



**UNAUDITED ACCOUNTS**  
**For the Period ended 31 March 2014**

# Merchant Bank of Sri Lanka PLC

## Unaudited Statement of Comprehensive Income

	Company		Group		
	Three months ended		Three months ended		
	31.03.2014 LKR '000	31.03.2013 LKR '000	31.03.2014 LKR '000	31.03.2013 LKR '000	
Income	<b>598,065</b>	<b>563,178</b>	<b>1,105,633</b>	<b>1,361,273</b>	
Interest and similar income	572,966	549,202	726,709	1,008,302	
Interest and similar expenses	330,291	343,593	407,435	645,687	
<b>Net interest income</b>	<b>242,675</b>	<b>205,609</b>	<b>319,274</b>	<b>362,615</b>	
Fee and commission income	9,819	14,304	25,856	35,479	
Fee and commission expenses	-	-	31,952	44,913	
<b>Net fee and commission income</b>	<b>9,819</b>	<b>14,304</b>	<b>(6,096)</b>	<b>(9,434)</b>	
Insurance premium income	-	-	344,334	292,384	
Net claims and benefits	-	-	(236,797)	(180,292)	
Net trading income	(558)	921	(4,682)	936	
Net gain / (loss) on financial assets designated at fair value through profit & loss	7,463	(13,404)	8,695	(12,653)	
Other operating income	8,375	12,155	4,721	36,825	
<b>Total operating income</b>	<b>267,774</b>	<b>219,585</b>	<b>429,449</b>	<b>490,381</b>	
Impairment charges for loans and other losses	77,800	48,960	74,190	48,776	
<b>Net operating income</b>	<b>189,974</b>	<b>170,625</b>	<b>355,259</b>	<b>441,605</b>	
Personnel expenses	85,931	76,804	148,474	192,131	
Provision for employee benefit	7,500	9,000	13,604	12,231	
Depreciation of property & equipment	4,772	4,729	15,083	19,546	
Amortization of intangible assets	716	425	969	650	
Other operating expenses	69,324	54,110	174,227	184,631	
Total operating expense	168,243	145,068	352,357	409,189	
<b>Profit from operations</b>	<b>21,731</b>	<b>25,557</b>	<b>2,902</b>	<b>32,416</b>	
Value added tax (VAT) on financial services	5,979	5,016	7,086	13,330	
Share of associate companies profit/(loss) before tax	-	-	(19,865)	(3,252)	
<b>Profit before income tax</b>	<b>15,752</b>	<b>20,541</b>	<b>(24,049)</b>	<b>15,834</b>	
Income tax expense	7,000	7,500	7,000	15,873	
<b>Profit/(loss) for the period</b>	<b>8,752</b>	<b>13,041</b>	<b>(31,049)</b>	<b>(39)</b>	
<b>Other comprehensive income</b>					
<b>Fair value reserves (Available for Sale Financial Assets):</b>					
Net change in fair Value	15,225	5,400	13,045	5,400	
Other comprehensive income before tax	15,225	5,400	13,045	5,400	
<b>Total comprehensive income for the period, net of tax</b>	<b>23,977</b>	<b>18,441</b>	<b>(18,004)</b>	<b>5,361</b>	
<b>Profit for the period attributable to:</b>					
Equity holders of the parent	8,752	13,041	(27,398)	(2,287)	
Non controlling interests	-	-	(3,651)	2,248	
<b>Profit/(loss) for the period</b>	<b>8,752</b>	<b>13,041</b>	<b>(31,049)</b>	<b>(39)</b>	
<b>Total comprehensive income attributable to:</b>					
Equity holders of the parent	23,977	18,441	(13,990)	3,113	
Non controlling interests	-	-	(4,014)	2,248	
	<b>23,977</b>	<b>18,441</b>	<b>(18,004)</b>	<b>5,361</b>	
<b>Earnings per share:</b>					
-Basic / diluted earnings per share	LKR	0.06	0.10	(0.20)	(0.02)

# Merchant Bank of Sri Lanka PLC

## Unaudited Statement of Financial Position

as at	Company			Group		
	31-03-2014 LKR '000	31-03-2013 LKR '000	31-12-2013 LKR '000	31-03-2014 LKR '000	31-03-2013 LKR '000	31-12-2013 LKR '000
<b>Assets</b>						
Cash and cash equivalents	213,896	237,856	180,104	272,384	375,281	275,688
Placements with banks	932,518	377,952	784,480	1,243,781	699,762	1,186,017
Securities purchased under resale agreements	-	69,079	140,768	-	556,288	469,958
Financial assets designated at fair value through profit or loss	269,766	304,531	262,817	294,245	371,555	285,545
Non current assets held for sale	-	-	-	-	-	-
Bills receivable	496,538	496,423	627,283	496,538	496,424	627,284
Loans & advances to customers	2,718,267	1,941,811	2,342,414	5,047,274	6,391,699	3,640,429
Lease and hire purchase rental receivable	6,936,729	7,274,202	6,935,706	7,372,710	11,328,942	7,959,842
Financial investments - available for sale	721,670	803,460	667,855	1,328,263	1,593,777	1,427,400
Financial investments - held to maturity	-	-	-	126,088	466,772	100,957
Real estate stock	-	-	-	-	19,024	-
Investments in associate companies	102,002	81,085	102,002	414,209	102,976	438,235
Investments in subsidiaries	906,104	677,022	906,104	-	-	-
Investment properties	52,625	46,355	52,829	52,625	166,734	52,829
Property and equipment	85,059	97,084	86,356	217,743	291,607	223,180
Intangible assets	15,035	6,751	8,776	172,073	128,912	170,776
Other assets	150,577	661,394	171,306	725,257	950,262	734,473
<b>Total assets</b>	<b>13,600,786</b>	<b>13,075,005</b>	<b>13,268,800</b>	<b>17,763,190</b>	<b>23,940,015</b>	<b>17,592,614</b>
<b>Liabilities</b>						
Due to banks	70,150	198,440	99,118	153,452	347,952	152,338
Securities sold under repurchase agreements	712,402	-	-	712,402	-	-
Due to customers	-	-	-	2,670,668	8,105,142	2,824,918
Debt issued and borrowed funds	9,224,578	8,996,263	9,623,147	9,226,748	9,524,598	9,625,317
Insurance provision - life	-	-	-	278,581	164,836	220,748
Insurance provision - non life	-	-	-	686,932	653,008	733,060
Current tax liabilities	172,285	147,572	165,285	172,285	147,572	165,285
Deferred tax liabilities	64,757	60,558	64,757	64,757	60,558	64,757
Other liabilities	388,052	811,988	375,399	685,865	1,301,661	681,462
Employee benefit liability	163,713	148,084	160,219	187,952	204,925	183,176
<b>Total liabilities</b>	<b>10,795,937</b>	<b>10,362,905</b>	<b>10,487,925</b>	<b>14,839,642</b>	<b>20,510,252</b>	<b>14,651,061</b>
<b>Equity</b>						
Stated capital	1,607,000	1,607,000	1,607,000	1,607,000	1,607,000	1,607,000
Retained profits	961,294	939,786	952,983	922,779	1,033,767	951,091
Available-for-sale reserve	7,602	(41,562)	(7,623)	18,409	(55,826)	5,001
Statutory reserves	228,953	206,876	228,515	232,164	315,696	231,250
Total equity attributable to the parent	2,804,849	2,712,100	2,780,875	2,780,352	2,900,636	2,794,342
Non controlling interests	-	-	-	143,196	529,127	147,211
<b>Total equity</b>	<b>2,804,849</b>	<b>2,712,100</b>	<b>2,780,875</b>	<b>2,923,548</b>	<b>3,429,763</b>	<b>2,941,553</b>
<b>Total liabilities and equity</b>	<b>13,600,786</b>	<b>13,075,005</b>	<b>13,268,800</b>	<b>17,763,190</b>	<b>23,940,015</b>	<b>17,592,614</b>
Commitments and contingencies	51,442	53,426	48,442	112,838	53,426	119,802
Net assets value per share (LKR)	20.78	20.09	20.60	20.60	21.49	20.70

These Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007

**Priyantha Herath**  
Asst. General Manager - Finance & Treasury Management

**T. Mutugala**  
Chief Executive Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.  
Approved and signed for and on behalf of the Board

**D. M. Gunasekara**  
Director

**K. B. S. Bandara**  
Director

Colombo, Sri Lanka  
30 April 2014

# Merchant Bank of Sri Lanka PLC

## Unaudited Statement of Changes in Equity

For the quarter ended 31st March

Company	Stated Capital LKR ' 000	Investment fund LKR ' 000	Statutory reserves LKR ' 000	Available for sale reserve LKR ' 000	Retained profits LKR ' 000	Total equity LKR ' 000
Balance as at 01 January 2013	1,607,000	80,327	122,553	(46,962)	930,741	2,693,659
Net profit for the period ended 31 March 2013					13,041	13,041
Other comprehensive income				5,400	-	5,400
Transfer to Statutory Reserve			652		(652)	-
Transfers to investment fund		3,344			(3,344)	-
<b>Balance as at 31 March 2013</b>	<b>1,607,000</b>	<b>83,671</b>	<b>123,205</b>	<b>(41,562)</b>	<b>939,786</b>	<b>2,712,100</b>
Balance as at 01 January 2014	1,607,000	100,115	128,400	(7,623)	952,980	2,780,872
Net profit for the period ended 31 March 2014					8,752	8,752
Fair value reserves (available-for-sale financial asset)						-
Net amount transferred to profit and loss						-
Net change in fair Value				15,225	-	15,225
Transfers to statutory reserves			438		(438)	-
<b>Balance as at 31 March 2014</b>	<b>1,607,000</b>	<b>100,115</b>	<b>128,838</b>	<b>7,602</b>	<b>961,294</b>	<b>2,804,849</b>

Group	Stated Capital LKR ' 000	Investment fund LKR ' 000	Statutory reserves LKR ' 000	Available for sale reserve LKR ' 000	Retained profits LKR ' 000	Non controlling interest LKR ' 000	Total equity LKR ' 000
Balance as at 01 January 2013	1,607,000	103,270	206,016	(61,226)	1,042,464	504,924	3,402,447
Net profit for the period ended 31 March 2013					(2,287)	2,248	(39)
Other comprehensive income				5,400	-	-	5,400
Right Issue					-	21,955	21,955
Transfers to statutory reserve fund			652		(652)		
Transfers to investment fund		5,758			(5,758)		-
<b>Balance as at 31 March 2013</b>	<b>1,607,000</b>	<b>109,028</b>	<b>206,668</b>	<b>(55,826)</b>	<b>1,033,767</b>	<b>529,127</b>	<b>3,429,763</b>
Balance as at 01 January 2014	1,607,000	101,336	129,914	5,001	951,091	147,211	2,941,553
Net profit for the period ended 31 March 2014					(27,398)	(3,651)	(31,049)
Other comprehensive income				13,408	-	(364)	13,044
Transfers to investment fund account		476			(476)		-
Transfers to statutory reserve fund			438		(438)		-
<b>Balance as at 31 March 2014</b>	<b>1,607,000</b>	<b>101,812</b>	<b>130,352</b>	<b>18,409</b>	<b>922,779</b>	<b>143,196</b>	<b>2,923,548</b>

Statutory reserves represent the reserve fund of the company in terms of Direction No. 5 of 2006 issued by the Central Bank of Sri Lanka under section No. 34 of the Finance Leasing Act No. 56 of 2000 and the statutory reserve of the subsidiary, MCSL Financial Services Ltd created in terms of Direction No. 01 of 2003 applicable to registered finance companies issued by the Central Bank of Sri Lanka.

Investment fund consists of 8% of the profit calculated for the payment of Value Added Tax on Financial Services and 5% of the profit before tax calculated for the payment of Income tax during the period.

# Merchant Bank of Sri Lanka PLC

## Unaudited Statement of Cash Flows

For the quarter ended 31 March,

	Company		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
<b>Cash flows from operating activities</b>				
Profit before income tax	15,752	20,541	(24,049)	15,834
Adjustments for :				
Change in operating assets	(301,593)	(745,705)	(752,330)	(1,181,762)
Change in operating liabilities	11,862	440,992	(138,934)	1,104,015
Share of associate companies' (profit)/loss before tax	-	-	24,026	3,252
Contribution to defined benefit plans	7,500	9,000	13,604	12,231
Other non-cash items included in profit before tax	83,441	50,482	89,163	64,492
Provision for VAT on financial services	5,979	5,016	7,086	13,330
Dividend income	(5,550)	(1,185)	(1,390)	(1,366)
	<b>(182,609)</b>	<b>(220,859)</b>	<b>(782,825)</b>	<b>30,026</b>
Gratuity paid	(4,006)	(162)	(8,828)	(316)
<b>Net cash generated from/(used in) operating activities before tax</b>	<b>(186,615)</b>	<b>(221,021)</b>	<b>(791,653)</b>	<b>29,710</b>
Tax paid	(6,799)	(6,157)	(7,906)	(6,157)
<b>Net cash generated from/ (used in) operating activities</b>	<b>(193,414)</b>	<b>(227,178)</b>	<b>(799,558)</b>	<b>23,553</b>
<b>Cash flows from investing activities</b>				
Purchase of financial assets designated at fair value through profit or loss	(66,115)	(20,808)	(66,635)	(27,358)
Proceeds from disposal of financial assets designated at fair value through profit or loss	60,520	15,470	60,520	16,754
Purchase of financial investments-AFS & HTM	(140,063)	(89,760)	(152,149)	(711,789)
Sale of financial investments-AFS & HTM	99,965	-	237,693	318,393
Purchase of property & equipment & Investment properties	(3,270)	(1,198)	(4,731)	(20,243)
Purchase of intangible assets	(6,976)	-	(6,976)	-
Proceeds from sale of properties & equipments	-	-	-	42,564
Proceeds from sale of investment properties	-	-	-	(18,842)
Dividend received	5,550	1,185	1,390	1,366
Net investment in subsidiaries	-	(79,283)	-	-
<b>Net cash generated from/ (used in) investing activities</b>	<b>(50,389)</b>	<b>(174,394)</b>	<b>69,113</b>	<b>(399,155)</b>
<b>Cash flows from financing activities</b>				
Net increase / ( decrease) reverse repo and repo agreements	853,171	(372,008)	1,182,361	(401,320)
Net increase/ (decrease) in other borrowings	(373,569)	(918,439)	(373,569)	(998,629)
Proceeds from issue of shares	-	-	-	21,955
Proceeds from issue of debentures	-	2,000,000	-	2,000,000
Payments on redemption of debentures	(25,000)	(31,800)	(25,000)	(31,800)
<b>Net cash generated from/ (used in) financing activities</b>	<b>454,601</b>	<b>677,753</b>	<b>783,792</b>	<b>590,206</b>
Net increase/ (decrease) in cash and cash equivalents during the period	210,798	276,181	53,346	214,604
Cash and cash equivalents at the beginning of the period	865,466	141,187	1,309,367	512,487
<b>Cash and cash equivalents at the end of the period</b>	<b>1,076,264</b>	<b>417,368</b>	<b>1,362,713</b>	<b>727,091</b>

Note

### Analysis of Cash and Cash Equivalents

Cash and short term funds	1,146,414	615,808	1,516,165	1,075,043
Dues to banks with original maturity less than three months	(70,150)	(198,440)	(153,452)	(347,952)
	<b>1,076,264</b>	<b>417,368</b>	<b>1,362,713</b>	<b>727,091</b>

## 1 Reporting entity

Merchant Bank of Sri Lanka PLC is a public quoted company incorporated and domiciled in Sri Lanka on 04 March 1982. The registered office and principal place of business of the Company is located at the Bank of Ceylon Merchant Tower, No. 28, St Michael's Road, Colombo 03. The shares of the Company are listed in the Colombo Stock Exchange.

In the opinion of the Directors, the Company's parent enterprise and its ultimate parent enterprise is Bank of Ceylon.

The consolidated financial statements for the quarter ended 31 March 2014 were authorized for issue on 30 April 2014, in accordance with the resolution of the directors passed on 30 April 2014.

## 2 Basis of preparation and accounting policies

### Basis of preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2013 have been prepared in accordance with LKAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013

### Significant accounting policies

The accounting policies adopted in the preparation of interim condensed consolidated financial statements are consistent with those followed in the preparation of Group's annual financial statements for the year ended 31 December 2013

## 3 Measurement of Financial Instruments

Company		LKR'000							
As at 31 March	Held for trading		Loans and receivables		Avaliable for sale		Total		
	2014	2013	2014	2013	2014	2013	2014	2013	
<b>Financial assets</b>									
Cash in hand and cash at bank			213,896	237,856			213,896	237,856	
Placement with banks			932,518	377,952			932,518	377,952	
Securities purchased under resale agreements			-	69,079			-	69,079	
Financial assets designated at fair value through profit or loss	269,766	304,531					269,766	304,531	
Bills receivable			496,538	496,423			496,538	496,423	
Loans & advances to customers			2,718,267	1,941,811			2,718,267	1,941,811	
Lease and hire purchase rental receivable			6,936,729	7,274,202			6,936,729	7,274,202	
Financial investments - available for sale					721,670	803,460	721,670	803,460	
Financial investments - held to maturity							-	-	
Other assets			20,133	19,804		10,995	20,133	30,799	
<b>Total</b>	<b>269,766</b>	<b>304,531</b>	<b>11,318,081</b>	<b>10,417,128</b>	<b>721,670</b>	<b>814,456</b>	<b>12,309,517</b>	<b>11,536,114</b>	

		LKR'000			
		Other Financial Liabilities		Total	
		2014	2013	2014	2013
<b>Financial liabilities</b>					
Due to banks		70,150	198,440	70,150	198,440
Securities sold under repurchase agreements		712,402	-	712,402	-
Due to customers		-	-	-	-
Debt issued and borrowed funds		9,224,578	8,996,263	9,224,578	8,996,263
Other liabilities		14,192	24,886	14,192	24,886
<b>Total</b>		<b>10,021,322</b>	<b>9,219,589</b>	<b>10,021,322</b>	<b>9,219,589</b>

Group		LKR'000									
As at 31 March,	Held for trading		Loans and receivable		Held to maturity		Avaliable for sale		Total		
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	
<b>Financial assets</b>											
Cash in hand and cash at bank			272,384	375,281					272,384	375,281	
Placement with banks			1,243,781	699,762					1,243,781	699,762	
Securities purchased under resale agreements			-	556,288					-	556,288	
Financial assets designated at fair value through profit or loss	294,245	371,555							294,245	371,555	
Bills receivable			496,538	496,424					496,538	496,424	
Loans & advances to customers			5,047,274	6,391,699					5,047,274	6,391,699	
Lease and hire purchase rental receivable			7,372,710	11,328,942					7,372,710	11,328,942	
Financial investments - available for sale							1,328,263	1,593,777	1,328,263	1,593,777	
Financial investments - held to maturity					126,088	466,772			126,088	466,772	
Other assets			20,133	19,804				10,995	20,133	30,799	
<b>Total</b>	<b>294,245</b>	<b>371,555</b>	<b>14,452,819</b>	<b>19,868,202</b>	<b>126,088</b>	<b>466,772</b>	<b>1,328,263</b>	<b>1,604,773</b>	<b>16,201,415</b>	<b>22,311,301</b>	

		LKR'000			
		Other Financial Liabilities		Total	
		2014	2013	2014	2013
<b>Financial liabilities</b>					
Due to banks		153,452	347,952	153,452	347,952
Securities sold under repurchase agreements		712,402	-	712,402	-
Due to customers		2,670,668	8,105,142	2,670,668	8,105,142
Debt issued and borrowed funds		9,226,748	9,524,598	9,226,748	9,524,598
Other liabilities		14,192	24,886	14,192	24,886
<b>Total</b>		<b>12,777,462</b>	<b>18,002,578</b>	<b>12,777,462</b>	<b>18,002,578</b>

#### 4 Segment Information

For management purposes, the group is organised into business units based on their products and services, and has four reportable operating segments as follows:

- ❖ The Leasing segment includes providing Finance Leases, Hire Purchase and Micro finance facilities
- ❖ The Corporate & Retail credit is a service provider of Personal loans, term loans, bill discounting, cheque discounting and bank guarantees
- ❖ The corporate finance and corporate advisory services includes investment banking activities.
- ❖ The insurance includes general and life insurance.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects.

The following table presents income and profit and certain asset and liability information regarding the group's operating segments for the three months period ended March 31, 2014 and comparative figures for the three months period ended March 31, 2013.

Company	Leasing		Corporate & Retail Credit		Investment Banking		Eliminations / Unallocated		Total	
	2014 LKR'000	2013 LKR'000	2014 LKR'000	2013 LKR'000	2014 LKR'000	2013 LKR'000	2014 LKR'000	2013 LKR'000	2014 LKR'000	2013 LKR'000
For the three months period ended 31 March										
<b>Income</b>										
Third party	172,134	157,460	38,115	28,213	(12,488)	(982)	70,013	34,894	267,774	219,585
Inter-segment					225	20,000	(225)	(20,000)	-	-
<b>Total operating income</b>	<b>172,134</b>	<b>157,460</b>	<b>38,115</b>	<b>28,213</b>	<b>(12,263)</b>	<b>19,018</b>	<b>69,788</b>	<b>14,894</b>	<b>267,774</b>	<b>219,585</b>
Impairment charges for loans & other losses	73,750	20,747	4,051	28,212	(7,463)	13,404	7,462	(13,404)	77,800	48,960
<b>Net operating income</b>	<b>98,384</b>	<b>136,713</b>	<b>34,064</b>	<b>1</b>	<b>(4,800)</b>	<b>5,614</b>	<b>62,326</b>	<b>28,298</b>	<b>189,974</b>	<b>170,625</b>
<b>Results</b>										
Interest and similar income	397,476	407,011	130,522	97,765	937	8,216	44,031	36,210	572,966	549,202
Interest and similar expense	236,084	259,895	92,449	69,563	12,727	19,295	(10,969)	(5,160)	330,291	343,593
<b>Net interest income/(expense)</b>	<b>161,392</b>	<b>147,116</b>	<b>38,073</b>	<b>28,202</b>	<b>(11,790)</b>	<b>(11,079)</b>	<b>55,000</b>	<b>41,370</b>	<b>242,675</b>	<b>205,609</b>
<b>Other operating income</b>	<b>10,742</b>	<b>10,344</b>	<b>42</b>	<b>11</b>	<b>(698)</b>	<b>10,097</b>	<b>15,013</b>	<b>(6,476)</b>	<b>25,099</b>	<b>13,976</b>
Depreciation of property and equipment	3,310	524	1,087	554	8	144	367	3,507	4,772	4,729
Amortisation of intangible assets	497	28	163	28	1	39	55	330	716	425
Other operating expenses	92,168	71,053	16,230	14,729	9,178	7,780	45,179	46,352	162,755	139,914
<b>Segment profit/(loss)</b>	<b>2,409</b>	<b>65,108</b>	<b>16,584</b>	<b>(15,310)</b>	<b>(13,987)</b>	<b>(2,349)</b>	<b>16,725</b>	<b>(21,890)</b>	<b>21,731</b>	<b>25,558</b>
Share of associate company's profit before tax									-	-
Value added tax (VAT) on financial services									5,979	5,016
<b>Profit/(loss) before income tax</b>	<b>2,409</b>	<b>65,108</b>	<b>16,584</b>	<b>(15,310)</b>	<b>(13,987)</b>	<b>(2,349)</b>	<b>16,725</b>	<b>(21,890)</b>	<b>15,752</b>	<b>20,541</b>
Income tax expense									7,000	7,500
<b>Profit/(Loss) for three month period</b>									<b>8,752</b>	<b>13,041</b>
<b>Assets</b>										
<b>Capital expenditures</b>										
Property and equipment	2,329	754	-	315	-	63	941	66	3,270	1,198
Intangible assets	3,804	-	445	-	315	-	2,412	-	6,976	-
<b>Total assets</b>	<b>6,988,239</b>	<b>7,544,248</b>	<b>3,124,712</b>	<b>2,068,116</b>	<b>359,652</b>	<b>504,493</b>	<b>3,128,183</b>	<b>2,958,148</b>	<b>13,600,786</b>	<b>13,075,005</b>
<b>Total liabilities</b>	<b>96,608</b>	<b>97,937</b>	<b>124,598</b>	<b>142,114</b>	<b>1,142</b>	<b>-</b>	<b>10,573,590</b>	<b>10,122,854</b>	<b>10,795,937</b>	<b>10,362,905</b>

Segment Information (Cont...)

Group	Leasing		Corporate & Retail Credit		Investment Banking		Insurance		Eliminations / Unallocated		Total	
	2014 LKR'000	2013 LKR'000	2014 LKR'000	2013 LKR'000	2014 LKR'000	2013 LKR'000	2014 LKR'000	2013 LKR'000	2014 LKR'000	2013 LKR'000	2014 LKR'000	2013 LKR'000
For the three months period ended 31 March												
<b>Income</b>												
Third party	191,315	243,621	56,452	86,634	(12,488)	(983)	126,058	117,777	68,112	43,331	429,448	490,380
Inter-segment					225	20,000			(225)	(20,000)	-	-
<b>Total operating income</b>	<b>191,315</b>	<b>243,621</b>	<b>56,452</b>	<b>86,634</b>	<b>(12,263)</b>	<b>19,017</b>	<b>126,058</b>	<b>117,777</b>	<b>67,887</b>	<b>23,331</b>	<b>429,448</b>	<b>490,380</b>
Impairment charges for loans & other losses	74,758	33,404	4,143	14,380	(7,463)	13,404	-	-	2,752	(12,413)	74,190	48,776
<b>Net operating income</b>	<b>116,556</b>	<b>210,216</b>	<b>52,309</b>	<b>72,255</b>	<b>(4,800)</b>	<b>5,613</b>	<b>126,058</b>	<b>117,777</b>	<b>65,134</b>	<b>35,744</b>	<b>355,258</b>	<b>441,605</b>
<b>Results</b>												
Interest and similar income	447,828	664,430	177,775	238,617	937	8,216	37,542	23,243	62,627	73,796	726,709	1,008,302
Interest and similar expense	268,179	433,962	122,569	167,629	12,727	19,295	3,075	315	884	24,486	407,435	645,687
<b>Net interest income/(expense)</b>	<b>179,649</b>	<b>230,468</b>	<b>55,207</b>	<b>70,987</b>	<b>(11,790)</b>	<b>(11,079)</b>	<b>34,467</b>	<b>22,928</b>	<b>61,742</b>	<b>49,311</b>	<b>319,274</b>	<b>362,615</b>
<b>Other operating income</b>	<b>11,666</b>	<b>13,153</b>	<b>1,245</b>	<b>15,647</b>	<b>(698)</b>	<b>10,096</b>	<b>(15,946)</b>	<b>(17,243)</b>	<b>6,370</b>	<b>(5,980)</b>	<b>2,637</b>	<b>15,673</b>
<b>Insurance premiums</b>							<b>107,537</b>	<b>112,092</b>			<b>107,537</b>	<b>112,092</b>
Depreciation of property and equipment	3,310	5,462	1,086	4,876	8	144	6,699	4,335	3,979	4,729	15,083	19,546
Amortisation of intangible assets	497	28	163	28	1	39	-	-	308	555	969	650
Other operating expenses	111,947	143,991	34,792	55,331	9,178	7,780	128,667	121,460	51,721	60,431	336,305	388,993
<b>Segment profit/(loss)</b>	<b>802</b>	<b>60,735</b>	<b>16,267</b>	<b>12,019</b>	<b>(13,987)</b>	<b>(2,350)</b>	<b>(9,308)</b>	<b>(8,018)</b>	<b>9,127</b>	<b>(29,972)</b>	<b>2,901</b>	<b>32,415</b>
Share of associate company's profit before tax											(19,865)	(3,252)
Value added tax (VAT) on financial services											7,086	13,330
<b>Profit/(loss) before income tax</b>	<b>802</b>	<b>60,735</b>	<b>16,267</b>	<b>12,019</b>	<b>(13,987)</b>	<b>(2,350)</b>	<b>(9,308)</b>	<b>(8,018)</b>	<b>9,127</b>	<b>(29,972)</b>	<b>(24,051)</b>	<b>15,834</b>
Income tax expense											7,000	15,873
<b>Profit/(Loss) for three month period</b>											<b>(31,051)</b>	<b>(39)</b>
<b>Assets</b>												
<b>Capital expenditures</b>												
Property and equipment	2,329	5,947	-	3,431	-	63	-	-	941	3,494	3,270	12,934
Intangible assets	3,804.00	-	445	-	315	-	-	-	2,412	-	6,976	-
<b>Total assets</b>	<b>7,901,660</b>	<b>12,882,208</b>	<b>4,093,406</b>	<b>5,356,177</b>	<b>359,652</b>	<b>504,493</b>	<b>1,654,879</b>	<b>1,523,114</b>	<b>3,753,593</b>	<b>3,674,023</b>	<b>17,763,190</b>	<b>23,940,015</b>
<b>Total liabilities</b>	<b>368,308</b>	<b>3,497,226</b>	<b>151,768</b>	<b>2,521,616</b>	<b>1,142</b>	<b>-</b>	<b>1,333,008</b>	<b>1,029,044</b>	<b>12,985,417</b>	<b>13,462,367</b>	<b>14,839,642</b>	<b>20,510,252</b>



**5 Events after the statement of financial position date**

There were no material events that took place since March 31, 2014, that require disclosure in these financial statements other than those disclosed below.

- (a) Pursuant to the master plan of the Central Bank of Sri Lanka (CBSL) on consolidation of the financial sector, CBSL has directed that all financial sector companies in a Group needs to be consolidated and accordingly MBSL Savings Bank Limited and MCSL Financial Services Limited is now required by the CBSL to merge with Merchant Bank of Sri Lanka and to operate as a Licensed Finance Company. MBSL will be the surviving entity and it will not proceed with its earlier decision to merge with MBSL Savings Bank Limited and obtain the licensed specialized banking status.

**6 Information on ordinary shares**

As at	31.03.2014	31.12.2013
Net asset per share (LKR)		
- Company	20.78	20.60
- Group	20.60	20.70
Market price per share recorded during the quarter ended 31 March (LKR)		
-High	16.10 (16.01.2014)	22.10 (18.01.2013)
-Low	13.20 (26.02.2014)	16.00 (28.03.2013)
-Last Transaction	13.50 (31.03.2014)	16.10 (28.03.2013)
As at	31.03.2014	31.12.2013
Number of shares issued	135,000,000	135,000,000
Stated capital (LKR)	1,607,000,000	1,607,000,000
Ratios as at	31.03.2014	31.12.2013
Debt / Equity Ratio	3.55	3.50
Liquidity Ratio	0.81	0.78
Interest Cover	1.08	1.13

## 7 Information on Debentures

Debenture Categories	CSE Listing	Interest Payable Frequency	Face Value as at 31-03-2014 LKR' 000	Market Values *			Interest Rates		Interest rate of comparable Government Security %	Other ratios as at date of last trade **	
				Highest LKR.	Lowest LKR.	Year end LKR.	Coupon Rate %	Effective Annual Yield %		Interest Yield %	Yield to Maturity %
<b>Fixed Rate</b>											
Nov 2011 - Nov 2015	Listed	Bi Annually	268,080	-	-	-	11.80%	12.15%	7.44%	-	-
Nov 2011 - Nov 2014	Listed	Bi Annually	731,880	-	-	-	11.60%	11.94%	6.83%	-	-
Mar 2013 - Mar 2018	Listed	Annually	625,110	-	-	-	17.50%	17.50%	8.83%	-	-
Mar 2013 - Mar 2017	Listed	Annually	485,240	-	-	-	17.25%	17.25%	8.20%	-	-
Mar 2013 - Mar 2018	Listed	Quarterly	723,190	-	-	-	16.70%	17.78%	8.83%	-	-
Mar 2013 - Mar 2018	Listed	Monthly	166,460	-	-	-	16.50%	17.81%	8.83%	-	-
Dec 2013 - Dec 2017	Listed	Annually	674,770	-	-	-	14.25%	14.25%	8.36%	-	-
Dec 2013 - Dec 2016	Listed	Annually	296,220	-	-	-	13.50%	13.50%	7.98%	-	-
Dec 2013 - Dec 2017	Listed	Quarterly	17,540	-	-	-	13.50%	14.20%	8.36%	-	-
Dec 2013 - Dec 2017	Listed	Monthly	11,470	-	-	-	13.25%	14.09%	8.36%	-	-
<b>Floating Rate</b>											
Mar 2010 - Mar 2014	Not Listed	6Month TB(WAVG 4 Auction) rate (Gross) + 1.5%	6,800	-	-	-	12.78%	13.19%	6.56%	-	-
Nov 2011 - Nov 2014	Listed	6Month TB(WAVG 4 Auction) rate (Gross) + 1.6%	40	-	-	-	12.47%	12.58%	6.83%	-	-
<b>Total Debentures</b>			4,006,800								

Unlisted debentures issued to Employee's Trust Fund Board at a face value of LKR 25,000,000 was redeemed on 10 January 2014.

### \* Market Values

Not traded during the current period

### \*\* Other ratios as at date of last trade

Not traded during the current period

**8 Twenty largest share holders as at 31 March 2014**

	Name of the share holder	No. of Shares	Holding %
01.	Bank of Ceylon No. 1 Account	97,392,136	72.14%
02.	Bank of Ceylon A/C Ceybank Unit Trust	8,385,229	6.21%
03.	Dr. S. Yaddhige	739,400	0.55%
04.	Mr. C R D Fernando	645,689	0.48%
05.	Merrill J Fernando & Sons (Pvt) Limited	526,165	0.39%
06.	Environmental Resources Investment PLC	452,722	0.34%
07.	Mr. N. Balasingam	381,400	0.28%
08.	Mr. M. Premjayanth	378,398	0.28%
09.	Mr. K.L. Udayananda	350,000	0.26%
10.	Seylan Bank Limited / Mrs. Priyani Dharshini Ratnagopal	342,400	0.25%
11.	Mr. C. P. De Silva	335,000	0.25%
12.	Mr. A. Chelliah	333,800	0.25%
13.	Bartleet Produce Marketing (Pvt) Limited	300,000	0.22%
14.	Waldock Mackenzie Limited/ Mr. L. P. Hapangama	300,000	0.22%
15.	Chemnex PLC A/C No 1	300,000	0.22%
16.	Seylan Bank Limited / Mr. Dinesh Nagendra Sellamuttu	286,301	0.21%
17.	Commercial Bank of Ceylon PLC / W L T Anandawansa	255,010	0.19%
18.	Mr. B.T. Prathapasinghe	238,595	0.18%
19.	Sithlanka (Private) Ltd	235,000	0.17%
20.	Sandwave Limited	220,299	0.16%

The percentage of shares held by the public as at 31 March 2014 was 21.64%

**9 Directors' share holding as at 31 March , 2014**

Name of the Director	No. of Shares
Mr. M R Shah (Chairman)	Nil
Mr. M.S.S. Paramananda	Nil
Mr. P.G. Rupasinghe	Nil
Mr. D. M. Gunasekara	Nil
Mr. Lalith De Silva	Nil
Mr. K. B. S. Bandara	Nil
Mr. W.P.R.P.H. Fonseka	Nil
Mr. C.R. Jayawarna	Nil

**10 CEO's share holding as at 31 March, 2014**

Mr.T.Mutugala

Nil