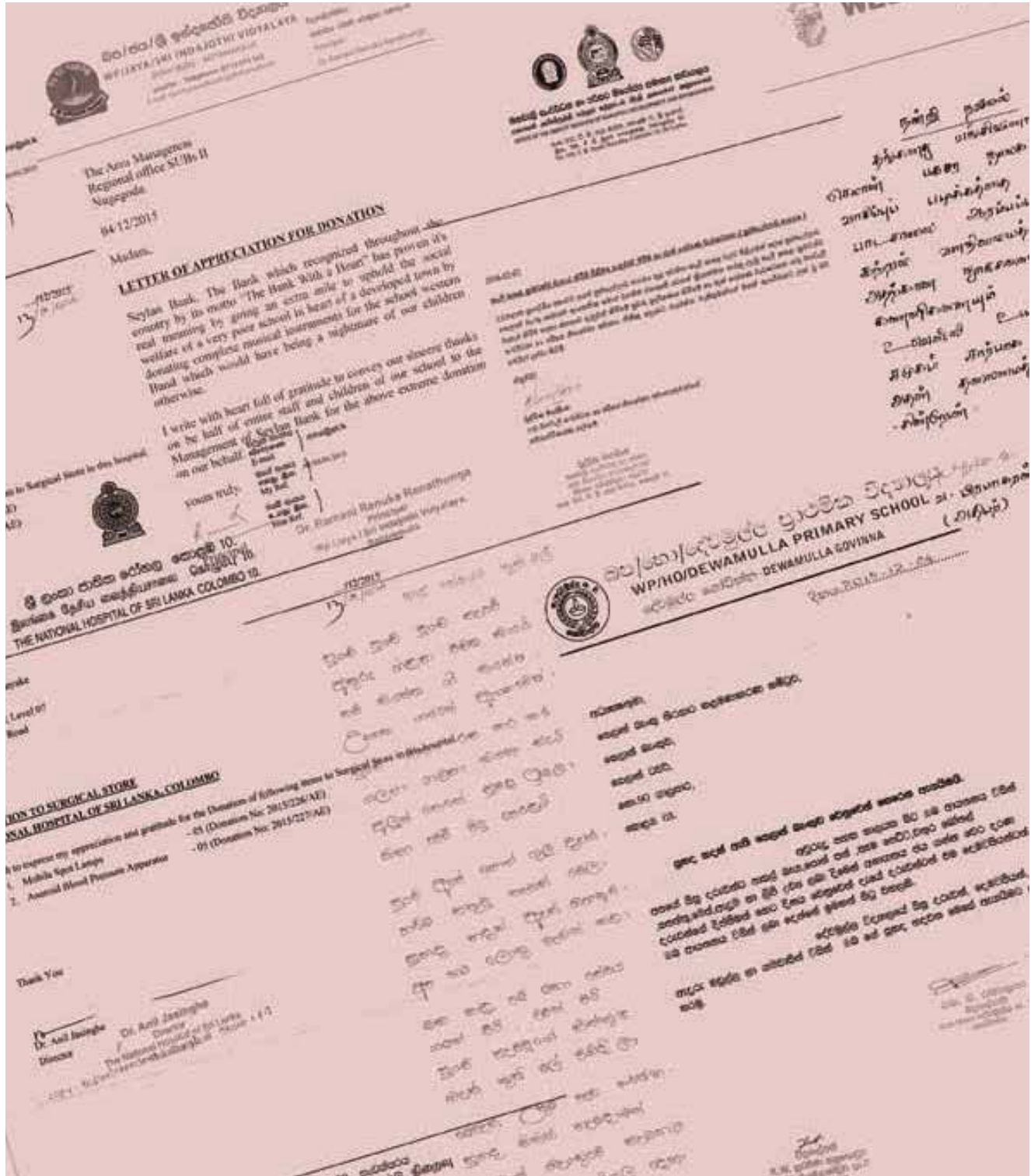
Cost of Services Obtained Locally in the Vicinity of Branches

	2015 Rs. Mn.	2014 Rs. Mn.	2013 Rs. Mn.	2012 Rs. Mn.
Tea and Coffee	35.02	34.31	31.24	27.07
Subsidised Lunch for Staff	52.90	51.39	52.25	46.99
Supply of Foliage/Maintenance of Fish Tanks	4.96	5.45	5.92	5.53
Janitorial Services	60.74	56.35	48.25	42.20
Repair and Maintenance	18.72	14.45	25.47	16.14
Drinking Water	11.14	9.78	8.64	3.85
Newspapers	2.71	2.25	2.20	1.39
	186.19	173.98	173.97	143.17

Future Outlook

- Strengthen the networking and strategic alliances.
- Sustainable business through long lasting relationships.
- Streamline and simplify the procurement process.

External Capital Formation – Our Commitment to Stakeholders – Community



Engagement with the Community

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 seeks to progressively shift its voluntary CSR activity into the realm of meaningful sustainability.



Our approach and the strategic direction go beyond the national obligations and aspire to attain the ultimate objective of meeting the social needs, which focus on activities leading towards economic prosperity and the development of the community and the country at large.

As we endeavour to address national priorities in this manner, all our efforts are carried out with the active participation of the team encompassing our island-wide network of branches. Moreover, aligned to our value-added, strategy driven, CSR approach, all projects are structured in a manner that would convey truly meaningful value to people and communities across the country while addressing the following national priorities:

- Community Empowerment
- Community Projects

- Contribution for National Priorities
- Being a responsible corporate citizen

From a business perspective, improvements in education conditions are seen as an important foundation for community development and empowerment.

The Bank considers that education has a strong correlation with social and economic development and the role of education becomes all the more important in the development of human capital. Societies of literate and skilled citizens have more chances of development at the economic and social levels.

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. Accordingly, in the year 2015, the Seylan Bank built a further 29 libraries and the total reached 80 at the end of the year under its 4-year plan of building 100 libraries.

Direct investments for fostering education, distribution of books and support for the libraries were Rs. 11.06 Mn. The project adds value for education by promoting the reading habits of the children and facilitating education and even further enhancing the leisure activities of the children of those schools where the libraries were set up. Further, the libraries were given computers with internet facility to enhance e-learning, IT literacy and encouraging children in remote areas to be familiarised with new technology-based, IT driven, education.



Given below are the libraries opened during year 2015:

Coordinated by (Branch)	Name and address of the School
Batticaloa	Methodist Central College, Batticaloa
Kalmunai	Westlys High School, Kalmunai
Batticaloa	St. Michael's College, Batticaloa
Batticaloa	Vivekananda Girls' Maha Vidyalayam, Kallady, Batticaloa
Chenkalady	Vantharumoolai Vishnu Maha Vidyalayam, Vantharumoolai
Ambalangoda	Sri Devananda Maha Vidyalaya, Ambalangoda
Welimada	St. Thomas' College- Guruthalawa
Gampaha	Holy Cross College, Bandiyamulla, Gampaha
Siyambalanduwa	Siyambalanduwa Primary School, Siyambalanduwa
Bandarawela	Prakgnasara Dikulpotha Maha Vidyalaya, Bindunuwewa, Bandarawela
Nugegoda	Mahamathya Vidyalaya, Kirulapona, Colombo 05
Dehiwala	Presbyterian Girls' School, Dehiwala
Anuradhapura	St. Joseph's College, Anuradhapura
Trincomalee	St. Mary's College, Trincomalee
Kalutara	Mahagammedda Primary School, Payagala
Ampara	Gamini Maha Vidyalaya, Ampara
Aralaganwila	Maithripala Sirisena Primary School, Aralaganwila
Hatton	St. Gabriel's College, Hatton
Kegalle	St. Joseph's Balika Maha Vidyalaya, Kegalle
Panadura	St. John's Girls School, Panadura
Matara	Matara Model Primary School, Matara
Jaffna	Hindu Ladies College, Kantharmadam, Jaffna
Kegalle	Kegalu Balika Vidyalaya, Kegalle
Nelliyadi	Nelliyadi Methodist Mission Tamil Mixed School, Karaveddy
Trincomalee	Orr's Hill Vivehanandha College, Trincomalee
Kiribathgoda	St. Paul's Balika Maha Vidyalaya, Waragoda, Kelaniya
Kandy	Swarnamali Balika Vidyalaya, Kandy
Matale	Koswana 'Sahana' Special School, Kaikawela, Matale
Katugastota	Sumanasara Model Primary School, Dunuwila, Kandy

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 their initiatives financially or by other means. The Bank is committed to ensure that any donations and sponsorships extended are-

- Solely for the purpose of supporting the democratic process
- Lawfully and properly recorded and disclosed in our accounts

Community Projects



Fervent staff of 10 branches of North West Region II (Kurunegala, Puttalam, Kuliyaipitiya, Narammala, Mawathagama, Dummalasuriya, Udappu, Bowatta, Rideegama and Kalpitiya) renovated the community hall of Wellawa Meddagama village, to facilitate social and religious gatherings of the people, furthering community engagement.

Caring for a Healthy Nation

We recognise the importance of investment for healthcare as crucial to build a healthy nation. As such, during the year, Seylan Bank invested/carried out various initiatives in this regard, covering certain key areas.

We understood the serious concerns of the country and addressed them on a wide scale, with a variety of support and awareness campaigns. Further, we undertook several projects to support and maintain hospital wards, including maternity wards.

Seylan Bank Metro Region comprise of 14 branches (Millennium, Colombo Fort Branch, Cinnamon Gardens, Grandpass, Pettah, Kollupitiya, Borella, Maradana, Old Moor Street, Dam Street, Kotahena, Bambalapitiya, Colombo Gold Centre and Deal Place) passionately stepped into donating spot lights and blood pressure meters to the National Hospital of Colombo, as means of intensifying rays of light in the operation theatre and thereby assisting Doctors to perform surgeries successfully.



West Region with 15 branches (Nittambuwa, Warakapola, Gampaha, Ganemulla, Kadawatha, Marandagahamulla, Mirigama, Yakkala, Weliweriya, Veyangoda, Kiribathgoda, Kiridiwela, Minuwangoda, Ranpokunagama

and Kelaniya) took their ardent efforts to renovate and equip the maternity ward of Base Hospital at Wathupitiwala.



8 branches of North West I region (Ja-ela, Chilaw, Katunayake, Katuneriya, Kochchikade, Negombo, Raddolugama and Wattala) donated mattresses to the paediatric Ward of the Negambo base hospital.



Uva Sabaragamuwa comprising of 13 branches (Badulla, Balangoda, Bandarawela, Embilipitiya, Pelmadulla, Ratnapura, Welimada, Avissawella, Ruwanwella, Moneragala, Yatiyantota, Kotiyakumbura and Siyambalanduwa) donated wheel chairs, Air Beds, Blankets, crutches and a mini-fridge to a hospital ward at the Base Hospital – Ratnapura.



Creating Sustainable Wealth through Healthy Living

Team of North Central region, a cluster of 16 branches (Hingurakkgoda, Dehiattakandiya, Manampitiya, Kekirawa, Polonnaruwa, Anuradhapura, Kaduruwela, Dabulla, Mahiyangana, Galenbindunuwewa, Aralaganwila, Medawachchiya, Nochchiyagama, Eppawala, Padaviya and Hasalaka) bestowed primary students of Kanichchigala – Weheragala and neighbouring community with an ISO certified Water Purification System, together with a water supply unit as means of pruning root cause of chronic kidney disease spread in the area due to contaminated water.



The team of Suburb I Region comprising 11 branches (Dehiwala, Moratuwa, Mount Lavinia, Panadura, Wellawatte, Sarikkamulla, Soysapura, Kalutara, Moratumulla, Beruwala and Wadduwa) worked together to donate, braillets and types to blind students of the Deaf and Blind School of Ratmalana.



Team of Suburbs III Region comprising 11 branches (Homagama, Meegoda, Kottawa, Maharagama, Godagama, Wijerama, Piliyandala, Bandaragama, Boralessgamuwa, Horana and Ingiriya) flocked to promote socialisation of differently abled children at Dr. Miranda Hemalatha Kalashramaya (School for differently abled children) namely 'Diri Daru Piyasa' Kidelpitiya by way of donating a multimedia projector and a wide screen, fans, books and stationery.

Knowledge and Skills Development

We have an ongoing initiative that offers comprehensive support for students preparing for the Annual Grade 5 Scholarship Examination in Sri Lanka. Requiring no pre-registration, workshops held in selected locations and they are conducted in both Sinhala and Tamil medium, to assist students in their mother tongue. Well-focused, half-day workshops are intended not merely to impart theoretical knowledge, but also to offer key insights into critical aspects of the examination structure, while also motivating students to aspire for success by envisioning broader goals in life.

The Bank also conducted workshops for SME and Trade Finance customers educating them on prudent business management practices keeping in line with latest developments.

Education at the Pilot Village



The Bank continued its activities in the Devamulla pilot village, under the village adoption concept and accordingly donated books and other needs required for the year 2016 to the students of Devamulla primary school. This was the fifth consecutive year that the Bank undertook this programme. Further, costumes of the school band were also sponsored by the Bank to promote extra curricula activities of the students.

Supporting Sports and Recreation

While considering education as a key priority, in enabling a balanced and healthy education, we also promote extra curricular activities through the provision of equipment or with sponsorships as detailed below:



North region comprising 9 branches (Jaffna, Nellyyadi, Mannar, Killinochchi, Vavuniya, Mullaitive, Chawakachcheri, Chankanai and Manipay) donated sports equipments to Hindu Youth Sports Club – Kilinochchi as means of encouraging sports and recreation of community in vicinity.

Education-Related Infrastructure Developments

Education as a key indicator of social progress, continues to play an increasingly decisive role in realising self-sustainability and equal development. Recognising the importance of this changing status quo for education, we aim to support the broader educational needs of selected segments of the society. Focusing primarily on uplifting the standard of community education across the country, and extending beyond the mere financial commitment, we also invest in appropriate knowledge and skills to ensure that the full benefit is transferred as needed. In addition to the libraries project we supported education with other infrastructure developments.



Suburb II region consisting of 10 branches (Battaramulla, Nawala, Attidiya, Havelock Town, Kalubowila,

Nugegoda, Malabe, Pitakotte, Gothatuwa and Kirulapone) donated musical Instruments needed for their Western Band to WP/Jaya/ Sri Indajothi Vidyalaya, Battaramulla.

Team of South Region with 14 Branches (Beliatta, Akurassa, Galle, Hambantota, Koggala, Matara, Tissamaharama, Ambalangoda, Matugama, Ambalantota, Hikkaduwa, Baduraliya, Kamburupitiya and Kataragama) donated a water supply facility to a remote primary school at Kataragama to facilitate basic needs of the school and also the neighbouring villagers.



Sunera Foundation Workshop

Education is a pivotal part of the Bank’s CSR strategy. Understanding the importance of education, the Bank decided to sponsor a workshop for differently abled children in Horana for a period of three years. Approximately 25 differently abled children participated in this workshop.

Contribution for National Priorities

Seylan Harasara Scheme – Senior Citizens

This scheme offers financial benefits to senior citizens, facilitating those who have served the country for years and who look forward to investing their life’s earnings during their life time, to enable the maximum benefit to them in retirement.

- A. Senior citizens over 60 years of age, investing their money in Fixed Deposits are entitled to an interest rate of 15% p.a. for a deposit value up to Rs. 1 Mn. as stipulated in the Government budget.
- B. Further deposits by senior citizens above 55 years are offered a 0.5% enhanced interest for one year and above Fixed Deposits, above the published rates, other than A above.

Seylan Housing Loans

With residential housing and home making being a core requirement in the hearts of a significant portion of the Sri Lankan population, Seylan Bank presented an ideal opportunity to them in this regard, by the promotion of a housing solution with a unique array of features, holistically designed for the purposes of purchasing a block of land, constructing a house, renovating, extending or completing an existing house or condominium apartment, undertaking home improvement requirements, such as improving the interior décor in addition to, upgrading the furniture, purchasing electrical appliances, installing pantry cupboards and even landscaping.

Further, we encouraged employment opportunities around the country that are related to housing and construction industries such as carpentry, masonry and other related activities, which create indirect employment and contribute to the improvement of living standards.

	2015	2014	2013
No. of Housing Loans Granted	1,235	1,014	531
Amount Granted (Rs. Mn)	4,713	2,424	1,014

Promote Financial Inclusiveness and Fostering Investments

We understand the different levels of capacity of the community and accordingly cater to a variety of people with the most appropriate solution. Seylan Bank has always been the banker to the middle and low-level income segments, guiding them in their business, so that they are able to contribute to the country’s GDP and create employment opportunities in their respective fields, thus uplifting the standards of people.

Supporting the Needy Sectors for Economic Development of the Country – details of Refinance Schemes

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	Donor	Eligible Sectors	Loans Granted in 2015		Loans Granted in 2014		Loans Granted in 2013	
			No. of Loans	Amount Rs. Mn.	No. of Loans	Amount Rs. Mn.	No. of Loans	Amount Rs. Mn.
Refinance Scheme								
Resumption of economic activities in the Eastern province	Government of Sri Lanka	All Legally Accepted Income Generating Activity in the Eastern Province	2	0.79	186	75.12	29	9.80
Kapruka Ayojana Credit scheme	Government of Sri Lanka	Coconut Cultivation	25	7.50	16	6.74	9	5.63
Awakening North	Government of Sri Lanka	All Legally Accepted Income Generating Activity in the Northern Province	22	3.05	79	13.04	20	2.25
“Saubagya” Prosperity loan scheme	Government of Sri Lanka	Small and Medium Scale Entrepreneurs	47	67.42	43	69.50	6	34.34
Small and Micro Leader and Entrepreneur Promotion project (SMILE 111)	Japan Bank for International Co-operation	Micro, Small and Medium Scale Entrepreneurs Engaged in Manufacturing	19	71.59	37	114.20	10	41.90
Subsidy Scheme								
Commercial scale Dairy development loan scheme	Government of Sri Lanka	Commercial Scale Dairy Farmers and Processors of Dairy Products	5	4.62	6	24.27	11	29.65
New Comprehensive Rural Credit scheme	Government of Sri Lanka	Agriculture	505	42.45	572	60.06	449	43.07
Working capital loan scheme for Tea factories	Government of Sri Lanka	Tea	2	12.02	-	-	-	-

Being a Responsible Corporate Citizen

We recognise and respect the legal operating framework as an important yardstick to manage our day to day operations in a manner which maximises benefits to our stakeholders. Some important provisions that are applicable to our operations are listed below:

Compliance	Level/Status of Compliance and Actions Taken
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 the threats and pitfalls of corruption. The Table below provides the information on such training during the year. (Refer table below)
Actions taken in response to incidents of corruption	Banking business is conducted with the resources of the public and shareholders. Therefore, banks have a fiduciary responsibility to manage such money in the best interest of the stakeholders. The Seylan Bank accordingly operates with very rigid controls, internal audit procedures and disciplinary procedures to safeguard this trust.
Participation in public policy development	The Bank is invited by the Government to submit its proposals for consideration when formulating the Government budget and tax laws.
Total value of financial and in kind contributions to political parties and politicians	The Bank has carried out its transactions in the ordinary course of business and on an arm's-length basis and there were no contributions made to political parties or politicians.
Number of legal actions taken for anti-competitive behaviours	The Bank did not encounter any legal action for any anticompetitive behaviour during the year. The Bank always complies with the laws and regulations of the country in handling marketing campaigns, displaying banners, conducting sales and road shows campaigns, or on any other such occasions.
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. The Monthly compliance report is tabled at the Board as a monitoring tool.

Training for Being Responsible

Type of Training	2015		2014		2013	
	No. of Programmes	No. of Participants	No. of Programmes	No. of Participants	No. of Programmes	No. of Participants
General Banking Practices	209	3,147	274	3,055	144	4,433
Anti-Money Laundering/KYC	8	362	9	360	105	2,521
System Security	14	373	4	231	75	1,161
Accounting and Auditing	14	442	8	180	17	239

Handed over



“Seylan Pahasara” libraries to underprivileged schools, since 2013

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 by creating a platform for

them to actively participate in CSR projects and community development initiatives, organised by the Sustainability Committee. During the year, the Bank’s Sustainability Committee initiated regional projects based on the specific needs of said regions in order to promote awareness about and participation in, sustainability projects and details are given in this section of the report. Around 2,000 staff members monthly, contribute towards the sustainability activities of the Bank, particularly the actions carried out at the pilot village. During the year, the full contribution made by the staff was utilised for the pilot village.

Future Outlook

- Comprehensive CSR plan to uplift the national priority of education by constructing 250 libraries in under-privileged schools.
- Promote IT literacy and e-learning.
- Support meaningful community projects.

External Capital Formation – Our Commitment to Stakeholders – Environment



Environmental Policy

We have a long-standing commitment to minimising both direct and indirect impacts on our environment, arising from our business activities. Whilst at the same time, doing everything we can do protect and replenish the natural resources around us.

Financial Implications and Other Risks and Opportunities Due to Climate Changes

The Bank is not directly exposed to risks arising from climate changes. However, due to the fact that the Bank provides financial accommodation to customers engaged in industries such as agriculture, fisheries, export business etc. that are highly vulnerable to climate changes, the Bank is conscious that any adverse climatic conditions could indirectly affect the performance of the Bank, due to defaults by customers in these sectors.

Businesses engaged in the leisure sector, tourism, agriculture and fisheries and allied services and trade financing are also vulnerable to risks from unfavourable climatic conditions.

Details of the Bank’s sector-wise credit exposure are given in Note No. 24 to the Financial Statements.

Our Commitment

We are dedicated to preserving the natural composition of air, water, energy and biodiversity in order to make the earth a better place to live.

As a leading business entity in the country, environmental sustainability has always been predominantly featured in our efforts to understand, calculate and address the impact on the environment, resulting from the business. We thus remain passionate to do our part for the benefit of future generations.

Having identified certain material aspects in our operations and their significance, our environmental policy spells out fundamental guidelines not only to help control and mitigate the environmental impact caused by our business, but also to address underlying environmental issues, if any.

Our key priorities during the year under review were:

- Resource conservation and efficiency
- Ethical environmental practices

Resource Conservation and Efficiency

We are aware that the impact on the environment resulting from our operations is limited, particularly given the nature of our business as a commercial bank. However, environmental sustainability remains an important part of the product responsibility framework associated with our core business.

Operational improvements made in 2015:

- Automation of back office functions of branches
- e-Circulars platform for disseminating circulars electronically and enabling retrieval on demand.
- e-Board papers system to deliver and maintain history of Board papers to Directors with secure connections to iPads.
- HR systems e-learning and attendance
- Automated selected staff payments (e-payments)
- Online staff loan application facility

Energy Management

Given the nature of our business, electricity remains the primary source of energy needed for day-to-day operations. To minimise the number of electricity units consumed during the course of our operations, we have always sought energy-saving alternatives that would control usage and help manage our impact on the environment.

During the year, we paid special attention to manage overall electricity consumption of our operations despite new recruitments and branch expansions taking place. Installation of energy-efficient lighting systems and inverter type air conditioners, in conjunction with the refurbishment programme, enabled us to maintain an economical level of electricity consumption.

Water Management

Though our operations have no direct impact on or from water, we have put in place a mechanism through the cost-saving initiatives, in addition to the regular employee awareness.

Waste Management

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

Conservation of Biodiversity

The Bank has no operational sites owned, leased or managed in protected areas of biodiversity. Though there are no significant, direct or indirect, impacts on bio diversity, we are conscious and appreciate the efforts to preserve the same through our funding projects.



Paying tribute to biodiversity and ecological balance the team Central Region comprising 16 branches (Bogawanthalawa, Gampola, Kandy, Kegalle, Mawanella, Nawalapitiya, Hatton, Nuwara Eliya, Talawakelle, Matale, Pussellawa, Pallekele, Katugastota, Peradeniya, Pilimathalawa and Kotagala) got together to plant 150 trees besides the roadway of Pussellawa to Nuwara Eliya.



Regional Team of East comprising 11 branches (Ampara, Batticaloa, Katankudy, Trincomalee, Chenkalady, Kalmunai, Akkaraipattu, Kanthalai, Kalawanchikudy, Pothuvil and Samanthurai) worked collaboratively with the town council of Akkaraipattu, to beautify the town by way of doing turf and planting trees in the centre of town.

Emission Control

The Bank is committed to minimise emissions both directly and indirectly through measurement and monitoring of staff travel and 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 emission.

Ethical Environmental Practices

Steered by the clarity of our environmental policy, we at Seylan Bank make it our mission to comply with all mandatory regulations pertaining to the environment. Our campaign to observe the highest international standards, have prompted us to embrace global best practices for environmental governance and reporting, based on the GRI guidelines.

We also continued to encourage our customers to focus on safeguarding the environment by obtaining environmental clearance/ Environmental Protection Licenses (EPL), in compliance with the guidelines stipulated by the Central Environmental Authority (CEA).

Transport

Carbon emissions of Bank owned vehicles, leased vehicles, hired vehicles, foreign travels, third party deliveries and employee commuting, could lead to a carbon foot print. We encourage our employees to minimise the negative impact on the environment as a result of their transportation preferences. Given below are some of the actions taken in this regard.

- Conducted training programs on cost effective and eco-friendly use and maintenance of vehicles.
- Planned to deploy respective regional staff for branch promotions, without using staff from head office or other regions.
- Contracted an efficient courier service for delivering documents and materials.
- Decentralised operational authorities to regional level.
- Authorised branches to hire local vehicles for business travel.

Supplier Environmental Assessment

We do not directly monitor the environmental impact of our own suppliers as it is insignificant and remote to both our business and the stakeholders.

Environmental Grievance Mechanisms

No environmental grievance with regard to our operations was reported during the review period from stakeholders associated with our business.

Future Outlook

- Constant saving of power and energy through simplification of process, awareness monitoring etc.
- Support for energy saving projects through funding
- User-friendly technology and energy effective banking process

Sustainability Performance Indicators

Stakeholder Group	Indicator of Performance	2015	2014	2013	2012	2011	2010	Indicator
Investors	Financial Value Added (Rs. Mn.)	11,710	10,238	8,280	7,660	6,022	6,529	G4-EC1
	Economic Value Added (Rs. Mn.)	1,656	2,685	1,129	81	(322)*	929	G4-EC1
	Profit After Tax (Rs. Mn.)	3,831	3,079	2,316	2,064	675	1,228	G4-EC1
	Earnings per Share (Rs.)	11.11	8.92	6.74	6.11	2.18	4.60	G4-EC1
	Return on Equity (%)	15.62	13.45	11.40	11.42	4.43	10.88	G4-EC1
	Return on Assets (%)	1.40	1.33	1.16	1.18	0.42	0.87	G4-EC1
	Dividend Per Share (Rs.)	2.75	2.50	2.25	2.00	1.00	1.00	G4-EC1
	Customer Deposits (Rs. Mn)	224,525	185,924	167,371	146,727	123,981	112,880	G4-9
	KYC Anti-Money Laundering Programmes	8	9	105	43	19	5	G4-S04
	Penalties Arising from Non-Compliance of Laws	Nil	Nil	Nil	Nil	Nil	Nil	G4-PR7
Customers	No. of Branches	159	157	151	147	133	122	G4-8
	No. of ATMs	182	177	158	154	133	125	G4-8
	Gross Total Customer Advances (Rs. Mn.)	198,842	161,975	144,167	132,974	116,584	100,224	G4-9
	Number of Housing Loans Outstanding	5,934	5,995	6,089	6,433	6,450	5,369	G4-9
	Value of Housing Loans (Rs. Mn.)	11,059	9,174	8,683	9,055	8,755	8,323	G4-9
	No. of Tikiri Kids Events Held	170	95	56	45	47	N/A	G4-S01
	No. of Students Banking Centres	95	93	86	81	83	83	G4-8
	No. of Customer Complaints	63	72	77	91	76	70	G4-S01
Employees	Turnover Rate (%)	4.11	4.00	4.41	5.34	5.36*	3.40	G4-LA1
	Permanent Employees (%)	92	96	94	96	97	98	G4-10
	Average Benefits Per Employee Excluding VRS (Rs. '000)	1,360	1,332	1,160	1,060	975	806	G4-LA13
	Staff Covered by Health Plan (%)	100	100	100	100	100	100	G4-LA5
	Work Related Fatalities or Lost Days	Nil	Nil	Nil	Nil	Nil	Nil	G4-LA6
	Women Employees (%)	43	40	39	39	38	39	G4-LA12
	Women in Corporate and Middle Management (%)	27	26	25	24	25	27	G4-LA12
	Union Membership (%)	93	98	98	91	89	89	G4-11
	External Training Programmes participants (Including Foreign Training)	341	370	388	325	421	312	G4-LA9&10
	Total Training related Cost (Rs. '000)	32,000	28,090	27,546	14,402	N/A	N/A	G4-LA9&11

*Excluding VRS

Stakeholder Group	Indicator of Performance	2015	2014	2013	2012	2011	2010	Indicator	
Community	Contribution to Community Projects (Rs. Mn.)	7.80	0.93	4.54	0.19	1.50	0.20	G4-SO1	
	Contribution to Education-Related Pursuits (Rs. Mn.)	11.06	6.70	2.49	0.34	1.91	1.04	G4-SO1	
	No. of Loans Granted Under 'Seylan Scholar'	61	71	57	55	-	-	G4-SO1	
Suppliers	Purchases from Locally based Supplies (Rs. Mn.)	186.19	173.98	173.97	143.17	129.20	98.00	G4-EC9	
	No. of Complaints Received from Bidders and Suppliers	Nil	Nil	Nil	Nil	Nil	Nil	G4-SO1	
Environment	Electricity Consumed (units kWh) '000	9,362	9,342	9,587	9,450	9,187	9,362	G4-EN3	
	Electricity Consumption – Units per Employee (kWh)	3,034	3,170	3,144	3,087	2,917	2,584	G4-EN3	
	Water Consumption – Units	81,828	77,344	77,746	83,967	72,907	90,346	G4-EN8	
	Water Consumption – Units per Employee	26.52	26.20	25.50	27.43	23.15	24.94	G4-EN8	
	Generator Diesel Consumption (Litres)	62,251	73,211	71,603	97,189	N/A	N/A	G4-EN3	
	Petrol Consumption (Litres)	21,382	30,977	24,923	27,436	37,066	45,929	G4-EN3	
	Diesel Consumption (Litres)	35,400	44,878	32,387	56,531	32,720	47,237	G4-EN3	
	Lubricant Consumption (Litres)	481	1,261	387	591	1,050	900	G4-EN1	
	Total Business Travels (Km)	545,002	363,134	386,410	420,150	N/A	N/A	G4-EN30	
	No. of A4 Paper Purchased – Packets	21,000	19,441	18,009	16,950	18,527	21,341	G4-EN1	
	Weight of A4 Paper (Kg)	252,000	233,292	216,108	203,400	222,324	256,092	G4-EN1	
	A4 Packets usage per Business Unit	132	124	119	115	139	175	G4-EN1	
	No. of Toner Usage	2,517	2,224	5,587	N/A	N/A	N/A	G4-EN1	
	Waste Paper Recycled (Kg)	107,055	86,280	79,237	120,032	72,382	58,860	G4-EN23	
	Savings From Recycled Papers								
	Trees	1,820	1,466	1,347	2,044	1,230	983	G4-EN27	
	Water (Litres)	3,402,208	2,741,978	2,518,151	3,822,497	2,175,546	1,838,790	G4-EN27	
	Electricity (kWh)	428,220	345,421	316,948	481,120	289,528	231,440	G4-EN6	
	Oil (Litres)	187,882	151,421	139,060	211,091	251,783	101,544	G4-EN6	
	Landfill (Cubic Meters)	321.17	258.84	237.71	361.00	N/A	N/A	G4-EN27	
Carbon Footprint (Kg)	21,411	17,256	15,847	24,006	N/A	N/A	G4-EN27		
Government and Government Institutions	Income Tax (Rs. Mn.)	1,946	1,571	1,138	1,135	505	769	G4-EC1	
	Value Added Tax and Nation Building Tax on Financial Services (Rs. Mn.)	1,256	1,203	749	696	405	857	G4-EC1	
	Total Tax (VAT/NBT and Income Tax % of PBT)	46	47	45	47	58	57	G4-EC1	

*Excluding VRS



SUSTAINABILITY ASSURANCE REPORT

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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 2015

Introduction

We were engaged by the Board of Directors of Seylan Bank PLC ("the Company") to provide assurance on the following elements of Sustainability Reporting in the Integrated Annual Report for the year ended 31st December 2015 of Seylan Bank PLC ("the Report").

- Reasonable assurance on the data on financial performance, as reported on pages 8 and 9 of this Report.
- Limited assurance on the sustainability performance indicators specified on pages 115 and 116, for the following stakeholder groups as detailed below.

Stakeholder Disclosures	Integrated Report Page
Investors	70-74
Customers	80-83
Employees	85-98
Suppliers	102
Community	108-110
Environment	113

Our conclusions

a) Data on financial performance:

In our opinion, the data on financial performance, as reported on pages 8 and 9 of the Annual Report 2015 are properly derived from the financial statements of the Company for the year ended 31st December 2015.

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 6 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 8 and 9 of this Report involves verification that they were properly derived from Audited Financial Statements of the Company for the year ended December 31, 2015.

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 the Company's processes for determining material issues for the Company'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 the Company;
- 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

25 February 2016

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
 T.J.S. Rajakarier FCA
 Ms. S.M.B. Jayasekara ACA
 G.A.U. Karunaratne ACA
 R.H. Rajan ACA
 P.Y.S. Perera FCA
 W.W.J.C. Perera FCA
 W.K.D.C. Abeyrathne ACA
 R.M.D.B. Rajapakse ACA
 C.P. Jayatilake FCA
 Ms. S. Joseph FCA
 S.T.D.L. Perera FCA
 Ms. B.K.D.T.N. Rodrigo ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

BOARD OF DIRECTORS



The profiles of the Directors who were on the Board of Seylan Bank PLC as at 31st December 2015, are given below. 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" published on page 207. 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 211 to 214.

1 — Mr. Nihal Jayamanne

President's Counsel
Independent Director/Chairman

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 and Remuneration Committee (Chairman), Board Governance and Compliance Committee (Chairman) and Board Marketing and Product Development Committee.

Other Positions:

Trustee of Seylan Bank Employees' Gratuity Trust Fund.

Skills and Experience:

An eminent Senior President's Counsel. Has held several key offices in the fields of law. Was a former President of the Bar Association of Sri Lanka, former Chairman of Law Commission of Sri Lanka, Company Law Advisory Commission and Law College Foundation, 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 member of the Board of

Trustees of the Judicial Infrastructure Maintenance Trust. He has served on the Boards of Sri Lankan Airlines Limited and Sri Lankan Catering (Pvt) Limited prior to his resignation in January 2015.

2 — Mr. Ishara C. Nanayakkara

Non-Executive Director/
Deputy Chairman

Qualifications:

Diploma in Business Accounting & Finance (Aus)

Appointed to the Board:

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

Membership on Board

Sub-committees:

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

Other Positions:

Chairman of Commercial Leasing and Finance PLC, LOLC Micro Credit Limited, BRAC Lanka Finance PLC, Browns Capital PLC (Previously known as FLC Holdings PLC), Browns Hydro Power PLC and LOLC Life Assurance Limited. Executive Chairman of Brown & Company PLC and Browns Investments PLC. Executive Deputy Chairman of Lanka ORIX Leasing Company PLC and LOLC Finance PLC. Also holds Directorships in several other entities both within and outside the LOLC Group and the Browns Group of Companies.

Skills and Experience:

Mr. Ishara Nanayakkara is an astute businessman who has ventured into the arena of financial services with the strategic investment in Lanka ORIX Leasing Company PLC and was appointed to the Board of LOLC in 2002. His Business philosophy based on sustainable development, has facilitated LOLC's entry into many new business ventures with high potential for growth across all three spheres: economic, social and environmental.

He has a wide exposure in general and life insurance, Islamic financing, factoring, working capital and stock broking, which manifests his vision to cater to the entire value chain of the finance 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. Mr. Nanayakkara's interest and prowess in microfinance, lead to the inauguration of LOLC Myanmar Micro Finance Company Limited, a green field investment in Myanmar and is further demonstrated by his involvement at strategic level in LOLC Cambodia Limited, the fifth largest microfinance company in Cambodia.

His need to venture into various growth peripheries is further illustrated through the vital role played by him as the Executive Chairman of Brown & Company PLC of the Browns Group, a renowned conglomerate with leading market position in trade, leisure, power generation, healthcare, manufacturing, consumer appliances and agriculture equipment.

His passion for sustainable investment is reflected through his involvement in renewable energy, forestry and plantations. He is also involved in the construction industry as a Board Member of Sierra Constructions Limited, which further underlines his perpetual interest in the growth sectors of the Sri Lankan economy.

3 – Mr. Kapila Prasanna Ariyaratne

Director/Chief Executive Officer

Qualifications:

BSc (Honours – First Class), University of Colombo

Appointed to the Board:

16th February 2015 as an Executive Director

Membership of 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, Chairman of Sesot (Pvt) Limited, Sotse (Pvt) Limited, Esots (Pvt) Limited, Seyshop (Pvt) Limited, Seybest (Pvt) Limited, Seyfest (Pvt) Limited. Member of the Governing Board of the Institute of Bankers of Sri Lanka.

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.

4 – Rear Admiral Ananda Peiris

Independent Director

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 of Board**Sub-committees:**

Board Nomination Committee (Chairman), Board Human Resources and 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, Bangaladeshi 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's 50th Anniversary Medal, President's Inauguration Medal (1978), North East Operation Medal and Purna Bumi Padakkama.

Rear Admiral Peiris won the admiration of the entire nation for the pivotal role he played as the Director General of the Civil Defence Force of Sri Lanka from 2009-2015. His contribution to uplift the living standards of the 40,000 men and women in the Civil Defence Force, speaks volumes. Through healthy involvement of this work force, he has been able to contribute towards the development of agriculture and growth in numerous spheres in Sri Lanka specially in war torn, affected forward areas.

5 — Mr. Samantha P.S. Ranatunga

Independent Director

Qualifications:

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

Appointed to the Board:

12th January 2010 as a Non-Executive Director and was redesignated 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, 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, Link Natural Products (Pvt) Limited, CIC Seeds (Pvt) Limited, CIC Agri Produce Export (Pvt) Limited, CIC Agri Produce Marketing (Pvt) Limited, Crop Management Services (Pvt) Limited, CIC Lifesciences Limited, CIC Dairies (Pvt) Limited, Commercial Insurance Brokers (Pvt) Limited, CIC Dairy Breeding & Management (Pvt) Limited and CIC Grains (Pvt) Limited.

Skills and Experience:

Over 20 years experience in the field of management, marketing and managing FMCG business. Chairman of the Ceylon Chamber of Commerce – oldest Trade Chamber of Sri Lanka. Has led the Sri Lankan Chamber of Commerce delegations to many countries for International forums. Committee Member of the Sri Lanka Maldivian Business Council.

6 — Mr. Kapila Jayawardena

Non-Executive Director

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 LOLC Finance PLC, LOLC Securities Limited, LOLC General Insurance Limited, Palm Garden Hotels PLC, Eden Hotel Lanka PLC. Managing Director/CEO of Lanka ORIX Leasing Company PLC, Director of LOLC Micro Credit Limited, Commercial Leasing & Finance PLC, Riverina Resort (Pvt) Limited, Brown & Company PLC, Browns Investments PLC, BRAC Lanka Finance PLC, LOLC International (Pvt) Limited, Pusselawa Plantation Limited, Browns Hydro Power PLC and FLMC Plantations (Pvt) Limited.

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.

7 — Mr. P.L. Sisira Kumar Perera

Independent Director

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, both 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 posting 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 also at the Indo-Sri Lanka Director-General Level Meeting on Anti-smuggling held in India in 2003.

8 — Ms. M. Coralie Pietersz

Independent Director

Qualifications:

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

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 and Remuneration Committee and Board Governance and Compliance Committee.

Other Positions:

Director 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 at senior levels in corporate finance, accounting and auditing in several industries in both private and public sectors, including several years of experience in the banking sector. Currently, she is the Finance Director of Finlays Colombo PLC. Prior to joining Finlays Colombo PLC, Ms. Coralie Pietersz was Group Chief Financial Officer of Richard Peiris and Co. PLC.

She is a Council Member of The Institute of Chartered Accountants of Sri Lanka and has served on many committees of the Institute.

9 — Mr. Viran Corea

Non-Executive Director

Qualifications:

Bachelor-of-Laws (LL.B) and
Master-of-Laws (LL.M) (University of
Colombo)
Attorney-at-Law

Appointed to the Board:

14th May 2015 as a Non-Executive
Director.

Membership on Board**Sub-committees:**

Board Governance and Compliance
Committee and Board Sustainability
Committee.

Other Positions:

Counsel and Legal Consultant

Skills & Experience:

Counsel and Legal Consultant with
over 18 years experience at the Bar.
His experience in private practice has
included the fields of constitutional
and administrative law, human rights
law, commercial law, industrial law,
arbitration, contract law and land law.
He has been involved as counsel in a
number of landmark cases of national
and public importance, reported in
the Sri Lanka Law Reports. In 2012,
he was picked as an Asia Society Asia
21 Young Leader.

He has served as a State Counsel at
the Attorney General's Department
of Sri Lanka for several years and
has represented in court and advised
Government departments and state
institutions in several important
matters.

10 — Mr. W.M.R.S. Dias

Non-Executive Director

Qualifications:

FCIB (UK), LLB, Hubert H Humphrey
Fellow

Appointed to the Board:

29th May 2015 as a Non-Executive
Director.

Membership on Board**Sub-committees:**

Board Audit Committee and Board
Governance and Compliance
Committee.

Other Positions:

Chairman of Senkadagala
Finance PLC, Director of Carson
Cumberbatch PLC, Tokyo Cement
Company (Lanka) PLC, Ceylon
Tea Marketing (Pvt) Limited and
South Asia Textile Industries Lanka
(Pvt) Limited.

Skills & Experience:

Banker by profession, having served
Commercial Bank of Ceylon PLC for a
long period and retired after serving
as its Managing Director/Chief
Executive Officer in July 2014.
Serves on the Boards of Carson
Cumberbatch PLC, Senkadagala
Finance PLC, Tokyo Cement
Company (Lanka) PLC and Ceylon
Tea Marketing Group. Committee
Member of the Ceylon Chamber of
Commerce.

Served on the Boards of Commercial
Development Company PLC,
Commercial Insurance Brokers (Pvt)
Limited, LankaClear (Pvt) Limited,
Lanka Financial Services Bureau
Limited and was a Council Member of
the Employers' Federation of Ceylon.

SENIOR MANAGEMENT TEAM

124

Mr. Tilan Wijeyesekara

Deputy General Manager –
Marketing and Personal Banking

Mr. S.Palihawadana

Deputy General Manager –
Treasury

Mr. Ramesh Jayasekara

Chief Financial Officer

Mr. Delvin Pereira

Deputy General Manager –
Consumer Finance Unit

Mr. Chithral De Silva

Deputy General Manager –
Branches

Mr. K.D.W Rohana

Deputy General Manager –
Branch Credit



Mr. Kapila Ariyaratne

Director/Chief Executive Officer

Mr. Nimal Thillakeratne

Senior Deputy General Manager –
Branch Operations

Mr. Christie Nanayakkara
Chief Risk Officer

Mr. Ranjith Fonseka
Deputy General Manager –
Alternate Banking Channels

Mr. Jayantha Amarasinghe
Deputy General Manager –
Human Resources

Mr. Najill Farouk
Deputy General Manager –
Corporate Banking

Mr. Chanaka Goonewardane
Deputy General Manager –
Information Technology



Mr. Tissa Nanayakkara
Senior Deputy General Manager – Retail Banking

SENIOR MANAGEMENT TEAM

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Mr. Gerald Wanigaratne

Assistant General Manager –
Information Technology

Mr. Kapila Rathnayaka

Assistant General Manager –
Premises Maintenance

Ms. Champika Dodanwela

Assistant General Manager –
Finance



Ms. Rohini Weerakkody

Assistant General Manager –
Operations

Ms. Yasanthi Udurawane

Assistant General Manager –
Credit Administration Unit

Mr. Wasanthe Senanayake

Assistant General Manager –
Human Resources

Mr. Wasantha Karunaratne

Assistant General Manager –
Services

Mr. Aruna Fernando

Assistant General Manager – Credit Risk

Ms. Kaushalya Hatch

Head of Legal and Compliance

Mr. Shanaka Perera

Acting Head of Treasury/Chief Dealer



Chairman's Statement on Corporate Governance

Dear Stakeholders,

A good corporate governance structure is a relationship pattern between management with its stakeholders, management with the Board of Directors and management with members of management itself and this relationship is based on ethics, a good corporate culture and corporate values supported by systems, processes, working procedures and organisation in achieving maximum performance. In other words, effective corporate governance ensures that long-term strategic objectives and plans are established and that the proper management and management structure is in place to achieve those objectives, while at the same time, makes sure that the structure, functions to maintain the entity's integrity, reputation and accountability to its relevant stakeholders.

I wish to state that the Board as well as the Management of the Bank is committed to promote, monitor and practice high standards of corporate governance and ensure compliance with the regulations and the Codes of Best Practice on Corporate Governance. This approach to governance, promotes long-term profitability of the Bank, while prudently managing risk, aligning the interests of its customers, investors, employees, suppliers, regulators and the communities, in which we operate and driving superior and sustainable shareholder value over the long-term.

“good governance..... makes sure that the structure, functions to maintain the entity's integrity, reputation and accountability to its relevant stakeholders”

The Board Governance and Compliance Committee, which was established during the year 2014, worked on its key responsibility of putting in place the Corporate Governance Framework during the year, with the main objective of strengthening the Board's as well as the Board Sub-committees' responsibilities for oversight of governance and compliance processes and procedures consistent with regulations and best practices.

Statements and Disclosures in 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 and the Institute of Chartered Accountants of Sri Lanka, are made in the Annual Corporate Governance Report on the pages that follow.

With the continued support and commitment of the Board of Directors and the Management in implementing and maintaining a good governance culture within

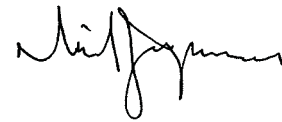
the Bank, I am confident that the good governance practices established, can be further improved and sustained.

The External Auditors, M/s KPMG, Chartered Accountants, were engaged to carry out a review of the Bank's compliance during the year 2015, 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 references. This Corporate Governance Statement and Report was approved by the Board.

Yours sincerely,



Nihal Jayamanne PC
Independent Director/Chairman
25th February 2016
Colombo

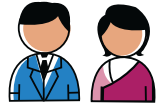
The Vision and Mission of Seylan Bank PLC

To be Sri Lanka's leading Financial Services provider – as recognised by all our 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.

Bank's Governance Framework

Seylan Bank PLC is a licensed commercial bank and a public limited liability company listed on the Main Board of the Colombo Stock Exchange and is governed and regulated by:

- The Articles of Association of Seylan Bank PLC.
- 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).

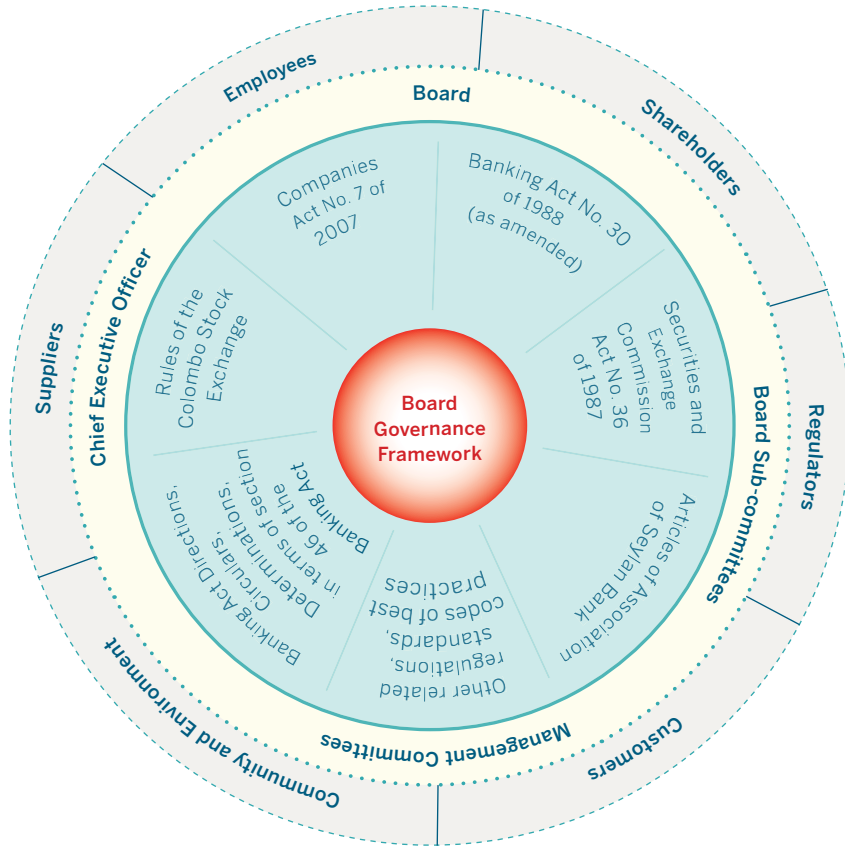
- The Rules of the Colombo Stock Exchange (and its amendments from time to time); and
- Other applicable regulations and directions.

The Articles of Association of the Bank is 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.

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 of 1988 (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 Rules of the Colombo Stock Exchange, as amended from time to time are also complied with.

The Board of Directors proactively adopts governance policies and practices designed to align the objectives of the Bank with those of its stakeholders as envisaged in its 'Vision and Mission Statement' and endeavour to promote standards of ethical behaviour and risk management across the organisation.



Bank's 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 instils and fosters a corporate environment founded on integrity and provides management with sound guidance in protecting the stability and viability of the Bank in the interest of its depositors, creditors and other stakeholders and in pursuit of long-term shareholder value.

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 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 and internal controls put in place and 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

It 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.

Sustainability and 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 its stakeholders, to support the stewardship role of the Board, and to enhance the Board's ability to safeguard the interests of all stakeholders through independent supervision of management.

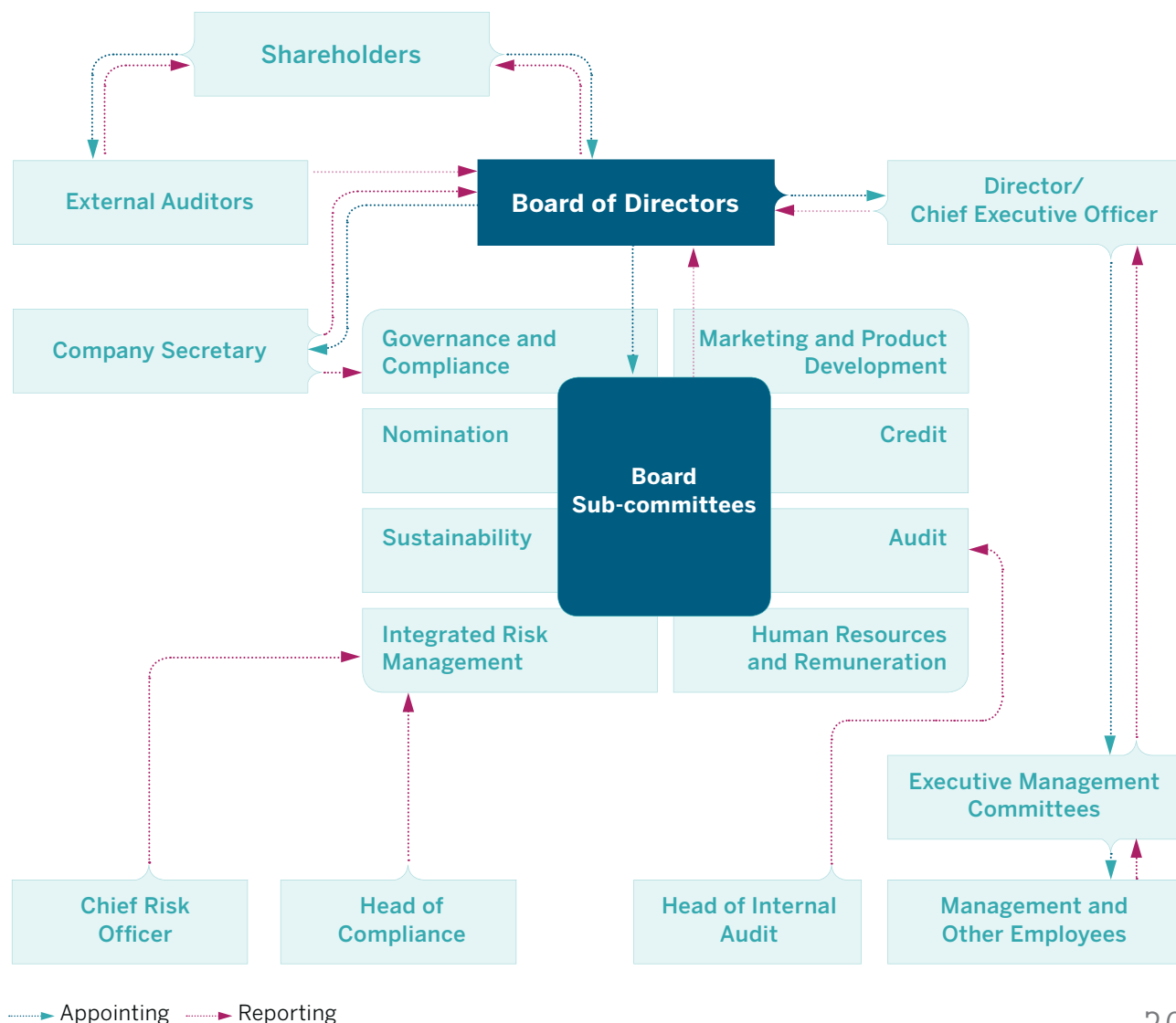
The Bank's Corporate Governance practices are subject to ongoing review, assessment and improvement

and the Board Governance and Compliance Committee has taken upon itself this responsibility and have been duly advising the Board.

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.

Bank's Governance Structure

An overview of the Bank's Governance Structure is illustrated below:



The Board

The Board is comprised of 10 Directors which includes one Executive Director and Nine Non-Executive Directors of which five are Independent. The roles of the Chairman and the CEO are separate and Director/CEO, Mr. Kapila Ariyaratne is the only Executive Director on the Board. The Board Nomination Committee assesses and makes recommendations to the Board on the Board composition and assists the nomination process for appointment of Directors.

“...every company should have an effective Board to be collectively responsible for the success of the Company”.

The Bank has in place, a Board approved Policy Governing Directors Appointments and the Board is guided by the said Policy which is in compliance with Section 3 (2) (ix) of the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks of Sri Lanka, the Rules of the Colombo Stock Exchange on Corporate Governance and provisions of 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 (CA Sri Lanka) and other Corporate Governance best practices applicable. The Policy was developed on the premise that 'every company should have an effective Board to be collectively responsible for the success of the Company'.

The Board's role and responsibilities include but are not limited to:

- Appointment of the CEO and KMPs
- Nominating and appointing Directors to the Board to fill casual vacancies
- Oversight of the Bank's business and affairs
- Oversight of the Bank's strategies and financial objectives
- Approving major corporate and capital initiatives, capital expenditure acquisitions
- Delegating authority limits and approving any divestments in the approved limits
- Oversight of the risk management systems
- Approving of major policies and procedures
- Evaluating the performance of the Board and its Committees, the CEO and the KMPs

The Board meets monthly on a regular basis and also at special meetings convened on urgent basis. The Board met at 12 monthly meetings and two special meetings during the year 2015.

Directors' Attendance at the Meetings of the Board of Directors During the Year 2015

Director	Status/Position	Date of Appointment	Meetings eligible to have attended	Attendance of Director	Attendance as a percentage (%)
Mr. Nihal M. Jayamanne PC	Independent Director/ Chairman	30th December 2008 (appointed as Chairman on 17th January 2013)	14	12	85.71
Mr. Ishara C. Nanayakkara	Non-Executive Director/Deputy Chairman	24th November 2009 (appointed as Deputy Chairman on 17th January 2013)	14	11	78.57
Mr. Kapila P. Ariyaratne	Director/Chief Executive Officer	16th February 2015	12	12	100.00
Rear Admiral B. Ananda J.G. Peiris	Independent Director	8th January 2009	14	13	92.86
Mr. Samantha P.S. Ranatunga	Independent Director	12th January 2010	14	12	85.71
Mr. W.D. Kapila Jayawardena	Non-Executive Director	1st August 2013	14	11	78.57
Mr. P.L.S. Kumar Perera	Independent Director	23rd September 2013	14	13	92.86
Ms. M. Coralie Pietersz	Independent Director	23rd September 2013	14	14	100.00
Mr. H. Isuru Balapatabendi	Non-Executive Director	27th November 2013 (Resigned on 22nd January 2015)	-	-	-
Mr. H.K. Upali Dharmadasa	Non-Executive Director	9th June 2014 (Resigned on 22nd January 2015)	-	-	-
Mr. S. Viran Corea	Non-Executive Director	14th May 2015	9	8	88.89
Mr. W.M.R.S. Dias	Non-Executive Director	29th May 2015	8	8	100.00

Chairman

The Chairman leads the Board and is responsible for the effective conduct of the Board's affairs and encourages the contribution by all members towards same. He maintains an effective working relationship with the Chief Executive Officer (CEO) and the Directors on the Board.

Delegation of Authority

A Board approved Document on Authority and Key responsibilities of the Board, Board Sub-committees, CEO and the Key Management Personnel (KMPs) is in place. The Board directly and through the Board Sub-committees has delegated to the CEO and through the CEO to the Key Management Personnel and Management, the authority and responsibility for the day-to-day management and operations of the Bank's business and to make the necessary decisions for the implementation of strategies and financial objectives of the Bank. However, the Board does not delegate any matters to an extent where such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.

Board Sub-committees

The Board is authorised under the Articles of Association to delegate its powers and responsibilities to the Committees established by the Board. The Committees assist the Board in discharging its responsibilities. Memberships of the Committees are structured so as to derive the best use of the skills across the Board. Majority of the Committees, including the Audit, Integrated Risk Management, Nomination and the Human Resources and Remuneration Committees (which are mandatory committees as per the Banking Act Directions on Corporate Governance) are chaired by Independent Directors. The Director/CEO attends the meetings of the Committees in which he is not a member on invitation.

The Committees function within the Board approved Terms of Reference. The Company Secretary of the Bank functions as the Secretary of these Committees. The Board is issued with the minutes of all Committee meetings upon confirmation by the respective Committees and significant issues and/or decisions are brought to the attention of the Board. Following the end of the financial year, each Committee conducts a formal review of its performance and a report is submitted to the Board.

A summary of the constitution, scope and key responsibilities of each of the Committees is set out below:

Board Committee/Composition		Scope and key responsibilities
Board Audit Committee		
Independent Directors	3	Overview of responsibilities for the financial reporting process, the system of internal control, the audit process and the Company's process for monitoring compliance with laws and regulations and the Code of conduct.
Non-Executive Director	1	
Chairperson	Independent	
The Head of Internal Audit reports directly to the Committee. Chief Executive Officer and Chief Financial Officer are co-opted to the Committee.		
Board Integrated Risk Management Committee		
Independent Directors	3	Assess all risks facing the Bank and its associate and subsidiary company/companies i.e., credit, market, liquidity, operational and strategic risks on a regular basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on a Bank and Group basis.
Non-Executive Director	1	
Management Representation	Chief Risk Officer	
Chairman	Independent	
Chief Executive Officer, Chief Financial Officer and the Head of Legal and Compliance are co-opted to the Committee.		
Review the adequacy and effectiveness of all Executive Risk Management Committees to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.		
Board Human Resources and Remuneration Committee		
Independent Directors	4	Assist the Board in fulfilling their role and responsibilities involving human resources and remuneration of the Directors, key management personnel and all employees of the Bank as described in the Terms of Reference.
Non-Executive Director	1	
Chairman	Independent	
Board Nomination Committee		
Independent Directors	3	Assist the Board in fulfilling the role and responsibilities involving appointment of Directors and Key Management Personnel of the Bank.
Non-Executive Director	1	
Chairman	Independent	

Board Committee/Composition		Scope and key responsibilities
Board Credit Committee		
Independent Directors	2	<ul style="list-style-type: none"> • Improve the business and soundness of the Bank; • Promote and reinforce a robust and pervasive credit risk acceptance and management culture; • Reviewing and where appropriate approving credit facilities or recommending them to the Board for approval; • Guiding management to improve credit policies, procedures and lending guidelines and their implementation; • Advise on processes for recoveries, empowerment and accountability for credit decision-making.
Non-Executive Directors	1	
Executive Director	1	
Chairman	Non-Executive	
Board Marketing and Product Development Committee		
Independent Directors	3	Review the overall Marketing plans of the Bank to ensure that the plans aim at optimising value creation for the Bank and support the Strategic goals. Assess all deposit, lending and investment products of the Bank on a regular basis and satisfy itself that the Bank is actively pursuing new product opportunities and developing viable products with the aim of achieving business growth.
Executive Director	1	
Chairman	Independent	
Board Sustainability Committee		
Independent Directors	2	Make decisions on behalf of the Board within the framework of the authority and responsibility and work closely with the representatives of the Executive Sustainability Committee. The GRI (Global Reporting Initiative) Sustainability Reporting Guidelines shall be the guideline for sustainability reporting.
Non-Executive Directors	2	
Executive Director	1	
Chairman	Non-Executive	
Board Governance and Compliance Committee		
Independent Directors	4	Assist the Board 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 relevant rules, regulations and directions and principles in force and that may come into force from time to time.
Non-Executive Directors	2	
Chairman	Independent	
The Head of Legal and Compliance attends the meetings by invitation.		

Reports of each of the above Committees summarising the activities of the Committees during the year and signed by the respective Chairpersons are published in the Annual Report (refer pages 185 to197).

Directors' Attendance at Board Sub-committee Meetings During the Year 2015

Director	Board Audit	Board Integrated Risk Management	Board Human Resources and Remuneration	Board Nomination	Board Credit	Board Marketing and Product Development	Board Sustainability	Board Governance and Compliance
Mr. Nihal M. Jayamanne PC, Independent Director/ Chairman	(M) 17 of 18		(C) 3 of 4	(M) 5 of 5		(M) 1 of 2		(C) 4 of 4
Mr. Ishara C. Nanayakkara, Non-Executive Director/ Deputy Chairman			(M) 4 of 4	(M) 3 of 5	(C) 21 of 27		(C) 3 of 3	
Mr. Kapila P. Ariyaratne, Director/Chief Executive Officer					(M) 22 of 24	(M) 1 of 1	(M) 2 of 2	
Rear Admiral B. Ananda J.G. Peiris, Independent Director			(M) 3 of 4	(C) 5 of 5	(M) 23 of 27	(M) 2 of 2	(M) 3 of 3	(M) 4 of 4
Mr. Samantha P.S. Ranatunga, Independent Director	(M) 16 of 18	(C) 4 of 4	(M) 4 of 4	(M) 3 of 5		(C) 2 of 2	(M) 1 of 3	
Mr. W.D. Kapila Jayawardena, Non-Executive Director		(M) 3 of 4						
Mr. P.L.S. Kumar Perera, Independent Director		(M) 4 of 4			(M) 24 of 27			(M) 3 of 4
Ms. M. Coralie Pietersz, Independent Director	(C) 18 of 18	(M) 4 of 4	(M) 4 of 4					(M) 4 of 4
Mr. S. Viran Corea, Non-Executive Director							(M) 1 of 1	(M) 2 of 2
Mr. W.M.R.S. Dias, Non-Executive Director	(M) 9 of 9							(M) 2 of 2

C – Chairperson of Committee M – Member of the Committee

Attendance – Number of Meetings Attended of Number of Meetings Eligible to Attend are indicated above.

The CEO and KMPs

Mr. Kapila Ariyaratne who was appointed as the General Manager/CEO with effect from 3rd March 2011, presently functions as the Director/CEO pursuant to his appointment as a Board member with effect from 16th February 2015. The Key Management Personnel (KMPs,) other than the Head of Audit and the Chief Risk Officer, report directly to the CEO. The Head of Audit reports directly to the Board Audit Committee and Chief Risk Officer reports directly to the Board Integrated Risk Management Committee, whilst both these KMPs report administratively to the CEO.

Conduct, Ethics and Integrity

The Code of Business Conduct and Ethics for Directors of Seylan Bank cover principles and guidelines, which the Directors are expected to abide by to protect the business interests of the Bank and to maintain the Bank's reputation and foster compliance with applicable legal and regulatory obligations.

The principles underlying the Codes include but are not limited to the following:

- Compliance with the Bank's policies and procedures
- Uphold the law – compliance with laws, rules and regulations
- To act in the best interest of the Bank
- To act with honesty and integrity
- Maintain privacy and confidentiality
- Corporate opportunities – Not to make or receive improper payments, gifts, benefits or gains

- Avoid anticompetitive practices
- Act with discretion and with impartiality
- Identify conflict of interest and manage them responsibly
- Protection and proper use of company assets
- Not to abuse authority

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. The Codes are supported by several other policies and procedures, including the following, to protect and safeguard the business interest of the Bank and the interest of its stakeholders:

- Disciplinary Code
- Bank's Policy Governing Insider Dealing
- Policy on Related Party Transactions and Avoidance of Conflicts of Interest
- Anti-Money Laundering Policy
- Policy on Avoidance of Discrimination and Harassment
- Whistle-Blowing Policy
- Fraud Risk Management Policy
- Corporate Information Security and Risk Policy
- Incidents and Near Misses Management Policy
- Outsourcing Policy
- Procurement Policy

Shareholder Communication

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 recapitalisation 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 403 to 405.

Shareholders are advised to seek independent professional advice in investing and divesting decisions. However, for shareholders to make informed decisions of their investment in the Bank and for the investors in the market to have an understanding of the business operations and performance of the Bank, the Bank provides shareholders with access to updated information vide its Interim Financial Statements, Annual Reports, corporate announcements in the press and on the Colombo Stock Exchange, etc.

General Meetings

The requirements of the Companies Act No. 7 of 2007 are followed and 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 taken into consideration and complied with as relevant.

The Annual General Meeting of the Bank was held on 31st March 2015 at 10.00 a.m. at Cinnamon Lakeside Hotel, Colombo 2 and shareholders approved the following at the meeting:

1. 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. Payment of first and final ordinary dividend of Rs. 2.50 per share.
3. Re-election as a Director, Mr. N.M. Jayamanne PC.
4. Re-election as a Director, Mr. I.C. Nanayakkara.
5. Re-election as a Director, Mr. K.P. Ariyaratne.
6. Reappointment of Messrs KPMG, Chartered Accountants as the Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.
7. Approval for the Board of Directors to determine donations for the year 2015.

Disclosure of Directors' Dealings in Shares

Directors inform the Company Secretary of relevant interest in shares of the Bank in a timely manner so that the announcement could be made to the Colombo Stock Exchange as per the Directive of the Securities and Exchange Commission of Sri Lanka (SEC).

Minimum Public Float

SEC 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 2015 with

- a public holding of 54.28% amongst
- 9,425 shareholders and
- a market capitalisation of the public holding amounting to Rs. 9.073 Bn.

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 with effect from 1st January 2014 and mandatory compliance with effect from 1st January 2016)

The Board Governance and Compliance Committee 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's business and transactions.

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. The Policy was revised during the year, taking into consideration the provisions and guidelines set out in the above Code.

Seylan Bank's Governance Related Highlights – 2015

January 2015	Approved the goals and targets (KPIs) – 2015 of the CEO.
February 2015	CEO, Mr. Kapila Ariyaratne was appointed as a Director with effect from 16th February 2015.
March 2015	Policy Governing Insider Dealing was reviewed, revised and approved which further strengthened the reporting process for transactions in securities by Directors and employees outside the blackout period and avoidance of transactions in securities during the blackout period.
May 2015	Messrs Viran Corea and W.M.R.S. Dias were appointed to the Board to fill casual vacancies pursuant to the resignations of Messrs Isuru Balapatabendi and Upali Dharmadasa in January 2015.
June 2015	Messrs Ernst & Young were engaged to carry out an audit assignment on the information technology risks and their report was presented to the Board Integrated Risk Management Committee and follow up actions reviewed by the Committee.
September 2015	Policy on Related Party Transactions and Conflict of Interest was revised which included the relevant rules from the Code of Best Practice on Related Party Transactions, issued by the SEC to be effective 1st January 2016.
September 2015	A new threshold limit on total net accommodation to related parties at a prudent percentage of the Bank's regulatory capital was approved.
October 2015	Corporate Governance Framework was reviewed and approved.
December 2015	The scope for an external quality assessment of the internal audit function to be carried out in the year 2016 was approved.

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 (CA Sri Lanka), the statements and disclosures made from pages 129 to 184 shall be deemed as the Annual Corporate Governance Report of the Bank.

Rules of the Colombo Stock Exchange (CSE) Relating to Corporate Governance

CSE has waived the disclosure requirement for listed Licensed Commercial Banks (LCBs) as LCBs are mandatorily required to disclose its compliance under the Banking Act Direction No. 11 of 2007. The Bank has adequately disclosed its compliance under the Banking Act Directions and the Code of Best Practice (2013) on Corporate Governance. Therefore, statements relating to compliance with the CSE's Listing Rules have not been included in this Report.

Mandatory Compliance with Banking Act Direction No. 11 of 2007 on Corporate Governance

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 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 Officer – 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
- Transitional and General Provisions – Section 3 (9) of the Directions

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

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

Item No.	Level of Compliance	CBSL Direction
1.	Responsibilities of the Board	3 (1)
1.1	Ensuring the Safety and Soundness of the Bank	
	The Board has taken relevant measures to ensure the safety and stability of the Bank including the following:	3 (1) (i) (a)
		3 (1) (i) (b)
	<ul style="list-style-type: none"> • Providing strategic direction – the Board approved the Strategic Plan 2012/2016. The timely implementation of strategies by the process owners was monitored by the CEO and Corporate Management and reviewed periodically by the Board. The Strategic Plan addresses the Bank's overall business strategy. The strategies, goals and targets are communicated throughout the Bank annually during the budgeting review process. 	3 (1) (i) (c)
	<ul style="list-style-type: none"> • Overall risk policies and risk management framework in-line with the strategies are in place. The Board Integrated Risk Management Committee ensures that the Bank's Risk Management Unit headed by the Chief Risk Officer, identifies principal risks and with the approval of the Board puts in place policies and guidelines for implementation. Systems put in place were constantly tested and reviewed by the Risk Management Unit and reported to the Committee. 	
1.2	Stakeholder Engagement Policy	
	A Stakeholder Engagement Policy is in place in respect of communication with all stakeholders, including depositors, creditors, shareholders and borrowers. The Bank also adopted and implemented the Customer Charter of Licensed Banks as directed in the Banking Act Direction No. 8 of 2011. A separate Shareholder Communication Policy approved by the Board is also in place. The Customer Charter and the Shareholder Communication Policy are accessible on the Bank's website, www.seylan.lk .	3 (1) (i) (d)
	A Communication Policy recommended by the Board Marketing and Product Development Committee and approved by the Board is also in place. This policy provides guiding principles for both internal and external communication, mainly corporate information to the media and public.	
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 as appropriate.	3 (1) (i) (e)
1.4	Identification of Key Management Personnel (KMPs)	
	Directors and identified members of the Senior Management are deemed as key management personnel of the Bank who are in a position to influence and exercise control over business activities, operations, audit and risk management. KMPs are deemed as 'related parties' and therefore, necessary steps are taken to ensure compliance with the relevant Banking Act Directions on related party transactions and provisions of the Sri Lanka Accounting Standard on related party transactions and to avoid conflicts of interest. The Bank's Policy on Related Party Transactions and Avoidance of Conflicts of Interests and the Code of Ethics provide necessary principles, guidelines and processes to be followed by KMPs.	3 (1) (i) (f)

Item No.	Level of Compliance	CBSL Direction
1.5	<u>Defining of Areas of Authority and Key Responsibilities</u>	
	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 Board approved document on Authority and Key Responsibilities for the Board of Directors and for the Key Management Personnel is in place.	3 (1) (i) (g)
1.6	<u>Effectiveness of the Board's Own Governance Practices</u>	
	The Board carries out a self-evaluation annually which process includes an assessment of the effectiveness of the governance practices including the succession planning, management of conflicts of interests and the determination of weaknesses.	3 (1) (i) (i)
	The scope and responsibilities of the Board Governance and Compliance Committee defines this requirement and the said Committee reviews the governance processes in place and advises the Board and the Board Sub-committees as appropriate.	
1.7	<u>Oversight of the Affairs of the Bank by Key Management Personnel</u>	
	Policies and decisions of the Board and Board Sub-committees are communicated to the Key Management Personnel by minute extracts requiring appropriate follow up actions.	3 (1) (i) (h) 3 (1) (i) (k)
	Reports and proposals from Key Management Personnel including those pursuant to discussions and decisions at Corporate Management meetings or the related Management Committee meetings headed by the 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 out by Key Management Personnel.	
	The CEO and Key Management Personnel heading different areas of authority are met at meetings of the Board Sub-committees as well as at Board meetings to review and discuss the implementation of the policies and corporate objectives approved and delegated by the Committees and/or the Board.	
1.8	<u>Succession Plan for Key Management Personnel</u>	
	The Bank has in place a Succession Plan for Key Management Personnel including development plans for the successors.	3 (1) (i) (j)
1.9	<u>Understanding of the Regulatory Environment</u>	
	The Board is updated of the changes in the regulatory environment by the 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. The Board ensures that the Bank maintains an effective dialogue and relationship with the regulators.	3 (1) (i) (l)

Item No.	Level of Compliance	CBSL Direction
1.10	<u>Hiring of External Auditors</u>	
	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 necessary recommendation for hiring of the External Auditors in accordance with the said Policy.	3 (1) (i) (m)
1.11	<u>Appointment of Chairman and Chief Executive Officer</u>	
	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 as the General Manager/Chief Executive Officer of the Bank functions as the Director/Chief Executive Officer pursuant to his appointment to the Board on 16th February 2015. The functions and responsibilities of the Independent Non-Executive Chairman and the Chief Executive Officer are defined and documented.	3 (1) (ii)
1.12	<u>Frequency of Board Meetings and Participation of Directors</u>	
	Regular meetings were held monthly with special meetings held as and when required. Twelve regular meetings were held on a monthly basis. Additionally, two special/emergency meetings were also held during the year to consider important and urgent issues. Resolutions by circulation were restricted to matters of a routine and/or urgent nature.	3 (1) (iii)
	<u>Quorum</u>	
	The quorum at Board meetings is minimum 5 members or above 50% of the number on the Board, whichever is higher, with majority Non-Executive Directors. The quorum required in this manner was maintained from commencement to the conclusion of proceedings of Board meetings held during the year.	
	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 on page 133.	
1.13	<u>Agenda</u>	
	There is a formal schedule of matters that are included in the Agenda of regular Board meetings held monthly which also includes matters which require the approval of the Board where it is not within the delegated authority of the management and/or the Board Sub-committees. Since adequate notice of the next meeting is provided, Directors have the opportunity to include matters and/or proposals to be considered at Board meetings. The Directors also propose and collectively agree on matters to be included in the Agenda of Board meetings and Committee meetings.	3 (1) (iv) 3 (1) (xiii)
	Timely and adequate information is provided by Management to the Board prior to the regular Board meetings. Members of the Management also make themselves available on call to respond to queries raised at Board meetings and to provide additional information when required by the Board members.	

Item No.	Level of Compliance	CBSL Direction
1.14	<u>Notice of Meeting</u>	
	Notices for the regular monthly Meetings of the Board of Directors were emailed by the Company Secretary to the Directors as well as to the Management at least three weeks prior to the meeting whilst the agenda and the connected papers and reports were circulated to the Directors seven days prior to such regular monthly meetings. Special/Emergency meetings were called with lesser notice period due to the urgency of the matters concerned.	3 (1) (v)
1.15	<u>Attendance</u>	
	At every Board meeting, the Company Secretary apprises the Directors, the record of their attendance at Board meetings held in the period of twelve months immediately preceding the Board meeting.	3 (1) (vi)
	During the year, all Directors attended more than two-thirds of the meetings held over a twelve month period. None of the Directors were absent at three consecutive meetings held.	
1.16	<u>Company Secretary</u>	
	Mrs. N.N. Najumudeen, who is a qualified Chartered Secretary, is the Company Secretary of the Bank and is not employed by any other organisation or institution (Section 43 of the Banking Act). Any question of the removal of the Company Secretary is a matter for the Board as a whole to decide subject to the provisions of the Articles of Association of the Bank and Section 44 (i) of the Banking Act.	3 (1) (vii)
	The Company Secretary reports to the Board and to the Board Sub-committees on matters relevant to the proper functioning of the Board and the Board Sub-committees. The Company Secretary is also responsible for the administration and day-to-day operations of the Company Secretariat including shareholder communications, communications with the regulatory authorities, such as the Colombo Stock Exchange, the Securities and Exchange Commission of Sri Lanka and the Registrar of Companies.	
	The Directors have access to the advice and services of the Company Secretary in ensuring that Board responsibilities, procedures and applicable rules and regulations are followed.	3 (1) (viii)
1.17	<u>Minutes of Board Meetings</u>	
	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 and any decisions taken 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 Board meeting that follows. Minutes are maintained by the Company Secretary for inspection of any Director and required extracts are also issued on reasonable notice.	3 (1) (ix) 3 (1) (x)

Item No.	Level of Compliance	CBSL Direction
1.18	<u>Independent Professional Advice</u>	
	Directors are entitled to seek independent professional advice at the expense of the Bank in furtherance of their duties and contribution in the interest of the Bank. A Board approved procedure is in place for this purpose.	3 (1) (xi)
1.19	<u>Avoidance of Conflicts of Interest</u>	
	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, Directors abstain 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 not counted in the quorum for the relevant agenda item.	3 (1) (xii)
1.20	<u>Bank's Ability/Inability to Meet its Obligations on Payments</u>	
	The Board 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. The Plan which was subject to review in June 2015 was reviewed and approved in January 2016.	3 (1) (xiv)
	The Bank however, did not face a situation of being unable to meet its obligations on payments during the year.	
1.21	<u>Capitalisation of the Bank</u>	
	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.	3 (1) (xv)
	The Bank's estimated total capital ratio was noted to be in compliance with the prudential limit from 2014 to 2016 confirming that it is adequately capitalised until end 2016 unless there is an unexpected growth in risk-weighted assets.	
1.22	<u>Annual Corporate Governance Report</u>	
	This Report serves to meet the requirement of this provision, i.e., publishing of the Annual Corporate Governance Report in compliance with Direction 3 of these Directions.	3 (1) (xvi)
1.23	<u>Scheme of Self-Assessment</u>	
	Directors undertake a self-assessment annually and the records are shared with the Directors at a Board meeting and filed of record by the Company Secretary.	3 (1) (xvii)

Item No.	Level of Compliance	CBSL Direction
2.	Composition of Directors	3 (2)
2.1	Board of Directors as at 31st December 2015	
	The number of Directors on the Board was not less than 7 or not more than 13 throughout the year.	3 (2) (i)
	Number of Directors as at 31st December 2015 was ten in number with one Executive Director, namely Mr. Kapila Ariyaratne, Director/CEO (appointed with effect from 16th February 2015) and nine Non-executive Directors, namely: 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. Viran Corea (Non-Executive Director) – Appointed with effect from 14th May 2015 Mr. W.M.R.S. Dias (Non-Executive Director) – Appointed with effect from 29th May 2015	3 (2) (ii)
	The tenure of Directorship of these Directors has not exceeded nine years as they were appointed on or after 30th December 2008.	
	Mr. Kapila Ariyaratne who was the General Manager/CEO of the Bank was appointed as a Director on 16th February 2015 and is designated as the Director/CEO.	3 (2) (iii)
2.2	Independent Directors	
	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 one time.	3 (2) (iv)
	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 Section 7.10.4 of the Rules of the Colombo Stock Exchange. A declaration to this effect is obtained from Non-Executive Directors at the time of their appointment and thereafter annually.	
2.3	Alternate Directors	
	During the year, no alternate Directors were appointed.	3 (2) (v)

Item No.	Level of Compliance	CBSL Direction
2.4	<u>Non-Executive Directors</u>	
	The Non-Executive Directors on the Board consisted of eminent personnel with extensive experience in the field of banking, finance, law, insurance, marketing and other related fields. Their expertise brought in independent judgements on issues relating to strategy, performance and resources. The profiles of the Directors are published in the Bank's Annual Report on pages 119 to 123.	3 (2) (vi)
2.5	<u>Non-Executive Directors Composition at Board Meetings</u>	
	Meetings of the Board held during the year, were duly constituted with the required quorum and more than fifty percent of the quorum represented by Non-Executive Directors.	3 (2) (vii)
2.6	<u>Identification of Status of Directors in Corporate Communications</u>	
	The Directors were identified as executive, non-executive and independent in all corporate communications including the Annual Corporate Governance Report. Persons who held identified positions, e.g. Chairman, Deputy Chairman and CEO were also disclosed with such designations.	3 (2) (viii)
2.7	<u>Procedure for Appointment of Directors</u>	
	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 resign or retire.	3 (2) (ix)
	When a Director is appointed a brief profile/resume of such Director is also released and published on the CSE's website, whilst the Head of Marketing arranges to release a news article to the press. The profiles of the Directors are also published in the Bank's corporate website: www.seylan.lk	
2.8	<u>Re-Election of Directors Appointed to fill Casual Vacancy on the Board</u>	
	Mr. Kapila Ariyaratne was appointed to fill the casual vacancy on the Board subsequent to the retirement of Executive Director, Mr. R. Nadarajah on 9th May 2014. He was re-elected by the shareholders at the Annual General Meeting (AGM) held on 31st March 2015.	3 (2) (x)
	Messrs Viran Corea and W.M.R.S. Dias, who were appointed during the year to fill casual vacancies created subsequent to the resignations of Messrs Isuru Balapatabendi and Upali Dharmadasa, will be subject to re-election at the ensuing AGM.	

Item No.	Level of Compliance	CBSL Direction
2.9	<u>Change of Directorate</u>	
	<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 resignations of Non-Executive Directors, Messrs Isuru Balapatabendi and Upali Dharmadasa who represented Sri Lanka Insurance Corporation Limited (SLIC), (material shareholder of the Bank) were notified to the shareholders through the Colombo Stock Exchange stating the reasons that their resignations from the Board of Seylan Bank PLC were pursuant to their resignations from the Board of SLIC.</p> <p>Information pertaining to change in Directorate were also published and incorporated in the notes to the Interim (quarterly) Financial Statements issued to the CSE and published in the newspapers. Information pertaining to changes to the Directorate during the year is also published in the Annual Report (refer page 205).</p>	3 (2) (xi)
2.10	<u>Appointments in Any Other Bank</u>	
	<p>No Director and no employee of the Bank has been appointed, elected or nominated as a Director of another Bank. No other Bank is a subsidiary or an associate of Seylan Bank PLC.</p>	3 (2) (xii)
3.	Criteria to Assess the Fitness and Propriety of Directors	3 (3)
3.1	<u>Criteria to Assess the Fitness and Propriety of Directors</u>	
	<p>All appointments to the Board were 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 were 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 were also forwarded to the Director – Bank Supervision, prior to the Annual General Meeting in 2015 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 (3)
3.2	<u>Retirement Age of Directors</u>	
	<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 2015 were not above the age of 70 years as at 31st December 2015 and have not reached the age of 70 as at the date of this Report.</p>	3 (3) (i)

Item No.	Level of Compliance	CBSL Direction
3.3	<u>Directorships in Other Companies/Institutions</u>	
	All Directors hold Directorships in not 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 211 to 214).	3 (3) (ii) (As amended by Direction No. 3 of 2013)
4.	Management Functions Delegated by the Board of Directors	3 (4)
4.1	<u>Board Delegation Arrangements in Place</u>	
	The Board is empowered by the Articles of Association to delegate any of its powers to Board appointed Sub-committees consisting of such member or members as the Board thinks fit.	3 (4) (i) 3 (4) (ii) 3 (4) (iii)
	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.	
	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.	
5.	Chairman and the Chief Executive Officer	3 (5)
5.1	<u>Chairman and Chief Executive Officer</u>	
	Mr. Nihal Jayamanne PC is the Chairman of the Bank and Mr. Kapila Ariyaratne is the Chief Executive Officer (CEO) of the Bank. The Chairman's role is to provide leadership to the Board and ensure that the Board discusses and collectively decides on key issues and that it discharges its responsibilities effectively. The CEO is responsible for the overall management of the operations and business of the Bank.	3 (5) (i)
	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 defining the role and responsibilities of the Chairman and that of the CEO.	
5.2	<u>Independent Status of the Chairman</u>	
	The incumbent Chairman of the Bank, Mr. Nihal Jayamanne PC who was appointed as Chairman with effect from 17th January 2013 is a Non-Executive Independent Director. Therefore, the requirement for the appointment of a Senior Director did not arise.	3 (5) (ii)

Item No.	Level of Compliance	CBSL Direction
5.3	<u>Disclosure of the Identity and Relationship of the Chairman and the CEO and Other Board Members</u>	
	<p>The Declarations submitted by the Directors upon appointment and annually by the continuing Directors as well as the Declaration submitted by the Chief Executive Officer (CEO) confirm that no relationship of any nature (including financial, business, family or other material/relevant relationships) existed between the Chairman and the CEO and between the Chairman and the other members on the Board during the year 2015 other than as described below:</p> <ul style="list-style-type: none"> • Directors, Messrs Ishara Nanayakkara and Kapila Jayawardena held common Directorships and related party interests in companies within the LOLC Group and the Browns Group and they represented the Bank's material shareholders, LOLC Investments Limited and Brown & Company PLC. • Directors, Messrs Viran Corea and W.M.R.S. Dias were nominated to the Board by the Bank's material shareholder, Sri Lanka Insurance Corporation Limited. 	3 (5) (iii)
5.4	<u>Chairman's Role</u>	
	<ol style="list-style-type: none"> i. Provides leadership to the Board and ensures that the Board effectively discharges its responsibilities and that all key issues are discussed in a timely manner. ii. Ensures that the agenda for the Board meetings, preparation of which is delegated to the Company Secretary, takes into account any matters proposed by the other Directors for inclusion in the agenda and that Board papers covering adequate information is circulated to the Directors at least seven days prior to the meeting. iii. Directors, especially new Directors on the Board are duly briefed by the Chairman on issues arising at Board meetings. iv. Encourages all Directors to make an active contribution to the Board's affairs. Majority of the Non-Executive Directors chairs the Board Sub-committees and by virtue of their membership in the Committees play an active role in executing the responsibilities delegated by the Board to the Committees in the best interests of the Bank. v. Chairman, Mr. Nihal Jayamanne PC functions in an independent non-executive capacity and does not engage in direct supervision of the Key Management Personnel or any other executive duties. vi. Ensures that effective communication with shareholders is maintained and that the views of shareholders are communicated to the Board. The General Meetings of the Bank are forums utilised by the Board as well as the shareholders of the Bank to have an effective dialogue with one another. 	3 (5) (iv) to 3 (5) (x)
5.5	<u>Chief Executive Officer</u>	
	<p>Mr. Kapila Ariyaratne, Director/Chief Executive Officer (CEO) of the Bank heads the senior management team of the Bank and reports to the Board of Directors as well as to the Board Sub-committees. His main function and responsibility is the overall management of the operations and business of the Bank in-line with its strategic objectives.</p>	3 (5) (xi)

Item No.	Level of Compliance	CBSL Direction
6.	Board Appointed Committees	3 (6)
6.1	Sub-committees Appointed by the Board	
	<p>The Board has established eight Board Sub-committees including the four Committees as set out in these directions, namely the Board Audit Committee, the Board Integrated Risk Management Committee, the Board Nomination Committee and the Board Human Resources and Remuneration Committee.</p> <p>The other four Committees are Credit Committee, Sustainability Committee, Marketing and Product Development Committee and the Governance and Compliance Committee.</p> <p>The 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 as reviewed and approved by the Board of Directors are published in the Annual Report (Pages 185 to 197).</p>	3 (6) (i)
6.2	Board Audit Committee (BAC)	3 (6) (ii)
6.2.1	Members and Chairperson of the BAC	
	<p>Ms. Coralie Pietersz (BSc, MBA, ACA, FCA) is an Independent Non-executive Director and 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 2015, three of whom were independent, namely, Ms. Coralie Pietersz, Mr. Nihal Jayamanne PC and Mr. Samantha Ranatunga whilst Mr. W.M.R.S. Dias was the Non-Executive (Non-Independent) Director and was appointed to the BAC on 29th June 2015 pursuant to his appointment to the Board.</p>	3 (6) (ii) (a) 3 (6) (ii) (b)

Item No.	Level of Compliance	CBSL Direction
6.2.2	<u>BAC's Role with Regard to External Auditors</u>	
	In line with its Terms of Reference, the BAC has reviewed and/or made relevant recommendations including the following:	3 (6) (ii) (c) 3 (6) (ii) (d)
	<ul style="list-style-type: none"> • The reappointment 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 reappointed as the Auditors for the financial year 2015 by the shareholders at the Annual General Meeting held on 31st March 2015. • The implementation of guidelines 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 incumbent Audit Partner was engaged from 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. 	
6.2.3	<u>Non-Audit Services</u>	
	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.	3 (6) (ii) (e)
6.2.4	<u>Scope of External Audit</u>	
	The BAC discussed with the External Auditors, the nature and the scope of audit in respect of the financial year 2015 at a meeting held with the Auditors in the last quarter of 2015. 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.	3 (6) (ii) (f)
	The letters of engagement of the External Auditors, in respect of the audits of the year 2015, were reviewed and recommended by the BAC prior to approval of the Board.	

Item No.	Level of Compliance	CBSL Direction
<u>6.2.5</u>	<u>Review of the Bank's Financial Information</u>	
	<p>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 audited 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.</p> <p>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.</p>	3 (6) (ii) (g)
<u>6.2.6</u>	<u>Meeting with the External Auditors</u>	
	<p>The BAC met with the External Auditors during the year without the presence of the management twice during the year and discussed issues, management responses arising from the Interim and Final Audits. The BAC ensures that there would be no limitation of scope or incidents that could have a negative impact on the effectiveness of the external audit.</p>	3 (6) (ii) (h)
<u>6.2.7</u>	<u>Management Letter of the External Auditors</u>	
	<p>The BAC reviewed the management letter in respect of the audit for the financial year ended 31st December 2014 and issued appropriate recommendations and guidance to ensure that issues were duly addressed/resolved by the respective line management.</p>	3 (6) (ii) (i)
<u>6.2.8</u>	<u>Internal Audit Functions</u>	
	<p>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. 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.</p>	3 (6) (ii) (j) I and 3 (6) (ii) (j) VI
<u>6.2.9</u>	<u>Internal Audit Plan/Programme</u>	
	<p>The Internal Audit Division carried out its responsibilities in-line with the approved Audit Plan of the Internal Audit for the year 2015 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.</p>	3 (6) (ii) (j) II

Item No.	Level of Compliance	CBSL Direction
6.2.10	<u>Appraisals/Assessments of Performance of Senior Staff of the Internal Audit</u>	3 (6) (ii) (j) III
	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 2014 were carried out by the BAC at its meetings in the first quarter 2015 while the evaluations in respect of the year 2015 were carried out by the BAC in the first quarter 2016.	
6.2.11	<u>Adequacy of Human Resources for Internal Audit Function</u>	3 (6) (ii) (j) IV
	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 including the reasons submitted by such staff members.	3 (6) (ii) (j) V
6.2.12	<u>Findings of the Internal Audit</u>	3 (6) (ii) (k)
	Internal audit findings with attention on major findings were reported to the BAC and taken up at the BAC meeting that followed which reviewed the status including management responses and made appropriate recommendations where necessary.	
6.2.13	<u>Invitees to the Meetings of the BAC</u>	3 (6) (ii) (l)
	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 into the meetings to discuss the follow up actions on the audit findings.	
	The BAC also met with representatives of the External Auditors on three occasions, two of which were in the absence of the Director/CEO and the Management members.	
6.2.14	<u>Authority to Investigate</u>	3 (6) (ii) (m)
	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.	
6.2.15	<u>Meetings of the BAC</u>	3 (6) (ii) (n) 3 (6) (ii) (p)
	The BAC met 18 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 proceedings of the meetings were recorded in sufficient detail and maintained by the Company Secretary who functioned as the Secretary to the Committee.	

Item No.	Level of Compliance	CBSL Direction
6.2.16	<u>Report of the BAC</u>	
	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 page 185.	3 (6) (ii) (o)
6.2.17	<u>Whistle-Blowing Policy</u>	
	The Bank has in place a Whistle-Blowing Policy. 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)
6.3	<u>Board Human Resources and Remuneration Committee (BHRRC)</u>	3 (6) (iii)
6.3.1	<u>Remuneration Policy</u>	
	The Remuneration 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, the Key Management Personnel as well as other employees of the Bank.	3 (6) (iii) (a)
	A Statement on the Remuneration Policy is given in the Report of the BHRRC on page 187.	
6.3.2	<u>Goals and Targets</u>	
	The Key Performance Indicators (goals and targets) of the CEO (who is a member of the Board) and of the KMPs in respect of the year 2015 were tabled and approved by the Committee and the Board at the respective Meetings.	3 (6) (iii) (b)
6.3.3	<u>Evaluations of the Performance of the CEO and the KMPs</u>	
	The Committee considered the evaluations of the performance of the CEO and the KMPs against the agreed upon KPIs for the year 2014, which was an indicator to determine revision of remuneration and profit/performance based bonus.	3 (6) (iii) (c)
6.3.4	<u>Proceedings at Meetings of the BHRRC</u>	
	The CEO attends the meetings of the Committees by invitation. He was not present at meetings of the Committee, when matters relating to him were being discussed.	3 (6) (iii) (d)
	Further details summarising the activities and recommendations of the Committee and attendance of Directors are provided in the Report of the BHRRC included in this Annual Report on page 187.	

Item No.	Level of Compliance	CBSL Direction
6.4	Board Nomination Committee (BNC)	3 (6) (iv)
6.4.1	Procedure Selection/Appointment of Directors, CEO and KMPs	
	Appointment of Key Management Personnel (KMPs) including the Chief Executive Officer (CEO) comes under the scope and responsibilities of the Board Nomination Committee as set out in its Terms of Reference.	3 (6) (iv) (a)
	The procedure to select appoint new Directors is set out in the Board approved Policy Governing Appointment of Directors.	
	A Policy on Human Resources Planning, Selection and Recruitment of KMPs and a Succession Policy for the KMPs are also in place.	
6.4.2	Re-election of current Directors	
	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. Pursuant to obtaining Board's concurrence of the BNC's recommendation, it is included in the Agenda of the Annual General Meeting (AGM) seeking shareholders' approval for the re-election.	3 (6) (iv) (b)
	At the AGM held on 31st March 2015, Chairman/Independent Director, Mr. Nihal Jayamanne PC and Deputy Chairman/Non-Executive Director, Mr. Ishara Nanayakkara were re-elected in terms of Article 82 of the Articles of Association of the Bank while Director/CEO, Mr. Kapila Ariyaratne was re-elected in terms of Article 89 subsequent to being recommended by the BNC and the Board.	
	The BNC as well as the Board has recommended the re-election of Independent Directors, Rear Admiral Ananda Peiris and Mr. Samantha Ranatunga, who are due to retire by rotation in terms of Article 82 of the Articles of Association at the AGM scheduled to be held on 31st March 2016 which said recommendations have been included in the Agenda for the AGM. Proposals for re-election of Messrs Viran Corea and W.M.R.S. Dias (appointed on 14th May 2015 and 29th May 2015 respectively) in terms of Article 89 have also been included in the Agenda.	
6.4.3	Criteria for Eligibility – CEO and KMPs	
	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 which have been documented and agreed by the Committee.	3 (6) (iv) (c)
6.4.4	Fit and Propriety of Directors, CEO and KMPs	
	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. Prior to the date of the AGM of the Bank every year, the Affidavits and Declarations submitted by the Directors are forwarded to the Director, Bank Supervision for review and approval.	3 (6) (iv) (d)

Item No.	Level of Compliance	CBSL Direction
6.4.5	<u>Succession Plan</u>	
	<p>The BNC considers and discusses matters relating to succession arrangements of Directors including retiring Directors prior to such occurrence and also takes into consideration the regulatory guidelines and criteria to fill any such vacancy.</p> <p>The Committee reviewed and approved the succession arrangements for Key Management Personnel at its Meetings held during the year. A Board approved Policy on Succession Planning for Key Positions is in place.</p>	3 (6) (iv) (e)
6.4.6	<u>Composition</u>	
	<p>The BNC comprised of 4 Non-Executive Directors during the year 2015, three of whom were Independent and was Chaired by Independent Director, Rear Admiral Ananda Peiris. The Director/CEO attends the meetings of the Committee by invitation.</p>	3 (6) (iv) (f)
6.5	<u>Board Integrated Risk Management Committee (BIRMC)</u>	3 (6) (v)
6.5.1	<u>Composition of the Committee</u>	
	<p>The BIRMC comprised of three Independent Directors, one Non-Executive Director and the Chief Risk Officer (CRO) during the year and was Chaired by Independent Director, Mr. Samantha Ranatunga. The Chief Executive Officer, Chief Financial Officer and the Head of Compliance were co-opted members of the Committee. The CRO is the Key Management Personnel in charge supervising broad risk, market, liquidity, operations, credit and strategic risks and reports directly to the Committee. Other Key Management Personnel and management attend the meetings when being invited by the Committee.</p>	3 (6) (v) (a)
6.5.2	<u>Assessment of Risks</u>	
	<p>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 assess and review the respective categories of risks, namely; credit, market, liquidity and operational risks coming under their respective purview at their regular meetings and key issues are reported to the BIRMC at its quarterly meetings. The Committee assesses all risks including strategic risk and provides appropriate advice pursuant to discussions.</p> <p>The Committee also reviewed the risk assessments on a group basis by considering the risk assessments of the subsidiary, Seylan Developments PLC (SDP) the principal activity of which is property development.</p>	3 (6) (v) (b)
6.5.3	<u>Effectiveness of Management Level Committees</u>	
	<p>The Reports submitted by the Chief Risk Officer pursuant to the proceedings of the Asset Liability Management Committee, the Executive Credit Risk Management Committee and the Executive Market and Operational Risk Management Committee as well as the minutes of the said Committees were reviewed and the effectiveness of the three Committees were assessed by the BIRMC.</p>	3 (6) (v) (c)

Item No.	Level of Compliance	CBSL Direction
6.5.4	<u>Actions to Mitigate Specific Risks</u>	
	The BIRMC ensures that corrective action is taken by the management to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels approved by the Committee in line with the Bank's policies and regulatory requirements.	3 (6) (v) (d)
6.5.5	<u>Frequency of Meetings</u>	
	The Committee's Terms of Reference provides that the Committee shall meet at least quarterly and the Committee met quarterly during the year 2015.	3 (6) (v) (e)
6.5.6	<u>Action Against Those Who Fail to Identify Specific Risks</u>	
	Responsible officers of branches or departments failing to identify specific risks were identified during the internal audit reviews and internal audit investigations carried out 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.	3 (6) (v) (f)
	Reports on high risk offences including line management's action taken to prevent such offences in the future were submitted to the BIRMC for information and appropriate advice where relevant.	
6.5.7	<u>Risk Assessment Report to the Board</u>	
	Recommendations of the Committee and confirmed copies of the minutes of the Committee are circulated to the Board that follows the Committee meetings for the Board's perusal for appropriate decisions/concurrence.	3 (6) (v) (g)
6.5.8	<u>Compliance Function</u>	
	The Head of Compliance 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 quarterly meetings. The Compliance Officer also submits a Compliance Report to the Board monthly.	3 (6) (v) (h)

Item No.	Level of Compliance	CBSL Direction
7.	Related Party Transactions	3(7)
7.1	Avoidance of Conflicts of Interest	
	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.	3 (7) (i)
	The following persons are considered 'related parties' under Direction No. 3 (7)(i)	
	<ul style="list-style-type: none"> a) Any of the Bank's subsidiary companies; b) Any of the Bank's associate companies; c) Any of the Directors of the Bank; d) Any of the Bank's Key Management personnel; e) A close relation of any of the Bank's Directors or Key Management Personnel; f) A shareholder owning a material interest in the Bank; g) 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. 	
	A Board approved Policy on Related Party Transactions and Avoidance of Conflicts of Interest is in place.	
7.2	Types of Transactions with related parties	
	Transactions are carried out with related parties in the normal course of business and the types of transactions as set out in the Direction are incorporated in the Board approved policy on Related Party Transactions and Avoidance of Conflicts of Interest.	3 (7) (ii)

Item No.	Level of Compliance	CBSL Direction
7.3	<u>Favourable Treatment</u>	
	<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> <ul style="list-style-type: none"> a) Granting of 'total net accommodation' to related parties, exceeding a prudent percentage of the Bank's regulatory capital, as determined by the Board. b) 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. c) 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. d) Providing services to or receiving services from a related party without an evaluation procedure. e) 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. Heads of Divisions/Relevant Officers who deal in related party transactions consider the Policy guidelines in their evaluations of related party transactions and provide a confirmation when submitting the return of the respective transactions to the Compliance Officer on a quarterly basis.</p>	3 (7) (iii)
7.4	<u>Approval for Related Party Transactions</u>	
	<p>Accommodation to a Director or to a close relation of a Director (if any) was 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.</p>	3 (7) (iv)

Item No.	Level of Compliance	CBSL Direction
7.5	<u>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</u>	
	<p>Non-Executive Directors, Messrs Viran Corea and W.M.R.S. Dias who were appointed during the year or their close relations had not been granted any accommodation by the Bank prior to their appointments to the Board. Further, the said Directors did not hold substantial interest in any other entity to which the Bank has granted accommodation.</p> <p>The Bank has complied with the requirements of the said Directions in respect of the other Directors on the Board as well who were appointed from time to time, It has obtained necessary security for accommodation granted to certain Directors and related parties of Directors.</p>	3 (7) (v)
7.6	<u>Accommodation to Employees or Related Parties Connected to the Employees</u>	
	<p>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 the 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.</p>	3 (7) (vi)
7.7	<u>Prior Approval of Monetary Board</u>	
	<p>The Policy on Related Party Transactions has noted that no accommodation granted by the Bank under Direction 3 (7) (v) and 3 (7) (vi), nor any part of such accommodation, nor any interest due thereon shall be remitted without the prior approval of the Monetary Board and any remission without such approval shall be void and of no effect. The Bank has complied with this requirement.</p>	3 (7) (vii)
8.	Disclosures	3(8)
8.1	<u>Annual Audited Financial Statements and Quarterly Financial Statements</u>	
	<p>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.</p>	3 (8) (i)
	<p>Annual Audited Financial Statements are disclosed in the Annual Report while the Quarterly Financial Statements are published in the newspapers in all three languages.</p>	
	<p>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.seylan.lk.</p>	

Item No.	Level of Compliance	CBSL Direction
8.2	<u>The Directors' Responsibility Statement for Financial Reporting and the Chief Executive Officer's and Chief Financial Officer's Responsibility Statement for Financial Reporting</u>	
	The above Statements (pages 247 to 249) confirm that the Financial Statements for the year ended 31st December 2015 published are in conformity with relevant rules and regulatory requirements.	3 (8) (ii) (a)
8.3	<u>Directors' Statement on Internal Control</u>	
	The above Statement (pages 198 to 199) 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 principles and regulatory requirements.	3 (8) (ii) (b)
8.4	<u>External Auditors' Certification on Internal Control</u>	
	The Bank has obtained an Assurance Report on the internal controls over financial reporting from the External Auditors in accordance with the 'Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Reports for Banks on Directors' Statements on Internal Control'. Refer page 200.	3 (8) (ii) (c)
8.5	<u>Details of the Directors</u>	
	<ul style="list-style-type: none"> • Names, qualifications, expertise: Refer Profiles of Directors on pages 119 to 123. • Fitness and Propriety: Refer item 3.1 (page 149) of this Report and Report of the Board of Directors on page 205. • Details on Directors Interest in Other Entities – Refer Annexure to the Report of the Board of Directors (pages 211 to 214). • Transactions of the Directors and their related entities with the Bank – Refer Notes 49 and 50 to the Financial Statements • Fees/Remuneration Paid to Directors – Refer Note 49.6 to the Financial Statements and Item 8.7 below. 	3 (8) (ii) (d)

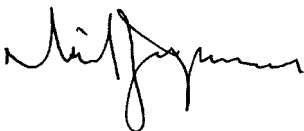
Item No.	Level of Compliance	CBSL Direction																		
8.6	Total Net Accommodations to Related Parties																			
	The total net accommodation as defined in Direction 3 (7) (iii) granted to each category of related parties as defined in Direction 3 (7) (i) is given below as a percentage of the Bank's regulatory capital.	3 (8) (ii) (e)																		
	<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;">Percentage of regulatory capital</th> </tr> </thead> <tbody> <tr> <td>Directors, Key Management Personnel and their close relations (Transactions including Credit Card accommodations)</td> <td style="text-align: right;">70.580</td> <td style="text-align: right;">0.28</td> </tr> <tr> <td>Subsidiary, Seylan Developments PLC</td> <td style="text-align: right;">NIL</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Material shareholders of the Bank and concerns in which a Director of the Bank or material shareholder has a substantial interest</td> <td></td> <td></td> </tr> <tr> <td> Funded</td> <td style="text-align: right;">5,338.86</td> <td style="text-align: right;">21.27</td> </tr> <tr> <td> Non-Funded</td> <td style="text-align: right;">2,118.17</td> <td style="text-align: right;">8.44</td> </tr> </tbody> </table>	Category of Related Party Transactions	Amount Rs. Mn.	Percentage of regulatory capital	Directors, Key Management Personnel and their close relations (Transactions including Credit Card accommodations)	70.580	0.28	Subsidiary, Seylan Developments PLC	NIL	-	Material shareholders of the Bank and concerns in which a Director of the Bank or material shareholder has a substantial interest			Funded	5,338.86	21.27	Non-Funded	2,118.17	8.44	
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Non-Funded	2,118.17	8.44																		
8.7	Remuneration to Key Management Personnel (KMPs) and Transactions with Key Management Personnel and Aggregate Values of the Transactions of the Bank with its KMPs																			
	The aggregate remuneration paid to Key Management Personnel and transactions of the Bank with Key Management Personnel during the year 2015 were as follows:	3 (8) (ii) (f)																		
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Remuneration/Transactions</th> <th style="text-align: right;">Amount Rs. Mn.</th> </tr> </thead> <tbody> <tr> <td>Remuneration to KMPs</td> <td style="text-align: right;">139.152</td> </tr> <tr> <td>Directors' Fees for Non-Executive Directors</td> <td style="text-align: right;">18.170</td> </tr> <tr> <td>Loans and Advances (including Credit Card accommodations to KMPs and Non-Executive Directors)</td> <td style="text-align: right;">70.259</td> </tr> <tr> <td>Deposits of KMPs and Non-Executive Directors</td> <td style="text-align: right;">134.365</td> </tr> <tr> <td>Investments by KMPs and Non-Executive Directors</td> <td style="text-align: right;">45.419</td> </tr> </tbody> </table>	Remuneration/Transactions	Amount Rs. Mn.	Remuneration to KMPs	139.152	Directors' Fees for Non-Executive Directors	18.170	Loans and Advances (including Credit Card accommodations to KMPs and Non-Executive Directors)	70.259	Deposits of KMPs and Non-Executive Directors	134.365	Investments by KMPs and Non-Executive Directors	45.419							
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*Transactions with related parties (as per LKAS 24) and other related parties are disclosed in Notes 49 and 50 to the Financial Statements.

Item No.	Level of Compliance	CBSL Direction
8.8	<u>External Auditors Certification of the Compliance with Direction No. 11 of 2007 on Corporate Governance</u>	
	The External Auditors have performed an agreed-upon procedure in accordance with the principles set out in the Sri Lanka Standards on Related Service 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. Please refer Confirmation stated at the end of this Report.	3 (8) (ii) (g)
8.9	<u>Compliance with Prudential Requirements, Regulations, Laws and Internal Controls</u>	
	Statement of Directors' Responsibility for Financial Reporting on pages 247 to 248 and Directors' Statement on Internal Controls on pages 198 to 199 provides the extent of Bank's compliance in this regard.	3 (8) (ii) (h)
8.10	<u>Supervisory Concerns</u>	
	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)
9.	<u>Transitional and General Provisions</u>	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 Directions relating to compliance with the transitional provisions of the Banking Act Directions No. 11 of 2007, are not applicable to the Bank.	3 (9) (i)

Confirmation

In terms of Direction 3 (8) (ii) (g) of the Banking Act Direction No. 11 of 2007, on behalf of the Board of Directors, we confirm that the findings of the 'Factual Findings Report' dated 25th February 2016 issued by the Auditors, Messrs KPMG, Chartered Accountants to the Board of Directors pursuant to the agreed-upon procedure carried out by them in accordance with 'Sri Lanka Related Services Practice Statement 4750' are consistent with the matters disclosed in the above Annual Corporate Governance Report on the mandatory compliance with the Banking Act Direction No. 11 of 2007.



Nihal Jayamanne PC
Chairman
25th February 2016
Colombo



(Mrs.) N.N. Najumudeen
Company Secretary

Extent of Compliance with the Principles of the Code of Best Practice on Corporate Governance

In addition to the Bank's mandatory compliance with the Banking Act Direction No. 11 of 2007, the Bank's governance processes are also compliant to a very good extent with the principles and provisions set out in 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 (CA Sri Lanka) (hereinafter referred to as the Code of Best Practice; Code of Best Practice on Corporate Governance; or as the Code).

The Bank's extent of compliance with the principles and provisions of the Code under the following main areas Code are disclosed below:

- 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 to E.2
- Other Investors Sections F.1 to F.2
- Sustainability Reporting Section G

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

<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

Code Ref.

The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated

A. Board of Directors

- | | | |
|----|-------|--|
| 1. | A.1 | <p><u>An Effective Board to Direct and Control the Company</u></p> <p>The Board comprised of one Executive and nine Non-Executive Directors, all of whom are eminent professionals with extensive experience in the field of banking, finance, law, insurance, marketing, etc.</p> |
| 2. | A.1.1 | <p><u>Regular Board Meetings</u></p> <p>Twelve regular Board meetings were held monthly and two special Board meetings were held during the year. Directors' attendance at Board meetings and Board Sub-committee meetings are reflected in the tables on pages 133 and 137 respectively.</p> |
| 3. | A.1.2 | <p><u>Board Responsibilities</u></p> <p>Please refer item 1 [Direction ref: 3 (1) – Board Responsibilities] in the table reporting compliance with Banking Act Directions on pages 142 to 146.</p> |

	Code Ref.	The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated
4.	A.1.3	<p><u>Compliance with Related Regulations and Access to Independent Professional Advice</u></p> <p>A Board approved procedure is in place enabling Directors to seek independent professional advice at the Bank's expense as and when such advice is considered necessary.</p>
5.	A.1.4	<p><u>Advice and Services of the Company Secretary</u></p> <p>The members of the Board have access to the advice and services of the Company Secretary (who is a Chartered Secretary by profession) to ensure that Board procedures and all applicable Rules and Regulations are followed.</p>
6.	A.1.5	<p><u>Independent judgement of Directors</u></p> <p>Directors bring forward their independent judgement to bear on Board proceedings and assist in strategy formulation and direction at Board level and at Board Sub-committee level. The Board and the Board Sub-committees are represented by majority Independent Directors who are independent of management and free of any business or other relationship. This enables exercise of independent judgement by them on matters brought up before them for recommendations, decisions or approvals which otherwise could have materially interfered with unfettered judgement.</p>
7.	A.1.6	<p><u>Dedication of adequate time and effort by the Board and Board Committees</u></p> <p>Notice of meetings, agendas and the related papers/reports were circulated minimum seven days prior to Board meetings with sufficient time for the Directors to review the papers and call for additional information and/or clarifications. Directors have devoted adequate time for Board meetings as well as Board Sub-committee meetings during the year.</p> <p>Please refer details of the meetings of the Board and Board Sub-committees held and the attendance of the Directors on pages 133 and 137 respectively.</p>
8.	A.1.7	<p><u>Training for Directors</u></p> <p>When Directors are appointed to the Board, the Company Secretary present them with an updated 'Introductory Document for Directors' with relevant material information of the Bank and other guidelines for Directors including Directors responsibilities, relevant policies, declarations and returns for Directors' compliance, etc.</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, several Directors attended conferences and seminars including the following:</p> <ul style="list-style-type: none"> • Stay on Course for Audit Committee Members – Programme organised by Messrs Ernst & Young, Sri Lanka. • Directors Certification programme titled 'Board Leadership – Be Sharper in the Boardroom' organised by the Sri Lanka Institute of Directors • Programme titled Simplified Strategic Planning – Singapore • 10th Annual Banking and Digital Economy Summit 2015 – New Zealand

Code Ref.	The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated
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Chairman and CEO

9. A.2 Chairman and Chief Executive Officer and Division of Responsibilities

During the year 2015, Mr. Nihal Jayamanne PC was the Chairman of the Bank and Mr. Kapila Ariyaratne was the Chief Executive Officer (CEO) of the Bank. The Chairman's role is to provide leadership to the Board and ensure that the Board collectively decides on key issues and discharges its responsibilities effectively. The CEO is responsible for the overall management of the operations and business of the Bank as delegated by the Board.

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 defining the role and responsibilities of the Chairman and that of the CEO.

Chairman's Role

10. A.3.1 Role of the Chairman

The Chairman provides leadership to the Board and ensures that the Board members effectively discharge their responsibilities and make an active contribution to the Board's affairs. Please refer item 5.4 [Direction ref: 3 (5) (iv) - (x) – Chairman's Role] in the table reporting compliance with Banking Act Directions on page 151 for a detailed description of the Chairman's Role.

Financial Acumen

11. A.4 Ensure availability of sufficient financial acumen to guide the Board on matters of finance

The Board has adequate number of Directors who possess knowledge and skills in accounting and finance to contribute and offer guidance to the Board to decide on matters which involve financial analysis and finance related reviews. Please refer pages 119 to 123 for profiles of Directors.

Board Balance

12. A.5 and A.5.1 Board Composition

The Board follows the provisions of its Articles of Association and that of the Banking Act Direction No. 3 (2) where it is stated that the number of Directors on the board of a licensed commercial bank shall be not less than 7 and not more than 13. The Board comprised minimum eight and maximum ten Directors during the year with only one Executive Director (CEO) (appointed on 16th February 2015) and all others were Non-Executive Directors.

As at 31st December 2015, the Board consisted of one Executive Director (CEO) and 9 Non-Executive Directors of whom 5 were Independent.

	Code Ref.	The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated
13.	A.5.2	<p><u>Non-Executive Directors and Independent Directors</u></p> <p>The Board follows the requirements of the Banking Act Direction No. 3 (2) where it is stated that the Board shall have at least three Independent Non-Executive Directors or one-third of the total number of Directors, whichever is higher. This requirement was maintained throughout the year as the Board comprised five Independent Directors which was above one-third of the total number of Directors on the Board at any one time.</p>
14.	A.5.3 to A.5.5	<p><u>Board to determine annually as to the independence or non-independence of Non-Executive Directors.</u></p> <p>The Board has determined the independent and non-independent status of the Non-Executive Directors based on the declarations submitted by them during the year. The declaration takes into account the criteria defined in the Banking Act Direction No. 3 (2) (iv), Section 7.10.4 of the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice. No circumstances have arisen for the determination of independence beyond the criteria set out in the said Directions and guidelines.</p> <p>Directors, Mr. Nihal Jayamanne PC (Chairman), Rear Admiral Ananda Peiris, Mr. Samantha Ranatunga, Mr. Kumar Perera and Ms. Coralie Pietersz were identified as independent.</p>
15.	A.5.6	<p><u>Alternate Directors</u></p> <p>No persons were appointed as Alternate Directors during the year.</p>
16.	A.5.7	<p><u>Senior Independent Director if Chairman and CEO is the same person</u></p> <p>Chairman of the Bank is Mr. Nihal Jayamanne PC (who is also an Independent Director) and the CEO of the Bank is Mr. Kapila Ariyaratne (an Executive Director). Therefore, there was no requirement to appoint a Senior Independent Director.</p>
	A.5.8	<p><u>Meetings of Senior Independent Director with Directors to discuss confidential matters</u></p> <p>Not applicable.</p>
17.	A.5.9	<p><u>Chairman to hold meetings with only the Non-Executive Directors</u></p> <p>Chairman and the Non-Executive Directors have had meetings without the presence of the Executive Director.</p>
18.	A.5.10	<p><u>Recording of concerns of Directors in Board minutes where they cannot be unanimously resolved.</u></p> <p>The Board minutes include concerns raised by Directors and also the ultimate decisions made by the Board.</p>

Code Ref.	The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated
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Information to the Board

19. A.6.1 to A.6.2 **Obligation of the Management to provide appropriate and timely information to the Board**

Timely and adequate information is provided by Management to the Board which are circulated to the Directors 7 days prior to the regular meetings. Reasonable notice of special/emergency meetings are also given to the Directors with the purpose duly briefed.

Management also makes themselves available on call to respond to queries raised at Board meetings and also provide additional information when required by the Board members.

The Chairman and/or the CEO briefs the Directors on issues arising at Board meetings and they also ensure to brief the new Directors on the Board, the background to the matters arising from the proceedings of the past meetings.

Appointments to the Board

20. A.7 **A formal and transparent procedure for appointment of new Directors**

A policy governing appointment of Directors is in place. The Nomination Committee is responsible for identifying individuals qualified to become members of the Board and its Committees and recommending candidates for the Board's selection as Directors whenever the requirement arises for the appointment of an additional Director or filling of a casual vacancy on the Board.

21. A.7.1 **Board Nomination Committee**

The scope and key responsibility of the Nomination Committee as defined in its Terms of Reference is to assist the Board in fulfilling the role and responsibilities involving appointment of Directors and Key Management Personnel of the Bank.

The Committee is chaired by Independent Director, Rear Admiral Ananda Peiris and is comprised of further three members, namely, Independent Director, Mr. Nihal Jayamanne PC and Mr. Samantha Ranatunga and Non-Executive Director, Mr. Ishara Nanayakkara. Please refer page 189 for the Report of the Board Nomination Committee for further information on the Committee.

	Code Ref.	The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated
22.	A.7.2	<p><u>Assessment of Board composition by the Board as a whole</u></p> <p>The policy governing appointment of Directors takes cognisance that the Board's role is to</p> <ul style="list-style-type: none"> • Provide entrepreneurial leadership within a framework of prudent and effective controls which enables risk to be assessed and managed. • Set strategic goals, Company's values and standards and ensure that obligations to its stakeholders are understood and met. For the aforesaid purposes, all Directors are expected to take decisions objectively with only the best interest of the organisation in mind. <p>Although the Board has delegated the responsibility for the selection and appointment of Directors to the Nomination Committee, the Board is ultimately responsible for the selection and appointment of Directors and also when current Directors come up for re-election.</p>
23.	A.7.3	<p><u>Disclosure of Appointment of Directors and their profiles</u></p> <p>Appointments of new Directors to the Board are informed to the shareholders through announcements to the Colombo Stock Exchange. The status of the Director appointed (Executive, Non-Executive or Independent) and a brief profile of the Director including the nature and expertise in relevant functional areas, names of companies in which he/she held directorships or memberships are also conveyed in the said disclosure. The Bank complied with this request when Directors, Mr. Viran Corea and Mr. W.M.R.S. Dias were appointed to the Board.</p> <p>Please also refer pages 119 to 123 in this Annual Report for a brief profile of each of the Directors.</p>

Code Ref.	The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated
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Re-election

24. A.8

Re-election of Directors

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 and any other Directors appointed to fill casual vacancies) who are longest in office retires by rotation at the Annual General Meeting (AGM) and are re-elected if eligible. The Nomination Committee recommends the re-election of the Directors who are due to retire in this manner, taking into account their contribution to the Board. Pursuant to obtaining Board's concurrence for the Committee's recommendation, it is included in the Agenda of the Annual General Meeting (AGM) seeking shareholders' approval for the re-election.

Directors who were subject to re-election and re-elected by shareholders at the AGMs held during the last three years are as follows:

2013	Mr. Ishara Nanayakkara, Mr. Samantha Ranatunga, Mr. Mohan De Alwis (resigned)
2014	Rear Admiral Ananda Peiris
2015	Mr. Nihal Jayamanne PC, Mr. Ishara Nanayakkara

The Nomination Committee as well as the Board recommended the re-election of Independent Directors, Rear Admiral Ananda Peiris and Mr. Samantha Ranatunga, who are due to retire by rotation in terms of Article 82 of the Articles of Association and the said recommendations has been included in the Agenda for the AGM scheduled to be held on 31st March 2016.

25. A.8.1

Appointment of Non-Executive Directors subject to re-election

In terms of the Banking Act Directions on Corporate Governance {Direction No. 3 (2) (i) and No. 3 (3)(i)}, the total period of service of a Director other than a Director who holds position of Chief Executive Officer shall not exceed nine years subject to the age limit of 70 years whichever occurs first.

In terms of the Articles of Association of the Bank and Direction 3 (2) (x) of the Banking Act Directions on Corporate Governance, the Directors appointed are subject to re-election by the shareholders at the Annual General Meeting that follows their appointment. Proposals for re-election of Messrs Viran Corea and W.M.R.S. Dias who were appointed on 14th May 2015 and 29th May 2015 respectively in terms of Article 89 have been included in the Agenda for the AGM scheduled to be held on 31st March 2016.

26. A.8.2

Information on Directors subject to re-election

The Notice of Meeting for the AGM held on 31st March 2015 carried a brief note on the individual Directors who were subject to re-election, which included their status, dates of appointment to the Board and reference to their profiles in the Annual Report, to enable shareholders to make an informed decision on their re-election. Similar information is included in the Notice of Meeting for the AGM scheduled to be held on 31st March 2016.

Code Ref.	The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated
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Appraisal of Board Performance

27. A.9.1 to A.9.3 Annual appraisal of performance of Board and Board Sub-committees

The Board has in place a formal process for reviewing its own performance and that of its Committees annually. Every Director is required to complete a detailed questionnaire which aims to obtain Directors' feedback on the Board's performance including the following areas.

- Board structure and structure of its Committees
- Board culture and relationships with stakeholders
- Meeting processes
- Effectiveness of Board proceedings
- Implementation of strategy
- Evaluation of performance against goals and targets of the CEO and the KMPs
- Succession planning
- Knowledge and skills update

Whilst the responses to the Board evaluation questionnaire from the individual Directors remain confidential with the Company Secretary, the responses are summarised by the Company Secretary and submitted to the Board to discuss and deliberate collectively on areas of concerns and processes for improvement. The Board performance evaluation was last carried out in February 2015.

The Board of Directors also submitted their own self-assessments reporting on their extent of contribution to the Board and to the Board Sub-committees they represent.

Each of the Board Sub-committees evaluated the performance of the respective Committee and submitted their reports to the Board.

Code Ref.	The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated
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Disclosure of Information in Respect of Directors

28. A.10.1 Information in relation to each Director in the Annual Report

Disclosed in the following sections of this Annual Report.

Description	Section	Page/s
Name qualification and brief Profile	Profile of the Directors	119 to 123
Nature and expertise in relevant functional areas	Profile of the Directors	119 to 123
Whether Executive, Non-Executive and/or Independent	Profile of the Directors, Corporate Information, Board/Board Sub-committee Attendance Tables Report of the Board of Directors	119 to 123 428 133 to 137 205
Names of listed companies in Sri Lanka in which the Director concerned serves as a Director	Annexure to the Report of the Board of Directors on the State of Affairs of the Company	211 to 214
Number of Board meetings attended during the year	Board Attendance Table in the Corporate Governance Report	133
Number of Board seats by each Director indicating listed and unlisted companies and whether in an executive or non-executive capacity	Annexure to the Report of the Board of Directors on the State of Affairs of the Company	211 to 214
Names of Board Committees in which the Director serves as Chairman or member	Profile of the Directors; Board Sub-Committee Attendance Table in the Corporate Governance Report	119 to 123 137
Number/percentage of Committee meetings attended during the year	Board Sub-Committee Attendance Table in the Corporate Governance Report	137

Appraisal of Chief Executive Officer (CEO)

29. A.11.1 Annual targets for CEO

The Bank has a formal process for the evaluation of the CEO. The Board Human Resources and Remuneration Committee in consultation with the CEO agrees on performance objectives and targets (also referred to as Key Performance Indicators or KPIs) aligned with the business strategy of the Bank in the first quarter of the year. The KPIs of Director/CEO for the year 2015 were discussed and agreed in January 2015.

	Code Ref.	The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated
30.	A.11.2	<p><u>Evaluation of the performance of the CEO</u></p> <p>The Board evaluates the performance of the CEO upon the finalisation of the Audited Financial Statements for the financial year to ascertain whether the targets set were achieved. The performance evaluation of the CEO in respect of his performance for the year ended 31st December 2014 was carried by the Board Human Resources and Remuneration Committee in April 2015.</p>
B. Directors' Remuneration		
31.	B.1	<p><u>Remuneration procedure</u></p> <p>A remuneration policy recommended by the Board Human Resources and Remuneration Committee and approved by the Board is in place which specifies the policy for remuneration and compensation to the Board of Directors, the CEO, Senior Management and other staff. Directors collectively decide on the CEO's remuneration and benefits as well as the professional fees and any benefits payable to Non-Executive Directors as recommended by the Committee.</p>
32.	B.1.1	<p><u>Establishment of a Remuneration Committee</u></p> <p>The Board Human Resources and Remuneration Committee is established with Board approved Terms of Reference. Please refer Committee's Report on page 187 for further details.</p>
33.	B.1.2	<p><u>Composition of the Remuneration Committee</u></p> <p>The Committee was comprised of four independent Non-Executive Directors and one Non-Executive Director.</p>
34.	B.1.3	<p><u>Membership to be disclosed in the Annual Report</u></p> <p>Disclosed in the Board Human Resources and Remuneration Committee Report published in this Annual Report.</p>
35.	B.1.4	<p><u>Board to determine remuneration of Non-Executive Directors</u></p> <p>The Board Human Resources and Remuneration Committee determines and recommends the professional fee payable to Non-Executive Directors.</p>
36.	B.1.5	<p><u>Consultation for remuneration proposals and access to professional advice</u></p> <p>Chairman of the Board, Mr. Nihal Jayamanne PC is also the Chairman of the Board Human Resources and Remuneration Committee. The Bank seeks independent advice to determine revisions and compensation packages when deemed necessary.</p>

Code Ref.	The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated
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Level and Make up of Remuneration

37. B.2.1 to B.2.9 The levels of remuneration of both Executive and Non-Executive Directors are determined by the Board Human Resources and Remuneration Committee. The Board is mindful that remuneration offered is sufficient to attract and retain services of the Directors. The Bank looks at market remuneration levels of Directors, CEOs and key positions in determining the remuneration to those positions in the Bank and also when new appointments are being considered to key positions.

Director/CEO's (Executive Director) remuneration and benefits are aligned with the actual performance and market compensation levels. They are subject to periodic review by the Human Resources and Remuneration Committee and approval of the Board.

Non-Executive Directors are paid a monthly professional fee and Committee meetings attendance fee which reflect their time commitment and responsibilities of their role as members of the Board and Board Sub-committees. Non-Executive Directors are not eligible for performance based remuneration schemes and other performance related bonuses.

Any other payments for the purpose of sign on, retention or termination of staff members which are not set out in the employment contracts is reviewed by the Board Human Resources and Remuneration Committee and approved by the Board of Directors, before being agreed upon.

Disclosure of Remuneration Policy

38. B.3.1 Details of the Board Human Resources and Remuneration Committee, Statement of Remuneration Policy and aggregate remuneration payable to Executive and Non-Executive Directors are disclosed in the Report of the Board Human Resources and Remuneration Committee on page 187 of the Annual Report.

Aggregate remuneration paid during the year to Executive and Non-Executive Directors is disclosed in the Note 49.6 to the Financial Statements.

C. Relations with Shareholders

39. C.1 **Constructive use of Annual General Meeting and Conduct of General Meetings**

The Annual General Meeting is used as the forum to communicate with shareholders and the Board encourages their participation.

40. C.1.1 **Counting of proxy votes**

Proxy votes are separately counted and declared at the outset of the Annual General Meeting and also recorded in the minutes. An automated process is in place to count two way proxies received.

	Code Ref.	The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated
41.	C.1.2	<p><u>Separate resolution to be proposed for each item</u></p> <p>A separate resolution is proposed for each item of business providing the shareholders the opportunity to consider and decide each item separately. The items mainly include the adoption of the Annual Report and Accounts for the financial year end together with the Report of the Auditors, election/re-election of Directors, and appointment/reappointment of Auditors.</p>
42.	C.1.3	<p><u>Heads of Board Sub-committees to be available to answer queries</u></p> <p>The Board of Directors including the Directors chairing the Board Sub-committees is present at the Annual General Meeting. In the absence of the Chairman of the respective Committee, a co-member will respond to the queries raised.</p>
43.	C.1.4 and C.1.5	<p><u>Notice of Annual General Meeting to be sent to shareholders with other papers as per statute</u></p> <p>Requisite notice together with the Form of Proxy and a copy of the Annual Report, complying with the provisions of the Companies Act No. 07 of 2007, CSE Rules and the Bank's Articles of Association of the Bank are despatched to all shareholders not less than fifteen working days prior to the date of the AGM. This provides an opportunity to all shareholders to attend the AGM by person or by proxy and obtain clarifications on any issues of concern relating to the Bank.</p> <p>The Form of Proxy provides instructions to shareholders as to the completion of the Form of Proxy and voting procedures.</p>

Communication with Shareholders

44.	C.2.1	<p><u>Channel to reach all shareholders to disseminate timely information</u></p> <p>The key channel of disseminating timely information to the shareholders is the announcements via the Colombo Stock Exchange whilst the Annual Report and the Annual General Meeting can be considered as the primary modes of communication of the Bank with the shareholders.</p>
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	Code Ref.	The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated
45.	C.2.2 to C.2.7	<p data-bbox="456 420 902 451"><u>Shareholder Communication Policy</u></p> <p data-bbox="456 478 1503 627">A Board approved Shareholder Communication Policy is in place, the objective of which is to enhance long-term shareholder relationship through regular communication. 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.</p> <p data-bbox="456 658 1503 841">The Bank also complies with the 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 and Interim (quarterly) Financial Reports prior to updating them on the Bank's website and the CSE's website.</p> <p data-bbox="456 872 1503 965">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.</p> <p data-bbox="456 996 1503 1062">The Shareholder communication Policy is published in the Bank's corporate website www.seylan.lk.</p>

Major Transactions

46.	C.3.1	<p data-bbox="456 1154 1187 1185"><u>Disclosure of proposed major transactions to shareholders</u></p> <p data-bbox="456 1212 1503 1270">There were no 'major related party transactions' as defined in principle C.3.1 of the Code, warranting disclosure.</p>
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D. Accountability and Audit

Financial Reporting

47.	D.1.1	<p data-bbox="456 1421 1448 1493"><u>Proper disclosure of interim and other price sensitive and statutorily mandated reports to regulators</u></p> <p data-bbox="456 1514 1503 1632">The Bank had presented balanced and understandable reports of its Interim Financial Statements and Annual Audited Financial Statements to the regulators and to the shareholders in respect of each of the quarter ended during the year 2015 and as at the year ended 31st December 2015. Please refer Financial Calendar on page 246.</p> <p data-bbox="456 1663 1503 1786">The above reports were prepared and presented in conformity with the Sri Lanka Accounting Standards whilst complying with the requirements of the Companies Act No. 7 of 2007, the Banking Act No. 30 of 1988 (as amended) and also the reporting requirements of the Central Bank of Sri Lanka and the Colombo Stock Exchange (as applicable).</p>
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	Code Ref.	The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated
48.	D.1.2	<p><u>Directors' Report</u></p> <p>The Report of the Board of Directors on the State of Affairs of the Company contains the following declarations made by the Directors amongst others:</p> <ul style="list-style-type: none"> • That the Company has not engaged in any activities, which contravenes laws and regulations; • Declaration of all material interests in contracts; • Statement relating to equitable treatment of shareholders; • That the Company is a going concern with supporting assumptions or qualifications as necessary; and • effectiveness of internal controls.
49.	D.1.3	<p><u>Statement of Directors' responsibilities for preparation and presentation of Financial Statements; Statement of Auditors' responsibilities for reporting and Report/Statement on Internal Control.</u></p> <p>Please refer 'Directors' Responsibility for Financial Reporting' on page 247. Report of the Auditors' on page 250; and Directors' Statement on Internal Control on page 198.</p>
50.	D.1.4	<p><u>Management Discussion and Analysis Report</u></p> <p>The above report includes statements of issues relating to industry structure and developments; opportunities and threats; risks and concerns; internal control systems and their adequacy; social and environmental protection activities carried out by the Company; financial performance; material developments in human resources/industrial relations; and prospects for the future.</p> <p>Please refer report on 'Management Discussion and Analysis' published in this Annual Report from pages 18 to 116.</p>
51.	D.1.5	<p><u>Confirmation that the business is a going concern</u></p> <p>Refer statements in the "Report of the Directors on the State of Affairs of the Company for 2015 " as well as in the Directors' Statement of Responsibility on Financial Statements published in this Annual Report.</p>
52.	D.1.6	<p><u>Net assets value against shareholders' funds</u></p> <p>The nets assets value was maintained throughout the year above the requirement of 50% of the value of shareholders' funds and therefore, the requirement to take remedial action by summoning an Extraordinary General Meeting did not arise.</p>

	Code Ref.	The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated
53.	D.1.7	<p data-bbox="459 422 797 451"><u>Related party transactions</u></p> <p data-bbox="459 478 1442 507">Related Party Transactions are disclosed in Notes 49 and 50 to the Financial Statements.</p> <p data-bbox="459 540 1463 658">A Board approved policy on Related Party Transactions and Conflicts of Interest is in place adequately covering the Bank's policy and procedures on same. Please refer item 7 [Director 3 (7) - Related Party Transactions] of the Report on Compliance with the Banking Act Directions on pages 160 to 162 for further details.</p>
Internal Control		
54.	D.2.1	<p data-bbox="459 762 1365 826"><u>Annual review of the risks facing the Bank and effectiveness of system of internal controls</u></p> <p data-bbox="459 853 1490 1062">A Board approved Risk Management Framework in terms of the Banking Act Direction No. 07 of 2011 is in place. The Bank has an ongoing process in place to identify, evaluate and manage the risks that are faced by the Bank. The Board has delegated this responsibility to the Board Integrated Risk Management Committee and the Chief Risk Officer who reports to the Committee quarterly. The Committee reviews and ensures that management implements the policies adopted by the Board by establishing the internal controls necessary for same and duly monitoring the implementation.</p> <p data-bbox="459 1096 1502 1280">The statement on the effectiveness of Bank's internal control mechanism is reviewed and recommended by the Board Audit Committee and a Directors' Statement on Internal Control is published in this Annual Report. The Bank also received External Auditors Assurance Report in this regard pursuant to the independent audit conducted by them in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Report for Banks on Directors' Statement on Internal Control.</p>
55.	D.2.2	<p data-bbox="459 1313 743 1342"><u>Internal audit function</u></p> <p data-bbox="459 1369 1484 1437">A fully-fledged Internal Audit Department is functional and the Head of Internal Audit reports to the Board Audit Committee.</p>
56.	D.2.3	<p data-bbox="459 1466 1279 1531"><u>Reviews of the process and effectiveness of risk management and internal controls</u></p> <p data-bbox="459 1558 1495 1709">The Board Audit Committee reviews internal control issues and risk management measures identified by the Internal Audit Division and evaluates the adequacy and effectiveness of same. The proceedings of the Committee meetings held were recorded in the minutes. The minutes were tabled at the meetings of the Board and where necessary issues were explained to the Board by the Chairperson of the Committee.</p>

Code Ref.	The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated
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Audit Committee

57. D.3.1 to D.3.4

Board Audit Committee

Please refer the relevant sections in this Annual Report for information relating to the following requirements and also Item 6.2 (Direction No. 3 (6) (ii) – Audit Committee) of the Report on Compliance with the Banking Act Directions on Corporate Governance on pages 152 to 156 for additional information.

Code Ref:	Requirement	Please refer following reports	Pages
D.3.1	Composition of the Committee	Report of the Board Audit Committee	185
D.3.2 and D.3.3	Duties of the Committee and Terms of Reference of the Committee	Report of the Board Audit Committee	185
D.3.4	Disclosures – Names of the members of the Committee, determination of the independence of the Auditors and basis of the determination of Auditors.	Report of the Board Audit Committee Report of the Board of Directors on the Affairs of the Company	185 206

Code of Business Conduct and Ethics

58. D.4.1

Code of Business Conduct and Ethics

Two separate Board approved Codes are in place for the Directors and for the employees of the Bank, namely;

- The Code of Business Conduct and Ethics for Directors and
- The Code of Conduct as well the Code of Ethics for the Bank's employees including the senior management.

Please refer 'Conduct, Ethics and Integrity' on page 138 of the Corporate Governance Report appearing in this Annual Report for further details.

The annual declaration to the effect that the Directors are aware and will abide the Code of Business Conduct and Ethics for Directors was signed by all Directors during the year. The adoption of the Code and Conduct and Code of Ethics for the Bank's employees have been communicated to them via email and the Codes have been uploaded on the Bank's intranet for perusal and due adherence by all staff.

	Code Ref.	The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated
59.	D.4.2	<p><u>Affirmative Statement by the Chairman</u></p> <p>The Chairman has affirmed that he is not aware of any material violation of any of the provisions of the Codes. Please refer letter titled 'Chairman's Statement' appearing under 'Corporate Governance' on page 128 of this Annual Report.</p>
Corporate Governance Disclosures		
60.	D.5.1	<p><u>Disclosure of extent to which the Company has complied with principles and provisions of the SEC/CA Sri Lanka Corporate Governance Code</u></p> <p>Compliance with the principles of the Code of Best Practice of SEC/CA Sri Lanka is as provided in this Corporate Governance Report.</p>
E. Institutional Investors		
Institutional Investors – Shareholder Voting		
61.	E.1	<p><u>Institutional Shareholders</u></p> <p>As at 31st December 2015, the shareholding distribution of the Bank reflect 90.15% as the holding of institutional ordinary voting shareholders who makes effective use of their voting rights at the General Meetings of shareholders.</p>
62.	E.1.1	<p><u>Communication with shareholders</u></p> <p>The Annual General Meeting/Extraordinary General Meetings are forums utilised by the Board as well as the Shareholders of the Bank to have an effective dialogue with one another.</p> <p>Please refer statements of compliance under Code Reference C. 2 and 'Shareholder Communication' appearing on page 138 of the Corporate Governance Report appearing in this Annual Report for further details.</p>

Code Ref.	The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated
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Evaluation of Governance Disclosures

63.	E.2	<p><u>Due weightage for all relevant factors by institutional investors</u></p> <p>The institutional investors have access to substantial information relating to the Bank including the Bank's Annual Reports, Interim Reports, Profiles of the Board of Directors and other investor information on its corporate website (www.seylan.lk) for this purpose and particularly the Board structure. Institutional shareholders are at liberty to vote on resolutions relating to governance arrangements, including the election/re-election of Directors and appointment/reappointment of Auditors.</p>
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F. Other Investors

64.	F.1	<p><u>Investing/Divesting decisions by individual shareholders</u></p> <p>As at 31st December 2015, the shareholding distribution of the Bank reflect 9.85% as the holding of individual ordinary voting shareholders who makes effective use of their voting rights at the General Meetings of shareholders.</p> <p>Shareholders are advised to carry out adequate analysis or seek independent professional advice in investing and divesting decisions when offers for additional capital issues (e.g. rights issues) are made by the Bank.</p>
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G. Sustainability Reporting

65.	G.1	<p><u>Principles of Sustainability Reporting</u></p> <p>The Code requires the Bank to adopt the following principles in Sustainability Reporting to ensure the maintenance of policies and procedures to develop a sustainable business environment and to make disclosures on sustainability.</p> <p>This Annual Report provides a detailed report on the Bank's sustainability approach, responsibilities and initiatives during the year. The Board has delegated its responsibility in this respect to the Board Sustainability Committee which is chaired by Deputy Chairman/ Non-Executive Director, Mr. Ishara Nanayakkara. The Committee functions within the scope of its Terms of Reference approved by the Board. The Report of the Board Sustainability Committee briefing on its composition, scope and activities during the year is published in this Annual Report on page 193.</p>
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	Code Ref.	The Bank has adopted the Principles and Provisions in the Code of Best Practice and the extent of compliance is described below unless otherwise stated
66.	G.1.1	<p><u>Principle of Economic and Investor Sustainability Governance</u></p> <p>Please refer pages 70 to 77.</p>
67.	G.1.2	<p><u>Principle of Environmental Governance</u></p> <p>Please refer pages 112 to 114.</p>
68.	G.1.3	<p><u>Principle of Labour Practices Governance</u></p> <p>Please refer pages 84 to 98.</p>
69.	G.1.4	<p><u>Principle of Society Governance</u></p> <p>Please refer pages 103 to 111.</p>
70.	G.1.5	<p><u>Principle of Product Responsibility Governance</u></p> <p>Please refer pages 77 to 83.</p>
71.	G.1.6	<p><u>Principle of Stakeholder Identification, Engagement and Effective Communication</u></p> <p>Please refer pages 21 to 25.</p>
72.	G.1.7	<p><u>Sustainability Reporting and Disclosure</u></p> <p>The Bank's Sustainability Reporting and Disclosure is based on the Global Reporting Initiative Guidelines (GRI). Please refer pages 70 to 116 for a detailed report followed by the Sustainability Assurance Report of the External Auditors on page 117.</p>

The Board Audit Committee with authority and responsibilities vested by the Board presents its report for the year 2015. This Report was approved by the Board of Directors.

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 during the year

The Committee comprised:

- Ms. Coralie Pietersz – Independent Director and Chairperson of the Committee
- Mr. Nihal Jayamanne PC, Independent Director
- Mr. Samantha Ranatunga Independent Director
- Mr. Ravi Dias, Non-Executive Director (appointed to the Committee with effect from 29th June 2015)

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 considerable experience in auditing, finance, accounting and banking. The profiles of the members of the Committee are given on pages 119 to 123 of this Annual Report.

The Director/Chief Executive Officer (CEO), the Chief Financial Officer, the Acting Head of Internal Audit and the Chief Manager, Internal Audit were co-opted to the Committee, whilst other Management members attended the meetings on invitation. The External Auditors also participated at the meetings of the Committee 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 during the year.

Meetings

The Committee held 18 meetings during the year 2015 which included two meetings with the External Auditors without the presence of the Director/CEO and Management.

Attendance of the Members at the Audit Committee Meetings

The attendance of the members at the meetings is presented in the table on page 137 of this Annual Report.

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 2014, audited financial accounts for the year ended 31st December 2014, interim audited financial accounts

for the six months ended 30th June 2015 and interim unaudited (quarterly) Financial Statements for the first three quarters of 2015. The Committee also reviewed and discussed the matters arising from the Management Letter 2014 and followed up on 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 2014 and a further such meeting was held to discuss the findings from the Interim Financial Audit as at 30th June 2015.

Internal Audit

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, direct and guide the Internal Audit Department in the discharge of its functions. The Charter was reviewed and revised during the year.

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 2015. The Internal Audit Plan for 2016 was also approved by the Committee at its meeting held during the last quarter of 2015.

Internal Controls

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.

The Committee reviewed the effectiveness of the Bank's internal controls over financial reporting and other controls relating to core areas, including acceptance of deposits, credit approvals, 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 (CA Sri Lanka) issued in 2010. The Board's Statement on the effectiveness of Bank's internal control mechanism as reviewed by the Committee, is published on page 198 of this Annual Report.

In accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Report for Banks on Directors' Statement on Internal Control, External Auditors' Independent assurance report on the Bank's internal control mechanism is given on page 200 of this Annual Report.

External Audit

The meetings of the Committee with the External Auditors, Messrs KPMG were focused on discussing the findings reported in their Management Letter for 2014;

the external audit plan, scope and approach and the proposed methodology and procedures to be adopted to carry out the audit in compliance with the Standards on Financial Reporting and Auditing.

The 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 the Banking Act No. 30 of 1988 and as amended by the 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 CA Sri Lanka's Code of Professional Conduct and recommended their reappointment as the Auditors of the Bank for the financial year ended 2016, subject to the approval of the Shareholders at the ensuing 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 141 to 184.

Evaluation of the 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 a review and appraisal of its effectiveness during the year. The Board expressed its satisfaction that the Committee had carried out its responsibilities satisfactorily during the year.



Coralie Pietersz

Chairman

Chairperson–Board Audit Committee
(Independent Director)

25th February 2016

REPORT OF THE BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE

This Report highlights the activities of the Board Human Resources and Remuneration Committee ('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 & Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL). This Report was approved by the Board of Directors prior to publishing in the Annual Report.

Composition of the Committee

The Committee comprised four Independent Directors and one Non-Executive Director.

It was chaired by Mr. Nihal Jayamanne PC - Independent Non-Executive Director and Chairman of the Bank.

The other Members were:

- Mr. Ishara Nanayakkara, Non-Executive Director/Deputy Chairman,
- Rear Admiral Ananda Peiris, Independent Non-Executive Director,
- Mr. Samantha Ranatunga, Independent Non-Executive Director, and
- Ms. Coralie Pietersz, Independent Non-Executive Director.

Company Secretary, Mrs. N.N. Najumudeen functioned as the Secretary to the Committee.

The Director/Chief Executive Officer and Head of Human Resources 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 4 meetings during the year. Three resolutions by circulation were also passed to formalise the recommendations by the Committee members on important and urgent issues. 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.

The details of attendance of the Members at the meetings of the Committee are presented in the table on page 137 of this Annual Report.

Scope and Objective of the Committee

The Committee assists and makes 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. The responsibilities are detailed in the Terms of Reference of the Committee approved by the Board.

Remuneration Policy

The Remuneration Policy of the Bank was revised 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 as well as employees) at all levels.

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 take 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 the Committee 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.

Aggregate Remuneration to Directors, CEO and the KMPs

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

Role of the Management

The Board has delegated the reviewing, implementing and monitoring of all matters relating to human resources and remuneration of all other employees of the Bank (other than the Executive Directors,

CEO and the KMPs) to the Director/CEO and the Head of Human Resources. However, matters of strategic importance are referred to and dealt with by the Board Human Resources and Remuneration Committee and/or the Board.

Self-Assessment of the Committee

The Committee carried out a self-evaluation of the Committee's performance during the year and submitted its report to the Board for a review and appraisal of its effectiveness during the year. The Board expressed its satisfaction that the Committee had carried out its responsibilities satisfactorily during the year.



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

25th February 2016

The Board Nomination Committee (the Committee) presents its Report for the year ended 31st December 2015 pursuant to the review of its performance during the year 2015. This report was approved by the Board of Directors and it highlights the activities of the Committee 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 & 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

During the year 2015, the Committee comprised four Non-Executive Directors, three of whom were Non-Executive Independent Directors.

- Rear Admiral Ananda Peiris, Independent Director (Chairman of the Committee)
- Mr. Nihal Jayamanne PC, Independent Director
- Mr. Ishara Nanayakkara, Non-Executive Director
- Mr. Samantha Ranatunga, Independent Director

The Director/Chief Executive Officer (CEO), Mr. Kapila Ariyaratne and Head of Human Resources 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 Proceedings of the Board Nomination Committee

The Committee held 5 meetings during the year. 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

Details of the attendance by the members at the meetings of the Committee during the year, are presented in the table on page 137 of this Annual Report.

Scope of work and responsibilities of the Committee

The responsibilities carried out by the Committee during the year, 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, Mr. Nihal Jayammanne PC and Mr. Ishara Nanayakkara, who were due to retire by rotation in terms of Article 82 of the Articles

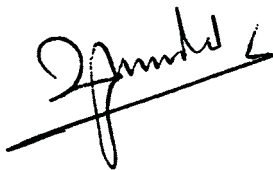
of Association of the Bank. The recommendations were concurred by the Board and the re-elections were approved by the shareholders at the Annual General Meeting held on 31st March 2015.

- The Committee carried out the process of evaluation and recommendations of the new Directors appointed during the year, namely Director/ CEO, Mr. Kapila Ariyaratne and Non-Executive Directors, Mr. Viran Corea and Mr. W.M.R.S. Dias. The said appointments were approved by the Central Bank of Sri Lanka on due submission of their Declarations and Affidavits in terms of Section 42 of the Banking Act No. 30 of 1988 (as amended).
- The annual fit and proper declarations required in terms of the Banking Act Directions were also submitted by the continuing Directors' which were noted by the Board and submitted to the Director, Bank Supervision, Central Bank of Sri Lanka prior to the Annual General Meeting (AGM). The Central Bank approved the continuation of those Directors' who held office as at the date of the AGM on 31st March 2015.
- The Committee reviewed and approved the key managerial and structural changes and the consequent changes to the organisation structure of the Bank, taking into account the strategic and business requirements and movements in senior managerial positions due to retirements and new appointments.
- The Committee reviewed and satisfied themselves as to the fit and propriety status of Key Management Personnel, appointed during the year.

- The Committee reviewed the adequacy of the expertise for the key management positions and their succession arrangements.
- The succession plan for the position of CEO and Key Management Personnel was considered and agreed by the Nomination Committee as well as the Board of Directors which approved the revised Succession Plan for Key Management Personnel and the revised KMP Organisational Structure.

Evaluation of the Committee

The Board Nomination Committee carried out a self-appraisal of its performance and submitted a draft of this Report to the Board for its review. The Board expressed its view that the Committee had carried out its responsibilities satisfactorily during the year 2015.



Rear Admiral B.A.J.G. Peiris
Chairman
Board Nomination Committee/
Independent Director

25th February 2016

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

The Board Integrated Risk Management Committee ('BIRMC' or 'the Committee') presents its Report for the year ended 31st December 2015. This report was approved by the Board of Directors and it highlights the activities of the Committee 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).

Overall Objective of the Board Integrated Risk Management Committee

The Board Integrated Risk Management Committee was established 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, 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

The composition of the Committee was reconstituted during the year. As at 31st December 2015, the Committee comprised –

- Independent Director, Mr. Samantha Ranatunga, who was the Chairman of the Committee,
- Non-Executive Director, Mr. Kapila Jayawardena,
- Independent Director, Mr. Kumar Perera,
- Independent Director, Ms. Coralie Pietersz,
- Chief Risk Officer, Mr. Christie Nanayakkara.

Director /Chief Executive Officer, Mr. Kapila Ariyaratne, Chief Financial Officer, Mr. Ramesh Jayasekara and Head of Compliance, Mrs. Kaushalya Hatch were co-opted members of the Committee. Company Secretary, Mrs. N.N. Najumudeen functioned as the Secretary.

Other members from the management supervising credit risk, market risk and operational risk, Heads in charge of operations, information technology, human resources and business units also attended the meetings as and when invited by the Committee.

Meetings of the BIRMC

The Committee met four times during 2015 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. Recommendations of the Committee were also submitted to the Board for its approval and/or appropriate decision.

The Chief Risk Officer was present at all meetings of the Committee held during the year. Details of the Directors' attendance at meetings are presented on page 137 in the table summarising the attendance of Directors at Sub-committee meetings.

Terms of Reference

The Terms of Reference of the Committee was revised during the year pursuant to the Committee's decision to reconstitute its composition and align same with

the provisions of the Corporate Governance Framework drafted and approved during the year.

Extent of Compliance with the Scope defined in the Terms of Reference

The Committee assessed all risks facing the Bank and its subsidiary, Seylan Developments PLC at its quarterly meetings. The risks facing the Bank included, credit, market, liquidity, operational and strategic risks, whilst the risks facing the subsidiary mainly included operational risks.

The Committee also reviewed the adequacy and effectiveness of three Executive Risk Management Committees, namely, the Executive Credit Risk Management Committee, the Executive Market and Operational Risk Management Committee and the Asset-Liability Management Committee which regularly met to address specific risks and to manage those risks within quantitative and qualitative risk limits specified.

The Committee reviewed the overall risk responsibilities delegated to the responsible line management through the three Executive Sub-committees which made it possible for the Committee to carry out the oversight functions effectively to a very good extent during the year.

Reports of the Bank's performance against Key Risk Indicators on credit, liquidity, market and operations were submitted to the Committee's quarterly meetings by the Chief Risk Officer for its review and the Committee provided necessary advice for mitigation of risks. 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.

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 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.

Compliance Function

The Head of Compliance reports directly to the BIRMC and administratively to the CEO of the Bank and 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 Head of Compliance reports to the Committee at its quarterly meetings. A monthly report to the Board is also submitted appraising the extent of compliance to the Board.

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 the 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.5 of 2013.

Comprehensive Risk Report

A comprehensive report on the Bank's Risk Management function is presented in pages 215 to 243 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 pages 158 to 159.

Evaluation of the Board Integrated Risk Management Committee

The Members of the BIRMC carried out a self-assessment of the activities of the Committee during the year and submitted its report to the Board. The Board reviewed and expressed its satisfaction with the Committee's performance during the year 2015.



Samantha Ranatunga
Chairman
Board Integrated Risk Management
Committee/
Independent Director

25th February 2016

REPORT OF THE BOARD SUSTAINABILITY COMMITTEE

The Board Sustainability Committee with its authority and responsibilities vested by the Board presents its report for the year 2015. This report was approved by the Board.

Composition

During the year 2015, the Committee comprised Non-Executive Director, Mr. Ishara Nanayakkara (as Chairman of the Committee), Independent Directors, Mr. Samantha Ranatunga and Rear Admiral Ananda Peiris, Director/CEO, Mr. Kapila Ariyaratne (appointed on 25th February 2015) and Non-Executive Director, Mr. Viran Corea (appointed on 29th June 2015).

The Chief Financial Officer, the Head of Marketing and Assistant General Manager Finance attended the meetings of the Committee held during the year by invitation. Company Secretary, Mrs. N.N. Najumudeen functioned as the Secretary to the Committee.

Meetings

Three meetings of the Board Sustainability Committee were held during the year 2015, with majority of the members present (please refer table on page 137 for details of the Directors' attendance at the Committee meetings). Copies of the minutes of the meetings were circulated to the Board for review and concurrence of the matters discussed.

Scope of the Committee

- Make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.
- Work closely with the representatives of the Executive Sustainability Committee and co-opt them to meetings as and when required.
- The GRI (Global Reporting Initiative) Sustainability Reporting Guidelines shall be the guideline for the Committee.

The Committee is required to determine and review the overall Sustainability Policy of the Bank and ensure that it is current, relevant, 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.

Corporate Social Responsibility (CSR) Activities

The CSR activities during the year were steered by the Executive Sustainability Committee headed by the Director/CEO.

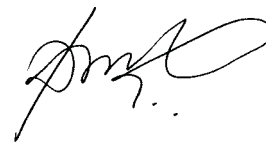
'Seylan *Pehasara*' the 100 School Library Projects is the main educational CSR activity of the Bank for the years 2013 to 2016 approved by the Committee. As at the end of the year 2015, the Bank completed

80 library projects at schools across the island. Several other CSR activities outside the theme 'Education' to support communities from different regions, were also carried out by the branches of the Bank led by the respective regional heads. Refer pages 70 to 116 of the Annual Report for a detailed report, highlighting the sustainability/CSR initiatives of the Bank.

The Bank's External Auditors, M/s KPMG, were engaged by the Bank for assurance services relating to Sustainability Reporting, who provided their Assurance Report in respect of the year 2015 (refer page 117).

Evaluation of the Committee

The Committee carried out a self-evaluation of the activities of the Committee and submitted its 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 2016

REPORT OF THE BOARD CREDIT COMMITTEE

194

The Board Credit Committee presents its report for the year 2015. This report was approved by the Board of Directors.

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 during 2015

The Committee comprised:

- Non-Executive Director, Mr. Ishara Nanayakkara - Chairman of the Committee
- Independent Director, Rear Admiral Ananda Peiris
- Independent Director, Mr. Kumar Perera
- Director/CEO, Mr. Kapila Ariyaratne (appointed w.e.f. 25th February 2015)

The Company Secretary functioned as the Secretary to the Committee.

Meetings of the Board Credit Committee

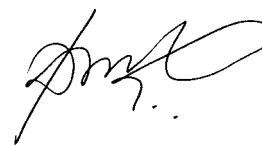
The Committee held 27 Meetings during the year 2015 (26 Meetings were held in 2014). Five resolutions by circulations were also passed from time to time, in respect of credit proposals which required approval on an urgent basis. Recommendations of the Committee were circulated to the Board for approval whilst copies of the confirmed minutes were tabled for the perusal of the Board at the monthly Board Meetings and important issues discussed. 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, and were not counted in the quorum for the relevant agenda item.

Please refer table presenting Sub-committee meetings attendance on page 137 for details of attendance of the Members at the Meetings of the Board Credit Committee.

Evaluation of the Committee

The Committee carried out a self-evaluation of its performance during the year and submitted its report 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 2016

REPORT OF THE BOARD MARKETING AND PRODUCT DEVELOPMENT COMMITTEE

The Board Marketing and Product Development Committee, with its authority and responsibilities vested by the Board presents its report for the year 2015. This report was approved by the Board.

Composition of the Board Marketing and Product Development Committee

The Committee comprised:

- Mr. Samantha Ranatunga, Independent Director (Chairman of the Committee)
- Mr. Nihal Jayamanne PC, Independent Director and Chairman of the Bank
- Rear Admiral Ananda Peiris, Independent Director
- Mr. Kapila Ariyaratne, Director/CEO (appointed with effect from 25th February 2015)

The Head of Marketing, Chief Financial Officer and Head of Treasury were co-opted to the Committee. Company Secretary, Mrs. N.N. Najumudeen functioned as the Secretary to the Committee.

Terms of Reference and Scope of the Committee

The scope of the Committee, which is defined in the Terms of Reference of the Committee approved by the Board, is to review the overall marketing plans of the Bank to ensure that the plans aim to optimise

value creation for the Bank and support the strategic goals. The Committee shall also ensure that the Bank actively pursue new product opportunities and develop viable products with the aim of achieving business growth.

Meetings of the Committee

The Marketing & Product Development Committee, held two meetings during the year 2015. The Committee approved the Strategic Marketing Plan of the Bank for the year 2015 and reviewed the 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. The Committee also approved the Strategic Marketing Plan for the year 2016, at its second meeting held in the last quarter of 2015.

Copies of the minutes of the meetings and resolutions passed by circulation were submitted for the perusal of the Board. Recommendations if any, arising from the meeting proceedings 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 the performance and effectiveness of the Committee and submitted its Report to the Board. The Board reviewed and recorded its satisfaction of the Committee's performance during the year.



Samantha Ranatunga
Chairman
Board Marketing and Product Development Committee/
Independent Director

25th February 2016

REPORT OF THE BOARD GOVERNANCE AND COMPLIANCE COMMITTEE

196

The Board Governance and Compliance Committee of Seylan Bank PLC presents its report for the year ended 31st December 2015. This Report was approved by the Board of Directors.

Scope and Terms of Reference of the Board Governance and Compliance Committee

The 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') with the main objective of assisting the Board of Directors 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.

This scope and objective is set out in the Terms of Reference of the Committee. The Terms of Reference was revised during the year, taking into the consideration the provisions set out in the Corporate Governance Framework approved during the year.

Composition

The Committee comprised four Independent Non-Executive Directors until 28st June 2015, namely:

- Mr. Nihal Jayamanne PC (Chairman),
- Rear Admiral Ananda Peiris,
- Mr. Kumar Perera, and
- Ms. Coralie Pietersz.

Two Non-Executive Directors, namely:

- Mr. W.M.R.S. Dias and
- Mr. Viran Corea

were appointed to the Committee on 29th June 2015.

The Head of Compliance attends the meetings on invitation. The Terms of Reference of the Committee provide that any of the Directors, the Chief Risk Officer, Head of Audit and any other members of the Management shall normally be invited to attend the meetings of the BGCC or part thereof to provide pertinent information as necessary.

Company Secretary, Mrs. N.N. Najumudeen functioned as the Secretary to the Committee.

Meetings of the Board Governance and Compliance Committee

The Committee held 4 meetings during the year 2015. Details of the attendance by the members, at the meetings of the Committee during the year, are presented in the table on page 137 of this Annual Report.

Copies of the minutes of the meetings were submitted for the 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

Governance

The Committee is responsible for providing advice to the Board on the most appropriate corporate governance policies, generally and in particular to formulating a Corporate Governance Framework for the Bank and annually reviewing such Framework which shall be consistent with the regulations. The draft Corporate Governance Framework was recommended by the Committee and approved by the Board during the year. The Framework was subject to further review of the Committee during the year, to ensure its effectiveness.

Review of Related Party Transactions

The Committee is responsible for ensuring compliance with the Code of Best Practices on Related Party Transactions, issued under the Securities and Exchange Commission of Sri Lanka's Directive dated 12/12/2013 ("the SEC Code") other than transactions mentioned under Rule 27 of the SEC Code on Related Party Transactions and to review all other related party transactions as required under Rules 28 to 33 of

the said SEC Code. The Committee reviewed the related party transactions carried out during the year and noted there were no related party transactions, which were within the ambit of the Code.

Shareholder relationship


Ensures effective shareholder relationship and effective communication with shareholders. A Shareholder Communication Policy is in place.

Compliance

Oversees all aspects of the Bank's Compliance Policy for all areas of compliance.

Evaluation of the Committee

The Committee carried out a self-evaluation of the performance and effectiveness of the Committee and submitted its Report to the Board which recorded its satisfaction of the Committee's performance during the year.



Nihal Jayamanne PC
Chairman
Board Governance and Compliance
Committee/
(Independent Director/Chairman)

25th February 2016

DIRECTORS' STATEMENT ON INTERNAL CONTROL

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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 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. 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 185 to 186.

- 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, Board Governance and Compliance Committee, Human Resource and Remuneration Committee, the Nomination Committee, the Credit Committee, the Sustainability Committee and the Marketing and Product Development Committee.
- 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.

- Based on the formats given in the 'Guidance for Directors of Banks on the Directors' Statement on Internal Control' in the Sri Lanka Standard on Assurance Engagements 3050, issued by The Institute of Chartered Accountants of Sri Lanka all the said controls including the IT general controls and the branch level application controls, were documented.
- During the year, the Bank automated the SLFRS/LKAS based calculations. Accordingly, the quantification of SLFRS/LKAS adjustments were carried out using the automated system with effect from 30th June 2015. Related control processes have been modified to be in line with the SLFRS/LKAS system.
- 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 2014, 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 2015, will be addressed in the ensuing year.

- This report and assessment does not include the subsidiary of the Bank.

Confirmation

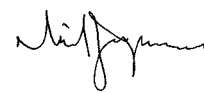
Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) and regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statement by External Auditors

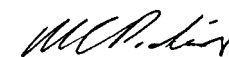
The External Auditors have reviewed the above Directors' Statement on Internal Control of the Bank for the year ended 31st December 2015 and reported to the Board that nothing has come to their attention that causes them to believe that the above statement is inconsistent with their understanding of 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 200 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 2016

AUDITORS' REPORT ON INTERNAL CONTROL



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

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Internet : www.lk.kpmg.com

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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 2015 as set out in pages 198 to 199 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 have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Bank.

Chartered Accountants
Colombo

25th February 2016

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
T.J.S. Rajakariyer FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA
R.H. Rajan ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne ACA
R.M.D.B. Rajapakse ACA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo ACA

Principals - S.R.J. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

REPORT OF THE BOARD OF DIRECTORS OF SEYLAN BANK PLC ON THE STATE OF AFFAIRS OF THE COMPANY FOR THE YEAR

The Directors of Seylan Bank PLC (hereinafter referred to as 'the Board' or 'the Directors') present their Report on the state of affairs of Seylan Bank PLC ('the Bank' or 'the Company') as published in this Annual Report of the Bank which also consists of :

- the Audited Financial Statements of the Bank;
- the Audited Consolidated Financial Statements of the Group and
- the Auditors' Report on those Financial Statements for the financial year ended 31st December 2015.

This Report hereinafter will also be referred to as 'this Report', 'Report of the Directors' or 'Report of the Board of Directors'.

The Report and the aforementioned Financial Statements were reviewed and approved by the Board of Directors on 25th February 2016.

The disclosures in this Report 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 Listing Rules of the Colombo Stock Exchange, 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 (CA Sri Lanka).

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 on 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-(Ika) with a stable outlook and has affirmed the Bank's senior unsecured debentures at A-(Ika) whilst assigning a BBB+(Ika) for its subordinated debt.

Vision and Mission and Corporate Conduct

The Bank's Vision and Mission statements are:

Vision –

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

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 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 and management. The Bank held a 70.42 % stake in Seylan Developments PLC as at 31st December 2015. The Bank received a dividend of Rs. 45,555,741/- paid by the Subsidiary during the year under review.

Branch Network

As at 31st December 2015, the Bank's branch network consisted of 159 branches and 95 student savings centres. Branch locations and details are given on pages 408 - 411.

Two new branches were opened at Pilimathalawa and Peradeniya during the year.

Review of Performance in 2015 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 2015 and they also speak about the future development plans of the Bank.

Financial Statements and Financial Reporting

The Bank has adopted Sri Lanka Accounting Standards and Sri Lanka Financial Reporting Standards (LKAS/SLFRS) in the preparation of the Financial Statements. Consequently, the necessary quantifications and disclosures have also been made based on LKAS/SLFRS.

The Audited Financial Statements of the Bank and the Group for the financial year ended 31st December 2015 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 appear on pages 247 and 248 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 2015 and their Report on the Financial Statements appear on page 250 of this Annual Report.

Significant Accounting Policies

The significant accounting policies adopted in the preparation of the Financial Statements are given on pages 261 to 300 in this Annual Report.

Financial Results

Income

The income of the Bank and income of the Group as at the end of the year, 2015 is 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	2015		2014	
	Bank Rs. Bn.	Group Rs. Bn.	Bank Rs. Bn.	Group Rs. Bn.
Gross Income (Note 6)	28.586	28.629	28.564	28.628
Operating Income	16.146	16.199	16.231	16.308

REPORT OF THE BOARD OF DIRECTORS OF
SEYLAN BANK PLC ON THE STATE OF AFFAIRS OF
THE COMPANY FOR THE YEAR

Profit and Appropriations

A summary of the consolidated financial results of the operations of the Group during the year ended 31st December is given below:

	2015 Rs. '000	2014 Rs. '000
Income		
Profit before Taxation	5,822,611	4,835,389
Less: Taxation	1,936,662	1,582,819
Profit after Taxation	3,885,949	3,252,570
Attributable to Non-Controlling Interest	30,653	73,794
Net Profit Attributable to Equity Holders	3,855,296	3,178,776
Retained Profit brought forward after Dividends and Super Gain Tax	7,561,058	6,373,346
Profit Available for Appropriation	11,416,354	9,552,122
Transfer to Reserve Fund	(191,547)	(153,930)
Other Transfers/Adjustments	151,462	(104,362)
Balance Carried Forward	11,376,269	9,293,830

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 2015 is also given in Note 46 to the Financial Statements.

Acquisition of Property, Plant & Equipment, Leasehold Rights and Intangible Assets

Bank		Group	
2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
714,214	678,837	774,346	703,404

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	
2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
1,701,403	1,733,028	3,324,286	3,316,389

All freehold land 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. 436,000/- (Donations made in 2014 amounted to Rs. 935,000/-).

Recommendation of Ordinary Dividend and Solvency Certification

The Directors have recommended the payment of a First and Final Ordinary Dividend of Rs. 2.75 per share to the ordinary voting and ordinary non-voting shareholders for the year ended 31st December 2015, payable on 11th April 2016 subject to the approval of the shareholders at the Annual General Meeting of the Bank.

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.

The Bank paid a First and Final Ordinary Dividend (cash) of Rs. 2.50 per share for the financial year ended 31st December 2014 on 10th April 2015.

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REPORT OF THE BOARD OF DIRECTORS OF
SEYLAN BANK PLC ON THE STATE OF AFFAIRS OF
THE COMPANY FOR THE YEAR

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Reserves

Total reserves (including Statutory Reserve Fund) as at the end of the financial year, are as follows:

Bank		Group	
2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
14,525,953	13,478,815	15,758,016	14,665,480

Stated Capital

The stated capital of the Bank as at 31st December 2015 was Rs. 10,529,724,017/-.

The shareholding of the Bank is given in the table below.

	2015	2014
Ordinary voting shares	175,977,401	175,977,401
Ordinary non-voting shares	168,983,009	168,983,009
	344,960,410	344,960,410

Shareholdings

As at 31st December 2015, the number of registered shareholders of the Bank included 9,442 ordinary voting shareholders and 7,035 ordinary non-voting shareholders. The public holding as at 31st December 2015 as per the Rules of the Colombo Stock Exchange is as follows:

	Shareholders	Shares	Percentage	Percentage as at 31st December 2014
Ordinary Voting Shares	9,425	95,512,377	54.28%	54.31%
Ordinary Non-voting Shares	7,028	94,570,593	55.96%	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 provided on pages 403 to 405 of this Annual Report.

Debt Capital

As at 31st December 2015, the Bank had issued debentures (quoted) to the value of Rs. 7,134,870,000/- (2014 – Rs. 7,599,870,000/- includes unquoted debentures).

Particulars of the quoted debentures as at 31st December 2015 are given in Note 39 of this Annual Report.

Redemption of Debentures

Private Placement of Debentures 2010-2015

465,000 unsecured redeemable five year debentures of Rs. 1,000/- each amounting to Rs. 465,000,000/- allotted in December 2010 were redeemed in December 2015.

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 405 and 406 respectively.

Equitable Treatment of Shareholders

The Bank has at all times ensured the equitable treatment of its shareholders.

Directorate

Changes in Directorate during 2015

Name of Director	Appointments	Resignations
Mr. H.K.U. Dharmadasa, Non-Executive Director		22nd January 2015
Mr. H.I. Balapatabendi, Non-Executive Director		22nd January 2015
Mr. K.P. Ariyaratne, Director/Chief Executive Officer	16th February 2015	
Mr. S. Viran Corea, Non-Executive Director	14th May 2015	
Mr. W.M.R.S. Dias, Non-Executive Director	29th May 2015	

Names of the Directors who held office as at 31st December 2015 are given below:

Name of Director	Status as at 31st December 2015
Mr. N.M. Jayamanne PC	Independent Non-Executive Director/Chairman
Mr. I.C. Nanayakkara	Non-Executive Director/Deputy Chairman
Mr. K.P. Ariyaratne	Executive Director/Chief Executive Officer (Appointed to the Board w.e.f. 16th February 2015)
Rear Admiral B.A.J.G. Peiris	Independent Non-Executive Director
Mr. S.P.S. Ranatunga	Independent Non-Executive Director
Mr. W.D.K. Jayawardena	Non-Executive Director
Mr. P.L.S.K. Perera	Independent Non-Executive Director
Ms. M.C. Pietersz	Independent Non-Executive Director
Mr. S.V. Corea	Non-Executive Director (Appointed w.e.f. 14th May 2015)
Mr. W.M.R.S. Dias	Non-Executive Director (Appointed w.e.f. 29th May 2015)

The profiles of the Board of Directors are given on pages 119 to 123 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 on Corporate Governance.

Signed Affidavits and Declarations in terms of Section 42 of the Banking Act (as amended) have also been submitted by the 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. S.P.S Ranatunga and Rear Admiral B.A.J.G. Peiris 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-election as Directors.

In terms of Article 89 of the Articles of Association, Mr. S.V. Corea and Mr. W.M.R.S. Dias retire 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-election as Directors.

Meetings of the Board of Directors

Twelve regular monthly meetings and two special meetings were held during the year. The special meetings were held to consider and decide on important and urgent issues. Two schedules of Directors' attendance at Board meetings and at Board Sub-committee meetings are presented in the Corporate Governance Report on pages 133 and 137 respectively.

Board Sub-committees

The following Board Sub-Committees were functional as at 31st December 2015.

(Status of Directorships –
IND: Independent Non-Executive;
NED: Non-Executive;
EXD: Executive)

Board Audit Committee

Members:

Ms. M.C. Pietersz (Chairperson/IND)
Mr. N.M. Jayamanne PC (IND)
Mr. S.P.S. Ranatunga (IND)
Mr. W.M.R.S. Dias (NED) (Appointed
w.e.f. 29th June 2015)

Board Human Resources and Remuneration Committee

Members:

Mr. N.M. Jayamanne PC
(Chairman/IND)
Rear Admiral B.A.J.G. Peiris (IND)
Mr. S.P.S. Ranatunga (IND)
Mr. I.C. Nanayakkara (NED)
Ms. M.C. Pietersz (IND)

Board Credit Committee

Members:

Mr. I.C. Nanayakkara (Chairman/NED)
Mr. K.P. Ariyaratne (EXD) (Appointed
w.e.f. 25th February 2015)
Rear Admiral B.A.J.G. Peiris (IND)
Mr. P.L.S.K. Perera (IND)

Board Marketing and Product Development Committee

Members:

M.S.P.S. Ranatunga (Chairman/IND)
Mr. N.M. Jayamanne PC (IND)
Mr. K.P. Ariyaratne (EXD) (Appointed
w.e.f. 25th February 2015)
Rear Admiral B.A.J.G. Peiris (IND)

Board Integrated Risk Management Committee

Members:

Mr. S.P.S. Ranatunga (Chairman/IND)
Ms. M.C. Pietersz (IND)
Mr. P.L.S.K. Perera (IND)
Mr. W.D.K. Jayawardena (NED)
Mr. C. Nanayakkara
(Chief of Risk Officer)

Board Nomination Committee

Members:

Rear Admiral B.A.J.G. Peiris
(Chairman/IND)
Mr. N.M. Jayamanne PC (IND)
Mr. S.P.S. Ranatunga (IND)
Mr. I.C. Nanayakkara (NED)

Board Sustainability Committee

Members:

Mr. I.C. Nanayakkara (Chairman/NED)
Rear Admiral B.A.J.G. Peiris (IND)
Mr. S.P.S. Ranatunga (IND)
Mr. K.P. Ariyaratne (EXD) (Appointed
w.e.f. 25th February 2015)
Mr. S.V. Corea (Appointed w.e.f. 29th
June 2015)

Board Governance and Compliance Committee

Members:

Mr. N.M. Jayamanne PC
(Chairman/IND)
Rear Admiral B.A.J.G. Peiris (IND)
Mr. P.L.S.K. Perera (IND)
Ms. M.C. Pietersz (IND)
Mr. S.V. Corea (Appointed w.e.f.
29th June 2015)
Mr. W.M.R.S. Dias (Appointed w.e.f.
29th June 2015)

The members of the aforementioned
Board Sub-committees have
presented their respective
self-assessment/evaluation reports
to the Board and the Board of

Directors have concurred and
expressed their satisfaction of each
of the Committees' activities and
performance during 2015.

Reports of these Board
Sub-committees are published on
pages 185 to 197 of this Annual
Report.

Directors – Seylan Developments PLC

The Board of Directors of the
Subsidiary, Seylan Developments
PLC as at 31st December 2015
comprised four Directors, three
of whom are Non-Executive,
Non-Independent Directors, namely,
Messrs K.P. Ariyaratne (Chairman),
S. Palihawadana (Deputy Chairman)
and R.J. Jayasekara.
Mr. P. Saravanapavan is a
Non-Executive, Independent Director.

The Company appointed Mr. Piyal
Hennayake as an Independent Non-
Executive Director w.e.f. 11th January
2016, in place of Director, Dr. P.
Mervyn Gunasekera (deceased).

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) are reported
to the Board at the meeting that
ensue 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
Note 50.1 to the Audited Financial

REPORT OF THE BOARD OF DIRECTORS OF
SEYLAN BANK PLC ON THE STATE OF AFFAIRS OF
THE COMPANY FOR THE YEAR

Statements. A list of directorships held by the Directors and their substantial shareholdings including public listed (quoted) companies as at 31st December 2015 is provided in the annexure to this Report on pages 211 to 214.

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Directors' Interest in Shares and Debentures of the Bank

Directors' holdings in Shares and Debentures of the Bank as at 31st December 2015 are given below:

Name of Director	31.12.2015	31.12.2014	Shares/Debentures (Rs. 100/- each)
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	
Mr. K.P. Ariyaratne	30,000	21,117	Ordinary Voting Shares
	125,000	123,005	Ordinary Non-voting Shares
	30,000	30,000	Debentures 2013/2018 – Annual Interest
	10,000	10,000	Debentures 2013/2018 – Semi-Annual Interest
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. S.V. Corea	Nil	N/A	
Mr. W.M.R.S. Dias	Nil	N/A	
Percentage Shareholding of Directors:			
Ordinary voting shares	0.02%	0.003%*	
Ordinary non-voting shares	0.07%	0.021%*	

*Including 35,900 Ordinary Voting Shares held by Mr. H.K.U. Dharmadasa (resigned - 22.01.2015) and excluding shares held by Mr. K.P. Ariyaratne (appointed 16.02.2015)

No change occurred in the directors' interest in shares and debentures after 31st December 2015 and before the date of this Report of the Board of Directors.

Directors' Remuneration

Details of Directors' emoluments paid during the year in respect of the Bank and the Group for the year ended 31st December 2015 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 Directors and Officers liability insurance cover in respect of the years 2014/15 and 2015/16.

Corporate Governance

The Board of Directors has pledged its 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 are described in the Corporate Governance Report appearing on pages 128 to 184.

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 191 to 192 of this Annual Report whilst a detailed Risk Management Report of the Bank is given on pages 215 to 243.

System of Internal Control

The Board acknowledges its responsibilities for the Bank's system of internal control to facilitate the identification, assessment and management of risk, the protection of shareholders' investments and the Bank's assets. The Directors recognise that they are responsible for providing a return to shareholders, which is consistent with the responsible assessment and mitigation of risks.

Effective controls ensure that the Bank's exposure to avoidable risk is minimised, that proper accounting records are maintained, that the financial information used within the business is reliable and that the consolidated accounts preparation and financial reporting processes comply with all relevant regulatory reporting requirements. The dynamics of the Bank and the environment within which it operates are continually evolving together with its exposure to risk. The system is designed to manage, rather than eliminate, the risk of assets being unprotected and to guard against their unauthorised use and the failure to achieve business objectives.

The Directors confirm that there is a process for identifying, evaluating and managing the risks faced by the Bank and the operational effectiveness of the related controls, which has been in place for the year under review and up to the date of approval 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 confirm compliance with various laws and regulations and their confirmations are 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 as 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 18 to 116.

Statutory Payments

The Directors are satisfied that all statutory payments due to the Government and to the employees of the Bank and of 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

During the past year the Board focused on continuous improvement to increase efficiency and accountability, while enhancing the service standards and achieving business goals within the organisation.

The Bank's focus during the year under review was also dedicated to the areas of succession planning for Key Management Personnel, competency development of staff and consolidation of the performance driven culture across the Bank. Furthermore, the Bank also gave attention to the manpower planning strategy towards driving the Bank's productivity while ensuring that we have a high performing and engaged workforce equipped to deliver core

values of the SEYLAN brand. The Bank was steadily directing human resources practices and objectives that will provide an employee oriented, high performance beliefs that emphasises empowerment, quality, standards and goal attainment.

The Bank's staff strength as at 31st December 2015 was 3,085.

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 in Note 45 to the Financial Statements.

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 a 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:

	2015 Rs. '000	2014 Rs. '000
Audit Fees		
Audit Service Fees	8,381	8,119
Audit-Related Fees	4,477	4,134
Non-Audit Fees	366	359
Consolidated Audit Fees		
Audit Service Fees for the Year under Review	9,303	9,036
Audit-Related Fees	4,477	4,134
Non-Audit Fees	463	443

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, non-audit and audit-related services.

The retiring Auditors, Messrs KPMG have expressed their willingness to continue in office and a resolution to reappoint them as Auditors and to authorise 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 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 Annual General Meeting

Notice of Meeting relating to the Twenty-Ninth Annual General Meeting of the Bank scheduled to be held on 31st March 2016 at 10.00 a.m. at the Kings Court of Cinnamon Lakeside, No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02 will be 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



Ishara Nanayakkara
Deputy Chairman



Mr. Kapila Ariyaratne
Director/Chief Executive Officer



Mrs. N.N. Najumudeen
Company Secretary

25th February 2016
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 2015

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 interests 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 49 and 50 to the Financial Statements.

Mr. N.M. Jayamanne PC (Chairman/Independent Director)

No Other Directorships or Substantial Shareholdings.

Mr. I.C. Nanayakkara (Deputy Chairman/Non-Executive Director)

Entity	Directorships (Executive/ Non-Executive status)	Substantial Shareholding % (if any)
Listed Entities		
1. Agstar Fertilizers PLC	Non-Executive Director	-
2. BRAC Lanka Finance PLC	Non-Executive Chairman	-
3. Brown & Company PLC	Executive Chairman	-
4. Browns Investments PLC	Executive Chairman	-
5. Commercial Leasing and Finance PLC	Non-Executive Chairman	-
6. Browns Capital PLC (Previously known as FLC Holdings PLC)	Non-Executive Chairman	-
7. Browns Hydro Power PLC (Previously known as FLC Hydro Power PLC)	Non-Executive Chairman	-
8. Lanka ORIX Leasing Company PLC	Executive Deputy Chairman	12.60%
9. LOLC Finance PLC (former name: Lanka ORIX Finance PLC)	Executive Deputy Chairman	-
Unlisted Entities		
10. LOLC Micro Credit Limited	Non-Executive Chairman	-
11. PRASAC Micro Finance Institution	Non-Executive Director	-
12. Sierra Constructions Limited	Non-Executive Director	-
13. LOLC Myanmar Microfinance Co. Limited	Non-Executive Director	-
14. Associated Battery Manufacturers (Cey) Limited	Non-Executive Director	-
15. Pussellawa Plantations Limited	Non-Executive Director	-
16. FLMC Plantations (Pvt) Limited	Non-Executive Director	-
17. LOLC International (Pvt) Limited	Non-Executive Director	-
18. LOLC Life Assurance Limited	Non-Executive Chairman	-
19. Sagasolar Power (Pvt) Limited	Non-Executive Director	-
20. Medford Investments (Pvt) Limited	Shareholder	25.00%

ANNEXURE TO THE REPORT OF THE BOARD OF
DIRECTORS ON THE STATE OF AFFAIRS
OF THE COMPANY

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Mr. K.P. Ariyaratne (Director/Chief Executive Officer)

Entity	Directorships (Executive/ Non-Executive status)	Substantial Shareholding % (if any)
Listed Entities		
1. Seylan Developments PLC	Chairman /Non-Executive Director	-
Unlisted Entities		
2. Esots (Pvt) Limited	Non-Executive Chairman	-
3. Lanka Financial Services Bureau Limited	Non-Executive Director	-
4. Lanka Clear (Pvt) Limited	Non-Executive Director	-
5. Sesot (Pvt) Limited	Non-Executive Chairman	-
6. Seyshop (Pvt) Limited	Non-Executive Chairman	-
7. Seybest (Pvt) Limited	Non-Executive Chairman	-
8. Seyfest (Pvt) Limited	Non-Executive Chairman	-
9. Sotse (Pvt) Limited	Non-Executive Chairman	-

Rear Admiral B.A.J.G. Peiris (Independent Director)

No Other Directorships or Substantial Shareholdings.

Mr. S.P.S. Ranatunga (Independent Director)

Entity	Directorships (Executive/ Non-executive status)	Substantial Shareholding % (if any)
Listed Entities		
1. CIC Holdings PLC	Managing Director/CEO	-
2. Chemanex PLC	Non-Executive Director	-
Unlisted Entities		
3. Akzo Nobel Paints Lanka (Pvt) Limited	Non-Executive Director	-
4. CIC Agribusiness (Pvt) Limited	Non-Executive Director	-
5. CIC Bio Security Breeder Farms Limited	Non-Executive Director	-
6. CIC Feeds (Pvt) Limited	Non-Executive Director	-
7. CIC Poultry Farms Limited	Non-Executive Director	-
8. CIC Vetcare (Pvt) Limited	Non-Executive Director	-
9. CISCO Speciality Packaging (Pvt) Limited	Managing Director	-
10. Link Natural Products (Pvt) Limited	Non-Executive Director	-
11. CIC Seeds (Pvt) Limited	Non-Executive Director	-
12. CIC Agri Produce Export (Pvt) Limited	Non-Executive Director	-
13. Crop Management Services (Pvt) Limited	Non-Executive Director	-
14. CIC Lifesciences Limited	Non-Executive Director	-
15. CIC Dairies (Pvt) Limited	Non-Executive Director	-
16. CIC Grains (Pvt) Limited	Non-Executive Director	-
17. Commercial Insurance Brokers (Pvt) Limited	Non-Executive Director	-
18. CIC Dairy Breeding & Management (Pvt) Limited	Non-Executive Director	-
19. CIC Agri Produce Marketing (Pvt) Limited	Non-Executive Director	-

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)

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Entity	Directorships (Executive/ Non-Executive status)	Substantial Shareholding % (if any)
Listed Entities		
1. BRAC Lanka Finance PLC	Non-Executive Director	-
2. Brown & Company PLC	Non-Executive Director	-
3. Browns Investments PLC	Non-Executive Director	-
4. Commercial Leasing & Finance PLC	Non-Executive Director	-
5. Eden Hotel Lanka PLC	Non-Executive Chairman	-
6. Lanka ORIX Leasing Co PLC	Managing Director/CEO	-
7. LOLC Finance PLC (former name :Lanka ORIX Finance PLC)	Non-Executive Chairman	-
8. Palm Garden Hotels PLC	Non-Executive Chairman	-
9. Browns Capital PLC (Previously known as F L C Holdings PLC)	Non-Executive Director	-
10. Browns Hydro Power PLC (Previously known as F L C Hydro Power PLC)	Non-Executive Director	-
Unlisted Entities		
11. LOLC General Insurance Limited	Non-Executive Chairman	-
12. LOLC Micro Credit Limited	Non-Executive Director	-
13. LOLC Securities Limited	Non-Executive Chairman	-
14. Riverina Resort (Pvt) Limited	Non-Executive Director	-
15. Pussellawa Plantations Limited	Non-Executive Director	-
16. FLMC Plantations (Pvt) Limited	Non-Executive Director	-
17. LOLC International (Pvt) Limited	Non-Executive Director	-

ANNEXURE TO THE REPORT OF THE BOARD OF
DIRECTORS ON THE STATE OF AFFAIRS
OF THE COMPANY

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Mr. P.L.S. Kumar Perera (Independent Director)

No Other Directorships or Substantial Shareholdings.

Ms. M.C. Pietersz (Independent Director)

Entity	Directorships (Executive/ Non-Executive status)	Substantial Shareholding % (if any)
Listed Entities		
1. Bogala Graphite Lanka PLC	Non Executive Director*	-
2. Finlays Colombo PLC	Finance Director	-
Unlisted Entities		
3. Finlay Rentokil Ceylon (Pvt) Limited	Executive Director	-
4. Finlay Teas (Pvt) Limited	Executive Director	-
5. Finlay Properties (Pvt) Limited	Executive Director	-
6. Finlay Cold Storage (Pvt) Limited	Executive Director	-
7. Finlays Linehaul Express (Pvt) Limited	Executive Director	-
8. Finlay Insurance Brokers (Pvt) Limited	Executive Director	-
9. Finlay Tea Solutions Colombo (Pvt) Limited	Executive Director	-

* Independent Director

Mr. S.V. Corea (Non-Executive Director)

No Other Directorships or Substantial Shareholdings.

Mr. W.M.R.S. Dias (Non-Executive Director)

Entity	Directorships (Executive/ Non-Executive status)	Substantial Shareholding % (if any)
1. Carson Cumberbatch PLC	Non Executive Director*	-
2. Senkadagala Finance PLC	Non Executive Chairman*	-
3. Tokyo Cement Company (Lanka) PLC	Non Executive Director*	-
4. Ceylon Tea Marketing (Pvt) Limited	Non Executive Director*	-
5. South Asia Textile Industries Lanka (Pvt) Limited	Non Executive Director*	-

* Independent Director

Introduction

At Seylan Bank, having understood that risk management is an essential component of growth, we have developed risk management policies and procedures that are applied across the Bank to assist the business units in their daily interaction with customers. The regulator recommended risk framework is in place to manage the risk integratedly and monitor developments in real time to provide the right level of information to the attention and action of Integrated Risk Management Committees.

As per Basel II second Pillar, we prepare and submit the findings of Internal Capital Adequacy Assessment Process (ICAAP) in order to go beyond management of key risks, namely Credit, Market and Operational. We also use tools such as VaR, Stress testing and other simulations within approved threshold limits to contain risks. The entire risk management function is carried out with define roles and responsibilities and have the oversight of the Board of Directors. IT systems are constantly upgraded to facilitate the risk management process, whilst regular training and communications take place to create a risk management culture across the Bank. We are ready to implement alternative standardised approach in computing capital on operational risk and certainly geared to adhere to new guidelines introduced by the regulator. We also have developed a dash board to monitor and report comprehensive overall view of risk with given targets and thresholds to manage risk within the approved appetite and tolerance.

Credit Risk Management

Credit risk can be defined as the risk of a potential loss to the Bank, when counterparty fails to perform on an obligation, in accordance with the agreed terms or its ability to perform such obligation is impaired resulting in a loss to the Bank. In essence, the proper management of credit risk underpins a Bank's financial stability, growth prospects and profitability and as such the Seylan Bank has developed a well-structured credit risk management process in order to maintain the quality of the credit portfolio of the Bank at the optimal level.

Accordingly, credit risk is managed through a comprehensive framework which includes well defined policies and procedures that include clearly structured approval hierarchies and different committees to oversee various aspects of credit risk management processes in the Bank. In addition, the Bank manages its credit exposures through diversification strategies across products, geographies, clients and customer segments. The Bank's main objectives in credit risk management are as follows:

- Maintain a credit risk management framework to ensure quality, consistency and transparency in credit risk approvals at all times.
- 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 inline 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 outlines the fundamental standards and disciplines that the Bank has implemented to actively manage credit risk across our lending book. The Credit Procedure Manual on the other hand, outlines the proper processes to be adopted in evaluating proposals and granting of credit facilities to clients. These standards, policies and procedures lay down 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. These two Manuals are reviewed regularly and updated throughout the year to ensure consistency with the Bank's business strategy. The Lending Guidelines 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 be targeted for lending growth during each calendar year.

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 in growing its loan book. In addition to setting up exposure limits for clients individually, 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.

When a number of counterparties are engaged in similar activities and have similar economic characteristics, their ability to meet contractual obligations can be similarly affected by changes in the economic and other conditions, leading to a credit concentration risk. In view of this, the monitoring of credit concentration is an integral part of the credit risk monitoring process at Seylan Bank. Accordingly, the Bank constantly reviews its credit concentration on a number of areas such as; geography, product type, industrial sectors and maturity. Close monitoring of key ratios/internal thresholds on a continuous basis and stress testing of the credit portfolios, form another strategy to measure and monitor the credit concentration risk in Bank's loan portfolio.

Additionally, the Bank's credit risk management strategy includes; identifying the emerging risks, which can impact the business activities of the clients well in advance, ensuring that the credit facility or the relationship returns the expected profitability, close monitoring of the usage of working capital facilities to prevent diversion of funds into unintended areas and ensuring timely repayment of the facilities.

Assessment of Credit Risk

In order to grow the Bank's loan book on high quality loans and advances, there is a clear segregation of duties between transaction originators in business areas and approving authorities under the risk function. All credit exposure limits are approved within a well 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 high value credit propositions above a certain threshold level, 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 such as experience, judgement and ability. These authority levels are subjected to review on an annual basis. If an individual lending officer's authority is insufficient to establish, materially change or restructure the required credit limits, the proposals are escalated to an officer or committee having the required higher delegated authority. In addition, the individual credit exposure limits on the clients are subjected to a critical review annually and require the approval at the appropriate authority level. Managers recommending, reviewing or approving facilities are held accountable for the outcome.

Functions of credit Risk Management

Credit Risk Management Structure comprises of two main functional components, namely Credit Risk Management Unit (CRMU) and the Credit Risk Review Unit (CRRU). While the Credit Risk Management Unit evaluates proposals at the pre-sanction stage, the Credit Risk Review function assesses the proposals at post-sanction stage.

All high value lending proposals and reviews are subjected to independent critical examination by the CRMU 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. CRMU then recommends that the approving authority either approves the proposal (with additional risk mitigants/conditions wherever necessary) or declines it.

CRMU 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 the Bank's policies and practices.

CRMU 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 the corrective action wherever required.

Credit Risk Review Unit (CRRU) independently reviews the already approved high level facilities within three months of drawdown/renewal focusing on the approval, disbursement, relationship management, credit portfolio management processes. Further CRRU identifies instances of non-compliance with credit standards, policies, procedures and lending guidelines, if any. Also, CRRU independently ascertains whether there had been any emerging risks that have not been addressed at the time of evaluating the credit proposals or whether there are any facilities where any

appropriate remedial actions have not been initiated. Based on this critical assessment, CRRU makes recommendations which are aimed at reducing 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. In addition, CRRU also involves in conducting training programmes at Training Centre and visiting branches to guide lending officers on their responsibilities in order to improve Bank's credit quality.

Credit Administration Unit

Seylan Bank's loan portfolio is administrated through a Centralised Credit Administration Division, which ensures efficient and effective post sanction customer support including disbursement, settlements, processing of security documents. 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.

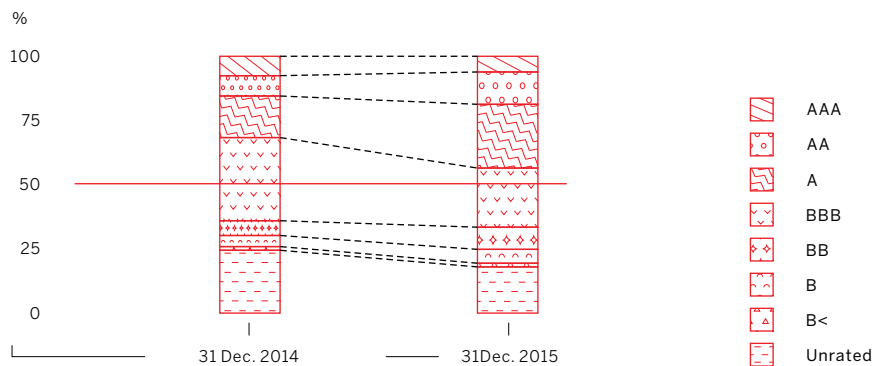
As part of the Bank's credit risk management strategy, a 'Credit Rating System' was initially introduced in April 2007, with the broader objective of improving the credit quality of the Bank through pre-qualifying borrowers for credit facilities and risk based pricing of such credit facilities through 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. The Bank plans to introduce new Credit Rating Models to grade customers belonging to important business segments at a much more accurate level with specific focus on the strengths, weaknesses and business dynamics of such sectors.

channels. This System is expected to go live by end March 2016, providing the foundation for an efficient credit appraisal process reducing the time taken to evaluate/approve facilities and also improving the quality of the credit portfolio.

Credit Risk Mitigation

In mitigating credit risk, the Bank primarily relies on a rigorous assessment of credit applicants, the strength of their business model, sustainable financial conditions and our ability to meet their financial requirements. Further, the lending proposals are normally required to show 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

Rating Composition



Credit Evaluation and Approval Process

The Bank has commenced rolling out of a well designed Loan Origination System [LOS] in mid December 2015 to streamline the credit evaluation/ approval process across all business

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 firmly 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 guarantees, financial or other collaterals to provide a secondary recourse to minimise credit losses. Such guarantees 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. When determining security, the Bank will be guided by;

- The ownership and the title to the security must be acceptable and mortgageable where applicable without any defects or other encumbrances with stable minimum value and required margin of security in favour of the Bank, to support the borrowing through the period of repayment
- Ability to realise security without difficulty in the event of default.

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'.

Non-Performing Advances by Collateral type

Collateral type (Secured by)	2015 Rs. '000	2014 Rs. '000
Cash/Shares	135,135	189,791
Immovable Property	5,662,485	6,624,074
Movable Assets	427,118	980,337
Other Securities	2,682,758	4,353,320
Pawned Articles	106,137	207,073
Clean	1,165,487	1,054,564
Grand Total	10,179,120	13,409,159

* 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 credit portfolio profitability and lending quality objectives are achieved. 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. The Risk Management Unit makes recommendations for suitable amendments if required, after reviewing the existing credit policy framework.

CRO reports these concentrations regularly together with his recommendations for corrective actions to the ECRMC and escalates the significantly important matters to the attention of Board Integrated Risk Management Committee (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 renegotiated before 90 days past due and on which no default in interest payments or loss of principal is expected.

Loans renegotiated 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 renegotiation 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 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 where a number of counterparties are engaged in similar activities and have similar characteristics, which could result in inability to meet contractual obligations being similarly affected by changes in economic or environment conditions.

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 set an internal limit on the overall exposure to the related parties and 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 in the foreseeable future.

Quantitative Disclosures

Credit Exposure by Product Types as at 31st December 2015

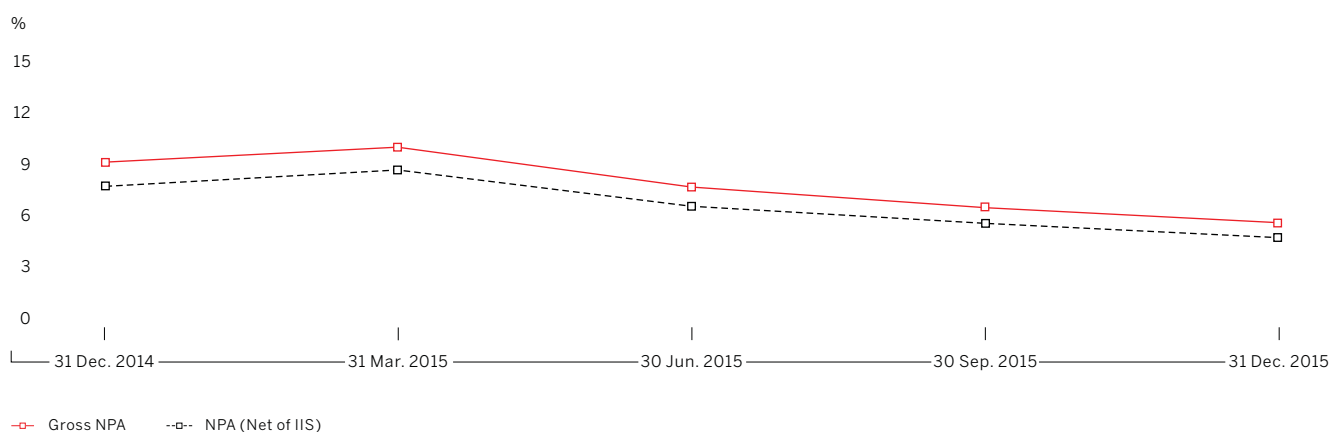
The core banking products such as term loans and overdrafts account for 69% of total advances. The specialised products are closely monitored to mitigate inherent risks.

	Total as at 31st December 2015 Rs. '000	Total as at 31st December 2014 Rs. '000
Credit Cards	3,189,905	3,135,717
Housing	11,058,900	9,173,760
Leasing	14,922,249	10,647,360
Term Loans	86,521,954	67,579,492
Margin Trading	3,241,982	4,024,101
OD	51,040,860	44,008,955
Pawning	8,979,333	8,514,872
Staff Term Loans	5,149,180	4,306,641
Trade Finance	14,737,608	10,584,096
Grand Total	198,841,971	161,974,994

Age Analysis of NPA Loans by Product Distribution (Excluding Interest Receivables) – 31st December 2015 Based on CBSL Directions

Loan Category	3-6 Months	6-12 Months	12-18 Months	18 Months and Above	Grand Total
	NPA Special Mention Rs. '000	NPA Substandard Rs. '000	NPA Doubtful Rs. '000	NPA Loss Rs. '000	
Credit Cards	114,518	79,486	37,641	36,221	267,866
Housing	180,515	62,186	57,543	510,553	810,797
Leasing	104,172	45,529	42,592	236,203	428,496
Margin Trading	-	-	-	54,177	54,177
OD	226,175	154,114	344,441	1,583,754	2,308,484
Pawning	23,914	-	-	82,223	106,137
Staff Term Loans	6,077	13,916	10,218	12,263	42,474
Term Loans	303,109	372,664	619,740	4,665,037	5,960,550
Trade Finance	11,690	69,220	6,977	112,253	200,140
Grand Total	970,170	797,115	1,119,152	7,292,684	10,179,121

The Reduction in the Gross NPA and NPA (Net of IIS) Ratio during the Year (Based on CBSL Guidelines)

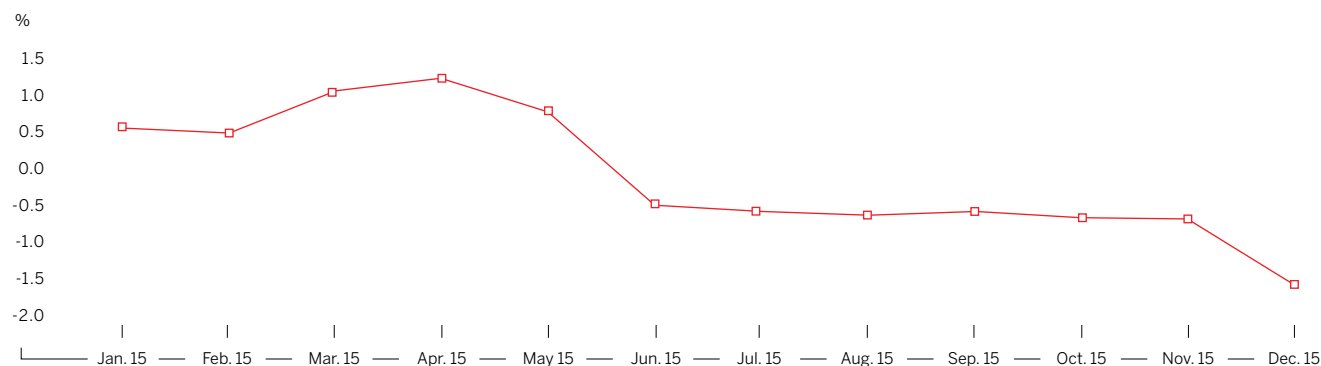


The Sector-wise Comparison : December 2015 and December 2014

Sector	2015 Rs. '000	2014 Rs. '000
Agriculture and Fishing	20,428,830	15,732,682
Manufacturing	24,351,199	19,972,202
Tourism	12,133,427	8,749,343
Transport	13,404,195	7,190,974
Construction	20,035,613	19,043,307
Traders	44,927,045	33,007,040
New Economy	1,478,977	862,471
Financial and Business Services	23,069,741	23,087,741
Infrastructure	2,533,766	2,812,428
Other Services	9,517,149	8,840,272
Credit Cards	3,189,905	3,135,717
Pawning	8,979,333	8,514,872
Other	14,792,791	11,025,945
Grand Total	198,841,971	161,974,994

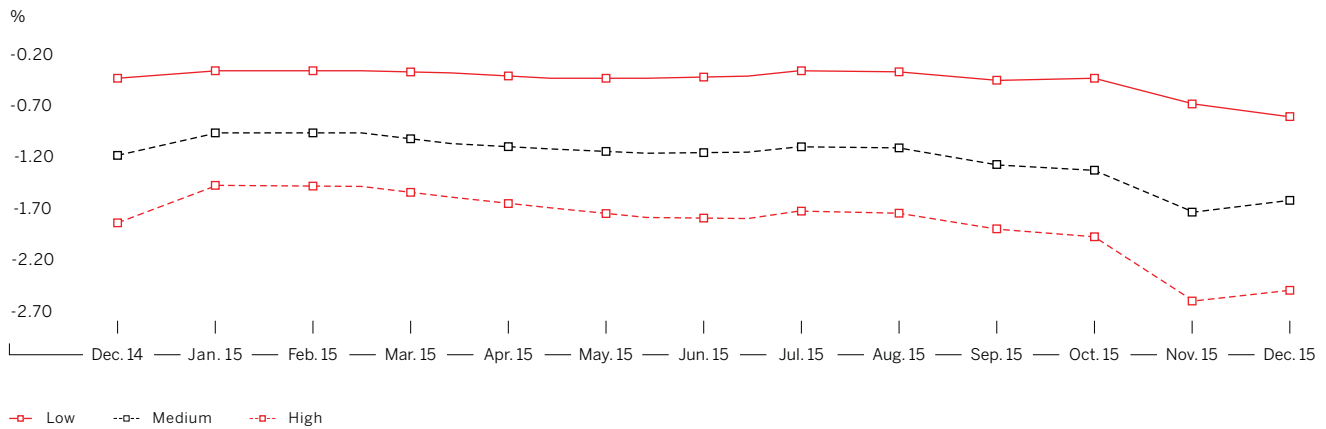
The Infection Ratio

Net Infection Ratio

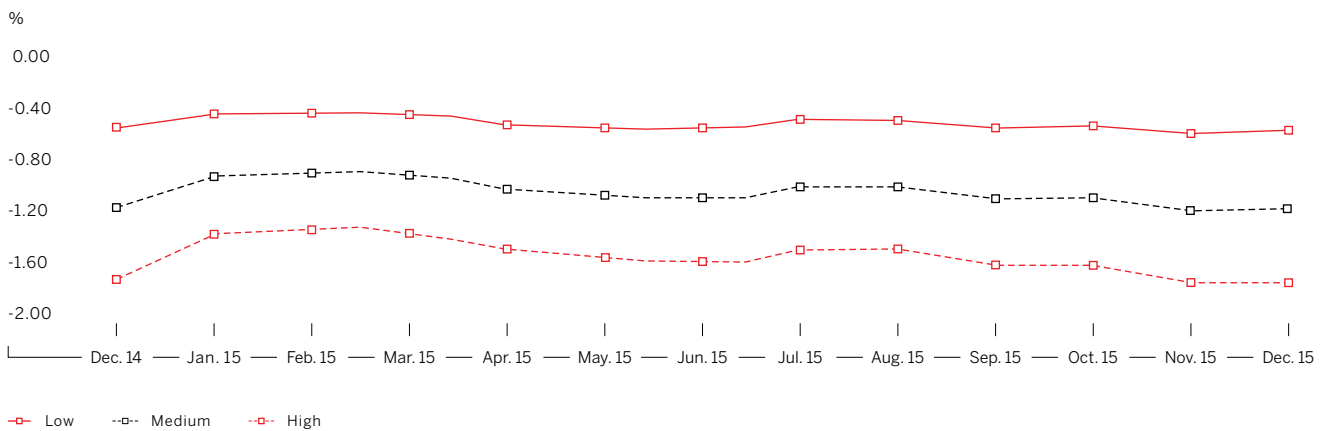


Stress Tests on Credit Risks as at 31st December 2015

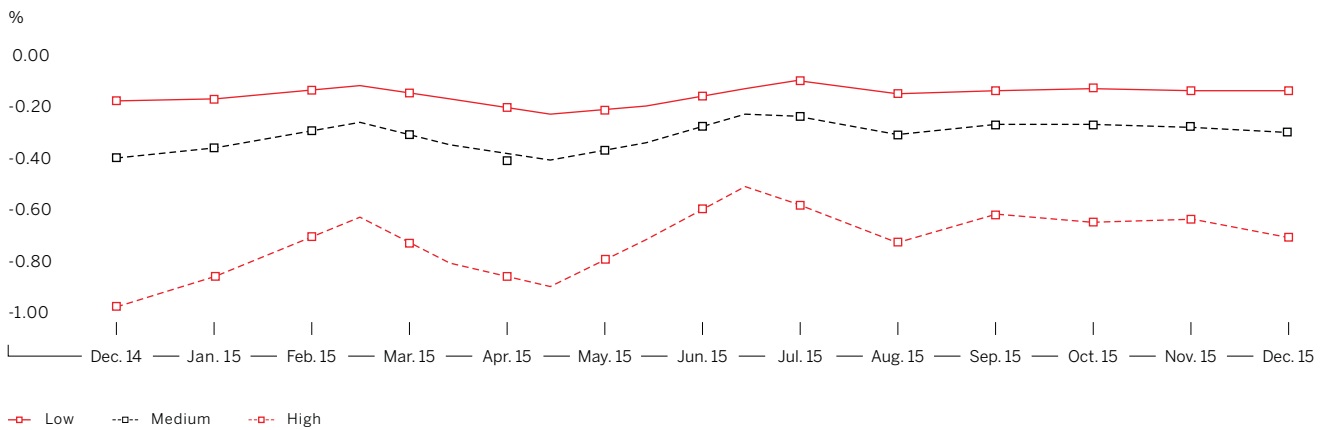
Stress Test on the Credit Concentration Risk-Default by Large Borrowers (Net Impact on CAR)



Asset Classification Downgrading Stress Test (Net Impact on CAR)



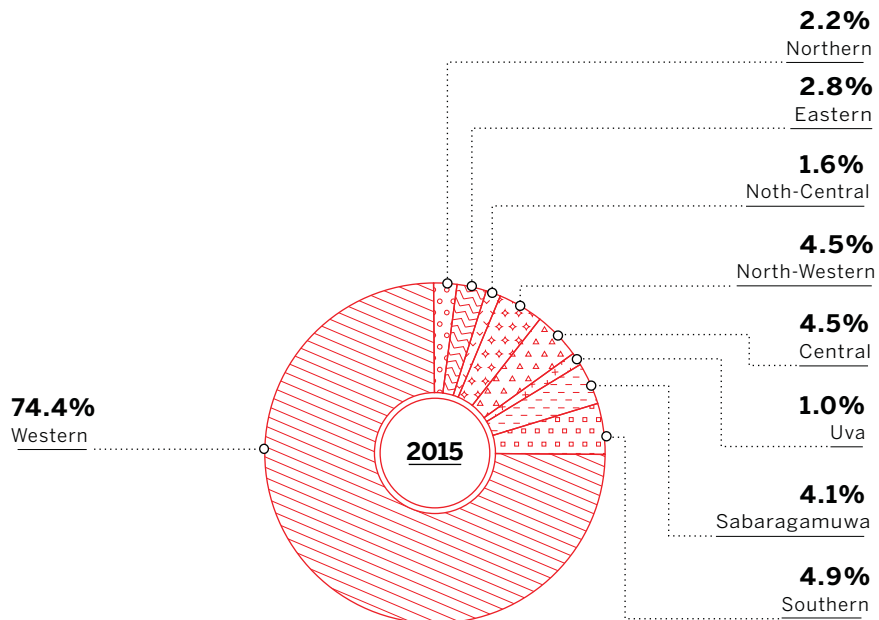
Stress Test on Fall in Collateral Value (Net Impact on CAR)



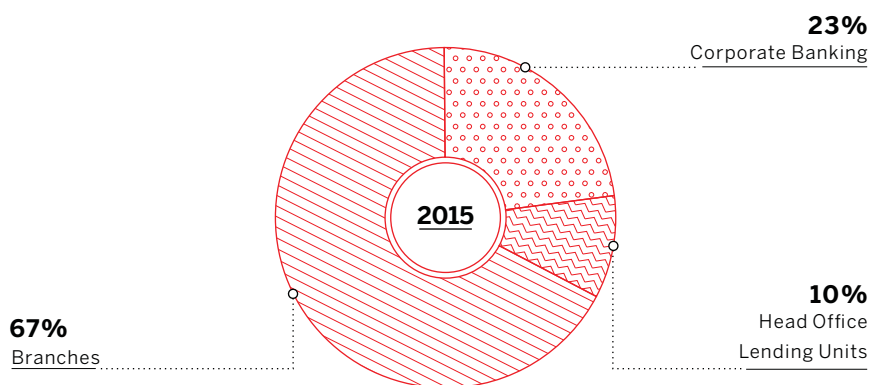
The Geographical Distribution of the Advances Portfolio as at 31st December 2015

Based on the economic activity majority of the advances portfolio are in the Western Province.

Analysis of the Advances Portfolio Area Wise



Analysis of the Advances Portfolio Business Unit Wise



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.	66,218,730	33.30
Credit Exposure Less than Rs. 500 Mn.	132,623,241	66.70
Total Outstanding	198,841,971	100

Market Risk Management

At Seylan Bank, we consider market risk as the risk of a negative impact from adverse changes or from the implicit volatility of the following key risk factors:

Interest Rate Risk:

Relates to changes in the term structure of interest rates of the core banking activities such as deposits and advances, as well as the risk stemming through investments in financial instruments such as bonds and money market instruments.

Foreign Exchange Risk:

Relates to changes in foreign exchange rates of financial instruments, such as foreign currency denominated loans and securities, future cash flows in foreign currencies and derivatives and through trading activities done with a view of earning a profit.

Equity Risk:

Relates to changes in overall equity prices (general equity risk) or in individual characteristics that are specific to an entity (specific equity risk) for financial instruments such as common shares; in which the Bank purchases for trading or investment purposes.

Commodity Risk:

Relates to changes in commodity prices of financial instruments in over the counter trading or involving either physical trading or derivatives trading of commodities.

Market risk at the Bank arises from its participation in market making, trading and investment and asset/liability management activities.

Trading-market risk includes market-making and trading activities that involve taking positions mainly in interest rate, equity and foreign exchange instruments commodities or derivative products with a view of making a profit. Positions held with trading intent are those held for short-term resale and/or with intent of taking advantage of actual or expected short-term price movements or to lock in arbitrage profits. These portfolios target one of the following objectives as to: market making, trading, liquidating positions for clients or selling financial products to clients.

The Bank's non-trading market risk arises mainly from non-trading exposures in asset and liability management portfolios, as well as securities held in investment, funding and liquidity portfolios such as

available-for-sale portfolios'. Non-trading portfolios include all financial instruments held to maturity or until conditions are more advantageous to invest in other investments, or for strict liquidity management purposes, as well as structural portfolios that aim at managing the Bank's structural interest rate and foreign exchange risks.

Market, Liquidity and Interest Rate (IR) Risk Management

At Seylan Bank the Board is responsible for approving the market risk policy framework and the Board defines the Bank wide market risk limits. The Bank's Executive Committees such as Assets and Liabilities Committee (ALCO) and The Executive Market and Operational Risk Management Committee (EMORC) headed by Director/CEO are responsible for the Bank's market risk appetite measures and targets and ensure to generate acceptable returns on market risk capital.

The Executive Committees' delegates' risk-taking responsibilities to business units, such as treasury corporate banking and retail banking, to manage the primary functionality of market risk management.

Monthly reporting to these Executive Committees is done by the Risk Management Unit on how the risk is managed by these delegated units. Such business units are responsible for the market risks inherent to their particular activities and must therefore actively manage risks. EMORC monitors market risk across the Bank and ensures that

the magnitude and mix of risks remain within the Bank's market risk appetite targets and risk limits. This Committee also ensures that the risk management environment is transparent, disciplined and controlled and that market risk capital is used to maximise shareholders' equity.

For Market, Liquidity and Interest Rate risk, the Bank adopts an approach, wherein portfolio limits and risk indicators/triggers are set. These are then monitored and reported through risk dashboards, to the Executive Committees and the Board. A distinction is made between regulatory and management measures.

The Bank has also set additional triggers to monitor the sensitivity of the portfolios to adverse market movements. Independent valuation of treasury positions and risk exposures are carried out using rates obtained from market sources.

An integrated internal control framework is used to manage market risk, which is overseen by the Risk Management Committee (EMORC). Hence, the Bank continually adapts its market risk management and oversight framework. A comprehensive policy governs market risk management across the Bank, which is exposed to this type of risk. The policy describes the main mechanisms for identifying and measuring the types of market risk, to which the Bank is exposed, most of which are described above. It also defines the link between the

Bank's market risk appetite approved by the Board and the framework implemented for setting market risk limits across the Bank's units that are allowed to undertake market risk. The purpose of the market risk limits is to set out tolerance thresholds for units or portfolios to comply with the Bank's market risk appetite targets. These are cascaded down to business units using a hierarchy of different types of limits (e.g., VaR, stop loss) allocated by portfolio, traders as well as an appropriate breach escalation process.

For liquidity risk, we monitor the various liquidity ratios/triggers. This includes carrying out stress testing to gauge our capacity to handle liquidity shocks and monitoring of the liquidity ratios. For capital management, the Bank monitors various capital adequacy ratios prescribed under Basel II Pillar -I ratios and internal prudential ratios implemented by the Board.

Under Basel II Pillar-II, the Bank performs a periodic Internal Capital Adequacy Assessment Process (ICAAP), to estimate the additional buffer capital that the Bank should maintain, above the minimum Basel -II Pillar-I capital requirement. To make this process more robust, our buffer capital computation adds-on the results from our stress testing exercise. The simulated results are projected onto our business plans for the current financial year and across our capital planning horizon. This is to ensure that the Bank is adequately capitalised to support business growth.

The Risks the Bank is Exposed to:

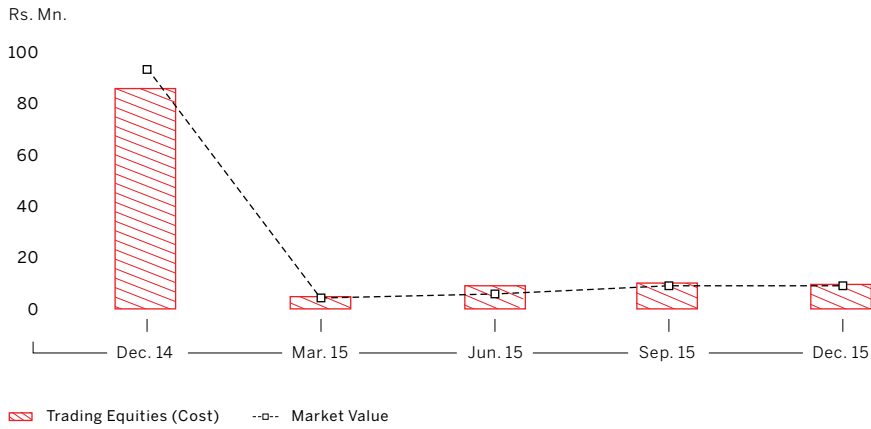
Equity Risk

The Bank has created trading and available-for-sale investment portfolios in liquid and less liquid equities for strategic and long-term investment purposes. These investments carry market risk, as well as general and specific market risk and a concentration risk.

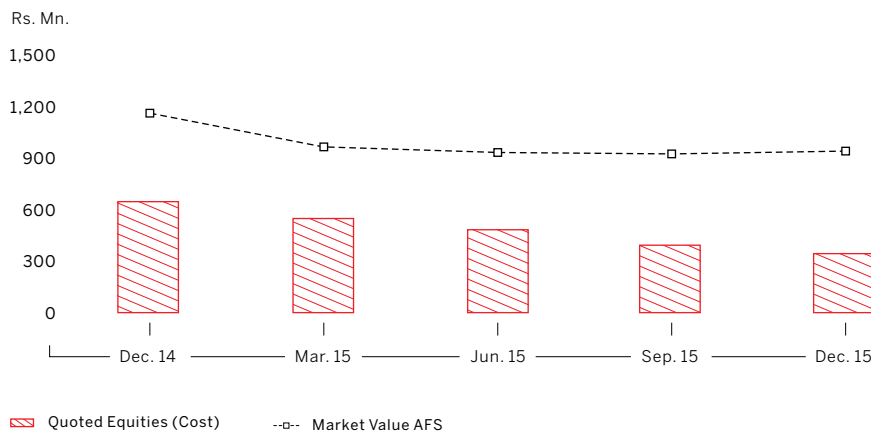
Besides the trading exposures, the overall exposure to shares with respect to total outstanding and done for investment purposes, are also subject to these limits. Restrictions are also set on investments defined as special. Lastly, the Bank has a Share Investment policy, approved by the Board, which defines purchases and sale of shares. Besides the portfolio limits there are Board approved stop loss limits as well as Management Action Trigger limits to minimise the loss which could be created due to market risk.

The graphs depict inherent risk in investments in shares for the trading and AFS Portfolio.

Equity Investments - Trading



Equity Investments - Available-for-Sale



Foreign Exchange Risk

The Bank's foreign exchange risk arises from investments in operations denominated in foreign currencies. This risk is measured by assessing the impact of currency fluctuations. The Bank uses financial instruments such as SWAPS and Forward exchange contracts to hedge the foreign exchange risk. Management of this risk is governed by a specific

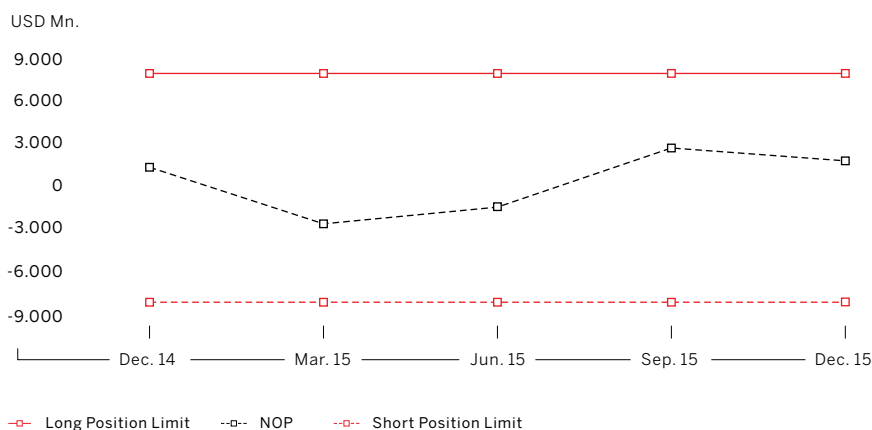
policy and limit structure submitted to the Board taking into account the regulatory guidelines as well as the internal controls.

The Foreign Exchange Exposure as at 31st December 2015, is depicted in the table below and the movement during the year is depicted in the graph:

Foreign Exchange Position as at 31st December 2015

Currency	Spot			Forward			NOP (FCY)		NOP (Rs.)	
	Assets	Liabilities	Net	Assets	Liabilities	Net	Net Open Position	NOP in Other Exchange Contracts	Overall Exposure in USD	Overall Exposure in Rs.
USD	261,435	298,105	-36,670	77,259	38,855	38,404	1,734	-	1,734	249,660
GBP	20,460	29,782	-9,322	9,635	310	9,325	3	-	4	636
EURO	15,270	21,729	-6,460	11,531	5,140	6,391	-69	-	-75	-10,808
JPY	635,106	553,324	81,783	152,000	241,604	-89,604	-7,821	-	-65	-9,347
AUD	11,154	20,237	-9,083	9,150	53	9,097	15	-	11	1,537
CAD	1,441	2,363	-922	1,053	125	928	6	-	4	635
Others	4,026	4,138	-112	589	191	398	286	-	285	41,030
Total Exposure									1,898	273,343
Total Capital Funds as per Latest Audited Financial Statements									25,055,677	
Total Exposure as a Percentage of Total Capital Funds as per the Latest Audited Financial Statements									1.09%	

Net Open Position



Interest Rate Risk

As part of the core banking activities, such as lending and deposit taking, the Bank is exposed to interest rate risk. Interest rate risk is the potential negative impact on the Bank's Economic Value of Equity (EVE) and the Annual Earnings at Risk (AEaR) or the impact on net interest income caused by changes in interest rates. The Bank's material exposure to interest rate risk stems from a variety of sources.

- Yield curve risk, which refers to changes in the level, slope and shape of the yield curve.

- Repricing risk, this arises from timing differences in the maturity and repricing of on balance sheet items.

Active management of IRR is primary to the Bank as it can significantly enhance the Bank's profitability and add to shareholder value or vice versa. The Bank's goal is to maximise its economic value and annual net interest income, subject to the Bank's risk appetite. This is accomplished within prescribed risk limits in order to protect and stabilise the Bank's economic value and net interest

income. This is done primarily through a policy framework approved by the Board, which establishes the risk tolerance thresholds, monitoring structures controlled especially through ALCO and EMORC. Risk indicators, reporting procedures, delegation of responsibilities and segregation of duties adds value to this process.

IRR exposure also includes activities related to investments and term funding. The Bank has created available-for-sale security portfolios in liquid and less liquid securities for strategic, long-term investment and liquidity management purposes. These investments carry market risk, credit risk and liquidity risk. To manage such risk, the Bank uses a funds transfer pricing mechanism. The funds transfer pricing is a process by which the Bank's business units are charged or paid according to their use or supply of funding. Through this mechanism, all funding activities, interest rate risk and liquidity risk associated with those activities are centralised at the Treasury Department.

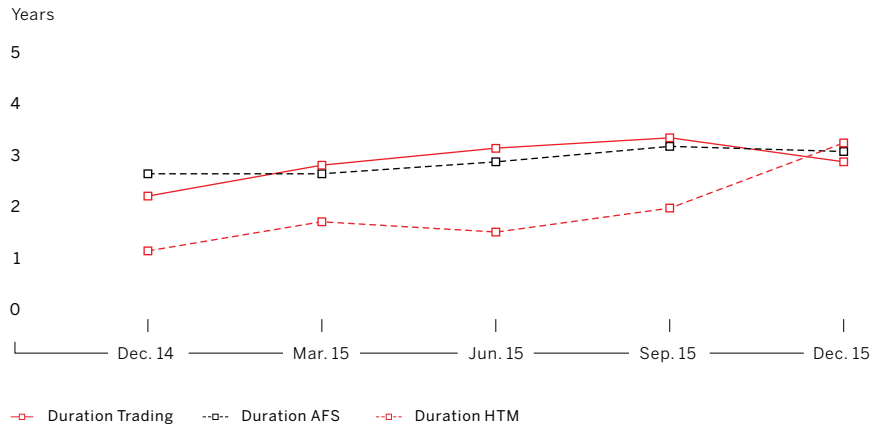
Management of the Bank's investment IRR is mandated to the Treasury. In this role, the Treasury personnel are responsible for

the identification and day-to-day management of risks inherent to the portfolio based IRR decisions and operations. They act as the primary effective function with respect to the execution and monitoring of these activities. Moreover, they ensure compliance with the investment in Government Securities and other debt instruments subject to IRR as per laid down internal and regulatory guidelines and policies.

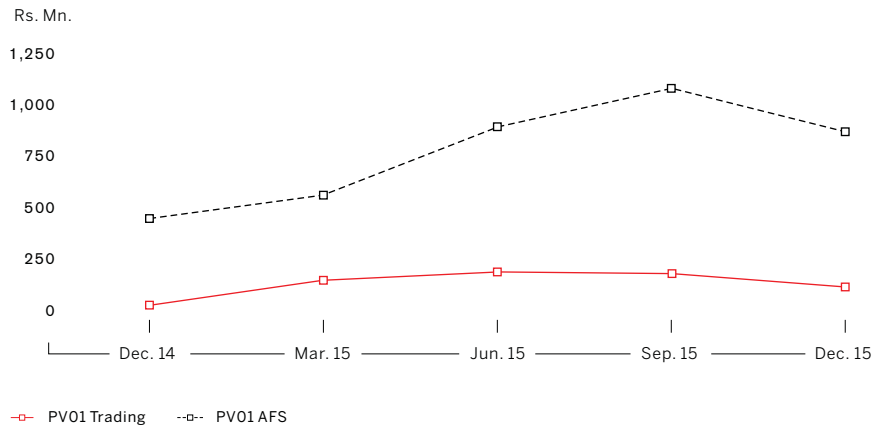
The Executive Committees approve and endorses the Bank's interest rate exposures and strategies on the recommendation of the Treasury in concurrence with the risk unit.

The graph depicts the weighted duration of the Government Security portfolio's subject to IRR:

Weighted Duration of the Government Securities Portfolios



Present Value 01 on the Trading and Available-for-Sale Portfolios



Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to honour daily cash and financial obligations without resorting to costly and untimely measures. Liquidity risk arises when sources of funds become insufficient to meet scheduled payments under the Bank's commitments. Liquidity risk stems from mismatched cash flows related to assets and liabilities as well as the behavioral characteristics of certain products, such as savings and current accounts and non-fixed term deposits.

The Bank's primary objective as a financial institution is to manage liquidity in a manner that it supports the Bank's strategy and allows it to honour its commitments when they come due, even in extreme conditions.

This is done primarily by implementing a Liquidity management policy approved by the Board, which establishes a risk tolerance threshold, risk indicators and reporting procedures and a monitoring structures controlled by ALCO. The Bank also prepares an annual funding plan that incorporates the expected growth of assets and liabilities and a contingency funding plan which spells out the plan of how the Bank should proceed in a contingent situation.

Stress Testing and Sensitivity Analysis

Sensitivity analysis and stress tests are performed on a regular basis to assess the impact of various scenarios on annual net interest income and on the economic value of equity in order to guide the management of the embedded risk of each exposure.

Scenarios are performed where the yield curve level, are subject to parallel shifts and slope shifts are shocked. Yield curve basis and volatility scenarios are also performed. For foreign exchange exposures and equity exposures shock levels are applied to exchange rates and equity prices to gauge the loss/profit that would result by these shock levels, and impact on capital.

Net Interest Income Sensitivity of the Banking Book

The table below shows sensitivity analysis on the net interest income for the financial assets and liabilities. The sensitivity has been measured using the Annual Earnings at Risk (AEaR) methodology. The benchmark interest rate for each currency is set as at 31st December of the same year. The table below show that net interest income would decrease given a rise in rates; however, this analysis does not include the potential impacts on the impairment charge due to the effect of interest rates or capital gains/(losses) on government security investments. This effect would depend on the economic environment and generally has an opposite effect on NII.

Impact of Interest Rate Risk on Annual Earnings (AER) on the Banking Book

Stress Test Scenario	Assets/Liabilities	Bucket 1	Bucket 2	Bucket 3	Bucket 4	Impact on Earnings			
		0 to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Level of Impact	Impact on Earnings Rs. '000	Impact on CAR	Current CAR
Scenario 1	Assets/Liabilities	1.00%	1.00%	1.00%	1.00%	Minor	-215	0.00%	12.87%
Scenario 2	Assets/Liabilities	2.00%	2.00%	2.00%	2.00%	Moderate	-429	-0.01%	
Scenario 3	Assets/Liabilities	2.50%	2.50%	2.50%	2.50%	Major	-537	-0.01%	
Scenario 4	Assets/Liabilities	-1.00%	-1.00%	-1.00%	-1.00%	Minor	215	0.00%	
Scenario 5	Assets/Liabilities	-2.00%	-2.00%	-2.00%	-2.00%	Moderate	429	0.01%	
Scenario 6	Assets/Liabilities	-2.50%	-2.50%	-2.50%	-2.50%	Major	537	0.01%	

Sensitivity of the Foreign Exchange Exposure

Stress Test Scenario	Shock Levels	Open Position	Capital Charge on Open Position	Impact on Required Capital	Impact on RWA	Net Impact on CAR	Current CAR
	%	Rs. '000	Rs. '000	Rs. '000	Rs.'000	%	%
		273,343	27,334				
Scenario							
Minor	-5	259,676	25,968	(1,367)	(13,667)	-0.004%	12.87%
Moderate	-10	246,009	24,601	(2,733)	(27,334)	-0.009%	
Major	-15	232,342	23,234	(4,100)	(41,001)	-0.013%	

Sensitivity of the Equity Trading and AFS Exposures (Listed on the Colombo Stock Exchange)

Equity position (Prior to Stress)		Trading & AFS Shares (CSE Listed)	Specific Capital charge	General Market Capital Charge	Total Capital Required	Current CAR
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	
		360,067	24,942	36,007	60,949	12.87%
Scenario		Carrying Value	Specific Capital Charge	General Market Capital Charge	Total Capital Required after Shocks	Net Impact on CAR
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Minor	-10%	324,060	(36,007)	22,448	54,854	-0.01%
Moderate	-20%	288,053	(72,013)	19,954	48,759	-0.02%
Major	-30%	252,047	(108,020)	17,459	42,664	-0.03%

Assessing Market Risk

The Risk Management Unit uses a variety of risk measures to estimate the size of potential losses under major and less severe scenarios using short-term horizons. Another risk measure for the short-term assessments includes Value at Risk VaR. VaR is a statistical measure of risk that is used to quantify market risks across products, per type of risks and aggregate risk on a portfolio basis. VaR is defined as the maximum loss at a specific confidence level over a certain horizon under normal market conditions. The VaR method has the advantage of providing a uniform measurement of financial instrument related market risks based on a single statistical confidence level and time horizon.

The Bank uses an historical price distribution to compute the probable loss levels at the 99% level of confidence, using a 250 day series of market data changes. VaR estimates the maximum daily loss the Bank could incur, out of 250, in a given portfolio. In other words, the loss could exceed that amount in only one out of 250 cases. VaR is calculated on a daily basis both for all trading portfolios and foreign exchange exposures. The trading VaR is measured by assuming a holding period of one day for ongoing market risk management. This assumption is used to combine the VaR of various portfolios and provides an estimate of the daily market risk incurred by the Bank.

VaR of Trading Portfolios by Risk Category is shown in the Accounting Policy Risk Note. The summary of Value at Risk is given on page 290.

Operational Risk Management

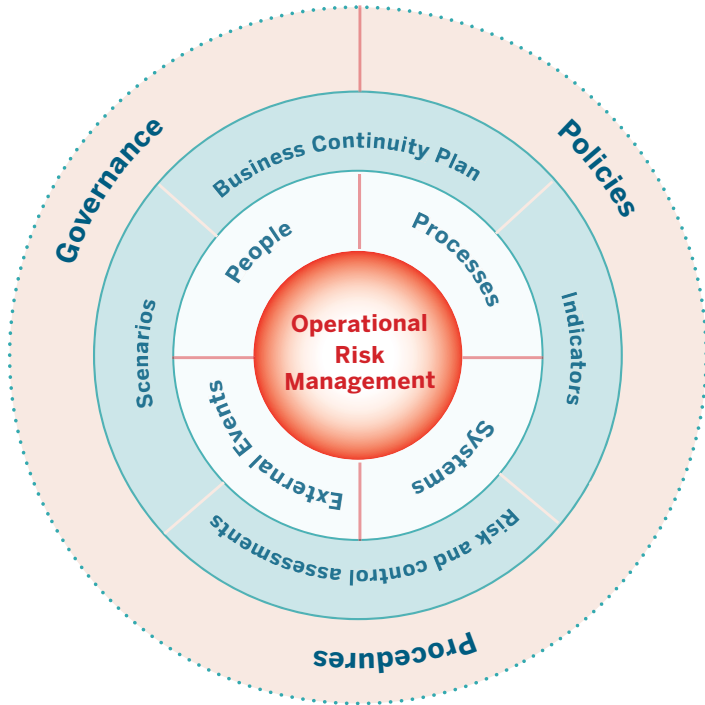
Managing the operational risks is a key component of the Integrated Risk Management framework of the Bank. Operational Risk is the risk of loss or damage resulting from inadequate or failed internal processes, people and systems or from external events. Basel II guidelines incorporate legal risk and exclude strategic risk under operational risk. This risk is intrinsic to the Bank in all its material products, activities, processes and systems, is emerging as an important component of the enterprise-wide risk management system.

Operational Risk Management Framework and Responsibilities

Recognising the importance of Operational Risk Management (ORM), the Bank has adopted a Comprehensive Operational Risk Management Policy and a Framework. In a governance perspective, roles and responsibilities for operational risk have been defined from Board level to business unit levels. The Operational Risk Management function is enabled through the day-to-day management within a predefined framework. The Head of operational risk function reports to the Chief Risk Officer (CRO) and an Executive Risk Management Committee (EMORMC) for reporting and oversight. The CRO accordingly represents the risk function at the Board Integrated Risk Management Committee (BIRMC) for reporting and accountability. The BIRMC ensures appropriate implementation of its instructions through the defined governance structure.

The following set of comprehensive policies ensures the implementation of operational risk management strategies through methodologies adopted since first implemented.

- Operational Risk management
- Corporate Information Security
- Business Continuity Management
- Incident and Near Miss Management
- Fraud Risk Management
- Insurance Governance
- Business Process Outsourcing

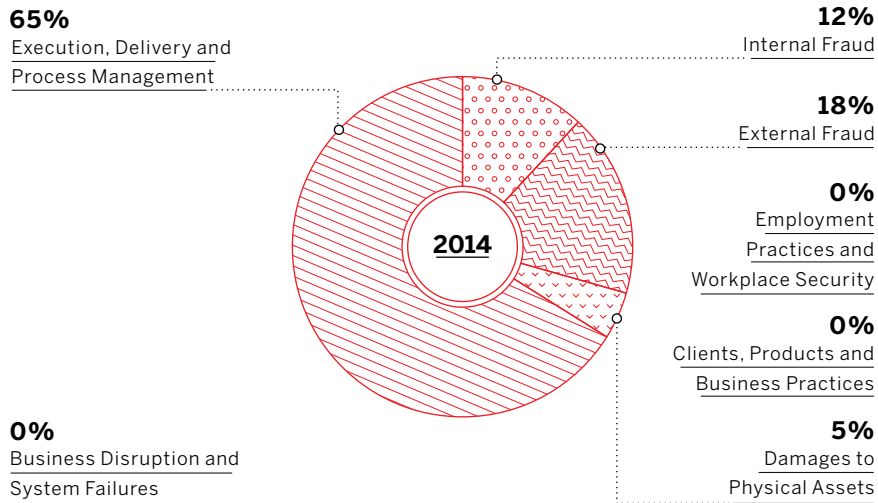
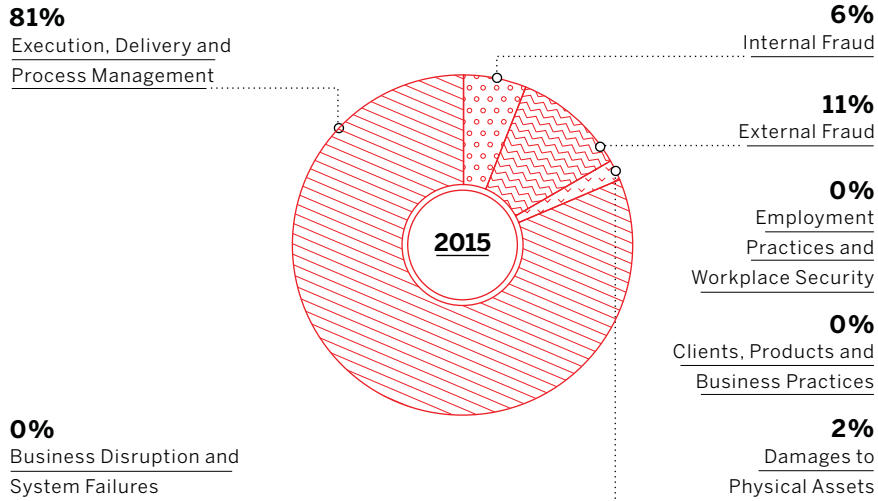


Operational Risk Management (ORM) Programmes

The Bank has a distinct operational risk management programme that facilitates the identification, measurement, monitoring, controlling and reporting of inherent and emerging operational risks in the Bank. The following risk management techniques are designed based on Basel II, Regularity requirements and the Industry best practices have been used to enable the ORM programme.

Technique	Management / Mitigation
Risk Control Self-Assessment process (RCSA)	Risk and Control Self-Assessment has been carried out at least on an annual basis for the centralised key business units/branches of the Bank for their business processes, to identify and review the inherent risks proactively 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 & Sales, Payments & Settlements, Retail Banking, Commercial Banking and maintains a database. Loss events exceeding Rs. 500,000/- have been reported as required by the Central Bank (CBSL) quarterly. Following graphs exhibit the Operational Losses incurred for the last 2 years.

Operational Losses



The Bank has reduced the total operational losses reported from Rs. 43 Mn. in the year 2014 to Rs. 18 Mn. in the year 2015 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 further mitigated by risk transfer through insurance claims and recovery initiatives.

Operational Risk Management/Mitigations

Technique	Management / Mitigation
Establishing and reviewing Key Operational Risk Indicators (KORI)	After reviewing the material operational risks identified, the KORI are monitored against the threshold level and action plans are directed to mitigate the risks based on the indicators at each monthly meeting.
Reviewing information risk, integrity and availability	<p>The Bank has acquired and continuously updates its investment in 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 while observing the system readiness through availability monitoring technique.</p> <p>All IT modifications/implementations are routed through proper channels with the recommendations in information security aspects to avoid operational losses to the Bank.</p>
Effectiveness of business continuity and disaster recovery plans	<p>The 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. Suitable preventive and mitigation measures are also used to minimise the likelihood and impact of damage based on the drills carried out for the systems including the core banking systems.</p>
Outsourcing services	<p>The 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 cards, maintenance of IT hardware, call centre operations and the list of outsourced functions have been reported as required by the CBSL annually.</p> <p>The Bank manages the outsourcing process after evaluating whether the services are suitable for outsourcing-based on assessment of 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	The 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, fire etc as a risk mitigation tool. Further, insurance has been bought to cover the internal and external frauds, errors, omissions, employee fidelity and other controllable risk events too. However, insurance has not been used for taking upon us risks that would otherwise not be undertaken thereby avoiding moral hazards. The insurance policy is reviewed annually for effectiveness of same.
Reviewing New Products/ Processes	A policy has been implemented to identify, assess and introduce mitigation controls for risks inherent to new products, processes, systems and their amended versions, thereby the Bank is able to provide risk assurance for the newly implemented products or their version upgrades which may have significant impact on the Bank's operations.

Compliance Risk Management

The Compliance Department is headed by the Compliance Officer who reports directly to the Board Integrated Risk Management Committee (BIRMC) and ensures that the Bank complies with directives and guidelines issued by the Central Bank of Sri Lanka and all statutory requirements applicable to Banks.

The Bank has adopted a structured framework for compliance risk management by formulating a Compliance Policy, which has been approved by the Board of Directors and is reviewed periodically.

The Compliance Department has carried out extensive training and awareness programmes throughout the year for all staff providing clarity on regulatory requirements and adherence thereto.

The Bank conducts its business in accordance with the Bank's Code of Conduct, laws and regulations imposed by the regulatory authorities and ensures that all employees at the Bank, follow the accepted norms and standards as per the Code of Conduct and Code of Ethics of the Bank. The Bank is fully compliant with the requirements for Anti-Money Laundering (AML) and Combating Terrorist Financing (CTF) and has an automated system to detect and monitor suspicious transactions.

The Compliance Department is responsible for the dissemination of all laws and regulations and ensures that effective Corporate Governance is maintained within the Bank.

The compliance risk is identified, monitored and managed by the Compliance Department effectively with no violations being reported during the year under review.

Date Issued	Circular No./Gazette No.	Department Issued	Regulation/Direction/Determination/Guideline	Status
31.12.2015	35-01-005-0007-09	Domestic Operations	Reserve Requirements	Complied
02.12.2015	02/17/550/0002/003	Bank Supervision	Key Management Personnel in Banking Act Direction on Corporate Governance - For LCBs	Complied
30.11.2015	Circular No 07. of 2015	Payments & Settlements	Timeline for Joining Common Card and Payment Switch - LankaPay	Complied
27.11.2015	PSD/ACU/01/2015	Payments & Settlements	Asian Clearing Union – Operating Instructions: PSD/ACU/01/2015	Complied
29.10.2015	35-01-005-0010-19	Domestic Operations	Margin Requirements Against Letters of Credit for Importation of Motor Vehicles	Complied
29.10.2015	Banking Act No 03. of 2015	Bank Supervision	Loan to value Ratio for loans and advances in respect of motor vehicles	Complied
14.09.2015	Banking Act No 02. of 2015	Bank Supervision	Loan to value Ratio for loans and advances in respect of motor vehicles	Complied
07.08.2015	Circular No 03. of 2015	Payments & Settlements	Imposition of Upper limit on customer fund transfers of RTGS and revised operator charge of RTGS	Complied
06.08.2015	Circular No 02. of 2015	Payments & Settlements	Imposition of Upper limit on customer fund transfers of SLIPS	Complied
03.08.2015	02/17/600/0002/002	Bank Supervision	Recovery of Accommodation to Exporters	Complied

Date Issued	Circular No./Gazette No.	Department Issued	Regulation/Direction/Determination/Guideline	Status
03.08.2015	02/01/006/0200/002	Bank Supervision	Introduction of Web-based Returns on Operations of Banking Outlet	Complied
03.08.2015	02/17/500/0063/001	Bank Supervision	Suspension of Lanka Rating Agency Limited as an Acceptable Credit Rating Agency	Complied
28.07.2015	Circular No 01. of 2015	Payments & Settlements	Imposition of maximum limit for transaction value and customer fund transfers of Common electronic Fund Transfer Switch (CEFTS)	Complied
02.07.2015	34/07/029/0001/002	Payments & Settlements	Request for Extensions of the LankaSettle System after Business Hours	Complied
28.05.2015	02/17/600/0002/002	Bank Supervision	Recovery of Accommodation to Exporters	Complied
15.04.2015	02/04/002/0015/002	Bank Supervision	Expanding Access to Banking	Complied
31.03.2015	Banking Act No 01. of 2015	Bank Supervision	Liquidity coverage ratio under Basel III liquidity standards for licensed commercial banks and licensed specialised banks	Complied
27.02.2015	35-01-005-0006-35	Domestic Operations	Operating Instructions on Open Market Operations of the Central Bank of Sri Lanka	Complied

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 takes the responsibility to lead the Bank, while maintaining its vision and mission in order to minimise the failures in the business environment.

In pursuing the Bank's strategic goals and business objectives, the Bank has established clear communication channels at all levels of the organisation, allocate systems 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 a positive manner. For the purpose of extracting 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. The Bank had a very few incidents on this type of events and successfully solve them without any damage.

the Bank also recognise the importance of making a positive contribution to societies by promoting Corporate Social Responsibility (CSR) through ethical banking practices, environmental

awareness and contribution to the community. Accordingly, the 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's 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 risks using following scenarios.

Stress Testing Methodology and Scenarios

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 bps and 300 bps on a parallel shift on the yield curve 2. A slope shift where Securities maturing within 1 year will be stress for a 200 bps 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 Foreign Exchange 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 (IRRBB)	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 mismatch of assets and liabilities to analyse the magnitude of shock to and impact on liquidity.

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 based 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 await 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 in 2015 was submitted to the regulator for supervisory review before the stipulated time.

Market disclosures are carried out as per CBSL Guidelines and as per disclosure policy in line with Pillar III requirements.

The Bank has commenced computing the net stable funding ratio in following the regulators road map while moving to Basel III requirements and aligning its capital to liquidity requirements.

Achievements during 2015 and Outlook for 2016

- i. Implementation of robust credit rating module and issue of lending guidelines, covering specific economic activity/ industry segment, has enabled the business units to evaluate the counterparty risk. As a result, we have kept the infectious ratio low.
- ii. Rigorous monitoring of non-performing advances by Recoveries and by the Executive Credit Risk Management Committee enabled to reduce the NPA significantly.
- iii. Implementation of effective credit risk review process, where 34% of advances granted have been independently reviewed and 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 approaches, 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 2016.

ix. 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.

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Key Risk Indicators

Dash Board on Key Credit, Market, Liquidity and Operational Indicators

	December 2015 %	December 2014 %	Low	Medium	High
Credit Risk					
Gross NPA ratio (as per CBSL)	5.57	9.08		○	
NPA ratio (net of IIS) (as per CBSL)	4.68	7.69		○	
Impaired Loans (Carrying Amount)/Loans and Receivables (Carrying Amount)	2.83	5.10	○		
Increase/(Decrease) of Impaired Loans	-24.94	-18.16	○		
Past Due Loans + Impaired Loans/Loans and Receivables (Gross)	13.88	21.67		○	
Past Due Loans/Neither Past Due nor Impaired	9.57	15.90		○	
Increase/(Decrease) of Past Due Loans	-18.73	-30.83	○		
Open Credit Exposure	21.80	32.94	○		
Allowance for Impairment/Impaired Loans (Gross)	51.23	47.00	○		
Market and Interest Rate Risk					
Maturity Gaps					
Maturity Gap Less than one Year to Total Liabilities	Less than 25%	-22.12	-12.22		○
Market value of unrepoed Government Securities above the SLAR limit to total Investments in Government Securities (Including SLDB)	More than 20%	26.11	29.75	○	

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			December 2015 %	December 2014 %	Low	Medium	High
Investments							
Government Securities							
Government Securities to Total Assets (Int. Bearing)	Less than 30%		26.87	26.78		○	
Equities							
Market Value of Equity Investments (Quoted) to Total Assets (Int. Bearing)	Less than 1%		0.35	0.56	○		
Net Open Position Short(-)/Long(+) (USD)	8 Mn		1.898	1.395	○		
Liquidity and Funding Risk							
	Measurement	Limit	December 2015	December 2014			
Statutory Liquidity Ratio							
– Domestic Banking Unit	(DBU)	21.00	27.56	27.60	○		
– Foreign Currency Banking Unit	(FCBU)	21.00	21.51	21.86	○		
Advances to Deposits Ratio							
Advances to Deposits Ratio – Bank	(%)	97.50	88.56	87.12	○		
Advances to Deposits Ratio – LCY	(%)	97.50	88.99	86.82	○		
Advances to Deposits Ratio – FCY	(%)	97.50	84.20	90.84	○		
Advances to Deposits + Debentures	(%)	95.00	85.82	83.67	○		
Advances to Stable Funds	(%)	95.00	83.50	81.13	○		
Funding Concentration							
SWAPs	US\$ Mn.	110 Mn	59.75	24.30	○		
Operational Risk							
		Limit	December 2015	December 2014			
Pawning Operational Losses as Percentage of Pawning Capital Outstanding		Zero	NIL	0.11	○		
Cheque Returns as Percentage of Total Cheques in Clearing		3	2.69	3.84	○		
Non-rectified High Risk Findings (< 90 days) Over Total High Risk Audit Findings (%)		Zero	1.18	10.17		○	
Number of Skimming cards and Non EMV converted POS Transactions (Rs.)		Zero	1.97 Mn	4.03 Mn		○	
			36 Trans	108 Trans			

Note: *2014 & 2015 Credit risk KRI based on FIN information

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	
	2015 Rs. '000	2014 Rs. '000		2015 Rs. '000	2014 Rs. '000
Assets					
Claims on Government of Sri Lanka and Central Bank of Sri Lanka	79,127,341	68,066,324	0	-	-
Claims on Banks	2,855,611	5,064,705	20-150	2,195,581	4,360,125
Claims on Financial Institutions	1,490,266	3,484,733	20-150	1,490,266	2,528,853
Claims on Corporates	74,470,302	49,660,188	20-150	74,302,670	49,419,345
Retail Claims	73,394,017	58,724,758	75-100	60,439,243	49,011,440
Claims Secured by Residential Property	13,377,663	11,080,222	50-100	7,124,324	5,811,123
Non-Performing Assets (NPAs)	6,897,340	9,313,350	50-150	9,754,644	13,181,982
Cash Items	7,347,838	6,427,282	0-20	56,094	43,055
Property, Plant & Equipment, Other Fixed Assets	3,272,066	3,013,862	100	3,272,066	3,013,862
Other Assets	11,068,513	10,577,222	100	11,068,513	10,577,222
Total	273,300,957	225,412,646		169,703,401	137,947,007

Off Balance Sheet Exposure

	Off Balance Sheet Assets		Credit Conversion Factor %	Credit Equivalent	
	2015 Rs. '000	2014 Rs. '000		2015 Rs. '000	2014 Rs. '000
Instruments					
Direct Credit Substitutes	621,657	553,899	100	621,657	553,899
Transaction-Related Contingencies	14,230,468	9,143,652	50	7,115,234	4,571,826
Short-Term Self-Liquidating Trade Related Contingencies	12,450,604	10,117,687	20	2,490,121	2,023,537
Other commitments with an original maturity of up to one year or which can be unconditionally cancelled at any time	21,149,301	17,431,409	0	-	-
Foreign Exchange Contracts	71,776,255	54,617,978	0-5	1,521,926	1,815,320
Total	120,228,285	91,864,625		11,748,938	8,964,582

* The Off Balance Sheet exposure is included in the Risk-Weighted Assets

Capital Charge for Market Risk

	2015 Rs. '000	2014 Rs. '000
Capital Charge for Interest Rate Risk	265,896	107,936
Capital Charge for Equity	60,949	15,209
Capital Charge for Foreign Exchange and Gold	29,372	18,240
Total Capital Charge for Market Risk	356,217	141,385
Total Risk-Weighted Assets for Market Risk	3,562,170	1,413,850

Capital Charge for Operational Risk

	2015 Rs. '000	2014 Rs. '000
Gross Income		
Year 1	12,606,760	11,485,267
Year 2	15,032,827	12,606,760
Year 3	15,896,376	15,032,827
Average Gross Income	14,511,988	13,041,618
Total Capital Charge for Operational Risk - (15%)	2,176,798	1,956,243
Total Risk-Weighted Assets for Operational Risk	21,767,982	19,562,427

Computation of Capital

	2015 Rs. '000	2014 Rs. '000
Tier I: Core Capital		
Paid-up Ordinary Shares/Common Stock/Assigned Capital/Stated Capital	10,529,724	10,529,724
Statutory Reserves	1,187,441	995,894
Published Retained Profits/(Accumulated Losses)	11,125,666	8,221,342
General and Other Reserves	1,561,363	2,747,695
Less:		
Net Deferred Tax Assets	-	18,030
Other Intangible Assets	249,890	279,820
50% Investments in the Capital of Other Banks and Financial Institutions	273,166	342,498
Total Eligible Core Capital (Tier I Capital)	23,881,138	21,854,307

	2015 Rs. '000	2014 Rs. '000
Tier II: Supplementary Capital		
Revaluation Reserves (as approved by Central Bank of Sri Lanka)	289,916	289,916
Approved Subordinated Term Debt	1,200,000	1,600,000
Less:		
50% Investments in the Capital of Other Banks and Financial Institutions	273,166	342,498
Total Eligible Supplementary Capital (Tier II Capital)	1,216,750	1,547,418
Total Capital Base	25,097,888	23,401,725

Computations of Ratios

	2015 Rs. '000	2014 Rs. '000
Total Risk-Weighted Assets (RWA)		
Total Risk-Weighted Assets for Credit Risk	169,703,401	137,947,007
Total Risk-Weighted Assets for Market Risk	3,562,170	1,413,850
Total Risk-Weighted Assets for Operational Risk	21,767,982	19,562,427
Subtotal	195,033,553	158,923,284
Minimum Capital Charge		
Minimum Capital Charge for Credit Risk	16,970,340	13,794,701
Minimum Capital Charge for Market Risk	356,217	141,385
Minimum Capital Charge for Operational Risk	2,176,798	1,956,243
Subtotal	19,503,355	15,892,329
Total Capital Available to meet the Capital Charge for Credit Risk		
Total Eligible Core Capital (Tier I Capital)	23,881,138	21,854,307
Total Eligible Supplementary Capital (Tier II Capital)	1,216,750	1,547,418
Total Capital Base	25,097,888	23,401,725
Core Capital Ratio (Minimum Requirement 5%)		
Total Eligible Core Capital (Tier I Capital)	23,881,138	21,854,307
Total Risk-Weighted Assets	195,033,553	158,923,284
Core Capital Adequacy Ratio	12.24%	13.75%
Total Capital Ratio (Minimum Requirement 10%)		
Total Capital Base	25,097,888	23,401,725
Total Risk-Weighted Assets	195,033,553	158,923,284
Total Capital Adequacy Ratio	12.87%	14.73%



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FINANCIAL CALENDAR

Financial Calendar – 2015

Financial Statements	Released to the Colombo Stock Exchange (CSE)	Published in the Newspapers
Interim (Unaudited) Financial Statements		
4th Quarter/Year ended 31st December 2014	26th February 2015	11th March 2015 (Audited)
1st Quarter/Three months ended 31st March 2015	13th May 2015	21st May 2015
2nd Quarter/Six months ended 30th June 2015	30th July 2015	4th August 2015
3rd Quarter/Nine months ended 30th September 2015	23rd October 2015	3rd November 2015
Final Audited Financial Statements – Year ended 31st December 2014 and Annual Report – 2014	Issued to the CSE on 6th March 2015 Circulated to the Shareholders – March 2015 Circulated to the Debenture Holders – March 2015	
28th Annual General Meeting:	Held on 31st March 2015	
First and Final Ordinary Dividend for the Year ended 31st December 2014 paid on:	10th April 2015	

Proposed Financial Calendar – 2016

Unaudited Financial Statements	– 4th Quarter/Year ended 31st December 2015 Released to the CSE	February 2016
Final Audited Financial Statements	– Year ended 31st December 2015 and Annual Report – 2015 Release to the CSE and circulate to the Shareholders/ Debenture Holders (including Notice of Annual General Meeting to the Shareholders)	March 2016
29th Annual General Meeting (AGM)	– Scheduled for	31st March 2016
First and Final Ordinary Dividend	– Payable for the Year ended 31st December 2015 (subject to approval of the shareholders at the AGM)	11th April 2016
Interim (unaudited) Financial Statements	– Statements in respect of the four quarters of 2016 will be released/published as per the Listing Rules of the Colombo Stock Exchange	

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Statement of Responsibility of the Directors of Seylan Bank PLC ('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 Bank to be determined with reasonable accuracy at any time; enable the preparation of Financial Statements of the Bank in accordance with the Act; and enable the Financial Statements of the Bank 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 251 to 395 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 2015;
- the Financial Statements for the year ended 31st December 2015, 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 (CA Sri Lanka);

- in preparing the Financial Statements for the year ended 31st December 2015, 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 2015 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 2016.

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 250 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 (CA Sri Lanka) and in compliance with Section 3 (8) (ii) (b) of the Banking Act Direction No. 11 of 2007 (as amended) is published on pages 198 to 199 and Bank's Independent Auditors' Report on our assessment of the Bank's internal controls over financial reporting is published on page 200 of this Annual Report.

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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Solvency

The Board of Directors confirms that it has 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 2016

Colombo

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

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The Financial Statements of Seylan Bank and the 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 issues 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 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 are 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 the Group were audited by Messrs KPMG, Chartered Accountants and their report is given on page 250 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's 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 to the Financial Statements in this Annual Report.



Kapila Ariyaratne
Director/Chief Executive Officer



Ramesh Jayasekara
Chief Financial Officer

25th February 2016

INDEPENDENT AUDITORS' REPORT



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KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
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Colombo 00300,
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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 subsidiaries ("Group"), which comprise the statement of financial position as at 31st December 2015, and the statement of income, profit and loss and other comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 251 to 395.

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 2015, 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 2015, 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 2016

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA
R.H. Rajan ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne ACA
R.M.D.B. Rajapakse ACA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

INCOME STATEMENT

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For the Year ended 31st December	Note	BANK			GROUP		
		2015 Rs. '000	2014 Rs. '000	Change %	2015 Rs. '000	2014 Rs. '000	Change %
Income	6	28,586,081	28,564,355	0.08	28,628,850	28,628,426	-
Interest Income		24,151,349	23,407,481	3.18	24,166,589	23,422,157	3.18
Less: Interest Expenses		12,325,966	12,242,991	0.68	12,309,274	12,223,232	0.70
Net Interest Income	7	11,825,383	11,164,490	5.92	11,857,315	11,198,925	5.88
Fee and Commission Income		2,811,140	2,347,472	19.75	2,810,961	2,347,129	19.76
Less: Fee and Commission Expenses		113,694	90,267	25.95	120,450	97,009	24.16
Net Fee and Commission Income	8	2,697,446	2,257,205	19.50	2,690,511	2,250,120	19.57
Net Interest, Fee and Commission Income		14,522,829	13,421,695	8.20	14,547,826	13,449,045	8.17
Net Trading Income	9	1,254,941	1,077,236	16.50	1,253,941	1,078,837	16.23
Net Gain on Financial Investments	10	232,469	1,186,185	(80.40)	232,469	1,189,706	(80.46)
Other Operating Income (Net)	11	136,182	545,981	(75.06)	164,890	590,597	(72.08)
Total Operating Income		16,146,421	16,231,097	(0.52)	16,199,126	16,308,185	(0.67)
Net Impairment Loss	12	488,896	2,269,520	(78.46)	488,896	2,134,725	(77.10)
Net Operating Income		15,657,525	13,961,577	12.15	15,710,230	14,173,460	10.84
Less: Operating Expenses	13						
Personnel Expenses	14	4,194,135	3,926,361	6.82	4,221,950	3,957,416	6.68
Premises, Equipment and Establishment Expenses		1,829,888	1,728,460	5.87	1,773,493	1,684,901	5.26
Other Expenses		2,600,551	2,454,308	5.96	2,635,936	2,492,750	5.74
Operating Expenses		8,624,574	8,109,129	6.36	8,631,379	8,135,067	6.10
Operating Profit before Taxes		7,032,951	5,852,448	20.17	7,078,851	6,038,393	17.23
Value Added Tax and Nation Building Tax on Financial Services		1,256,240	1,203,004	4.43	1,256,240	1,203,004	4.43
Operating Profit before Income Tax		5,776,711	4,649,444	24.25	5,822,611	4,835,389	20.42
Income Tax Expense	15	1,945,767	1,570,842	23.87	1,936,662	1,582,819	22.36
Profit for the Year		3,830,944	3,078,602	24.44	3,885,949	3,252,570	19.47
Profit Attributable to:							
Equity Holders of the Bank		3,830,944	3,078,602	24.44	3,855,296	3,178,776	21.28
Non-Controlling Interest		-	-	-	30,653	73,794	(58.46)
Profit for the Year		3,830,944	3,078,602	24.44	3,885,949	3,252,570	19.47
Basic/Diluted Earnings per Share (Rs.)	16	11.11	8.92	24.44	11.18	9.21	21.28

Notes on pages 261 to 395 form an integral part of these Financial Statements.

2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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For the Year ended 31st December	Note	BANK			GROUP		
		2015 Rs. '000	2014 Rs. '000	Change %	2015 Rs. '000	2014 Rs. '000	Change %
Profit for the Year		3,830,944	3,078,602	24.44	3,885,949	3,252,570	19.47
Other Comprehensive Income, Net of Income Tax							
Revaluation of Property, Plant & Equipment	43.2	-	-	-	7,412	27,044	(72.59)
Actuarial Gain/(Loss) on Defined Benefit Obligations	40.1.7	66,071	(65,156)	201.40	65,698	(65,125)	200.88
Net Change of Financial Assets Measured at Fair Value through Other Comprehensive Income:							
Net Gain/(Loss) on Re-measuring Available-for-Sale Financial Assets	43.4	(1,120,048)	9,636	(11,723.58)	(1,120,507)	8,480	(13,313.53)
Other Comprehensive Income for the Year, Net of Tax		(1,053,977)	(55,520)	(1,798.37)	(1,047,397)	(29,601)	(3,438.38)
Total Comprehensive Income for the Year		2,776,967	3,023,082	(8.14)	2,838,552	3,222,969	(11.93)
Total Comprehensive Income Attributable to:							
Equity Holders of the Bank		2,776,967	3,023,082	(8.14)	2,805,940	3,139,896	(10.64)
Non-Controlling Interest		-	-	-	32,612	83,073	(60.74)
Total Comprehensive Income for the Year		2,776,967	3,023,082	(8.14)	2,838,552	3,222,969	(11.93)

Notes on pages 261 to 395 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

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As at 31st December	Note	BANK			GROUP		
		2015	2014	Change	2015	2014	Change
		Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Assets							
Cash and Cash Equivalents	19	7,800,488	6,672,963	16.90	7,800,538	6,673,003	16.90
Balances with Central Bank of Sri Lanka	20	8,563,888	7,432,206	15.23	8,563,888	7,432,206	15.23
Placements with Banks and Finance Companies	21	757,050	2,334,304	(67.57)	757,050	2,334,304	(67.57)
Derivative Financial Instruments	22	130,055	191,411	(32.05)	130,055	191,411	(32.05)
Other Financial Assets Held-for-Trading	23	6,016,572	2,525,225	138.26	6,024,772	2,534,425	137.72
Securities Purchased under Resale Agreements		2,312,548	17,762,914	(86.98)	2,312,548	17,762,914	(86.98)
Customer Loans and Receivables	24	193,103,942	154,962,712	24.61	193,103,942	154,962,712	24.61
Financial Investments – Available-for-Sale	25	48,038,510	23,780,589	102.01	48,075,921	23,838,151	101.68
Financial Investments – Held-to-Maturity	26	18,147,773	22,438,807	(19.12)	18,229,045	22,520,079	(19.05)
Investment in Subsidiary	27	1,151,929	1,106,113	4.14	-	-	-
Group Balances Receivable	28	30,000	30,000	-	-	-	-
Property, Plant & Equipment	29	3,227,752	2,967,600	8.77	4,875,266	4,575,985	6.54
Leasehold Rights	30	44,316	46,262	(4.21)	600,057	609,413	(1.54)
Investment Properties	31	-	114,429	(100.00)	1,089,920	1,183,224	(7.89)
Intangible Assets	32	249,890	279,820	(10.70)	249,890	279,820	(10.70)
Deferred Tax Assets	33	-	18,030	(100.00)	-	-	-
Other Assets	34	6,755,420	6,647,174	1.63	6,772,672	6,660,185	1.69
Total Assets		296,330,133	249,310,559	18.86	298,585,564	251,557,832	18.69
Liabilities							
Due to Banks	35	19,784,171	11,615,467	70.33	19,784,171	11,615,467	70.33
Derivative Financial Instruments	22	50,013	210,536	(76.24)	50,013	210,536	(76.24)
Customer Deposits	36	224,525,455	185,924,122	20.76	224,525,455	185,924,122	20.76
Securities Sold under Repurchase Agreements		11,409,788	12,419,887	(8.13)	11,409,788	12,419,887	(8.13)
Other Borrowings	37	15,688	14,628	7.25	15,688	14,628	7.25
Group Balances Payable	38	181,266	193,295	(6.22)	-	-	-
Debentures	39	7,179,853	7,655,705	(6.22)	7,179,853	7,655,705	(6.22)
Current Tax Liabilities		506,712	1,323,805	(61.72)	505,278	1,323,290	(61.82)
Deferred Tax Liabilities	33	336,102	-	-	384,771	36,507	953.96
Other Liabilities	40	7,285,408	5,944,575	22.56	7,375,613	6,038,099	22.15
Total Liabilities		271,274,456	225,302,020	20.40	271,230,630	225,238,241	20.42
Equity							
Stated Capital	41	10,529,724	10,529,724	-	10,529,724	10,529,724	-
Statutory Reserve Fund	42	1,187,441	995,894	19.23	1,187,441	995,894	19.23
Retained Earnings		11,125,666	9,083,743	22.48	11,376,269	9,293,830	22.41
Other Reserves	43	2,212,846	3,399,178	(34.90)	3,194,306	4,375,756	(27.00)
Total Equity Attributable to Equity Holders of the Bank		25,055,677	24,008,539	4.36	26,287,740	25,195,204	4.34
Non-Controlling Interest		-	-	-	1,067,194	1,124,387	(5.09)
Total Equity		25,055,677	24,008,539	4.36	27,354,934	26,319,591	3.93
Total Liabilities and Equity		296,330,133	249,310,559	18.86	298,585,564	251,557,832	18.69
Commitments and Contingencies	44	57,222,365	45,098,070	26.88	57,302,098	45,165,070	26.87
Net Assets Value per Share (Rs.)		72.63	69.60	4.36	76.21	73.04	4.34

Notes on pages 261 to 395 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 2016
Colombo



Kapila Ariyaratne

Director/Chief Executive Officer

2015

STATEMENT OF CHANGES IN EQUITY

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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 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 Earnings	42, 43.5	-	-
(3) Total Transactions with Equity Holders		-	-
Balance as at 31st December 2014 (1+2+3)		6,962,722	3,567,002
(1) Balance as at 1st January 2015		6,962,722	3,567,002
Super Gain Tax**		-	-
Adjusted Balance as at 1st January 2015		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 Earnings	42, 43.5	-	-
(3) Total Transactions with Equity Holders		-	-
Balance as at 31st December 2015 (1+2+3)		6,962,722	3,567,002

STATEMENT OF
CHANGES IN EQUITY

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Statutory Reserve Fund *	Retained Earnings	Reserves			Total
		Revaluation Reserve	Available-for-Sale Reserve	Other Reserves	
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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
995,894	9,083,743	651,483	651,222	2,096,473	24,008,539
-	(867,428)	-	-	-	(867,428)
995,894	8,216,315	651,483	651,222	2,096,473	23,141,111
-	3,830,944	-	-	-	3,830,944
-	66,071	-	(1,120,048)	-	(1,053,977)
-	3,897,015	-	(1,120,048)	-	2,776,967
-	(862,401)	-	-	-	(862,401)
191,547	(125,263)	-	-	(66,284)	-
191,547	(987,664)	-	-	(66,284)	(862,401)
1,187,441	11,125,666	651,483	(468,826)	2,030,189	25,055,677

* 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).

** As per the provisions of Part III of the Finance Act, No. 10 of 2015, which was certified on 30th October 2015, the Bank is liable for Super Gain Tax of Rs. 867.4 Mn. According to the Act, the Super Gain Tax shall be deemed to be expenditure in the Financial Statements relating to the Year of Assessment which commenced on 1st 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 24th November 2015.

Notes on pages 261 to 395 form an integral part of these Financial Statements.

STATEMENT OF
CHANGES IN EQUITY

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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 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 Earnings	42, 43.5	-	-	153,930	(363,122)
Changes in Ownership Interest in Subsidiary					
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
(1) Balance as at 1st January 2015		6,962,722	3,567,002	995,894	9,293,830
Super Gain Tax**		-	-	-	(870,371)
Adjusted Balance as at 1st January 2015		6,962,722	3,567,002	995,894	8,423,459
Total Comprehensive Income for the Year					
Profit for the Year		-	-	-	3,855,296
Other Comprehensive Income (net of tax)		-	-	-	65,810
(2) Total Comprehensive Income for the Year		-	-	-	3,921,106
Transactions with Equity Holders, Recognised Directly in Equity					
Dividends	17	-	-	-	(862,401)
Transfers from/to Retained Earnings	42, 43.5	-	-	191,547	(125,263)
Changes in Ownership Interest in Subsidiary					
Acquisition of Non-Controlling Interest without Change in Control		-	-	-	19,368
(3) Total Transactions with Equity Holders		-	-	191,547	(968,296)
Balance as at 31st December 2015 (1+2+3)		6,962,722	3,567,002	1,187,441	11,376,269

STATEMENT OF
CHANGES IN EQUITY

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	Reserves			Total	Non-Controlling Interest	Total Equity
	Revaluation Reserve	Available-for-Sale Reserve	Other Reserves			
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	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
	1,373,590	650,480	2,351,686	25,195,204	1,124,387	26,319,591
	-	-	-	(870,371)	(1,257)	(871,628)
	1,373,590	650,480	2,351,686	24,324,833	1,123,130	25,447,963
	-	-	-	3,855,296	30,653	3,885,949
	5,193	(1,120,359)	-	(1,049,356)	1,959	(1,047,397)
	5,193	(1,120,359)	-	2,805,940	32,612	2,838,552
	-	-	-	(862,401)	(23,364)	(885,765)
	-	-	(66,284)	-	-	-
	-	-	-	19,368	(65,184)	(45,816)
	-	-	(66,284)	(843,033)	(88,548)	(931,581)
	1,378,783	(469,879)	2,285,402	26,287,740	1,067,194	27,354,934

* 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).

** As per the provisions of Part III of the Finance Act, No. 10 of 2015, which was certified on 30th October 2015, the Group is liable for Super Gain Tax of Rs. 871.6 Mn. According to the Act, the Super Gain Tax shall be deemed to be expenditure in the Financial Statements relating to the Year of Assessment which commenced on 1st 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 24th November 2015.

Notes on pages 261 to 395 form an integral part of these Financial Statements.

CASH FLOW STATEMENT

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For the Year ended 31st December	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Cash Flows from Operating Activities				
Interest Receipts	22,615,496	22,780,397	22,630,736	22,795,073
Fees and Commission Receipts	2,811,140	2,347,472	2,810,961	2,347,129
Interest Payments	(11,335,122)	(13,136,112)	(11,318,430)	(13,116,353)
Trading Income	1,474,212	1,172,265	1,473,212	1,172,265
Receipts from Other Operating Activities	77,484	97,451	153,580	156,165
Cash Payments to Employees and Suppliers	(8,907,410)	(8,408,229)	(8,876,496)	(8,407,464)
Cash Payments for Other Operating Activities	(113,694)	(90,267)	(120,450)	(97,009)
Operating Profit before Changes in Operating Assets and Liabilities [Note (a)]	6,622,106	4,762,977	6,753,113	4,849,806
(Increase)/Decrease in Operating Assets:				
Loans and Receivables to Customers	(38,623,971)	(18,785,907)	(38,623,971)	(18,785,907)
Deposits Held for Regulatory or Monetary Control Purposes	(1,131,682)	72,979	(1,131,682)	72,979
Increase/(Decrease) in Operating Liabilities:				
Deposits from Customers	41,395,660	17,669,944	41,395,660	17,669,944
Certificates of Deposit from Customers	(2,043,812)	(143,274)	(2,043,812)	(143,274)
Cash Generated from Operations	6,218,301	3,576,719	6,349,308	3,663,548
Income Tax Paid	(2,371,829)	(722,279)	(2,376,470)	(722,279)
Contribution Paid into Employees Retirement Benefit Plan/to Employees	(123,033)	(214,683)	(123,033)	(214,683)
Net Cash Generated from Operating Activities	3,723,439	2,639,757	3,849,805	2,726,586
Cash Flows from Investing Activities				
Investment in Subsidiary Company	(45,816)	(305,489)	-	-
Dividend Income Received	92,751	40,205	47,195	19,027
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	(29,407,227)	2,924,115	(29,407,227)	2,924,115
Reverse Repurchase Agreements Maturing after 03 Months	-	76,956	-	76,956
Net Proceeds from Sale, Maturity and Purchase of Financial Investments of Shares and Debentures	1,406,427	(1,687,776)	1,423,676	(1,750,186)
Purchase of Property, Plant & Equipment and Intangible Assets	(714,214)	(678,837)	(774,346)	(703,404)
Proceeds from Sale of Property, Plant & Equipment	20,510	15,224	22,678	15,224
Proceeds from Sale of Investment Properties	155,000	-	155,000	10,954
Improvements to Investment Properties	-	-	(30,155)	(24,089)
Net Cash (Used in)/Generated from Investing Activities	(28,492,569)	384,398	(28,563,179)	568,597
Cash Flows from Financing Activities				
Increase/(Decrease) in Debentures	(465,000)	4,404,065	(465,000)	4,404,065
Securities Sold under Repurchase Agreements	(991,147)	7,847,735	(991,147)	7,847,735
Increase/(Decrease) in Other Borrowings	8,823,565	32,755	8,795,981	(214,668)
Dividends Paid – Ordinary Shares	(852,687)	(771,254)	(880,849)	(794,850)
Dividends Paid – Preference Shares	-	(39)	-	(39)
Net Cash Generated from Financing Activities	6,514,731	11,513,262	6,458,985	11,242,243
Net Increase/(Decrease) in Cash and Cash Equivalents	(18,254,399)	14,537,417	(18,254,389)	14,537,426
Cash and Cash Equivalents at beginning of the Year	32,936,491	18,399,074	32,936,531	18,399,105
Cash and Cash Equivalents at end of the Year	14,682,092	32,936,491	14,682,142	32,936,531
Reconciliation of Cash and Cash Equivalents				
Cash and Cash Equivalents – Note 19	7,800,488	6,672,963	7,800,538	6,673,003
Placements with Banks and Finance Companies – Note 21	757,050	2,334,304	757,050	2,334,304
Government of Sri Lanka Treasury Bills/Bonds and Development Bonds Maturing within 03 Months	3,812,006	6,166,310	3,812,006	6,166,310
Securities Purchased under Resale Agreements Maturing within 03 Months	2,312,548	17,762,914	2,312,548	17,762,914
	14,682,092	32,936,491	14,682,142	32,936,531

2015

Note (a) Reconciliation of Operating Profit	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
For the Year ended 31st December				
Profit from Operations before Income Tax	5,776,711	4,649,444	5,822,611	4,835,389
Accrual for Interest Income	(1,126,442)	(203,262)	(1,126,442)	(203,262)
Notional Tax Credit on Government Securities	(409,006)	(423,822)	(409,006)	(423,822)
Accrual for Interest Expenses	821,483	(893,121)	821,483	(893,121)
Fair Value Adjustment on Derivative Instruments	3,406	(76,480)	3,406	(78,081)
Straightlining of Operating Leases	(8,171)	(22,029)	(8,171)	(22,029)
(Gain)/Loss on Revaluation of Foreign Exchange	262,005	(198,120)	262,005	(198,120)
Dividend Income	(92,751)	(40,205)	(47,195)	(19,027)
(Profit)/Loss on Sale of Investment Securities	(27,874)	33,361	(27,874)	33,361
Loss on Marked to Market Valuation on Government of Sri Lanka Treasury Bills/Bonds	194,651	67,188	194,651	67,188
(Gain)/Loss on Marked to Market Valuation on Quoted Equities	48,684	(127,160)	49,684	(127,160)
Profit from Sale of Property, Plant & Equipment	(18,020)	(12,085)	(17,188)	(12,085)
Profit from Sale of Investment Properties	(40,571)	-	(40,571)	(257)
Depreciation of Freehold Property, Plant & Equipment	414,414	393,587	442,711	420,126
Depreciation of Leasehold Rights	1,946	2,024	9,356	9,434
Depreciation of Investment Properties	-	-	9,030	8,905
Amortisation of Intangible Assets	67,088	62,950	67,088	62,950
Impairment for Loans and Receivables	488,896	2,291,931	488,896	2,291,931
Amortisation of Prepaid Staff Cost	174,853	244,746	175,051	245,014
Accrual for VAT and NBT on Financial Services	113,573	14,821	113,573	14,821
Accrual for Employee Retirement Benefit Liability	63,005	72,285	62,761	71,977
Impairment Reversal on Financial Investments	-	(22,411)	-	(22,411)
Accrual for Leave Encashment	3,156	28,226	3,156	28,226
Accrual for Other Expenses	143,539	107,294	136,567	91,183
Impairment on Investment Properties	-	-	-	(141,618)
Net Gain on Financial Investments – Government Securities and Equities	(232,469)	(1,186,185)	(232,469)	(1,189,706)
Operating Profit before Changes in Operating Assets and Liabilities	6,622,106	4,762,977	6,753,113	4,849,806

Notes on pages 261 to 395 form an integral part of these Financial Statements.

CHANGE IN OPERATING ASSETS AND LIABILITIES
[INCREASE/(DECREASE)]

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	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Change in Assets				
Operating Assets				
Loans and Receivables	38,623,971	18,785,907	38,623,971	18,785,907
Balances with Central Bank	1,131,682	(72,979)	1,131,682	(72,979)
Investing Assets				
Sri Lanka Treasury Bills/Bonds and Development Bonds Maturing after 03 Months	29,407,227	(2,924,115)	29,407,227	(2,924,115)
Securities Purchased under Resale Agreements Maturing after 03 Months	-	(76,956)	-	(76,956)
Investments in Equities and Debentures (Net of Disposal)	(1,406,427)	1,687,776	(1,423,676)	1,750,186
Other Assets	46,890	1,030,006	51,131	1,005,284
Total	67,803,343	18,429,639	67,790,335	18,467,327
Change in Liabilities				
Operating Liabilities				
Deposits and Certificates of Deposit	39,351,848	17,526,670	39,351,848	17,526,670
Financing Liabilities				
Debentures	(465,000)	4,404,065	(465,000)	4,404,065
Securities Sold under Repurchase Agreements	(991,147)	7,847,735	(991,147)	7,847,735
Borrowings	8,169,764	73,151	8,169,764	73,151
Other Liabilities	1,180,310	787,162	1,176,991	774,482
Total	47,245,775	30,638,783	47,242,456	30,626,103

Notes on pages 261 to 395 form an integral part of these 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 2015 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 2015 is 3,085 (2014 - 2,947).

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 Changes in Equity and Cash Flow Statement have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) 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 2016.

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
Notes 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.

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.

Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax

As per the Provisions of Part III of the Finance Act No. 10 of 2015 which was certified on 30th October 2015, the Company is liable for Super Gain Tax of Rs. 867.4 Mn. (Group Rs. 871.6 Mn.) . 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 1st 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 24th November 2015.

This SoAT supersedes paragraph 46 of LKAS 12-‘Income Tax’. 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.

As per the SoAT, Super Gain Tax expense is deemed to be an expenditure for the year ended 31st December 2013, it should be recorded as an adjustment to the opening retained earnings reported in the Statement of Changes in Equity as at 1st January 2015.

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 the Subsidiary are included in the Financial Statements from the date that control effectively commences until the date that control effectively ceases.

The accounting policies of the Subsidiary 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 (70.42%). 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 are 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 invitees are eliminated to the extent of the Group's interest in the invitee 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 interest is 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 53.

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.

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 or loss are recognised in the Consolidated Income Statement while any changes in fair value for available-for-sale financial assets are recognised in the Statement of 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.

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 are 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.

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, cancelled or expired.

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.

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

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 Bank 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 53.

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 53 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 and 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 or 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.

	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 Leasehold 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

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 & 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

4.15.1 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.

4.15.2 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 has 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.

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, Commission and Other Income

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 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.

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 are 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 comprises 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.

4.23.7 Super Gain Tax

The Interim Budget presented by the Honourable Minister of Finance on 29th January 2015, proposed an additional one-off tax of 25% on entities that earned a profit before income tax in excess of Rs. 2,000 Mn. during the year of assessment 2013/14. The Finance Bill incorporating this proposal was

presented to the Parliament on 22nd September 2015 and passed on 20th October 2015.

The consolidated profit before tax of the Group and that of the Bank exceeds the above threshold of Rs. 2,000 Mn. Accordingly, the Bank and the Group is liable for the said Super Gain Tax. As per the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax under Part III of the Finance Act No. 10 of 2015, the Super Gain Tax expense is deemed to be an expenditure for the year ended 31st December 2013, it should be recorded as an adjustment to the opening retained earnings reported in Statement of Changes in Equity as at 1st January 2015.

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 the 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 the 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, the 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.

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.

a. 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.

b. 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’ and LKAS 11 – ‘Construction Contracts’.

SLFRS 15 is effective for Annual Reporting 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 15.

c. ‘Regulatory Deferral Accounts’ (SLFRS 14) – Effective date 1st January 2016.

The standard is not expected to have any material impact on the Financial Statements of the Group.

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, the Audit Committee and the Board Credit 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 the Group, through its training and management standards and procedures, aim 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 Credit 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.

Exposure to Credit Risk

The table below sets 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	Investment Debt Securities AFS, HTM and Reverse Repos	Loans and Receivables to Customers	Investment Debt Securities AFS, HTM and Reverse Repos
	2015 Rs. '000	2015 Rs. '000	2014 Rs. '000	2014 Rs. '000
Assets at Amortised Cost				
Individually Impaired:				
Grade 3: Impaired	157,724		1,009,920	
Grade 4: Impaired	189,856		519,768	
Grade 5: Impaired	654,182		533,773	
Grade 6: Impaired	4,320,766		5,688,955	
Gross Amount (a)	5,322,528		7,752,416	
Allowance for Impairment (b)	2,019,537		2,336,572	
Carrying Amount (a) – (b)	3,302,991		5,415,844	
Collectively Impaired:				
Grade 3: Impaired	825,951		1,388,783	
Grade 4: Impaired	643,159		952,422	
Grade 5: Impaired	514,204		801,631	
Grade 6: Impaired	3,894,552		4,025,836	
Gross Amount (c)	5,877,866		7,168,672	
Allowance for Impairment (d)	3,718,492		4,675,710	
Carrying Amount (c) – (d)	2,159,374		2,492,962	
Past Due but not Impaired:				
Grade 1–2: Watch List	16,394,723		20,174,023	
Carrying Amount (e)	16,394,723		20,174,023	
Past Due but not Impaired Comprises:				
01–59 days	12,307,205		17,346,095	
60–89 days	4,087,518		2,827,928	
Carrying Amount				
Neither Past Due nor Impaired:				
Grade 0:	171,246,854		126,879,883	
Carrying Amount (f)	171,246,854		126,879,883	
Loans and Receivables (Gross) (a+c+e+f)	198,841,971		161,974,994	
Less–Allowance for Impairment (b) + (d)	5,738,029		7,012,282	
Available-for-Sale Investment Securities				
Quoted Debentures		847,835		498,234
Gross Amount		847,835		498,234
Fair Value Gain/(Loss)		(67,432)		12,353
Carrying Amount (i)		780,403		510,587
Treasury Bills and Bonds		47,522,747		21,880,747
Gross Amount		47,522,747		21,880,747
Fair Value Gain/(Loss)		(1,597,668)		4,471
Carrying Amount (ii)		45,925,079		21,885,218
Carrying Amount – Available-for-Sale Investment Securities (g) = (i + ii)		46,705,482		22,395,805
Held-to-Maturity Investment Securities (h)		18,147,773		22,438,807
Securities Purchased Under Resale Agreements (j)		2,312,548		17,762,914
Total Carrying Amount a-b+c-d+e+f and g+h+j	193,103,942	67,165,803	154,962,712	62,597,526

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 grade 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 Bank's 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.

	Loans and Receivables					
	Individually Impaired 2015	Collectively Impaired 2015	Total 2015	Individually Impaired 2014	Collectively Impaired 2014	Total 2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Amount	5,322,528	5,877,866	11,200,394	7,752,416	7,168,672	14,921,088
Less: Allowance for Impairment	2,019,537	3,718,492	5,738,029	2,336,572	4,675,710	7,012,282
Carrying Amount	3,302,991	2,159,374	5,462,365	5,415,844	2,492,962	7,908,806

Write-off Policy

The Bank writes-off a loan or an investment debt security balance and any related allowances for impairment losses, when the Bank 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.

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 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.

Collateral Type	2015 Rs. '000	2014 Rs. '000
Documentary Bills (Excluding Export Bills Purchased at Current Exchange Rate)	460,584	198,835
Government Securities	11,627	80,807
Stocks, Bonds, Debentures, Sundries Including Life Policies	6,919,419	4,637,784
Fixed, Savings, Other Deposits and Pawning	48,236,442	39,584,087
Stock-in-Trade	4,949,413	5,262,308
Immovable Property, Plant & Machinery	83,758,616	69,899,873
Personal Guarantees and Promissory Notes	10,308,347	8,457,111
Trust Receipts	3,351,285	3,616,491
Leasing Agreements and Motor Vehicles	17,574,181	12,155,346
Other Securities	15,562,086	10,675,908
	191,132,000	154,568,550
On Clean Basis	7,709,971	7,406,444
Total	198,841,971	161,974,994

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 2015 %
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 Other Customers		
Finance Leases	Motor Vehicles and Equipment	100
Other Lending to Other Customers	Commercial Property, Floating Charges over Other Loans and Receivables	96
Securities Purchased under Resale Agreements	Marketable Securities	100

Details of financial and non-financial assets obtained by the Bank as at 31st December 2015 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 below:

Foreclosed Properties	2015		2014	
	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	810,971	1,839,468	946,968	1,830,719
Additions during the Year	63,276	149,250	261,655	248,085
Disposal during the Year	(340,655)	(422,335)	(107,298)	(318,391)
Changes in the Fair Value	-	-	-	79,055
Write-Down Against Available Provisions	(162)	-	(290,354)	-
Balance as at 31st December	533,430	1,566,383	810,971	1,839,468

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 geographical location. An analysis of concentrations of credit risk of loans and receivables at the Reporting date is shown below:

Industry/Sector	2015 Rs. '000	2014 Rs. '000
Agriculture and Fishing	20,428,830	15,732,682
Manufacturing	24,351,199	19,972,202
Tourism	12,133,427	8,749,343
Transport	13,404,195	7,190,974
Construction	20,035,613	19,043,307
Traders	44,927,045	33,007,040
New Economy	1,478,977	862,471
Financial and Business Services	23,069,741	23,087,741
Infrastructure	2,533,766	2,812,428
Other Services	9,517,149	8,840,272
Other*	26,962,029	22,676,534
Total	198,841,971	161,974,994

* The pawning portfolio which is considered under 'others' includes part of agricultural lending.

Concentration by Location	Loans and Receivables to Customers	
	2015 Rs. '000	2014 Rs. '000
Province		
Central	8,885,702	7,722,958
Eastern	5,573,392	4,972,206
Northern	4,391,528	3,557,928
North-Central	3,249,413	2,918,788
North-Western	8,877,357	5,998,043
Sabaragamuwa	8,155,147	7,978,933
Southern	9,835,827	7,510,817
Uva	2,000,426	1,578,096
Western	147,873,179	119,737,225
Total	198,841,971	161,974,994

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:

	2015 Rs. '000	2014 Rs. '000
Financial Assets Held-for-Trading	6,016,572	2,525,225
Derivatives	130,055	191,411
Investment Securities:		
Financial Investments Available-for-Sale	48,038,510	23,780,589
Financial Investments Held-to-Maturity	18,147,773	22,438,807

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 the 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 up to 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.

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 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:

	2015		2014	
	DBU %	FCBU %	DBU %	FCBU %
At 31st December	27.56	21.51	27.60	21.86
Average for the year	27.86	23.85	29.10	25.85
Maximum for the year	30.75	28.10	31.05	29.69
Minimum for the year	24.87	21.51	25.16	21.86

Maturity analysis for the financial liabilities is shown below with their undiscounted impact over the future periods to explain the contractual liability.

Financial Liabilities – 2015

	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					
Due to Banks and Other Borrowings	9,881,575	10,164,904	630,931	-	20,677,410
Deposits from Customers	111,000,070	104,739,721	12,958,783	8,027,057	236,725,631
Debentures	205,091	-	2,872,332	6,051,823	9,129,246
Securities Sold Under Repurchase Agreements	10,159,074	1,503,805	-	-	11,662,879
Derivative Liabilities					
Derivative Financial Instruments	50,013	-	-	-	50,013

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					
Due to Banks and Other Borrowings	8,348,275	4,478,548	578,173	331,642	13,736,638
Deposits from Customers	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					
Derivative Financial Instruments	210,536	-	-	-	210,536

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.

Liquidity Reserve

The table below sets out the components of Bank's liquid assets that are held for the liquidity purpose:

	2015 Carrying Amount Rs. '000	2015 Fair Value Rs. '000
Cash and Short-Term Funds*	7,800,488	7,800,488
Placements with Banks and Finance Companies*	757,050	757,050
Balances with Central Bank*	8,563,888	8,563,888
Reverse Repos*	2,312,548	2,312,548
Treasury Bills/Bonds (Net of Repos)	56,704,378	56,827,109
Bills Purchased*	2,384,068	2,384,068
Total Liquidity Reserve	78,522,420	78,645,151

* The carrying amounts approximate their fair values as they are short-term in nature (less than twelve months).

288 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 2015 and 31st December 2014:

	2015			
	Encumbered		Unencumbered	
	Pledged as Collateral Rs. '000	Other Rs. '000	Other Rs. '000	Total Rs. '000
Cash and Cash Equivalents	-	-	7,800,488	7,800,488
Placements with Banks	-	-	757,050	757,050
Assets Held-for-Trading	-	-	6,016,572	6,016,572
Loans and Receivables	-	-	193,103,942	193,103,942
Investment Securities	11,409,788	-	54,776,495	66,186,283
Other Assets	-	-	22,465,798	22,465,798
Total Assets	11,409,788	-	284,920,345	296,330,133

	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

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.

	2015		
	Carrying Amount Rs. '000	Trading Portfolios Rs. '000	Non-Trading Portfolios Rs. '000
Assets Subject to Market Risk			
Assets Held-for-Trading	6,016,572	6,016,572	-
Derivative Financial Instruments	130,055	130,055	-
Placements with Banks	757,050	-	757,050
Loans and Receivables to Customers	193,103,942	-	193,103,942
Financial Investments – Available-for-Sale	48,038,510	-	48,038,510
Securities Purchased under Resale Agreements	2,312,548	-	2,312,548
	250,358,677	6,146,627	244,212,050
Liabilities Subject to Market Risk			
Derivative Financial Instruments	50,013	50,013	-
Customer Deposits	224,525,455	-	224,525,455
Debentures	7,179,853	-	7,179,853
Due to Banks and Other Borrowings	19,799,859	-	19,799,859
Securities Sold under Repurchase Agreements	11,409,788	-	11,409,788
	262,964,968	50,013	262,914,955
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	-
Placements with 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	2,716,636	198,840,519
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
Due to Banks and Other Borrowings	11,630,095	-	11,630,095
Securities Sold under Repurchase Agreements	12,419,887	-	12,419,887
	217,840,345	210,536	217,629,809

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)

VaR is a statistical method of measuring the potential loss due to market risk based upon a common confidence interval and time horizon. The Bank calculates VaR daily using a 99% confidence level, and a one-day holding period for its trading portfolios. VaR is an important tool in risk management and is used for measuring quantifiable risks from our trading portfolios exposed to market risk on a daily basis.

Our VaR model is predominantly based on historical simulation which derives plausible future trading losses from the analysis of historic market prices and the model is responsive to changes in volatility.

A summary of the VaR position of the Bank as at 31st December 2015 and 2014 is as follows:

The Monthly Average, Maximum and Minimum Values of VaR						
For the year ended 31st December	2015			2014		
	Average Rs. Mn.	High Rs. Mn.	Low Rs. Mn.	Average Rs. Mn.	High Rs. Mn.	Low Rs. Mn.
VaR (99%)						
Interest Rate Risk	28.01	98.93	2.22	25.00	56.00	2.00
Equity Risk	0.46	2.56	0.12	4.00	9.00	2.00
Foreign Exchange Risk	1.99	11.01	0.08	0.55	1.14	0.29
Sum of Above	30.46	112.50	2.42	29.55	66.14	4.29

The Changes in VaR between Reporting periods are generally due to changes in positions, volatilities and/or correlations between asset classes. However it should be noted that by simply adding of the value-at-risk figures of the individual risk classes to arrive at an aggregate value-at-risk does not imply the assumption that the losses in all risk categories occur simultaneously.

Exposure to Interest Rate Risk on the Banking Book (IRRBB)

In general, the Bank’s financial positions are sensitive towards the fluctuations in market interest rates. While on one hand, the portfolio of tradable financial instruments, in particular bonds are subject to continuous valuation at current interest rates, on the other hand, asset and liability positions in non-traded financial instruments are prone to valuation according to the best estimate of the market value that would prevail if they were traded or settled at the moment of valuation.

The Bank uses detailed assessments of the potential effects of interest rate changes on both earnings EAR (i.e. net interest income) and economic value EVE using

simulations. The simulation of changes in the level of interest rates allows for an approximation to the magnitude of the variation in net worth and earnings, assessed at market values.

In these terms, interest rate risk, which results from changes in the value of financial instruments induced by changes in interest rates, is included in the broadest category of market risks. However it is not associated with default risk where the Bank does not consider situations where, as a result of changes in the level of interest rates, default on contractual lending takes place (the most significant example being the non-payment of principal and interest of loans and receivables). The simulation also does not consider the capital gains derived by the Bank through bond trading at the time of decrease in interest rates in the market.

In measuring EAR the Bank follows a static simulation analysis method, where the simulation focuses on the cash flows arising from the current On and Off-Balance Sheet positions for the term over which the change in net interest income is to be measured.

The management of interest rate risk against interest rate gaps is monitored by the sensitivity of the Bank's interest sensitive assets and liabilities to a parallel shift in various 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 and is used to measure both EAR and EVE.

An analysis of the Bank's sensitivity to an increase or decrease in market interest rates 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 2016 (EAR)						
As at 31st December 2014	99.52	(99.52)	199.04	(199.04)	248.80	(248.80)
As at 31st December 2015	214.66	(214.66)	429.33	(429.33)	536.66	(536.66)

Maturity Gaps

A summary of the Bank's total assets and liabilities as at 31st December, based on the remaining period at the Reporting date to the respective cash flow/maturity dates together with the maturity gaps is 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 2015					
Interest Earning Assets					
Placements with Banks	757,050	757,050	-	-	-
Loans and Receivables to Customers	193,103,942	96,670,943	38,179,097	49,251,289	9,002,613
Investments Excluding Equities	70,860,527	3,812,006	10,159,495	35,406,885	21,482,141
Securities Purchased Under Resale Agreements	2,312,548	2,312,548	-	-	-
Non-Interest Earning Assets	29,296,066	22,409,148	4,956	119,227	6,762,735
Total Assets	296,330,133	125,961,695	48,343,548	84,777,401	37,247,489
Interest-Bearing Liabilities					
Deposits from Customers	206,780,908	91,488,676	98,374,867	10,852,343	6,065,022
Due to Banks and Other Borrowings	19,799,859	9,724,285	9,547,200	528,374	-
Securities Sold Under Repurchase Agreements	11,409,788	9,997,367	1,412,421	-	-
Debentures	7,179,853	201,826	-	6,978,027	-
Group Balances Payable	171,394	6,882	14,512	150,000	-
Non-Interest Bearing Liabilities	50,988,331	25,932,654	-	-	25,055,677
Total Liabilities and Equity	296,330,133	137,351,690	109,349,000	18,508,744	31,120,699
Gaps	-	(11,389,995)	(61,005,452)	66,268,657	6,126,790

	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 Equities	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
Due to Banks 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	–	–
Debentures	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 and Equity	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)

Exposure to Other Market Risk

Equity Price Risk

Market risk limit measures for share investments are typically based on marking-to-market and stop-loss measures. These limits are binding and monitored on a daily basis and are generally set to ensure that any meaningful increase in risk exposures is promptly escalated to the senior levels of management.

The sensitivity analysis of our share investments helps the Bank to understand and mitigate the risk the Bank is exposed due to the vulnerability of price risk.

A sensitivity analysis of the Share Trading Portfolio is shown below at shock level of 10%, 15% and 20%, as at 31st December 2015 and 2014:

2015			2014		
Equity Trading Portfolio			Equity Trading Portfolio		
	Investment Rs. Mn.	Market Value Rs. Mn.		Investment Rs. Mn.	Market Value Rs. Mn.
As at 31st December	9.4	9.3		85.5	93.5
At Shock Levels of	Impact on Income Statement due to Fall in Market Value Rs. Mn.	Adjusted Portfolio Value Rs. Mn.	At Shock Levels of	Impact on Income Statement due to Fall in Market Value Rs. Mn.	Adjusted Portfolio Value Rs. Mn.
%			%		
-10.00	1.0	8.3	-10.00	9.3	84.2
-15.00	1.5	7.8	-15.00	14.0	79.5
-20.00	2.0	7.3	-20.00	18.7	74.8

Foreign Currency Risk

The Bank's Treasury manages the foreign exchange risk in the forefront and the middle office does a daily monitoring and measuring of the risk arises from the foreign exchange exposure.

The foreign currency trading risk is mainly managed through the Net Open Position (NOP) which is regulated through a limit imposed by the Central Bank of Sri Lanka (CBSL). In addition the management has implemented trading limits, dealer limits and stop loss limits to minimise the risk which trigger due to the volatility and uncertainty of the exchange rate movements.

The Bank though at certain instances maintained a short foreign exchange open position due to market conditions which prevailed at certain junctures has more often maintained a long position having a strategic view of the exchange rate movements during the year.

Given below are the foreign currency exposures and their rupee equivalent in the major currencies, in which the Bank trades in:

	In Original Foreign Currency		Functional Currency of the Bank	
	2015 '000	2014 '000	2015 Rs. '000	2014 Rs. '000
Net Foreign Currency Exposure				
Great Britain Pound	3	2	636	329
United States Dollar	1,734	1,224	249,660	161,463
Euro	(69)	5	(10,808)	827
Japanese Yen	(7,821)	(558)	(9,347)	(617)
Australian Dollar	15	14	1,537	1,531

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% 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 2015				NOP as on 31st December 2014			
	USD '000	Rs. '000	Exchange Rate (Rs.)		USD '000	Rs. '000	Exchange Rate (Rs.)
NOP	1,898	273,343	144.00	NOP	1,396	184,142	131.95
At Shock Levels of %	Exchange Rate After Shock	Revised Rupee Position Rs. '000	Effect on Income Statement Rs. '000	At Shock Levels of %	Exchange Rate After Shock	Revised Rupee Position Rs. '000	Effect on Income Statement Rs. '000
1.50	146.16	277,443	4,100	1.50	133.93	186,904	2,762
2.50	147.60	280,177	6,834	2.50	135.25	188,745	4,603
3.50	149.04	282,910	9,567	3.50	136.57	190,587	6,445

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.

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	
	2015 Rs. Mn.	2014 Rs. Mn.	2015 Rs. Mn.	2014 Rs. Mn.
Total Tier I Capital	23,881	21,854	24,643	22,653
Total Tier I & Tier II Capital	25,098	23,402	25,829	24,170
Total Risk – Weighted Assets	195,034	158,923	197,395	161,339
Off–Balance Sheet Exposure	11,749	8,964	11,816	9,031
Capital Adequacy Ratios				
Tier I (%)	12.24	13.75	12.48	14.04
Tier I & Tier II (%)	12.87	14.73	13.08	14.98

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 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 measured at amortised cost 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 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).

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.

	2015			2014		
	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	5,578,985	437,587	-	1,484,736	1,040,489	-
Derivative Financial Instruments	-	130,055	-	-	191,411	-
Financial Investments Available-for-Sale	42,169,270	5,482,329	386,911	19,699,810	3,857,161	223,618
Trading Liabilities						
Derivative Financial Instruments	-	50,013	-	-	210,536	-

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:

	2015 Rs. '000	2014 Rs. '000
Financial Investments – Available-for-Sale (Level 3)		
Balance as at 1st January	223,618	105,569
Total Fair Value Gain in Other Comprehensive Income	163,293	118,049
Balance as at 31st December	386,911	223,618

ii. Unobservable Inputs used in Measuring Fair Value

The table below sets out information about significant unobservable inputs used as at 31st December 2015 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of Financial Instrument	Fair Values as at 31st December 2015 Rs. '000	Valuation Technique	Significant Unobservable Input	Fair Value Measurement Sensitivity to Unobservable Inputs
Investment in Unquoted Equities	386,911	Net Assets per Share	None	None

298 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 2015	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 Equities	163,293	(163,293)	163,293	(163,293)
Total	163,293	(163,293)	163,293	(163,293)

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 2015		31st December 2014	
	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Financial Assets				
Cash and Cash Equivalents	7,800,488	7,800,488	6,672,963	6,672,963
Securities Purchased under Resale Agreements	2,312,548	2,312,548	17,762,914	17,762,914
Customer Loans and Receivables	193,103,942	193,435,580	154,962,712	155,476,207
Financial Investments Held-to-Maturity	18,147,773	18,144,122	22,438,807	23,025,404
Other Assets	3,854,350	3,854,350	3,321,826	3,321,826
Financial Liabilities				
Due to Banks and Other Borrowings	19,799,859	19,799,859	11,630,095	11,630,095
Customer Deposits	224,525,455	224,525,455	185,924,122	185,924,122
Securities Sold under Repurchase Agreements	11,409,788	11,409,788	12,419,887	12,419,887
Debentures	7,179,853	7,637,795	7,655,705	8,119,297
Other Liabilities	5,580,398	5,580,398	4,431,775	4,431,775

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:

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 70% of the total portfolio of loans and receivables to customers has 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,

31st December 2015	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial Assets				
Cash and Cash Equivalents	-	7,800,488	-	7,800,488
Securities Purchased under Resale Agreements	2,312,548	-	-	2,312,548
Loans and Receivables to Customers	-	-	193,435,580	193,435,580
Held-to-Maturity Investment Securities	8,762,719	1,128,597	8,252,806	18,144,122
Other Assets	-	-	3,854,350	3,854,350
Financial Liabilities				
Due to Banks and Other Borrowings	-	-	19,799,859	19,799,859
Customer Deposits	-	-	224,525,455	224,525,455
Securities Sold under Repurchase Agreements	11,409,788	-	-	11,409,788
Debentures	-	7,637,795	-	7,637,795
Other Liabilities	-	-	5,580,398	5,580,398

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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 2015 was Rs. 11,249 Mn. and Rs. 15,064 Mn. as against the carrying value which amounted to Rs. 11,059 Mn. and Rs. 14,922 Mn. respectively.

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 of 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 97% 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 92% 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. 7,638 Mn. as at 31st December 2015 as against its carrying value which amounted to Rs. 7,180 Mn.

	BANK		GROUP	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
6 Income				
Interest Income (Note 7)	24,151,349	23,407,481	24,166,589	23,422,157
Fee and Commission Income (Note 8.1)	2,811,140	2,347,472	2,810,961	2,347,129
Net Trading Income (Note 9)	1,254,941	1,077,236	1,253,941	1,078,837
Net Gain on Financial Investments (Note 10)	232,469	1,186,185	232,469	1,189,706
Other Operating Income – Net (Note 11)	136,182	545,981	164,890	590,597
Total Income	28,586,081	28,564,355	28,628,850	28,628,426

	BANK		GROUP	
	2015	2014	2015	2014
7 Net Interest Income				
Interest Income				
Placements with Banks	49,706	21,690	49,706	21,690
Customer Loans and Receivables*	18,044,049	18,210,805	18,043,127	18,210,724
Sri Lanka Government Securities**	5,273,511	4,875,291	5,273,666	4,876,009
Debentures – Available-for-Sale	66,933	39,355	70,888	41,162
Debentures – Held-to-Maturity	247,121	260,340	258,746	271,965
Other***	470,029	–	470,456	607
Total Interest Income	24,151,349	23,407,481	24,166,589	23,422,157

* Interest Income on Customer Loans and Receivables includes interest accrued on impaired loans of Rs. 352,708,753/- in 2015. (Rs. 593,881,353/- for 2014).

** 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. 409,005,873/- as notional tax credit for the year 2015 (Rs. 423,822,384/- for 2014).

*** Comprises interest subsidy on the Special Deposit Scheme for citizens over 60 years, introduced by the Government of Sri Lanka (CBSL Circular No. 02/17/600/0016/003 dated 13th March 2015).

	BANK		GROUP	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Expenses				
Due to Banks and Other Borrowings	511,622	546,861	511,806	546,861
Customer Deposits	10,195,782	10,844,904	10,195,751	10,839,413
Securities Sold under Repurchase Agreements	833,874	484,621	832,779	478,278
Debentures	784,688	366,605	768,938	358,680
Total Interest Expenses	12,325,966	12,242,991	12,309,274	12,223,232
Net Interest Income	11,825,383	11,164,490	11,857,315	11,198,925

	BANK		GROUP	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
7.1 Net Interest Income from Sri Lanka Government Securities				
Interest Income	5,273,511	4,875,291	5,273,666	4,876,009
(Less): Interest Expenses	833,874	484,621	832,779	478,278
Net Interest Income from Sri Lanka Government Securities	4,439,637	4,390,670	4,440,887	4,397,731

	BANK		GROUP	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
8 Net Fee and Commission Income				
8.1 Fee and Commission Income				
Fee Income	875,732	813,400	875,553	813,057
Commission Income	1,935,408	1,534,072	1,935,408	1,534,072
Total Fee and Commission Income	2,811,140	2,347,472	2,810,961	2,347,129
Comprising				
Loans	668,519	515,914	668,519	515,914
Cards	649,680	510,695	649,680	510,695
Trade and Remittances	677,119	537,632	677,119	537,632
Deposits	100,929	125,871	100,750	125,528
Guarantees	276,204	226,334	276,204	226,334
Other Financial Services	438,689	431,026	438,689	431,026
Total Fee and Commission Income	2,811,140	2,347,472	2,810,961	2,347,129

8.2 Fee and Commission Expenses				
Commission Expenses	113,694	90,267	120,450	97,009
Total Fee and Commission Expenses	113,694	90,267	120,450	97,009
Comprising				
Brokerage Fees	27,856	33,431	27,856	40,173
Cards	39,345	21,389	39,345	21,389
Other Financial Services	46,493	35,447	53,249	35,447
Total Fee and Commission Expenses	113,694	90,267	120,450	97,009
Total Net Fee and Commission Income	2,697,446	2,257,205	2,690,511	2,250,120

	BANK		GROUP	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
9 Net Trading Income				
Foreign Exchange*	1,047,217	260,650	1,047,217	260,650
Derivative Financial Instruments	99,166	76,480	99,166	76,480
Other Financial Assets Held-for-Trading	108,558	740,106	107,558	741,707
Total Net Trading Income	1,254,941	1,077,236	1,253,941	1,078,837

* Includes Exchange Gain/(Loss) on Gold Trading.

10 Net Gain on Financial Investments

Available-for-Sale				
Debentures	-	775	-	775
Equities	43,914	36,049	43,914	36,049
Government Securities	188,555	1,149,361	188,555	1,152,882
Total Net Gain on Financial Investments	232,469	1,186,185	232,469	1,189,706

	BANK		GROUP	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000

11 Other Operating Income – Net

Dividend Income				
Trading Equities	29,841	2,089	29,841	2,089
Available-for-Sale Investment – Quoted	11,713	10,442	11,713	10,442
Available-for-Sale Investment – Unquoted	5,641	6,496	5,641	6,496
Investment in Subsidiary	45,556	21,178	-	-
Profit on Sale of Property, Plant & Equipment	18,020	12,085	17,188	12,085
Profit on Sale of Investment Properties	40,571	-	40,571	257
Gain/(Loss) on Revaluation of Foreign Exchange	(262,005)	198,120	(262,005)	198,120
Recovery of Loans Written-Off	77,484	140,944	77,484	140,944
Others	169,361	154,627	244,457	220,164
Total Other Operating Income – Net	136,182	545,981	164,890	590,597

12 Net Impairment Loss

Loans and Receivables (Note 12.1)	488,896	2,291,931	488,896	2,291,931
Financial Investments (Note 12.2)	-	(22,411)	-	(22,411)
Investment Properties	-	-	-	(134,795)
Total Net Impairment Loss	488,896	2,269,520	488,896	2,134,725

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
12.1 Loans and Receivables				
Net Impairment Loss – Individual (Note 24.3.1)	841,302	2,021,892	841,302	2,021,892
Net Impairment Loss – Collective (Note 24.3.2)	(370,141)	60,661	(370,141)	60,661
Loans Written–Off*	17,735	209,378	17,735	209,378
Total Net Impairment Loss on Loans and Receivables	488,896	2,291,931	488,896	2,291,931

* Includes pawning auction losses amounting to Rs. 3,054,382/- for 2015 (Rs. 180,135,796/- for 2014).

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
12.2 Financial Investments				
Available-for-Sale Investment Securities (Note 12.2.1)	-	(22,411)	-	(22,411)
Total Net Impairment Reversal on Financial Investments	-	(22,411)	-	(22,411)

12.2.1 Available-for-Sale Investment Securities

Equities

Quoted*	-	(22,411)	-	(22,411)
Total Net Impairment Reversal on Available-for-Sale Investment Securities	-	(22,411)	-	(22,411)

* Reversal of Impairment on disposals during 2014.

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
13 Operating Expenses				
Operating Expenses include the following:				
Directors' Emoluments	32,058	2,918	32,920	3,608
Auditors' Remunerations				
Audit Fees and Expenses	8,381	8,119	9,303	9,036
Audit-Related Fees and Expenses	4,477	4,134	4,477	4,134
Non-Audit Services	366	359	463	443
Depreciation – Freehold Property, Plant & Equipment (Note 29)	414,414	393,587	442,711	420,126
Depreciation – Leasehold Rights (Note 30)	1,946	2,024	9,356	9,434

	BANK		GROUP	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Depreciation – Investment Properties (Note 31)	-	-	9,030	8,905
Amortisation of Intangible Assets (Note 32)	67,088	62,950	67,088	62,950
Donations	436	935	858	1,885
Legal Expenses	81,262	74,210	81,362	75,396
Sri Lanka Deposit Insurance Fund Contribution	161,350	149,918	161,350	149,918
Operating Lease Expenses	480,812	413,073	480,812	413,073
Crop Insurance Levy	38,307	30,785	38,307	30,785

	BANK		GROUP	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000

14 Personnel Expenses

Personnel Expenses include the following:

Salaries and Wages	2,355,912	2,135,629	2,372,144	2,150,750
Contribution to Employees' Provident Fund	282,259	256,241	284,305	258,156
Contribution to Employees' Trust Fund	70,572	64,068	71,083	64,547
Provision for Defined Benefit Obligations (Note 40.1.6)	63,005	72,285	62,761	71,977
Amortisation of Prepaid Staff Cost	174,853	244,746	175,051	245,014
Other	1,247,534	1,153,392	1,256,606	1,166,972
Total Personnel Expenses	4,194,135	3,926,361	4,221,950	3,957,416

15 Income Tax Expense

The components of income tax expense for the years ended 31st December 2015 and 2014 are:

15.1 Current Tax Expense

- Income Tax on Current Year's Profits (Note 15.2)	1,401,425	1,634,465	1,401,653	1,637,067
- Over Provision in Respect of Previous Years	(227,940)	(155,680)	(228,523)	(155,686)
Deferred Taxation				
- Transfer to Deferred Taxation (Note 33)	772,282	92,057	763,532	101,438
Total Income Tax Expense	1,945,767	1,570,842	1,936,662	1,582,819

- i. Current tax on profits has been computed at the rate of 28% on the taxable income arising from banking activities.
- ii. The Subsidiary has computed taxation based on the rate applicable for such company.

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
15.2 Reconciliation of the Accounting Profit to Income Tax Expense				
Profit Before Income Tax	5,776,711	4,649,444	5,822,611	4,835,389
Less: Profit from Leasing Activities	414,345	284,463	414,345	284,463
Profit from Banking Activities	5,362,366	4,364,981	5,408,266	4,550,926
Add: Disallowable Expenses	2,176,110	2,602,407	2,368,440	2,603,946
Less: Allowable Expenses	2,170,839	665,530	2,294,369	749,428
Exempt/Allowable Income	362,551	464,482	500,131	564,863
Add: Tax Losses from Subsidiary	-	-	22,884	-
Business Income	5,005,086	5,837,376	5,005,090	5,840,581
Income from Other Sources	-	-	1,250	12,552
Business Income from Banking Activities	5,005,086	5,837,376	5,006,340	5,853,133
Business Income/(Loss) from Leasing Activities	211,125	(203,127)	211,125	(203,127)
Total Statutory Income	5,216,211	5,837,376	5,217,465	5,853,133
Less: Tax Loss Set-Off (Note 15.3)	211,125	-	211,562	5,515
Assessable Income	5,005,086	5,837,376	5,005,903	5,847,618
Qualifying Payments	-	-	-	950
Taxable Income	5,005,086	5,837,376	5,005,903	5,846,668
Income Tax on Current Year's Profit	1,401,425	1,634,465	1,401,653	1,637,067
Over Provision in Respect of Previous Years	(227,940)	(155,680)	(228,523)	(155,686)
Transfer to Deferred Taxation (Note 15.4)	772,282	92,057	763,532	101,438
Total Income Tax Expense	1,945,767	1,570,842	1,936,662	1,582,819
Effective Tax Rate (Note 15.5)	34%	34%	33%	33%
Effective Tax Rate (Excluding Deferred Tax)	20%	32%	20%	31%

	2015 %
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

	BANK				GROUP			
	2015		2014		2015		2014	
	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%	4,995,640	1,398,780	5,835,664	1,633,986	4,996,457	1,399,008	5,844,956	1,636,588
Off-Shore Profits – 28%	9,446	2,645	1,712	479	9,446	2,645	1,712	479
	5,005,086	1,401,425	5,837,376	1,634,465	5,005,903	1,401,653	5,846,668	1,637,067

	BANK		GROUP	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000

15.3 Tax Losses Brought Forward

Tax Losses Brought Forward	633,849	569,216	1,435,405	1,376,287
Add: Tax Losses Incurred during the Year	–	203,127	22,884	203,127
Less: Tax Losses Utilised during the Year	211,125	–	211,562	5,515
Less: Tax Losses Disallowed to be Carried Forward	102,047	138,494	93,408	138,494
Unutilised Tax Losses Carried Forward	320,677	633,849	1,153,319	1,435,405

	BANK		GROUP	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000

15.4 Deferred Tax Expense

Deferred Tax – Liability

Property, Plant & Equipment	52,058	37,865	52,014	45,700
Lease Rentals	56,259	139,202	56,259	139,202
	108,317	177,067	108,273	184,902

Deferred Tax – Assets

Leave Encashment Provision	(884)	(7,903)	(884)	(7,903)
Collective and Individually Significant Impairment	590,145	(40,374)	590,145	(40,374)
Other Provisions	(12,984)	(18,635)	(12,984)	(18,635)
Tax Losses Carried Forward	87,688	(18,098)	78,982	(16,552)
	663,965	(85,010)	655,259	(83,464)
Transferred to Deferred Taxation	772,282	92,057	763,532	101,438

	BANK				GROUP			
	2015		2014		2015		2014	
	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000
15.5 Reconciliation of Effective Tax Rate								
Profit before Income Tax	-	5,776,711	-	4,649,444	-	5,822,611	-	4,835,389
Less: Profit from Leasing Business	-	414,345	-	284,463	-	414,345	-	284,463
Profit from Banking Activities	-	5,362,366	-	4,364,981	-	5,408,266	-	4,550,926
Income Tax using Domestic Tax Rate	26	1,501,463	26	1,222,194	26	1,514,314	26	1,274,259
Disallowable Expenses	11	609,311	16	728,674	11	663,163	15	729,105
Allowable Expenses	(11)	(607,835)	(4)	(186,348)	(11)	(642,423)	(4)	(209,840)
Exempt Income	(2)	(101,514)	(3)	(130,055)	(2)	(140,037)	(3)	(158,162)
Tax Losses from Subsidiary	-	-	-	-	-	6,408	-	-
Income from Other Sources	-	-	-	-	-	350	-	3,515
Business Income from Leasing Activities	1	59,115	-	-	1	59,115	-	-
Tax Losses Set-Off	(1)	(59,115)	-	-	(1)	(59,237)	-	(1,544)
Qualifying Payments	-	-	-	-	-	-	-	(266)
Over Provision in respect of Previous Years	(4)	(227,940)	(3)	(155,680)	(4)	(228,523)	(3)	(155,686)
Other Temporary Differences	14	772,282	2	92,057	13	763,532	2	101,438
Total Income Tax Expense (Note 15.2)	34	1,945,767	34	1,570,842	33	1,936,662	33	1,582,819

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 2015 and 2014.

Diluted Earnings per Share and the Basic Earnings per Share is the same due to non-availability of potentially dilutive Ordinary Shares.

	BANK		GROUP	
	2015	2014	2015	2014
Total Profit after Tax Attributable to Equity Holders of the Bank (Rs. '000)	3,830,944	3,078,602	3,855,296	3,178,776
Weighted Average Number of Ordinary Shares as at 31st December – Bank ('000)	344,960	344,960	344,960	344,960
Basic/Diluted Earnings per Share (Rs.)	11.11	8.92	11.18	9.21

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000

17 Dividends

Ordinary Share Dividends

Net Dividend Paid

Cash Dividends	781,622	702,640	781,622	702,640
Tax Deducted at Source	80,779	73,521	80,779	73,521
Gross Dividend (Note 48)	862,401	776,161	862,401	776,161

18 Measurement of Assets and Liabilities

18.1 Bank

	2015					
	Held-for-Trading (HFT)	Held-to-Maturity (HTM)	Loans and Receivables (L&R)	Available-for-Sale (AFS)	Others	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets						
Cash and Cash Equivalents	-	-	7,800,488	-	-	7,800,488
Balances with Central Bank of Sri Lanka	-	-	8,563,888	-	-	8,563,888
Placements with Banks and Finance Companies	-	-	757,050	-	-	757,050
Derivative Financial Instruments	130,055	-	-	-	-	130,055
Other Financial Assets Held-for-Trading	6,016,572	-	-	-	-	6,016,572
Securities Purchased under Resale Agreements	-	-	2,312,548	-	-	2,312,548
Customer Loans and Receivables	-	-	193,103,942	-	-	193,103,942
Financial Investments – Available-for-Sale	-	-	-	48,038,510	-	48,038,510
Financial Investments – Held-to-Maturity	-	18,147,773	-	-	-	18,147,773
Group Balances Receivable	-	-	30,000	-	-	30,000
Other Assets	-	-	3,854,350	-	-	3,854,350
Total Financial Assets	6,146,627	18,147,773	216,422,266	48,038,510	-	288,755,176
Investment in Subsidiary	-	-	-	-	1,151,929	1,151,929
Property, Plant & Equipment	-	-	-	-	3,227,752	3,227,752
Leasehold Rights	-	-	-	-	44,316	44,316
Investment Properties	-	-	-	-	-	-
Intangible Assets	-	-	-	-	249,890	249,890
Deferred Tax Assets	-	-	-	-	-	-
Other Assets	-	-	-	-	2,901,070	2,901,070
Total Non-Financial Assets	-	-	-	-	7,574,957	7,574,957
Total Assets	6,146,627	18,147,773	216,422,266	48,038,510	7,574,957	296,330,133

2014						
Held-for-Trading (HFT)	Held-to-Maturity (HTM)	Loans and Receivables (L&R)	Available-for-Sale (AFS)	Others	Total	
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
-	-	6,672,963	-	-	6,672,963	
-	-	7,432,206	-	-	7,432,206	
-	-	2,334,304	-	-	2,334,304	
191,411	-	-	-	-	191,411	
2,525,225	-	-	-	-	2,525,225	
-	-	17,762,914	-	-	17,762,914	
-	-	154,962,712	-	-	154,962,712	
-	-	-	23,780,589	-	23,780,589	
-	22,438,807	-	-	-	22,438,807	
-	-	30,000	-	-	30,000	
-	-	3,321,826	-	-	3,321,826	
2,716,636	22,438,807	192,516,925	23,780,589	-	241,452,957	
-	-	-	-	1,106,113	1,106,113	
-	-	-	-	2,967,600	2,967,600	
-	-	-	-	46,262	46,262	
-	-	-	-	114,429	114,429	
-	-	-	-	279,820	279,820	
-	-	-	-	18,030	18,030	
-	-	-	-	3,325,348	3,325,348	
-	-	-	-	7,857,602	7,857,602	
2,716,636	22,438,807	192,516,925	23,780,589	7,857,602	249,310,559	

	2015			
	Held-for-Trading (HFT)	Amortised Cost	Others	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Liabilities				
Due to Banks	-	19,784,171	-	19,784,171
Derivative Financial Instruments	50,013	-	-	50,013
Customer Deposits	-	224,525,455	-	224,525,455
Securities Sold under Repurchase Agreements	-	11,409,788	-	11,409,788
Other Borrowings	-	15,688	-	15,688
Group Balances Payable	-	181,266	-	181,266
Debentures	-	7,179,853	-	7,179,853
Current Tax Liabilities	-	506,712	-	506,712
Other Liabilities	-	5,580,398	-	5,580,398
Total Financial Liabilities	50,013	269,183,331	-	269,233,344
Deferred Tax Liabilities	-	-	336,102	336,102
Other Liabilities	-	-	1,705,010	1,705,010
Total Non-Financial Liabilities	-	-	2,041,112	2,041,112
Total Liabilities	50,013	269,183,331	2,041,112	271,274,456
Equity	-	-	25,055,677	25,055,677
Total Equity and Liabilities	50,013	269,183,331	27,096,789	296,330,133

2014				
	Held-for-Trading (HFT)	Amortised Cost	Others	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	-	11,615,467	-	11,615,467
	210,536	-	-	210,536
	-	185,924,122	-	185,924,122
	-	12,419,887	-	12,419,887
	-	14,628	-	14,628
	-	193,295	-	193,295
	-	7,655,705	-	7,655,705
	-	1,323,805	-	1,323,805
	-	4,431,775	-	4,431,775
	210,536	223,578,684	-	223,789,220
	-	-	-	-
	-	-	1,512,800	1,512,800
	-	-	1,512,800	1,512,800
	210,536	223,578,684	1,512,800	225,302,020
	-	-	24,008,539	24,008,539
	210,536	223,578,684	25,521,339	249,310,559

18.2 Group

	2015					
	Held-for-Trading (HFT)	Held-to-Maturity (HTM)	Loans and Receivables (L&R)	Available-for-Sale (AFS)	Others	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets						
Cash and Cash Equivalents	-	-	7,800,538	-	-	7,800,538
Balances with Central Bank of Sri Lanka	-	-	8,563,888	-	-	8,563,888
Placements with Banks and Finance Companies	-	-	757,050	-	-	757,050
Derivative Financial Instruments	130,055	-	-	-	-	130,055
Other Financial Assets Held-for-Trading	6,024,772	-	-	-	-	6,024,772
Securities Purchased under Resale Agreements	-	-	2,312,548	-	-	2,312,548
Customer Loans and Receivables	-	-	193,103,942	-	-	193,103,942
Financial Investments – Available-for-Sale	-	-	-	48,075,921	-	48,075,921
Financial Investments – Held-to-Maturity	-	18,229,045	-	-	-	18,229,045
Other Assets	-	-	3,867,454	-	-	3,867,454
Total Financial Assets	6,154,827	18,229,045	216,405,420	48,075,921	-	288,865,213
Property, Plant & Equipment	-	-	-	-	4,875,266	4,875,266
Leasehold Rights	-	-	-	-	600,057	600,057
Investment Properties	-	-	-	-	1,089,920	1,089,920
Intangible Assets	-	-	-	-	249,890	249,890
Other Assets	-	-	-	-	2,905,218	2,905,218
Total Non-Financial Assets	-	-	-	-	9,720,351	9,720,351
Total Assets	6,154,827	18,229,045	216,405,420	48,075,921	9,720,351	298,585,564

2014						
Held-for-Trading (HFT)	Held-to-Maturity (HTM)	Loans and Receivables (L&R)	Available-for-Sale (AFS)	Others	Total	
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
-	-	6,673,003	-	-	6,673,003	
-	-	7,432,206	-	-	7,432,206	
-	-	2,334,304	-	-	2,334,304	
191,411	-	-	-	-	191,411	
2,534,425	-	-	-	-	2,534,425	
-	-	17,762,914	-	-	17,762,914	
-	-	154,962,712	-	-	154,962,712	
-	-	-	23,838,151	-	23,838,151	
-	22,520,079	-	-	-	22,520,079	
-	-	3,326,069	-	-	3,326,069	
2,725,836	22,520,079	192,491,208	23,838,151	-	241,575,274	
-	-	-	-	4,575,985	4,575,985	
-	-	-	-	609,413	609,413	
-	-	-	-	1,183,224	1,183,224	
-	-	-	-	279,820	279,820	
-	-	-	-	3,334,116	3,334,116	
-	-	-	-	9,982,558	9,982,558	
2,725,836	22,520,079	192,491,208	23,838,151	9,982,558	251,557,832	

	2015			
	Held-for-Trading (HFT)	Amortised Cost	Others	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Liabilities				
Due to Banks	-	19,784,171	-	19,784,171
Derivative Financial Instruments	50,013	-	-	50,013
Customer Deposits	-	224,525,455	-	224,525,455
Securities Sold under Repurchase Agreements	-	11,409,788	-	11,409,788
Other Borrowings	-	15,688	-	15,688
Debentures	-	7,179,853	-	7,179,853
Current Tax Liabilities	-	505,278	-	505,278
Other Liabilities	-	5,590,898	-	5,590,898
Total Financial Liabilities	50,013	269,011,131	-	269,061,144
Deferred Tax Liabilities	-	-	384,771	384,771
Other Liabilities	-	-	1,784,715	1,784,715
Total Non-Financial Liabilities	-	-	2,169,486	2,169,486
Total Liabilities	50,013	269,011,131	2,169,486	271,230,630
Equity	-	-	27,354,934	27,354,934
Total Equity and Liabilities	50,013	269,011,131	29,524,420	298,585,564

	BANK		GROUP	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
19 Cash and Cash Equivalents				
Cash in Hand – Local Currency	6,896,270	5,550,018	6,896,320	5,550,058
Cash in Hand – Foreign Currency	169,870	159,069	169,870	159,069
Balances with Local Banks	62,113	6,102	62,113	6,102
Balances with Foreign Banks	672,235	957,774	672,235	957,774
	7,800,488	6,672,963	7,800,538	6,673,003

2014				
	Held-for-Trading (HFT)	Amortised Cost	Others	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	-	11,615,467	-	11,615,467
	210,536	-	-	210,536
	-	185,924,122	-	185,924,122
	-	12,419,887	-	12,419,887
	-	14,628	-	14,628
	-	7,655,705	-	7,655,705
	-	1,323,290	-	1,323,290
	-	4,433,799	-	4,433,799
	210,536	223,386,898	-	223,597,434
	-	-	36,507	36,507
	-	-	1,604,300	1,604,300
	-	-	1,640,807	1,640,807
	210,536	223,386,898	1,640,807	225,238,241
	-	-	26,319,591	26,319,591
	210,536	223,386,898	27,960,398	251,557,832

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. As at 31st December 2015, the minimum cash reserve requirement is 6% of the Rupee Deposit Liabilities.

	BANK /GROUP	
	2015 Rs. '000	2014 Rs. '000
Average Rupee Deposit Liabilities for 2nd Half of November	185,155,736	157,866,225
Statutory Reserve Requirement	11,109,344	9,471,973
Less: Average Sri Lanka Currency Notes and Coins Held Over and Above 2% of Average Deposit Liabilities, But Not Exceeding 4%	1,539,080	1,537,255
Total Reserve Required to be Held with the Central Bank	9,570,264	7,934,718
Average Balance Held by the Bank for the 2nd Half of December	9,570,371	7,934,802
Statutory Balances with Central Bank as at 31st December	8,563,888	7,432,206
Balances with Central Bank of Sri Lanka	8,563,888	7,432,206

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000

21 Placements with Banks and Finance Companies

Term Deposits with Banks	757,050	2,334,304	757,050	2,334,304
Term Deposits with Finance Companies	-	-	5,943	5,943
Impairment Provision	-	-	(5,943)	(5,943)
	757,050	2,334,304	757,050	2,334,304

22 Derivative Financial Instruments

22.1 Derivative Assets

Foreign Currency Derivatives

Forward Foreign Exchange Contracts	130,055	191,411	130,055	191,411
	130,055	191,411	130,055	191,411

22.2 Derivative Liabilities

Foreign Currency Derivatives

Forward Foreign Exchange Contracts	50,013	210,536	50,013	210,536
	50,013	210,536	50,013	210,536

The Bank uses derivatives not designated in a qualifying hedge relationship such as forward contracts to manage its exposure to foreign currency.

	2015		2014	
	Carrying Amount	Market Value	Carrying Amount	Market Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Seylan Bank PLC (Note 23.1)	6,175,690	6,016,572	2,441,008	2,525,225
Seylan Developments PLC (Note 23.2)	10,000	8,200	10,000	9,200
Total Other Financial Assets Held-for-Trading – Group	6,185,690	6,024,772	2,451,008	2,534,425

23 Other Financial Assets Held-for-Trading

23.1 Seylan Bank PLC

Quoted Equities (Note 23.1.1)	9,423	9,300	85,488	93,560
Government of Sri Lanka Treasury Bills (Note 23.1.2)	700,384	699,293	305,219	305,399
Government of Sri Lanka Treasury Bonds (Note 23.1.3)	5,022,497	4,870,392	1,050,301	1,085,777
Sri Lanka Development Bonds (Note 23.1.4)	443,386	437,587	–	–
Unit Trusts (Note 23.1.5)	–	–	1,000,000	1,040,489
Total Other Financial Assets Held-for-Trading – Bank	6,175,690	6,016,572	2,441,008	2,525,225

	2015				2014		
	No. of Ordinary Equities	Carrying Amount	% of Total Carrying Amount	Market Value	No. of Ordinary Equities	Carrying Amount	Market Value
		Rs. '000		Rs. '000		Rs. '000	Rs. '000
23.1.1 Quoted Equities – Bank							
Banks, Finance and Insurance							
People's Leasing PLC	60,000	1,395	–	1,320	–	–	–
Commercial Bank of Ceylon PLC	–	–	–	–	201,381	24,427	34,436
	–	1,395	14.80	1,320		24,427	34,436
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	–	3,530	36,021	4,039	3,728
		4,039	42.86	3,530		29,337	29,128
Manufacturing							
Textured Jersey Lanka PLC	125,000	3,989	–	4,450	1,000,000	19,992	20,600
	–	3,989	42.34	4,450		19,992	20,600
Power and Energy							
Access Engineering PLC	–	–	–	–	290,000	11,732	9,396
	–	–	–	–	–	11,732	9,396
Total Held-for-Trading Quoted Equities – Bank	–	9,423	100.00	9,300	–	85,488	93,560
Marked to Market Valuation Gain/(Loss) from Quoted Equities*		(123)				8,072	

* Marked to Market Valuation Gain/(Loss) from Quoted Equities is included in Net Trading Income (Note 9).

	Year of Maturity	2015			2014		
		Face Value	Carrying Amount	Market Value	Face Value	Carrying Amount	Market Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
23.1.2 Government of Sri Lanka							
Treasury Bills – Bank							
	2015	-	-	-	311,819	305,219	305,399
	2016	721,012	700,384	699,293	-	-	-
Total Held-for-Trading Government of Sri Lanka Treasury Bills – Bank		-	700,384	699,293	-	305,219	305,399
Marked to Market Valuation Gain/(Loss) from Treasury Bills*			(1,091)			180	
23.1.3 Government of Sri Lanka							
Treasury Bonds – Bank							
	2015	-	-	-	97,692	101,170	101,615
	2016	21,841	22,294	22,338	54,200	54,681	55,732
	2017	489,000	498,582	494,335	510,000	520,923	529,717
	2018	1,512,410	1,552,391	1,519,293	384,373	373,527	398,713
	2019	500,000	553,711	539,887	-	-	-
	2020	250,000	254,222	249,652	-	-	-
	2021	575,000	617,547	598,547	-	-	-
	2022	960,000	1,092,094	1,046,781	-	-	-
	2023	29,000	31,993	31,347	-	-	-
	2024	150,000	180,146	164,752	-	-	-
	2025	200,000	219,517	203,460	-	-	-
Total Held-for-Trading Government of Sri Lanka Treasury Bonds – Bank			5,022,497	4,870,392		1,050,301	1,085,777
Marked to Market Valuation Gain/(Loss) from Treasury Bonds*			(152,105)			35,476	

* Marked to Market Valuation Gain/(Loss) from Treasury Bills and Bonds is included in Net Trading Income (Note 9).

Year of Maturity	2015					2014				
	Face Value	Carrying Amount	Market Value	Carrying Amount	Market Value	Face Value	Carrying Amount	Market Value	Carrying Amount	Market Value
	US\$ '000	US\$ '000	US\$ '000	Rs. '000	Rs. '000	US\$ '000	US\$ '000	US\$ '000	Rs. '000	Rs. '000
23.1.4 Sri Lanka										
Development Bonds – Bank										
2016	1,000	1,017	1,012	146,400	145,657	-	-	-	-	-
2018	2,000	2,062	2,027	296,986	291,930	-	-	-	-	-
Total Held-for-Trading Sri Lanka Development Bonds – Bank	3,000	3,079	3,039	443,386	437,587	-	-	-	-	-
Marked to Market Valuation Loss from Sri Lanka Development Bonds*				(5,799)					-	

	2015			2014		
	No. of Units	Carrying Amount	Market Value	No. of Units	Carrying Amount	Market Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
23.1.5 Unit Trusts – Bank						
Ceylon Asset Management Co. Limited	-	-	-	74,108,935.47	1,000,000	1,040,489
Total Held-for-Trading Unit Trust - Bank	-	-	-	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, 23.1.5)		6,175,690	6,016,572		2,441,008	2,525,225

Other Financial Assets Held-for-Trading by Subsidiary

	2015			2014		
	No. of Ordinary Equities	Carrying Amount	Market Value	No. of Ordinary Equities	Carrying Amount	Market Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000

23.2 Seylan Developments PLC

23.2.1 Quoted Equities

Commercial Leasing & Finance Company PLC	2,000,000	10,000	8,200	2,000,000	10,000	9,200
Total Held-for-Trading Quoted Equities – Subsidiary	-	10,000	8,200	-	10,000	9,200
Marked to Market Valuation Loss from Quoted Equities*	-	(1,800)	-	-	(800)	
Total Other Financial Assets Held-for-Trading – Subsidiary (Note No. 23.2.1)		10,000	8,200		10,000	9,200

* Marked to Market Valuation Gain/(Loss) from Sri Lanka Development Bonds, Unit Trusts and Quoted Equities is included in Net Trading Income (Note 9).

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
24 Customer Loans and Receivables				
Gross Loans and Receivables (Note 24.1)	198,841,971	161,974,994	198,841,971	161,974,994
Less: Impairment Allowance for Loans and Receivables				
Individual Impairment (Note 24.3.1)	(2,019,537)	(2,336,572)	(2,019,537)	(2,336,572)
Collective Impairment (Note 24.3.2)	(3,718,492)	(4,675,710)	(3,718,492)	(4,675,710)
Total Impairment Allowance for Loans and Receivables (Note 24.3.3)	(5,738,029)	(7,012,282)	(5,738,029)	(7,012,282)
Total Loans and Receivables – Net	193,103,942	154,962,712	193,103,942	154,962,712
24.1 Analysis of Gross Loans and Receivables				
24.1.1 Analysis of Rupee Gross Loans and Receivables by Product				
Export Bills	41,154	101,381	41,154	101,381
Import Bills	216,906	100,860	216,906	100,860
Local Bills	151,680	122,315	151,680	122,315
Lease Rentals Receivable (Note 24.2)	14,922,249	10,647,360	14,922,249	10,647,360
Overdrafts	49,550,015	42,860,477	49,550,015	42,860,477
Trust Receipt Loans/Revolving Import Loans (RIL)	12,032,369	8,988,594	12,032,369	8,988,594
Staff Loans	5,149,180	4,306,641	5,149,180	4,306,641
Housing Loans	11,025,655	9,173,760	11,025,655	9,173,760
Pawning Receivables	8,979,333	8,514,872	8,979,333	8,514,872
Refinance Loans	854,911	671,716	854,911	671,716
Credit Cards	3,189,905	3,135,717	3,189,905	3,135,717
Margin Trading	3,241,982	4,024,101	3,241,982	4,024,101
Term Loans	72,394,970	56,910,626	72,394,970	56,910,626
Rupee Gross Loans and Receivables	181,750,309	149,558,420	181,750,309	149,558,420
24.1.2 Analysis of Foreign Currency Gross Loans and Receivables by Product				
Export Bills	1,638,044	977,966	1,638,044	977,966
Import Bills	243,679	128,727	243,679	128,727
Local Bills	92,605	56,556	92,605	56,556
Overdrafts	1,490,845	1,148,478	1,490,845	1,148,478
Trust Receipt Loans/Revolving Import Loans (RIL)	321,171	107,697	321,171	107,697
Housing Loans	33,245	–	33,245	–
Term Loans	13,272,073	9,997,150	13,272,073	9,997,150
Foreign Currency Gross Loans and Receivables	17,091,662	12,416,574	17,091,662	12,416,574
Total Gross Loans and Receivables	198,841,971	161,974,994	198,841,971	161,974,994

	BANK		GROUP	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
24.1.3 Analysis of Gross Loans and Receivables				
by Currency				
Sri Lankan Rupee	181,750,309	149,558,420	181,750,309	149,558,420
United States Dollar	16,671,184	12,318,118	16,671,184	12,318,118
Great Britain Pound	25,112	34,710	25,112	34,710
Japanese Yen	294,323	22,641	294,323	22,641
Euro	90,847	34,669	90,847	34,669
Singapore Dollar	10,196	-	10,196	-
Swiss Franc	-	6,436	-	6,436
Gross Loans and Receivables	198,841,971	161,974,994	198,841,971	161,974,994

	BANK		GROUP	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
24.1.4 Analysis of Gross Loans and Receivables				
by Industry-wise				
Agriculture and Fishing	20,428,830	15,732,682	20,428,830	15,732,682
Manufacturing	24,351,199	19,972,202	24,351,199	19,972,202
Tourism	12,133,427	8,749,343	12,133,427	8,749,343
Transport	13,404,195	7,190,974	13,404,195	7,190,974
Construction	20,035,613	19,043,307	20,035,613	19,043,307
Traders	44,927,045	33,007,040	44,927,045	33,007,040
New Economy	1,478,977	862,471	1,478,977	862,471
Financial and Business Services	23,069,741	23,087,741	23,069,741	23,087,741
Infrastructure	2,533,766	2,812,428	2,533,766	2,812,428
Other Services	9,517,149	8,840,272	9,517,149	8,840,272
Credit Cards	3,189,905	3,135,717	3,189,905	3,135,717
Pawning	8,979,333	8,514,872	8,979,333	8,514,872
Other	14,792,791	11,025,945	14,792,791	11,025,945
Gross Loans and Receivables	198,841,971	161,974,994	198,841,971	161,974,994

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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
24.2 Lease Rentals Receivable				
Lease Rentals Receivable within One Year (Note 24.2.1)	5,142,666	4,184,544	5,142,666	4,184,544
Lease Rentals Receivable Later than One Year and Not Later than Five Years (Note 24.2.2)	9,775,395	6,458,692	9,775,395	6,458,692
Lease Rentals Receivable Later than Five Years (Note 24.2.3)	4,188	4,124	4,188	4,124
	14,922,249	10,647,360	14,922,249	10,647,360
24.2.1 Lease Rentals Receivable within One Year				
From the Reporting Date	6,713,942	5,501,454	6,713,942	5,501,454
Less: Unearned Income	(1,571,276)	(1,316,910)	(1,571,276)	(1,316,910)
	5,142,666	4,184,544	5,142,666	4,184,544
24.2.2 Lease Rentals Receivable Later than One Year and Not Later than Five Years				
From the Reporting Date (a)	11,283,280	7,557,781	11,283,280	7,557,781
Less: Unearned Income	(1,507,885)	(1,099,089)	(1,507,885)	(1,099,089)
	9,775,395	6,458,692	9,775,395	6,458,692
a. Lease Rentals Receivable	11,348,518	7,636,801	11,348,518	7,636,801
Less: Deposit of Rentals	(65,238)	(79,020)	(65,238)	(79,020)
	11,283,280	7,557,781	11,283,280	7,557,781
24.2.3 Lease Rentals Receivable Later than Five Years				
From the Reporting Date	5,298	5,219	5,298	5,219
Less: Unearned Income	(1,110)	(1,095)	(1,110)	(1,095)
	4,188	4,124	4,188	4,124

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
24.3 Movement in Impairment Allowance on Loans and Receivables				
24.3.1 Allowance for Individual Impairment				
Balance as at 1st January	2,336,572	2,999,778	2,336,572	2,999,778
Net Impairment during the Year	841,302	2,021,892	841,302	2,021,892
Reversal for Write-off	(1,080,953)	(2,091,217)	(1,080,953)	(2,091,217)
Interest Accrued on Impaired Loans and Receivables	(352,709)	(593,881)	(352,709)	(593,881)
Transfer from Collective Impairment	275,325	-	275,325	-
Balance as at 31st December	2,019,537	2,336,572	2,019,537	2,336,572
24.3.2 Allowance for Collective Impairment				
Balance as at 1st January	4,675,710	4,615,049	4,675,710	4,615,049
Net Impairment during the Year	(370,141)	60,661	(370,141)	60,661
Reversal for Write-Off	(311,752)	-	(311,752)	-
Transfer to Individual Impairment	(275,325)	-	(275,325)	-
Balance as at 31st December	3,718,492	4,675,710	3,718,492	4,675,710
24.3.3 Movement in Impairment Allowance for Loans and Receivables				
Balance as at 1st January	7,012,282	7,614,827	7,012,282	7,614,827
Net Impairment during the Year	471,161	2,082,553	471,161	2,082,553
Reversal for Write-off	(1,392,705)	(2,091,217)	(1,392,705)	(2,091,217)
Interest Accrued on Impaired Loans and Receivables	(352,709)	(593,881)	(352,709)	(593,881)
Balance as at 31st December	5,738,029	7,012,282	5,738,029	7,012,282

	2015		2014	
	Carrying Amount	Market Value	Carrying Amount	Market Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
25 Financial Investments – Available-for-Sale				
Seylan Bank PLC (Note 25.1)	51,154,425	48,038,510	25,454,021	23,780,589
Seylan Developments PLC (Note 25.2)	91,350	37,411	115,047	57,562
Total Financial Investments – Available-for-Sale – Group	51,245,775	48,075,921	25,569,068	23,838,151

25.1 Seylan Bank PLC

25.1.1 Financial Investments – Available-for-Sale – Bank

Quoted Equities (Note 25.1.1.1)	429,303	946,117	720,500	1,161,166
Unquoted Equities (Note 25.1.1.2)	2,354,540	386,911	2,354,540	223,618
Government of Sri Lanka Treasury Bills (Note 25.1.1.3)	914,873	913,004	315,438	316,380
Government of Sri Lanka Treasury Bonds (Note 25.1.1.4)	41,949,520	40,310,149	18,208,201	18,222,264
Sri Lanka Development Bonds (Note 25.1.1.5)	4,658,354	4,701,926	3,357,108	3,346,574
Quoted Debentures (Note 25.1.1.6)	847,835	780,403	498,234	510,587
Total Financial Investments – Available-for-Sale – Bank	51,154,425	48,038,510	25,454,021	23,780,589

	2015			2014		
	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						
Colombo Dockyard PLC	67,137	13,495	10,272	73,607	14,796	14,206
Dialog Axiata PLC	3,432,387	20,594	36,727	7,707,100	46,243	102,505
Expo Lanka Holdings PLC	803,686	6,741	6,590	-	-	-
Hayleys MGT Knitting Mills PLC	190,000	4,088	4,275	-	-	-
John Keells Holdings PLC	783,000	161,947	139,766	575,000	143,425	143,750
John Keells Hotels PLC	3,892,462	47,877	59,944	4,058,272	49,917	69,802
Lanka IOC PLC	185,000	10,729	6,938	835,931	48,480	49,989
Piramal Glass Ceylon PLC	577,401	3,550	3,522	-	-	-
Sampath Bank PLC	159,797	36,384	39,949	492,604	116,082	115,762
The Finance Company PLC	3,241,240	41,812	42,784	3,241,240	94,968	68,066
Visa Inc.	53,312	82,086	595,350	13,328	75,217	461,113
Distilleries Company of Sri Lanka PLC	-	-	-	392,757	83,182	82,675
Hatton National Bank PLC	-	-	-	181,787	34,540	35,448
Richard Pieris & Company PLC	-	-	-	2,100,000	13,650	17,850
Total Available-for-Sale Quoted Equities – Bank		429,303	946,117		720,500	1,161,166

	2015			2014		
	No. of Ordinary Equities	Carrying Amount	Market Value	No. of Ordinary Equities	Carrying Amount	Market Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
25.1.1.2 Unquoted Equities – Bank						
Credit Information Bureau of Sri Lanka	2,900	290	31,010	2,900	290	23,037
LankaClear (Pvt) Limited	1,000,000	10,000	78,750	1,000,000	10,000	71,982
Lanka Financial Services Bureau Limited	225,000	2,250	2,333	225,000	2,250	2,284
Transnational Lanka Records Solutions (Pvt) Limited	1,000,000	10,000	32,290	1,000,000	10,000	26,039
HNB Grameen Finance Limited *	233,200,000	2,332,000	242,528	233,200,000	2,332,000	100,276
Total Available-for-Sale Unquoted Equities – Bank		2,354,540	386,911		2,354,540	223,618

Market value is based on Net Assets per Share Basis as per the Audited/Interim Financial Statements of these Companies as at following dates:

Credit Information Bureau of Sri Lanka – 31st December 2014 (Audited)

LankaClear (Pvt) Limited – 31st March 2015 (Audited)

Lanka Financial Services Bureau Limited – 31st March 2015 (Audited)

Transnational Lanka Records Solutions (Pvt) Limited – 30th June 2015 (Audited)

HNB Grameen Finance Limited – 30th September 2015 (Interim)

* The Bank restructured its loan portfolio to HNB Grameen Finance Limited (previously known as 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, the Bank 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/-.

	Year of Maturity	2015			2014		
		Face Value	Carrying Amount	Market Value	Face Value	Carrying Amount	Market Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
25.1.1.3 Government of Sri Lanka Treasury Bills – Bank							
	2015	-	-	-	322,220	315,438	316,380
	2016	950,986	914,873	913,004	-	-	-
Total Available-for-Sale Government of Sri Lanka Treasury Bills – Bank			914,873	913,004		315,438	316,380

Year of Maturity	2015			2014		
	Face Value	Carrying Amount	Market Value	Face Value	Carrying Amount	Market Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
25.1.1.4 Government of Sri Lanka						
Treasury Bonds – Bank						
2015	-	-	-	588,000	609,682	613,842
2016	106,457	107,432	107,860	82,572	82,570	84,811
2017	3,443,183	3,556,755	3,513,793	7,150,000	7,482,856	7,514,591
2018	12,960,794	13,385,658	12,938,683	8,345,480	8,719,222	8,725,401
2019	4,550,000	4,986,222	4,873,739	200,000	238,071	235,626
2020	1,250,000	1,278,219	1,247,396	-	-	-
2021	4,510,000	4,880,963	4,687,985	10,000	9,776	10,818
2022	2,920,000	3,247,171	3,097,970	20,000	24,898	24,840
2023	5,440,000	6,206,577	5,880,197	-	-	-
2024	2,050,000	2,545,932	2,251,612	800,000	1,041,126	1,012,335
2025	466,667	497,795	492,302	-	-	-
2028	30,000	31,952	32,430	-	-	-
2030	300,000	301,525	302,258	-	-	-
2035	850,000	923,319	883,924	-	-	-
Total Available-for-Sale Government of Sri Lanka Treasury Bonds – Bank		41,949,520	40,310,149		18,208,201	18,222,264

Year of Maturity	2015					2014				
	Face Value	Carrying Amount	Market Value	Carrying Amount	Market Value	Face Value	Carrying Amount	Market Value	Carrying Amount	Market Value
	USD '000	USD '000	USD '000	Rs. '000	Rs. '000	USD '000	USD '000	USD '000	Rs. '000	Rs. '000
25.1.1.5 Sri Lanka										
Development Bonds – Bank										
2015	-	-	-	-	-	10,000	10,242	10,163	1,351,446	1,341,044
2016	14,000	14,209	14,413	2,046,104	2,075,474	3,000	3,032	3,032	400,077	400,077
2017	17,000	17,127	17,219	2,466,327	2,479,496	12,000	12,168	12,167	1,605,585	1,605,453
2018	1,000	1,013	1,021	145,923	146,956	-	-	-	-	-
Total Available-for-Sale Sri Lanka Development Bonds – Bank		32,349	32,653	4,658,354	4,701,926		25,442	25,362	3,357,108	3,346,574

	Year of Maturity	2015		2014	
		Carrying Amount	Market Value	Carrying Amount	Market Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
25.1.1.6 Quoted Debentures - Bank					
Abans PLC (994,410 Debentures of Rs. 100/- each)	2017	103,859	93,461	-	-
DFCC Bank PLC (2,964,900 Debentures of Rs. 100/- each)	2017	323,370	299,133	303,669	296,704
People's Leasing & Finance PLC (1,784,531 Debentures of Rs. 100/- each)	2018	194,565	180,832	194,565	213,883
Pan Asia Banking Corporation (486,112 Debentures of Rs. 100/- each)	2019	49,806	45,742	-	-
Dunamis Capital PLC (1,000,000 Debentures of Rs. 100/- each)	2020	100,805	92,144	-	-
HDFC Bank (745,300 Debentures of Rs. 100/- each)	2020	75,430	69,091	-	-
Total Available-for-Sale Quoted Debentures - Bank		847,835	780,403	498,234	510,587
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)		51,154,425	48,038,510	25,454,021	23,780,589

Financial Investments – Available-for-Sale Held by Subsidiary

	2015			2014		
	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 Quoted Equities

MBSL Bank of Sri Lanka PLC	90	250	1	-	-	-
Total Available-for-Sale Quoted Equities – Subsidiary		250	1			

25.2.1.2 Unquoted Equities

Asian Finance Company Limited	75,000	750	-	75,000	750	-
Certis Lanka Home Nursing & Swift Care (Pvt) Limited	75,000	750	-	75,000	750	-
Ceylinco International Realty (Pvt) Limited	200,000	2,000	-	200,000	2,000	-
Ceylinco PLC Technology (Pvt) Limited	177,500	1,775	-	177,500	1,775	-
Ceylinco Seraka Investments Limited	460,000	4,600	-	510,000	5,100	-
Ceylinco Venture Capital Investment Limited	95,000	950	-	95,000	950	-
E.Ceylinco.com (Pvt) Limited	60,000	600	-	60,000	600	-
International Consultancy & Corporate Services (Pvt) Limited	5,000	50	-	5,000	50	-
Standard Credit Lanka Limited	4,000,000	40,000	-	4,000,000	40,000	-

	2015			2014		
	No. of Ordinary Equities	Carrying Amount	Market Value	No. of Ordinary Equities	Carrying Amount	Market Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
The Sitar (Pvt) Limited	60,000	600	-	60,000	600	-
Certis Lanka Secure Logistics (Pvt) Limited	-	-	-	10,000	100	-
Ceycom Global Communication Limited	-	-	-	40,500	405	-
Ceyenergy Electronic Company (Pvt) Limited	-	-	-	15,000	150	-
Ceylinco Cisco Ranaviru Services (Pvt) Limited	-	-	-	10,000	100	-
Ceylinco International Property Developers (Pvt) Limited	-	-	-	50,000	500	-
Ceylinco Sports Complex	-	-	-	220,000	2,200	-
MBSL Savings Bank Limited	-	-	-	25,000	250	-
Independent Financial News & Views (Pvt) Limited	-	-	-	4,900	49	-
Total Available-for-Sale Unquoted Equities – Subsidiary		52,075	-*		56,329	-*

* Unquoted Shares have been fully provided due to permanent diminution in value of shares.

	Year of Maturity	2015		2014	
		Carrying Amount	Market Value	Carrying Amount	Market Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
25.2.1.3 Quoted Debentures					
DFCC Bank PLC (382,300 Debentures of Rs. 100/- each)	2017	39,025	37,410	58,718	57,562
Total Available-for-Sale Quoted Debentures – Subsidiary		39,025	37,410	58,718	57,562
Total Financial Investments – Available-for-Sale – Subsidiary (Note Nos. 25.2.1.1, 25.2.1.2, 25.2.1.3)		91,350	37,411	115,047	57,562

	BANK		GROUP	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000

25.3 Movement in Impairment during the Year

Balance as at 1st January	2,385,156	2,407,567	2,441,485	2,463,896
Impairment reversal during the Year (Note 12.2)	-	(22,411)	-	(22,411)
Balance as at 31st December	2,385,156	2,385,156	2,441,485	2,441,485

	2015		2014	
	Carrying Amount	Market Value	Carrying Amount	Market Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Seylan Bank PLC (Note 26.1)	18,147,773	18,144,122	22,438,807	23,025,404
Seylan Developments PLC (Note 26.2)	81,272	81,113	81,272	82,475
Total Financial Investments – Held-to-Maturity – Group	18,229,045	18,225,235	22,520,079	23,107,879

26 Financial Investments – Held-to-Maturity

26.1 Seylan Bank PLC

26.1.1 Held-to-Maturity Investment Securities – Bank

Government of Sri Lanka Treasury Bonds (Note 26.1.1.1)	8,655,724	8,762,719	14,574,461	15,209,858
Sri Lanka Development Bonds (Note 26.1.1.2)	7,273,747	7,289,483	5,199,328	5,197,909
Other Bonds (Note 26.1.1.3)	252,344	252,344	252,363	252,363
Quoted Debentures (Note 26.1.1.4)	1,246,219	1,128,597	1,246,235	1,198,854
Unquoted Debentures (Note 26.1.1.5)	719,739	710,979	1,166,420	1,166,420
Total Financial Investments – Held-to-Maturity – Bank	18,147,773	18,144,122	22,438,807	23,025,404

	Year of Maturity	2015			2014		
		Face Value	Carrying Amount	Market Value	Face Value	Carrying Amount	Market Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
26.1.1.1 Government of Sri Lanka Treasury Bonds – Bank							
	2015	-	-	-	7,170,000	7,405,663	7,483,212
	2016	3,200,000	3,235,914	3,273,761	3,200,000	3,155,139	3,281,983
	2017	50,000	45,858	49,637	50,000	42,819	49,896
	2018	3,100,000	3,078,041	3,088,170	2,600,000	2,546,107	2,710,146
	2019	100,000	89,649	99,516	100,000	86,982	105,844
	2020	392,700	335,243	355,417	392,700	324,653	379,704
	2021	519,000	491,086	506,877	519,000	474,139	561,435
	2022	370,000	349,161	365,045	370,000	345,008	394,963
	2023	750,000	835,079	810,689	-	-	-
	2028	230,000	195,693	213,607	230,000	193,951	242,675
Total Held-to-Maturity Government of Sri Lanka Treasury Bonds – Bank			8,655,724	8,762,719		14,574,461	15,209,858

Year of Maturity	2015					2014				
	Face Value	Carrying Amount	Market Value	Carrying Amount	Market Value	Face Value	Carrying Amount	Market Value	Carrying Amount	Market Value
	USD '000	USD '000	USD '000	Rs. '000	Rs. '000	USD '000	USD '000	USD '000	Rs. '000	Rs. '000
26.1.1.2 Sri Lanka Development Bonds – Bank										
2015	-	-	-	-	-	8,000	8,076	8,081	1,065,622	1,066,315
2016	30,000	30,332	30,367	4,367,870	4,372,859	21,000	21,222	21,211	2,800,226	2,798,865
2017	17,000	17,141	17,188	2,468,352	2,475,126	10,000	10,106	10,100	1,333,480	1,332,729
2018	3,000	3,038	3,066	437,525	441,498	-	-	-	-	-
Total Held-to-Maturity Sri Lanka Development Bonds – Bank		50,511	50,621	7,273,747	7,289,483		39,404	39,392	5,199,328	5,197,909

	Year of Maturity	2015			2014		
		Face Value	Carrying Amount	Market Value	Face Value	Carrying Amount	Market Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
26.1.1.3 Other Bonds – Bank							
CWE Bond	2016	250,000	252,344	252,344	250,000	252,363	252,363
Total Held-to-Maturity Other Bonds – Bank			252,344	252,344		252,363	252,363

	Year of Maturity	2015		2014	
		Carrying Amount	Market Value	Carrying Amount	Market Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
26.1.1.4 Quoted Debentures – Bank					
Alliance Finance Company PLC (1,000,000 Debentures of Rs. 100/- each)	2016	107,814	99,237	107,813	105,040
Hayleys PLC (119,200 Debentures of Rs. 1,000/- each)	2016	123,481	115,193	123,481	119,200
HDFC Bank of Sri Lanka (655,800 Debentures of Rs. 100/- each)	2016	67,977	63,438	67,977	65,580
SMB Leasing PLC (187,240 Debentures of Rs. 100/- each)	2016	18,974	17,952	18,974	18,717
Softlogic Finance PLC (250,000 Debentures of Rs. 100/- each)	2016	25,340	23,625	25,340	27,185
Abans PLC (1,441,400 Debentures of Rs. 100/- each)	2016-2017	154,402	138,865	154,403	144,140
Central Finance Company PLC (481,100 Debentures of Rs. 100/- each)	2016-2017	51,288	46,493	51,288	48,110
Merchant Bank of Sri Lanka PLC (3,768,400 Debentures of Rs. 100/- each)	2016-2017	429,127	376,176	429,126	398,358
Senkadagala Finance PLC (417,038 Debentures of Rs. 100/- each)	2016-2017	43,504	40,233	43,504	45,288
LB Finance PLC (445,200 Debentures of Rs. 100/- each)	2018	45,032	42,542	45,049	49,417
Hemas Holdings PLC (274,200 Debentures of Rs. 100/- each)	2019	28,180	26,069	28,180	28,015
Richard Pieris and Company PLC (1,470,100 Debentures of Rs. 100/- each)	2017-2019	151,100	138,774	151,100	149,804
Total Held-to-Maturity Quoted Debentures – Bank		1,246,219	1,128,597	1,246,235	1,198,854

	Year of Maturity	2015		2014	
		Carrying Amount	Market Value	Carrying Amount	Market Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
26.1.1.5 Unquoted Debentures – Bank					
Bank of Ceylon (500,000 Debentures of Rs. 100/-each)	2016	50,362	47,135	50,362	50,362
HNB Grameen Finance Limited	2020-2040	669,377	663,844	668,762	668,762
Urban Development Authority (4,357,400 Debentures of Rs. 100/-each)		-	-	447,296	447,296
Total Held-to-Maturity Unquoted Debentures – Bank		719,739	710,979	1,166,420	1,166,420
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)		18,147,773	18,144,122	22,438,807	23,025,404

Financial Investments – Held-to-Maturity Held by Subsidiary

	Year of Maturity	2015		2014	
		Carrying Amount	Market Value	Carrying Amount	Market Value
		Rs. '000	Rs. '000	Rs. '000	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	54,000	54,159	57,475
Merchant Bank of Sri Lanka PLC (250,000 Debentures of Rs. 100/- each)	2016-2017	27,113	27,113	27,113	25,000
Total Held-to-Maturity Quoted Debentures – Subsidiary		81,272	81,113	81,272	82,475
Total Financial Investments – Held-to-Maturity – Subsidiary		81,272	81,113	81,272	82,475

Principal Activity	Number of Equities as at 31.12.2015	Holding %	Cost as at 31.12.2015 Rs. '000	Market Value as at 31.12.2015 Rs. '000	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
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27 Investment in Subsidiary

Held-to-Maturity Quoted – Ordinary Shares

Seylan Developments PLC	Property Development/ Management	104,201,612	70.42	1,151,929	1,448,402	101,027,265	68.28	1,106,113	1,424,484
				1,151,929	1,448,402			1,106,113	1,424,484

	2015 Rs. '000	2014 Rs. '000
27.1 Non-Controlling Interest (NCI) in Subsidiary		
NCI Percentage (%)	29.58	31.72
Total Assets	5,014,040	4,882,871
Total Liabilities	617,159	598,464
Net Assets	4,396,881	4,284,407
Carrying Amount of NCI	1,067,194	1,124,387
Revenue	196,838	185,973
Profit	201,306	99,811
Total Comprehensive Income	190,656	98,685
Profit Allocated to NCI	30,653	73,794
Cash Flow from Operating Activities	105,927	90,782
Cash Flow from Investing Activities	(35,651)	(41,790)
Cash Flow from Financing Activities – before Dividend to NCI	(50,618)	(23,531)
Cash Flow from Financing Activities – Cash Dividend to NCI	(23,365)	(20,858)
Net Increase/(Decrease) in Cash and Cash Equivalents	(3,707)	4,603

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
28 Group Balances Receivable				
Name of Company				
Seylan Developments PLC	30,000	30,000	-	-
	30,000	30,000	-	-

	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 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/Write-Offs	-	-	(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
Balance as at 1st January 2015	828,542	936,052	3,291,320	1,406,288	1,519,460	155,711	53,891	-	8,191,264
Additions and Improvements	-	-	460,328	68,766	117,307	30,655	-	-	677,056
Disposals/Write-Offs	-	-	(121,442)	(134,508)	(89,918)	(22,979)	(4,901)	-	(373,748)
Other Transfers from/(to)	-	-	48	21	(69)	-	-	-	-
As at 31st December 2015	828,542	936,052	3,630,254	1,340,567	1,546,780	163,387	48,990	-	8,494,572

Accumulated Depreciation

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/Write-Offs	-	-	(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
Balance as at 1st January 2015	-	31,566	2,905,034	1,119,136	996,043	117,994	53,891	-	5,223,664
Charge for the Year	-	31,625	112,408	92,356	162,840	15,185	-	-	414,414
Disposals/Write-Offs	-	-	(121,064)	(134,506)	(89,566)	(21,221)	(4,901)	-	(371,258)
Other Transfers from/(to)	-	-	48	(48)	-	-	-	-	-
As at 31st December 2015	-	63,191	2,896,426	1,076,938	1,069,317	111,958	48,990	-	5,266,820

Carrying Amount

As at 31st December 2014	828,542	904,486	386,286	287,152	523,417	37,717	-	-	2,967,600
As at 31st December 2015	828,542	872,861	733,828	263,629	477,463	51,429	-	-	3,227,752

	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 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/Write-Offs	-	-	(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
Balance as at 1st January 2015	828,542	2,519,413	3,297,668	1,482,741	1,528,092	155,711	54,017	-	9,866,184
Additions and Improvements	-	50,227	460,544	72,395	120,367	33,655	-	-	737,188
Surplus/(Impairment) on Revaluation	-	(10,705)	-	-	-	-	-	-	(10,705)
Disposals/Write-Offs	-	-	(121,575)	(134,508)	(89,918)	(25,979)	(5,028)	-	(377,008)
Transfers from/(to)	-	-	48	21	(69)	-	-	-	-
As at 31st December 2015	828,542	2,558,935	3,636,685	1,420,649	1,558,472	163,387	48,989	-	10,215,659
Accumulated Depreciation									
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/Write-Offs	-	-	(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
Balance as at 1st January 2015	-	31,566	2,909,071	1,177,842	999,709	117,994	54,017	-	5,290,199
Charge for the Year	-	52,624	112,998	97,167	164,737	15,185	-	-	442,711
Revaluation Adjustment on Accumulated Depreciation	-	(20,999)	-	-	-	-	-	-	(20,999)
Disposals/Write-Offs	-	-	(121,197)	(134,506)	(89,566)	(21,221)	(5,028)	-	(371,518)
Transfers from/(to)	-	-	48	(48)	-	-	-	-	-
As at 31st December 2015	-	63,191	2,900,920	1,140,455	1,074,880	111,958	48,989	-	5,340,393
Carrying Amount									
As at 31st December 2014	828,542	2,487,847	388,597	304,899	528,383	37,717	-	-	4,575,985
As at 31st December 2015	828,542	2,495,744	735,765	280,194	483,592	51,429	-	-	4,875,266

Investment property rented to Seylan Bank PLC by its Subsidiary Seylan Developments PLC is classified as Property, Plant & Equipment in the Group Financial Statements.

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 is as follows:

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Buildings	-	-	-	-
Computer Equipment	2,736,229	2,816,663	2,736,229	2,817,372
Software and Software Related	1,747,093	1,714,783	1,747,722	1,714,783
Office Machines and Equipment	813,975	864,502	868,227	864,502
Fixtures, Fittings and Furniture	662,932	715,463	662,932	715,463
Motor Vehicles	84,367	87,807	84,367	87,807
Leased Assets	48,624	53,891	48,624	54,017
	6,093,220	6,253,109	6,148,101	6,253,944

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 out 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 31.12.2015 Rs. '000	Date of Valuation
		Freehold Land as at 31.12.2015 Rs. '000	Freehold Buildings as at 31.12.2015 Rs. '000	Accumulated Depreciation as at 31.12.2015 Rs. '000		
A. Freehold						
Mt. Lavinia						
198, Galle Road, Ratmalana	36.30 P	81,674	23,325	1,951	103,048	23.12.2013
Badulla						
10, Cocowatte Road, Badulla	1R 5.50P	81,200	18,800	1,184	98,816	20.11.2013
Kochchikade						
66, Chilaw Road, Kochchikade	8.0 P	9,750	13,950	752	22,948	31.12.2013
Avissawella						
71, Ratnapura Road, Avissawella	18.92P	28,900	12,100	1,104	39,896	02.01.2014

Address	Extent	Cost/Valuation			Net Book Value as at 31.12.2015 Rs. '000	Date of Valuation
		Freehold Land as at 31.12.2015 Rs. '000	Freehold Buildings as at 31.12.2015 Rs. '000	Accumulated Depreciation as at 31.12.2015 Rs. '000		
Grandpass						
401, Prince of Wales Avenue, Colombo 14	1R 6.0P	57,500	16,000	1,536	71,964	16.12.2013
Bandarawela						
Badulla Road, Bandarawela	27.01P	32,939	21,061	1,929	52,071	05.02.2014
Sarikkamulla						
97, Old Galle Road, Sarikkamulla	11.56 P	7,468	5,532	372	12,628	31.12.2013
Tissamaharama						
547, Debarawewa, Tissamaharama	1R 1.50P	9,338	8,162	690	16,810	16.01.2014
Raddolugama						
171, National Housing Scheme, Raddolugama	12.08 P	5,440	10,870	881	15,429	23.11.2013
Nuwara-Eliya						
61, Haddon Hill Road, Nuwara-Eliya	1R 36P	53,200	17,800	1,795	69,205	31.12.2013
Maradagahamula						
150, Divulapitiya Road, Maradagahamula	35.0 P	8,025	6,975	378	14,622	30.12.2013
Anuradhapura						
23-A1, Anuradhapura	1R 3.65P	19,643	357	36	19,964	29.12.2013
Embilipitiya						
73, New Town Road, Embilipitiya	22.1P	12,155	28,845	1,762	39,238	11.11.2013
Nugegoda						
211, High Level Road, Nugegoda	14.0P	51,000	31,000	2,120	79,880	10.12.2013
Ratnapura						
6, Goods Shed Road, Ratnapura	6.13P	11,650	8,350	579	19,421	09.01.2014
Embilipitiya						
Pettigala Road, Balangoda	3R 22.04P	30,100	1,500	104	31,496	07.01.2014
Deal Place						
No. 2, Deal Place, Colombo 3	19.0P	122,200	10,560	609	132,151	31.12.2013
Gampola						
44, Kandy Road, Gampola	13.5P	30,375	12,125	791	41,709	07.11.2013
Koggala						
9, Export Processing Zone, Koggala	20P	-	8,500	857	7,643	26.01.2014

Address	Extent	Cost/Valuation			Net Book Value as at 31.12.2015	Date of Valuation
		Freehold Land as at 31.12.2015	Freehold Buildings as at 31.12.2015	Accumulated Depreciation as at 31.12.2015		
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Negombo						
115, Rajapaksa Broadway, Negombo	29.15P	60,950	17,800	993	77,757	31.12.2013
Kandana						
99, Station Road, Kandana	1A 1R 9.84P	115,035	12,440	719	126,756	08.01.2014
Head Office						
90, Galle Road, Colombo 3	37,416 Square Feet	-	650,000	42,049	607,951	31.12.2013
Total Freehold Land and Buildings – Bank		828,542	936,052	63,191	1,701,403	
Seylan Towers – East Tower						
90, Galle Road, Colombo 3		-	1,622,883	-	1,622,883	31.12.2015
Total Freehold Buildings – Seylan Developments PLC		-	1,622,883	-	1,622,883	
Total Freehold Land and Buildings – Group		828,542	2,558,935	63,191	3,324,286	

Address	Extent	Cost - Land as at 31.12.2015	Cost - Buildings as at 31.12.2015	Accumulated Depreciation Land as at 31.12.2015	Accumulated Depreciation Buildings as at 31.12.2015	Net Book Value as at 31.12.2015
		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	2,770	2,905	36,508
Hingurakgoda						
13 & 14, Airport Road, Hingurakgoda	15.84P	4,356	8,544	1,719	3,373	7,808
Total Leasehold Land and Buildings – Bank		26,959	28,124	4,489	6,278	44,316
Seylan Tower Land – East Tower						
90, Galle Road, Colombo 3		640,549	-	84,808	-	555,741
Total Leasehold Land – Seylan Developments PLC		640,549	-	84,808	-	555,741
Total Leasehold Land and Buildings – Group		667,508	28,124	89,297	6,278	600,057
Total Land and Buildings – Group		1,496,050	2,587,059	89,297	69,469	3,924,343

29.5 Summary of Freehold/Leasehold Properties

	Cost/ Valuation Rs. '000	Depreciation Rs. '000	Market Value/ Net Book Value Rs. '000
Freehold Land	828,542	–	828,542
Freehold Buildings	936,052	63,191	872,861
Total Freehold Land and Buildings	1,764,594	63,191	1,701,403
Leasehold Land	26,959	4,489	22,470
Leasehold Buildings	28,124	6,278	21,846
Total Leasehold Land and Buildings	55,083	10,767	44,316
Total Land and Buildings – Bank	1,819,677	73,958	1,745,719
Freehold Buildings – Seylan Developments PLC	1,622,883	–	1,622,883
Leasehold Land – Seylan Developments PLC	640,549	84,808	555,741
Total Land and Buildings – Seylan Developments PLC	2,263,432	84,808	2,178,624
Total Land and Buildings – Group	4,083,109	158,766	3,924,343

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					
	2015			2014		
	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	–	(256,166)	(256,166)	–	(234,317)	(234,317)
Carrying Value of Freehold Land and Buildings	465,586	670,217	1,135,803	465,586	692,066	1,157,652

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
30 Leasehold Rights				
Cost/Valuation				
Balance as at 1st January	55,083	55,083	695,632	695,632
As at 31st December	55,083	55,083	695,632	695,632
Accumulated Depreciation				
Balance as at 1st January	8,821	6,797	86,219	76,785
Charge for the Year	1,946	2,024	9,356	9,434
As at 31st December	10,767	8,821	95,575	86,219
Carrying Amount	44,316	46,262	600,057	609,413

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.

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
31 Investment Properties				
Cost				
Balance as at 1st January	114,429	114,429	1,440,763	1,434,450
Add: Additions during the Year	-	-	30,155	24,089
Less: Disposals during the Year*	(114,429)	-	(114,429)	(17,776)
Cost as at 31st December (Notes 31.2)	-	114,429	1,356,489	1,440,763
Less - Provision for Impairment (Note 31.1)	-	-	(71,462)	(71,462)
Cost Less Impairment as at 31st December	-	114,429	1,285,027	1,369,301
Accumulated Depreciation				
Balance as at 1st January	-	-	186,077	177,428
Charge for the Year	-	-	9,030	8,905
Reversal during the Year	-	-	-	(256)
Balance as at 31st December	-	-	195,107	186,077
Carrying Value as at 31st December	-	114,429	1,089,920	1,183,224

*The property at Kandana was disposed during the year.

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
31.1 Provision for Impairment – Investment Properties				
Balance as at 1st January	-	-	71,462	213,080
Reversal during the Year	-	-	-	(141,618)
Balance as at 31st December	-	-	71,462	71,462

Bank accounts its Investment Properties at cost and revalues these properties periodically on a systematic basis for disclosure purposes.

	Extent	Date of Valuation	GROUP	
			Cost Rs. '000	Market Value Rs. '000
31.2 Investment Properties (Group) - 2015				
Address				
Seylan Towers – West Tower 90, Galle Road, Colombo 3*	111,191sq.ft	31/12/2015	1,054,332	1,579,345
257, Union Place, Colombo – 02	0A 1R 12.27P	28/12/2015	204,535	420,000
Moratuwa Lake Villas, St.Peter's Road, Moratuwa	0A 1R 05P	31/12/2015	3,361	2,250
Ja-Ela Commercial Complex**			70,351	-
Parana Kanda Road, Detagamuwa,Kataragama	01A 00R 0.05P	31/12/2015	23,910	26,250
			1,356,489	

*The rent income from the Seylan Towers – West Tower for the year 2015 is Rs. 73.87 Mn. (2014 Rs. 68.7 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
Subsidiary – Seylan Developments PLC				
Seylan Towers - West Tower 90, Galle Road, Colombo 3	Sunil Fernando & Associates (Pvt) Limited. 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. 204/- 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 residential apartment buildings have been taken as comparable residential market rents (Rs. 335,000/- & Rs. 395,000/-).	Reduction of market rents causes negative impact on estimated fair value.
			All risk rates for residential and commercial segment of the subject property have been taken at 4% and 6% respectively.	There is an inverse relationship between the estimated fair value and all risk rates.
			Current replacement cost of construction is estimated as Rs. 17,000/- 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 72 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. 9,750,000/- 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. 7,750,000/- per perch.	Estimated fair value would increase if the market value of the land increases.

Property	Name and Qualifications of the Valuer	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Moratuwa Lake Villas, St. Peter's Road, Moratuwa	Sunil Fernando & Associates (Pvt) Limited. Chartered Valuation Surveyors	Comparison method of valuation has been adopted.	The available evidence of land values in the locality considered.	Estimated fair value would increase if the market value of the land gets higher.
Parana Kanda Road, Detagamuwa, Kataragama	M.A.A. Sarath Associate of the Institute of Valuers (Panel Valuer-Banks and 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 was considered as Rs. 47,500/- per perch Estimated quantity allowance was considered as 30% The value of the buildings are considered as Rs. 4,200/- and Rs. 6,650/- per sq.ft. Over-head water tank, landscaping and site development estimated at Rs. 1.8 Mn. & Rs. 2 Mn. respectively.	Estimated fair value would increase if the market value of the land gets higher. Estimated fair value would decrease, if the development cost and profit rate get higher. Estimated fair value would increase if the value of the building gets higher. Estimated fair value would increase if the value of the infrastructure gets higher.

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000

32 Intangible Assets

Software and Software Related

Cost

Balance as at 1st January	2,112,866	1,911,620	2,112,866	1,911,620
Additions for the Year	37,158	201,636	37,158	201,636
Write-offs during the Year	(917)	(390)	(917)	(390)
As at 31st December	2,149,107	2,112,866	2,149,107	2,112,866

Accumulated Amortisation

Balance as at 1st January	1,833,046	1,770,486	1,833,046	1,770,486
Amortisation for the Year	67,088	62,950	67,088	62,950
Write-offs during the Year	(917)	(390)	(917)	(390)
As at 31st December	1,899,217	1,833,046	1,899,217	1,833,046
Carrying Amount	249,890	279,820	249,890	279,820

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
33 Deferred Tax Assets/(Liabilities)				
Balance Brought Forward	18,030	170,590	(36,507)	135,951
Recognised in the Profit or Loss				
Charge for the Year (Note 15.1)	(772,282)	(92,057)	(763,532)	(101,438)
Recognised in Other Comprehensive Income				
Effect on Revaluation of Property, Plant & Equipment (Note 43.2)	-	-	(2,882)	(10,517)
Effect on Fair Value Gains/(Losses) on Available-for-Sale Financial Assets (Note 43.4)	418,150	(60,503)	418,150	(60,503)
Balance Carried Forward (Notes 33.1 & 33.2)	(336,102)	18,030	(384,771)	(36,507)

As proposed in the Budget 2016 current income tax rate of 28% will be increased to 30%. However, the Bank has considered tax rate at 28% for deferred taxation as at 31st December as the new rate is not yet substantially enacted.

	BANK			
	2015		2014	
	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	1,090,247	305,269	904,325	253,211
Lease Rentals	2,230,391	624,510	2,029,468	568,251
Revaluation Gain Brought Forward	59,539	16,671	59,539	16,671
Gain on Available-for-Sale Reserve	-	-	216,082	60,503
	3,380,177	946,450	3,209,414	898,636
Deferred Tax – Assets				
Leave Encashment Provision (Note 40.2)	249,849	69,958	246,693	69,074
Collective and Individually Significant Impairment	-	-	2,107,661	590,145
Other Provisions	270,401	75,712	224,030	62,728
Tax Losses Carried Forward (Note 15.3)	320,677	89,790	633,849	177,478
Impact on Devaluation of Property	61,575	17,241	61,575	17,241
Loss on Available-for-Sale Reserve	1,277,310	357,647	-	-
	2,179,812	610,348	3,273,808	916,666
Net Deferred Tax Assets/(Liabilities) (Note 33.1.1)	(1,200,365)	(336,102)	64,394	18,030

	BANK							
	2015				2014			
	Balance as at 1st January	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Balance as at 31st December	Balance as at 1st January	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Balance as at 31st December
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
33.1.1 Movement in Temporary Differences								
Deferred Tax – Liabilities								
Property, Plant & Equipment	904,325	185,922	-	1,090,247	769,094	135,231	-	904,325
Lease Rentals	2,029,468	200,923	-	2,230,391	1,532,319	497,149	-	2,029,468
Revaluation Gain Brought Forward	59,539	-	-	59,539	59,539	-	-	59,539
Gain on Available-for-Sale Reserve	216,082	-	(216,082)	-	-	-	216,082	216,082
	3,209,414	386,845	(216,082)	3,380,177	2,360,952	632,380	216,082	3,209,414
Deferred Tax – Assets								
Leave Encashment Provision	246,693	3,156	-	249,849	218,467	28,226	-	246,693
Collective and Individually Significant Impairment	2,107,661	(2,107,661)	-	-	1,963,470	144,191	-	2,107,661
Other Provisions	224,030	46,371	-	270,401	157,476	66,554	-	224,030
Tax Losses Carried Forward	633,849	(313,172)	-	320,677	569,216	64,633	-	633,849
Impact on Devaluation of Property	61,575	-	-	61,575	61,575	-	-	61,575
Loss on Available-for-Sale Reserve	-	-	1,277,310	1,277,310	-	-	-	-
	3,273,808	(2,371,306)	1,277,310	2,179,812	2,970,204	303,604	-	3,273,808
Net Deferred Tax Assets/ (Liabilities)	64,394	(2,758,151)	1,493,392	(1,200,365)	609,252	(328,776)	(216,082)	64,394

	GROUP			
	2015		2014	
	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	1,118,073	313,060	932,310	261,046
Lease Rentals	2,230,391	624,510	2,029,468	568,251
Revaluation Gain Brought Forward	1,038,176	290,689	1,027,882	287,807
Gain on Available-for-Sale Reserve	-	-	216,082	60,503
	4,386,640	1,228,259	4,205,742	1,177,607
Deferred Tax – Assets				
Leave Encashment Provision (Note 40.2)	249,849	69,958	246,693	69,074
Collective and Individually Significant Impairment	-	-	2,107,661	590,145
Other Provisions	270,401	75,712	224,030	62,728
Tax Losses Carried Forward (Note 15.3)	1,153,319	322,930	1,435,405	401,912
Impact on Devaluation of Property	61,575	17,241	61,575	17,241
Loss on Available-for-Sale Reserve	1,277,310	357,647	-	-
	3,012,454	843,488	4,075,364	1,141,100
Net Deferred Tax Assets/(Liabilities) (Note 33.2.1)	(1,374,186)	(384,771)	(130,378)	(36,507)

	GROUP							
	2015				2014			
	Balance as at 1st January	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Balance as at 31st December	Balance as at 1st January	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Balance as at 31st December
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
33.2.1 Movement in Temporary Differences								
Deferred Tax – Liabilities								
Property, Plant & Equipment	932,310	185,763	-	1,118,073	769,094	163,216	-	932,310
Lease Rentals	2,029,468	200,923	-	2,230,391	1,532,319	497,149	-	2,029,468
Revaluation Gain Brought Forward	1,027,882	-	10,294	1,038,176	990,318	-	37,564	1,027,882
Gain on Available-for-Sale Reserve	216,082	-	(216,082)	-	-	-	216,082	216,082
	4,205,742	386,686	(205,788)	4,386,640	3,291,731	660,365	253,646	4,205,742
Deferred Tax – Assets								
Leave Encashment Provision	246,693	3,156	-	249,849	218,467	28,226	-	246,693
Collective and Individually Significant Impairment	2,107,661	(2,107,661)	-	-	1,963,470	144,191	-	2,107,661
Other Provisions	224,030	46,371	-	270,401	157,476	66,554	-	224,030
Tax Losses Carried Forward	1,435,405	(282,086)	-	1,153,319	1,376,287	59,118	-	1,435,405
Impact on Devaluation of Property	61,575	-	-	61,575	61,575	-	-	61,575
Loss on Available-for-Sale Reserve	-	-	1,277,310	1,277,310	-	-	-	-
	4,075,364	(2,340,220)	1,277,310	3,012,454	3,777,275	298,089	-	4,075,364
Net Deferred Tax Assets/ (Liabilities)	(130,378)	(2,726,906)	1,483,098	(1,374,186)	485,544	(362,276)	(253,646)	(130,378)

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, the 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	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
34 Other Assets				
Deposits and Prepayments	916,851	876,692	920,980	881,094
Clearing House Balance	2,207,871	1,829,037	2,201,278	1,822,262
Inventories	221,239	591,086	225,389	591,086
Sundry Debtors	206,363	167,795	206,363	167,795
Other Receivables	373,476	45,674	373,476	45,674
Due from Trust Companies	113,815	113,688	113,815	113,688
Prepaid Staff Cost	2,217,190	2,364,950	2,217,329	2,364,950
Other Debtors	498,615	658,252	514,042	673,636
	6,755,420	6,647,174	6,772,672	6,660,185

	BANK		GROUP	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
35 Due to Banks				
Call Money Borrowings	19,021,325	10,167,827	19,021,325	10,167,827
Refinance Borrowings	516,478	684,271	516,478	684,271
Borrowings from Local Banks	33,896	33,221	33,896	33,221
Borrowings from Foreign Banks	212,472	730,148	212,472	730,148
	19,784,171	11,615,467	19,784,171	11,615,467

36 Customer Deposits				
Total Customer Deposits	224,525,455	185,924,122	224,525,455	185,924,122

36.1 Analysis of Customer Deposits

36.1.1 By Product

Local Currency

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Demand Deposits	16,381,633	14,220,049	16,381,633	14,220,049
Savings Deposits	56,252,291	51,012,395	56,252,291	51,012,395
Time Deposits	127,704,952	101,092,034	127,704,952	101,092,034
Certificates of Deposit	3,887,455	5,931,267	3,887,455	5,931,267
	204,226,331	172,255,745	204,226,331	172,255,745

Foreign Currency

Demand Deposits	1,362,914	949,422	1,362,914	949,422
Savings Deposits	7,471,493	5,413,393	7,471,493	5,413,393
Time Deposits	11,464,717	7,305,562	11,464,717	7,305,562
	20,299,124	13,668,377	20,299,124	13,668,377
Total Customer Deposits by Product	224,525,455	185,924,122	224,525,455	185,924,122

36.1.2 By Currency

Sri Lankan Rupee	204,226,331	172,255,745	204,226,331	172,255,745
United States Dollar	16,628,059	10,591,924	16,628,059	10,591,924
Great Britain Pound	1,612,976	1,238,143	1,612,976	1,238,143
Japanese Yen	199,576	255,411	199,576	255,411
Euro	708,729	660,277	708,729	660,277
Swiss Franc	21,409	24,490	21,409	24,490
Australian Dollar	965,942	762,755	965,942	762,755
Canadian Dollar	113,589	106,409	113,589	106,409
Singapore Dollar	31,919	16,521	31,919	16,521
New Zealand Dollar	12,216	6,186	12,216	6,186
Swedish Kroner	56	558	56	558
Danish Kroner	4,465	4,901	4,465	4,901
Hong-Kong Dollar	187	802	187	802
Chinese Renminbi	1	-	1	-
Total Customer Deposits by Currency	224,525,455	185,924,122	224,525,455	185,924,122

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
36.1.3 By Customer Category				
Banks	3,095,058	1,312,746	3,095,058	1,312,746
Finance Companies	1,963,028	3,051,934	1,963,028	3,051,934
Other Customers	219,467,369	181,559,442	219,467,369	181,559,442
	224,525,455	185,924,122	224,525,455	185,924,122
36.1.4 By Maturity				
Due within One Year	207,608,090	169,750,396	207,608,090	169,750,396
Due after One Year	16,917,365	16,173,726	16,917,365	16,173,726
	224,525,455	185,924,122	224,525,455	185,924,122

37 Other Borrowings

Refinance Borrowings – Other Institutions (Coconut Cultivation Board)	15,688	14,628	15,688	14,628
	15,688	14,628	15,688	14,628

38 Group Balances Payable

Seylan Developments PLC	181,266	193,295	-	-
	181,266	193,295	-	-

39 Debentures

Year of Issue	Year of Redemption	Type of Issue	Fixed Rate Annually	Fixed Rate Semi-Annually	Fixed Rate Monthly	BANK	GROUP
						Amount Outstanding as at 31.12.2015 Rs. '000	Amount Outstanding as at 31.12.2015 Rs. '000
2013	2018	Public Issue	15.50	15.00	14.50	2,134,152	2,134,152
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
						7,179,853	7,179,853

Debenture Category	BANK/GROUP					
	Colombo Stock Exchange Listing	Interest Payable Frequency	Allotment Date/Period	Maturity Date/Period	Value as at 31.12.2015	Value as at 31.12.2014
					Rs. '000	Rs. '000
Fixed Rate Debentures						
2010/2015 – 11.00% p.a.	Not listed	Quarterly	07.12.2010 - 29.12.2010	06.12.2015 - 28.12.2015	-	255,874
2013/2018 – 15.50% p.a.	Listed	Annually	14.02.2013 - 22.02.2013	21.02.2018	1,235,913	1,235,913
2013/2018 – 15.00% p.a.	Listed	Semi-Annually	14.02.2013 - 22.02.2013	21.02.2018	831,907	831,885
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	463,192
2014/2019 – 8.35% p.a.	Listed	Semi-Annually	23.12.2014	22.12.2019	30	30
2014/2019 – 8.60% p.a.	Listed	Annually	23.12.2014	22.12.2019	1,870,478	1,870,478
2014/2020 – 8.60% p.a.	Listed	Semi-Annually	23.12.2014	22.12.2020	2,406,168	2,406,168
2014/2020 – 8.75% p.a.	Listed	Annually	23.12.2014	22.12.2020	305,833	305,833
					7,179,853	7,435,705
Floating Rate Debentures						
2010/2015 – Note 01	Not listed	Quarterly	07.12.2010 - 29.12.2010	06.12.2015 - 28.12.2015	-	220,000
					-	220,000
Total Debentures					7,179,853	7,655,705

Note

1. 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).

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
40 Other Liabilities				
Accrued Expenses	959,298	817,029	996,798	847,610
Margin Accounts	1,155,517	805,086	1,155,517	805,086
Deposit Funding Accounts	2,158,144	1,765,210	2,158,144	1,765,210
Dividend Payable	30,741	21,026	35,987	26,009
Provision for Defined Benefit Obligations (Net) – (Note 40.1.1)	(199,487)	(73,388)	(206,992)	(81,022)
Sundry Creditors	656,228	484,533	656,228	484,533
Value Added Tax and Other Statutory Payables	670,369	568,994	673,450	568,994
Cheques and Drafts Payable	839,706	731,718	839,706	731,718
Leave Encashment Provision – (Note 40.2)	249,849	246,693	249,849	246,693
Other Creditors	765,043	577,674	816,926	643,268
	7,285,408	5,944,575	7,375,613	6,038,099

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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
40.1.1 The Amount Recognised in the Statement of Financial Position				
Present Value of Defined Benefit Obligations (Note 40.1.3)	1,147,186	1,117,804	1,153,028	1,122,890
Fair Value of Plan Assets (Note 40.1.4)	(1,346,673)	(1,191,192)	(1,360,020)	(1,203,912)
Provision for Defined Benefit Obligations	(199,487)	(73,388)	(206,992)	(81,022)

40.1.2 Plan Assets Consist of the Following

	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Balance with Banks	20,064	43,198	28,841	51,058
Investment in Treasury Bills and Bonds	1,326,609	1,147,994	1,331,179	1,152,854
	1,346,673	1,191,192	1,360,020	1,203,912

Plan Assets are held by an approved external gratuity fund.

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 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	1,117,804	939,724	1,122,890	944,003
Current Service Cost	69,793	71,900	70,255	72,321
Interest Cost	103,397	93,972	103,868	94,400
Actuarial (Gains)/Losses on PV DBO	(81,009)	49,031	(80,810)	49,164
Payments Made (Including Benefits Paid by the Plan)	(62,799)	(36,823)	(63,175)	(36,998)
Liability for Defined Benefit Obligations as at 31st December	1,147,186	1,117,804	1,153,028	1,122,890

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
40.1.4 Movement in Plan Assets				
Fair Value of Plan Assets as at 1st January	1,191,192	935,870	1,203,912	947,444
Expected Return on Plan Assets	110,185	93,587	111,362	94,744
Contribution Paid into Plan	123,033	214,683	123,033	214,683
Benefits Paid by the Plan	(62,799)	(36,823)	(63,175)	(36,998)
Actuarial Loss on Plan Assets	(14,938)	(16,125)	(15,112)	(15,961)
Fair Value of Plan Assets as at 31st December	1,346,673	1,191,192	1,360,020	1,203,912

40.1.5 Actuarial (Gain) or Loss

Actuarial (Gain)/Loss for year – Obligation	(81,009)	49,031	(80,810)	49,164
Actuarial Loss for year – Plan Assets	14,938	16,125	15,112	15,961
Actuarial Gain/(Loss) Recognised in Other Comprehensive Income	66,071	(65,156)	65,698	(65,125)

40.1.6 Amount Recognised in Income Statement

Current Service Cost	69,793	71,900	70,255	72,321
Interest Cost	103,397	93,972	103,868	94,400
Expected Return on Plan Assets	(110,185)	(93,587)	(111,362)	(94,744)
Balance as at 31st December (Note 14)	63,005	72,285	62,761	71,977

40.1.7 Amount Recognised in Other Comprehensive Income

Actuarial (Gain)/Loss Recognised in the year	(66,071)	65,156	(65,698)	65,125
Balance as at 31st December	(66,071)	65,156	(65,698)	65,125

	BANK	
	2015	2014
40.1.8 Actuarial Assumptions – Bank		
Retirement Age	55 Years	55 Years
Discount Rate	10.00%	9.25%
Salary Increment	1st year – 11%, (including 2% increment) 2nd year – 12%, (including 2% increment) 3rd year – 10% (including 2% increment) and thereafter 3%, 3%, 10% per annum. Next increment due on 1st January 2016	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

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

		2015	
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%	**	(83,474)	(83,474)
(1%)	**	94,287	94,287
*	1%	101,630	101,630
*	(1%)	(90,974)	(90,974)

* Discount Rate is fixed at 10%.

** Salary Increment Rates 11%, 12%, 10%, 3%, 3% and 10%.

Seylan Developments PLC

		2015	
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%	**	(369)	(369)
(1%)	**	410	410
*	1%	456	456
*	(1%)	(414)	(414)

* Discount Rate is fixed at 10%.

** Salary Increment Rate 7.5% and thereafter 5%.

40.1.10 Maturity Profile of the Defined Benefit Obligation

Seylan Bank PLC

Future Working Life Time	Defined Benefit Obligation Rs. '000
Within next 12 months	101,373
Between 1-2 years	153,899
Between 2-5 years	173,449
Between 5-10 years	338,057
Beyond 10 Years	380,408
Total	1,147,186

Weighted Average Duration of Defined Benefit Obligation 8.50 years

Seylan Developments PLC

Future Working Life Time	Defined Benefit Obligation Rs. '000
Within next 12 months	366
Between 1-2 years	1,497
Between 2-5 years	757
Between 5-10 years	1,741
Beyond 10 Years	1,481
Total	5,842

Weighted Average Duration of Defined Benefit Obligation 7.32 years

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000

40.2 Leave Encashment Provision

Balance as at 1st January	246,693	218,467	246,693	218,467
Amount Charged to Income Statement during the Year	3,156	28,226	3,156	28,226
Balance as at 31st December	249,849	246,693	249,849	246,693

	BANK	
	2015	2014
40.2.1 Actuarial Assumptions		
Retirement Age	55 years	55 years
Discount Rate	10.00%	9.25%
Salary Increment	1st year – 11%, (including 2% increment) 2nd year – 12%, (including 2% increment) 3rd year – 10% (including 2% increment) and thereafter 3%, 3%, 10% per annum. Next increment due on 1st January 2016	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

	BANK		GROUP	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	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	6,962,722	6,962,722	6,962,722
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	3,567,002	3,567,002	3,567,002
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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
42 Statutory Reserve Fund				
Balance as at 1st January	995,894	841,964	995,894	841,964
Add: Transferred during the Year*	191,547	153,930	191,547	153,930
Balance as at 31st December	1,187,441	995,894	1,187,441	995,894

* 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.

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
43 Other Reserves				
Movement in Capital Reserve (Note 43.1)	418,021	418,021	673,234	673,234
Movement in Revaluation Reserve (Note 43.2)	651,483	651,483	1,378,783	1,373,590
Movement in General Reserve (Note 43.3)	33,787	33,787	33,787	33,787
Available-for-Sale Reserve (Note 43.4)	(468,826)	651,222	(469,879)	650,480
Movement in Investment Fund Reserve (Note 43.5)	1,578,381	1,644,665	1,578,381	1,644,665
	2,212,846	3,399,178	3,194,306	4,375,756

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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
43.2 Movement in Revaluation Reserve				
Balance as at 1st January	651,483	651,483	1,373,590	1,356,228
Surplus on Revaluation during the Year	-	-	10,294	37,561
Transferred to Non-Controlling Interest	-	-	(2,219)	(9,682)
Deferred Tax Impact on Revaluation Surplus (Note 33)	-	-	(2,882)	(10,517)
Balance as at 31st December	651,483	651,483	1,378,783	1,373,590

In addition to the Bank's Revaluation Reserve, Group includes the surplus on revaluation of Property, Plant & Equipment of Seylan Developments PLC.

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
43.4 Movement in Available-for-Sale Reserve				
Balance as at 1st January	651,222	641,586	650,480	641,586
Fair Value Gain/(Loss) during the Year	(1,538,198)	70,139	(1,538,657)	68,983
Transferred to Non-Controlling Interest	-	-	148	414
Deferred Tax Impact on Fair Value Gain/(Loss) (Note 33)*	418,150	(60,503)	418,150	(60,503)
Balance as at 31st December	(468,826)	651,222	(469,879)	650,480

* Deferred Tax on Available-for-Sale Financial Assets.

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
43.5 Movement in Investment Fund Reserve				
Balance as at 1st January	1,644,665	1,435,473	1,644,665	1,435,473
Transferred during the Year	-	231,230	-	231,230
Transferred to Retained Earnings	(66,284)	(22,038)	(66,284)	(22,038)
Balance as at 31st December	1,578,381	1,644,665	1,578,381	1,644,665

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

Investments

Long-Term Government Securities Maturity Period over 7 years	Maturity Value (Rs.)	Date of Maturity	Rate of Interest (%)
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		

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	31,269,691	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%
		86,269,691		
		1,847,969,691		

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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Undrawn Credit Lines	21,149,301	17,431,409	21,149,301	17,431,409
Capital Commitments (Note 46.1)	268,616	126,072	281,349	126,072
	21,417,917	17,557,481	21,430,650	17,557,481

44.1 Commitments

44.2 Contingencies

Acceptances	8,203,554	6,639,218	8,203,554	6,639,218
Standby Letters of Credit	38,007	90,064	38,007	90,064
Guarantees	18,125,180	11,959,894	18,192,180	12,026,894
Documentary Credit	6,776,978	5,731,067	6,776,978	5,731,067
Bills for Collection	2,792,739	3,214,975	2,792,739	3,214,975
Forward Exchange Contracts (Net)	(132,010)	(94,629)	(132,010)	(94,629)
	35,804,448	27,540,589	35,871,448	27,607,589
Total Commitments and Contingencies	57,222,365	45,098,070	57,302,098	45,165,070

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 (CHC) 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 & USD 56,732.25) Appeal is fixed for hearing on 24th March 2016.

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 the judgement. Appeal to be mentioned on 11th July 2016.

3. CHC 14/98(1) – (SC (APP) CHC 26B/2005 & SC (APP) CHC 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. Both cases to be mentioned on 23rd February 2016.

4. DC Ratnapura 23391/MR & HC (Civil) 159/06

Two actions filed claiming Rs. 23,761,000/- as wrongful takeover of property under Parate Action by Bank. Further Trial on 23rd March 2016 & 15th March 2016 respectively.

5. 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, thereby not being able to make payment. Plaintiff's action dismissed and court allowed to proceed with the claim in reconvention. In the meantime, Bank received Notice of Appeal against the dismissal.

6. DC Kandy 36780/MR (CP CA 69/2014)

Plaintiff filed action against the Bank regarding fraudulent withdrawals totalling Rs. 280,000/- from her savings accounts by her own twin sister. Judgement was delivered against the Bank and the Bank has appealed to Civil Appellate Courts against the judgement. Written Submissions due on 25th April 2016.

7. DC Colombo DMR/367 – CHC 559/10/MR

Plaintiff has claimed damages of Rs. 5 Mn. stating that the Bank has wrongfully refused to issue Dollars for travelling purposes. Matter has been fixed for further Trial on 19th May 2016.

8. DC Colombo DMR/1605/11

Action has been 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. Argument on 25th February 2016.

9. DC Colombo DMR 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 3rd May 2016.

10. 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 Mn. for wrongful termination from work, wrongful custody and remand, defamation and pain of mind. Case is fixed for judgement on 28th March 2016.

11. CHC 157/2007/MR SC CHC APPEAL 34/12

Action filed against the Bank for collecting a forged cheque to an account of a client and for unjust enrichment claiming Rs. 9.5 Mn. Judgement delivered in favour of the Plaintiff. Bank has appealed to the Supreme Court against the judgement. Appeal is fixed for Argument on 11th March 2016.

12. DC COLOMBO 17/99/CO – SC (APP) 85A/2009

Action filed by Hatton National Bank to nullify the Mortgage Bond executed in favour of 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 8th July 2016.

13. DC Mount Lavinia Case No. 4246/03/M

Action filed claiming damages for Rs. 2 Mn. alleging wrongful seizure of goods in execution of a writ by Seylan Bank. Trial on 29th June 2016.

14. 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 on 10th March 2016.

15. CHC 489/2014/MR

One of the joint account holders was arrested and their account was ceased and not granted any further facilities thereafter. The customers have filed this action claiming Rs. 6 Mn. as damages for not providing banking facilities. Case has been fixed for Trial on 2nd March 2016.

16. DMR 1674/15 & DMR 1675/15

The Plaintiffs have filed two actions (one by the Company and the other by its Director) claiming Rs. 50 Mn. in each case as damages stating that the Bank has given wrong information to the Magistrate’s Court under case No. B 2326/13 where one Director has been remanded.

17. DC Colombo Case No. 26321/M (CA 25/2012 F)

This matter has been filed by a former Deputy Chairman of the Bank, claiming Rs. 10 Mn. with interest 24% p.a. from January 2001, as *ex gratia* payment.

Plaint was dismissed and Plaintiff has appealed against the judgement and fixed for argument on 31st March 2016.

18. DC Colombo 0093/15/DMR

This case has been filed claiming Rs. 505,510.20, alleging a wrongful reduction of savings account. Matter has been fixed for Trial on 26th May 2016.

Cross Claims made against the Bank on Cases Filed by the Bank**19. CHC 638/09/MR (DC Colombo 6033/SPL)**

Case was filed against a former Deputy Chairman, preventing him from using confidential information gathered by him, during his tenure as a Director of the Bank. The Bank withdrew the reliefs prayed and the case is proceeding based on the claim in reconvention. Order reserved. Case to be called on 8th March 2016.

20. DC Ratnapura 12734/M

The 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. Case fixed for Trial on 20th June 2016.

Labour Related Cases**21. 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 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 from selling their shares of Seylan Bank PLC and restraining the Bank from receiving the proceeds of the sale of the respective trust properties.

These cases are to be mentioned on 29th April 2016.

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. The Bank has filed answer in reply to the claims and all pretrial steps have been completed.

These appeals are to be mentioned on 6th May 2016.

22. SC/SPL/LA 25/2015 (CA 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 Bank appealed against the order of Court of Appeal for Payment of one month gratuity to retired employees. Supreme Court Case to be supported on 24th March 2016.

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 a material impact on the Bank which is 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/-. The 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/-. The 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 Hearing 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. The 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.

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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
46.1 Approved and Contracted for	268,616	126,072	281,349	126,072
46.2 Approved but not Contracted for	5,000	–	5,000	–

47. Lease Contracts

The Group leases a number of branch and office premises under operating leases. The leases generally run for a period of 10 years.

The future minimum lease payments under non-cancellable operating leases, payable based on the maturity of the Lease Contracts as at 31st December are as follows:

	BANK		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Less than One Year	52,936	102,489	52,936	102,489
Between One & Five Years	450,363	362,034	450,363	362,034
More than Five Years	1,053,913	771,497	1,053,913	771,497
	1,557,212	1,236,020	1,557,212	1,236,020

48 Events after the Reporting Period

- Proposed Final Dividend
The Board of Directors of the Bank recommended that a final dividend of Rs. 2.75 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 2015.

Further, this dividend is to be approved at the Annual General Meeting to be held on 31st March 2016. This proposed final dividend has not been recognised as a liability as at 31st December 2015. 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 2015 amounts to Rs. 948,641,127.50.

Compliance with Sections 56 and 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 2016 has been audited by Messrs KPMG.

- The Statutory Reserve Requirement Ratio was increased from 6% to 7.5% as at 16th January 2016.

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, Director/Chief Executive Officer, 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

As at 31st December		2015			2014	
Name of Key Management Personnel	Facility	Limit Rs. Mn.	Outstanding Rs. Mn.	Security	Limit Rs. Mn.	Outstanding Rs. Mn.
Mr. K.P. Ariyaratne	Housing Loan	6.000	3.405	Mortgage Over Property	6.000	4.090
	Overdraft	1.000	-	Lien Over Fixed Deposit	1.000	-
Mr. S. Palihammadana	Vehicle Loan	-	-	Mortgage Over Vehicle/ Lien Over Fixed Deposit	6.500	0.552
	Overdraft	3.475	0.293	Lien Over Fixed Deposit	-	-
Mr. R.J. Jayasekara	Vehicle Loan	6.500	1.856	Mortgage Over Vehicle	6.500	3.250
	Housing Loan	6.000	5.618	Mortgage Over Property	6.000	5.860
	Overdraft	0.400	-	Lien Over Fixed Deposit	0.400	-
	Employees' Provident Fund Loan	2.300	1.878	Assignment Over Employees' Provident Fund Balance	2.300	2.110
Rear Admiral B.A.J.G. Peiris	Term Loan	5.000	5.000	Lien Over Fixed Deposit	-	-

49.3 Deposits by Key Management Personnel (KMP) and Close Family Members

As at 31st December	2015	2014
Name of Key Management Personnel	Rs. Mn.	Rs. Mn.
Mr. N.M. Jayamanne PC	4.043	-
Mr. N.M. Jayamanne PC/Ms. R.C. Jayamanne	12.468	8.851
Rear Admiral B.A.J.G. Peiris	11.949	10.124
Ms. K.L.G. Jayanthi	0.187	0.177
Ms. R.N.A. De Silva	0.175	0.165
Mr. S.P.S. Ranatunga	-	-
Ms. R.R.K. Ranatunga	0.042	0.013
Mr. K.P. Ariyaratne	8.712	4.540
Mr. S.V. Corea	0.388	-
Ms. G.C.J. Corea	0.001	-
Mr. S. Palihammadana	6.537	6.615
Ms. R.S. Palihammadana	3.637	3.292
Mr. R.J. Jayasekara	0.309	0.272
Mr. R.J. Jayasekara/Ms. E.J. Jayasekara	5.323	4.218
Ms. E.J. Jayasekara	5.255	3.523

49.4 Other Instruments by Key Management Personnel (KMP) and Close Family Members

As at 31st December		2015	2014
Name of Key Management Personnel	Instrument	Rs. Mn.	Rs. Mn.
Mr. N.M. Jayamanne PC/Ms. R.C. Jayamanne	Debentures	10.000	10.000
	Treasury Bill	-	18.000
Mr. K.P. Ariyaratne	Treasury Bill	-	0.400
	Treasury Bond	3.210	-
	Repo	-	2.000
	Debentures	4.000	4.000
Mr. S. Palihawadana	Reverse Repo	4.100	-
	Treasury Bond	20.800	-
	Debentures	7.000	7.000
	Repo	-	0.825
Ms. E.J. Jayasekara	Debentures	3.000	3.000

49.5 Accommodation Granted to KMP and Close Family Members for Credit Cards

As at 31st December	2015		2014
Name of Key Management Personnel	Credit Card Limit Rs. '000	Outstanding Rs. '000	Outstanding Rs. '000
Mr. N.M. Jayamanne PC	500	Supplementary	Supplementary
Ms. R.C. Jayamanne	500	128	153
Mr. I.C. Nanayakkara	250	33	-
Rear Admiral B.A.J.G. Peiris	500	48	2
Mr. S.P.S. Ranatunga	500	98	18
Mr. W.D.K. Jayawardene	500	4	N/A
Mr. K.P. Ariyaratne	500	92	40
Mr. S. Palihawadana	500	151	65
Mr. R.J. Jayasekara	500	50	51
Ms. E.J. Jayasekara	500	Supplementary	Supplementary
Mr. S.V. Corea	265	-	N/A
Ms. M.C. Pietersz	500	-	N/A
Mr. P.L.S.K. Perera	500	-	N/A

49.6 Compensation to Key Management Personnel (KMP)

For the year ended 31st December	2015 Rs. Mn.	2014 Rs. Mn.
Directors' Remuneration – Executive Directors*	28.957	2.918
Other Non-Cash Benefits to Executive Directors*	3.101	–
Post-Employment Benefits – Executive Directors*	2.963	–
Directors' Fees – Non-Executive Directors	18.170	10.275
Other Non-Cash Benefits to Non-Executive Directors	1.274	2.632
Remuneration to Key Management Personnel*	23.256	44.142
Other Benefits to Key Management Personnel*	0.375	3.294
Post-Employment Benefits to Key Management Personnel*	2.264	4.745
Terminal Benefits Paid**	–	10.660

* During the year Mr. K.P. Ariyaratne, General Manager/Chief Executive Officer of the Bank was appointed as the Director/Chief Executive Officer of the Bank with effect from 16th February 2015.

** Terminal benefits paid to Mr. R. Nadarajah (Executive Director) who 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

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Party/Parties Accommodated	Name of Director/Key Managerial Personnel Relationship	Deposit	Rs. Mn.
Seylan Bank Employees' Provident Fund	Mr. K.P. Ariyaratne – Trustee	Demand Deposit	166.650
	Mr. M. Karunaratne – Trustee (Resigned w.e.f. 23.12.2015)		166.650
	Mr. S. Kumarasiri – Trustee (Retired w.e.f. 15.12.2015)		
	Ms. R. Weerakkody – Trustee (Resigned w.e.f. 23.12.2015)		
	Mr. W. Senanayake – Trustee/Secretary (Resigned w.e.f. 23.12.2015)		
	Mr. K. Wickramasinghe – Trustee (Resigned w.e.f. 23.12.2015)		
	Mr. G. Indrapala – Trustee (Resigned w.e.f. 23.12.2015)		
	Following Committee Members were appointed w.e.f. 23.12.2015:		
	Mr. R.J. Jayasekara – Trustee		
	Mr. A.M.J. Amarasinghe – Trustee/Secretary		
	Mr. S. Perera – Trustee		
	Ms. K.G. Hatch – Trustee		
	Mr. M. Karunaratne – Trustee		
	Mr. S. Gunarathne – Trustee		
	Mr. U. Kaluarachchi – Trustee		
Mr. L. Fernando – Trustee			
2014 Comparatives			1,848.587
Sesot (Pvt) Limited	Mr. K.P. Ariyaratne – Chairman	Demand Deposit	5.688
	Mr. S.J. Jebaratnam – Director (Resigned w.e.f. 01.10.2015)		5.688
	Ms. K.G. Hatch – Director		
	Mr. A.M.J. Amarasinghe – Director (Appointed w.e.f. 01.10.2015)		
	Mr. R.J. Jayasekara – Director (Appointed w.e.f. 01.10.2015)		
2014 Comparatives			0.855
Seyfest (Pvt) Limited	Mr. K.P. Ariyaratne – Chairman	Demand Deposit	20.519
	Mr. S.J. Jebaratnam – Director (Resigned w.e.f. 01.10.2015)		20.519
	Ms. K.G. Hatch – Director		
	Mr. A.M.J. Amarasinghe – Director (Appointed w.e.f. 01.10.2015)		
	Mr. R.J. Jayasekara – Director (Appointed w.e.f. 01.10.2015)		
2014 Comparatives			14.134
Sotse (Pvt) Limited	Mr. K.P. Ariyaratne – Chairman		
	Mr. S.J. Jebaratnam – Director (Resigned w.e.f. 01.10.2015)		
	Ms. K.G. Hatch – Director		
	Mr. A.M.J. Amarasinghe – Director (Appointed w.e.f. 01.10.2015)		
	Mr. R.J. Jayasekara – Director (Appointed w.e.f. 01.10.2015)		
2014 Comparatives			

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Party/Parties Accommodated	Name of Director/Key Managerial Personnel Relationship	Deposit	Rs. Mn.
Seyshop (Pvt) Limited	Mr. K.P. Ariyaratne – Chairman		
	Mr. S.J. Jebaratnam – Director (Resigned w.e.f. 01.10.2015)		
	Ms. K.G. Hatch – Director		
	Mr. R.J. Jayasekara – Director (Appointed w.e.f. 01.10.2015)		
	Mr. A.M.J. Amarasinghe – Director (Appointed w.e.f. 01.10.2015)		
2014 Comparatives			
Seybest (Pvt) Limited	Mr. K.P. Ariyaratne – Chairman		
	Mr. S.J. Jebaratnam – Director (Resigned w.e.f. 01.10.2015)		
	Ms. K.G. Hatch – Director		
	Mr. R.J. Jayasekara – Director (Appointed w.e.f. 01.10.2015)		
	Mr. A.M.J. Amarasinghe – Director (Appointed w.e.f. 01.10.2015)		
2014 Comparatives			
Esots (Pvt) Limited	Mr. K.P. Ariyaratne – Chairman		
	Mr. S.J. Jebaratnam – Director (Resigned w.e.f. 01.10.2015)		
	Ms. K.G. Hatch – Director		
	Mr. A.M.J. Amarasinghe – Director (Appointed w.e.f. 01.10.2015)		
	Mr. R.J. Jayasekara – Director (Appointed w.e.f. 01.10.2015)		
2014 Comparatives			
(c) State Institutions			
Sri Lanka Insurance Corporation Limited	Mr. H.K.U. Dharmadase – Chairman (Resigned w.e.f. 22.01.2015)	Fixed Deposit	678.546
	Mr. H.I. Balapatabendi – Director (Resigned w.e.f. 22.01.2015)	Demand Deposit	3.530
			682.076
	Mr. S.V. Corea* (Appointed w.e.f. 14.05.2015) and Mr. W.M.R.S. Dias* (Appointed w.e.f. 29.05.2015) * Nominated by the Bank's major shareholder, Sri Lanka Insurance Corporation Limited		
2014 Comparatives			1,577.633

Nature of Accommodation	Aggregate Amount of Accommodation				Services Obtained/Other Transactions		
	Outstanding as at 31.12.2015				Nature of Service	Amount Payable/Receivable	Amount Paid/Received
	Limit	Funded	Non-Funded	Accommodation Outstanding (Funded) as a % of Regulatory Capital			
Rs. Mn.	Rs. Mn.	Rs. Mn.		Rs. Mn.	Rs. Mn.		
Term Loan (Interest Rate – 10.00%)	54.375	27.479			Net Dividend Paid		4.897
	54.375	27.479		0.109			4.897
No. of Ordinary Voting Shares – 2,165,435	Loan Agreement Form for Rs. 55.1 Mn.				Interest Receivable/Received	1.965	2.966
Rs. 14.289 Mn. Payable to Seylan Bank PLC						1.965	2.966
Loan Capital Repayment Rs. 1.780 Mn.							
	54.375	29.259		0.125	Net	2.132	(0.569)
Term Loan (Interest Rate - 10.00%)	54.510	26.725			Net Dividend Paid		4.897
	54.510	26.725		0.106			4.897
No. of Ordinary Voting Shares – 2,165,435	Loan Agreement Form for Rs. 55.1 Mn.				Interest Receivable/Received	1.911	2.896
Rs. 14.295 Mn. Payable to Seylan Bank PLC						1.911	2.896
Loan Capital Repayment Rs. 1.841 Mn.							
	54.510	28.566		0.122	Net	2.081	(0.711)
Term Loan (Interest Rate - 10.00%)	53.860	27.507			Net Dividend Paid		4.858
	53.860	27.507		0.110			4.858
No. of Ordinary Voting Shares – 2,148,132	Loan Agreement Form for Rs. 54.6 Mn				Interest Receivable/Received	1.967	2.965
Rs. 13.289 Mn. Payable to Seylan Bank PLC						1.967	2.965
Loan Capital Repayment Rs. 1.742 Mn.							
	53.860	29.249		0.125	Net	2.131	(0.558)
9,495,200 No of Debentures of Rs. 100/- each					Interest Payable/Paid	26.965	52.078
No. of Ordinary Voting Shares – 26,396,608 (15.00%)					Insurance Premium Paid		4.433
					Net Dividend Paid		59.700
						26.965	116.211
					Net	(39.921)	(129.552)

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Party/Parties Accommodated	Name of Director/Key Managerial Personnel Relationship	Deposit	Rs. Mn.
(d) Common Directorship Entities			
Finlay Rentokil Ceylon (Pvt) Limited	Ms. M.C. Pietersz – Executive Director		
2014 Comparatives			
LOLC Insurance Company Limited	Mr. W.D.K. Jayawardene – Chairman (Resigned w.e.f. 01.10.2015)	Demand Deposit	0.531
			0.531
2014 Comparatives			
			2.486
Ceylon Chamber of Commerce	Mr. S.P.S. Ranatunga – Chairman		
2014 Comparatives			
Brown & Co. PLC	Mr. I.C. Nanayakkara – Executive Chairman	Demand Deposit	1.410
	Mr. W.D.K. Jayawardene – Director		1.410
2014 Comparatives			
			0.984
CIC Lifesciences Limited	Mr. S.P.S. Ranatunga – Director	Savings Account	0.036
			0.036

Nature of Accommodation	Aggregate Amount of Accommodation				Services Obtained/Other Transactions			
	Outstanding as at 31.12.2015				Nature of Service	Amount Payable/Receivable	Amount Paid/Received	
	Limit	Funded	Non-Funded	Accommodation Outstanding (Funded) as a % of Regulatory Capital				
	Rs. Mn.	Rs. Mn.	Rs. Mn.		Rs. Mn.	Rs. Mn.		
					Pest Control		0.265	
					Sanitact Unit Service		0.272	
							0.537	
					Net		(0.744)	
					Insurance Premium Paid		17.870	
							17.870	
					Commission Received		2.407	
							2.407	
					Net		(16.981)	
					Training Programme		0.037	
					Sponsorship/Annual Subscription		1.235	
							1.272	
					Net		(0.130)	
					Net Dividend Paid		55.222	
No. of Ordinary Voting Shares – 24,416,750 (13.87%)					Repairs to Office Machines and Equipment		3.624	
					Photo copying Charges		8.951	
							67.797	
					Net		(60.186)	
Overdraft (Interest Rate – AWPLR + 1 %)	20.000	-			Interest Paid		0.008	
Term Loan (Interest Rate – AWPLR + 1 %)	29.167	16.667					0.008	
Term Loan (Interest Rate – AWPLR + 1 %)	35.000	32.083						
Letter of Credit Usance/Sight (Commission 0.125% per Quarter)	100.000		50.456		Commission Received		1.015	
Temporary Letter of Credit Usance/Sight (Commission 0.125% per Quarter)	42.978		-		Interest Receivable/Received	0.479	7.790	
Revolving Import Loan/Short-Term Loan (Interest Rate – AWPLR + 1 %)	(75.000)*	64.040				0.479	8.805	

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Party/Parties Accommodated	Name of Director/Key Managerial Personnel Relationship	Deposit	Rs. Mn.
2014 Comparatives			0.028
Agstar Fertilizers PLC	Mr. I.C. Nanayakkara – Director	Demand Deposit	4.257
			4.257
2014 Comparatives			0.192
Eden Hotel Lanka PLC	Mr. W.D.K. Jayawardene – Chairman	Demand Deposit	0.636
			0.636
2014 Comparatives			0.116
LOLC Finance PLC	Mr. W.D.K. Jayawardene – Chairman	Demand Deposit	0.980
	Mr. I.C. Nanayakkara – Executive Deputy Chairman		0.980
2014 Comparatives			1.021
Medford Investments (Pvt) Limited	Mr. I.C. Nanayakkara – Shareholder (25%)	Demand Deposit	1.021
			1.021
2014 Comparatives			1.020
Sierra Constructions (Pvt) Limited	Mr. I.C. Nanayakkara – Director	Fixed Deposit	68.219
			Demand Deposit
			9.451
			77.670
			Repo
			150.114

Nature of Accommodation	Aggregate Amount of Accommodation				Services Obtained/Other Transactions		
	Outstanding as at 31.12.2015			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.
Letter of Guarantee (Commission – 2.50%)	10.000		-				
	237.145	112.790	50.456	0.449			
Machinery Mortgage for 20.0 Mn and letter of comfort from CIC Holdings PLC Rs. 194.10 Mn.							
	158.000	37.048		0.158	Net	0.032	13.332
Term Loan (Interest Rate – 8.91%)	1,200.000	1,200.000			Interest Receivable/Received	0.893	161.020
Term Loan (Interest Rate – 8.91%)	249.700	249.700				0.893	161.020
	1,449.700	1,449.700		5.776			
Mortgage Bonds Over Property							
	1,500.000	1,500.000		6.410	Net	1.133	204.002
Overdraft (Interest Rate – 8.90%)	150.000	144.916			Interest Receivable/Received	1.211	46.507
						1.211	46.507
Short-Term Loan (Interest Rate – 8.50%)	590.000	560.000					
	740.000	704.916		2.809			
Mortgage Over Lease Receivable Lodgement of Shares							
	740.000	713.494		3.049	Net	1.303	35.648
Overdraft (Interest Rate – 7.82%)	300.000	298.979			Interest Payable/Paid	0.336	3.414
Overdraft (Interest Rate – 24.00%)	1.000	-				0.336	3.414
Overdraft (Interest Rate – 24.00%)	10.000	2.004					
Overdraft (Interest Rate – 24.00%)	1.000	-			Commission Received		5.223
Overdraft (Interest Rate – 7.82%)	75.000	2.185			Interest Receivable/Received	0.615	35.992
Overdraft (Interest Rate – 7.82%)	100.000	61.690				0.615	41.215
Overdraft (Interest Rate – 7.82%)	150.000	104.342					
Letter of Credit Sight (Commission 0.25% per 1-3 Months, 0.15% each additional month)	50.000						
Revolving Import Loan (Interest Rate – AWPLR + 0.75%)	(50.000)*						

* Within Which

Nature of Accommodation	Aggregate Amount of Accommodation				Services Obtained/Other Transactions		
	Outstanding as at 31.12.2015			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.
Letter of Credit Sight (Commission 0.25% per 1-3 Months, 0.15% each additional month)	75.000		10.617				
Revolving Import Loan (Interest Rate – AWPLR + 0.75%)	(75.000)*	59.199					
Letter of Credit Sight (Commission 0.25% per 1-3 Months, 0.15% each additional month)	250.000		-				
Revolving Import Loan (Interest Rate – AWPLR + 0.75%)	(250.000)*	-					
Letter of Credit Sight (Commission 0.25% per 1-3 Months, 0.15% each additional month)	200.000		62.228				
Revolving Import Loan (Interest Rate – AWPLR + 0.75%)	(200.000)*	-					
Letter of Guarantee (Commission – 1.50%)	110.000		109.770				
Letter of Guarantee (Commission – 1.50%)	300.000		94.865				
Letter of Guarantee (Commission – 1.50%)	270.000		270.000				
Letter of Guarantee (Commission – 1.50%)	980.000		732.580				
Local Bills Purchased (Interest Rate – 8.25%)	150.000		-				
Term Loan (Interest Rate – 10.00%)	(50.470)*	50.470					
Term Loan (Interest Rate – 8.60%)	17.200	17.200					
Term Loan (Interest Rate – AWPLR + 1.25%)	45.000	-					
Term Loan (Interest Rate – AWPLR + 1.25%)	150.000	-					
	3,234.200	596.069	1,280.060	2.375			
Lien Over Rupee Fixed Deposit Mortgage Over Stocks Lodgement of Shares Supported by Corporate Guarantee	1,000.000	584.319	256.432	2.497	Net	0.229	75.128
No. of Non-Voting Shares – 74,238,665					Net Dividend Paid		164.890
No. of Ordinary Voting Shares – 89							164.890
					Net		(118.941)
No. of Ordinary Voting Shares 16,808,502 (9.55%)					Net Dividend Paid		38.015
							38.015
					Net		(34.236)

* Within Which

NOTES TO THE FINANCIAL STATEMENTS

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Party/Parties Accommodated	Name of Director/Key Managerial Personnel Relationship	Deposit	Rs. Mn.
CIC Agribusiness (Pvt) Limited	Mr. S.P.S. Ranatunga – Director	Demand Deposit	0.010
			0.010
2014 Comparatives			0.010
LOLC Micro Credit Limited	Mr. I.C. Nanayakkara – Chairman	Demand Deposit	8.621
	Mr. W.D.K. Jayawardene – Director		8.621
2014 Comparatives			8.275
Browns Investments PLC	Mr. I.C. Nanayakkara – Executive Chairman	Demand Deposit	0.287
	Mr. W.D.K. Jayawardene – Director		0.287
		Repo	1.312
2014 Comparatives			1.304
Commercial Leasing & Finance PLC	Mr. I.C. Nanayakkara – Chairman	Demand Deposit	4.039
	Mr. W.D.K. Jayawardene – Director		4.039
2014 Comparatives			7.503
Crop Management Services (Pvt) Limited	Mr. S.P.S. Ranatunga – Director	Demand Deposit	0.025
			0.025
2014 Comparatives			0.025
LOLC Securities Limited	Mr. W.D.K. Jayawardene – Chairman	Demand Deposit	0.067
			0.067
2014 Comparatives			0.077
CIC Feeds (Pvt) Limited	Mr. S.P.S. Ranatunga – Director	Demand Deposit	5.542
			5.542
2014 Comparatives			1.683
CIC Agri Produce Export (Pvt) Limited	Mr. S.P.S. Ranatunga – Director	Demand Deposit	3.181
			3.181
2014 Comparatives			

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Nature of Accommodation	Aggregate Amount of Accommodation				Services Obtained/Other Transactions		
	Outstanding as at 31.12.2015				Nature of Service	Amount Payable/Receivable	Amount Paid/Received
	Limit	Funded	Non-Funded	Accommodation Outstanding (Funded) as a % of Regulatory Capital			
Rs. Mn.	Rs. Mn.	Rs. Mn.			Rs. Mn.	Rs. Mn.	
Overdraft (Interest Rate – 7.30%)	100.000	81.730					
					Interest Receivable/Received	2.460	52.039
Letter of Credit Usance	1,100.000		651.073		Commission Received		2.381
Temporary Letter of Credit-usance (Commission-0.1% per Quarter)	280.700					2.460	54.420
Short-Term Loan	(600.000)*	1,088.766					
Temporary Short Term Loan (Interest Rate-6.95%)	570.802						
	2,051.502	1,170.496	651.073	4.664			
Negative Pledge Over Stocks & Debtors							
	1,200.000	713.750	425.052	3.050	Net	1.453	36.061
					Net		(0.037)
					Interest Paid		0.067
							0.067
					Net		(24.530)
No. of Ordinary (Non-Voting) Shares - 74,261					Net Dividend Paid		0.168
							0.168
					Interest Received		3.803
							3.803
					Net		(0.151)
					Net		(0.093)

* Within Which

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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	0.300
			0.300
2014 Comparatives			1.300
CIC Seeds (Pvt) Limited	Mr. S.P.S. Ranatunga – Director	Demand Deposit	0.848
			0.848
2014 Comparatives			0.406
CIC Dairies (Pvt) Limited	Mr. S.P.S. Ranatunga – Director	Demand Deposit	3.275
			3.275
2014 Comparatives			11.493
Finlay Insurance Brokers (Pvt) Limited	Ms. M.C. Pietersz – Executive Director		
2014 Comparatives			
LankaClear (Pvt) Limited	Mr. K.P. Ariyaratne – Director		
2014 Comparatives			
LOLC General Insurance Limited	Mr. W.D.K. Jayawardene – Chairman	Demand Deposit	0.753
			0.753
2014 Comparatives			
Lanka Financial Services Bureau Limited	Mr. K.P. Ariyaratne – Director	Repo	10.338
2014 Comparatives			
Institute of Bankers of Sri Lanka	Mr. K.P. Ariyaratne – Member of the Governing Board		
2014 Comparatives			

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Party/Parties Accommodated	Name of Director/Key Managerial Personnel Relationship	Deposit	Rs. Mn.
BRAC Lanka Finance PLC	Mr. I.C. Nanayakkara – Chairman	Demand Deposit	1.093
	Mr. W.D.K. Jayawardene – Director		1.093
2014 Comparatives			2.300
CIC Holdings PLC	Mr. S.P.S. Ranatunga – Managing Director/CEO	Demand Deposit	18.095
			18.095
2014 Comparatives			
South Asia Textile Industries Lanka (Pvt) Limited	Mr. W.M.R.S. Dias – Director		
2014 Comparatives			
Senkadagala Finance PLC	Mr. W.M.R.S. Dias – Chairman/Independent Director		
2014 Comparatives			
LOLC Life Assurance Limited	Mr. I.C. Nanayakkara – Non-Executive Chairman	Demand Deposit	2.282
			2.282
2014 Comparatives			
Expolanka Holdings PLC	Mr. P.L.S.K. Perera - Consultant		
2014 Comparatives			

Transactions with Other Related Parties

- The total shareholding held by Mr. I.C. Nanayakkara of Taprobane Holdings PLC was sold on 24th August 2015 and the Related Party Disclosures with the Bank as of 24th August 2015 consist of Margin Trading Outstanding of Rs. 763.662 Mn. (Limit – Rs. 780 Mn.), Interest Received of Rs. 40.549 Mn., Interest Receivable of Rs. 5.592 Mn. and Deposit Balance of Rs. 0.226 Mn.
- Ms. R.N.A. De Silva (spouse of Mr. I.C. Nanayakkara) is a Director of Browns Healthcare (Pvt) Limited. (The Related Party transactions and balances with the Bank as of 31st December 2015 consist of Advances Outstanding of Rs. 560.893 Mn. (Limit – 750 Mn.), Interest Received of Rs. 46.483 Mn., Interest Receivable of Rs. 0.653 Mn. and Deposit Balances of Rs. 2.070 Mn.). She is a Director of Browns Health Care North Colombo (Pvt) Limited (The Related Party transactions and balances with the Bank as of 31st December 2015 consists of Deposit Balances of Rs. 0.328 Mn.) and also a Director of Browns Holdings Limited (The Related Party transactions and balances with the Bank as of 31st December 2015 consists of Deposit Balances of Rs. 0.319 Mn.)

2015

Nature of Accommodation	Aggregate Amount of Accommodation				Services Obtained/Other Transactions		
	Outstanding as at 31.12.2015				Nature of Service	Amount Payable/Receivable	Amount Paid/Received
	Limit	Funded	Non-Funded	Accommodation Outstanding (Funded) as a % of Regulatory Capital			
	Rs. Mn.	Rs. Mn.	Rs. Mn.		Rs. Mn.	Rs. Mn.	
	129.000				Net	1.243	
Letter of Credit-Usance/Sight (Commission-0.1% per Quarter)	1,000.000		-		Interest Receivable/Received	0.141	
Revolving Import Loan (Interest Rate – AWPLR +0.25%)	(1,000.000)*	-				0.141	
Short Term Loan (Interest Rate – 8.00%)	(1,000.000)*	38.000					
	1,000.000	38.000		0.151			
Negative Pledge Over Stocks & Debtors							
Letter of Credit-Usance (Commission – 0.25% for first quarter and thereafter 0.15% per Month)	290.000		136.590		Commission Received	2.210	
Revolving Import Loans (Interest Rate – 3 Months LIBOR + 4%)	(290.000)*	102.370			Interest Received	0.230	
	290.000	102.370	136.590	0.408		2.440	
Corporate Guarantee for USD 2.0 Mn.							
Number of Ordinary Non-Voting Shares – 30,000					Net Dividend Paid	0.068	
						0.068	
					Interest Receivable/Received	1.800	
						1.800	
					Commission Received	21.697	
						21.697	
					Net Dividend Received	0.090	
						0.090	

3. Maturata Plantation Limited is a subsidiary of LOLC Group and the Related Party transactions and balances with the Bank as of 31st December 2015 consist of Total Advances Outstanding of Rs. 112.417 Mn. (Limit – Rs. 370.417 Mn.), Interest Received of Rs. 23.912 Mn., Interest Receivable of Rs. 0.553 Mn. and Deposit Balance of Rs. 28.958 Mn.

* Within Which

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 34.16% of the voting rights of the Bank as at 31st December 2015 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 34.16% as at 31st December 2015 and the break up is given below:

	No. of Shares - Voting	%
Sri Lanka Insurance Corporation Limited	26,396,608	15.00
Bank of Ceylon	13,198,305	7.50
Employees' Provident Fund	17,346,996	9.86
Employees' Trust Fund	3,175,139	1.80
Total Holdings by State Institutions	60,117,048	34.16
Total Ordinary Shares – Voting	175,977,401	

Percentage of non-voting share holding by State Institutions in Seylan Bank PLC is 5.58% as at 31st December 2015 and the break up is given below:

	No. of Shares – Non-Voting	%
Employees' Provident Fund	9,013,489	5.33
Employees' Trust Fund	414,961	0.25
Total Holdings by State Institutions	9,428,450	5.58
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)	1,612,297
		Treasury Bonds including Sri Lanka Development Bonds (Notes 23.1.3, 23.1.4, 25.1.1.4, 25.1.1.5, 26.1.1.1, 26.1.1.2)	66,249,525
		Interest Income (Note 7)	5,273,511
		Interest Expenses (Note 7)	833,874
		Annual License Fees	23,000
		Deposit Insurance Premium Paid (Note 13)	161,350
		Balance with Central Bank of Sri Lanka (Note 20)	8,563,888

Other than above, the Bank made statutory payments, purchases and obtained services in the ordinary course of business with the Government and related entities. There are no other transactions that are collectively significant with Government-related entities.

51 Maturity Analysis

51.1 Assets – Bank

An analysis of the total assets employed as at 31st December 2015, based on the remaining period at the Reporting date to the respective contractual cash flows/maturity dates 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 31.12.2015 Rs. '000
Interest Earning Assets						
Bills of Exchange	2,361,449	22,619	–	–	–	2,384,068
Loans and Receivables	94,309,494	38,156,478	32,756,992	16,494,297	9,002,613	190,719,874
Placements with Banks and Finance Companies	757,050	–	–	–	–	757,050
Government of Sri Lanka Treasury Bills/Bonds and Development Bonds	3,812,006	9,415,802	26,969,338	7,099,879	20,817,141	68,114,166
Investments in Debentures	–	743,693	1,035,607	302,061	665,000	2,746,361
Securities Purchased under Resale Agreements	2,312,548	–	–	–	–	2,312,548
	103,552,547	48,338,592	60,761,937	23,896,237	30,484,754	267,034,067
Non-Interest Earning Assets						
Cash In Hand	7,066,140	–	–	–	–	7,066,140
Statutory Deposit with CBSL	8,563,888	–	–	–	–	8,563,888
Balances with Banks	734,348	–	–	–	–	734,348
Investments in Equities	1,342,328	–	–	–	1,151,929	2,494,257
Group Balances Receivable	30,000	–	–	–	–	30,000
Property, Plant & Equipment/ Leasehold Rights/ Intangible Assets	–	–	–	–	3,521,958	3,521,958
Derivative Financial Instruments	130,055	–	–	–	–	130,055
Other Assets	4,542,389	4,956	52,685	66,542	2,088,848	6,755,420
	22,409,148	4,956	52,685	66,542	6,762,735	29,296,066
Total Assets	125,961,695	48,343,548	60,814,622	23,962,779	37,247,489	296,330,133

51.2 Liabilities and Equity – Bank

An analysis of the total liabilities and equity as at 31st December 2015, based on the remaining period at the Reporting date to the respective contractual cash flows/maturity dates 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 31.12.2015 Rs. '000
Interest Bearing Liabilities						
Deposits from Customers other than Demand Deposits	91,488,676	98,374,867	7,347,509	3,504,834	6,065,022	206,780,908
Securities Sold under Repurchase Agreements	9,997,367	1,412,421	–	–	–	11,409,788
Borrowings	9,724,285	9,547,200	528,374	–	–	19,799,859
Debentures	201,826	–	2,405,437	4,572,590	–	7,179,853
Group Balances Payable	6,882	14,512	–	150,000	–	171,394
	111,419,036	109,349,000	10,281,320	8,227,424	6,065,022	245,341,802
Non-Interest Bearing Liabilities						
Demand Deposits	17,744,547	–	–	–	–	17,744,547
Other Liabilities	7,254,667	–	–	–	–	7,254,667
Derivative Financial Instruments	50,013	–	–	–	–	50,013
Current Tax Liabilities	506,712	–	–	–	–	506,712
Deferred Tax Liabilities	336,102	–	–	–	–	336,102
Dividend Payable	30,741	–	–	–	–	30,741
Group Balances Payable	9,872	–	–	–	–	9,872
Equity	–	–	–	–	25,055,677	25,055,677
	25,932,654	–	–	–	25,055,677	50,988,331
Total Liabilities and Equity	137,351,690	109,349,000	10,281,320	8,227,424	31,120,699	296,330,133

51.3 Assets – Group

An analysis of the total assets employed as at 31st December 2015, based on the remaining period at the Reporting date to the respective contractual cash flows/maturity dates 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 31.12.2015 Rs. '000
Interest Earning Assets						
Bills of Exchange	2,361,449	22,619	–	–	–	2,384,068
Loans and Receivables	94,309,494	38,156,478	32,756,992	16,494,297	9,002,613	190,719,874
Placements with Banks and Finance Companies	757,050	–	–	–	–	757,050
Government of Sri Lanka Treasury Bills/Bonds and Development Bonds	3,812,006	9,415,802	26,969,338	7,099,879	20,817,141	68,114,166
Investments in Debentures	–	743,693	1,154,289	302,061	665,000	2,865,043
Securities Purchased under Resale Agreements	2,312,548	–	–	–	–	2,312,548
	103,552,547	48,338,592	60,880,619	23,896,237	30,484,754	267,152,749
Non-Interest Earning Assets						
Cash In Hand	7,066,190	–	–	–	–	7,066,190
Statutory Deposit with CBSL	8,563,888	–	–	–	–	8,563,888
Balances with Banks	734,348	–	–	–	–	734,348
Investments in Equities	1,350,529	–	–	–	–	1,350,529
Investment Properties	–	–	–	–	1,089,920	1,089,920
Property, Plant & Equipment/ Leasehold Rights/ Intangible Assets	–	–	–	–	5,725,213	5,725,213
Derivative Financial Instruments	130,055	–	–	–	–	130,055
Other Assets	4,559,641	4,956	52,685	66,542	2,088,848	6,772,672
	22,404,651	4,956	52,685	66,542	8,903,981	31,432,815
Total Assets	125,957,198	48,343,548	60,933,304	23,962,779	39,388,735	298,585,564

51.4 Liabilities and Equity – Group

An analysis of the total liabilities and equity as at 31st December 2015, based on the remaining period at the Reporting date to the respective contractual cash flows/maturity dates 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 31.12.2015 Rs. '000
Interest Bearing Liabilities						
Deposits from Customers other than Demand Deposits	91,488,676	98,374,867	7,347,509	3,504,834	6,065,022	206,780,908
Securities Sold under Repurchase Agreements	9,997,367	1,412,421	–	–	–	11,409,788
Borrowings	9,724,285	9,547,200	528,374	–	–	19,799,859
Debentures	201,826	–	2,405,437	4,572,590	–	7,179,853
	111,412,154	109,334,488	10,281,320	8,077,424	6,065,022	245,170,408
Non-Interest Bearing Liabilities						
Demand Deposits	17,744,547	–	–	–	–	17,744,547
Other Liabilities	7,339,626	–	–	–	–	7,339,626
Derivative Financial Instruments	50,013	–	–	–	–	50,013
Current Tax Liabilities	505,278	–	–	–	–	505,278
Deferred Tax Liabilities	384,771	–	–	–	–	384,771
Dividend Payable	35,987	–	–	–	–	35,987
Equity	–	–	–	–	26,287,740	26,287,740
Non-Controlling Interest	–	–	–	–	1,067,194	1,067,194
	26,060,222	–	–	–	27,354,934	53,415,156
Total Liabilities and Equity	137,472,376	109,334,488	10,281,320	8,077,424	33,419,956	298,585,564

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 Receivables (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/Investments: The property investment income, expenses, assets and liabilities.

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	Banking		Treasury		Property/Investments		Unallocated/Eliminations		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Income	19,892,201	20,040,104	2,986,170	2,234,988	33,038	34,516	1,255,180	1,112,549	24,166,589	23,422,157
Interest Expense	11,097,483	11,525,726	1,227,024	715,514	1,106	81	(16,339)	(18,089)	12,309,274	12,223,232
Net Interest Income	8,794,718	8,514,378	1,759,146	1,519,474	31,932	34,435	1,271,519	1,130,638	11,857,315	11,198,925
Fee and Commission Income	2,806,967	2,343,487	1,770	1,651	-	-	2,224	1,991	2,810,961	2,347,129
Fee and Commission Expense	71,924	46,436	41,770	43,477	6,756	6,742	-	354	120,450	97,009
Net Fee and Commission Income	2,735,043	2,297,051	(40,000)	(41,826)	(6,756)	(6,742)	2,224	1,637	2,690,511	2,250,120
Net Interest, Fee and Commission Income	11,529,761	10,811,429	1,719,146	1,477,648	25,176	27,693	1,273,743	1,132,275	14,547,826	13,449,045
Net Trading Income	-	67,770	1,201,793	951,680	(1,000)	1,601	53,148	57,786	1,253,941	1,078,837
Net Gain on Financial Investments	-	-	232,469	1,186,185	-	3,521	-	-	232,469	1,189,706
Other Operating Income (Net)	8,122	291,757	47,195	215,968	197,620	183,131	(88,047)	(100,259)	164,890	590,597
Inter-Segment Revenue	(148,671)	(91,196)	76,139	28,917	-	-	72,532	62,279	-	-
Total Operating Income	11,389,212	11,079,760	3,276,742	3,860,398	221,796	215,946	1,311,376	1,152,081	16,199,126	16,308,185
Depreciation and Amortisation Charge for the Year	266,809	234,154	1,142	987	1,518	1,157	258,716	265,117	528,185	501,415
Impairment Losses for the Year	488,896	2,291,931	-	-	-	-	-	(157,206)	488,896	2,134,725
Operating Expenses, VAT & NBT	7,456,167	6,834,913	664,683	614,332	85,601	101,017	1,152,983	1,286,394	9,359,434	8,836,656
Reportable Segment Profit before Income Tax	3,177,340	1,718,762	2,610,917	3,245,079	134,677	113,772	(100,323)	(242,224)	5,822,611	4,835,389
Income Tax Expense									1,936,662	1,582,819
Profit for the Year									3,885,949	3,252,570
Profit Attributable to:										
Equity Holders of the Bank									3,855,296	3,178,776
Non-Controlling Interests									30,653	73,794
Profit for the Year									3,885,949	3,252,570
Other Comprehensive Income, Net of Income Tax	66,071	(65,156)	(1,120,048)	9,636	(832)	(1,125)	7,412	27,044	(1,047,397)	(29,601)
Other Information										
Reportable Segment Assets	186,479,792	148,672,357	87,663,546	80,188,823	5,008,310	4,869,873	26,964,208	25,222,320	306,115,856	258,953,373
Segment Accumulated Amortisation	(647,743)	(705,491)	(56,825)	(55,683)	(4,440)	(3,183)	(6,821,284)	(6,631,184)	(7,530,292)	(7,395,541)
Total Assets	185,832,049	147,966,866	87,606,721	80,133,140	5,003,870	4,866,690	20,142,924	18,591,136	298,585,564	251,557,832
Reportable Segment Liabilities and Equity	238,232,763	194,473,134	26,190,102	24,087,220	5,029,077	4,866,690	29,133,622	28,130,788	298,585,564	251,557,832
Total Liabilities and Equity	238,232,763	194,473,134	26,190,102	24,087,220	5,029,077	4,866,690	29,133,622	28,130,788	298,585,564	251,557,832
Cash Flows from Operating Activities	907,429	(515,332)	2,612,059	3,246,066	103,790	90,782	226,527	(94,930)	3,849,805	2,726,586
Cash Flows from Investing Activities	(414,207)	(535,826)	(27,899,125)	1,046,020	(33,514)	(41,790)	(216,333)	100,193	(28,563,179)	568,597
Cash Flows from Financing Activities	-	-	7,367,418	12,284,555	(73,982)	(44,389)	(834,451)	(997,923)	6,458,985	11,242,243
Capital Expenditure	(470,628)	(510,419)	(1,127)	(1,991)	(90,288)	(48,656)	(212,303)	(142,338)	(774,346)	(703,404)

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.

53 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 accounts for investment properties at cost, whereas Seylan Developments PLC accounts for 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 buildings do 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 Deferred Tax			
Reversal of Revaluation Gain recognised in the Statement of Comprehensive Income by SD in 2015	(87,133)	(61,045)	(26,088)
Reversal of Deferred Tax recognised in the Statement of Comprehensive Income by SD in 2015	20,859	14,614	6,245
Deferred Tax on Consolidation accounted for in the Consolidated Financial Statements	8,750	6,130	2,620
Gain on Revaluation of East Tower in 2015 adjusted to Revaluation Reserves in Consolidated Financial Statements	10,294	7,212	3,082
Deferred Tax on Revaluation Gain of East Tower in 2015 recognised in Consolidated Financial Statements	(2,882)	(2,019)	(863)
	(50,112)	(35,108)	(15,004)
Charging of Depreciation			
Charge for Depreciation Adjusted to Consolidated Statement of Comprehensive Income for 2015	(43,221)	(29,901)	(13,320)
	(43,221)	(29,901)	(13,320)



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Year ended 31st December	2015	2014
	Rs. '000	Rs. '000
Trading Results		
Gross Income	28,586,081	28,564,355
Profit before Taxation	5,776,711	4,649,444
Taxation	1,945,767	1,570,842
Profit after Taxation	3,830,944	3,078,602
Other Comprehensive Income, Net of Income Tax	(1,053,977)	(55,520)
Total Comprehensive Income	2,776,967	3,023,082
Dividends Proposed (Ordinary)	Rs. 2.75 per Share	Rs. 2.50 per Share
As at 31st December	2015	2014
	Rs. '000	Rs. '000
Financial Position		
Assets		
Cash and Short-Term Funds (Including Securities Purchased under Resale Agreements)	10,113,036	24,435,877
Statutory Deposit with Central Bank of Sri Lanka	8,563,888	7,432,206
Investments (Including Investment Properties)	72,202,855	48,859,050
Loans and Receivables, Placements with Banks and Finance Companies (Including Leases and Bills of Exchange)	193,860,992	157,297,016
Investment in Subsidiary	1,151,929	1,106,113
Other Assets (Including Taxation)	6,915,475	6,886,615
Property, Plant & Equipment, Leasehold Rights and Intangible Assets	3,521,958	3,293,682
Total Assets	296,330,133	249,310,559
Liabilities		
Deposits from Customers and Due to Banks	244,309,626	197,539,589
Borrowings and Debentures	18,605,329	20,090,220
Other Liabilities	7,485,946	6,327,380
Taxation	842,814	1,323,805
Dividends Payable	30,741	21,026
Total Liabilities	271,274,456	225,302,020
Equity		
Stated Capital	10,529,724	10,529,724
Reserve Fund	1,187,441	995,894
Reserves	13,338,512	12,482,921
Total Equity	25,055,677	24,008,539
Total Liabilities and Equity	296,330,133	249,310,559
Commitments and Contingencies	57,222,365	45,098,070

*Based on SLAS applicable prior to 1st January 2012.

2015

2013	2012	2011	2010*	2009*	2008*	2007*	2006*
Rs. '000	Rs. '000	Rs. '000	Rs. '000	(Restated) Rs. '000	(Reclassified) Rs. '000	(Reclassified) Rs. '000	(Restated) Rs. '000
28,090,978	23,725,992	18,824,460	20,032,477	23,154,529	25,246,209	21,079,885	17,183,481
3,454,035	3,199,358	1,180,521	1,997,634	892,572	155,241	1,439,069	1,606,882
1,138,496	1,135,160	505,089	768,653	349,271	-	515,880	718,814
2,315,539	2,064,198	675,432	1,228,981	543,301	155,241	923,189	888,068
913,330	(139,243)	(346,147)	-	-	-	-	-
3,228,869	1,924,955	329,285	-	-	-	-	-
Rs. 2.25 per Share	Rs. 2.00 per Share	Rs. 1.00 per Share	Rs. 1.00 per Share	Rs. 0.50 per Share	-	Rs. 1.50 per Share	Rs. 1.50 per Share
2013	2012	2011	2010*	2009*	2008*	2007*	2006*
Rs. '000	Rs. '000	Rs. '000	Rs. '000	(Restated) Rs. '000	(Reclassified) Rs. '000	(Reclassified) Rs. '000	(Restated) Rs. '000
10,910,099	6,727,822	7,863,893	5,965,190	7,635,665	6,176,265	26,824,927	21,833,056
7,505,185	8,028,661	7,070,728	5,453,833	5,084,229	6,857,039	7,915,660	6,913,224
49,351,098	33,878,970	35,032,952	40,341,445	30,286,878	26,019,989	1,370,762	333,960
137,523,060	124,728,371	106,390,440	89,090,809	80,287,805	104,154,125	97,651,377	93,258,926
800,624	793,254	793,254	358,916	860,166	948,529	1,093,407	1,048,559
5,994,169	6,871,112	5,977,144	6,010,469	5,222,510	5,752,780	4,954,206	3,783,353
3,076,624	2,633,486	2,815,462	3,010,495	3,387,117	4,137,518	3,690,014	3,135,030
215,160,859	183,661,676	165,943,873	150,231,157	132,764,370	154,046,245	143,500,353	130,306,108
178,915,590	152,865,002	131,291,751	112,879,627	104,815,899	107,938,801	111,299,612	100,078,809
7,829,992	4,896,289	12,202,565	18,183,086	9,164,909	26,308,876	14,775,780	13,167,204
5,546,916	6,352,349	4,906,438	6,366,369	8,189,922	12,762,164	9,901,004	9,860,078
1,090,584	683,040	216,996	40,580	-	-	472,306	817,297
16,159	13,159	23,535	22,398	22,668	16,393	15,416	14,442
193,399,241	164,809,839	148,641,285	137,492,060	122,193,398	147,026,234	136,464,118	123,937,830
10,529,724	10,225,452	10,259,353	5,567,820	5,567,820	2,542,420	2,542,420	2,542,420
841,964	726,187	619,095	569,295	506,919	479,754	468,250	422,091
10,389,930	7,900,198	6,424,140	6,601,982	4,496,233	3,997,837	4,025,565	3,403,767
21,761,618	18,851,837	17,302,588	12,739,097	10,570,972	7,020,011	7,036,235	6,368,278
215,160,859	183,661,676	165,943,873	150,231,157	132,764,370	154,046,245	143,500,353	130,306,108
35,473,070	31,286,844	36,247,216	30,197,078	22,262,562	26,874,375	24,335,965	22,924,450

SUMMARY OF PERFORMANCE INDICATORS

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	Measure	2015	2014	2013	2012	2011
Size						
Assets Growth	%	18.86	15.87	17.15	10.68	10.46
Commitments and Contingencies/(Total Assets + Commitments and Contingencies)	%	16.18	15.32	14.15	14.56	17.93
Interest Earning Assets/Total Assets	%	90.11	88.76	89.06	85.83	87.48
Cash and Reserves/Total Assets	%	5.52	5.66	5.90	7.94	7.00
Risk-Weighted Assets Growth	%	22.72	19.38	10.18	9.33	1.21
Profitability						
Return on Average Assets	%	1.40	1.33	1.16	1.18	0.42
Return on Average Equity	%	15.62	13.45	11.40	11.42	4.43
Profit for the Year/(Total Assets + Commitments and Contingencies)	%	1.08	1.05	0.92	0.96	0.33
Net Interest Margin	%	4.42	4.92	4.89	5.16	5.45
Net Interest Income/Total Income	%	41.37	39.09	34.60	37.99	45.74
Cost to Income Ratio	%	61.20	57.37	62.59	67.31	82.02 *
Average Interest Yield	%	9.64	10.95	13.62	13.23	11.58
Average Interest Cost	%	5.50	6.48	9.41	8.68	6.58
Interest Rate Spread	%	4.14	4.47	4.21	4.55	5.00
Interest Yield on Average Customer Advances	%	10.00	11.90	14.56	14.42	11.99
Interest Cost on Average Customer Deposits	%	4.97	6.14	8.58	7.64	5.82
Spread on Customer Deposits and Advances	%	5.03	5.76	5.98	6.78	6.17
Dividend Payout**	%	24.76	28.01	33.52	32.76	50.85
Growth Rate of Equity	%	4.36	10.33	15.43	8.95	35.82
Earnings per Share	Rs.	11.11	8.92	6.74	6.11	2.18
Ordinary Dividends per Share	Rs.	2.75	2.50	2.25	2.00	1.00
Asset Quality						
Impairment Allowances for Loans and Receivables	Rs. Mn.	5,738	7,012	7,615	8,245	10,194
Impairment Allowances/Loans and Receivables	%	2.89	4.33	5.28	6.20	8.74
Net Assets Value per Share	Rs.	72.63	69.60	63.08	55.76	51.08
Capital Adequacy						
Leverage on Shareholders' Funds	Times	10.83	9.38	8.89	8.74	8.58
Leverage on Capital Funds (Including Debentures)	Times	8.19	6.87	7.60	8.15	7.25
Percentage Earnings Retained	%	75.24	71.99	66.48	67.24	49.15
Equity/Deposits, Borrowings and Securities Sold under Repurchase Agreements	%	9.80	11.43	11.86	12.04	12.43
Equity/Total Assets	%	8.46	9.63	10.11	10.26	10.54
Equity/Loans and Receivables	%	12.60	14.82	15.09	14.18	15.00
Liquidity and Funding						
Loans and Receivables/Deposits, Borrowings and Securities Sold under Repurchase Agreements	%	77.75	77.14	78.56	84.94	82.86
Deposits/Deposits, Borrowings, Debentures and Securities Sold under Repurchase Agreements	%	85.40	85.43	89.63	93.01	86.40
Liquid Assets/Total Assets	%	30.35	31.68	30.78	25.89	29.61
Liquid Assets/Deposits, Borrowings and Securities Sold under Repurchase Agreements	%	35.17	37.62	36.09	30.37	34.92
Net Lending or (Borrowings) in Call Money Market	Rs. Mn.	(18,264)	(7,834)	(9,572)	(4,707)	(5,841)
Other Data						
Number of Banking Centres		159	157	151	147	133
Number of Staff Members		3,085	2,947	3,049	3,061	3,150
Profit per Staff Member	Rs. '000	1,242	1,045	759	674	211
Number of Ordinary Shares						
- Voting	000	175,977	175,977	175,977	173,333	173,333
- Non-Voting	000	168,983	168,983	168,983	164,747	164,747
Share Prices as at 31st December						
- Voting	Rs.	95.00	95.00	64.20	56.00	67.60
- Non-Voting	Rs.	73.00	57.50	31.00	35.10	30.80

* Cost to Income Ratio of 2011 calculated excluding VRS.

** Dividends for the year 2015 are accounted for as per the Accounting Standard – LKAS 10.

STATEMENT OF COMPREHENSIVE INCOME IN US DOLLARS

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For the Year ended 31st December	BANK			GROUP		
	2015	2014	Change	2015	2014	Change
	US\$ '000	US\$ '000	%	US\$ '000	US\$ '000	%
Income	198,514	216,479	(8.30)	198,811	216,964	(8.37)
Interest Income	167,718	177,396	(5.46)	167,823	177,508	(5.46)
Less: Interest Expenses	85,597	92,785	(7.75)	85,481	92,635	(7.72)
Net Interest Income	82,121	84,611	(2.94)	82,342	84,873	(2.98)
Fee and Commission Income	19,522	17,791	9.73	19,521	17,788	9.74
Less: Fee and Commission Expenses	790	684	15.50	836	735	13.74
Net Fee and Commission Income	18,732	17,107	9.50	18,685	17,053	9.57
Net Interest, Fee and Commission Income	100,853	101,718	(0.85)	101,027	101,926	(0.88)
Net Trading Income	8,715	8,164	6.75	8,708	8,176	6.51
Net Gain on Financial Investments	1,614	8,990	(82.05)	1,614	9,016	(82.10)
Other Operating Income (Net)	946	4,138	(77.14)	1,145	4,476	(74.42)
Total Operating Income	112,128	123,010	(8.85)	112,494	123,594	(8.98)
Net Impairment Loss	3,395	17,200	(80.26)	3,395	16,178	(79.01)
Net Operating Income	108,733	105,810	2.76	109,099	107,416	1.57
Less: Operating Expenses						
Personnel Expenses	29,126	29,756	(2.12)	29,319	29,992	(2.24)
Premises, Equipment and Establishment Expenses	12,708	13,099	(2.98)	12,316	12,769	(3.55)
Other Expenses	18,059	18,601	(2.91)	18,305	18,892	(3.11)
Operating Expenses	59,893	61,456	(2.54)	59,940	61,653	(2.78)
Operating Profit before Taxes	48,840	44,354	10.11	49,159	45,763	7.42
Value Added Tax and Nation Building Tax on Financial Services	8,724	9,117	(4.31)	8,724	9,117	(4.31)
Operating Profit before Income Tax	40,116	35,237	13.85	40,435	36,646	10.34
Income Tax Expense	13,512	11,905	13.50	13,449	11,996	12.11
Profit for the Year	26,604	23,332	14.02	26,986	24,650	9.48
Profit Attributable to:						
Equity Holders of the Bank	26,604	23,332	14.02	26,773	24,091	11.13
Non-Controlling Interest	-	-	-	213	559	(61.90)
Profit for the Year	26,604	23,332	14.02	26,986	24,650	9.48
Basic/Diluted Earnings per Share (US\$)	0.08	0.07	14.02	0.08	0.07	11.13
Other Comprehensive Income, Net of Income Tax						
Revaluation of Property, Plant & Equipment	-	-	-	51	205	(75.12)
Actuarial Gain/(Loss) on Defined Benefit Obligations	459	(494)	192.91	456	(494)	192.31
Net Change of Financial Assets Measured at Fair Value through Other Comprehensive Income:						
Net Gain/(Loss) on Re-measuring Available-for-Sale Financial Assets	(7,779)	73	(10,756.16)	(7,781)	64	(12,257.81)
Other Comprehensive Income for the Year, Net of Tax	(7,320)	(421)	(1,638.72)	(7,274)	(225)	(3,132.89)
Total Comprehensive Income for the Year	19,284	22,911	(15.83)	19,712	24,425	(19.30)
Total Comprehensive Income Attributable to:						
Equity Holders of the Bank	19,284	22,911	(15.83)	19,486	23,795	(18.11)
Non-Controlling Interest	-	-	-	226	630	(64.13)
Total Comprehensive Income for the Year	19,284	22,911	(15.83)	19,712	24,425	(19.30)

Exchange rate of US\$ 1 was Rs. 144.00 as at 31st December 2015 (Rs. 131.95 as at 31st December 2014).

The Statement of Comprehensive Income 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.

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STATEMENT OF FINANCIAL POSITION IN US DOLLARS

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As at 31st December	BANK			GROUP		
	2015 US\$ '000	2014 US\$ '000	Change %	2015 US\$ '000	2014 US\$ '000	Change %
Assets						
Cash and Cash Equivalents	54,170	50,572	7.11	54,170	50,572	7.11
Balances with Central Bank of Sri Lanka	59,471	56,326	5.58	59,471	56,326	5.58
Placements with Banks and Finance Companies	5,257	17,691	(70.28)	5,257	17,691	(70.28)
Derivative Financial Instruments	903	1,451	(37.77)	903	1,451	(37.77)
Other Financial Assets Held-for-Trading	41,782	19,138	118.32	41,839	19,207	117.83
Securities Purchased under Resale Agreements	16,059	134,619	(88.07)	16,059	134,619	(88.07)
Customer Loans and Receivables	1,341,000	1,174,405	14.19	1,341,000	1,174,405	14.19
Financial Investments - Available-for-Sale	333,601	180,224	85.10	333,861	180,660	84.80
Financial Investments - Held-to-Maturity	126,026	170,055	(25.89)	126,591	170,671	(25.83)
Investment in Subsidiary	8,000	8,383	(4.57)	-	-	-
Group Balances Receivable	208	227	(8.37)	-	-	-
Property, Plant & Equipment	22,415	22,490	(0.33)	33,856	34,680	(2.38)
Leasehold Rights	308	351	(12.25)	4,167	4,619	(9.79)
Investment Properties	-	867	(100.00)	7,569	8,967	(15.59)
Intangible Assets	1,735	2,121	(18.20)	1,735	2,121	(18.20)
Deferred Tax Assets	-	137	(100.00)	-	-	-
Other Assets	46,913	50,376	(6.87)	47,033	50,475	(6.82)
Total Assets	2,057,848	1,889,433	8.91	2,073,511	1,906,464	8.76
Liabilities						
Due to Banks	137,390	88,029	56.07	137,390	88,029	56.07
Derivative Financial Instruments	347	1,596	(78.26)	347	1,596	(78.26)
Customer Deposits	1,559,205	1,409,050	10.66	1,559,205	1,409,050	10.66
Securities Sold under Repurchase Agreements	79,235	94,126	(15.82)	79,235	94,126	(15.82)
Other Borrowings	109	111	(1.80)	109	111	(1.80)
Group Balances Payable	1,259	1,465	(14.06)	-	-	-
Debentures	49,860	58,020	(14.06)	49,860	58,020	(14.06)
Current Tax Liabilities	3,519	10,033	(64.93)	3,509	10,029	(65.01)
Deferred Tax Liabilities	2,334	-	-	2,672	277	864.62
Other Liabilities	50,592	45,051	12.30	51,219	45,760	11.93
Total Liabilities	1,883,850	1,707,481	10.33	1,883,546	1,706,998	10.34
Equity						
Stated Capital	73,123	79,801	(8.37)	73,123	79,801	(8.37)
Statutory Reserve Fund	8,246	7,548	9.25	8,246	7,548	9.25
Retained Earnings	77,262	68,842	12.23	79,002	70,434	12.16
Other Reserves	15,367	25,761	(40.35)	22,183	33,162	(33.11)
Total Equity Attributable to Equity Holders of the Bank	173,998	181,952	(4.37)	182,554	190,945	(4.39)
Non-Controlling Interest	-	-	-	7,411	8,521	(13.03)
Total Equity	173,998	181,952	(4.37)	189,965	199,466	(4.76)
Total Liabilities and Equity	2,057,848	1,889,433	8.91	2,073,511	1,906,464	8.76
Commitments and Contingencies	397,378	341,782	16.27	397,931	342,289	16.26
Net Assets Value per Share (US\$)	0.50	0.53	(4.37)	0.53	0.55	(4.39)

Exchange rate of US\$ 1 was Rs. 144.00 as at 31st December 2015 (Rs. 131.95 as at 31st December 2014).

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.

2015

Twenty Largest Shareholders as at 31st December 2015

Ordinary Voting Shares

	2015		2014 Comparative Holdings of the Top 20 Holders in 2015	
	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	17,346,996	9.86	17,525,425	9.96
4. LOLC Investments Limited**	16,808,502	9.55	16,808,502	9.55
5. National Development Bank PLC A/C No. 02	15,353,784	8.73	-	-
6. Bank of Ceylon No. 1 Account	13,198,305	7.50	13,198,305	7.50
7. BNYM SA/NV-Frontier Market Opportunities Master FD, L.P.	4,094,638	2.33	-	-
8. Employees' Trust Fund Board	3,175,139	1.81	5,000,001	2.84
9. Seyfest (Private) Limited	3,017,940	1.71	3,017,940	1.71
10. Sesot (Private) Limited	2,279,042	1.30	2,279,042	1.30
11. Seybest (Private) Limited	2,165,435	1.23	2,165,435	1.23
12. Seyshop (Private) Limited	2,165,435	1.23	2,165,435	1.23
13. Esots (Private) Limited	2,148,132	1.22	2,148,132	1.22
14. Lanka Century Investments PLC	2,079,160	1.18	2,077,330	1.18
15. HSBC Intl Nom Ltd-SSBT-Russell Institutional Funds Public Limited Company	2,027,100	1.15	2,131,000	1.21
16. Capital Development and Investment Company PLC A/C No. 02	1,782,428	1.01	1,000,000	0.57
17. BNYM SA/NV-Frontier Market Select Fund II L.P.	1,694,960	0.96	-	-
18. AIA Insurance Lanka PLC A/C No. 07	1,557,072	0.89	1,500,000	0.85
19. Sampath Bank PLC/Dr. T. Senthilverl	1,511,647	0.86	1,611,137	0.92
20. N P Capital Limited	1,503,505	0.85	-	-
Total Shares held by the Top 20 Holders – 2015	144,722,578	82.24	-	-
Balance Shares held by other 9,422 Ordinary Voting Shareholders – 2015	31,254,823	17.76	-	-
Total Ordinary Voting Shares	175,977,401		175,977,401	
Total Ordinary Voting Shareholders	9,442		9,389	

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* and LOLC Investments Limited** to be reduced from 23.42% to 15% level within a period of 15 years from 13th October 2009.

Ordinary Non-Voting Shares

	2015		2014 Comparative Holdings of the Top 20 Holders in 2015	
	No. of Shares	%	No. of Shares	%
1. Lanka ORIX Leasing Company PLC	74,238,665	43.93	71,688,535	42.42
2. Employees' Provident Fund	9,013,489	5.33	14,795,106	8.75
3. Commercial Bank of Ceylon PLC/Dunamis Capital PLC	3,818,755	2.26	3,818,755	2.26
4. Mr. E. Thavagnanasooriyam & Mr. E. Thavagnanasundaram	2,649,968	1.57	2,649,968	1.57
5. Akbar Brothers (Pvt) Limited A/C No. 1	2,547,832	1.51	449,700	0.27
6. Pershing LLC S/A Averbach Grauson & Co.	2,375,012	1.41	3,904,011	2.31
7. Deutsche Bank AG as Trustees for JB Vantage Value Equity Fund	1,943,307	1.15	1,080,707	0.64
8. Merrill J. Fernando & Sons (Pvt) Limited	1,877,057	1.11	1,877,057	1.11
9. Mr. N. Balasingam	1,762,693	1.04	1,762,693	1.04
10. Trading Partners (Pvt) Limited	1,619,855	0.96	2,139,298	1.27
11. Lanka Orix Information Technology Services Limited	1,471,587	0.87	-	-
12. Dr. S. Yaddehige	1,369,851	0.81	744,123	0.44
13. Deutsche Bank AG – National Equity Fund	1,253,265	0.74	1,253,265	0.74
14. Commercial Bank of Ceylon PLC/ARC Capital (Pvt) Limited	1,216,280	0.72	2,203,000	1.30
15. Deutsche Bank AG as Trustees for Namal Acuity Value Fund	1,150,000	0.68	1,150,000	0.68
16. HSBC International Nominees Limited – SSBT – Deutsche Bank AG Singapore A/C. 01	858,581	0.51	-	-
17. Mr. M.J. Fernando	850,000	0.50	-	-
18. Mr. E. Thavagnanasooriyam	783,598	0.46	853,598	0.51
19. Miss. S. Durga	770,808	0.46	770,808	0.46
20. Mr. R. Gautam	765,000	0.45	260,000	0.15
Total Shares held by the Top 20 Holders	112,335,603	66.48	-	-
Balance Shares held by Other 7,015 Ordinary Non-Voting Shareholders	56,647,406	33.52	-	-
Total Ordinary Non-Voting Shares	168,983,009		168,983,009	
Total Ordinary Non-Voting Shareholders	7,035		7,477	

Shareholdings of Directors as at 31st December 2015

Directors' shareholdings including the Director/Chief Executive Officer's holding as at 31st December 2015 are given on page 207 of the Report of the Board of Directors.

Ordinary Shares (Quoted)

	Voting (SEYB-N)		Non-Voting (SEYB-X)	
	2015	2014	2015	2014
No. of Shares Issued	175,977,401	175,977,401	168,983,009	168,983,009
Dividend (Rs. per Share)	Proposed: 2.75	Paid: 2.50	Proposed: 2.75	Paid: 2.50
Share Prices				
Highest (Rs.)	120.50	102.00	81.50	63.00
Lowest (Rs.)	89.90	58.60	57.90	30.20
Last Traded (Rs.)	95.00	95.00	73.00	57.50
Percentage of Public Holding (%)	54.28	54.31	55.96	57.46

Analysis of the Distribution of Shareholders as at 31st December 2015

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	6,990	1,569,866	0.89	3,565	1,134,113	0.67
1,001 - 10,000	2,116	5,723,578	3.25	2,679	8,269,487	4.89
10,001 - 100,000	266	7,692,806	4.37	657	18,505,307	10.95
100,001 - 1,000,000	49	15,253,319	8.67	119	32,766,486	19.39
1,000,001 & Above	21	145,737,832	82.82	15	108,307,616	64.09
Total	9,442	175,977,401	100.00	7,035	168,983,009	100.00
Resident/Non-Resident						
Resident	9,284	164,587,433	93.53	6,948	158,561,010	93.83
Non-Resident	158	11,389,968	6.47	87	10,421,999	6.17
Individuals/Institutions						
Individuals	9,104	17,341,630	9.85	6,706	46,902,394	27.76
Companies/Institutions	338	158,635,771	90.15	329	122,080,615	72.24

Debentures

Debentures 2013/2018

(Listed on CSE in February 2013)

(SEYB D180, D179, D178)	Monthly Interest (14.50%)		Semi-Annual Interest (15.0%)		Annual Interest (15.5%)	
	2015	2014	2015	2014	2015	2014
No. of Debentures Issued	660,700		8,430,200		10,909,100	
Debenture Prices:						
Highest (Rs.)			106		118.26	118.29
Lowest (Rs.)	Not traded in		100	Not traded in	118.25	104.00
Last Traded (Rs.)	2014 & 2015		106	2014	118.26	117.39

Debentures 2014

(Listed on CSE on 31st December 2014)

(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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
No. of Debentures Issued	4,622,800		300		18,665,200		25,055,200		3,005,200	
Debenture Prices:										
Highest (Rs.)					100.00		100.00			
Lowest (Rs.)	Not traded in		Not traded in		99.99	Not	94.31	Not	Not traded in	
Last Traded (Rs.)	2014 & 2015		2014 & 2015		99.99	traded in 2014	94.31	traded in 2014	2014 & 2015	

	2015	2014
Debt/Equity Ratio (Times)	0.29	0.32
Interest Cover (Times)	8.36	13.68
Quick Asset Ratio (Times)	0.71	0.82
2013/2018 Issue		
Interest Yield as at Date of Last Trade		
Annual Interest – 15.5% p.a. (21.01.2015)/(01.12.2014)	13.11%	13.25%
Semi-Annual Interest – 15% p.a. (08.07.2015)/*	14.68%	*
Monthly Interest – 14.5% p.a.	*	*
Yield to Maturity of Trade Done on		
Annual Interest – 15.5% p.a. (21.01.2015)/(01.12.2014)	8.51%	9.13%
Semi-Annual Interest – 15% p.a. (08.07.2015)/*	12.24%	*
Monthly Interest	*	*
Interest Rate of Comparable Government Security	8.89%	7.02%
2014 Issue		
Interest Yield as at Date of Last Trade		
4 Years Semi-Annual – 8.00%	*	*
5 Years Semi-Annual – 8.35% p.a.	*	*
5 Years Annual – 8.60% p.a. (07.01.2015)	8.60%	*
6 Years Semi-Annual – 8.60% p.a. (30.03.2015)	9.31%	*
6 Years Annual – 8.75% p.a.	*	*
Yield to Maturity of Trade Done on		
4 Years Semi-Annual – 8.00% p.a.	*	*
5 Years Semi-Annual – 8.35% p.a.	*	*
5 Years Annual – 8.60% p.a. (07.01.2015)	8.60%	*
6 Years Semi-Annual – 8.60% p.a. (30.03.2015)	9.92%	*
6 Years Annual – 8.75% p.a.	*	*
Interest Rate of Comparable Government Security		
3 Years	8.89%	–
4 Years	9.20%	7.15%
5 Years	9.45%	7.32%
6 Years	–	7.60%

* No trading during the period.

BRANCH NETWORK

408

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
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
Fax : 063-2224897
Email : ampara.bmg@seylan.lk

Anuradhapura •

No. 250, Maithreepala Senanayaka
Mawatha, Anuradapura
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
: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
: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
: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 : bogawantalawa.bmg@seylan.lk

Boralesgamuwa •

No. 24, Kesbewa Road,
Boralesgamuwa
Branch : 011-2509824/011-2517548/
011-2517549
Fax : 011-2509526
Email : boralesgamuwa.bmg@seylan.lk

Borella •

No. 1119, Maradana Road, Borella
Branch : 011-2681191/011-2678190/
011-2681192
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 : chankani.bmg@seylan.lk

Chavakachcheri •

Nos. 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
Fax : 032-2223279
Email : chilaw.bmg@seylan.lk

Cinnamon Gardens •

No. 4, Baptist Chapel Road, Colombo 07
Branch : 011-2694966/011-2683418
: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
:011-2327200
Fax : 011-2447990
E-mail : colombofort.bmg@seylan.lk

Colombo Gold Centre •

Shop Nos. 47 & 51,
Colombo Gold Centre,
Central Super Market, Pettah
Branch : 011-2339840/011-2339841
Fax : 011-2339842
Email : colombogoldcentre.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
:027-2250267
Fax : 027-2250268
Email : dehiattakandiya.bmg@seylan.lk

Dehiwela •

No. 166D, Galle Road, Dehiwela
Branch : 011-2738843/011-2726395
Fax : 011-2739128
Email : dehiwela.bmg@seylan.lk

Dummalasuriya •

No. 128, Main Street, Dummalasuriya
Branch : 032-2242221/032-2242223
Fax : 032-2242224
Email : dummalasooriya.bmg@seylan.lk

E

Embilipitiya •

New Town Road, Embilipitiya
Branch : 047-2230340/047-2230341
Fax : 047-2230342
Email : embilipitiya.bmg@seylan.lk

Eppawala •

114/B, Thalawa Road, Eppawala
Branch : 025-2249923/025-2249924
Fax : 025-2249922
Email : eppawala.bmg@seylan.lk

F

Foreign Employment Bureau

No. 109, Main Street, Battaramulla
Branch : 011-3301114
Fax : 011-3301114
Email : ebc@seylan.lk

G

Galenbindunuwewa •

Kahatagasdigiya 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
Fax : 091-2234642
Email : galle.bmg@seylan.lk

Gampaha •

No. 1 J, Buddhaloka Mawatha,
Gampaha
Branch :033-2226511/033-2222618
:033-2230717
Fax :033-2222934
Email :gampaha.bmg@seylan.lk

Gampola •

No. 44, Kandy Road, Gampola
Branch :081-2352741/081-2352742
:081-2354242
Fax :081-2352740
Email :gampola.bmg@seylan.lk

Ganemulla •

No. 4/2, Kirindiwita Road, Ganemulla
Branch : 033-2260738
: 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
:011-2451061
Fax :011-2440117
Email :grandpass.bmg@seylan.lk

H**Hambantota •**

No. 57 A, Tissa Road, Hambantota
Branch :047-2220507
:047-2220518
Fax :047-2220519
Email :hambantota.bmg@seylan.lk

Hasalaka •

No. 6, 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
: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
:091-2276965
Fax :091-2276966
Email :hikkaduwa.bmg@seylan.lk

Hingurakgoda •

No. 13,14, Airport Road, Hingurakgoda
Branch :027-2246242
:027-2246087
Fax :027-2246043
Email :hingurakgoda.bmg@seylan.lk

Homagama ••

No. 94, High Level Road, Homagama
Branch :011-2894846/011-2855065
Fax :011-2855066
Email :homagama.bmg@seylan.lk

Horana •

No. 160/1/1, Ratnapura Road, Horana
Branch :034-2261176/034-2262963
: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 2/1 Colombo Road, Ja-Ela
Branch :011-2232328/011-2237421
Fax :011-2237416
Email :jaela.bmg@seylan.lk

Jaffna •

No. 560-562, Hospital Road, Jaffna
Branch :021-2223047/021-2223755
:021-2228224
Fax :021-2223047/021-2223755
Email :jaffna.bmg@seylan.lk

K**Kadawatha •**

No. 28 B, Ganemulla Road, Kadawatha
Branch :011-2925594/011-2925595
:011-2925914
Fax :011-2925596
Email :kadawatha.bmg@seylan.lk

Kaduruwela •

No. 824 A, Main Street, Kaduruwela
Branch :027-2225319/027-2225320
Fax :027-22235321
E-mail :kaduruwela.bmg@seylan.lk

Kalawanchikudy •

No. 225, Main Street, Kalawanchikudy
Branch :065-2251536/065-2251823
Fax :065-2251535
Email :kalawanchikudy.bmg@seylan.lk

Kalmunai •

No. 159, Batticaloa Road, Kalmunai
Branch :067-2225842
: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
:011-2822871
Fax :011-2822870
Email :kalubowila.bmg@seylan.lk

Kalutara •

No. 338, Main Street, Kalutara
Branch :034-2225035/034-2225036
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
Fax :081-2232322/081-2234805
Email :kandy.bmg@seylan.lk

Kantale •

No. 189, Agrabodhi Mawatha, Kantale
Branch :026-2234478
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
: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
:011-2251462
Fax :011-2252567
Email :katunayake.bmg@seylan.lk

Katuneriya •

No. 99/1, Chilaw Road, Katuneriya
Branch :031-2255209/031-2257765
:031-2257764
Fax :031-2253149
Email :katuneriya.bmg@seylan.lk

Kegalle •

No. 112, Colombo Road, Kegalle
Branch :035-2222007/035-2223538
:035-2222100
Fax :035-2222006
Email :kegalle.bmg@seylan.lk

Kekirawa •

No. 6, Yakalla Road, Kekirawa
Branch :025-2264590/025-2264591
:025-2263215
Fax :025-2264592
Email :kekirawa.bmg@seylan.lk

Kelaniya •

No. 32, Kandy Road, Dalugama
Kelaniya
Branch :011-2987321/011-2987322
: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. 173, Kandy Road, Kiribathgoda
Branch :011-2910581/011-2912378
:011-2908113
: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. 280 B, 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
: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/
:011-2564080/011-2564084
Fax :011-2576914
Email :kollupitiya.bmg@seylan.lk

410 **Kotagala •**

No. 190, Wootan Bazaar, Kotagala
Branch : 051-2244062/051-2244044
Fax : 051-2244044
Email : ktg@seylan.lk

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, Nawasiri Building, High Level Road, Kottawa
Branch : 011-2842682/011-2842683
011-2846720
Fax : 011-2841292
Email : kottawa.bmg@seylan.lk

Kuliyapitiya •
No. 137, Hettipola Road, Kuliyapitiya
Branch : 037-2281450/037-2281510
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

M

Maharagama •
No. 134B, High Level Road, Maharagama
Branch : 011-2841997/011-2850648
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
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

• Indicates No. of ATMS

Mannar •
No. 54, Main Street, Ward No. 5, Mannar
Branch : 023-2223241/023-2223242
Fax : 023-2223243
Email : mannar.bmg@seylan.lk

Marandagahamula •
No. 150, Divulapitiya Road, Marandagahamula
Branch : 031-2246377
031-2246096
Fax : 031-2246378
Email : marandagahamula.bmg@seylan.lk

Maradana •
No. 250, Sri Sangaraja Mawatha, Colombo 10
Branch : 011-2473281/011-2334185
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
Fax : 066-2232935
Email : matale.bmg@seylan.lk

Matara ••
No. 58, Esplanade Road, Matara
Branch : 041-2221181/041-2222393
041-2227167
Fax : 041-2223064
Email : matara.bmg@seylan.lk

Matugama •
No. 121, Agalawatta Road, Matugama
Branch : 034-2247544/034-2247545
Fax : 034-2247091
Email : mathugama.bmg@seylan.lk

Mawanella •
No. 1/3, New Kandy Road, Mawanella
Branch : 035-2246007/035-2247899
035-2246988
Fax : 035-2246989
Email : mawanella.bmg@seylan.lk

Mawathagama •
No. 69/A, Kurunegala Road, Mawathagama
Branch : 037-2298666/037-2296366
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
011-2830817
Fax : 011-2830820
Email : meegoda.bmg@seylan.lk

Millennium Branch •••
No. 90, Seylan Towers, Galle Road, Colombo 03
Branch : 011-2456145
Fax : 011-2452506
Email : millennium.bmg@seylan.lk

Minuwangoda •
No. 40, Cargills Building, 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
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
Fax : 011-2656901
Email : moratuwa.bmg@seylan.lk

Mount Lavinia •
No. 198, Galle Road, Ratmalana
Branch : 011-2731266/011-2723272
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

N

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 : 011-2806727/011-2507329
Fax : 011-2805779
Email : nawala.bmg@seylan.lk

Nawalapitiya •
No. 2, Baily Road, Nawalapitiya
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054-2222018
Fax : 054-2223832
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031-2224302
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033-2295272
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011-2809955
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O

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011-2446046
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P

Padaviya •
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Kandy Industrial Park, BOI, Pallekelle
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Email : pallekele.bmg@seylan.lk

Panadura •
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Pelmadulla •
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045-2275625
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Off-site ATMs

- Arpico Super Centre, Kandy
- Arugam Bay Travel & Tours, Arugam Bay, Potuvil
- Bloomfield Grounds, Colombo 07
- EAM Maliban Textiles (Pvt) Limited, Mahiyanganaya
- Free Trade Zone, Katunayake
- Industrial Estate, Wennappuwa
- K.D.U. Fuel Station & Fuel Mart, Kuruwita
- MDK Health Care Centre, Horana
- Mobile ATM
- Sapugaskanda, Makola
- Welikada Plaza, Rajagiriya

GEOGRAPHICAL ANALYSIS

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Deposits, Loans and Receivables

As at 31st December 2015

Province	No. of Branches	Deposits		Loans and Receivables	
		Rs. Mn.	%	Rs. Mn.	%
Western	70	157,502	70.0	147,874	74.4
Southern	12	10,716	4.8	9,836	4.9
Uva	6	3,565	1.6	2,000	1.0
North-Central	12	5,284	2.4	3,249	1.6
North-Western	12	10,907	4.9	8,877	4.5
Eastern	12	6,537	2.9	5,573	2.8
Northern	9	4,942	2.2	4,392	2.2
Sabaragamuwa	10	11,663	5.2	8,155	4.1
Central	16	13,409	6.0	8,886	4.5
	159	224,525	100.0	198,842	100.0
Impairment Allowance for Loans and Receivables - Individual Impairment		-		(2,020)	
Impairment Allowance for Loans and Receivables - Collective Impairment		-		(3,718)	
Total	159	224,525		193,104*	

* Loans and Receivables net of impairment.

Commitments and Contingencies

As at 31st December 2015

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	7,523	38	14,219	6,093	2,460	(132)	30,201
Southern	12	78	-	656	11	49	-	794
Uva	6	-	-	166	4	-	-	170
North-Central	12	-	-	485	-	1	-	486
North-Western	12	356	-	578	264	81	-	1,279
Eastern	12	9	-	681	-	-	-	690
Northern	9	2	-	395	1	7	-	405
Sabaragamuwa	10	24	-	389	67	22	-	502
Central	16	212	-	556	337	173	-	1,277
Contingencies	159	8,204	38	18,125	6,777	2,793	(132)	35,804
Commitments								
Undrawn Credit Lines and Capital Commitments								21,418
Total	159	8,204	38	18,125	6,777	2,793	(132)	57,222

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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.

Available-for-Sale Investments

All assets not in any of the three categories namely Held-to-Maturity, Fair Value Through Profit or Loss, and Loans and Receivables.

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 the 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 those are readily convertible to known amounts of cash and which subject to an insignificant risk of changes in value.

Commitments (Undrawn Credit Lines)

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 to Income Ratio

Operating expenses as a percentage of Total Operating 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**Held-for-Trading Investments**

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 Credits (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 Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

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.

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.

Impairment Allowance

Impairment Allowance is a provision held as a result of a charge against profit for the incurred loss. An Impairment Allowance may either be identified or unidentified as individual (specific) or collective (portfolio).

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 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 receivables.

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**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.

N**Net Asset Value Per Share**

Shareholders' funds divided by the number of ordinary shares in issue.

Net Interest Income (NII)

The difference between the amount a bank earns on assets such as loans and securities and what it pays on liabilities such as deposits, refinancing funds and inter-bank borrowings.

Net Interest Margin

The margin is expected as net interest income divided by average interest earning assets.

Non-Controlling Interest

Non-Controlling Interest is the equity in a subsidiary not attributable directly or indirectly to a parent.

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 (Net of IIS)

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 equity.

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.

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/Equity

Total of issued and fully paid share capital and capital and revenue reserves.

Single Borrower Limit

30% of Total Regulatory 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.

හිතවත් කොටස් හිමියනි,
2015 දෙසැම්බර් 31 වන දිනෙන් අවසන් වූ මූල්‍ය වර්ෂය සඳහා වන සෙලාන් බැංකු පීඑල්සී වාර්ෂික වාර්තාව - මෙම වර්ෂයේ බැංකු වාර්ෂික වාර්තා අපගේ තේමාව අනුව මා ඔබට ඉදිරිපත් කරනුයේ සතුට පෙරදැරි කර ගනිමිනි.

අප විසින් අනුගමනය කරනු ලබන උපායමාර්ගයන් කෙරෙහි අප තබා ඇති විශ්වාසය තවදුරටත් බලගැන්වීමේ ප්‍රතිඵලයන් සහිතව, තවත් විශිෂ්ට වසරක් ගෙවියාම සතුටකි.

අපගේ ඒකායන උපායමාර්ගික ව්‍යාපාරික න්‍යාය පත්‍රය ඔස්සේ, වැඩිවන අභියෝග සහ උද්ගත වන කර්මාන්තය තුළ සමෘද්ධිමත් වීමට පමණක් නොව, බැංකුව වඩාත් ස්ථාවරත්වයට පත් කරමින් වර්ධන පටය තුළ ශක්තිමත්ව පිහිටුවාලීමට ද සමත් විය.

ගත වූ වසර කිහිපය තුළම බැංකුව වඩ වඩාත් ශක්තිමත් වෙමින් පැවැති අතර, මෙම වර්ෂයේ දී අප 2014 වසරේ මූල්‍ය සාර්ථකත්වය ඉක්ම වූයේ අපගේ උපාය මාර්ගයන් සහ කාර්ය සාධනයන් ක්‍රියාත්මක කිරීමෙනි. ලා ස්ථිරසාර සහ අඩුකොටු ප්‍රගතියක් ප්‍රදර්ශනය කරමිනි. 2015 ලාභය 24.4% කින් වර්ධනය වෙමින් රුපියල් මිලියන 3,831 ක් වාර්තා වූ අතර, එය බැංකුවේ ඉතිහාසයේ ඉහළම වාර්ෂික ලාභය වීමෙන්, කොටස් කරුවන්ට ස්ථාවර, මෙන් ම වර්ධනීය ප්‍රතිලාභයන් ද හිමිකර දීමට ඉවහල් විය. සෙලාන් බැංකුව අනාගත ප්‍රතිනිර්මාණීය ජයග්‍රහණයන් සඳහා ශක්තිමත් පදනමක් සහිත, ප්‍රබල මෙන් ම නොසෙල්විය හැකි මූල්‍ය ආයතනයක් බවට පරිවර්තනය වී ඇති බව විශ්වාසයෙන් යුතුව අද මම සඳහන් කරමි.

මෙහෙයුම් පරිසරය

ලෝක බැංකුව විසින් වාර්තා කරන ලද පරිදි, ගෝලීය වර්ධනය 2014 වර්ෂයේ පැවැති 2.6% මට්ටමේ සිට 2015 දී 2.4% දක්වා පහත වැටුණේ අපේක්ෂාවන් හැරවත් තංග කරමිනි. එම අදෛර්ශමත් කාර්ය සාධනයට හේතුව වශයෙන් පෙන්වා ඇත්තේ, දුර්වල වෙමින් පවත්නා වෙළඳ භාණ්ඩ මිල, ගෝලීය වෙළඳ හා ප්‍රාග්ධන ප්‍රවාහයන්ගේ පසුබෑමත් මධ්‍යයේ ආර්ථික වශයෙන් ඉදිරියට එමින් සහ වර්ධනය වෙමින් පවත්නා ආර්ථික ක්‍රියාකාරකම් හි අඩුකොටු ම සිදුවන මන්දගාමීභාවයයි. අනෙක් අතට, ප්‍රධාන ඉහළ ආදායම් ලබන රටවල ආර්ථිකයන් ක්‍රමක්‍රමයෙන් වර්ධනය

විය. විශේෂයෙන් ම චීනයේ ජනපදයේ ප්‍රබල අභ්‍යන්තර ඉල්ලුම වැඩි වශයෙන් ම ඊට හේතු විය. කෙසේ වුව ද, චීනයේ ආර්ථික වර්ධනය පහත වැටීමේ ප්‍රධාන සාධකය වූයේ කර්මාන්ත අංශයෙන් සේවා අංශයට ආංශික ප්‍රතිතුලනය සිදු කරනු ලැබීම යි.

2015 දෙවන භාගය සඳහා ශ්‍රී ලංකාවේ ආර්ථික වර්ධනය 5.5% ක් වූ අතර, සේවා අංශය මූලික තත්ත්වය පවත්වා ගනිමින් ද කාර්මික අංශය ඉක්බිතිව ද ඊට දායක විය. වාණිජ බැංකු විසින් පෞද්ගලික අංශයට ලබා දෙන ලද, 2014 අග දී පරාවර්තනය වූ, ණය වර්ධනය, අවම වෙළඳපොළ ණය දීමේ අනුපාතයන් සහ ඉහළ ගිය මූර්ත වැටුප් මෙන් ම වර්ධනය වූ ආනයනික ඉල්ලුම ද හේතු කොට 2015 මුල් මාස අට තුළ තව දුරටත් ඉක්මන් වූයේ ය. ඒ අනුව, 2014 අග වාර්තා වූ 8.8% සහ සසඳන විට, 2015 නොවැම්බර් අග දී පෞද්ගලික අංශයට ලබා දෙන ලද ණය වාර්ෂික පදනමක් මත 27% කින් ඉහළ යන ලදී.

ශ්‍රී ලංකා මහ බැංකුවේ මූල්‍ය ප්‍රතිපත්ති විමර්ශනය අනුව, උද්ධමන ශීර්ෂය වාර්ෂිකව වැඩිවීමෙන්, 2015 ඔක්තෝබරයේ පැවැති 1.7%, 2015 නොවැම්බරය වන විට 3.1% දක්වා වර්ධනය විය.

වත්මන් දේශීය මුදල් වෙළඳපොළෙහි පවත්නා අධි ද්‍රවශීලතාවට ප්‍රතිචාර දක්වමින් සහ අඩුකොටු මූල්‍ය හා මිල ස්ථාවරත්වය තහවුරු කරනු වස්, 2016 ජනවාරි 16 දින සිට ක්‍රියාත්මක වන පරිදි, වාණිජ බැංකු වල සියලුම රුපියල් තැන්පතු වගකීම්වලට බලපාන්නා වූ ව්‍යවස්ථාපිත සංචිත අනුපාතය 7.5% දක්වා, 1.5% කින් ඉහළ නැංවීමට මූල්‍ය මණ්ඩලය තීරණය කළේය.

සුවිශේෂ කාර්ය සාධනය

අධ්‍යක්ෂ මණ්ඩලය, කළමනාකාරිත්ව කණ්ඩායම සහ කාර්ය මණ්ඩලය යන එකතුවේ දැඩි කැපවීම මෙන් ම අප්‍රතිහත උත්සාහයන් ද හේතුවකොට 2015 වසර තුළ ප්‍රබල මූල්‍ය කාර්ය සාධනයක් වාර්තා කිරීමට අපට හැකි විය.

අපගේ ඉද්ධ අත්තිකාරම් සමූච්චය පෙර වසරට වඩා 24.6% ක වැඩිවීමක් ප්‍රදර්ශනය කරමින් රුපියල් බිලියන 193.1 දක්වා අපි වර්ධනය කර ගතිමු. වසරේ මුල් සය මස තුළ දී, මන්දගාමී ණය වර්ධනයක් පැවැතිණ ද, තෙවන සහ සිව්වන කාර්තුවල සීග්‍ර ණය වර්ධනයක් දක්නට ලැබිණි. අපගේ තැන්පතු පදනම 20.8% කින් වැඩිවීමෙන් රුපියල්

බිලියන 224.5 දක්වා වර්ධනය විය. ගෙවුණු වර්ෂයෙහි පැවති, මෙතෙක් ඉහළම බදු පසු ලාභය ඉක්මවා ගමින්, 24.4% ක වර්ධනයක් සමග රුපියල් බිලියන 3.83 ක් අප විසින් උපයා ගන්නා ලදී.

2015 දී අප ලබා ගත් 4.68% ක අක්‍රීය අත්තිකාරම් ප්‍රතිශතය (අවිනිශ්චිත පොලියෙන් පසු) සුවිශේෂ ජයග්‍රහණයක් වනුයේ, දැනට සය වසරකට පමණ පෙර පැවැති 30% ක දුර්වල මට්ටම සමග සංසන්දනය කරන කල්හි ය. වසරින් වසර අක්‍රීය අත්තිකාරම් ප්‍රමාණය ප්‍රමාණවත් ලෙස අඩු කර ගැනීම සඳහා ලබා දෙන ලද දායකත්වය නිසාම, අපගේ ප්‍රතිසාධනීය ප්‍රයත්නයන් විශිෂ්ට ප්‍රතිලාභයන් ලබා දී ඇති බව සඳහන් කළ යුතුය. ප්‍රධාන විධායක නිලධාරීවරයාගේ සෘජු අධීක්ෂණය යටතේ මෙම ක්ෂේත්‍රය සම්බන්ධයෙන් දැනටමත් ගනු ලැබ ඇති නවමු උපාය මාර්ගික ආරම්භකයන් මගින්, ඉදිරි වසර තුළ දී 3.5% ක අඩු ප්‍රතිශතයක් දක්වා අක්‍රීය අත්තිකාරම් ප්‍රමාණය සමීප කරගැනීමට හැකිවන බව අපගේ විශ්වාසයයි.

2015 වසරේ දී අප ලැබූ විශිෂ්ට ප්‍රතිඵල, වර්ධනීය වෙළඳපොළ දර්ශකයන්ට පරිවර්තනය වී ඇත. බැංකුවේ කොටසක ඉපැයීම් ශ්‍රී ලංකා රුපියල් 8.92 සිට ශ්‍රී ලංකා රුපියල් 11.11 දක්වා 2015 දී ඉහළ ගිය අතර, එමගින් වෙළඳපොළෙහි අපගේ තරාතිරම තව දුරටත් ස්ථාවරත්වයට පත් විය.

ස්ථිරසාර පදනමකට පියවර තබමින්

ලාභදායකත්වය, අත්තිකාරම් හා තැන්පතු, අක්‍රීය අත්තිකාරම් සහ පාරිභෝගික සේවාව යන අපගේ වතුර්විධ උපාය මාර්ගික සිද්ධාන්තයන් කෙරෙහි ම අවධානය යොමු කරමින් අපගේ සිව් අවුරුදු උපාය මාර්ගික සැලැස්ම ක්‍රියාත්මක කිරීම අපි අඩුකොටු ම සිදු කළෙමු. එසේ අප විසින් සාර්ථකත්වය දිනා ගැනීම සඳහා නියම කර ගන්නා ලද උපාය මාර්ගික සියලුම ඉලක්කයන් අප විසින් සපුරාගෙන ඇති බව ප්‍රකාශ කරනුයේ සතුටකි. 2016-2019 කාලය සඳහා අප විසින් වර්ධනය කරනු ලබන නව උපාය මාර්ගික සැලැස්ම, සෙලාන් බැංකුව වඩාත් විශාල සහ ශක්තිමත් බවට පත් කරමින්, ඉදිරි සිව් වසර තුළ දී බැංකුව උපරිම තලයකට රැගෙන යාමට මංපෙත් නිර්මාණය කරනු ඇත.

2015 වසරේ දී අපගේ ශාඛා ජාලය 159 ක් බවට පත් කරනු ලබමින් තව දුරටත් ව්‍යාප්ත

කරන ලදී. දිවයින පුරා විසිරී සිටින අපගේ පාරිභෝගිකයින්ට කැපවීමෙන් සේවය කිරීම පදනම් කර ගනිමින්, ඉදිරි වසර තුළ දී, තවත් ශාඛා 75 ක් ඔස්සේ අපගේ විහිදීම පුළුල් කිරීමට අපි සැලසුම් කරන්නෙමු.

මනා සංස්ථානික පාලනයක් සඳහා අධ්‍යක්ෂ මණ්ඩලය තුළ පවත්නා නිත්‍ය කැපවීමේ ලක්ෂණයක් වශයෙන්, මාණ්ඩලික පාලන කමිටුවක් පිහිටුවනු ලැබීය. දීර්ඝ කාලීන අගයන් නිර්මාණය කිරීම සඳහා යහපාලනය මෙන් ම පුර්ණ විවෘතභාවය ද අත්‍යවශ්‍ය බව අපගේ පරම විශ්වාසය යි. අපගේ අවදානම් කළමනාකරණය කිරීමේ ලා සහ අපට උදාවන අවස්ථාවන් උපරිමකරණය කිරීමේදී ද, අපගේ පාර්ශ්වකරුවන් ගේ විශ්වාසය පවත්වා ගැනීමේදී ද සංස්ථානික පාලනයෙහි දී විශිෂ්ට පරිචයන් සඳහා ද අපගේ කැපවීම ප්‍රධානම සාධකයක් වන්නේය.

අධ්‍යාපනය කෙරෙහි අපගේ තීරණය ආරම්භනයන් යොමු කිරීම අපි දිගින් දිගට ම සිදු කරන්නෙමු. සමස්ථ සංඛ්‍යාව 80 ක් බවට පත් කරමින් පාසල් පුස්තකාල 29 ක් අදාල වර්ෂය තුළ අප විසින් ඉදි කර දෙන ලදී. මෙම වාර්තාවේ වෙනත් තැනෙක දැක්වෙන කළමනාකරණ සාකච්ඡාව සහ මෙම වාර්තා විශ්ලේෂණය තුළ, අපගේ නිශ්චිත ආරම්භනයන් පිළිබඳ ව වැඩිදුර විස්තර දැක්වේ.

2016 සඳහා අපගේ උපායමාර්ගික ගමන් මඟ

වසර කිහිපයකට පෙර පැවැති යාකේ මෙන් නොව, දැනට අප මෙහෙයුම් සිදු කරන වෙනස් වූත්, ගතිකයන්ගෙන් සංයුක්ත වූත් පරිසරය පිළිබඳ ව අපි දැනුවත් ව සිටිමු. මූල්‍ය සේවා කර්මාන්තය සීඝ්‍ර ලෙස වර්ධනය වෙමින් පවතින අතර, අනුපුරුද්වීමට සහ පරිවර්තනයට දරණ නොපසුබට ප්‍රයත්නය තුළින්, සෙලාන් බැංකුව වීම වෙනස වැළඳ ගැනීමට යුතුසුලු වන්නේය. එම ඉදිරි ගමනේ දී, හියුණු අවධානය අවශ්‍යවන්නා වූ ක්ෂේත්‍රයන් අපගේ උපාය මාර්ගික න්‍යාය පත්‍රය විසින් පැහැදිලිව උකහා සහ හඳුනා ගනු ඇත. ඒ අනුව, නිරන්තරයෙන් ම විශිෂ්ට වූ පාරිභෝගික අත්දැකීම් සහ කාර්යක්ෂම මෙහෙයවුම් තහවුරු කරනු වස්, අප විසින් බැංකුවේ තාක්ෂණික පරිණාමනයක් ද දියත් කර තිබේ.

අනාගතය සඳහා, 2016 අයවැය මගින් හඳුන්වා දී ඇති බදු සංශෝධන පිරිවැය කෙරෙහි බැංකු කර්මාන්තය වර්ධක උපාය

මාර්ගයන් ගැනීමේදී සැලකිලිමත් විය යුතු වෙයි. අපගේ ශක්තිමත් යටිතල පහසුකම් සහ විශිෂ්ට සේවා කණ්ඩායම ද සමග ඉදිරි වසරේ දී එම අභියෝගයට මුහුණ දීමට අප තුළ පවත්නා හැකියාව කෙරෙහි මම විශ්වාසය තබමි.

දළ දේශීය නිෂ්පාදනයෙහි ප්‍රක්ෂේපිත වර්ධනයත්, මූල්‍ය අන්තර්කරණය සඳහා සහ ආංකිත හා විදේශීය ශ්‍රයයක් කරා යොමුවන අතරමුදල් තොර සමාජයක් සඳහා රජයේ කැපවීමත් හේතුකොට, විශේෂයෙන් ම සිල්ලර අංශයේත්, සුළු හා මධ්‍ය පරිමාණ ව්‍යවසායකයින්ගේ ආර්ථික ක්‍රියාකාරකම්හිත් ක්ෂණික ඉලිප්පීමක් දැකිය හැකි වනු ඇත. අපගේ ශාඛා ව්‍යාප්තිකරණය සහ අපගේ පාරිභෝගික කේන්ද්‍රීය උපාය මාර්ග ද සමග මෙම අවස්ථාවෙන් උපරිම ප්‍රයෝජන ලබා ගැනීමට සහ රට තුළ මූල්‍ය අන්තර්කරණයට සහාය වීමට අපි සැදී පැහැදී සිටිමු.

අපගේ සංස්කෘතිය තුළ අනුගත ව ඇති පරිදි අප විසින් තීරණාත්මකව දිගින් දිගටම වර්ධනය කරමින් පවත්වා ගනු ලැබේ. අපගේ කොටස්කරුවන්ගේ ද, පාරිභෝගිකයින්ගේ ද, පුළුල් ජන ප්‍රජාවගේ ද, අපගේ කණ්ඩායමේ ද දිගුකාලීන සබඳතාවන් හි සුරක්ෂණය තහවුරු වන සේ අධ්‍යක්ෂ මණ්ඩලය ප්‍රතිපත්ති ආරම්භනයක් උපරිම මට්ටමින් පාලනය කිරීමට අපගේ මණ්ඩලය බැඳී සිටී. මේ හා අදාළ ව, අනුප්‍රාප්තික සැලසුම් කිරීම සහ මානව ප්‍රාග්ධනය මත අපගේ උපාය මාර්ගික සැලැස්ම අති විභාග අවධාරනයක් යොමු කරයි.

අධ්‍යක්ෂවරුන් වෙත ස්වීච්ච

බැංකු අධ්‍යක්ෂ මණ්ඩලයේ මෑතක දී සිදුවූ වෙනස්කම් පිළිබඳ ව මා විසින් සටහන් කළ යුතුව ඇත. මෙම වසර තුළ දී සේවයෙන් ඉවත් වූ අධ්‍යක්ෂවරුන් දෙදෙනෙකු වන ශ්‍රී ලංකා රක්ෂණ සංස්ථාවේ උපාලි ධීර්මදාස සහ ඉසුරු බාලපට්ටබැඳි මහත්වරුන් විසින් පිරිනමන ලද මාර්ගෝපදේශකත්වය වෙනුවෙන් අපි කෘතඥ වෙමු. අපගේ නව අධ්‍යක්ෂ මණ්ඩල සාමාජිකයින් වන රවී ඩයස්, චිරාන් කොරොයා සහ ප්‍රධාන විධායක නිලධාරී කපිල ආරියරත්න යන මහත්වරුන් අප සාදරයෙන් පිළිගන්නා අතර, බැංකුවේ අනාගත සෞභාග්‍යය තව දුරටත් උදාකර ගැනීම පිණිස එම මහත්වරුන්ගේ පුළුල් විශේෂඥතාවන් සහ අහනා දායකත්වය අපි අපේක්ෂා කරමු.

ඇගයීම

අවසාන වශයෙන්, අප වෙත අඛණ්ඩවම පිරිනමන ලද සහාය සහ මාර්ගෝපදේශකත්වය වෙනුවෙන් ශ්‍රී ලංකා රජයටත්, ශ්‍රී ලංකා මහ බැංකුවේ අධිපතිතුමාටත්, එහි ම බැංකු අධීක්ෂණ දෙපාර්තමේන්තුවටත් මාගේ ස්තූතිය ප්‍රකාශ කර සිටිමි. ජ්‍යෙෂ්ඨ කළමනාකරන කණ්ඩායමේ ප්‍රයත්නයන් සහ අපගේ ප්‍රධාන විධායක නිලධාරී කපිල ආරියරත්න මහතාගේ විශිෂ්ට නායකත්වය වෙනුවෙන් ද මාගේ කෘතඥතාව පිරිනමනු කැමැත්තෙමි. ඔවුන්ගේ සාමූහික ප්‍රයත්නයන් තුළින් බැංකුවේ පැහැදිලි උපාය මාර්ගික පුර්වතා හඳුනා ගැනීම හා ක්‍රියාත්මක කිරීම ඔස්සේ, ගෙවී ගිය පස් වසර පුරා ම අපගේ වාර්ෂික ලාභය වර්ධනය කරගැනීමට සහ කොටස් කරුවන්ගේ ප්‍රතිලාභයන් වැඩි දියුණු කර ගැනීමට හැකිවිය. අධ්‍යක්ෂ මණ්ඩලයේ සාමාජිකයින්, පාලනය, අපගේ උපාය මාර්ග යන් කෙරෙහි මග පෙන්වීම සහ මනා ලෙස අවධානය යොමුකිරීම වෙනුවෙන් මාගේ කෘතඥවේදී ස්තූතිය මෙහි ලා පළකර සිටිමි. අපගේ කොටස්කරුවන් අප කෙරෙහි පවත්නා විශ්වාසය සම්බන්ධයෙන් ද මාගේ කෘතඥතාව නොඅඩුව පිරිනැමේ.

සෙලාන් බැංකුව ලබා ඇති විශිෂ්ටත්වය සම්බන්ධයෙන් මම අතිශයින් ම ආඩම්බරයට පත්වෙමි. මෙම පෙර නොවූ විරූ ජයග්‍රහනයන්ට හේතු වූයේ සෙලාන් බැංකුව විසින් උපයෝගී කරගන්නා ලද ගතිකත්වයෙන් හා බලගැන්වීමෙන් උද්දීපනය වූ ආයතනික උපාය මාර්ගත්, අපගේ කණ්ඩායම විසින් එය අතිශය සුක්ෂම ලෙස ක්‍රියාවට නැංවීමත් නිසා බව කිව යුතුය. කළමනාකාරිත්වය හා කාර්ය මණ්ඩලය යන දෙපාර්ශ්වයෙන් සමන්විත අපගේ කණ්ඩායමේ අවධාරණීය අධීක්ෂානයත්, ඔවුන්ගේ ජීවගුණය සහ ලැදියාවත්, කළමනාකරණය කුසලතාවන් සහ ගතික ස්වභාවයන් පිළිබඳ ව මම සැබැවින් ම ආඩම්බර වෙමි.

අපගේ සියලුම පාර්ශ්වකරුවන් වෙනුවෙන් සෙලාන් බැංකුව ප්‍රබල කාර්ය සාධනයක් අඛණ්ඩ ව ම ඉටුකරන බව මාගේ විශ්වාසය යි.



ජනාධිපති නීතිඥ නිහාල් ජයමානන්
සභාපති

அன்புக்குரிய பங்குதாரர்களே, உண்மையிலேயே மிகுந்த மகிழ்ச்சியுடன் - இந்த வருடத்திற்கான வங்கியின் வருடாந்த அறிக்கையின் தொனிப்பொருள் இதுவாகும். 2015 டிசம்பர் 31ல் முடிவடைந்த நிதியாண்டிற்கான செலான் வங்கி பிஎல்சியின் வருடாந்த அறிக்கையினை நான் சமர்ப்பிக்கின்றேன்.

நாம் முன்னெடுத்துச் செல்கின்ற உபாயமார்க்கத்தில் எமது நம்பிக்கையினை வலுப்படுத்தும் பெறுபேறுகளுடன் மற்றுமோர் முக்கியமான வருடத்தின் மகிழ்ச்சியாகும். கவனக் குவிப்பும் உபாயமார்க்கமும் நிறைந்த எமது வியாபார நிகழ்ச்சி நிரலானது அதிகரித்துவரும் சவால்களுடன் பரிணமித்து வரும் தொழிற்துறையிலே வங்கியானது செழித்தோங்குவதை மாத்திரம் கருத்தில்கொள்ளாது வங்கிக்கு உறுதிப்பாட்டினை வழங்கி அதனை வளர்ச்சிப் பாதையில் உறுதியாக நிலைநிறுத்தியுமுள்ளது என்பதை ஏற்றுக்கொள்வது என்னைப் பெருமிதமடையச் செய்கின்றது.

கடந்த சில வருடங்களாக எமது வங்கியானது வலுவிற்கு மேல் வலுச் சேர்த்து வருவதுடன் இந்த வருடத்திலே நாம் 2014ம் ஆண்டின் எமது நிதிச் செயலாற்றுகையினை மிகைத்து எமது உபாயமார்க்கங்கள் மற்றும் செயற்பாடுகளின் நிறைவேற்றத்தில் உறுதியானதும் ஒத்திசைவமிக்கதுமான முன்னேற்றத்தினைப் பிரதிபலிக்கின்றோம். 2015ம் ஆண்டிலே வங்கியின் இலாபமானது 24.4%னால் வளர்ச்சியடைந்து ரூபா 3,831 மில்லியனை எட்டியுள்ளது. இது வங்கியின் வரலாற்றில் ஆகக் கூடிய இலாபமாகப் பதிவாகி, பங்குதாரர்களுக்கு தொடர்ச்சியானதும் அதிகரித்ததுமான திரும்பல்கள் கிடைப்பதையும் இயலுமாக்கியுள்ளது. செலான் வங்கியானது தன்னை உறுதியும் வலுவும் மிக்க ஒரு நிதி நிறுவனமாக நிலைமாற்றிக்கொண்டு எதிர்காலத்திலே அதன் புதுப்பிக்கப்பட்ட வெற்றிக்கு ஓர் உறுதியான அத்திவாரத்தினை வழங்குகின்றது என்பதை என்னால் இன்று நம்பிக்கையுடன் குறிப்பிட முடியும்.

செயற்பாட்டுச் சூழல்

உலக வங்கியினால் குறிப்பிடப்பட்டவாறு, உலக வளர்ச்சியானது எதிர்பார்த்ததை விட 2015ம் ஆண்டில் மீண்டும் வீழ்ச்சியடைந்துள்ளது. 2014ம் ஆண்டில் 2.6% ஆக இருந்த வளர்ச்சி 2015ம் ஆண்டில் 2.4% எனும் மந்த நிலையினை அடைந்துள்ளது. பலவீனமடைந்து வரும் பண்டங்களின் விலைகள், உலக வர்த்தகம் மற்றும் மூலதனப் பாய்ச்சல் ஆகியவற்றிற்கு மத்தியில் உருவாகி வரும் மற்றும் வளர்ந்து வரும் பொருளாதாரங்களில் பொருளாதாரச் செயற்பாடுகள் தொடர்ச்சியாக தடுக்கம் அடைந்து வருவதே ஏமாற்றம் தரும் இச்செயற்பாடுகளுக்கு காரணமாகும்.

மறுபுறத்திலே பிரதான உயர் வருமான நாடுகளில் மீளலானது துரிதமடைந்து வருகின்றது. குறிப்பாக அமெரிக்காவிலே உறுதியான உள்நாட்டுக் கேள்விகளால் இந்த நிலை ஊக்கமடைந்து காணப்படுகின்றது. எவ்வாறாயினும் சீனாவிலே பிரதானமாக கைத்தொழிற் துறையிலிருந்து சேவைத் துறைக்கு துறைசார்ந்த ரீதியான மீள்சமனிலையாக்கத்தினால் வளர்ச்சியானது வீழ்ச்சியடைந்தது.

2015ம் ஆண்டின் இரண்டாம் அரைவாண்டின் போது இலங்கையின் பொருளாதார வளர்ச்சியானது 5.5%மாகக் காணப்பட்டதுடன், சேவைத் துறை தலைமை வகிக்க கைத்தொழிற் துறை அடுத்த நிலையில் காணப்பட்டது. கடன் வளர்ச்சியானது வர்த்தக வங்கிகளால் தனியார் துறைக்கு விஸ்தரிக்கப்பட்டது. இது 2014ம் ஆண்டின் முடிவின் போது மீண்டும் பழைய நிலைக்குத் திரும்பி 2015ம் ஆண்டின் முதல் 8 மாதங்களின் போது மேலும் துரிதமடைந்தமைக்கான காரணங்களான, குறைவான சந்தைக் கடன் வழங்கல் வீதங்களும் அதிகரித்த மெய் ஊதியங்களும் அதிகரித்த இறக்குமதிக் கேள்வியும் ஆகும். இதற்கமைய, 2014ம் ஆண்டில் பதிவுசெய்யப்பட்ட 8.8% உடன் ஒப்பிடுகையில் 2015ம் ஆண்டின் நவம்பர் மாத முடிவில் வருடத்திற்கு வருட அடிப்படையில் தனியார் துறைக்கான கடன் 27%னால் அதிகரித்தது.

மத்திய வங்கியின் நாணயக் கொள்கை மீளாய்விற்கு அமைய, முன்சென்ற வருடத்துடன் ஒப்பிடுகையில் 2015 ஒக்டோபரில் 1.7%ஆக காணப்பட்ட மொத்தப் பணவீக்க அளவீடானது 2015 நவம்பரில் 3.1%ஆக அதிகரித்துக் காணப்பட்டது.

உள்நாட்டுப் பணச் சந்தையில் காணப்படும் நடப்பு மிகைத் திரவத்தன்மைக்கு ஏற்ப செயற்பாடாற்றுவதற்காகவும் தொடர்ச்சியான நாணய உறுதிப்பாட்டினையும் விலையுறுதியினையும் உறுதிப்படுத்துவதற்காகவும் வர்த்தக வங்கிகளின் சகல ரூபா வைப்புப் பொறுப்புக்களுக்கும் பிரயோகிக்கத்தக்க நியதிச்சட்ட ஒதுக்க விகிதாசாரத்தினை (SRR) 2016 ஜனவரி 16ல் ஆரம்பிக்கும் ஒதுக்கம் அமுலுக்கு வரும் வகையில் 1.5% விழக்காட்டுப் புள்ளியால் 7.5%ஆக ஆக்குவதற்கு நாணயச் சபை தீர்மானித்தது.

அதிகரிப்பான செயலாற்றுகை

சபையினதும் முகாமைத்துவ அணியினதும் பணியாளர்களினதும் உறுதியான கடப்பாட்டினாலும் அற்புதமான முயற்சிகளினாலும் 2015ம் ஆண்டும் உறுதியான நிதிச் செயலாற்றுகைக்கான மற்றுமோர் ஆண்டாகப் பிரதிபலித்துள்ளது.

நாம் எமது தேறிய முற்கொடுப்பனவுத் தொகையினை ரூபா 193.1 பில்லியனாக

வளர்ச்சியடையச் செய்தோம். இது முன்சென்ற வருடத்துடன் ஒப்பிடுகையில் 24.6% வளர்ச்சியாகும். வருடத்தின் முதல் 6 மாதங்களின்போது மந்தமான கடன் வளர்ச்சி காணப்பட்டபோதிலும் வருடத்தின் முன்றாம் மற்றும் நான்காம் காலாண்டுகளின்போது தீவிர கடன் வளர்ச்சி காணப்பட்டது. எமது வைப்புத் தளத்தினையும் நாம் 20.8%னால் அதிகரித்து ரூபா 224.5 பில்லியனாக்கினோம். வரிக்குப் பிந்திய இலாபமும் 24.4%னால் வளர்ச்சியடைந்து ரூபா 3.83 பில்லியனைத் தொட்டது. இது கடந்த வருடத்தின் முன்னெப்பொழுதுமில்லாத அளவினை விஞ்சிய நிலையாகும்.

6 வருடங்களுக்கு முன்பு வங்கியின் செயற்பாடாச் சொத்துக்கள் (NPA - Net of IIS) 30% ஆகக் காணப்பட்ட விகிதாசாரத்தினை 2015ம் ஆண்டில் 4.68% எனும் வீழ்ச்சியடையும் போக்கிற்குக் கொண்டுவந்தமை 2015ம் ஆண்டில் நிறைவேற்றப்பட்ட பாரிய அடைவாகும். முன்னைய வருடத்துடன் ஒப்பிடுகையில் NPAயினை கணிசமாகக் குறைப்பதற்கு பங்களிப்பு வழங்குவதில் எமது மீளல் முயற்சிகள் சிறந்த பயனை அளித்துள்ளமை குறிப்பிடத்தக்கதாகும். பிரதம நிறைவேற்று அதிகாரியின் நேரடி மேற்பார்வையின் கீழ் இது தொடர்பாக எடுக்கப்பட்டுள்ள பல புதிய உபாயமார்க்கமிகு முன்னெடுப்புக்கள் வருகின்ற வருடங்களில் 3.5%ற்கும் கீழான NPAயினை அடைந்துகொள்வதை இயலுமாக்கும்.

2015ம் ஆண்டில் நாமடைந்த கவர்ச்சிமிகு பெறுபேறுகள் அதிகரித்த சந்தைச் சுட்டிகளை மாற்றியிருக்கிறது. 2015ம் ஆண்டில் 8.92 ரூபாவிலிருந்து 11.11 ரூபாவாக வங்கியின் பங்கொன்றிற்கான உழைப்பானது (EPS) அதிகரித்தமை சந்தையில் எமது நிலையினை மேலும் திட்டப்படுத்தியுள்ளது.

உறுதியான அத்திவாரத்தினை இடல்

நான்கு பிரதான பிரிவுகளான இலாபம், முற்கொடுப்பனவுகள் மற்றும் வைப்புக்கள், NPA மற்றும் வாடிக்கையாளர் சேவை ஆகியவற்றில் கவனம் குவித்தவாறாக நாம் எமது 4 - வருட உபாயமார்க்கத் திட்டத்தினைத் தொடர்ந்தும் முன்னெடுத்து வருகின்றோம். அடைவதற்கென நிர்ணயித்த சகல உபாயமார்க்க இலக்குகளையும் நாம் அடைந்துள்ளோம் என்பதைக் குறிப்பிடுவதில் நாம் மகிழ்ச்சியடைகின்றோம். உருவாக்கப்பட்டு வரும் எமது புதிய உபாயமார்க்கத் திட்டமானது செலான் வங்கியினைச் சிகரங்களுக்கு இட்டுச் சென்று பாரியதும் உறுதியானதுமான ஒரு வங்கியாக ஆக்குவதற்கு வங்கி செல்லவேண்டிய பாதையினை நிர்ணயிக்கும்.

2015ம் ஆண்டில் எமது கிளை வலையமைப்பு 159 கிளைகளைத் தொட்டு

மேலும் வில்திரிக்கப்பட்டுள்ளது. தேசம் முழுவதிலுமுள்ள வாடிக்கையாளர்களுக்கு சேவையாற்றுவதற்கான எமது கடப்பாட்டின் ஓர் அங்கமாக அடுத்த மூன்று வருடங்களில் நாம் எமது கிளைகளை இன்னும் 75னால் அதிகரிப்போம்.

சிறந்த கூட்டகநிறுவன ஆளுகைக்கான வங்கியின் தொடர்ச்சியான கடப்பாட்டின் வெளிப்பாடாக சபை ஆளுகைக் குழு உருவாக்கப்பட்டுள்ளது. பெறுமானத்தின் நீண்டகால உருவாக்கத்திற்கு நல்லாட்சியும் புரணமான வெளிக்கூறலும் இன்றியமையாதவை என்பதை நாம் உறுதியாக நம்புகின்றோம். எமது இடர் நேர்வுகளை முகாமைத்துவம் செய்வதிலும் எமது வாய்ப்புக்களை உச்சப்படுத்துவதிலும் எமது அக்கறையுடையதரப்பினரதும் நம்பிக்கையினைப் பேணுவதிலும் கூட்டகநிறுவன ஆளுகையில் சிறந்த நடைமுறைக்கான கடப்பாடு பிரதான பாத்திரத்தினை வகிக்கின்றது.

கல்வியின் மீதான எமது நீடுறுதித்தன்மை முன்னெடுப்புக்களில் நாம் தொடர்ச்சியாகக் கவனம் குவித்து வருகின்றோம். வருடத்தின்போது இந்த வருடம் நாம் 29 பாடசாலைகளில் நூலகங்களை நிர்மாணித்து இதுவரை மொத்தமாக நிர்மாணிக்கப்பட்ட நூலகங்களின் எண்ணிக்கையினை 80 ஆக அதிகரித்துள்ளோம். எமது தனித்துவமான முன்னெடுப்புக்கள் பற்றிய மேலதிக விபரங்களை இந்த அறிக்கையின் முகாமைத்துவக் கலந்துரையாடல் மற்றும் பகுப்பாய்வில் காணலாம்.

2016ம் ஆண்டிற்கான எமது உபாயமார்க்க நோக்கம்

சில வருடங்களுக்கு முன்பு நிலவிய நிலைமையினைப் போலல்லாது, நாம் தற்போது இயங்கும் வித்தியாசமானதும் இயங்குதிறன் மிக்கதுமான சூழலைப் பற்றி நாம் உணர்வு உடையவர்களாக இருக்கின்றோம். பண்பு ரீதியாக நிதிச் சேவைகள் துறையானது தொடர்ச்சியாகப் பரிணாமமடைந்து வருகின்றது. எமது அயராது முயற்சியின் காரணமாக செலான் வங்கியானது மாற்றங்களைத் துரிதமாகத் தழுவிக்கொள்கின்றது. முன்செல்வதற்கான கூர்மையான கவனக் குவிப்பினைத் தேவைப்படுத்தும் பரப்புக்களை எமது உபாயமார்க்க நிகழ்ச்சிநிரல் தெளிவாக எடுத்துக்கூறி அடையாளப்படுத்துகின்றது. இதற்கமைய தொடர்ச்சியாக நேரத்திமிக்க வாடிக்கையாளர் அனுபவத்தினையும் வினைத்திறன் மிகு செயற்பாடுகளையும் உறுதிப்படுத்துவதற்கு நாம் வங்கியின் டிஜிட்டல் நிலைமாற்றத்தில் நுழைந்துள்ளோம்.

எதிர்காலத்திற்காக, 2016ம் ஆண்டு வரவு செலவுத்திட்டத்தில் அறிமுகப்படுத்தப்பட்டுள்ள வரித் திருத்தங்களை வங்கித் தொழிற்துறையின்

வளர்ச்சி உபாயமார்க்கங்கள் கவனத்தில் கொள்ளவேண்டும். எமது உறுதியான உட்கட்டமைப்பு மற்றும் அதிசிறந்த அணி ஆகியவற்றுடன் வருகின்ற வருடங்களில் இச்சவால்களுக்கு முகங்கொடுப்பதற்கான எமது ஆற்றலில் நாம் நம்பிக்கை கொண்டுள்ளோம்.

GDPயின் எதிர்வுகூறப்படும் வளர்ச்சி, டிஜிட்டல் மற்றும் இலத்திரனியல் யுகத்திற்கு இட்டுச் செல்லும் நிதி உள்ளடக்கம் மற்றும் காசற்ற சமூகத்திற்கான அரசாங்கத்தின் கடப்பாடு ஆகியவை SMEகளிலும் குறிப்பாக சில்லறை வியாபாரத் துறையிலும் உள்ள பொருளாதாரச் செயற்பாடுகளில் அதிகரிப்பினை ஏற்படுத்தும். எமது கிளை வில்தரிப்பு முயற்சிகளின் காரணமாகவும் வாடிக்கையாளரை மையப்படுத்திய உபாயமார்க்கங்களின் காரணமாகவும் இந்த வாய்ப்புக்களில் இருந்து நன்மையடைந்து நாட்டின் நிதி உள்ளடக்கத்திற்கு உதவி வழங்குவதற்கு நாம் நன்கு நிலைகொண்டுள்ளோம்.

நீடுறுதித்தன்மை தொடர்ந்தும் உந்தத்தினை அடையும் என்பதுடன் அது எமது கலாச்சாரத்தில் ஆழமாகப் பதிந்துள்ளது. சபையானது அதன் கொள்கை முன்னெடுப்புக்களில் ஆளுகையின் உயர் மட்டங்களுக்கான கடப்பாட்டினைக் கொண்டுள்ளது. இது எமது பங்குதாரர்கள், வாடிக்கையாளர்கள், பரந்த சமுதாயம் மற்றும் எமது அணி ஆகியவற்றின் நீண்ட கால நலன்களைப் பாதுகாப்பதை உறுதிப்படுத்தும். இது தொடர்பாக, எமது உபாயமார்க்கத் திட்டமானது பதவி வரிசைத் திட்டமிடல் மற்றும் எமது மனித மூலதனம் ஆகியவற்றிற்குப் பாரிய முக்கியத்துவத்தினை அளித்து வருகின்றது.

பணிப்பாளர்களின் மாற்றம்

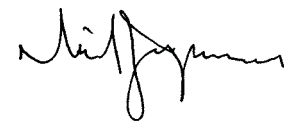
வங்கியின் பணிப்பாளர் சபையில் அண்மையில் மேற்கொள்ளப்பட்ட மாற்றம் தொடர்பில் நான் நன்றி தெரிவிக்க விரும்புகின்றேன். இந்த வருடம் சேவையிலிருந்து விலகிய இலங்கை காப்புறுதிக் கூட்டுத்தாபனத்தின் உபாலி தர்மதாச மற்றும் இசுரு பாலபெந்தி ஆகிய இரண்டு பணிப்பாளர்களும் வழங்கிய வழிகாட்டல்களுக்காக நாம் அவர்களுக்கு நன்றி தெரிவிக்கின்றோம். சபையின் மூன்று புதிய உறுப்பினர்களான ரவி டயஸ், விரான் கொறா மற்றும் எமது பிரதம நிறைவேற்று அதிகாரியான கபில ஆரியர்தன் ஆகியோரை நாம் வரவேற்கின்றோம். வங்கியின் மறுமலர்ச்சிக்க அவர்களின் பரந்த அனுபவத்தினையும் பெறுமதிமிக்க பங்களிப்புக்களையும் நாம் எதிர்பார்க்கின்றோம்.

பாராட்டுதல்

நான் இதனைப் பூர்த்தி செய்கையில், இலங்கை அரசாங்கத்திற்கும் இலங்கை

மத்திய வங்கி ஆளுநருக்கும் இலங்கை மத்திய வங்கியின் வங்கி மேற்பார்வைத் திணைக்களத்திற்கும் அவை வழங்கிய தொடர்ச்சியான உதவிக்கும் வழிகாட்டலுக்கும் நான் எனது பாராட்டுதல்களைத் தெரிவித்துக்கொள்ள விரும்புகின்றேன். சிரேஸ்ட முகாமைத்துவ அணியின் முயற்சிகளுக்கும் எமது பிரதம நிறைவேற்று அதிகாரி கபில ஆரியர்தன்வின் அதிசிறந்த தலைமைத்துவத்திற்கும் நான் நன்றி தெரிவிக்க விரும்புகின்றேன். இவர்கள் ஒன்று சேர்ந்து வங்கிக்கான தெளிவான உபாயமார்க்க முன்னுரிமைகளை நிர்ணயித்து, அந்த முன்னுரிமைகளுக்கு அமைவாகச் சேவைகளை வழங்கி, கடந்த ஐந்து வருடத்தில் எமது வருடாந்த இலாபங்களை அதிகரித்து, பங்குடையாளர்களுக்கு அதிகரித்த வருவாய்களை உருவாக்கியுள்ளனர். சபையிலுள்ள எனது சகபாடிகள் ஆளுகை மற்றும் எமது உபாயமார்க்கத்தில் வழங்கிய வழிகாட்டலுக்காகவும் அவற்றின் மீதான அவர்களின் இடையறாத கவனக்குவிப்பிற்காகவும் நான் அவர்களுக்கு எனது பாராட்டுதல்களைத் தெரிவித்துக்கொள்கின்றேன். எமது பங்குதாரர்கள் எம்மீது வைத்துள்ள நம்பிக்கைக்கும் விசுவாசத்திற்கும் நான் நன்றியுடையவனாக இருக்கின்றேன்.

எமது வங்கி எதனை அடைந்துள்ளதோ அது தொடர்பாக நான் அத்த பெருமதிமடைகின்றேன். செலான் வங்கி ஏற்று நடைமுறைப்படுத்திய இயங்குதிறனும் கவர்ச்சியுமிக்க பெருநிறுவன உபாயமார்க்கத்தினதும் எமது அணியினரின் மிகக் கவனமான அமுல்படுத்தலினதும் பெறுபேறே முன்னெப்பொழுதுமில்லாத இந்த அடைவாகும். முகாமைத்துவம் மற்றும் பணியாளர்களை உள்ளடக்கிய எமது அணியினையிட்டு நான் அத்த பெருமதிமடைகின்றேன். அவர்களின் தீவிர திடசங்கற்பம், அவர்களின் விசுவாசம், அவர்களின் தீவிர பற்றுறுதி, அவர்களின் முகாமைத்துவத் திறன்கள் மற்றும் அவர்களின் இயங்குதிறன் ஆகியவற்றினை நான் பாராட்டுகின்றேன். செலான் வங்கி எமது அக்கறையுடையதரப்பினர்கள் அனைவருக்கும் உறுதியான செயலாற்றுகையினைத் தொடர்ந்தும் வழங்கும் என நான் நம்புகின்றேன்.



நிறூல் ஐயமான்ன PC தலைவர்

CORPORATE INFORMATION

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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.seylan.lk

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 Shares and the Rated, Unsecured, Redeemable Debentures are listed on the Colombo Stock Exchange.

Accounting Year

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

Mr. Kapila P. Ariyaratne
Director/Chief Executive Officer
(Appointed on 16th February 2015)

Rear Admiral B. Ananda J.G. Peiris
Independent Director

Mr. Samantha P.S. Ranatunga
Independent Director

Mr. W.D. Kapila Jayawardene
Non-Executive Director

Mr. P.L.S. Kumar Perera
Independent Director

Ms. M. Coralie Pietersz
Independent Director

Mr. S. Viran Corea
Non-Executive Director
(Appointed on 14th May 2015)

Mr. W.M.R.S. Dias
Non-Executive Director
(Appointed on 29th May 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 : pmu@seylan.lk

Tel : 011 2456366, 011 2456362

Fax : 011 2452612

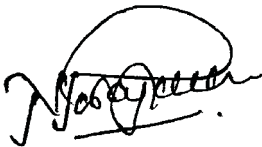
NOTICE OF ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN THAT the Twenty-Ninth Annual General Meeting of Seylan Bank PLC will be held on Thursday, 31st March 2016 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 2015 together with the Report of the Auditors thereon.
2. To declare a first and final ordinary dividend of Rs. 2.75 per share for the financial year ended 31st December 2015 as recommended by the Board of Directors.
3. To re-elect as a Director, Rear Admiral B.A.J.G. Peiris, who retires by rotation at the Annual General Meeting in terms of Article 82 of the Articles of Association of the Company. Rear Admiral B.A.J.G. Peiris is an Independent Director of the Bank appointed to the Board on 8th January 2009. His profile and membership in Board Sub-Committees are published on pages 120 and 137 of this Annual Report. He does not hold directorships in other entities.
4. To re-elect as a Director, Mr. S.P.S. Ranatunga, who retires by rotation at the Annual General Meeting in terms of Article 82 of the Articles of Association of the Company. Mr. S.P.S. Ranatunga is an Independent Director of the Bank appointed to the Board on 12th January 2010. His profile and membership in Board Sub-Committees and other directorships held are published on pages 121, 137 and 212 of this Annual Report.
5. To re-elect as a Director, Mr. S.V. Corea, who retires at the Annual General Meeting in terms of Article 89 of the Articles of Association of the Company. Mr. S.V. Corea is a Non-Executive Director of the Bank appointed to the Board on 14th May 2015. His profile and membership in Board Sub-Committees are published on pages 123 and 137 of this Annual Report. He does not hold directorships in other entities.
6. To re-elect as a Director, Mr. W.M.R.S. Dias, who retires at the Annual General Meeting in terms of Article 89 of the Articles of Association of the Company. Mr. W.M.R.S. Dias is a Non-Executive Director of the Bank appointed to the Board on 29th May 2015. His profile, membership in Board Sub-Committees and other directorships held are published on pages 123, 137 and 214 of this Annual Report.
7. To reappoint Messrs KPMG, Chartered Accountants as the Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.
8. To authorise the Board of Directors to determine donations for 2016.
9. 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, 26th February 2016

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.

2015

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,
- Mr. Kapila Prasanna Ariyaratne 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. Srikumaradas Viran Corea of Dehiwela, whom failing,
- Mr. Wadugamudalige Marius Ravindra Srilal Dias of Colombo 05,

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 Thursday, 31st March 2016 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 2015 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. 2.75 per share for the financial year ended 31st December 2015 as recommended by the Board of Directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a Director, Rear Admiral B.A.J.G. Peiris, 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. S.P.S. Ranatunga, 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. S.V. Corea, who retires 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-elect as a Director, Mr. W.M.R.S. Dias, who retires in terms of Article 89 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To reappoint M/s 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"/>
8. To authorise the Board of Directors to determine donations for the year 2016.	<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, 2016.

.....
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.

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.

INVESTOR FEEDBACK FORM

We welcome your comments and queries. Please use the following form/format to forward your comments and queries to –

The Company Secretary
Seylan Bank PLC
Seylan Towers
No. 90, Galle Road
Colombo 03
or e-mail to: csy@seylan.lk

Name (Mr./Mrs./Ms./Other) :

Permanent Mailing Address :

Contact Number - Tel. :

Fax :

E-mail :

Occupation :

Official Address :

Queries/Comments

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Signature of Shareholder	N.I.C. Number	Date



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.





SEYLAN BANK PLC,

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