

{ PREFACE }

A VOTE OF CONFIDENCE

Having restored financial stability, Seylan Bank continues to build a business case that is earning sustained support from stakeholders

In 2009, Seylan Bank faced a crisis of confidence among depositors that threatened its existence as an institution. Our success in quickly restoring public confidence - without the need for a bailout from the Sri Lankan government or the Central Bank - was unprecedented in the domestic banking sector and, indeed, in the global financial services industry.

We entered 2010 assured that the Bank was back on track and well-positioned to pursue sustainable long-term growth. As documented in our previous Annual Report, *The Case Study*, early in 2009 the Bank's new Board took a series of dramatic steps to secure depositors' savings and address the concerns of key stakeholders while also helping to ensure the economic health of the nation and the stability of its financial system. In the months that followed, we developed and implemented a comprehensive strategic plan, strengthening the Bank's restored foundation and setting in place further building blocks for a return to profitability.

As each proactive measure gained traction, thanks to the collective efforts of our Board of Directors, supportive partners and dedicated employees, the challenges facing Seylan Bank began to seem less daunting. Through a series of judiciously defined actions, we applied the best practices in corporate governance, comprehensive risk management and prudent fiscal decision-making, that would secure the Bank's future financial health. The only question was how quickly we could expect to see quantifiable measures of this return to prosperity.

The Board set goals for the 2010 financial year that were comparatively modest yet still ambitious, given the continuing impact of the global economic downturn. Yet by mid-year Seylan Bank had exceeded expectations, posting a profit after taxation of Rs. 510.5 Mn. for the six months ended 30th June - a gain of 270% over the same period in the previous year.

That progress continued through the balance of 2010, moderated somewhat by the lingering effects of the recession. The Board is extremely pleased to report that Seylan Bank achieved an after-tax profit of Rs. 1.2 Bn. for the year, an increase of 126% compared to the financial year 2009 - despite having made the highest provisions for non-performing loans among Sri Lanka's major banks (as per the results for the first 9 months). We share the pride of all our stakeholders in this year's gratifying results, which are examined at length in the following pages. They provide tangible evidence that the plan we put in place is indeed working - and that the challenges still before us, while still requiring focused attention, are considerably more manageable than those we faced in the immediate aftermath of the Bank's near-collapse.

The positive response to last year's Seylan Bank Annual Report was deeply gratifying to the Board and senior management. The candour and analytical rigour that we tried to apply in documenting our Bank's return to stability earned recognition from several international award-giving bodies in the field of financial reporting. Even more important, our efforts were applauded by the very stakeholders whose support, trust and good faith have been the keys to our successful renewal.

In tabling this report for 2010, we carry on that commitment to scrupulous, forthright disclosure as we detail the successes of the past year and the challenges that still lie ahead. We thank especially the Government of Sri Lanka, the Governor of the Central Bank of Sri Lanka (CBSL), Bank Supervision Department of CBSL and all of our stakeholders, including our devoted employees and, above all, our loyal depositors, for your continued confidence in Seylan Bank. I would also like to extend special thanks to my fellow Directors for their total commitment and dedication. It is a testament to your steadfast support that we are able to present what we feel is a compelling business case for 'The Bank with a Heart'.



Eastman Narangoda

Executive Chairman

18th February 2011