



UNAUDITED ACCOUNTS

For the Period ended 30 September 2015

Merchant Bank of Sri Lanka & Finance PLC

Unaudited Statement of Comprehensive Income

| | Company | | | | Group | | | | |
|---|------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|--------|
| | Quarter ended | | Nine months ended | | Quarter ended | | Nine months ended | | |
| | 30.09.2015 | 30.09.2014 * | 30.09.2015 | 30.09.2014 * | 30.09.2015 | 30.09.2014 * | 30.09.2015 | 30.09.2014 * | |
| | LKR '000 | LKR '000 | LKR '000 | LKR '000 | LKR '000 | LKR '000 | LKR '000 | LKR '000 | |
| Income | 1,062,853 | 1,264,787 | 3,090,483 | 3,638,674 | 1,346,203 | 1,576,817 | 3,995,594 | 4,669,979 | |
| Interest and similar income | 1,003,896 | 1,131,467 | 2,980,851 | 3,383,458 | 1,028,760 | 1,153,105 | 3,046,905 | 3,465,514 | |
| Interest and similar expenses | 531,601 | 628,197 | 1,583,975 | 1,995,053 | 531,854 | 628,545 | 1,584,749 | 1,999,017 | |
| Net interest income | 472,295 | 503,270 | 1,396,876 | 1,388,405 | 496,906 | 524,560 | 1,462,156 | 1,466,497 | |
| Fee and commission income | 9,293 | 4,714 | 31,700 | 43,825 | 55,057 | 18,487 | 148,567 | 80,173 | |
| Fee and commission expenses | - | 299 | - | 1,047 | 32,176 | 29,164 | 77,376 | 87,310 | |
| Net fee and commission income | 9,293 | 4,415 | 31,700 | 42,778 | 22,881 | (10,677) | 71,191 | (7,137) | |
| Insurance premium income | - | - | - | - | 206,468 | 264,639 | 693,123 | 894,251 | |
| Net claims and benefits | - | - | - | - | (132,861) | (183,309) | (465,083) | (611,222) | |
| Net trading income | 10,819 | 5,548 | 30,010 | 686 | 11,173 | 1,708 | 31,089 | (1,293) | |
| Net gain / (loss) on financial assets designated at fair value through profit & loss | 6,726 | 87,322 | (28,089) | 146,102 | 5,958 | 91,459 | (29,238) | 150,239 | |
| Other operating income | 32,119 | 35,736 | 76,011 | 64,603 | 38,787 | 47,419 | 105,148 | 81,095 | |
| Total operating income | 531,252 | 636,291 | 1,506,508 | 1,642,574 | 649,312 | 735,799 | 1,868,386 | 1,972,430 | |
| Impairment charges for loans and other losses | 82,635 | 137,393 | 416,078 | 533,192 | 82,635 | 137,393 | 416,078 | 533,192 | |
| Net operating income | 448,617 | 498,898 | 1,090,430 | 1,109,382 | 566,677 | 598,406 | 1,452,308 | 1,439,238 | |
| Personnel expenses | 167,799 | 159,467 | 490,163 | 479,469 | 216,409 | 209,121 | 622,815 | 623,893 | |
| Provision for employee benefit | 12,000 | 11,219 | 36,000 | 32,155 | 12,262 | 12,269 | 38,152 | 35,305 | |
| Depreciation of property & equipment | 14,588 | 13,811 | 42,469 | 41,913 | 17,334 | 20,948 | 60,380 | 62,460 | |
| Amortization of intangible assets | 2,927 | 1,685 | 8,130 | 4,549 | 7,726 | 1,685 | 12,929 | 4,549 | |
| Other operating expenses | 168,306 | 163,196 | 452,534 | 432,306 | 265,458 | 243,034 | 709,914 | 662,358 | |
| Total operating expense | 365,620 | 349,378 | 1,029,296 | 990,392 | 519,189 | 487,057 | 1,444,190 | 1,388,565 | |
| Profit from operations | 82,997 | 149,520 | 61,134 | 118,990 | 47,488 | 111,349 | 8,118 | 50,673 | |
| Value added tax (VAT) on financial services | 17,646 | 15,312 | 39,326 | 30,585 | 17,646 | 15,312 | 39,326 | 30,585 | |
| Share of associate companies profit before tax | - | - | - | - | 4,259 | 7,818 | 6,875 | 12,517 | |
| Profit before income tax | 65,351 | 134,208 | 21,808 | 88,405 | 34,101 | 103,855 | (24,333) | 32,605 | |
| Income tax expense | 6,107 | 34,800 | 6,107 | 63,800 | 6,670 | 36,052 | 6,932 | 65,052 | |
| Profit/(loss) for the period | 59,244 | 99,408 | 15,701 | 24,605 | 27,431 | 67,803 | (31,265) | (32,447) | |
| Other comprehensive income | | | | | | | | | |
| Fair value reserves (Available for Sale Financial Assets): | | | | | | | | | |
| Net change in fair value | (18,935) | 39,116 | (35,656) | 66,910 | (18,935) | 39,138 | (35,656) | 60,671 | |
| Other comprehensive income for the period, net of tax | (18,935) | 39,116 | (35,656) | 66,910 | (18,935) | 39,138 | (35,656) | 60,671 | |
| Total comprehensive income for the period, net of tax | 40,309 | 138,524 | (19,955) | 91,515 | 8,496 | 106,941 | (66,921) | 28,224 | |
| Profit for the period attributable to: | | | | | | | | | |
| Equity holders of the parent | 59,244 | 99,408 | 15,701 | 24,605 | 33,070 | 76,193 | (22,846) | (17,431) | |
| Non controlling interests | - | - | - | - | (5,639) | (8,390) | (8,419) | (15,016) | |
| Profit/(loss) for the period | 59,244 | 99,408 | 15,701 | 24,605 | 27,431 | 67,803 | (31,265) | (32,447) | |
| Total comprehensive income attributable to: | | | | | | | | | |
| Equity holders of the parent | 40,309 | 138,524 | (19,955) | 91,515 | 14,135 | 115,326 | (58,502) | 44,611 | |
| Non controlling interests | - | - | - | - | (5,639) | (8,385) | (8,419) | (16,387) | |
| | 40,309 | 138,524 | (19,955) | 91,515 | 8,496 | 106,941 | (66,921) | 28,224 | |
| Earnings per share: | | | | | | | | | |
| -Basic / diluted earnings per share | LKR | 0.36 | 0.60 | 0.09 | 0.15 | 0.20 | 0.46 | (0.14) | (0.11) |

* Since Merchant Bank of Sri Lanka & Finance PLC merged with its subsidiary MBSL Savings Bank Limited and its associate company MBSL Financial Services Ltd on 1st January 2015, comparative figures are shown after amalgamating the financial statements of three entities.

Merchant Bank of Sri Lanka & Finance PLC

Unaudited Statement of Financial Position

| as at | Company | | Group | |
|--|------------------------|--------------------------|------------------------|--------------------------|
| | 30-09-2015 LKR '000 | 31-12-2014 * LKR '000 | 30-09-2015 LKR '000 | 31-12-2014 * LKR '000 |
| Assets | | | | |
| Cash and cash equivalents | 290,555 | 351,902 | 340,183 | 406,131 |
| Placements with banks | 683,816 | 1,674,998 | 813,086 | 1,796,986 |
| Securities purchased under resale agreements | 309,812 | 465,211 | 1,043,170 | 1,313,486 |
| Financial assets designated at fair value through profit or loss | 547,884 | 882,186 | 558,705 | 896,639 |
| Bills receivable | 631,744 | 644,625 | 631,744 | 644,625 |
| Loans & advances to customers | 7,964,144 | 7,959,109 | 8,055,630 | 8,102,067 |
| Lease and hire purchase rental receivable | 13,378,946 | 12,165,253 | 13,378,946 | 12,165,253 |
| Financial investments - available for sale | 1,986,106 | 1,178,804 | 2,228,396 | 1,221,407 |
| Financial investments - held to maturity | 57,485 | 653,338 | 57,485 | 653,338 |
| Investments in associate companies | 81,084 | 81,084 | 100,505 | 94,454 |
| Investments in subsidiaries | 516,096 | 516,096 | - | - |
| Investment properties | 148,264 | 148,877 | 148,264 | 148,877 |
| Property and equipment | 209,132 | 194,156 | 271,126 | 260,578 |
| Intangible assets | 33,774 | 30,161 | 75,581 | 82,336 |
| Other assets | 313,367 | 386,070 | 923,300 | 823,570 |
| Total assets | 27,152,209 | 27,331,870 | 28,626,121 | 28,609,747 |
| Liabilities | | | | |
| Due to banks | 399,171 | 200,002 | 419,716 | 210,011 |
| Securities sold under repurchase agreements | 245,045 | 442,170 | 245,045 | 442,170 |
| Due to customers | 14,846,074 | 11,092,643 | 14,846,074 | 11,092,643 |
| Debt issued and borrowed funds | 7,623,853 | 11,141,792 | 7,623,853 | 11,141,792 |
| Insurance provision - life | - | - | 422,603 | 349,901 |
| Insurance provision - non life | - | - | 511,640 | 607,307 |
| Current tax liabilities | 172,699 | 208,001 | 172,699 | 208,001 |
| Deferred tax liabilities | 91,403 | 91,403 | 91,403 | 91,403 |
| Other liabilities | 347,272 | 739,436 | 928,305 | 1,064,796 |
| Employee benefit liability | 277,275 | 247,051 | 289,088 | 259,107 |
| Total liabilities | 24,002,792 | 24,162,498 | 25,550,426 | 25,467,131 |
| Equity | | | | |
| Stated capital | 2,124,457 | 2,124,457 | 2,124,457 | 2,124,457 |
| Retained profits | 876,587 | 860,886 | 638,125 | 660,971 |
| Available-for-sale reserve | 7,829 | 43,485 | 8,803 | 44,459 |
| Statutory reserves | 140,544 | 140,544 | 140,544 | 140,544 |
| Total equity attributable to the parent | 3,149,417 | 3,169,372 | 2,911,929 | 2,970,431 |
| Non controlling interests | - | - | 163,766 | 172,185 |
| Total equity | 3,149,417 | 3,169,372 | 3,075,695 | 3,142,616 |
| Total liabilities and equity | 27,152,209 | 27,331,870 | 28,626,121 | 28,609,747 |
| Commitments and contingencies | 123,536 | 197,073 | 123,536 | 197,073 |
| Net assets value per share (LKR) | 18.99 | 19.11 | 17.55 | 17.91 |

* Since Merchant Bank of Sri Lanka & Finance PLC merged with its subsidiary MBSL Savings Bank Limited and its associate company MCSL Financial Services Ltd on 1st January 2015, figures as at 31st December 2014 are shown after amalgamating the separately audited financial statements of three entities.

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

H. M. P. B. Herath
Deputy General Manager - Finance & Strategic Planning

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

L. C. De Silva
Director

B. J. Sinniah
Director

Colombo, Sri Lanka
29 October 2015

Merchant Bank of Sri Lanka & Finance PLC

Unaudited Statement of Changes in Equity

| 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 2014 | 1,607,000 | 100,115 | 128,400 | (7,623) | 952,984 | 2,780,876 |
| Adjustment due to amalgamation | 517,457 | - | - | - | (80,301) | 437,156 |
| Net profit for the year | - | - | - | - | 24,605 | 24,605 |
| Other comprehensive income | - | - | - | 66,910 | - | 66,910 |
| Transfer to Statutory Reserve | - | - | 7,123 | - | (7,123) | - |
| Dividend paid | - | - | - | - | (67,500) | (67,500) |
| Balance as at 30 September 2014 | 2,124,457 | 100,115 | 135,523 | 59,287 | 822,665 | 3,242,047 |
| Balance as at 01 January 2015 | 1,607,000 | - | 140,544 | 43,485 | 1,211,621 | 3,002,650 |
| Adjustment due to amalgamation | 517,457 | - | - | - | (350,735) | 166,722 |
| Balance as at 01 January 2015 - After amalgamation | 2,124,457 | - | 140,544 | 43,485 | 860,886 | 3,169,372 |
| Net profit for the year | - | - | - | - | 15,701 | 15,701 |
| Other comprehensive income | - | - | - | (35,656) | - | (35,656) |
| Balance as at 30 September 2015 | 2,124,457 | - | 140,544 | 7,829 | 876,587 | 3,149,417 |

| 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 2014 | 1,607,000 | 101,336 | 129,914 | 5,000 | 924,458 | 139,805 | 2,907,513 |
| Adjustment due to amalgamation | 517,457 | (1,221) | (1,514) | (6,700) | (224,036) | 41,164 | 325,150 |
| Net profit for the year | - | - | - | - | (17,431) | (15,016) | (32,447) |
| Other comprehensive income | - | - | - | 62,042 | - | (1,371) | 60,671 |
| Transfers to statutory reserve fund | - | - | 7,123 | - | (7,123) | - | - |
| Dividends paid | - | - | - | - | (67,500) | - | (67,500) |
| Balance as at 30 September 2014 | 2,124,457 | 100,115 | 135,523 | 60,342 | 608,368 | 164,582 | 3,193,387 |
| Balance as at 01 January 2015 | 1,607,000 | - | 142,058 | 52,225 | 1,024,288 | 120,487 | 2,946,058 |
| Adjustment due to amalgamation | 517,457 | - | (1,514) | (7,766) | (363,317) | 51,698 | 196,558 |
| Balance as at 01 January 2015 - After amalgamation | 2,124,457 | - | 140,544 | 44,459 | 660,971 | 172,185 | 3,142,616 |
| Net profit for the year | - | - | - | - | (22,846) | (8,419) | (31,265) |
| Other comprehensive income | - | - | - | (35,656) | - | - | (35,656) |
| Balance as at 30 September 2015 | 2,124,457 | - | 140,544 | 8,803 | 638,125 | 163,766 | 3,075,695 |

Statutory reserves represent the reserve fund of the company in terms of Direction No. 1 of 2003 applicable to registered finance companies issued by the Central Bank of Sri Lanka and the statutory reserve of the subsidiary.

Investment fund consisted 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. According to the guidelines on the operations of the Investment Fund Account (IFA) issued by CBSL, operations of IFA was ceased with effect from 1st October 2014. Accordingly the group transferred the remaining balance in IFA to retained earnings through the Statement of Changes in Equity in the 2014 year end.

Merchant Bank of Sri Lanka & Finance PLC

Unaudited Statement of Cash Flows

For the period ended 30 September,

| | Company | | Group | |
|--|--------------------|------------------|--------------------|------------------|
| | 2015 LKR '000 | 2014 LKR '000 | 2015 LKR '000 | 2014 LKR '000 |
| Cash flows from operating activities | | | | |
| Profit before income tax | 21,808 | 88,405 | (24,333) | 32,605 |
| Adjustments for : | | | | |
| Change in operating assets | (1,642,348) | (724,371) | (1,669,828) | (766,584) |
| Change in operating liabilities | 3,406,794 | 775,961 | 3,599,734 | 929,214 |
| Share of associate companies' (profit)/loss before tax | - | - | (6,875) | (12,517) |
| Contribution to defined benefit plans | 36,000 | 32,155 | 38,152 | 35,305 |
| Other non-cash items included in profit before tax | 311,762 | 314,899 | 295,964 | 326,344 |
| Provision for VAT on financial services | 39,326 | 30,585 | 39,326 | 30,585 |
| Dividend income | (8,249) | (11,668) | (8,249) | (11,668) |
| | <u>2,165,093</u> | <u>505,966</u> | <u>2,263,891</u> | <u>563,284</u> |
| Gratuity paid | (5,776) | (7,842) | (8,171) | (10,779) |
| Net cash generated from/(used in) operating activities before tax | <u>2,159,317</u> | <u>498,124</u> | <u>2,255,720</u> | <u>552,505</u> |
| Tax paid | (87,004) | (18,895) | (87,004) | (18,895) |
| Net cash generated from/ (used in) operating activities | <u>2,072,313</u> | <u>479,229</u> | <u>2,168,716</u> | <u>533,610</u> |
| Cash flows from investing activities | | | | |
| Purchase of financial assets designated at fair value through profit or loss | (490,950) | (948,245) | (490,950) | (948,245) |
| Proceeds from disposal of financial assets designated at fair value through profit or loss | 816,427 | 786,836 | 820,390 | 788,078 |
| Purchase of financial investments-AFS & HTM | (2,858,663) | (270,415) | (3,014,644) | (299,374) |
| Sale of financial investments-AFS & HTM | 2,677,559 | 187,794 | 2,689,918 | 354,901 |
| Net increase/ (decrease) in other investment | 1,066,459 | (553,715) | 1,059,177 | (557,345) |
| Purchase of property & equipment & Investment properties | (57,231) | (21,556) | (63,734) | (32,192) |
| Purchase of intangible assets | (11,357) | (14,823) | (11,357) | (14,823) |
| Proceeds from sale of property & equipments | 3,329 | 505 | 3,329 | 505 |
| Dividend received | 8,249 | 11,668 | 8,249 | 11,668 |
| Net cash generated from/ (used in) investing activities | <u>1,153,822</u> | <u>(821,951)</u> | <u>1,000,378</u> | <u>(696,827)</u> |
| Cash flows from financing activities | | | | |
| Net increase / (decrease) reverse repo and repo agreements | 58,288 | 548,120 | 73,192 | 365,630 |
| Dividend paid | - | (67,500) | - | (67,500) |
| Net increase/ (decrease) in other borrowings | (3,544,939) | (131,607) | (3,517,939) | (112,796) |
| Payments on redemption of debentures | - | (31,800) | - | (31,800) |
| Net cash generated from/ (used in) financing activities | <u>(3,486,651)</u> | <u>317,213</u> | <u>(3,444,747)</u> | <u>153,534</u> |
| Net increase/ (decrease) in cash and cash equivalents during the period | (260,516) | (25,509) | (275,653) | (9,683) |
| Cash and cash equivalents at the beginning of the period | 151,900 | 239,089 | 196,120 | 227,890 |
| Cash and cash equivalents at the end of the period | <u>(108,616)</u> | <u>213,580</u> | <u>(79,533)</u> | <u>218,207</u> |
| Note | | | | |
| Analysis of Cash and Cash Equivalents | | | | |
| Cash and short term funds | 290,555 | 460,574 | 340,183 | 485,727 |
| Dues to banks with original maturity less than three months | (399,171) | (246,994) | (419,716) | (267,520) |
| | <u>(108,616)</u> | <u>213,580</u> | <u>(79,533)</u> | <u>218,207</u> |

1 Reporting entity

Merchant Bank of Sri Lanka & Finance 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 comprises of the company, it's subsidiary: MBSL Insurance Company Ltd and it's interest in associate; Lanka Securities Ltd.

The consolidated financial statements for the period ended 30 September 2015 were authorized for issue on 29 October 2015, in accordance with the resolution of the directors passed on 29 October 2015.

2 Basis of preparation and accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the period ended 30 September 2015 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.

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 2014. As the company merged with its subsidiary MBSL Savings Bank Ltd and its associate company MCSL Financial Services Ltd on 1st January 2015 the comparative figures have been merged with the financials of MBSL Savings Bank Ltd and MCSL Financial Services Ltd to confirm to the current presentation.

All known expenses including management fees and similar expenses have been provided in this financial statements.

3 Measurement of Financial Instruments

| Company | Held for trading | | Loans and receivables | | Held to maturity | | Available for sale | | Total | |
|--|------------------|----------------|-----------------------|-------------------|------------------|----------------|--------------------|------------------|-------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| As at 30 September | | | | | | | | | | |
| Financial assets | | | | | | | | | | |
| Cash in hand and cash at bank | - | - | 290,555 | 460,574 | - | - | - | - | 290,555 | 460,574 |
| Placement with banks | - | - | 683,816 | 1,936,628 | - | - | - | - | 683,816 | 1,936,628 |
| Securities purchased under resale agreements | - | - | 309,812 | - | - | - | - | - | 309,812 | - |
| Financial assets designated at fair value through profit or loss | 547,884 | 643,209 | - | - | - | - | - | - | 547,884 | 643,209 |
| Bills receivable | - | - | 631,744 | 573,751 | - | - | - | - | 631,744 | 573,751 |
| Loans & advances to customers | - | - | 7,964,144 | 12,090,919 | - | - | - | - | 7,964,144 | 12,090,919 |
| Lease and hire purchase rental receivable | - | - | 13,378,946 | 7,729,172 | - | - | - | - | 13,378,946 | 7,729,172 |
| Financial investments - available for sale | - | - | - | - | - | - | 1,986,106 | 1,155,904 | 1,986,106 | 1,155,904 |
| Financial investments - held to maturity | - | - | - | - | 57,485 | 815,086 | - | - | 57,485 | 815,086 |
| Other assets | - | - | 59,531 | 53,072 | - | - | - | - | 59,531 | 53,072 |
| Total | 547,884 | 643,209 | 23,318,548 | 22,844,116 | 57,485 | 815,086 | 1,986,106 | 1,155,904 | 25,910,023 | 25,458,315 |

| | Other Financial Liabilities | | Total | |
|---|-----------------------------|-------------------|-------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Financial liabilities | | | | |
| Due to banks | 399,171 | 246,994 | 399,171 | 246,994 |
| Securities sold under repurchase agreements | 245,045 | 407,352 | 245,045 | 407,352 |
| Due to customers | 14,846,074 | 10,985,695 | 14,846,074 | 10,985,695 |
| Debt issued and borrowed funds | 7,623,853 | 10,236,541 | 7,623,853 | 10,236,541 |
| Other liabilities | 178,622 | 158,191 | 178,622 | 158,191 |
| Total | 23,292,765 | 22,034,773 | 23,292,765 | 22,034,773 |

| Group | Held for trading | | Loans and receivable | | Held to maturity | | Available for sale | | Total | |
|--|------------------|----------------|----------------------|-------------------|------------------|----------------|--------------------|------------------|-------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| As at 30 September | | | | | | | | | | |
| Financial assets | | | | | | | | | | |
| Cash in hand and cash at bank | - | - | 340,183 | 485,727 | - | - | - | - | 340,183 | 485,727 |
| Placement with banks | - | - | 813,086 | 2,080,408 | - | - | - | - | 813,086 | 2,080,408 |
| Securities purchased under resale agreements | - | - | 1,043,170 | 511,680 | - | - | - | - | 1,043,170 | 511,680 |
| Financial assets designated at fair value through profit or loss | 558,705 | 655,982 | - | - | - | - | - | - | 558,705 | 655,982 |
| Bills receivable | - | - | 631,744 | 573,751 | - | - | - | - | 631,744 | 573,751 |
| Loans & advances to customers | - | - | 8,055,630 | 12,240,940 | - | - | - | - | 8,055,630 | 12,240,940 |
| Lease and hire purchase rental receivable | - | - | 13,378,946 | 7,729,172 | - | - | - | - | 13,378,946 | 7,729,172 |
| Financial investments - available for sale | - | - | - | - | - | - | 2,228,396 | 1,338,298 | 2,228,396 | 1,338,298 |
| Financial investments - held to maturity | - | - | - | - | 57,485 | 815,086 | - | - | 57,485 | 815,086 |
| Other assets | - | - | 59,531 | 53,072 | - | - | - | - | 59,531 | 53,072 |
| Total | 558,705 | 655,982 | 24,322,291 | 23,674,750 | 57,485 | 815,086 | 2,228,396 | 1,338,298 | 27,166,877 | 26,484,116 |

| | Other Financial Liabilities | | Total | |
|---|-----------------------------|-------------------|-------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Financial liabilities | | | | |
| Due to banks | 419,716 | 267,520 | 419,716 | 267,520 |
| Securities sold under repurchase agreements | 245,045 | 407,352 | 245,045 | 407,352 |
| Due to customers | 14,846,074 | 10,985,695 | 14,846,074 | 10,985,695 |
| Debt issued and borrowed funds | 7,623,853 | 10,255,352 | 7,623,853 | 10,255,352 |
| Other liabilities | 178,622 | 158,191 | 178,622 | 158,191 |
| Total | 23,313,310 | 22,074,110 | 23,313,310 | 22,074,110 |

4 Movement in individual and collective impairment during the period

| | Company | | Group | |
|---|------------------|------------------|------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Individual impairment charges | | | | |
| As at 01 January | 1,036,789 | 655,698 | 1,036,789 | 655,698 |
| Charge to income statement | 297,008 | 313,770 | 297,008 | 313,770 |
| Write off | (27,588) | (104,538) | (27,588) | (104,538) |
| As at 30 September | 1,306,209 | 864,930 | 1,306,209 | 864,930 |
| Collective impairment charges | | | | |
| As at 01 January | 329,499 | 647,068 | 329,499 | 647,068 |
| Charge/(write back) to income statement | 119,070 | 219,422 | 119,070 | 219,422 |
| Write off | - | (77,024) | - | (77,024) |
| As at 30 September | 448,569 | 789,466 | 448,569 | 789,466 |
| Total | 1,754,778 | 1,654,396 | 1,754,778 | 1,654,396 |

5 Merchant Bank of Sri Lanka & Finance PLC (MBSL) amalgamated with MBSL Savings Bank Limited (MSB) and MCSL Financial Services Limited (MCSL) with effect from 01st January 2015. The amalgamation was effective by way of a Share Swap, whereby the shareholders of MSB and MCSL offered ordinary voting shares in MBSL in the following manner.

1) One ordinary voting share in MBSL for every 280.25 ordinary shares and one ordinary voting share in MBSL for every 389.10 ordinary non-voting shares held in MSB.

2) One ordinary voting share in MBSL for every 2.35 ordinary voting shares held in MCSL.

Accordingly, MBSL issued up to maximum of 30,874,541 (Thirty Million Eight Hundred and Seventy Four Thousand Five Hundred and Fourty One) ordinary voting shares to the shareholders of MSB and MCSL (other than MBSL) and that ordinary voting shares shall rank equal and pari passu in all respect with the existing ordinary voting shares issued by MBSL.

6 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 and Hire Purchase facilities.
- ❖ The Loan segment includes providing personal loans, term loans, bill discounting, cheque discounting, micro finance and bank guarantees.
- ❖ Corporate advisory includes corporate advisory services and capital market 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, profit and asset information regarding the group's operating segments for the period ended September 30, 2015 and comparative figures for the period ended September 30, 2014.

| Group | Lease & HP | | Loans | | Corporate Advisory | | Insurance | | Unallocated | | Total | |
|--|-------------------|-------------------|------------------|------------------|--------------------|-----------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| | 2015 LKR'000 | 2014 LKR'000 | 2015 LKR'000 | 2014 LKR'000 | 2015 LKR'000 | 2014 LKR'000 | 2015 LKR'000 | 2014 LKR'000 | 2015 LKR'000 | 2014 LKR'000 | 2015 LKR'000 | 2014 LKR'000 |
| For the period ended 30 September | | | | | | | | | | | | |
| External Revenue | | | | | | | | | | | | |
| Interest and similar income | 1,724,209 | 2,023,671 | 1,048,488 | 951,901 | 12,683 | 4,856 | 66,054 | 82,056 | 195,471 | 403,030 | 3,046,905 | 3,465,514 |
| Fee and other income | 33,725 | 75,660 | 4,812 | 19,086 | 34,243 | 7,593 | 840,206 | 945,112 | 64,941 | 6,775 | 977,927 | 1,054,226 |
| Net gain / (loss) on financial assets designated at fair value through profit & loss | - | - | - | - | (29,238) | 150,239 | - | - | - | - | (29,238) | 150,239 |
| | 1,757,934 | 2,099,331 | 1,053,300 | 970,987 | 17,688 | 162,688 | 906,260 | 1,027,168 | 260,412 | 409,805 | 3,995,594 | 4,669,979 |
| Inter - segment Revenue | - | - | - | - | 675 | 675 | - | - | (675) | (675) | - | - |
| Total Income | 1,757,934 | 2,099,331 | 1,053,300 | 970,987 | 18,363 | 163,363 | 906,260 | 1,027,168 | 259,737 | 409,130 | 3,995,594 | 4,669,979 |
| Segment result | 419,278 | 174,760 | 67,059 | 51,198 | (70,143) | 49,098 | (53,017) | (68,317) | (355,059) | (156,066) | 8,118 | 50,673 |
| Total assets | 13,390,591 | 12,205,900 | 8,476,184 | 7,843,777 | 734,161 | 451,905 | 1,952,479 | 1,668,747 | 4,072,706 | 5,706,189 | 28,626,121 | 27,876,518 |

7 Information on Debentures

| Debenture Categories | CSE Listing | Interest Payable Frequency | Face Value as at 30-09-2015 LKR' 000 | Market Values | | | Interest Rates | | Interest rate of comparable Government Security % | Interest yield | | | Yield to Maturity | | | |
|----------------------|-------------|----------------------------|---|-------------------------------|-------------|-----------------|----------------|------------------------|---|-------------------------------|--------|-------------|-------------------------------|--------|-------------|--|
| | | | | Highest LKR. | Lowest LKR. | Period end LKR. | Coupon Rate | Effective Annual Yield | | Highest | Lowest | Last traded | Highest | Lowest | Last traded | |
| Fixed Rate | | | | | | | | | | | | | | | | |
| Nov 2011 - Nov 2015 | Listed | Bi Annually | 268,080 | Not traded during the quarter | | | 11.80% | 12.15% | 6.82% | Not traded during the quarter | | | Not traded during the quarter | | | |
| Mar 2013 - Mar 2018 | Listed | Annually | 625,110 | Not traded during the quarter | | | 17.50% | 17.50% | 8.39% | Not traded during the quarter | | | Not traded during the quarter | | | |
| Mar 2013 - Mar 2017 | Listed | Annually | 485,240 | Not traded during the quarter | | | 17.25% | 17.25% | 7.81% | Not traded during the quarter | | | Not traded during the quarter | | | |
| Mar 2013 - Mar 2018 | Listed | Quarterly | 723,190 | Not traded during the quarter | | | 16.70% | 17.78% | 8.39% | Not traded during the quarter | | | Not traded during the quarter | | | |
| Mar 2013 - Mar 2018 | Listed | Monthly | 166,460 | Not traded during the quarter | | | 16.50% | 17.81% | 8.39% | Not traded during the quarter | | | Not traded during the quarter | | | |
| Dec 2013 - Dec 2017 | Listed | Annually | 674,770 | Not traded during the quarter | | | 14.25% | 14.25% | 8.17% | Not traded during the quarter | | | Not traded during the quarter | | | |
| Dec 2013 - Dec 2016 | Listed | Annually | 296,220 | Not traded during the quarter | | | 13.50% | 13.50% | 7.77% | Not traded during the quarter | | | Not traded during the quarter | | | |
| Dec 2013 - Dec 2017 | Listed | Quarterly | 17,540 | Not traded during the quarter | | | 13.50% | 14.20% | 8.17% | Not traded during the quarter | | | Not traded during the quarter | | | |
| Dec 2013 - Dec 2017 | Listed | Monthly | 11,470 | Not traded during the quarter | | | 13.25% | 14.09% | 8.17% | Not traded during the quarter | | | Not traded during the quarter | | | |
| Nov 2014 - Nov 2019 | Listed | Annually | 909,770 | Not traded during the quarter | | | 9.00% | 9.00% | 9.36% | Not traded during the quarter | | | Not traded during the quarter | | | |
| Nov 2014 - Nov 2019 | Listed | Bi Annually | 1,090,230 | Not traded during the quarter | | | 8.75% | 8.94% | 9.36% | Not traded during the quarter | | | Not traded during the quarter | | | |
| Total Debentures | | | 5,268,080 | | | | | | | | | | | | | |

All debentures are unsecured. Company has not repurchased any of its own debts and has not had any default of principle, interest or other breaches with regard to all liabilities during the period.

8 Events after the statement of financial position date

There were no material events that took place since September 30, 2015, that require disclosure in these financial statements.

9 Information on ordinary shares

| As at | | 30.09.2015 | 31.12.2014 |
|---------------------------|-----------|-------------------|-------------------|
| Net asset per share (LKR) | - Company | 18.99 | 19.11 |
| | - Group | 17.55 | 17.91 |

| Market price per share recorded during the quarter ended 30 September (LKR) | 2015 | 2014 |
|--|-------------------|---------------------------------------|
| | -High | 19.20 (18.08.2015) 19.00 (11.09.2014) |
| | -Low | 16.00 (15.07.2015) 15.40 (02.07.2014) |
| | -Last Transaction | 16.40 (30.09.2015) 17.80 (30.09.2014) |

| As at | 30.09.2015 | 31.12.2014 |
|-------------------------|-------------------|-------------------|
| Number of shares issued | 165,874,541 | 165,874,541 |
| Stated capital (LKR) | 2,124,457,307 | 2,124,457,307 |

| Ratios as at | 30.09.2015 | 31.12.2014 |
|------------------------------|-------------------|-------------------|
| Debt / Equity Ratio | 2.6 | 3.7 |
| Statutory Liquid Asset Ratio | 11.31% | 10.13% |

| Ratios for the period ended | 30.09.2015 | 30.09.2014 |
|------------------------------------|-------------------|-------------------|
| Interest Cover | 1.014 | 1.044 |

10 Twenty largest share holders as at 30 September 2015

| | Name of the share holder | No. of Shares | Holding % |
|-----|--|----------------------|------------------|
| 01. | Bank of Ceylon No. 1 Account | 123,562,267 | 74.49% |
| 02. | Bank of Ceylon A/C Ceybank Unit Trust | 10,746,134 | 6.48% |
| 03. | Phoenix Ventures Private Limited | 2,632,493 | 1.59% |
| 04. | Prime Lands (Pvt) Ltd | 1,665,406 | 1.00% |
| 05. | Merrill J Fernando & Sons (Pvt) Limited | 526,165 | 0.32% |
| 06 | People's Leasing & Finance PLC / Mr. D. M. P. Disanayake | 424,120 | 0.26% |
| 07 | Mr. N. Balasingam | 381,400 | 0.23% |
| 08 | Mr. B.T. Prathapasinghe | 345,000 | 0.21% |
| 09 | Mr. A. Chelliah (Deceased) | 333,800 | 0.20% |
| 10 | Mr. A. M. Weerasinghe | 305,583 | 0.18% |
| 11 | Chemanex PLC A/C No 1 | 300,000 | 0.18% |
| 12 | People's Leasing & Finance PLC / L P Hapangama | 300,000 | 0.18% |
| 13 | Bartleet Produce Marketing (Pvt) Limited | 300,000 | 0.18% |
| 14 | Seylan Bank Limited / Dinesh Nagendra Sellamuttu | 286,301 | 0.17% |
| 15 | NDB Capital Holdings PLC | 280,000 | 0.17% |
| 16 | D. S. L. Investments (Private) Ltd | 269,603 | 0.16% |
| 17 | Mr. K. C. Vignarajah | 263,296 | 0.16% |
| 18 | Asha Financial Services Limited / Mr. C. N. Pakianathan | 259,000 | 0.16% |
| 19 | Seylan Bank PLC/ Spice of Life (Pvt) Ltd | 246,895 | 0.15% |
| 20 | Sithlanka (Private) Limited | 235,000 | 0.14% |

The percentage of shares held by the public as at 30 September 2015 was 19.03% and the number of public shareholders as at 30 September 2015 were 11,730

11 Directors' share holding as at 30 September, 2015

| Name of the Director | No. of Shares |
|--|----------------------|
| Mr. R. P. K. Gallage | Nil |
| Mr. D. M. Gunasekara | Nil |
| Mr. B. J. Sinniah | Nil |
| Mr. S. S. Gamage | Nil |
| Mr. A. H. Samarasundera | Nil |
| Mr. S. L. Rahaman | Nil |
| Mr. L. C. De Silva | Nil |
| Mr. W. P. R. P. H. Fonseka (Alternate Director to Mr. D.M. Gunasekara) | Nil |

12 CEO's share holding as at 30 September, 2015

Mr.T.Mutugala

Nil