PAN ASIA BANK

The Truly Sri Lankan Bank

INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30TH SEPTEMBER 2023

COMPANY REGISTRATION NO : PQ 48

Press Release

Pan Asia Bank posts Steady Performance in 9 Months 2023 - PAT Soars by 187% amidst continuing external challenges.

- Operating Profits for the Period Rs. 2,927 Mn, up by 200%
- Profit Before Tax for the Period Rs.2,117 Mn, up by 238%
- Profit After Tax for the Period - Rs.1,242 Mn, up by 187%
- Total Assets grows by Rs. 15.5 Bn
- Customer Deposit Base reaches Rs. 171 Bn, up by 5%
- The Bank reports a Net Interest Margin of 4.58% and a pre-tax Return on Assets of 1.30%
- The Bank's Stage 3 Loans ratio stands at 4.26%
- The Bank remains well capitalised and liquid:
  - Tier 1 Capital Ratio 15.81% (Regulatory Minimum - 8.50%)
  - Total Capital Ratio 17.73% (Regulatory Minimum - 12.50%)
  - Rupee LCR 498.84%, All Currency LCR 442.74% (Regulatory Minimum - 100%)
  - Statutory Liquid Asset Ratio (SLAR) - 36.10%

Pan Asia Banking Corporation PLC reflected a steady performance amidst multitude of adversities emerging from challenging macro-economic conditions as the Bank reported its financial performance for 9 Months 2023, which showed judicious portfolio management and prudency exercised in dealing with possible fallout on its asset quality under high interest rate regime. For the 9 Months period ended 30th September 2023, the Bank reported a Pre-Tax Profit of Rs. 2,117 Mn, which is 238% increase compared to corresponding period last year, mainly due to increased trading gains from government securities, reduced exchange losses and reduced credit costs.

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 9 Months 2023 came down by 20% compared to the comparative period due to steady collection and recovery efforts and contraction in the loan book during the period under review. Meanwhile, the management increased impairment provision buffers on SLISBs with the expectation of possible adverse outcomes of the on-going government external debt restructuring programme.

The interest income for 9 Months 2023 rose by 55% due to increased interest rates that prevailed during the period under review compared to corresponding period of the last year and the re-pricing effect of facilities in response to the market conditions. Further the growth in interest income was supported by the increased interest income from Rupee denominated securities of the Government of Sri Lanka due to increased investments and also due to the high interest rates offered on such new investments compared to the previous period.

The interest expense for 9 Months 2023 has also gone up significantly by 93% due to the steep increase in interest rates of deposits and borrowings responding to the market conditions and also growth in deposits and other interest-bearing liabilities. Consequently, the Net Interest Income is Rs. 7,464 Mn which is remained at the same levels as the corresponding period of the last year.

The Bank's net fee and commission income declined by 20% mainly due to the 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 381% due to increased capital gains from sale of Rupee government securities 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 for 9 Months 2023, mainly resulting from reporting high discounts in Forex SWAP agreements which was at high premiums in corresponding period last year.

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 for 9 Months 2023 which also contributed for the growth in Total Operating Income in 9 Months 2023. 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 27% is primarily due to increase in service fees for computer maintenance, 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 353% due to both increased Operating Profits and increased tax rates.

The Bank's Post-Tax Profit has increased by 187% to Rs. 1,242 Mn in 9 Months 2023 from Rs. 433 Mn in corresponding period last year due to the overall excellence.

The Bank reported a Net Interest Margin (NIM) of 4.58% for 9 Months 2023. Meanwhile, the Bank reported a Return on Equity (ROE) of 7.82% and a Pre-Tax Return on Assets (ROA) of 1.30% for the period under review.

The Bank's Earnings Per Share (EPS) for 9 Months 2023 has increased to Rs. 2.81 from Rs. 0.98 due to improved profits. Meanwhile, the Bank's Net Asset Value Per Share as of 30th September 2023 stood at Rs. 49.39 after an appreciation of 6%.

The Total Assets of the Bank stood at Rs. 223.5 Bn as of 30th September 2023 after posting a growth of Rs. 15.5 Bn or 7% for 9 Months 2023 supported mainly by the expansion in investments in LKR government securities classified under FVPL.

The Gross Loans and Advances book of the bank contracted by 8.5% during the period mainly due to the contraction in retail credit exposures during 9 Months 2023 due to high interest rate regime prevailed 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 September 2023.

The Bank's Impaired (Stage 3) Loan Ratio stood at 4.26% and Stage 3 Provision Cover stood at 47.93% as of 30th September 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 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 September 2023 stood at 15.81% and 17.73% respectively. Further, the Bank's Leverage Ratio stood at 7.78% as of 30th September 2023.

The Total Bank Level Statutory Liquid Assets Ratio (SLAR) as of 30th September 2023 stood at 36.10%. Meanwhile, the Bank's Liquidity Coverage Ratio (LCR) under BASEL III stood well above the statutory minimums. The Bank maintained LCR of 442.74% and 498.84% 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 9 Months 2023 demonstrates that we are well on track to meeting our ambitious targets for the year. A growth of PAT of over 187% and 214% for 9 Months 2023 and 3Q 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 Nine Months ended 30th September		Change %	For the Quarter ended 30th September		Change %
	2 023	2 022		2 023	2 022	
Interest Income	28,420,298	18,299,188	55	9,339,300	7,289,912	28
Interest Expense	(20,956,610)	(10,865,596)	93	(6,427,310)	(5,010,823)	28
Net Interest Income	**7,463,688**	**7,433,592**	**0**	**2,911,990**	**2,279,089**	**28**
Fee and Commission Income	1,104,688	1,359,634	(19)	390,066	399,192	(2)
Fee and Commission Expense	(40,367)	(27,207)	48	(15,802)	(5,254)	201
Net Fee and Commission Income	**1,064,321**	**1,332,427**	**(20)**	**374,264**	**393,938**	**(5)**
Net Gains from Trading	1,163,596	242,064	381	206,999	11,010	1,780
Other Operating Losses	(488,451)	(2,251,350)	78	(295,179)	(428,742)	31
Total Operating Income	**9,203,154**	**6,756,733**	**36**	**3,198,074**	**2,255,295**	**42**
Impairment Charges	1,908,522	2,390,383	(20)	832,924	830,415	0
Net Operating Income	**7,294,632**	**4,366,350**	**67**	**2,365,150**	**1,424,880**	**66**
Operating Expenses						
Personnel Expenses	1,903,979	1,363,738	40	678,435	493,484	37
Depreciation and Amortisation	369,285	381,627	(3)	124,180	128,988	(4)
Other Operating Expenses	2,094,229	1,644,218	27	706,195	559,247	26
Total Operating Expenses	**4,367,493**	**3,389,583**	**29**	**1,508,810**	**1,181,719**	**28**
Operating Profit before Taxes on Financial Services	**2,927,139**	**976,767**	**200**	**856,340**	**243,161**	**252**
Taxes and Levies on Financial Services	810,158	350,743	131	255,231	112,981	126
Profit before Tax	**2,116,981**	**626,024**	**238**	**601,109**	**130,180**	**362**
Income Tax Expense	874,548	193,163	353	284,422	29,418	867
Profit for the Period	**1,242,433**	**432,861**	**187**	**316,687**	**100,762**	**214**
Earnings Per Share - Basic/Diluted (Rs.)	2.81	0.98	187	0.72	0.23	214

In Rupee Thousands

Statement of Comprehensive Income

	For the Nine Months ended 30th September		Change %	For the Quarter ended 30th September		Change %
	2023	2022		2023	2022	
Profit for the Period	**1,242,433**	**432,861**	**187**	**316,687**	**100,762**	**214**
Other Comprehensive Income for the Period	-	-	-	-	-	-
Total Comprehensive Income for the Period	**1,242,433**	**432,861**	**187**	**316,687**	**100,762**	**214**

In Rupee Thousands

Statement of Financial Position

	As at 30/09/2023	As at 31/12/2022 (Audited)	Change %
Assets			
Cash and Cash Equivalents	6,940,711	5,374,284	29
Balances with Central Bank of Sri Lanka	2,457,135	5,308,803	(54)
Placements with Banks	200,188	-	100
Reverse Repurchase Agreements	500,646	2,003,276	(75)
Derivative Financial Instruments	20,852	-	100
Financial Assets at Fair Value through Profit or Loss	14,645,954	2,239,757	554
Financial Assets at Amortised Cost			
-Loans and Advances	132,138,010	144,148,110	(8)
-Debt and Other Instruments	58,352,832	40,195,048	45
Financial Assets at Fair Value through Other Comprehensive Income	3,752	3,752	-
Property, Plant and Equipment	2,654,653	2,586,149	3
Right-of-Use Assets	1,420,700	1,593,986	(11)
Intangible Assets	323,516	340,049	(5)
Deferred Tax Assets	1,805,283	1,759,444	3
Other Assets	2,069,491	2,496,454	(17)
Total Assets	**223,533,723**	**208,049,112**	**7**
Liabilities			
Due to Banks	751,176	1,068,126	(30)
Repurchase Agreements	7,968,289	40,526	19,562
Derivative Financial Instruments	259,374	56,097	362
Financial Liabilities at Amortised Cost			
-Due to Depositors	170,666,450	162,533,459	5
-Due to Debt Securities Holders	13,261,513	15,876,464	(16)
Subordinated Debentures	843,904	872,839	(3)
Retirement Benefit Obligations	461,133	470,378	(2)
Current Tax Liabilities	2,638,871	1,751,180	51
Other Provisions and Accruals	322,377	235,888	37
Other Liabilities	4,501,655	4,527,607	(1)
Total Liabilities	**201,674,742**	**187,432,564**	**8**
Equity			
Stated Capital	3,614,253	3,614,253	-
Statutory Reserve Fund	894,990	894,990	-
Retained Earnings	16,270,765	15,018,525	8
Revaluation Reserve	1,078,973	1,088,780	(1)
Total Equity	**21,858,981**	**20,616,548**	**6**
Total Equity and Liabilities	**223,533,723**	**208,049,112**	**7**
Commitments and Contingencies	**45,787,267**	**37,495,330**	**22**
Net Asset Value per Share (Rs.)	**49.39**	**46.58**	**6**
Memorandum Information			
Number of Employees	1,445	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)
M.Y.A. Perera
Chairman

(Sgd)
E.M.N. Edirisinghe
Director/Chief Executive Officer

26th October 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	-	-	-	-	432,861	432,861
Other Comprehensive Income for the Period	-	-	-	-	-	-
Total Comprehensive Income for the Period	**-**	**-**	**-**	**-**	**432,861**	**432,861**
Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders	-	-	-	-	-	-
Other Transactions						
Realisation of Revaluation Reserve	-	-	-	(7,240)	7,240	-
Total Other Transactions	**-**	**-**	**-**	**(7,240)**	**7,240**	**-**
Balance as at 30/09/2022	**3,614,253**	**-**	**794,893**	**999,225**	**13,577,998**	**18,986,369**
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	-	-	-	-	1,242,433	1,242,433
Other Comprehensive Income for the Period	-	-	-	-	-	-
Total Comprehensive Income for the Period	**-**	**-**	**-**	**-**	**1,242,433**	**1,242,433**
Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders	-	-	-	-	-	-
Other Transactions						
Realisation of Revaluation Reserve	-	-	-	(9,807)	9,807	-
Total Other Transactions	**-**	**-**	**-**	**(9,807)**	**9,807**	**-**
Balance as at 30/09/2023	**3,614,253**	**-**	**894,990**	**1,078,973**	**16,270,765**	**21,858,981**

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

In Rupee Thousands

Statement of Cash Flows	Current Period From 01/01/2023 To 30/09/2023	Previous Period From 01/01/2022 To 30/09/2022
Cash Flows from Operating Activities		
Profit before Tax	2,116,981	626,024
Adjustments for:		
Non-Cash Items Included in Profit before Tax	2,288,630	5,229,397
Change in Operating Assets	(15,659,894)	(15,634,494)
Change in Operating Liabilities	14,614,313	17,930,362
Interest Expense on Subordinated Debentures and Other Term Borrowings	1,006,714	897,627
Interest Expense on Lease Liability	99,460	90,634
Gratuity Paid	(81,331)	(25,729)
Income Tax Paid	(32,696)	(166,003)
Net Cash Flows from Operating Activities	**4,352,177**	**8,947,818**
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment	(182,446)	(135,885)
Proceeds from the Sale of Property, Plant and Equipment	72	168
Acquisition of Intangible Assets	(26,370)	(44,979)
Net Cash Flows used in Investing Activities	**(208,744)**	**(180,696)**
Cash Flows from Financing Activities		
Repayment of Term Borrowings	(1,245,883)	(3,288,829)
Interest Paid on Subordinated Debentures and Other Term Borrowings	(855,954)	(704,809)
Repayment of Principal Portion of Lease Liabilities	(186,179)	(150,509)
Interest Paid on Lease Liabilities	(99,460)	(90,634)
Net Cash Flows used in Financing Activities	**(2,387,476)**	**(4,234,781)**
Net Increase in Cash & Cash Equivalents	**1,755,957**	**4,532,341**
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	**7,150,075**	**6,757,717**

In Rupee Thousands

Measurement of Financial Instruments

As at 30/09/2023	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	-	-	6,940,711	-	6,940,711
Balances with Central Bank of Sri Lanka	-	-	2,457,135	-	2,457,135
Placements with Banks	-	-	200,188	-	200,188
Reverse Repurchase Agreements	-	-	500,646	-	500,646
Derivative Financial Instruments	-	-	-	20,852	20,852
Financial Assets at Fair Value through Profit or Loss	14,645,954	-	-	-	14,645,954
Financial Assets at Amortised Cost-Loans and Advances	-	-	132,138,010	-	132,138,010
Financial Assets at Amortised Cost-Debt and Other Instruments	-	-	58,352,832	-	58,352,832
Financial Assets at Fair Value through Other Comprehensive Income	-	3,752	-	-	3,752
Total Financial Assets	**14,645,954**	**3,752**	**200,589,522**	**20,852**	**215,260,080**
Financial Liabilities					
Due to Banks	-	-	751,176	-	751,176
Repurchase Agreements	-	-	7,968,289	-	7,968,289
Derivative Financial Instruments	-	-	-	259,374	259,374
Due to Depositors	-	-	170,666,450	-	170,666,450
Due to Debt Securities Holders	-	-	13,261,513	-	13,261,513
Subordinated Debentures	-	-	843,904	-	843,904
Other Liabilities	-	-	1,665,286	-	1,665,286
Total Financial Liabilities	**-**	**-**	**195,156,618**	**259,374**	**195,415,992**

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 30/09/2023	As at 31/12/2022 (Audited)
Gross Loans and Advances (Note 1.2)	140,997,142	154,079,309
Less: Accumulated Impairment under Stage 1 (Note 1.3)	(1,070,155)	(1,129,765)
Accumulated Impairment under Stage 2 (Note 1.3)	(1,713,031)	(1,897,450)
Accumulated Impairment under Stage 3 (Note 1.3)	(6,075,946)	(6,903,984)
Net Loans and Advances	**132,138,010**	**144,148,110**

1.2 Loans and Advances - By Product

In Rupee Thousands

	As at 30/09/2023	As at 31/12/2022 (Audited)
Domestic Currency		
Term Loans	91,712,298	93,305,983
Overdraft	13,587,624	13,860,235
Trade Finance	972,305	382,950
Lease Rentals Receivable	8,867,962	8,954,624
Others	21,310,405	30,224,655
Sub Total	**136,450,594**	**146,728,447**
Foreign Currency		
Term Loans	3,456,045	4,539,880
Overdraft	53,916	486,391
Trade Finance	1,036,587	2,324,591
Sub Total	**4,546,548**	**7,350,862**
Total	**140,997,142**	**154,079,309**

1.3 Movement of Impairment During the Period - Loans and Advances

In Rupee Thousands

	As at 30/09/2023	As at 31/12/2022 (Audited)
Under Stage 1		
Opening Balance	1,129,765	1,208,740
Charge/(Reversal) to Income Statement	(59,610)	(78,975)
Closing Balance	**1,070,155**	**1,129,765**
Under Stage 2		
Opening Balance	1,897,450	1,671,499
Charge/(Reversal) to Income Statement	(184,419)	(487,474)
Exchange Rate Variance on Foreign Currency Provisions	-	713,425
Closing Balance	**1,713,031**	**1,897,450**
Under Stage 3		
Opening Balance	6,903,984	5,434,628
Charge/(Reversal) to Income Statement	1,877,988	1,704,025
Write-offs During the Period	(2,600,514)	(954,039)
Exchange Rate Variance on Foreign Currency Provisions	(105,512)	719,370
Closing Balance	**6,075,946**	**6,903,984**
Total Impairment - Closing Balance	**8,859,132**	**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 30/09/2023	As at 31/12/2022 (Audited)
Gross Commitments and Contingencies	45,787,267	37,495,330
Less: Accumulated Impairment under Stage 1 (Note 3)	(140,778)	(110,109)
Net Commitments and Contingencies	**45,646,489**	**37,385,221**

2.2 Commitments and Contingencies - By Product

	As at 30/09/2023	As at 31/12/2022 (Audited)
Domestic Currency		
Guarantees	4,041,394	3,895,505
Documentary Credit	28,096	94,963
Currency Swaps	13,261,088	9,672,634
Undrawn Credit Commitments	11,890,919	11,727,082
Sub Total	**29,221,496**	**25,390,184**
Foreign Currency		
Guarantees	910,248	778,612
Documentary Credit	1,926,064	1,158,915
Currency Swaps	13,272,303	9,759,762
Undrawn Credit Commitments	457,157	407,857
Sub Total	**16,565,771**	**12,105,146**
Total	**45,787,267**	**37,495,330**

3. Movement of Impairment During the Period - Other Financial Instruments — **In Rupee Thousands**

	Cash & Cash Equivalents	Placements with Banks	Debt & Other Financial 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	(10,727)	70	254,551	18,009	12,661	**274,563**
Exchange Rate Variance on Foreign Currency Provisions	-	-	43,368	-	-	**43,368**
Closing Balance at 30/09/2023	**9,107**	**70**	**5,186,988**	**42,128**	**98,650**	**5,336,943**

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 30/09/2023	As at 31/12/2022 (Audited)
Domestic Currency		
Demand Deposits	5,356,670	6,339,723
Savings Deposits	22,422,629	18,889,217
Fixed Deposits	125,487,841	116,441,822
Certificate of Deposits	1,210,380	1,135,753
Margin Deposits	181,776	178,201
Sub Total	**154,659,296**	**142,984,716**
Foreign Currency		
Demand Deposits	676,480	1,850,889
Savings Deposits	2,952,746	3,238,186
Fixed Deposits	12,274,907	14,327,901
Margin Deposits	103,021	131,767
Sub Total	**16,007,154**	**19,548,743**
Total	**170,666,450**	**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 yeild 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 September 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Derivative Financial Instruments	-	20,852	-	20,852
Financial Assets at FVPL				
- Sri Lanka Government Rupee Securities - Treasury Bills and Bonds	14,645,954	-	-	14,645,954
Financial Assets at FVOCI	-	3,752	-	3,752
Total	**14,645,954**	**24,604**	**-**	**14,670,558**
Non-Financial Assets				
Land - Revalued	-	-	1,520,000	1,520,000
Building - Revalued	-	-	571,623	571,623
Total	**-**	**-**	**2,091,623**	**2,091,623**
Financial Liabilities				
Derivative Financial Instruments	-	259,374	-	259,374
Total	**-**	**259,374**	**-**	**259,374**

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 Nine Months ended 30th September 2023	**For the Nine Months ended 30th September 2022**
Derivative Financial Instruments	(182,425)	(40,069)
Financial Assets at Fair Value through Profit or Loss		
- Sri Lanka Government Rupee Securities - Treasury Bills and Bonds	460,187	21,222
Total	**277,762**	**(18,847)**

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 September 2023		**As at 31st December 2022**	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets				
Cash and Cash Equivalents	6,940,711	6,940,711	5,374,284	5,374,284
Balances with Central Bank of Sri Lanka	2,457,135	2,457,135	5,308,803	5,308,803
Placements with Banks	200,188	200,188	-	-
Reverse Repurchase Agreements	500,646	500,646	2,003,276	2,003,276
Loans and Advances -at Amortised Cost	132,138,010	131,646,054	144,148,110	142,233,393
Debt and Other Instruments - at Amortised Cost	58,352,832	58,387,959	40,195,048	37,677,247
Total Financial Assets	**200,589,522**	**200,132,693**	**197,029,521**	**192,597,003**
Financial Liabilities				
Due to Banks	751,176	751,176	1,068,126	1,068,126
Repurchase Agreement	7,968,289	7,968,289	40,526	40,526
Due to Depositors - at Amortised Cost	170,666,450	172,874,514	162,533,459	161,503,186
Due to Debt Securities Holders - at Amortised Cost	13,261,513	13,261,513	15,876,464	15,326,027
Subordinated Debentures	843,904	779,270	872,839	668,896
Other Liabilities	1,665,286	1,365,097	1,759,889	1,450,865
Total Financial Liabilities	**195,156,618**	**196,999,858**	**182,151,303**	**180,057,626**

Notes to the Financial Statements

6 Segment Reporting

For the Nine Months ended 30th September

				In Rupee Thousands
	2023			
	Retail & SME Banking	**Corporate Banking**	**Treasury and Investments**	**Total**
Gross Income				
Third Party	18,606,898	2,308,580	9,284,652	30,200,131
Inter-Segment	6,087,335	(675,912)	(5,411,424)	-
Total Income	**24,694,233**	**1,632,669**	**3,873,229**	**30,200,131**
Extract of Results				
Interest Income	17,462,526	2,275,264	8,682,509	28,420,298
Interest Expense	(18,162,880)	(1,213,209)	(1,580,521)	(20,956,610)
Inter - Segment	6,087,335	(675,912)	(5,411,424)	-
Net Interest Income	**5,386,980**	**386,143**	**1,690,564**	**7,463,688**
Fees and Commission Income	1,036,220	68,468	-	1,104,688
Fees and Commission Expenses	(12,793)	-	(27,574)	(40,367)
Net Fee and Commission Income	**1,023,427**	**68,468**	**(27,574)**	**1,064,321**
Net Gains from Trading	525	-	1,163,071	1,163,596
Other Operating Income/(Losses)	107,628	(35,152)	(560,928)	(488,451)
Total Operating Income	**6,518,561**	**419,460**	**2,265,133**	**9,203,154**
Impairment (Charges)/Reversals	(2,536,278)	340,494	287,262	(1,908,522)
Net Operating Income	**3,982,283**	**759,954**	**2,552,395**	**7,294,632**
Depreciation of Property, Plant and Equipment	325,761	133	487	326,382
Amortisation of Intangible Assets	39,820	-	3,083	42,903
Segment Result	**3,616,701**	**759,820**	**2,548,825**	**6,925,347**
Un-allocated Expenses				3,998,208
Operating Profit before Taxes & Levies on Financial Services				**2,927,139**
Taxes and Levies on Financial Services				810,158
Profit before Tax				**2,116,981**
Income Tax Expense				874,548
Profit for the Period				**1,242,433**
Other Comprehensive Income for the Period				-
Total Comprehensive Income for the Period				**1,242,433**
Capital Expenditure				
Property, Plant and Equipment	182,446	-	-	182,446
Intangible Assets	26,370	-	-	26,370
As at 30th September				
Segment Assets	121,804,778	14,684,083	73,275,295	209,764,155
Unallocated Assets	-	-	-	13,769,567
Total Assets	**121,804,778**	**14,684,083**	**73,275,295**	**223,533,723**
Segment Liabilities	161,540,749	10,557,693	21,489,176	193,587,618
Unallocated Liabilities and Equity	-	-	-	29,946,105
Total Liabilities and Equity	**161,540,749**	**10,557,693**	**21,489,176**	**223,533,723**

Notes to the Financial Statements

6 SEGMENT REPORTING

For the Nine Months ended 30th September				In Rupee Thousands
	2022			
	Retail & SME Banking	Corporate Banking	Treasury and Investments	Total
Gross Income				
Third Party	14,487,853	1,431,630	1,730,053	17,649,536
Inter-Segment	2,407,113	(490,194)	(1,916,919)	-
Total Income	**16,894,966**	**941,436**	**(186,866)**	**17,649,536**
Extract of Results				
Interest Income	13,793,867	1,897,475	2,607,846	18,299,188
Interest Expense	(9,461,554)	(1,019,822)	(384,220)	(10,865,596)
Inter - Segment	2,407,113	(490,194)	(1,916,919)	-
Net Interest Income	**6,739,426**	**387,459**	**306,707**	**7,433,592**
Fee and Commission Income	1,234,096	125,538	-	1,359,634
Fee and Commission Expense	(23,470)	-	(3,737)	(27,207)
Net Fee and Commission Income	**1,210,626**	**125,538**	**(3,737)**	**1,332,427**
Net Gains from Trading	33,815	251	207,998	242,064
Other Operating Losses	(573,924)	(591,635)	(1,085,791)	(2,251,350)
Total Operating Income	**7,409,943**	**(78,387)**	**(574,823)**	**6,756,733**
Impairment Charges	(1,184,636)	(803,007)	(402,740)	(2,390,383)
Net Operating Income/(Losses)	**6,225,307**	**(881,394)**	**(977,563)**	**4,366,350**
Depreciation of Property, Plant and Equipment	341,663	162	436	342,261
Amortisation of Intangible Assets	36,134	-	3,232	39,366
Segment Result	**5,847,510**	**(881,556)**	**(981,231)**	**3,984,723**
Unallocated Expenses				3,007,956
Operating Profit before Taxes & Levies on Financial Services				**976,767**
Taxes & Levies on Financial Services				350,743
Profit before Tax				**626,024**
Income Tax Expense				193,163
Profit for the Period				**432,861**
Other Comprehensive Income for the Period				-
Total Comprehensive Income for the Period				**432,861**
Capital Expenditure				
Property, Plant and Equipment	135,809	56	20	135,885
Intangible Assets	44,979	-	-	44,979
As at 30th September				
Segment Assets	135,454,557	14,531,649	42,767,332	192,753,538
Unallocated Assets				11,985,181
Total Assets	**135,454,557**	**14,531,649**	**42,767,332**	**204,738,719**
Segment Liabilities	157,239,108	11,727,423	9,610,716	178,577,247
Unallocated Liabilities and Equity				26,161,472
Total Liabilities and Equity	**157,239,108**	**11,727,423**	**9,610,716**	**204,738,719**

Selected Performance Indicators (As per Regulatory Reporting)		
	Bank	
	Current Period	Previous Period
	As at 30/09/2023	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	18,281,289	17,378,312
Total Tier 1 Capital	18,281,289	17,378,312
Total Capital	20,498,886	19,818,150
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7%)	15.81%	14.09%
Tier 1 Capital Ratio (Minimum Requirement - 8.5%)	15.81%	14.09%
Total Capital Ratio (Minimum Requirement - 12.5%)	17.73%	16.07%
Leverage Ratio		
Leverage Ratio (%) (Minimum Requirement - 3%)	7.78%	8.21%
Assets Quality		
Stage 3 Loans (Impaired Loans) to Total Loans*	4.26%	3.63%
Stage 3 Loan Impairment to Stage 3 Loans (Stage 3 Provision Cover)*	47.93%	53.11%
Profitability		
Interest Margin, %	4.58%	4.70%
Return on Assets (Before Tax), %	1.30%	0.32%
Return on Equity, %	7.82%	10.58%
Regulatory Liquidity		
Statutory Liquid Assets		
Total Bank (LKR'000)	70,347,749	39,717,442
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)		
Total Bank (%)	36.10%	21.60%
Total Stock of High-Quality Liquid Assets (LKR '000)		
Rupee	60,076,257	27,717,512
All Currency	64,158,762	30,728,149
Liquidity Coverage Ratio (%) - (Minimum Requirement - 2023 - 100%, 2022 - 90%)		
Rupee (%)	498.84%	253.11%
All Currency (%)	442.74%	226.09%
Net Stable Funding Ratio (%) - (Minimum Requirement - 2023 - 100%, 2022 - 90%)	154.24%	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. **Retirement of Chairperson**

Mr. S. B. Rangamuwa has retired from the positions of Chairman and Director with effect from 10th August 2023.

7. **Appointment of Chairperson and Deputy Chairperson**

Mr. M. Y. A. Perera has been appointed as Chairman and Mr. J. D. N. Kakulawala has been appointed as Deputy Chairman of the Bank with effect from 11th August 2023.

8. **Appointment of Directors**

Ms. A. A. K. Amarasinghe has been appointed as a Non - Independent, Non - Executive Director of the Bank with effect from 31st August 2023.

9. **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.

10. **Ratios**

	30/09/2023
Debt to Equity (Times)	0.65
Interest Cover (Times)	3.10

11. **Market Price of Ordinary Shares**

Market Price Per Share	30/09/2023 (Rs.)		30/09/2022 (Rs.)	
	Voting	Non-Voting	Voting	Non-Voting
Last Traded Price	20.20	-	11.30	-
Highest Price for the Quarter	23.50	-	13.90	-
Lowest Price for the Quarter	13.90	-	7.90	-

Shareholders' Information

Major Shareholders as at 30th September 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	K. D. H. Perera	23,305,998	5.27
4	P. J. Tay	21,917,994	4.95
5	K. D. A. Perera	19,200,000	4.34
6	Sri Lanka Samurdhi Authority	11,114,376	2.51
7	W.K.H. Wegapitiya	10,700,000	2.42
8	Imminent Technologies (Pvt) Ltd	10,637,697	2.40
9	Sri Lanka Savings Bank Limited	10,298,499	2.33
10	Seylan Bank PLC/Ambeon Holdings PLC (Collateral)	9,749,616	2.20
11	Commercial Bank of Ceylon PLC/Andaradeniya Estate (Pvt) Ltd	4,001,095	0.90
12	Commercial Bank of Ceylon PLC/G.S.N. Peiris	2,999,482	0.68
13	Citizens Development Business Finance PLC/K. D. Gunarathne	2,480,000	0.56
14	H. Beruwalage	1,903,648	0.43
15	DFCC Bank PLC/N. G. N. Maduranga	1,702,572	0.38
16	A. U. De Silva	1,680,000	0.38
17	S. A. Cooray	1,500,000	0.34
18	Seylan Bank PLC /K. S. Balasuriya	1,500,000	0.34
19	PMF Finance PLC/R. A. Niranjana	1,373,891	0.31
20	AIA Insurance Lanka Ltd A/c No.07	1,270,718	0.29
		336,444,062	**76.02**
	Others	**106,117,567**	**23.98**
	Total	**442,561,629**	**100.00**

Public holding as at 30th September 2023 was 55.01% in the hands of 6,801 public shareholders.

Float Adjusted Market Capitalisation as at 30th September 2023 was Rs. 4,917,753,672/- and the Bank complies with Option No. 04.

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

No	Name of Director	No. of Shares
1	M. Y. A. Perera	-
2	J. D. N. Kekulawala	-
3	B. D. A. Perera	-
4	S. A. Walgama	-
5	C. M. Umagiliya	-
6	H. Ota	-
7	A. A. K. Amarasinghe	-
8	E. M. N. Edirisinghe	1,950