

SEYLAN MERCHANT BANK LIMITED



INTERIM REPORT

QUARTER ENDED 31ST MARCH 2005


If undelivered please return to:

**Seylan Merchant Bank Limited
Landmark Building,
385, Galle Road,
Colombo 3.
Tel: 011-2573363**

INCOME STATEMENT

For the 3 Months Ended 31st March 2005

	BANK		Change %
	3 Months Ended 31st March 2005 Rs.	3 Months Ended 31st March 2004 Rs.	
Net Income	<u>136,185,202</u>	<u>126,066,922</u>	8.0
Interest Income	125,758,733	114,454,123	9.9
Less: Interest Expenses	<u>95,095,958</u>	<u>87,055,173</u>	9.2
Net Interest Income	<u>30,662,775</u>	<u>27,398,950</u>	11.9
Other Income	<u>10,426,469</u>	<u>11,612,799</u>	(10.2)
Gross Income	<u>41,089,244</u>	<u>39,011,749</u>	5.3
Less: Operating Expenses			
Personnel Costs	12,988,167	13,547,805	(4.1)
Premises, Equipment & Establishment Expenses	8,635,830	6,763,301	27.7
Provision for Staff Retirement Benefits	330,333	300,000	10.1
Other Overhead Expenses	<u>12,635,085</u>	<u>11,415,904</u>	10.7
	<u>34,589,415</u>	<u>32,027,010</u>	8.0
Profit Before Provisions & Taxation	6,499,829	6,984,739	(6.9)
Less: Loan Loss Provision and Write-off	<u>3,334,520</u>	<u>4,703,537</u>	(29.1)
Operating Profit Before Taxation	3,165,309	2,281,202	38.8
Less: Tax on Profit on Ordinary Activities			
Less: VAT on Profit	<u>158,264</u>	<u>511,026</u>	(69.0)
Profit After Taxation	3,007,045	1,770,176	69.9
Profit for the Period	<u>3,007,045</u>	<u>1,770,176</u>	69.9
Earnings Per Share Rs.	0.09	0.05	


Dr. J. L. B. Kotelawala
Chairman


K. A. S. Jayatissa
Finance Director

CONSOLIDATED INCOME STATEMENT

For the 3 Months Ended 31st March 2005	GROUP		
	3 Months Ended 31st March 2005 Rs.	3 Months Ended 31st March 2004 Rs.	Change %
Net Income	179,277,021	149,162,435	20
Interest Income	152,124,040	123,577,529	23
Less: Interest Expenses	106,270,091	90,724,602	17
Net Interest Income	45,853,949	32,852,927	40
Other Income	27,152,981	25,584,906	6
Gross Income	73,006,930	58,437,833	25
Less: Operating Expenses			
Personnel Costs	19,517,592	16,753,178	17
Premises, Equipment & Establishment Expenses	11,900,059	9,229,208	29
Provision for Staff Retirement Benefit	428,133	300,000	43
Other Overhead Expenses	20,066,802	16,508,719	22
	51,912,586	42,791,105	21
Profit Before Associate Company's Profit, Provisions & Taxation	21,094,344	15,646,728	35
Less: Loan Loss Provision and Write-off	8,179,026	4,738,426	73
Operating Profit Before Share of Associate Company's Profit and Taxation	12,915,318	10,908,302	18
Add: Share of Associate Company Profit before Taxation	20,836	-	-
Less: Tax on Profit on Ordinary Activities	162,595	-	-
Less: VAT on Profit	158,264	511,026	(69)
Profit After Taxation	12,615,295	10,397,276	21
Less: Minority Interest	406,299	817	49,631
Profit for the Period	12,208,996	10,396,459	17
Earnings Per Share Rs.	0.37	0.31	


Dr. J. L. B. Kotelawala
Chairman


K. A. S. Jayatissa
Finance Director

As At	BANK			GROUP		
	31st March 2005	31st March 2004	31st December 2004	31st March 2005	31st March 2004	31st December 2004
	RS.	RS.	RS.	RS.	RS.	RS.
ASSETS						
Cash and Short Term Funds	77,113,157	(97,194,683)	22,016,136	78,854,677	(95,846,896)	24,173,307
Government and Other Securities Held for Dealing Purposes	-	298,228,262	5,848,107	-	298,228,262	5,848,107
Placements with and Loans to Other Banks & Finance Companies	6,630,000	-	-	8,730,000	1,220,283	19,659,471
Treasury Bills and Bonds held as Investment	352,183,911	-	250,549,603	382,132,364	26,123,792	279,702,834
Other Investment Securities	220,411,965	117,815,282	119,566,548	235,911,965	118,315,282	120,336,548
Government Securities Purchased Under Resale Agreement	2,450,000	7,480,000	52,058,627	2,700,000	7,480,000	52,058,627
Bills of Exchange	4,000,000	34,749,978	4,000,000	4,000,000	34,749,978	4,000,000
Loans and Advances	1,001,368,786	741,783,450	1,075,770,527	984,549,432	748,124,409	1,020,123,361
Lease Rental Receivable	1,890,139,890	1,742,081,200	1,972,689,754	2,501,334,644	1,995,435,700	2,299,831,017
Less : Provision for Possible Credit Losses	68,867,476	55,994,666	66,893,270	78,599,349	58,041,187	15,960,751
Interest in Suspense	122,268,085	88,798,344	117,405,464	126,272,761	89,712,352	85,529,676
Net Loans, Advances and Leases	2,700,373,115	2,339,071,640	2,864,161,547	3,281,011,957	2,593,806,570	3,218,463,951
Interest and Fees Receivable	30,721,587	-	22,297,073	33,929,267	-	24,786,202
Investment in Subsidiary Companies	112,100,000	112,100,000	112,100,000	-	-	-
Investments in Associate Company	1,200,000	-	1,200,000	103,096	-	82,260
Investment Properties	11,189,400	11,189,400	11,189,400	11,189,400	11,189,400	11,189,400
Group Balances Receivable	40,330,448	39,959,075	41,196,271	-	-	-
Property, Plant and Equipment	25,838,150	19,907,147	27,097,801	61,951,782	41,583,884	53,993,119
Other Assets	70,513,083	162,730,672	59,545,323	290,346,519	280,747,130	305,225,554
Intangible Assets	-	4,877,915	-	-	4,877,915	-
Total Assets	3,655,054,816	3,050,914,688	3,592,826,436	4,390,861,028	3,324,475,600	4,119,519,380
FINANCED BY:						
LIABILITIES						
Borrowings	1,869,541,215	2,014,424,663	1,910,227,118	2,339,055,640	2,107,089,677	2,173,007,728
Securities Sold Under Repurchase Agreements	201,538,070	-	77,450,000	201,538,070	-	77,450,000
Group Balances Payable	209,500,000	76,800,000	209,000,000	209,500,000	76,800,000	209,000,000
Other Liabilities	308,899,848	122,652,836	305,201,680	395,507,303	166,937,752	408,378,727
Debentures	903,457,933	695,382,329	931,636,933	974,885,933	759,216,329	994,214,660
SHAREHOLDERS' FUNDS	3,492,737,066	2,909,259,828	3,433,515,731	4,120,286,946	3,110,043,758	3,862,051,115
Share Capital	333,773,400	333,773,400	333,773,400	333,773,400	333,773,400	333,773,400
Share Premium Reserve	13,243,644	13,243,644	13,243,644	13,243,644	13,243,644	13,243,644
Revenue Reserves	(184,699,294)	(205,362,184)	(187,706,339)	(90,347,896)	(145,143,629)	(102,556,892)
Shareholders' Funds	162,317,750	141,654,860	159,310,705	256,669,148	201,873,415	244,460,152
Minority Interest	-	-	-	13,904,934	12,558,427	13,008,114
Total Liabilities and Funds Employed	3,655,054,816	3,050,914,688	3,592,826,436	4,390,861,028	3,324,475,600	4,119,519,380
Contingent Liabilities	36,954,028	32,663,985	29,056,413	36,954,028	32,663,985	29,056,413


Dr. J. L. B. Kotelawala
Chairman


K. A. S. Jayatissa
Finance Director

CONSOLIDATED CASH FLOW STATEMENT

	BANK		GROUP	
	2005 Rs.	2004 Rs.	2005 Rs.	2004 Rs.
For the Three Months Ended 31st March				
Cash Flow from Operating Activities				
Interest Received	117,334,219	114,454,123	142,980,975	56,830,251
Interest Payments	(90,700,194)	(87,055,173)	(102,272,149)	(27,217,381)
Fees and Commission Receipts	5,452,545	11,612,799	21,722,384	7,861,130
Profits from Other Operating Activities	4,265,103	-	4,344,477	17,510,958
Cash Payments to Employees and Suppliers	(20,331,853)	(17,734,964)	(28,976,367)	(25,982,385)
Payments on other operating activities	(12,635,084)	(16,293,819)	(20,066,803)	(13,806,481)
Net Profit before Changes in Operating Assets	3,384,736	4,982,966	17,732,517	15,196,092
Funds Advanced to Customers	25,730,920	(139,452,507)	(190,448,074)	(211,136,364)
Other Assets	(10,967,760)	19,835,278	14,879,035	41,695,663
Cash Generated from Operations	18,147,896	(114,634,263)	(157,836,522)	(154,244,609)
Tax Paid	(158,264)	(158,264)	(320,859)	(511,026)
Gratuity Paid	(77,654)	-	(77,654)	-
Net Cash used in Operating Activities	17,911,978	(114,792,527)	(158,235,035)	(154,755,635)
Cash Flow from Investing Activities				
Dividend Received	708,820	-	708,820	212,818
Investment in Subsidiary Companies	-	(15,000,000)	-	(1,220,283)
Investment in Associate Companies	-	-	-	-
Purchase of Dealing Securities	-	(297,626,934)	-	-
Proceeds from Sale of Dealing Securities	5,848,107	-	5,848,107	-
Purchase of Investment Securities	(113,556,230)	-	(128,286,230)	-
Proceeds from Sale of Investment Securities	12,710,813	7,795,686	12,710,813	-
Net (incr.) / Dec. in Other Non Dealing Investments	(101,634,308)	15,721,649	(102,429,530)	20,139,995
Purchase of Property, Plant & Equipments	(1,392,533)	(609,629)	(11,591,126)	(10,049,926)
Proceeds from Disposal of Property, Plant & Equipments	158,282	(604,215)	2,848,960	2,061,953
Net Cash from/(Used in) Investing Activities	(197,157,049)	(290,323,443)	(220,190,186)	11,144,557
Cash Flow from Financing Activities				
Increase/(Decrease) in Debentures	(28,179,000)	61,604,148	(19,328,727)	62,861,148
Increase/(Decrease) in Liabilities	148,867,297	108,329,827	355,601,114	114,952,351
Increase/(Decrease) in Other Borrowings	64,045,168	93,159,432	47,475,577	105,014,332
Net Cash from / (used in) Financing Activities	184,733,465	263,093,407	383,747,964	282,827,831
Net Increase or (Decrease) in Cash and Cash Equivalents	5,488,394	(142,022,563)	5,322,743	139,216,753
Cash and Cash Equivalents at the beginning of the year	74,074,763	52,307,880	76,231,934	70,644,613
Cash and Cash Equivalents at the End of the Year	79,563,157	(89,714,683)	81,554,677	209,861,366
Reconciliation of Cash and Cash Equivalents				
Cash and Short Term Funds	77,113,157	(97,194,683)	78,854,677	(95,846,896)
Government Securities - Under Re-purchase Agreement	2,450,000	7,480,000	2,700,000	305,708,262
	79,563,157	(89,714,683)	81,554,677	209,861,366

STATEMENT OF CHANGES IN EQUITY

For the 3 Months Ended 31st March 2005

GROUP	Share Capital Rs.	Share Premium Rs.	Reserve on Scrip Issue Rs.	Retained Profit Rs.	Total Equity Rs.
Balance as at 1st January 2004	333,773,400	13,243,644	-	(155,540,088)	191,476,956
Net Profit Attributable to Shareholders	-	-	-	10,396,459	10,396,459
Balance as at 31st March 2004	<u>333,773,400</u>	<u>13,243,644</u>	<u>-</u>	<u>(145,143,629)</u>	<u>201,873,415</u>
Balance as at 1st January 2005	333,773,400	13,243,644	8,316,030	(110,872,922)	244,460,152
Net Profit Attributable to Shareholders	-	-	-	12,208,996	12,208,996
Balance as at 31st March 2005	<u>333,773,400</u>	<u>13,243,644</u>	<u>8,316,030</u>	<u>(98,663,926)</u>	<u>256,669,148</u>

For the 3 Months Ended 31st March 2005

BANK	Share Capital Rs.	Share Premium Rs.	Reserve on Scrip Issue Rs.	Retained Profit Rs.	Total Equity Rs.
Balance as at 1st January 2004	333,773,400	13,243,644	-	(207,132,359)	139,884,685
Net Profit Attributable to Shareholders	-	-	-	1,770,176	1,770,176
Balance as at 31st March 2004	<u>333,773,400</u>	<u>13,243,644</u>	<u>-</u>	<u>(205,362,183)</u>	<u>141,654,861</u>
Balance as at 1st January 2005	333,773,400	13,243,644	-	(187,706,339)	159,310,705
Net Profit Attributable to Shareholders	-	-	-	3,007,045	3,007,045
Balance as at 31st March 2005	<u>333,773,400</u>	<u>13,243,644</u>	<u>-</u>	<u>(184,699,294)</u>	<u>162,317,750</u>

EXPLANATORY NOTES

1 The above figures are provisional and subject to audit.

2 General

There are no changes to the accounting policies and methods of computation since the publication of the annual accounts for the year 2004.

3 Market Price of Shares

	For the Quarter Ended 31st March 2005	For the Quarter Ended 31st March 2004
Market Value of Share Closing (Rs.)	13.50	8.25
Highest Price per Share for the Period (Rs.)	19.00	9.25
Lowest Price per Share for the Period (Rs.)	8.50	6.50

4 Others

There are no other material events that have taken place subsequent to the interim accounts, which require disclosure. The interim Financial Statements are in compliance with Sri Lanka Accounting Standard 35 - Interim Financial Reporting.

SEGMENT REPORTING

	Banking		Leasing		Treasury		Property		Consolidated	
	Rs.	31.03.2004	Rs.	31.03.2004	Rs.	31.03.2004	Rs.	31.03.2004	Rs.	31.03.2004
Total Revenue	34,933,633	7,685,987	120,686,642	122,361,949	12,882,012	6,193,475	10,774,733	12,921,024	179,277,020	149,162,435
Segment Result	514,045	562,079	6,050,629	8,948,373	2,365,139	452,931	3,985,505	944,919	12,915,318	10,908,302
Net Profit for the Period	498,480	535,705	5,522,467	8,528,494	2,202,544	431,678	3,985,505	900,581	12,208,997	10,396,459
Total Assets	226,250,669	171,302,354	3,601,941,156	2,727,156,565	182,315,930	138,037,814	380,353,275	287,978,867	4,390,861,028	3,324,475,600
Liabilities	212,308,628	160,253,189	3,379,981,972	2,551,252,369	171,081,239	129,134,244	356,915,107	269,403,956	4,120,286,946	3,110,043,758
Cash flows from operating activities	(30,508,328)	(7,974,191)	(107,066,739)	(126,950,203)	(11,250,151)	(6,425,714)	(9,409,817)	(13,405,527)	(158,235,035)	(154,755,635)
Cash flows from investing activities	(43,231,004)	574,253	(147,683,530)	9,142,179	(15,941,723)	462,741	(13,333,928)	965,384	(220,190,186)	11,144,557
Cash flows from financing activities	69,600,045	14,573,448	267,015,388	232,011,264	25,665,484	11,743,487	21,467,047	24,499,631	383,747,964	282,827,830
Capital Expenditure	(495,158)	-	(7,458,818)	(10,034,926)	-	(15,000)	(3,637,150)	-	(11,591,126)	(10,049,926)

CORPORATE INFORMATION

Chairman/ Managing Director

Deshamanya Dr. J. L. B. Kotelawala
A.M.Ex.A.(Lond), F.B.I.M., F.I.C.M., F.C.I.C.,
M.I.C.M.(Lond), R.I.M., H.F.I.B.(Sri Lanka)

Deputy Chairman

R. Renganathan
F.C.A.

Directors

(Mrs) S.P.C. Kotelawala

General Manager

R.S.W. Senanayake
A.C.M.A.

Deputy General Manager

S.M. De Soysa
B.Sc.(U.S.A.), M.I.M.(T-Bird, U.S.A.)

Finance Director

K.A.S. Jayatissa
F.C.A., BSc.(Mgt)Sp Hons, ACIS, FCMA,
Dip. in Acct.

A. D. Jegasothy

Attorney-at-Law & Notary Public,
F.I.C.M., F.C.I.C., M.I.C.M.(Lond)

(Dr) P. R. Anthonis

D.Sc., F.R.C.S.(Eng), F.I.C.S., F.S.C.S

Secretaries

International Consultancy & Corporate
Services (Pvt) Ltd.
Level 7, East Wing, "Ceylinco House",
No. 69, Janadhipathi Mawatha, Colombo 01.

Registered Office

No. 69, Janadhipathi Mawatha, Colombo 01.

Head Office

Landmark Building, No. 385, Galle Road,
Colombo 03.

Auditors

M/s. KPMG Ford, Rhodes, Thornton & Co.
Chartered Accountants, Colombo 03.

Lawyers

M/s. De Livera Associates
Attorneys-at-Law,
Solicitors & Notaries Public, Colombo.

Ms.M. Sabaratnam

Attorney-at-Law & Notary Public,
Ceylinco Consultancy & Allied Services (Pvt) Ltd., Colombo.

M/s Julius & Creasy

Attorneys-at-Law & Notaries Public,
Colombo.

Bankers

Seylan Bank Ltd.
Bank of Ceylon
Sampath Bank Ltd.
People's Bank

Subsidiary Companies

SMB Money Brokers (Pvt) Ltd.
SMB Real Estate Ltd.
Seylan Merchant Leasing Ltd.

Associate Company

OpenArc Global Solutions(Pvt) Ltd.

BRANCHES

Ambalangoda Branch

24/2,Galle Road,
Ambalangoda.
Tel: 091-5458221

Mahiyanganaya Branch

24, Kandy Road,
Mahiyanganaya.
Tel: 055-2258108

Ratnapura Branch

144, Bandaranyake Mawatha,
Ratnapura.
Tel: 045-2232486

Nugegoda Branch

132/2/1, High Level Road,
Nugegoda.
Tel: 011-555851/2

Kandy Branch

25, Hill Street,
Kandy.
Tel: 081-2202813

Gampaha Branch

111, Baudhdhaloka Mawatha,
Gampaha.
Tel: 033-2231404

City Branch

Landmark Building,
385, Galle Road, Colombo 03.
Tel: 011-2573363

Mt.Lavinia Branch

331, Galle Road,
Mt. Lavinia.
Tel: 011-5554210/1

Matugama Branch

33,Neboda Road,
Matugama.
Tel:034-2249274

Kurunegala Branch

30, Weeratunga Building,
Baudhdhaloka Mawatha, Kurunegala.
Tel: 037-2224291/2

Matara Branch

49, Anagarika Dharmapala Mawatha,
Matara.
Tel: 041-2227810/1

Metropolitan Branch

Landmark Building,
385, Galle Road, Colombo 03.
Tel: 011-2573363

Panadura Branch

293 A, Galle Road,
Panadura.
Tel: 038-5597258

Negombo Branch

2nd Floor, Ceylinco Building,
115A, Green Road, Negombo.
Tel: 031-2236453

Galle Branch

No.60, Ceylinco Building, Kaluwella,
Galle
Tel: 091-2245740

Malabe Branch & Vehicle Sales Centre

505, Walivita Road,
Malabe.
Tel: 011-2413415

SEYLAN MERCHANT BANK LIMITED