



**INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE 2023**

COMPANY REGISTRATION NO : PQ 48

Press Release

Pan Asia Bank ready to leverage on economic revival amidst external challenges; Posts Steady 2023 1H Performance

- Net Trading Gains from government securities - Rs. 957 Mn, up by 314%
- Operating Profits up by 182% to post Rs. 2,071 Mn
- Profit Before Tax - Rs. 1,516 Mn, up by 206%
- Profit After Tax - Rs. 926 Mn, up by 179%
- Total Assets increases by Rs. 18.3 Bn to reach Rs. 226 Bn
- Customer Deposit Base reaches Rs. 171 Bn, up by 5%
- The Bank reports a Return on Assets (Pre-Tax) of 1.41%
- The Bank remains well capitalised and liquid:
 - Tier 1 Capital Ratio 15.73% (Regulatory Minimum - 8.50%)
 - Total Capital Ratio 17.65% (Regulatory Minimum - 12.50%)
 - Rupee LCR 408.82% (Regulatory Minimum - 100%)
 - All Currency LCR 358.96% (Regulatory Minimum - 100%)

Pan Asia Banking Corporation PLC reflected a performance amidst a multitude of adversities emerging from challenging macro-economic conditions as the Bank reported its financial performance for 2023 1H, which showed judicious portfolio management and prudence exercised in dealing with possible fallout on its asset quality from under high interest rate regime. For the six-month period ended 30th June 2023, the Bank reported a Pre-Tax Profit of Rs. 1,516 Mn, which is 206% increase compared to corresponding period last year, mainly due to increased trading gains from government securities, reduced exchange losses and reduced impairment charges.

The Sri Lankan economy has experienced some positive signs of gradual economic recovery and a measure of stability in macro-economic factors compared to the previous period, with the appreciation of LKR against USD and the IMF bailout followed by the Domestic Debt Optimization (DDO) announcement. The Impairment charges for 2023 1H came down by 31% compared to the comparative period due to steady collection and recovery efforts and contraction in loan book during the period under review. Meanwhile, the management maintained the LKR equivalent of the impairment provisions made on SLISBs and SLDBs without a significant change during the period under review, despite the appreciation in LKR against USD during 2023 1H with the expectation of possible adverse outcomes of the on-going government external debt restructuring programme.

The interest income for 2023 1H rose by 73% due to increased market lending rates that prevailed during the period under review compared to 2022 1H and the re-pricing effect of facilities in response to the market conditions. Further, the significant volume growth in Pawning and Short-Term Loans (YoY) also contributed to the increase in loan related interest income. Apart from that, the interest income from Rupee denominated securities of the Government of Sri Lanka has also gone up significantly due to both increase in investments in Rupee Treasury Bills and high interest rates offered on such new investments compared to the previous period.

The interest expense for 2023 1H has also gone up significantly by 148% due to the steep increase in deposit rates, re-pricing effect of deposits as a response to the market conditions and growth in deposit base. Consequently, the Net Interest Income declined by 12% to Rs. 4,552 Mn during the period under review from Rs. 5,155 Mn in the corresponding period due to higher growth in interest expense than the growth in interest income.

The Bank's Net Fee and Commission Income declined by 26% mainly due to a drastic reduction in fee income generated from loans and advances due to weak demand for credit which resulted from the high interest rate regime and other less supportive macro-economic environment that prevailed during the period under review.

The Net Gains from Trading increased by 314% mainly due to increased realised and unrealised gains from Government of Sri Lanka Treasury Bills and Treasury Bonds classified under Fair Value through Profit or Loss (FVPL). The phenomenal growth in trading gains on Rupee government securities was negated to some extent by the losses from the SWAP book during 1st Half 2023, mainly resulting from reporting high discounts in Forex SWAP agreements which was at high premium in 1st Half 2022.

The Bank reported a reduction in Other Operating Losses due to reduced exchange losses on impairment charges for loans and advances and other financial assets due to the appreciation of LKR against USD during 2023 1H which also contributed for the growth in Total Operating Income in 2023 1H. This is due to the presentation of the impact of the currency fluctuations on impairment charges on FCY loans and advances and other FCY financial assets under Other Operating Income/(Losses) in the Income Statement.

The increase in Personnel Expenses is mainly due to increased allocation for staff bonuses and increased salaries and allowances. The increase in Other Operating Expenses of 28% is due to increase in service computer maintenances, card related expenses and increased prices of the commodities compared to the prior reporting period.

Taxes and Levies on Financial Services have gone up mainly due to the increase in Operating Profits and the effect of the recently introduced Social Security Contribution Levy (SSCL). Income Tax Expense has increased by 260% due to both increased operating profits and increased tax rates.

The Bank's Post-Tax Profit has increased by 179% to Rs. 926 Mn in 2023 1H from Rs. 332 Mn in 2022 1H due to the overall excellence.

The Bank reported a Net Interest Margin (NIM) of 4.24% during 2023 1H. Meanwhile, the Bank reported a Return on Equity (ROE) of 8.90% and a Pre-Tax Return on Assets (ROA) of 1.41% during the period under review.

The Bank's Earnings Per Share (EPS) for 2023 1H increased to Rs. 2.09 from Rs. 0.75 improved profits. Meanwhile, the Bank's Net Asset Value Per Share as of 30th June 2023 stood at Rs. 48.68 after an appreciation of 5%.

The Total Assets of the Bank stood at Rs. 226 Bn as of 30th June 2023 after posting a growth of Rs. 18.3 Bn or 9% during 1st Half 2023 supported mainly by the expansion in investments in LKR government securities classified under FVPL.

The Gross Loans and Advances book recorded a drop of 8% mainly due to decrease in retail credit exposures during 2023 1H due to high interest rate regime prevailed during a significant part of the 2023 1H and the cautious lending approach followed in lending to sectors/segments which exhibited high stress. Meanwhile, supported by the expansion in time deposits, the Total Customer Deposits recorded a growth of 5% to reach Rs. 171 Bn as of 30th June 2023.

The Bank's Impaired (Stage 3) Loan Ratio stood at 4.15% and Stage 3 Provision Cover stood at 45.59% as of 30th June 2023. The Bank continued its focused actions towards managing the quality of its loan book by containing NPLs amidst the extremely weakened economic landscape.

The Bank's Total Tier 1 Capital before deductions crossed the Rs.20 bn mark during the period under review. The Bank maintains all its Capital and Liquidity Ratios well above the regulatory minimum standards. The Bank's Tier 1 Capital Ratio and Total Capital Ratio as of 30th June 2023 stood at 15.73% and 17.65% respectively. Further, the Bank's Leverage Ratio stood at 7.69% as of 30th June 2023.

The Total Bank Level Statutory Liquid Assets Ratio (SLAR) as of 30th June 2023 stood at 32.58%. Meanwhile, the Bank's Liquidity Coverage Ratio (LCR) under BASEL III stood well above the statutory minimums. The Bank maintained LCR of 358.96% and 408.82% for All Currencies and Rupees respectively.

Commenting on the Bank's performance, Naleen Edirisinghe, Director and CEO of Pan Asia Bank said, "Our resounding performance in 1st Half 2023 demonstrates that we are well on track to meeting our ambitious targets for the year. A growth of PAT of over 179% and 418% during 2023 1H and 2Q respectively and affirms the efficacy of our strategy which will be accelerated for generating greater earnings from core banking while infusing operational efficiencies. Despite difficult market conditions, Pan Asia Bank leveraged on its spirit of innovation and can-do spirit as one team to deliver this encouraging performance which sets the stage for the rest of the year."

Pan Asia Bank was ushered into Business Todays Top 40 business organizations ranking for 2022-2023 based on criteria such as portfolio, profits and risks taken, resilience, passion, and how well challenges are met. The Bank was also selected by LMD as one of the 'Most Awarded Entities' and top 'Most Respected' Entities in 2022. In addition, Pan Asia Bank was bestowed with Gold and Bronze awards at the 2022 Effie

Recording consistent growth year after year, Pan Asia Bank is strongly positioned as the 'Truly Sri Lankan Bank', marking an illustrious journey that has promoted financial security and fulfilled the aspirations of its customers while supporting the prosperity of the nation.

In Rupee Thousands

Income Statement						
	For the Six Months ended 30th June		Change %	For the Quarter ended 30th June		Change %
	2023 (Audited)	2 022		2 023	2 022	
Interest Income	19,080,998	11,009,276	73	9,921,226	6,135,787	62
Interest Expense	(14,529,300)	(5,854,773)	148	(7,403,590)	(3,452,268)	114
Net Interest Income	4,551,698	5,154,503	(12)	2,517,636	2,683,519	(6)
Fee and Commission Income	714,622	960,442	(26)	363,368	430,188	(16)
Fee and Commission Expense	(24,565)	(21,953)	12	(14,880)	(9,263)	61
Net Fee and Commission Income	690,057	938,489	(26)	348,488	420,925	(17)
Net Gains from Trading	956,597	231,054	314	759,225	121,590	524
Other Operating Losses	(193,272)	(1,822,608)	89	(162,956)	(753,755)	78
Total Operating Income	6,005,080	4,501,438	33	3,462,393	2,472,279	40
Impairment Charges	1,075,598	1,559,968	(31)	694,063	958,249	(28)
Net Operating Income	4,929,482	2,941,470	68	2,768,330	1,514,030	83
Operating Expenses						
Personnel Expenses	1,225,544	870,254	41	634,647	507,818	25
Depreciation and Amortisation	245,105	252,638	(3)	120,520	124,883	(3)
Other Operating Expenses	1,388,034	1,084,971	28	712,893	578,101	23
Total Operating Expenses	2,858,683	2,207,863	29	1,468,060	1,210,802	21
Operating Profit before Taxes on Financial Services	2,070,799	733,607	182	1,300,270	303,228	329
Taxes and Levies on Financial Services	554,927	237,762	133	324,525	121,583	167
Profit before Tax	1,515,872	495,845	206	975,745	181,645	437
Income Tax Expense	590,126	163,745	260	373,514	65,467	471
Profit for the Period	925,746	332,100	179	602,231	116,178	418
Earnings Per Share - Basic/Diluted (Rs.)	2.09	0.75	179	1.36	0.26	418

In Rupee Thousands

Statement of Comprehensive Income

	For the Six Months ended 30th June		Change %	For the Quarter ended 30th June		Change %
	2023	2022		2023	2022	
Profit for the Period	925,746	332,100	179	602,231	116,178	418
Other Comprehensive Income for the Period	-	-	-	-	-	-
Total Comprehensive Income for the Period	925,746	332,100	179	602,231	116,178	418

In Rupee Thousands

Statement of Financial Position			
	As at 30/06/2023	As at 31/12/2022 (Audited)	Change %
Assets			
Cash and Cash Equivalents	4,911,529	5,374,284	(9)
Balances with Central Bank of Sri Lanka	6,750,334	5,308,803	27
Reverse Repurchase Agreements	-	2,003,276	(100)
Derivative Financial Instruments	136,966	-	100
Financial Assets at Fair Value through Profit or Loss	33,470,234	2,239,757	1,394
Financial Assets at Amortised Cost			
-Loans and Advances	133,926,069	144,148,110	(7)
-Debt and Other Instruments	38,788,725	40,195,048	(3)
Financial Assets at Fair Value through Other Comprehensive Income	3,752	3,752	-
Property, Plant and Equipment	2,576,289	2,586,149	(0)
Right-of-Use Assets	1,491,791	1,593,986	(6)
Intangible Assets	311,096	340,049	(9)
Deferred Tax Assets	1,663,009	1,759,444	(5)
Other Assets	2,277,766	2,496,454	(9)
Total Assets	226,307,560	208,049,112	9
Liabilities			
Due to Banks	12,091,626	1,068,126	1,032
Repurchase Agreements	93,985	40,526	132
Derivative Financial Instruments	424,680	56,097	657
Financial Liabilities at Amortised Cost			
-Due to Depositors	170,753,495	162,533,459	5
-Due to Debt Securities Holders	12,918,522	15,876,464	(19)
Subordinated Debentures	871,896	872,839	(0)
Retirement Benefit Obligations	459,961	470,378	(2)
Current Tax Liabilities	2,244,795	1,751,180	28
Other Provisions and Accruals	316,202	235,888	34
Other Liabilities	4,590,104	4,527,607	1
Total Liabilities	204,765,266	187,432,564	9
Equity			
Stated Capital	3,614,253	3,614,253	-
Statutory Reserve Fund	894,990	894,990	-
Retained Earnings	15,950,808	15,018,525	6
Revaluation Reserve	1,082,243	1,088,780	(1)
Total Equity	21,542,294	20,616,548	4
Total Equity and Liabilities	226,307,560	208,049,112	9
Commitments and Contingencies	53,122,108	37,495,330	42
Net Asset Value per Share (Rs.)	48.68	46.58	5
Memorandum Information			
Number of Employees	1,470	1,403	
Number of Branches	85	85	

CERTIFICATION:

I certify that the above Financial Statements comply with the requirements of the Companies Act No. 07 of 2007.

(Sgd)

M.D.J.S. Fernando

Chief Financial Officer

We, the undersigned, being the Chairman and Director/Chief Executive Officer of Pan Asia Banking Corporation PLC, certify jointly that;

- (a) the above Financial Statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka;
- (b) the information contained in these Financial Statements have been extracted from the Unaudited Financial Statements of the Bank unless indicated as 'Audited'.

(Sgd)

S.B. Rangamuwa

Chairman

(Sgd)

M.Y.A. Perera

Deputy Chairman

(Sgd)

E.M.N. Edirisinghe

Director/Chief Executive Officer

04th August 2023

Colombo

In Rupee Thousands

Statement of Changes In Equity						
	Stated Capital*		Reserves			Total
	Ordinary Voting Shares	Ordinary Non-Voting Shares	Statutory Reserve Fund	Revaluation Reserve	Retained Earnings	
Balance as at 01/01/2022	3,614,253	-	794,893	1,006,465	13,137,897	18,553,508
Comprehensive Income for the Period						
Profit for the Period	-	-	-	-	332,100	332,100
Other Comprehensive Income for the Period	-	-	-	-	-	-
Total Comprehensive Income for the Period	-	-	-	-	332,100	332,100
Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders	-	-	-	-	-	-
Other Transactions						
Realisation of Revaluation Reserve	-	-	-	(4,828)	4,828	-
Total Other Transactions	-	-	-	(4,828)	4,828	-
Balance as at 30/06/2022	3,614,253	-	794,893	1,001,637	13,474,825	18,885,608
Balance as at 01/01/2023	3,614,253	-	894,990	1,088,780	15,018,525	20,616,548
Comprehensive Income for the Period						
Profit for the Period	-	-	-	-	925,746	925,746
Other Comprehensive Income for the Period	-	-	-	-	-	-
Total Comprehensive Income for the Period	-	-	-	-	925,746	925,746
Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders	-	-	-	-	-	-
Other Transactions						
Realisation of Revaluation Reserve	-	-	-	(6,537)	6,537	-
Total Other Transactions	-	-	-	(6,537)	6,537	-
Balance as at 30/06/2023	3,614,253	-	894,990	1,082,243	15,950,808	21,542,294

* Number of Ordinary Shares (Voting) as at 30th June 2023 - 442,561,629

In Rupee Thousands

Statement of Cash Flows		
	Current Period From 01/01/2023 To 30/06/2023	Previous Period From 01/01/2022 To 30/06/2022
Cash Flows from Operating Activities		
Profit before Tax	1,515,872	495,845
Adjustments for:		
Non-Cash Items Included in Profit before Tax	1,014,829	3,786,515
Change in Operating Assets	(21,541,575)	(10,185,451)
Change in Operating Liabilities	19,802,831	12,285,388
Interest Expense on Subordinated Debentures and Other Term Borrowings	673,737	549,649
Interest Expense on Lease Liability	66,307	57,956
Gratuity Paid	(57,270)	(16,577)
Income Tax Paid	(76)	(166,003)
Net Cash Flows from Operating Activities	1,474,655	6,807,322
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment	(64,759)	(91,433)
Proceeds from the Sale of Property, Plant and Equipment	27	85
Net Cash Flows used in Investing Activities	(64,732)	(91,348)
Cash Flows from Financing Activities		
Repayment of Term Borrowings	(975,858)	(1,811,321)
Interest Paid on Subordinated Debentures and Other Term Borrowings	(705,953)	(504,036)
Repayment of Principal Portion of Lease Liabilities	(124,120)	(88,321)
Interest Paid on Lease Liabilities	(66,307)	(57,956)
Net Cash Flows used in Financing Activities	(1,872,238)	(2,461,634)
Net Increase/(Decrease) in Cash & Cash Equivalents	(462,315)	4,254,340
Cash and Cash Equivalents at the Beginning of the Period	5,394,118	2,225,376
Cash and Cash Equivalents at the End of the Period	4,931,803	6,479,716

In Rupee Thousands

Measurement of Financial Instruments					
As at 30/06/2023	Financial Assets at Fair Value through Profit or Loss	Financial Assets at FVOCI	Financial Assets and Liabilities at Amortised Cost	Derivative Financial Instruments at Fair Value	Total
Financial Assets					
Cash and Cash Equivalents	-	-	4,911,529	-	4,911,529
Balances with Central Bank of Sri Lanka	-	-	6,750,334	-	6,750,334
Derivative Financial Instruments	-	-	-	136,966	136,966
Financial Assets at Fair Value through Profit or Loss	33,470,234	-	-	-	33,470,234
Financial Assets at Amortised Cost-Loans and Advances	-	-	133,926,069	-	133,926,069
Financial Assets at Amortised Cost-Debt and Other Instruments	-	-	38,788,725	-	38,788,725
Financial Assets at Fair Value through Other Comprehensive Income	-	3,752	-	-	3,752
Total Financial Assets	33,470,234	3,752	184,376,657	136,966	217,987,609
Financial Liabilities					
Due to Banks	-	-	12,091,626	-	12,091,626
Repurchase Agreements	-	-	93,985	-	93,985
Derivative Financial Instruments	-	-	-	424,680	424,680
Due to Depositors	-	-	170,753,495	-	170,753,495
Due to Debt Securities Holders	-	-	12,918,522	-	12,918,522
Subordinated Debentures	-	-	871,896	-	871,896
Other Liabilities	-	-	1,699,623	-	1,699,623
Total Financial Liabilities	-	-	198,429,147	424,680	198,853,827

In Rupee Thousands

Measurement of Financial Instruments					
As at 31/12/2022 (Audited)	Financial Assets at Fair Value through Profit or Loss	Financial Assets at FVOCI	Financial Assets and Liabilities at Amortised Cost	Derivative Financial Instruments at Fair Value	Total
Financial Assets					
Cash and Cash Equivalents	-	-	5,374,284	-	5,374,284
Balances with Central Bank of Sri Lanka	-	-	5,308,803	-	5,308,803
Reverse Repurchase Agreements	-	-	2,003,276	-	2,003,276
Financial Assets at Fair Value through Profit or Loss	2,239,757	-	-	-	2,239,757
Financial Assets at Amortised Cost-Loans and Advances	-	-	144,148,110	-	144,148,110
Financial Assets at Amortised Cost-Debt and Other Instruments	-	-	40,195,048	-	40,195,048
Financial Assets at Fair Value through Other Comprehensive Income	-	3,752	-	-	3,752
Total Financial Assets	2,239,757	3,752	197,029,522	-	199,273,030
Financial Liabilities					
Due to Banks	-	-	1,068,126	-	1,068,126
Repurchase Agreements	-	-	40,526	-	40,526
Derivative Financial Instruments	-	-	-	56,097	56,097
Due to Depositors	-	-	162,533,459	-	162,533,459
Due to Debt Securities Holders	-	-	15,876,464	-	15,876,464
Subordinated Debentures	-	-	872,839	-	872,839
Other Liabilities	-	-	1,759,889	-	1,759,889
Total Financial Liabilities	-	-	182,151,303	56,097	182,207,400

Notes to the Financial Statements

1. Analysis of Loans and Advances and Impairment

1.1 Stage Wise Impairment on Loans and Advances

In Rupee Thousands

	As at 30/06/2023	As at 31/12/2022 (Audited)
Gross Loans and Advances (Note 1.2)	142,068,127	154,079,309
Less: Accumulated Impairment under Stage 1 (Note 1.3)	(1,064,389)	(1,129,765)
Accumulated Impairment under Stage 2 (Note 1.3)	(1,645,536)	(1,897,450)
Accumulated Impairment under Stage 3 (Note 1.3)	(5,432,133)	(6,903,984)
Net Loans and Advances	133,926,069	144,148,110

1.2 Loans and Advances - By Product

In Rupee Thousands

	As at 30/06/2023	As at 31/12/2022 (Audited)
Domestic Currency		
Term Loans	90,698,688	93,305,983
Overdraft	14,182,768	13,860,235
Trade Finance	911,016	382,950
Lease Rentals Receivable	8,635,658	8,954,624
Others	23,742,972	30,224,655
Sub Total	138,171,102	146,728,447
Foreign Currency		
Term Loans	2,821,644	4,539,880
Overdraft	210,745	486,391
Trade Finance	864,636	2,324,591
Sub Total	3,897,025	7,350,862
Total	142,068,127	154,079,309

1.3 Movement of Impairment During the Period - Loans and Advances

In Rupee Thousands

	As at 30/06/2023	As at 31/12/2022 (Audited)
Under Stage 1		
Opening Balance	1,129,765	1,208,740
Charge/(Reversal) to Income Statement	(65,376)	(78,975)
Closing Balance	1,064,389	1,129,765
Under Stage 2		
Opening Balance	1,897,450	1,671,499
Charge/(Reversal) to Income Statement	(251,914)	(487,474)
Exchange Rate Variance on Foreign Currency Provisions	-	713,425
Closing Balance	1,645,536	1,897,450
Under Stage 3		
Opening Balance	6,903,984	5,434,628
Charge/(Reversal) to Income Statement	1,206,654	1,704,025
Write-off During the Period	(2,531,608)	(954,039)
Exchange Rate Variance on Foreign Currency Provisions	(146,897)	719,370
Closing Balance	5,432,133	6,903,984
Total Impairment - Closing Balance	8,142,058	9,931,199

Notes to the Financial Statements

2. Analysis of Commitments and Contingencies

2.1 Stage Wise Impairment on Commitments and Contingencies

In Rupee Thousands

	As at 30/06/2023	As at 31/12/2022 (Audited)
Gross Commitments and Contingencies	53,122,108	37,495,330
Less: Accumulated Impairment under Stage 1 (Note 3)	(119,266)	(110,109)
Net Commitments and Contingencies	53,002,842	37,385,221

2.2 Commitments and Contingencies - By Product

	As at 30/06/2023	As at 31/12/2022 (Audited)
Domestic Currency		
Guarantees	3,579,639	3,895,505
Documentary Credit	67,422	94,963
Forward Foreign Exchange Contracts	153,989	-
Currency Swaps	16,789,272	9,672,634
Undrawn Credit Commitments	12,156,678	11,727,082
Sub Total	32,747,000	25,390,184
Foreign Currency		
Guarantees	650,595	778,612
Documentary Credit	1,537,668	1,158,915
Forward Foreign Exchange Contracts	161,643	-
Currency Swaps	17,640,835	9,759,762
Undrawn Credit Commitments	384,366	407,857
Sub Total	20,375,108	12,105,146
Total	53,122,108	37,495,330

3. Movement of Impairment During the Period - Other Financial Instruments

In Rupee Thousands

	Cash & Cash Equivalents	Debt & Other Instruments	Documentary Credit	Financial Guarantees	Total
Opening Balance as at 01/01/2022 (Audited)	7,284	1,088,178	14,258	30,522	1,140,242
Charge/(Reversal) to Income Statement	12,550	1,645,100	9,861	55,468	1,722,979
Exchange Rate Variance on Foreign Currency Provisions	-	2,155,790	-	-	2,155,790
Closing Balance at 31/12/2022 (Audited)	19,834	4,889,068	24,119	85,990	5,019,011
Opening Balance as at 01/01/2023 (Audited)	19,834	4,889,068	24,119	85,990	5,019,011
Charge/(Reversal) to Income Statement	440	176,638	10,989	(1,832)	186,235
Exchange Rate Variance on Foreign Currency Provisions	-	(206,498)	-	-	(206,498)
Closing Balance at 30/06/2023	20,274	4,859,208	35,108	84,158	4,998,748

3.1 Impairment provisions on "Debt and Other Financial Instruments" include provisions made on foreign currency denominated debt instruments of the Government of Sri Lanka.

4. Analysis of Deposits - By Product

In Rupee Thousands

	As at 30/06/2023	As at 31/12/2022 (Audited)
Domestic Currency		
Demand Deposits	5,907,072	6,339,723
Savings Deposits	20,178,356	18,889,217
Fixed Deposits	127,494,379	116,441,822
Certificates of Deposits	1,239,290	1,135,753
Margin Deposits	190,668	178,201
Sub Total	155,009,765	142,984,716
Foreign Currency		
Demand Deposits	613,182	1,850,889
Savings Deposits	3,002,026	3,238,186
Fixed Deposits	12,017,806	14,327,901
Margin Deposits	110,716	131,767
Sub Total	15,743,730	19,548,743
Total	170,753,495	162,533,459

Notes to the Financial Statements

5. Fair Value of Financial Instruments

5.1 Financial Instruments Recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

(a) Derivatives

Derivative products valued with market-observable inputs are mainly currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward exchange spot and forward premiums.

(b) Financial Assets at Fair Value through Other Comprehensive Income

Financial Assets at Fair Value through Other Comprehensive Income are valued using valuation techniques or pricing models primarily consist of unquoted equities.

(c) Financial Assets at Fair Value through Profit or Loss

Quoted Equities and Sri Lanka Government Securities are included in Financial Assets at Fair Value through Profit or Loss. Sri Lanka Government Securities are valued using yield curves published by Central Bank of Sri Lanka. The Bank uses quoted market prices in the active market as at the reporting date, for Quoted Equities.

5.2 Determination of Fair Value and Fair Value Hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

- a) The following table shows an analysis of financial instruments and non-financial assets and liabilities recorded at fair value by level of fair value hierarchy.

	In Rupee Thousands			
As at 30th June 2023	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative Financial Instruments	-	136,966	-	136,966
Financial Assets at FVPL				
- Sri Lanka Government Rupee Securities - Treasury Bills and Bonds	33,470,234	-	-	33,470,234
Financial Assets at FVOCI	-	3,752	-	3,752
Total	33,470,234	140,718	-	33,610,952
Non-Financial Assets				
Land - Revalued	-	-	1,520,000	1,520,000
Building - Revalued	-	-	577,748	577,748
Total	-	-	2,097,748	2,097,748
Financial Liabilities				
Derivative Financial Instruments	-	424,680	-	424,680
Total	-	424,680	-	424,680

Notes to the Financial Statements

In Rupee Thousands				
As at 31st December 2022	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial Assets at FVPL				
- Sri Lanka Government Rupee Securities - Treasury Bills and Bonds	2,239,757	-	-	2,239,757
Financial Assets at FVOCI	-	3,752	-	3,752
Total	2,239,757	3,752	-	2,243,509
Non-Financial Assets				
Land - Revalued	-	-	1,520,000	1,520,000
Building - Revalued	-	-	590,000	590,000
Total	-	-	2,110,000	2,110,000
Financial Liabilities				
Derivative Financial Instruments	-	56,097	-	56,097
Total	-	56,097	-	56,097

- b) The following table shows the fair value gains/(losses) recognised in Profit or Loss during the period relating to financial assets and liabilities at fair value through profit or loss held at the period end.

In Rupee Thousands		
	For the Six Months ended 30th June 2023	For the Six Months ended 30th June 2022
Derivative Financial Instruments	(231,617)	3,315
Financial Assets at Fair Value through Profit or Loss		
- Sri Lanka Government Rupee Securities - Treasury Bills and Bonds	966,188	27
Total	734,571	3,342

Notes to the Financial Statements

5.3 Fair Value of Financial Assets and Liabilities Not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity, it is assumed that the carrying values approximate their fair value. This assumption is applied for Cash and Cash Equivalents, Balances with Central Bank of Sri Lanka, Placements with Banks and Securities Purchased under Resale Agreements. This assumption is also applied to Demand Deposits, Savings Accounts without a specific maturity, floating rate instruments and fixed rate instruments having maturities within 12 months.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities (other than assets and liabilities with maturities within 12 months) carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

Set out below is a comparison, by class, of the carrying values and fair values of the Bank's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	In Rupee Thousands			
	As at 30th June 2023		As at 31st December 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and Cash Equivalents	4,911,529	4,911,529	5,374,284	5,374,284
Balances with Central Bank of Sri Lanka	6,750,334	6,750,334	5,308,803	5,308,803
Reverse Repurchase Agreements	-	-	2,003,276	2,003,276
Loans and Advances - at Amortised Cost	133,926,069	132,959,627	144,148,110	142,233,393
Debt and Other Instruments - at Amortised Cost	38,788,725	37,461,513	40,195,048	37,677,247
Total Financial Assets	184,376,657	182,083,003	197,029,521	192,597,003
Financial Liabilities				
Due to Banks	12,091,626	12,091,626	1,068,126	1,068,126
Repurchase Agreement	93,985	93,985	40,526	40,526
Due to Depositors - at Amortised Cost	170,753,495	170,579,869	162,533,459	161,503,186
Due to Debt Security holders - at Amortised Cost	12,918,522	12,612,572	15,876,464	15,326,027
Subordinated Debentures	871,896	744,677	872,839	668,896
Other Liabilities	1,725,181	1,374,824	1,759,889	1,450,865
Total Financial Liabilities	198,454,705	197,497,554	182,151,303	180,057,626

Notes to the Financial Statements

6 Segment Reporting

For the Six Months ended 30th June

				In Rupee Thousands
				2023
	Retail & SME Banking	Corporate Banking	Treasury and Investments	Total
Gross Income				
Third Party	12,832,034	1,645,083	6,081,828	20,558,945
Inter-Segment	4,047,923	(537,585)	(3,510,337)	-
Total Income	16,879,956	1,107,498	2,571,491	20,558,945
Extract of Results				
Interest Income	12,068,835	1,638,749	5,373,414	19,080,998
Interest Expense	(12,599,741)	(889,921)	(1,039,638)	(14,529,300)
Inter - Segment	4,047,923	(537,585)	(3,510,337)	-
Net Interest Income	3,517,015	211,243	823,439	4,551,698
Fees and Commission Income	666,092	48,530	-	714,622
Fees and Commission Expenses	(7,940)	-	(16,624)	(24,565)
Net Fee and Commission Income	658,151	48,530	(16,624)	690,057
Net Gains from Trading	-	-	956,597	956,597
Other Operating Income/(Losses)	97,108	(42,197)	(248,183)	(193,272)
Total Operating Income	4,272,274	217,576	1,515,229	6,005,080
Impairment Charges	(1,165,422)	119,245	(29,421)	(1,075,598)
Net Operating Income	3,106,852	336,821	1,485,808	4,929,482
Depreciation of Property, Plant and Equipment	215,737	90	325	216,151
Amortisation of Intangible Assets	26,799	-	2,154	28,954
Segment Result	2,864,316	336,731	1,483,329	4,684,377
Un-allocated Expenses				2,613,578
Operating Profit before Taxes & Levies on Financial Services				2,070,799
Taxes and Levies on Financial Services				554,927
Profit before Tax				1,515,872
Income Tax Expense				590,126
Profit for the Period				925,746
Other Comprehensive Income for the Period				-
Total Comprehensive Income for the Period				925,746
Capital Expenditure				
Property, Plant and Equipment	64,759	-	-	64,759
As at 30th June				
Segment Assets	124,842,436	13,413,544	70,570,807	208,826,787
Unallocated Assets	-	-	-	17,480,773
Total Assets	124,842,436	13,413,544	70,570,807	226,307,560
Segment Liabilities	161,747,563	10,580,139	13,437,186	185,764,888
Unallocated Liabilities and Equity	-	-	-	40,542,672
Total Liabilities and Equity	161,747,563	10,580,139	13,437,186	226,307,560

Notes to the Financial Statements

6 SEGMENT REPORTING

For the Six Months ended 30th June

	In Rupee Thousands			
	2022			
	Retail & SME Banking	Corporate Banking	Treasury and Investments	Total
Gross Income				
Third Party	9,051,565	522,943	803,656	10,378,164
Inter-Segment	1,248,070	(219,284)	(1,028,786)	-
Total Income	10,299,636	303,659	(225,130)	10,378,164
Extract of Results				
Interest Income	8,411,439	1,028,893	1,568,944	11,009,276
Interest Expense	(5,035,266)	(568,333)	(251,174)	(5,854,773)
Inter - Segment	1,248,070	(219,284)	(1,028,786)	-
Net Interest Income	4,624,243	241,276	288,984	5,154,503
Fee and Commission Income	886,022	74,420	-	960,442
Fee and Commission Expense	(18,765)	-	(3,187)	(21,953)
Net Fee and Commission Income	867,257	74,420	(3,187)	938,489
Net Gains/(Losses) from Trading	(5,677)	216	236,517	231,054
Other Operating Losses	(240,217)	(580,586)	(1,001,805)	(1,822,608)
Total Operating Income	5,245,605	(264,675)	(479,492)	4,501,438
Impairment Charges	(672,731)	(570,800)	(316,437)	(1,559,968)
Net Operating Income/(Losses)	4,572,875	(835,474)	(795,929)	2,941,470
Depreciation of Property, Plant and Equipment	226,294	111	293	226,699
Amortisation of Intangible Assets	23,785	-	2,154	25,939
Segment Result	4,322,796	(835,585)	(798,376)	2,688,832
Unallocated Expenses				1,955,225
Operating Profit before Taxes & Levies on Financial Services				733,607
Taxes & Levies on Financial Services				237,762
Profit before Tax				495,845
Income Tax Expense				163,745
Profit for the Period				332,100
Other Comprehensive Income for the Period				-
Total Comprehensive Income for the Period				332,100
Capital Expenditure				
Property, Plant and Equipment	91,357	56	20	91,433
As at 30th June				
Segment Assets	138,488,913	15,827,248	32,062,863	186,379,024
Unallocated Assets	-	-	-	13,958,168
Total Assets	138,488,913	15,827,248	32,062,863	200,337,192
Segment Liabilities	154,010,110	11,727,423	9,084,255	174,821,787
Unallocated Liabilities and Equity	-	-	-	25,515,405
Total Liabilities and Equity	154,010,110	11,727,423	9,084,255	200,337,192

Selected Performance Indicators (As per Regulatory Reporting)		
	Bank	
	Current Period	Previous Period
	As at 30/06/2023	As at 31/12/2022
Regulatory Capital (LKR '000)		
Common Equity Tier I (CET I) Capital before Adjustments	20,410,088	19,477,806
Common Equity Tier I (CET I) Capital after Adjustments	18,435,983	17,378,312
Total Tier 1 Capital	18,435,983	17,378,312
Total Capital	20,690,062	19,818,150
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7%)	15.73%	14.09%
Tier 1 Capital Ratio (Minimum Requirement - 8.5%)	15.73%	14.09%
Total Capital Ratio (Minimum Requirement - 12.5%)	17.65%	16.07%
Leverage Ratio		
Leverage Ratio (%) (Minimum Requirement - 3%)	7.69%	8.21%
Assets Quality		
Stage 3 Loans (Impaired Loans) to Total Loans*	4.15%	3.63%
Stage 3 Loan Impairment to Stage 3 Loans (Stage 3 Provision Cover)*	45.59%	53.11%
Profitability		
Interest Margin, %	4.24%	4.70%
Return on Assets (Before Tax), %	1.41%	0.32%
Return on Equity, %	8.90%	10.58%
Regulatory Liquidity		
Statutory Liquid Assets		
Total Bank (LKR'000)	62,065,395	39,717,442
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)		
Total Bank (%)	32.58%	21.60%
Total Stock of High-Quality Liquid Assets (LKR '000)		
Rupee	54,512,805	27,717,512
All Currency	57,749,648	30,728,149
Liquidity Coverage Ratio (%) - (Minimum Requirement - 2023 - 100%, 2022 - 90%)		
Rupee (%)	408.82%	253.11%
All Currency (%)	358.96%	226.09%
Net Stable Funding Ratio (%) - (Minimum Requirement - 2023 - 100%, 2022 - 90%)	151.88%	144.41%

* Impaired loans (Stage 3) and total loans shall include total outstanding amount of on-balance sheet credit facilities and their respective undrawn amounts.

EXPLANATORY NOTES

1. These Interim Financial Statements have been prepared in accordance with LKAS 34 - Interim Financial Reporting and present information required by Listing Rule 7.4 of the Colombo Stock Exchange. These Financial Statements have been extracted from the Unaudited Financial Statements of the Bank unless indicated as 'Audited'.
2. There are no significant changes in accounting policies and methods of computation since the publication of Audited Financial Statements for the year 2022.
3. There are no material changes in the composition of assets, liabilities, contingent liabilities and use of funds raised through issue of shares and debentures.
4. All known expenses have been provided for in these Financial Statements.
5. The presentation and classification of previous period have been amended for better presentation and to be comparable with those of the current period.

6 Events after the Reporting Date

There are no material events that took place after the Statement of Financial Position date which require adjustment to or disclosures in these Financial Statements.

7. Ratios

30/06/2023

Debt to Equity (Times)	0.64
Interest Cover (Times)	3.25

8. Market Price of Ordinary Shares

Market Price Per Share	30/06/2023 (Rs.)		30/06/2022 (Rs.)	
	Voting	Non-Voting	Voting	Non-Voting
Last Traded Price	12.90	-	8.60	-
Highest Price for the Quarter	13.30	-	12.90	-
Lowest Price for the Quarter	10.00	-	8.40	-

Shareholders' Information

Major Shareholders as at 30th June 2023

No	Name	No. of Shares	%
1	K. D. D. Perera	132,724,230	29.99
2	Bansei Securities Co., Ltd.	66,384,246	15.00
3	W. K. H. Wegapitiya	25,574,550	5.78
4	Seylan Bank PLC/Ambeon Holdings PLC(Collateral)	24,501,767	5.54
5	K. D. H. Perera	23,305,998	5.27
6	P. J. Tay	21,917,994	4.95
7	K. D. A. Perera	19,200,000	4.34
8	Sri Lanka Samurdhi Authority	11,114,376	2.51
9	Imminent Technologies (Pvt) Ltd	10,637,697	2.40
10	Sri Lanka Savings Bank Limited	10,298,499	2.33
11	D. C. C. Joseph	4,381,916	0.99
12	Commercial Bank of Ceylon PLC/Andaradeniya Estate (Pvt) Ltd	4,001,095	0.90
13	Peoples Leasing & Finance PLC/ H. A. J. Wickramasena	2,366,685	0.54
14	H. Beruwalage	2,046,648	0.46
15	A. U. De Silva	1,680,000	0.38
16	DFCC Bank PLC/N.G.N. Maduranga	1,487,572	0.34
17	Seylan Bank PLC/Senthilvel Holdings (Pvt) Ltd	1,338,637	0.30
18	D.R. Ponnampuruma	1,257,682	0.28
19	D.M.I. Dissanayake	1,230,101	0.28
20	EMFI Capital Limited	1,200,000	0.27
		366,649,693	82.85
	Others	75,911,936	17.15
	Total	442,561,629	100.00

Public holding as at 30th June 2023 was 54.93% in the hands of 6,219 public shareholders.

Float Adjusted Market Capitalisation as at 30th June 2023 was Rs. 3,135,978,426/- and the Bank complies with Option No. 04.

Directors' and Chief Executive Officer's Holding in Shares as at 30th June 2023

No	Name of Director	No. of Shares
1	S. B. Rangamuwa/ Seylan Bank PLC	365,000
2	M. Y. A. Perera	-
3	J. D. N. Kekulawala	-
4	B. D. A. Perera	-
5	S. A. Walgama	-
6	C.M. Umagiliya	-
7	H. Ota	-
8	E. M. N. Edirisinghe	1,950