



The Merchant Bank

*A Subsidiary of Bank of Ceylon
In Alliance with SBI Capital Markets Limited of India*

UNAUDITED INTERIM FINANCIAL STATEMENTS

For the Period ended 30 September 2009

Merchant Bank of Sri Lanka PLC
Income Statement

	Company					Group				
	Quarter ended		Nine Months Period ended			Quarter ended		Nine Months Period ended		
	30-09-2009 LKR ' 000	30-09-2008 LKR ' 000	30-09-2009 LKR ' 000	30-09-2008 LKR ' 000	Variance %	30-09-2009 LKR ' 000	30-09-2008 LKR ' 000	30-09-2009 LKR ' 000	30-09-2008 LKR ' 000	Variance %
INCOME	289,616	250,204	811,127	739,382	9.70	686,681	408,965	1,661,487	1,175,963	41.3
Interest income	247,474	229,620	718,490	678,582	5.88	536,979	378,352	1,418,394	1,089,433	30.2
Less: Interest expense	147,339	144,732	439,798	402,908	-9.16	352,879	240,016	930,383	671,202	-38.6
Net interest income	100,135	84,888	278,692	275,674	1.09	184,100	138,336	488,011	418,231	16.7
Fee and commission income	19,834	9,529	48,074	27,970	71.88	23,775	12,293	57,879	35,463	63.2
Dividend income	9,443	2,438	11,055	5,066	118.22	720	2,438	2,623	5,071	-48.3
Other income	12,865	8,617	33,508	27,764	20.69	125,207	15,882	182,591	45,996	297.0
	142,277	105,472	371,329	336,474	10.36	333,802	168,949	731,104	504,761	44.8
Less:										
OPERATING EXPENSES										
Personnel costs	32,616	30,748	97,091	87,857	-10.51	82,572	46,682	212,708	134,140	-58.6
Premises, equipment and establishment expenses	9,282	7,581	26,746	22,718	-17.73	23,388	13,591	58,464	40,212	-45.4
Fee and commission expenses	868	722	2,621	1,970	-33.05	3,709	1,347	9,890	5,019	-97.1
Provision for staff retirement benefits	900	900	2,700	2,700	0.00	2,055	1,371	5,865	4,113	-42.6
Provision for loan losses	(5,505)	(2,320)	26,966	28,732	6.15	(161,876)	4,523	(104,987)	68,792	252.6
Provision/reversal for disposal assets	14,200	11,405	27,493	26,127	-5.23	82,655	14,494	98,405	30,376	-224.0
Provision for (appreciation)/fall in value of investments	(6,993)	313	(27,596)	(6,479)	325.93	308	313	(30,073)	(6,479)	364.16
Value Added Tax on financial services	12,585	5,533	27,520	19,170	-43.56	19,357	10,862	44,366	28,019	-58.3
Other overhead expenses	21,410	17,528	52,966	47,969	-10.42	74,569	26,928	147,633	77,811	-89.7
	79,363	72,410	236,507	230,764	-2.49	126,737	120,111	442,271	382,003	-15.8
PROFIT FROM OPERATIONS	62,914	33,062	134,822	105,710	27.54	207,065	48,838	288,833	122,758	135.3
Share of Associate Companies profit/(loss) before taxation	11,717	3,141	18,475	14,982	23.31	11,717	3,141	18,475	14,982	23.3
PROFIT BEFORE TAXATION	74,631	36,203	153,297	120,692	27.02	218,782	51,979	307,308	137,740	123.1
Less: Income tax expenses	16,177	1,278	28,084	11,604	-142.02	16,777	1,653	29,884	12,729	-134.8
PROFIT AFTER TAXATION	58,454	34,925	125,213	109,088	14.78	202,005	50,326	277,424	125,011	121.9
Attributable to:										
Equity Holders of the parent	58,454	34,925	125,213	109,088	14.78	169,108	42,780	235,243	117,209	100.7
Minority interest	-	-	-	-		32,897	7,546	42,181	7,802	440.6
PROFIT FOR THE PERIOD	58,454	34,925	125,213	109,088	14.78	202,005	50,326	277,424	125,011	121.9

Merchant Bank of Sri Lanka PLC
Balance Sheet

As at	Company				Group			
	30-Sep-09	30-Sep-08	31 December 2008	Change	30-Sep-09	30-Sep-08	31 December 2008	Change
	LKR ' 000	LKR ' 000	LKR ' 000	%	LKR ' 000	LKR ' 000	LKR ' 000	%
ASSETS								
Cash in hand and cash at bank	73,441	22,934	38,236	220.2	150,386	36,318	39,733	314.1
Government treasury bills	146,661	126,159	131,084	16.3	1,166,781	507,981	446,084	129.7
Dealing securities	204,875	77,179	51,505	165.5	325,989	84,459	55,649	286.0
Investment securities	5,024	5,024	5,024	0.0	5,035	5,034	5,034	0.0
Loans & advances								
Bills receivable	393,410	316,894	329,320	24.1	393,639	309,734	329,549	27.1
Loans & advances	574,340	463,113	478,149	24.0	2,648,553	1,030,484	1,342,942	157.0
Lease / Hire purchase receivable	3,015,292	3,099,351	3,128,124	-2.7	5,174,341	4,626,552	4,660,299	11.8
Investment in real estate	-	-	-	0.0	28,570	32,858	31,159	-13.1
Other assets	159,265	145,790	131,467	9.2	501,360	196,300	207,986	155.4
Investments in Associates	100,069	84,002	82,977	19.1	100,069	84,003	82,977	19.1
Investments in Subsidiaries	259,524	20,918	20,918	1140.7	-	-	-	0.0
Investment properties	299,873	339,707	339,087	-11.7	587,235	339,707	339,087	72.9
Property, Plant and Equipment	37,545	30,868	30,519	21.6	131,647	43,325	44,466	203.9
Intangible assets	1,574	1,243	1,718	26.6	140,699	3,830	4,063	3,573.6
Total Assets	5,270,893	4,733,182	4,768,128	11.4	11,354,304	7,300,585	7,589,028	55.5
LIABILITIES								
Customer deposits	-	-	-		4,737,160	1,918,819	2,199,270	-146.9
Interest bearing borrowings								
Non-Current	131,500	396,794	380,665	66.9	131,500	396,794	380,665	66.9
Current	1,758,665	1,093,308	1,173,284	-60.9	1,802,580	1,274,638	1,301,707	-41.4
Long-term insurance fund	-	-	-		37,947	-	-	
Non-Life insurance reserve	-	-	-		145,504	-	-	
Current tax liability	59,068	60,195	37,873	1.9	59,068	60,195	37,873	1.9
Debentures	1,144,160	1,164,160	1,144,160	1.7	1,241,894	1,164,160	1,144,160	-6.7
Deferred tax liability	31,295	56,230	31,295	44.3	31,295	56,230	31,295	44.3
Retirement benefit obligation	52,307	46,296	50,612	-13.0	72,038	59,185	63,975	-21.7
Other liabilities	378,891	332,395	270,445	-14.0	908,307	478,626	420,171	-89.8
Total Liabilities	3,555,886	3,149,378	3,088,334	-12.9	9,167,293	5,408,647	5,579,116	-69.5
Equity								
Stated capital	1,067,000	1,067,000	1,067,000	0.0	1,067,000	1,067,000	1,067,000	0.0
Reserve fund	45,716	31,361	45,716	45.8	45,716	31,361	45,716	45.8
Statutory reserve fund	-	-	-	0.0	37,942	34,066	37,942	11.4
Retained earnings	602,291	485,443	567,078	24.1	832,289	598,074	687,046	39.2
Total equity	1,715,007	1,583,804	1,679,794	8.3	1,982,947	1,730,501	1,837,704	14.6
Minority interest	-	-	-		204,064	161,437	172,208	26.4
Total equity and minority interest	1,715,007	1,583,804	1,679,794		2,187,011	1,891,938	2,009,912	
Total liabilities, equity and minority interest	5,270,893	4,733,182	4,768,128	11.4	11,354,304	7,300,585	7,589,028	55.5

I certify that the Financial Statements of the Company give a true and fair view of the state of affairs as at 30 September 2009 and of its profits for the period then ended

Priyantha Herath
Asst. Director - Finance & Treasury Management

Approved and signed for and on behalf of the Board

Mr. Gamini Karunathilake
CEO

Ms. W A Nalani
Director

Mr. Janaka Ratnayake
Chairman

28 October 2009
Colombo, Sri Lanka

The above figures are provisional and subject to the audit

Merchant Bank of Sri Lanka PLC

Statement of Changes in Equity

For the period ended 30 September 2009

	Stated Capital LKR ' 000	Reserve fund LKR ' 000	Statutory Reserves LKR ' 000	Accumulated Profit/(Loss) LKR ' 000	Total LKR ' 000
Company					
Balance as at 01.01.2008	1,067,000	31,361	-	466,355	1,564,716
Net Profit for the period	-	-	-	109,088	109,088
Transfers to Reserve fund	-	-	-	-	-
Dividend Paid	-	-	-	(90,000)	(90,000)
Transfers during the period	-	-	-	-	-
Balance as at 30.09.2008	1,067,000	31,361	-	485,443	1,583,804
Balance as at 01.01.2009	1,067,000	45,716	-	567,078	1,679,794
Net Profit for the period	-	-	-	125,213	125,213
Transfers to Reserve fund	-	-	-	-	-
Dividend Paid	-	-	-	(90,000)	(90,000)
	-	-	-	-	-
Balance as at 30.09.2009	1,067,000	45,716	-	602,291	1,715,007
Group					
Balance as at 01.01.2008	1,067,000	31,361	34,066	570,865	1,703,292
Net profit for the period	-	-	-	117,209	117,209
Transfers to Reserve fund	-	-	-	-	-
Transfers to Statutory Reserve	-	-	-	-	-
Dividend Paid	-	-	-	(90,000)	(90,000)
Transfers during the period	-	-	-	-	-
Balance as at 30.09.2008	1,067,000	31,361	34,066	598,074	1,730,501
Balance as at 01.01.2009	1,067,000	45,716	37,942	687,046	1,837,704
Net profit for the period	-	-	-	235,243	235,243
Transfers to Reserve fund	-	-	-	-	-
Transfers to Statutory Reserve	-	-	-	-	-
Dividend Paid	-	-	-	(90,000)	(90,000)
	-	-	-	-	-
Balance as at 30.09.2009	1,067,000	45,716	37,942	832,289	1,982,947

Merchant Bank of Sri Lanka PLC
Cash Flow Statement

For the period ended 30 September	Company		Group	
	2009 LKR ' 000	2008 LKR ' 000	2009 LKR ' 000	2008 LKR ' 000
Cash Flow from Operating Activities				
Interest and commission receipts	511,556	531,807	1,215,692	889,367
Interest payments	(275,981)	(299,390)	(564,082)	(442,587)
Receipts from other operating activities	33,507	29,805	108,854	46,270
Cash payments to employees and suppliers	(130,883)	(125,949)	(285,943)	(219,420)
Payments on other operating activities	(61,143)	(43,969)	(266,879)	(54,824)
Operating profit before changes in operating assets	77,056	92,304	207,642	218,806
(Increase)/Decrease in operating assets:				
(Increase)/Decrease in operating assets	30,027	(29,690)	533	33,819
Funds advanced to customers	(47,450)	(162,956)	(475,490)	(276,570)
Increase/(Decrease) in operating liabilities				
Operating liabilities	108,446	64,421	212,706	64,011
Deposits from customers	-	-	955,159	37,795
Net cash from operating activities before income tax	168,079	(35,921)	900,550	77,861
Income tax paid	(13,317)	(13,187)	(21,595)	(20,139)
Net cash inflow/(outflow) from operating activities	154,762	(49,108)	878,955	57,722
Cash Flows from Investing Activities				
Purchase of Property, Plant & Equipment	(11,871)	(11,138)	(26,217)	(14,800)
Dividend income	11,055	5,066	2,623	5,071
Purchase of investments	(497,298)	(22,022)	(646,487)	(29,162)
Proceeds from Sale of Property, Plant & Equipment	-	-	7,826	66
Proceeds from sale of investments	147,918	24,979	323,206	24,979
Net cash inflow/(outflow) from investing activities	(350,196)	(3,115)	(339,049)	(13,846)
Cash flows from financing activities				
Proceeds from issue of Shares	-	-	-	-
Dividend paid	(90,000)	(90,000)	(99,800)	(90,000)
Cash inflow from long term loans	151,885	340,000	151,885	340,000
Repayment of long term loans	(574,613)	(352,293)	(574,813)	(370,869)
Proceeds from short term loans	1,397,158	1,804,352	1,397,158	1,804,352
Repayment of short term loans	(480,588)	(1,387,604)	(686,627)	(1,419,005)
Net cash inflow/(outflow) from financing activities	403,842	314,455	187,803	264,478
Net increase / (decrease) in cash and cash equivalents	208,408	262,232	727,709	308,354
Cash and cash equivalents at beginning of the period	(65,852)	(207,956)	481,271	71,313
Cash and cash equivalents at end of the period (Note. 1)	142,556	54,276	1,208,980	379,667
Note 1 Reconciliation of cash and cash equivalents				
Government treasury bills	146,661	126,159	1,166,781	507,981
Cash in hand and at bank	73,441	22,934	150,386	36,318
Bank overdrafts	(77,546)	(94,817)	(108,187)	(164,632)
	142,556	54,276	1,208,980	379,667

Merchant Bank of Sri Lanka PLC
SEGMENT REPORTING

Company

For the period ended 30 September	Leasing		Trade Finance		Corporate Finance		Money Market		Eliminations / Unallocated		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Revenue from external customers												
Interest	41,844	49,758	136,601	102,718	3,332	3,464	19,184	10,412	1,194	1,038	202,155	167,390
Lease income	516,335	511,192	-	-	-	-	-	-	-	-	516,335	511,192
Commissions	9,999	10,483	2,043	1,857	-	-	-	-	-	-	12,042	12,340
Others	10,729	11,529	7,716	317	30,598	35,297	9,180	-	22,372	1,317	80,595	48,460
Total revenue from external customers	578,907	582,962	146,360	104,892	33,930	38,761	28,364	10,412	23,566	2,355	811,127	739,382
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-
Segment results	71,560	61,157	26,624	12,966	33,851	18,471	24,525	12,012	(3,263)	16,086	153,297	120,692
Unallocated expenses											(26,829)	13,731
Profit before interest, tax and associate company's profit											574,620	508,618
Interest expense											(439,798)	(402,908)
Profit from Associate company											18,475	14,982
Income tax expense											(28,084)	(11,604)
Minority interest											-	-
Net profit for the year											125,213	109,088
Other Information												
Segment assets	3,054,495	3,130,048	1,180,614	1,081,719	280,653	102,441	224,821	163,829	170,717	150,225	4,911,300	4,628,262
Investment in Associate/Subsidiary	-	-	-	-	-	-	-	-	359,593	104,920	359,593	104,920
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	3,054,495	3,130,048	1,180,614	1,081,719	280,653	102,441	224,821	163,829	530,310	255,145	5,270,893	4,733,182
Segment liabilities	45,986	65,518	31,613	47,712	-	48	3,305,973	2,858,822	172,314	177,278	3,555,886	3,149,378
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	45,986	65,518	31,613	47,712	-	48	3,305,973	2,858,822	172,314	177,278	3,555,886	3,149,378
Information on Cash Flows												
Cash flows from operating activities	160,838	93,734	(82,995)	(192,027)	(3,365)	(3,218)	152,871	98,988	(72,587)	(46,585)	154,762	(49,108)
Cash flows from investing activities	-	-	-	-	(338,325)	8,023	-	-	-	-	(338,325)	8,023
Cash flows from financing activities	-	-	-	-	-	-	403,842	314,455	-	-	403,842	314,455
Capital expenditure	-	-	-	-	-	-	-	-	(11,871)	(11,138)	(11,871)	(11,138)

Notes to the Financial Statements

- There were no changes in the accounting policies and methods of computation since the publication of financial statements in the Annual Report - 2008. These interim financial statements are presented in accordance with the SLAS 35 -interim Financial Reporting.
- There were no material events that took place since September 30, 2009, that require disclosure in these financial statements.
- During the quarter there were no material changes in the composition of assets, liabilities and use of funds raised through debentures.
- There has not been a significant change in the nature of the contingent liabilities and contingent assets, which were disclosed in the last Annual Report

5. Share Information	As at 30.09.2009	As at 31.12.2008
	LKR	LKR
Net Asset per share - Company	19.06	18.66
- Group	22.03	20.42

	As at 30.09.2009	As at 30.09.2008
Market price per share		
-High	30.50(02.09.2009)	15.00(06.08.2008)
-Low	15.00(09.07.2009)	11.75(30.09.2008)
-Last Transaction	27.75(30.09.2009)	12.00(30.09.2008)
Number of shares issued	90,000,000	90,000,000

6. Ratios	As at 30.09.2009	As at 31.12.2008
Debt/Equity Ratio	1.77	1.61
Liquidity Ratio	0.82	1.19
Interest Cover	1.35	1.37

- To facilitate the comparison, relevant balances pertaining to the previous years have been re-classified to confirm to current classifications and presentation.
- During the period the Company acquired the following companies.
100% of the ordinary shares of ABC Insurance Company Ltd on 07 April 2009.
78% of the voting shares of Ceylinco Savings Bank Ltd on 30 April 2009.
46.35% of the voting shares of Ceylinco Investmnet Company Ltd on 10 September 2009.
- The number of shares held by the Board of Directors are as follows

Name of the Director	30.09.2009	30.09.2008
Janaka Rathnayake	Nil	Nil
Ms. W.A.Nalani	Nil	Nil
Dr.Ranjith Bandara	Nil	Nil
M.S.S.Paramananda	Nil	Nil
Lakshman Perera	Nil	Nil
J.G.B.P.Tissera	2000	2000
P.G.Rupasinghe	Nil	Nil
V.Kanagasabapathy	Nil	Nil

10. Twenty largest share holders

	Name of the share holder	No. Shares	Holding %
01.	Bank of Ceylon No. 1 Account	68,400,000	76.00%
02.	Bank of Ceylon A/C Ceybank Unit Trust	3,765,340	4.18%
03.	Green Care International Limited	1,760,700	1.96%
04.	Distilleries Company of Sri Lanka PLC	959,911	1.07%
05.	Waldock Mackenzie Limited / Mr. Lalith Prabash Hapangama	959,911	0.74%
06.	Employees Trust Fund Board	666,900	0.71%
07.	Mr. D.K.A.K. Weeratunga	636,876	0.49%
08.	Mr. T.D.D. Dissanayake	441,300	0.39%
09.	Mr. M.Premajayanth	352,400	0.28%
10.	Mr. R. Veerasundaram	250,001	0.28%
11.	Mr. B.R.Madihahewa	249,100	0.24%
12.	Mr. L.R.Weeramanthri	220,100	0.22%
13.	Freudenberg Shipping Agency Limited	200,000	0.22%
14.	Mr. D. N. Sellamuttu	198,000	0.20%
15.	First Capital Markets Limited/ Mr. M. A. U. Gnanathi	177,177	0.18%
16.	Mr. A. M. Weerasinghe	156,500	0.17%
17.	Mr. M. E. A. A. Perera	145,784	0.16%
18.	Sampath Bank Limited - Account No. 3	138,400	0.15%
19.	Mr. M. M. Udeshi	133,883	0.15%
20.	Mr. S.S.C. Fernando	131,300	0.15%

- The percentage of shares held by the public as at 30 September 2009 was 12.06%