

ANNUAL REPORT OF THE BOARD ON THE STATE OF AFFAIRS OF THE COMPANY

The Board of Directors presents hereto its Report on the State of Affairs of the Company for the year ended 31st December 2010. The Report also provides information as required by the Listing Rules of the Colombo Stock Exchange, best accounting practices and other disclosures deemed relevant to the stakeholders of the Company. The Report was approved by the Directors on 18th February 2011.

GENERAL

Seylan Bank PLC was incorporated on 28th August 1987 as a public limited liability company under the Companies Act No. 17 of 1982 and obtained a listing for its ordinary voting shares on the Colombo Stock Exchange on 5th January 1989. It is an approved licensed commercial bank under the Banking Act No. 30 of 1988. The Bank was re-registered under the Companies Act No. 07 of 2007 on 30th May 2007.

PRINCIPAL ACTIVITY

The principal activity of the Bank is commercial banking and provision of related financial services such as accepting of deposits, personal banking, trade financing, off-shore banking, resident and non-resident foreign currency operations, travel-related services, corporate and retail credit, pawn broking, project financing, lease financing, rural credit, issuing of local and international credit cards, telebanking facilities, SMS and Internet banking, Internet payment gateway and dealing in Government Securities, bullion trading etc.

CHANGES TO THE GROUP STRUCTURE

Seylan Developments PLC - a listed public limited liability company carrying on property development/management activities was the only subsidiary of the Bank as at 31st December 2010.

Amalgamation of Seylan Bank Asset Management Limited with Seylan Bank PLC

The Bank's fully-owned subsidiary, Seylan Bank Asset Management Limited was amalgamated with Seylan Bank PLC under the provisions of Section 242 (1) of the Companies Act No. 07 of 2007. The amalgamation took effect on 31st March 2010. In terms of Section 242 (1) (iii) of the Companies Act, a solvency test was carried out upon the amalgamation of Seylan Bank Asset Management Limited with Seylan Bank PLC. A statement of solvency was obtained from the External Auditors to this effect upon completion of amalgamation with effect from 31st March 2010.

REVIEW OF OPERATIONS

A review of the operations during the financial year 2010 and the performance of the Bank are given in the Management Discussion & Analysis appearing on page 73 of the Annual Report, which report forms an integral part of this Report.

BRANCH NETWORK

In 2010, the Bank opened two branches in Kilinochchi and Mannar and three extension offices at Siyabalanduwa, Kataragama and Deal Place, Colombo 3. Five branches viz., Nawalapitiya, Mirigama, Moratuwa, Kiribathgoda and Dam Street Branch (formerly known as Savings and Travel Branch) were relocated during the year.

As at 31st December 2010, the Bank had 95 branches and 27 extension offices totalling to 122 in operation, a list of which is given on pages 330 to 334 this Annual Report. The Bank also has 83 student savings centres as at end 2010.

VISION AND MISSION

The Bank's vision and mission statements are given on page 71 of this Annual Report.

FUTURE DEVELOPMENTS

An overview of the future plans and developments of the Bank is also indicated in the Management Discussion & Analysis appearing on page 73 and Chapters 1 - 6 of this Annual Report.

FINANCIAL STATEMENTS

The Audited Financial Statements of the Bank and the Group for the financial year ended 31st December 2010 duly certified by the Chief Financial Officer and signed by two Directors in terms of Sections 151, 152 and 168 (1) (b) of the Companies Act No. 07 of 2007 are given on pages 212 to 311 and form an integral part of the Annual Report of the Board.

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 Sri Lanka Accounting Standards, the 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), the Listing Rules of the Colombo Stock Exchange and Banking Act Direction No. 11 of 2007 (as amended) - 'Corporate Governance for Licensed Commercial Banks in Sri Lanka' issued by the Central Bank of Sri Lanka.

The Directors' Responsibility Statement appearing on pages 210 and 211 of the Annual Report forms an integral part of the Annual Report of the Board.

AUDITORS' REPORT

The Auditors of the Company Messrs KPMG Ford, Rhodes, Thornton & Co., Chartered Accountants have carried out the audit of the Consolidated Financial Statements for the financial year ended 31st December 2010 and their Report on the Financial Statements is given on pages 212 and 213 of this Annual Report.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of the Financial Statements are given on pages 219 to 240 of this Annual Report.

FINANCIAL RESULTS

Income

The income of the Bank for the year 2010 was Rs. 20,032,477,089/- (Rs. 23,154,529,138/- in 2009), whilst the income of the Group was Rs. 20,181,333,829/- (Rs. 24,538,978,803/- in 2009).

Profit

A summary of the consolidated financial results of the operations of the Group during the year ended 31st December 2010 is given below:

	2010 Rs. '000	2009 (Restated) Rs. '000
Profit/(Loss) before Taxation	1,954,498	906,028
Less: Taxation	789,071	484,879
Profit/(Loss) after Taxation	1,165,427	421,149
Attributable to Minority Interest	(41,806)	(134,173)
Net Profit Attributable to Shareholders	1,207,233	555,322
Retained Profit brought forward after Dividends	3,652,868	3,543,017
Profit Available for Appropriation	4,860,101	4,098,339
Adjustments/Transfer to Reserve Fund	(61,449)	(27,165)
Other Transfers/Adjustments	(38,712)	(287,966)
Balance carried forward	4,759,940	3,783,208

DONATIONS

During the year, the Company made donations amounting to Rs. 2,281,360/- (Donations made in 2009 amounted to Rs. 6,692,798/-).

PREFERENCE DIVIDEND

The Directors recommend the payment of a preference dividend of Rs. 1.05 per share to the preference shareholders registered with the Bank as at the entitlement date for the year ended 31st December 2010. The dividend rate is a pre-determined rate as per the prospectus to the Issue, viz., one percentage point over the one year Weighted Average Treasury Bill rate at the primary auctions held during March of the preceding year; i.e., March, 2010. The dividend is payable on 30th March 2011. The Bank paid a preference dividend of Rs. 1.84 per share for the year 2009.

ORDINARY DIVIDEND

The Directors recommend the payment of a First and Final Ordinary Dividend of Rs. 1.00 per share to the ordinary (voting and non-voting) shareholders, for the year ended 31st December 2010, payable on 8th April 2011. The Bank paid a First and Final Ordinary Dividend of Rs. 0.50 per share for the year 2009.

SOLVENCY CERTIFICATION

The Board of Directors is 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 which will be paid in March/April 2011. The Board has obtained a statement of solvency from the External Auditors in relation to the proposed dividend payment.

TAXATION

Provision for taxation has been computed as shown in Note 13 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 amounted to Rs. 189,667,466/- and Rs. 190,225,811/- respectively (2009 - Rs. 227,235,000 /- and Group - Rs. 227,941,548/-) details of which are given in Note 29 to the Financial Statements. Capital expenditure approved and contracted for after the year ended 31st December 2010 is given in Note 42 to the Financial Statements.

PROPERTY, PLANT & EQUIPMENT

The details of the Property, Plant & Equipment are given in Note 29 to the Financial Statements.

Freehold Properties

The net book value of freehold properties owned by the Bank and the Group as at 31st December 2010 is indicated in the Financial Statements as Rs. 1,465,218,709/- and Rs. 2,133,227,709/- respectively (2009 - Bank - Rs. 1,265,854,170/- and Group - Rs. 1,951,441,000/-). All freehold land and buildings of the Bank were valued by professionally qualified independent valuers/panel of chartered valuers/licensed surveyors during 2010, and brought into the Financial Statements. Details of freehold properties owned by the Bank are given in Note 29.3 to the Financial Statements.

RESERVES

Total reserves (including Statutory Reserve Fund) of the Group as at 31st December 2010 amounted to Rs. 6,933,875,023/- (Rs. 5,523,635,490/- in 2009 Restated) details of which are given in Notes 38 and 39 to the Financial Statements.

STATED CAPITAL

The stated capital of the Bank as at 31st December 2010 was Rs 5,567,820,324/- comprising of 130,000,000 ordinary (voting) shares, 3,390,100 non-redeemable, non-cumulative, non-convertible and non-voting preference shares, 123,560,000 ordinary (non-voting) shares and share premium of Rs. 837,319,324/-.

SHAREHOLDINGS

As at 31st December 2010, there were 11,565 and 11,637 registered ordinary (voting) and ordinary (non-voting) shareholders and 963 non-redeemable, non-cumulative, non-convertible and non-voting preference shareholders respectively of the Bank. An analysis of the distribution of the ordinary voting and non-voting shareholders is given on page 327 of this Annual report. The twenty largest ordinary voting and non-voting shareholders of the Bank are also given on pages 325 and 326 of this Annual Report.

DEBT CAPITAL

As at 31st December 2010, the Bank had issued debentures (both listed and unlisted) to the value of Rs. 3,996,365,000/- (2009 - Rs. 4,230,365,000/-).

The Bank had the following listed debt as at 31st December 2010, details of which are given on page 328 of this Annual Report:

Type	No. of Debentures of Rs. 100/- each
Unsecured Subordinated Redeemable Five-Year	
Debentures - 2006/11	12,573,150
-do- - 2007/12 (Issue 1)	7,494,000
-do- - 2007/12 (Issue 2)	5,592,850
-do- - 2008/13	6,305,650

In December 2010, the Bank issued 465,000 Unsecured Redeemable five-year debentures (2010-2015) of Rs. 1,000/- each amounting to Rs. 465 Mn. The purpose of the Placement was to fund the long-term lending of the Bank and to reduce the mismatch in the Bank's asset/liability portfolio.

INVESTORS' INFORMATION

Information including earnings, profitability, dividend, net assets and market value per share is given under Financial Highlights appearing on page 72 of this Annual Report. Information pertaining to share prices (both voting and non-voting) and debenture prices is given on pages 327 and 328 of this Annual Report.

EQUITABLE TREATMENT OF SHAREHOLDERS

The Bank has at all times ensured the equitable treatment of its shareholders.

DIRECTORATE

Names of the Directors who held office as at 31st December 2010 and Directors who were appointed and who ceased to hold office during 2010 are given below in terms of Section 168 (1) (h) of the Companies Act:

Name of Director	Status
Mr. E. Narangoda (<i>Chairman</i>)	Executive
Mr. R. Nadarajah	Executive
Mr. N.M. Jayamanne PC	Independent Non-Executive
Mr. P.L.P. Withana	Independent Non-Executive
Rear Admiral (Rtd.) B.A.J.G. Peiris	Independent Non-Executive
Mr. A.L. Devasurendra	Non-Executive
Mr. I.C. Nanayakkara	Non-Executive
Mr. S.P.S. Ranatunga (<i>Appointed w.e.f. 12.01.2010</i>)	Non-Executive
Mr. P.G.S. Kariyawasam (<i>Resigned on 14.05.2010</i>)	Non-Executive
Dr. N.H. Godahewa (<i>Resigned on 30.06.2010</i>)	Non-Executive
Mr. A.M.M. De Alwis (<i>Appointed w.e.f. 20.08.2010</i>)	Non-Executive
Mr. P. Kudabalage (<i>Appointed w.e.f. 20.08.2010</i>)	Non-Executive

Mr. S.P.S. Ranatunga was appointed to the Board on 12th January 2010. Mr. P.G.S. Kariyawasam and Dr. N.H. Godahewa resigned from the Board, on 14th May 2010 and 30th June 2010 respectively. Messrs A.M.M. De Alwis and P. Kudabalage were appointed in their place with effect from 20th August 2010.

The profiles of the Board of Directors are given on pages 314 to 317 of this Annual Report.

All Non-Executive Directors have 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.

Nomination Committee

Members	Rear Admiral (Rtd.) B.A.J.G. Peiris (Chairman)
	Mr. N.M. Jayamanne PC
	Mr. A.L. Devasurendra
	Mr. S.P.S. Ranatunga
	Mr. P.L.P. Withana <i>(Appointed on 9th December 2010)</i>

Credit Committee

Members	Mr. E. Narangoda (Chairman)
	Mr. R. Nadarajah
	Mr. A.L. Devasurendra
	Mr. I.C. Nanayakkara

Sustainability Committee

Members	Mr. E. Narangoda (Chairman)
	Mr. R. Nadarajah
	Mr. A.L. Devasurendra
	Mr. I.C. Nanayakkara

Marketing and Product Development Committee

Members	Mr. S.P.S. Ranatunga (Chairman) <i>(Appointed as Chairman on 06th July 2010)</i>
	Mr. R. Nadarajah
	Mr. A.L. Devasurendra
	Mr. A.M.M. De Alwis <i>(Appointed on 31st August 2010)</i>

Reports of the Board Audit, Integrated Risk Management, HR and Remuneration and Nomination Subcommittees, required to be established in terms of Banking Act Direction No. 11 of 2007 (as amended) are set out on pages 147 to 153 respectively and form an integral part of the Annual Report of the Board.

The composition of all Board Subcommittees, meetings held and their functions and responsibilities are set out in the Corporate Governance Report appearing on pages 124 to 127 and 133 to 134 of this Annual Report.

DIRECTORS' INTEREST REGISTER

The Directors have declared their interests in contracts at Board meetings in accordance with Section 192 (2) of the Companies Act No. 07 of 2007 and refrained from voting on matters in which they were materially interested. All such disclosures required to be made have been duly recorded in the Interest Register. Related party transactions arising out of these disclosures made are given in Notes 44 and 45 in the Audited Accounts and on pages 204 to 209 as an annexure to this Annual Report. A list of directorships held by the Directors in public listed companies during 2010 is also given in the annexure.

DIRECTORS' INTERESTS IN SHARES/DEBENTURES OF THE BANK

Directors' holdings in shares (ordinary voting and non-voting) and debentures in the Bank as at 31st December 2010 are given below:

Name of Director	31.12.2010	31.12.2009	Shares/Debentures
Mr. E. Narangoda	34,300	34,300	Ordinary Voting
	14,000	Nil	Ordinary Non-Voting
Mr. R. Nadarajah	10,000	30,900	Ordinary Voting
	Nil	10,000	Ordinary Non-Voting
	15,000	-	Debentures Issue 2007/2012 Issue 2
Mr. N.M. Jayamanne PC	3,000	3,000	Ordinary Voting
Mr. P.L.P. Withana	23,363	23,363	Ordinary Voting
Rear Admiral (Rtd.) B.A.J.G. Peiris	Nil	Nil	
Mr. A.L. Devasurendra	Nil	Nil	
Mr. I.C. Nanayakkara	Nil	Nil	
Mr. S.P.S. Ranatunga	Nil	N/A	
Mr. A.M.M. De Alwis	Nil	N/A	
Mr. P. Kudabalage	Nil	N/A	
Percentage Shareholding of Directors:			
Ordinary voting shares	0.05%	0.07%	
Ordinary non-voting shares	0.01%	0.01%	

No change occurred in the Directors' interest in shares/debentures after 31st December 2010 and before 18th February 2011, the date of this Annual Report.

DIRECTORS' INTERESTS IN PREFERENCE SHARES

The Directors had not invested in non-redeemable, non-cumulative, non-convertible and non-voting preference shares of the Bank, both at the beginning or end of the year under review.

DIRECTORS' REMUNERATION

Details of Directors' emoluments paid during the year in respect of the Bank and the Group for the year ended 31st December 2010 are given in Note 9 to the Financial Statements on page 242 of 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, the Bank has obtained an insurance policy to cover Directors' liability.

CORPORATE GOVERNANCE

The Board of Directors has pledged their commitment towards adoption and implementation of transparent and effective corporate governance practices within the Bank with the view of enhancing business prosperity and corporate accountability. The Bank accordingly ensures that relevant practices and procedures are in place to ensure conformity to Corporate Governance Rules laid down in the following rules/regulations, viz. -

- Banking Act Direction No. 11 of 2007 (Corporate Governance for Licensed Commercial Banks in Sri Lanka) issued by the Monetary Board of the Central Bank of Sri Lanka, amended by Banking Act Directions Nos. 05 of 2008 and 07 of 2008.

- Colombo Stock Exchange (CSE) Rules on Corporate Governance.
- Code of Best Practice of Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and The Institute of Chartered Accountants of Sri Lanka (ICASL) in 2008.

The extent of compliance with the above rules and regulations and best practice guidelines are described in the Corporate Governance Report appearing on pages 113 to 146 of this Annual Report.

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 Ford, Rhodes Thornton & Co., Chartered Accountants.

RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS

Risk Management

The Board assumes overall responsibility for managing risks in the Bank. Towards this end it has implemented a sound risk management framework and also designated Key Management personnel to manage risk and identify their areas of responsibility. The Board also reviews on a regular basis the risk exposures of the Bank and specify and approve policies with regard to risk management, measurement and control. A detailed Risk Management Report is given on pages 84 to 110 of this Annual Report.

System of Internal Control

The Board of Directors has put in place an effective system of internal controls so as to safeguard the Bank's assets and ensure continuity of its operations and also to ensure as far as practicable the accuracy and reliability of records. The Board from time to time reviews through the Audit Committee, the adequacy and integrity of the internal control systems covering not only financial controls but also controls relating to operations compliance and risk management. The Board's Statement on Internal Control appearing on pages 111 and 112 of this Annual Report provides an overview of the Bank's efforts in ensuring and maintaining the effectiveness of its internal control system in accordance with the Guidance issued to Directors of Banks on the Directors' Statement on Internal Control by The Institute of Chartered Accountants of Sri Lanka in December 2010.

In accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Report for Banks on Directors' Statement on Internal Control, External Auditor's Independent Assurance Report on the Bank's internal control mechanism has been received from the Bank's External Auditor's, Messrs KPMG Ford, Rhodes, Thornton & Co.

COMPLIANCE WITH LAWS AND REGULATIONS

The Bank has not engaged in any activities contravening any laws and regulations currently in force. Key Management Personnel designated in the Bank for ensuring compliance with laws and regulations submit a Compliance Report on a monthly basis to the Board.

Outstanding Litigation

In the opinion of the Directors and external legal counsel retained by the Bank, pending litigation against the Bank disclosed in Note 41 of the Financial Statements will not have a material impact on the financial position of the Bank or its future operations.

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.

HUMAN RESOURCES

Our people being our key resource and the competitive edge, in 2010, Seylan Bank strived to promote a productive and contented workforce. HR Department of the Bank was also restructured and strengthened during the year to serve our people better and to make them competitive.

In our Bank, staff development continues to be the focused area, where Seylan team undergoes relevant and pragmatic training and career advancement initiatives. The management has given utmost importance to develop their skills, knowledge and related competencies. Long-term staff development programmes including the development of individual talents, leadership and customer service excellence have been conducted on a regular basis and well-received.

The Bank has always maintained an effective internal communication system and a close and constant dialogue with staff at all levels. Through the staff suggestions scheme, team members have been given a good opportunity to contribute to decision making process and innovations in the Bank.

STATUTORY PAYMENTS

The Directors are satisfied that to the best of their knowledge and belief, all statutory payments due to the Government and to the employees of the Bank and its subsidiary have been made up to date.

EMPLOYEES' SHARE OWNING SCHEME

The Bank has in place several employee share owning trusts established for providing additional benefits to employees at the time of their retirement/resignation. The trusts 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 the trusts for the purchase of such shares are provided in Note 21.8 to the Financial Statements. The Bank does not hold any shares in the trusts. The trusts are not consolidated with the Bank. The Bank intends to liquidate the trusts upon conclusion of the litigation referred to in Note 41.

POST-BALANCE SHEET EVENTS

No events have occurred after the Balance Sheet date which would require adjustments to or disclosure in the Accounts, other than those given in Note 43 to the Financial Statements.

AUDITORS

The Bank's Auditors during the period under review were Messrs KPMG Ford, Rhodes, Thornton & Co., Chartered Accountants. A sum of Rs. 5,462,000/- (2009 - Rs. 6,043,000/-) is payable to the Auditors by the Bank as audit service fees for the year under review and Rs. 2,174,000/- (2009 - Rs. 480,000/-) as audit-related fees. Non-audit fees payable to the Auditors for the year 2010 amounted to Rs. 332,000/- (2009 - Rs. Nil).

Consolidated audit fees payable to the Auditors for the year under review amounted to Rs. 6,185,000/- (2009 - Rs. 7,642,000/-) as audit service fees, Rs. 2,174,000/- (2009 - Rs. 480,000/-) as audit-related fees and Rs. 796,000/- (2009 - Rs. 157,000/-) as non-audit fees.

Based on the declaration made by Messrs KPMG Ford, Rhodes, Thornton & Co. 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 disclosed in the aforesaid paragraphs.

The retiring Auditors, Messrs KPMG Ford, Rhodes, Thornton & Co., have signified their willingness to continue in office and a resolution to reappoint them as Auditors and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Independence of the Auditors

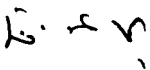
Based on an assessment carried out by the Board Audit Subcommittee, upon adoption of a policy for the engagement of Auditors, the Board is of the opinion that the External Auditors, Messrs KPMG Ford, Rhodes, Thornton & Co. can be deemed to be independent for all intents and purposes considering the following factors:

- No partner from the Firm is on the Board of Seylan Bank or on the Board of the 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 2009.
- KPMG is a firm of high repute and it complies with their own international guidelines.

NOTICE OF MEETING

Notice of Meeting relating to the Twenty Fourth Annual General Meeting of the Bank scheduled to be held on 30th March 2011 at 10.30 a.m. at 'Kings Court', Cinnamon Lakeside Colombo, 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02 is included on page 340 of this Annual Report.

By Order of the Board,



E. Narangoda
Executive Chairman



R. Nadarajah
Executive Director



Mrs. N.N. Najumudeen
Assistant Company Secretary

18th February 2011

ANNEXURE TO THE ANNUAL REPORT OF THE BOARD ON THE STATE OF AFFAIRS OF THE COMPANY

I. INTEREST REGISTER

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. The transactions with entities where a Director of the Bank either has control or exercises significant influence arising as a result of common directorships and through shareholdings have been classified as related party transactions and disclosed in Notes 44 and 45 to the Financial Statements. The transactions with entities where Directors of the Bank hold directorships are disclosed below:

1. LENDING TRANSACTIONS WITH THE BANK

Company	Name of Director & Relationship	Nature of Transaction	Aggregate Amount of Accommodation as at 31.12.2010		Security
			Limit Rs. Mn.	Outstanding Rs. Mn.	
Sotse (Pvt) Limited	Mr. E. Narangoda, <i>Chairman</i> Mr. R. Nadarajah, <i>Director</i>	Term Loan	38.550	29.892	Loan Agreement Form for Rs. 38.8 Mn.
Seyshop (Pvt) Limited	Mr. E. Narangoda, <i>Chairman</i> Mr. R. Nadarajah, <i>Director</i>	Term Loan	54.375	30.360	Loan Agreement Form for Rs. 55.1 Mn.
Seybest (Pvt) Limited	Mr. E. Narangoda, <i>Chairman</i> Mr. R. Nadarajah, <i>Director</i>	Term Loan	54.510	30.321	Loan Agreement Form for Rs. 55.1 Mn.
Esots (Pvt) Limited	Mr. E. Narangoda, <i>Chairman</i> Mr. R. Nadarajah, <i>Director</i>	Term Loan	53.860	30.978	Loan Agreement Form for Rs. 54.6 Mn.
Taprobane Holdings Limited	Mr. A.L. Devasurendra, <i>Managing Director</i> Mr. I.C. Nanayakkara, <i>Director</i>	Margin Trading	100.000	94.136	Secured by Rs. 367.299 Mn. worth of quoted shares
Lanka ORIX Finance Company Limited	Mr. I.C. Nanayakkara, <i>Deputy Chairman</i>	Overdraft Letter of Credit (within which) Post-Dated Cheque Facility Short-Term Loan	10.000 (10.000) 5.000 629.500	4.225 - - 629.500	Special Power of Attorney for Rs. 15.00 Mn. over lease agreement for Rs. 30.00 Mn. Lien over 1,505,000 units of gold Market Value Rs. 752.5 Mn.
Total			644.500	633.725	

Company	Name of Director & Relationship	Nature of Transaction	Aggregate Amount of Accommodation as at 31.12.2010		Security
			Limit Rs. Mn.	Outstanding Rs. Mn.	
Lanka ORIX Leasing Company PLC	Mr. I.C. Nanayakkara, <i>Deputy Chairman</i>	Overdraft	10.000	-	Assignment/Special Power of Attorney over performing leases for Rs. 95.0 Mn. over a portfolio not less than Rs. 190.0 Mn.
		Treasury Loan	135.000	135.000	Assignment/Special Power of Attorney over performing leases for Rs. 650.0 Mn. over a portfolio not less than Rs. 1.3 Bn.
		Revolving Lease	180.000	13.806	Secured on special foreign currency account Rs. 23.614 Mn.
		Short-Term Loan	640.000	421.000	
		Commercial Paper Loan	378.000	215.000	Secured from USD Fixed Deposit worth Rs. 217.106 Mn.
		Total	1,343.000	784.806	
Maturata Plantations Limited	Mr. I.C. Nanayakkara, <i>Director</i>	Overdraft	125.00	102.530	Mortgage over leasehold rights of Bramley Estate for Rs. 13.0 Mn. FSV - Rs. 22.0 Mn. MV - Rs. 27.0 Mn.
		Term Loan PSRP I	41.911	18.740	Primary Mortgage for Rs. 36.0 Mn. Secondary Mortgage for Rs. 50.0 Mn. over leasehold rights of Gonapitiya Estate FSV Rs. 120.0 Mn. MV Rs. 160.0 Mn.
	Mr. A.L. Devasurendra, <i>Director</i>	Term Loan PSRP II	18.737	10.939	Mortgage over leasehold rights of Alma Estate for Rs. 26.0 Mn. FSV Rs. 65.0 Mn. MV Rs. 75.0 Mn.
		Term Loan PSRP III	2.274	1.573	Mortgage over leasehold rights of Ragala Estate for Rs. 74.75 Mn. FSV Rs. 160.0 Mn. MV Rs. 190.0 Mn.
		Term Loan PSRP IV	10.600	8.200	Mortgage over leasehold rights of Maha Uva Estate for Rs. 19.5 Mn. FSV Rs. 65.0 Mn. MV Rs. 75.0 Mn.
	Term Loan PSRP V	13.732	12.730	Mortgage over leasehold rights of Enselwatte Estate for Rs. 102.25 Mn. FSV Rs. 220.0 Mn. MV Rs. 270.0 Mn.	
	Term Loan (EFRIENDS)	0.380	0.169	Letter of Comfort from Free Lanka Trading Co. and Free Lanka Plantations Co. (Pvt) Limited for Rs. 75.0 Mn.	

Company	Name of Director & Relationship	Nature of Transaction	Aggregate Amount of Accommodation as at 31.12.2010		Security
			Limit Rs. Mn.	Outstanding Rs. Mn.	
		Term Loan	100.000	91.664	Overdraft Agreement for Rs. 125.0 Mn.
		Term Loan (Tea Relief)	43.748	28.677	Loan Agreement forms for Rs. 296.986 Mn.
		Term Loan (Tea Relief)	26.000	14.082	Existing security cover and Mortgage Bonds are adequate to cover enhanced overdraft.
		Guarantee	2.000	0.655	Proposed security: Treasury Guarantee to be obtained to cover proposed Term Loan of Rs. 26.0 Mn.
Total			384.382	289.959	
The Lanka Hospital Corporation PLC	Mr. A.M.M. De Alwis, <i>Director</i>	Term Loan	98.750	3.795	Syndicate Loan Agreement entered into by Lanka Hospital Corporation PLC and Seylan Bank PLC.
	Mr. P.G.S. Kariyawasam, <i>Director</i> <i>(Resigned on 14.05.2010)</i>				Primary mortgage bond Nos. 167 & 168 over immovable and movable assets of the Company covering the loan up to 42.5% of capital and interest and other charges on the loan execution in favour of DFCC, NDB, HNB and the Bank.
	Dr. N.H. Godahewa, <i>Director</i> <i>(Resigned on 30.06.2010)</i>				Concurrent mortgage over all moneys receivable executed in favour of International Finance Corporation (IFC), DFCC, NDB, HNB and the Bank.
					Partial syndication loan guarantee from IFC up to 57.5% of the principal amount
Total			98.750	3.795	
Royal Fernwood Porcelain Limited	Mr. A.L. Devasurendra, <i>Director</i>	Overdraft (Sub Limit (within which)	(5.000)	} 8.706	Rs. 30.0 Mn. worth of Treasury Bonds and Rs. 18.03 Mn. worth Repos
		Temporary Overdraft	4.300		
		Letter of Credit	47.397	3.654	

Company	Name of Director & Relationship	Nature of Transaction	Aggregate Amount of Accommodation as at 31.12.2010		Security
			Limit Rs. Mn.	Outstanding Rs. Mn.	
		Export Bills Purchased (within which)	(47.397)	-	
		Packing Credit Loan (within which)	(47.397)	35.884	
		Term Loan	13.542	11.283	
		Total	65.239	59.527	
CIC Agribusiness (Pvt) Limited	Mr. S.P.S. Ranatunga, Director	Overdraft	100.000	2.686	Negative Pledge Over Movables
		Letter of Credit	800.000	630.000	
		Total	900.000	632.686	
Sierra Constructions Limited	Mr. A.L. Devasurendra, Director	Overdraft	-	1.461	Lien over Rupee Fixed Deposit for Rs. 36.060 Mn.
	Mr. I.C. Nanayakkara, Director	Short-Term Loan	4.911	4.911	Joint & Several Guarantees of Directors for Rs. 465.0 Mn.
		Guarantee	300.000	159.011	Mortgage over stocks for Rs. 50.0 Mn.
		Letter of Credit-Sight	50.000	-	Assignment over contract funds
		Revolving Import Loan/ Letter of Credit-Usance (within which)	(50.000)	-	Assignment over Bills discounted Bid Bond on NIL margin
		Bill Discounted	150.000	-	Performance Bond on 10% margin
					Advance payment Guarantee on 10% margin
					Lien over Rupee Fixed Deposit for Rs. 0.965 Mn. for Guarantee margin
		Total	504.911	165.383	
Agstar Fertilizers Limited	Mr. I.C. Nanayakkara, Director	Lease	6.000	0.958	Security Rs. 8 Mn. worth of machinery
		Total	6,000	0.958	

2. TRADING TRANSACTIONS WITH THE BANK

Company	Name of Director & Relationship	Nature of Transaction	Amount Rs. Mn.
Seylan Bank Employees' Gratuity Trust Fund	Mr. E. Narangoda, <i>Trustee</i> Mr. R. Nadarajah, <i>Trustee</i> Rear Admiral (Rtd.) B.A.J.G. Peiris, <i>Trustee</i> Mr. N.M. Jayamanne PC, <i>Trustee</i>	Funds Transferred by Seylan Bank PLC	108.966
Sotse (Pvt) Limited	Mr. E. Narangoda, <i>Chairman</i> Mr. R. Nadarajah, <i>Director</i>	Interest Received	1.200
Seyshop (Pvt) Limited	Mr. E. Narangoda, <i>Chairman</i> Mr. R. Nadarajah, <i>Director</i>	Interest Received	1.222
Seybest (Pvt) Limited	Mr. E. Narangoda, <i>Chairman</i> Mr. R. Nadarajah, <i>Director</i>	Interest Received	1.220
Esots (Pvt) Limited	Mr. E. Narangoda, <i>Chairman</i> Mr. R. Nadarajah, <i>Director</i>	Interest Received	1.246
Brown & Company PLC	Mr. A.L. Devasurendra, <i>Deputy Chairman</i> Mr. I.C. Nanayakkara, <i>Director</i>	Purchased Office Machines, Equipment & Repairs	29.331
		Repair of Fax Machine	0.006
		Interest Paid	0.004
		Interest Received	0.828
Sri Lanka Insurance Corporation Limited	Mr. A.M.M. De Alwis, <i>Managing Director/CEO</i> <i>(Appointed w.e.f. 20.08.2010)</i>	Interest Payable	58.500
	Mr. P. Kudabalage, <i>Executive Director</i> <i>(Appointed w.e.f. 20.08.2010)</i>	Sharing Creative Production Costs with Seylan Assurance	0.363
	Mr. P.G.S. Kariyawasam, <i>Chairman</i> <i>(Resigned on 14.05.2010)</i> Dr. N.H. Godahewa, <i>Managing Director</i> <i>(Resigned on 30.06.2010)</i>	Insurance	22.134
The Ceylon Chamber of Commerce	Mr. S.P.S. Ranatunga, <i>Member</i>	Bank Association & Club Fees	0.140
eChannelling PLC	Mr. P. Kudabalage, <i>Chairman</i> <i>(Appointed w.e.f. 20.08.2010)</i>	Commission Received	0.033
Taprobane Holdings Limited	Mr. A.L. Devasurendra, <i>Managing Director</i> Mr. I.C. Nanayakkara, <i>Director</i>	Interest Received	7.259

II. DIRECTORS WHO HELD DIRECTORSHIPS IN LISTED COMPANIES DURING 2010

Name of Director	Name of Listed Company
Mr. R. Nadarajah	Seylan Developments PLC
Rear Admiral (Rtd.) B.A.J.G. Peiris	Seylan Developments PLC (Resigned on 07.04.2010)
Mr. A.L. Devasurendra	Brown & Company PLC Confifi Hotel Holdings PLC Eden Hotel Lanka PLC Riverina Hotels PLC
Mr. I.C. Nanayakkara	Brown & Company PLC Confifi Hotel Holdings PLC Eden Hotel Lanka PLC Lanka ORIX Leasing Company PLC Riverina Hotels PLC Touchwood Investments PLC (Resigned on 01.02.2010)
Mr. S.P.S. Ranatunga	CIC Holdings PLC [Formerly: Chemical Industries (Colombo) PLC] Chemanex PLC
Mr. A.M.M. De Alwis	The Lanka Hospital Corporation PLC
Mr. P. Kudabalage	e-Channelling PLC