



**INTERIM FINANCIAL STATEMENTS
FOR THE 09 MONTHS ENDED 30TH SEPTEMBER 2020**

COMPANY REGISTRATION NO : PQ 48

Income Statement						
	For the Nine Months ended 30th September		Change	For the Quarter ended 30th September		Change
	2 020 (Audited)	2 019	%	2020	2019	%
Interest Income	14,300,650	14,426,450	(1)	4,586,831	4,844,647	(5)
Interest Expense	(8,857,250)	(9,767,872)	(9)	(2,883,921)	(3,155,910)	(9)
Net Interest Income	5,443,400	4,658,578	17	1,702,910	1,688,737	1
Fees and Commission Income	939,116	1,166,818	(20)	353,106	434,716	(19)
Fees and Commission Expense	(50,311)	(42,859)	17	(19,514)	(18,514)	5
Net Fee and Commission Income	888,805	1,123,959	(21)	333,592	416,202	(20)
Net Gain from Trading	365,196	527,181	(31)	133,825	141,597	(5)
Other Operating Income	196,304	134,967	45	56,073	42,834	31
Total Operating Income	6,893,705	6,444,685	7	2,226,400	2,289,370	(3)
Impairment Charges	1,228,828	1,154,812	6	553,526	335,640	65
Net Operating Income	5,664,877	5,289,873	7	1,672,874	1,953,730	(14)
Operating Expenses						
Personnel Expenses	1,457,841	1,428,763	2	504,233	519,637	(3)
Depreciation and Amortisation	146,652	139,453	5	50,652	45,767	11
Other Expenses	1,709,452	1,750,286	(2)	565,155	607,653	(7)
Operating Profit before Taxes and Levies on Financial Services	2,350,932	1,971,371	19	552,834	780,673	(29)
Taxes and Levies on Financial Services	486,084	706,873	(31)	120,811	267,191	(55)
Profit before Tax	1,864,848	1,264,498	47	432,023	513,482	(16)
Tax Expense	614,511	240,776	155	87,642	243,509	(64)
Profit for the Period	1,250,337	1,023,722	22	344,381	269,973	28
Earnings Per Share - Basic /Diluted (Rs)	2.83	2.31	22	0.78	0.61	28

In Rupee Thousands

Statement of Comprehensive Income						
	For the Nine Months ended 30th September		Change	For the Quarter ended 30th September		Change
	2 020	2 019	%	2020	2019	%
Profit for the Period	1,250,337	1,023,722	22	344,381	269,973	28
Other Comprehensive Income						
Revaluation Surplus on Property Plant and Equipment	37,493	-	100	37,493	-	100
Deferred Tax Effect	(10,498)	-	100	(10,498)	-	100
	26,995	-	100	26,995	-	100
Other Comprehensive Income for the Period	26,995	-	100	26,995	-	100
Total Comprehensive Income for the Period	1,277,332	1,023,722	25	371,376	269,973	38

In Rupee Thousands

Statement of Financial Position

	As at 30/09/2020	As at 31/12/2019 (Audited)	Change %
Assets			
Cash and Cash Equivalents	2,523,981	1,708,269	48
Balances with Central Bank of Sri Lanka	2,240,994	5,333,200	(58)
Derivative Financial Instruments	73,954	443	16,583
Financial Assets at Fair Value through Profit or Loss	111,087	168,177	(34)
Financial Assets at Amortised Cost			
-Loans and Advances	120,981,433	111,187,855	9
-Debt and Other Instruments	42,754,312	30,080,088	42
Financial Assets - Fair Value through Other Comprehensive Income	6,158	6,158	-
Property, Plant and Equipment	2,315,885	2,333,961	(1)
Right-of-Use Assets	756,239	911,837	(17)
Intangible Assets	336,242	280,852	20
Other Assets	1,029,975	968,855	6
Total Assets	173,130,260	152,979,695	13
Liabilities			
Due to Banks	1,367,368	521,836	162
Derivative Financial Instruments	57,772	107	53,745
Financial Liabilities at Amortized Cost			
-Due to Depositors	137,604,474	122,544,024	12
-Due to Debt Securities holders	13,504,433	11,944,843	13
Debentures Issued	843,904	-	100
Current Tax Liabilities	867,734	752,287	15
Deferred Tax Liabilities	148,527	132,780	12
Other Provisions and Accruals	369,859	187,603	97
Other Liabilities	3,760,068	3,567,426	5
Total Liabilities	158,524,139	139,650,906	14
Equity			
Stated Capital	3,614,253	3,614,253	-
Statutory Reserve Fund	538,717	538,717	-
Retained Earnings	9,488,083	8,231,160	15
Revaluation Reserve	965,068	944,659	2
Total Equity	14,606,121	13,328,789	10
Total Equity and Liabilities	173,130,260	152,979,695	13
Commitments and Contingencies	61,584,340	46,999,029	31
Net Asset Value per Share (Rs.)	33.00	30.12	10
Memorandum Information			
Number of Employees	1,507	1,629	
Number of Branches	85	85	

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 01/01/2019	3,614,253	-	451,189	623,813	6,557,389	11,246,644
Profit for the Period	-	-	-	-	1,023,722	1,023,722
Other Comprehensive Income for the Period	-	-	-	-	-	-
Total Comprehensive Income for the Period	-	-	-	-	1,023,722	1,023,722
Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders	-	-	-	-	-	-
Other Transaction						
Realisation of Revaluation Reserve	-	-	-	(5,116)	5,116	-
Total Other Transactions	-	-	-	(5,116)	5,116	-
Balance as at 30/09/2019	3,614,253	-	451,189	618,697	7,586,227	12,270,366
Balance as at 01/01/2020	3,614,253	-	538,717	944,659	8,231,160	13,328,789
Profit for the Period	-	-	-	-	1,250,337	1,250,337
Other Comprehensive Income for the Period	-	-	-	26,995	-	26,995
Total Comprehensive Income for the Period	-	-	-	26,995	1,250,337	1,277,332
Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders	-	-	-	-	-	-
Other Transactions						
Realisation of Revaluation Reserve	-	-	-	(6,586)	6,586	-
Total Other Transactions	-	-	-	(6,586)	6,586	-
Balance as at 30/09/2020	3,614,253	-	538,717	965,068	9,488,083	14,606,121

* Number of Ordinary Shares (Voting) as at 30th September 2020 - 442,561,629

In Rupee Thousands

Statement of Cash Flows		
	Current Year From 01/01/20 To 30/09/20	Previous Year From 01/01/19 To 30/09/19
Cash Flows from Operating Activities		
Profit before Tax	1,864,848	1,264,498
<i>Adjustment for:</i>		
Non Cash Items Included in Profit before Tax	1,531,546	1,511,459
Change in Operating Assets	(20,667,959)	437,103
Change in Operating Liabilities	17,930,206	(444,371)
Interest Expense on Debentures and Other Term Debts	670,940	1,080,750
Interest Expense on Lease Liabilities	79,055	-
Gratuity Paid	(16,161)	(18,657)
Income Tax Paid	(493,815)	(406,565)
Net Cash Generated From Operating Activities	898,660	3,424,217
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(59,668)	(53,178)
Proceeds from the Sale of Property, Plant and Equipment	126	777
Acquisition of Intangible Assets	(87,032)	(8,696)
Net Cash Flows Used in Investing Activities	(146,574)	(61,097)
Cash Flows from Financing Activities		
Redemption of Debentures	-	(2,690,855)
Proceeds from Debenture Issue	820,000	-
Interest Paid on Debentures and Other Term Debts	(516,832)	(856,698)
Repayment of Principal Portion of Lease Liability	(159,556)	-
Interest Paid on Lease Liabilities	(79,055)	-
Net Cash Generated From / (Used in) Financing Activities	64,557	(3,547,553)
Net Increase / (Decrease) in Cash & Cash Equivalents	816,643	(184,433)
Cash and Cash Equivalents at the beginning of the Period	1,709,649	2,214,106
Cash and Cash Equivalents at the end of the Period	2,526,292	2,029,673

In Rupee Thousands

Measurement of Financial Instruments					
As at 30/09/2020	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	-	-	2,523,981	-	2,523,981
Balances with Central Bank of Sri Lanka	-	-	2,240,994	-	2,240,994
Derivative Financial Instruments	-	-	-	73,954	73,954
Financial Assets at Fair Value through Profit or Loss	111,087	-	-	-	111,087
Financial Assets at Amortised Cost-Loans and Advances	-	-	120,981,433	-	120,981,433
Financial Assets at Amortised Cost-Debt and Other Instruments	-	-	42,754,312	-	42,754,312
Financial Assets at Fair Value through Other Comprehensive Income	-	6,158	-	-	6,158
Total Financial Assets	111,087	6,158	168,500,720	73,954	168,691,919
Financial Liabilities					
Due to Banks	-	-	1,367,368	-	1,367,368
Derivative Financial Instruments	-	-	-	57,772	57,772
Due to Depositors	-	-	137,604,474	-	137,604,474
Due to Debt Securities Holders	-	-	13,504,433	-	13,504,433
Debentures Issued	-	-	843,904	-	843,904
Other Liabilities	-	-	716,156	-	716,156
Total Financial Liabilities	-	-	154,036,335	57,772	154,094,107

In Rupee Thousands

Measurement of Financial Instruments					
As at 31/12/2019 (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	-	-	1,708,269	-	1,708,269
Balances with Central Bank of Sri Lanka	-	-	5,333,200	-	5,333,200
Derivative Financial Instruments	-	-	-	443	443
Financial Assets at Fair Value through Profit or Loss	168,177	-	-	-	168,177
Financial Assets at Amortised Cost-Loans and Advances	-	-	111,187,855	-	111,187,855
Financial Assets at Amortised Cost-Debt and Other Instruments	-	-	30,080,088	-	30,080,088
Financial Assets at Fair Value through Other Comprehensive Income	-	6,158	-	-	6,158
Total Financial Assets	168,177	6,158	148,309,412	443	148,484,190
Financial Liabilities					
Due to Banks	-	-	521,836	-	521,836
Derivative Financial Instruments	-	-	-	107	107
Due to Depositors	-	-	122,544,024	-	122,544,024
Due to Debt Securities Holders	-	-	11,944,843	-	11,944,843
Debentures Issued	-	-	-	-	-
Other Liabilities	-	-	863,074	-	863,074
Total Financial Liabilities	-	-	135,873,777	107	135,873,884

Notes to the Financial Statements

1. Analysis of Loans and Advances and Impairment

1.1 Loans and Advances

In Rupee Thousands

	As at 30/09/2020	As at 31/12/2019 (Audited)
Gross Loans and Advances	128,377,814	117,503,175
Less :Accumulated Impairment provision	(7,396,381)	(6,315,320)
Net Loans and Advances including those designated at FVPL	120,981,433	111,187,855
Less: Loans and Advances designated at FVPL	-	-
Net Loans and Advances	120,981,433	111,187,855

1.2 Loans and Advances - By Product

In Rupee Thousands

	As at 30/09/2020	As at 31/12/2019 (Audited)
Domestic Currency		
Term Loans	81,917,433	68,971,801
Overdraft	12,489,643	14,941,312
Trade Finance	897,526	2,663,681
Lease Rentals Receivable	9,730,360	8,627,202
Others	13,331,202	12,361,119
Sub Total	118,366,164	107,565,115
Foreign Currency		
Term Loans	6,790,156	7,073,772
Overdraft	2,014,648	1,846,376
Trade Finance	1,205,928	1,001,031
Others	918	16,881
Sub Total	10,011,650	9,938,060
Total	128,377,814	117,503,175

1.3 Stage Wise Impairment on Loans and Advances

In Rupee Thousands

	As at 30/09/2020	As at 31/12/2019 (Audited)
Gross Loans and Advances	128,377,814	117,503,175
Less: Accumulated Impairment under Stage 1	(994,298)	(981,068)
Accumulated Impairment under Stage 2	(1,148,710)	(496,481)
Accumulated Impairment under Stage 3	(5,253,373)	(4,837,771)
Net Loans and Advances	120,981,433	111,187,855

1.4 Movement of Impairment during the period - Loans and Advances

In Rupee Thousands

	As at 30/09/2020	As at 31/12/2019 (Audited)
Under Stage 1		
Opening balance	981,068	1,184,379
Charge/(Reversal) to income statement	13,230	(203,311)
Closing balance	994,298	981,068
Under Stage 2		
Opening balance	496,481	599,125
Charge/ (Reversal) to income statement	652,229	(102,644)
Closing balance	1,148,710	496,481
Under Stage 3		
Opening balance	4,837,771	3,542,059
Charge/(Reversal) to income statement	454,251	1,394,625
Write - off during the period	(38,649)	(98,913)
Closing balance	5,253,373	4,837,770
Total impairment - Closing Balance	7,396,381	6,315,320

Notes to the Financial Statements

2. Movement of Impairment during the year - Other Financial Instruments

In Rupee Thousands

	Cash & Cash Equivalents	Debt & Other Instrument	Documentary Credit	Financial Guarantees	Total
Opening balance as at 01/01/2019	362	83,832	1,891	6,508	92,593
Charge/ (Reversal) to Income statement	1,018	42,525	4,287	341	48,171
Closing balance at 31/12/2019	1,380	126,357	6,178	6,849	140,764
Opening balance as at 01/01/2020	1,380	126,357	6,178	6,849	140,764
Charge/(Reversal) to Income statement	931	108,587	(2,123)	1,724	109,119
Closing balance at 30/09/2020	2,311	234,944	4,055	8,573	249,883

* All above Financial assets and Financial guarantee contracts are stage 1 exposures.

3. Analysis of Deposits

In Rupee Thousands

	As at 30/09/2020	As at 31/12/2019 (Audited)
Domestic Currency		
Demand Deposits	5,131,977	3,833,190
Savings Deposits	26,376,065	15,846,532
Fixed Deposits	93,672,548	87,938,393
Certificates of Deposits	3,765,096	3,521,230
Margin Deposits	232,813	203,194
Sub Total	129,178,499	111,342,539
Foreign Currency		
Demand Deposits	610,082	542,445
Savings Deposits	1,049,053	1,064,243
Fixed Deposits	6,766,840	9,590,534
Margin Deposits	-	4,263
Sub Total	8,425,975	11,201,485
Total	137,604,474	122,544,024

Notes to the Financial Statements

4. Fair Value of Financial Instruments

4.1 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. Such valuations incorporate various inputs such as foreign exchange spot and forward rates.

(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 consisted of unquoted equities.

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

Quoted Equities and Sri Lanka Government Securities - are included under Financial Assets at Fair Value through Profit or Loss are valued using market prices.

4.2 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 2020	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative Financial Instruments	-	73,954	-	73,954
Financial Assets at Fair Value through Profit or Loss				
- Sri Lanka Government Rupee Securities	111,087	-	-	111,087
Financial Assets at FVOCI	-	6,158	-	6,158
Total	111,087	80,112	-	191,199
Non Financial Assets				
Land - Revalued	-	-	1,420,100	1,420,100
Building - Revalued	-	-	487,788	487,788
Total	-	-	1,907,888	1,907,888
Financial Liabilities				
Derivative Financial Instruments	-	57,772	-	57,772
Total	-	57,772	-	57,772

Notes to the Financial Statements

As at 31st December 2019	In Rupee Thousands			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative Financial Instruments	-	443	-	443
Financial Assets at Fair Value through Profit or Loss				
- Sri Lanka Government Foreign Currency Securities	168,177	-	-	168,177
Financial Assets at FVOCI	-	6,158	-	6,158
Total	168,177	6,601	-	174,779
Non Financial Assets				
Land - Revalued	-	-	1,402,160	1,402,160
Building - Revalued	-	-	481,575	481,575
Total	-	-	1,883,735	1,883,735
Financial Liabilities				
Derivative Financial Instruments	-	107	-	107
Total	-	107	-	107

- b) The following table shows the total gains and losses (excluding interest) recognised in profit or loss during the year relating to assets and liabilities held at the year end.

	In Rupee Thousands
	9 Months Ended September 2020
Financial Assets	
Derivative Financial Instruments (Net)	15,846
Total	15,846

Notes to the Financial Statements

- c) Set out below is a comparison, by class, of the carrying amounts 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 2020		As at 31st December 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and Cash Equivalents	2,523,981	2,523,981	1,708,269	1,708,269
Balances with Central Bank of Sri Lanka	2,240,994	2,240,994	5,333,200	5,333,200
Loans and Advances - at Amortised Cost	120,981,433	122,076,272	111,187,855	111,322,699
Debt and Other Instruments - at Amortised Cost	42,754,312	41,869,523	30,080,088	30,317,127
Total Financial Assets	168,500,720	168,710,770	148,309,412	148,681,295
Financial Liabilities				
Due to Banks	1,367,368	1,367,368	521,836	521,836
Due to Depositors - at Amortised Cost	137,604,474	136,465,517	122,544,024	119,704,851
Due to Debt Security holders - at Amortised Cost	13,504,433	13,504,433	11,944,843	11,944,843
Debentures Issued	843,904	843,904	-	-
Other Liabilities	716,156	716,156	863,074	863,074
Total Financial Liabilities	154,036,335	152,897,378	135,873,777	133,034,604

The presentation and classification of previous year have been amended for better presentation and to be comparable with those of the current year.

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 amounts 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 Re-sale 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.

Selected Performance Indicators (As per Regulatory Reporting)		
	Bank	
	Current Period As at 30/09/2020	Previous Period As at 31/12/2019
Regulatory Capital (Rs '000)		
Common Equity Tier I (CET I) Capital before Adjustments	14,103,810	12,853,473
Common Equity Tier I (CET I) Capital after Adjustments	13,767,568	12,572,621
Total Tier 1 Capital	13,767,568	12,572,621
Total Capital	16,222,892	13,978,793
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement -6.5%, 2019-7%)	12.82%	12.87%
Tier 1 Capital Ratio (Minimum Requirement -8%, 2019-8.5%)	12.82%	12.87%
Total Capital Ratio (Minimum Requirement -12%, 2019-12.5%)	15.11%	14.31%
Leverage Ratio		
Leverage Ratio (%) (Minimum Requirement - 3%)	6.50%	7.06%
Asset Quality		
Gross Non - Performing Advances Ratio, % (Net of Interest in Suspense)	6.38%	6.31%
Net Non - Performing Advances Ratio, % (Net of Interest in Suspense and Provision)	2.20%	2.82%
Profitability (Annualised)		
Interest Margin, %	4.42%	4.36%
Return on Assets (Before Tax), %	1.51%	1.52%
Return on Equity, %	11.95%	14.50%
Regulatory Liquidity		
Statutory Liquid Assets,- DBU (Rs'000)	45,226,137	33,932,700
Statutory Liquid Assets, - Off Shore Banking Unit (USD'000)	20,858	9,835
Statutory Liquid Assets Ratio, % (Minimum Requirement, 20%)		
Domestic Banking Unit (%)	29.65%	24.93%
Off-Shore Banking Unit (%)	38.73%	23.61%
Total Stock of High-Quality Liquid Assets (Rs '000)		
Rupee	27,614,127	12,127,628
All Currency	31,796,158	16,686,658
Liquidity Coverage Ratio (%) - (Minimum Requirement -90%, 2019-100%)		
Rupee (%)	173.84%	128.84%
All Currency (%)	205.07%	165.02%
Net Stable Funding Ratio (%) - (Minimum Requirement -90%, 2019-100%)	125.34%	128.24%

CERTIFICATION:

I certify that the above Financial Statements comply with the requirements of the Companies Act No. 7 of 2007.

(Sgd.)

Suranga 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 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 statements have been extracted from the unaudited financials of the bank unless indicated as audited.

(Sgd.)

Dimuth Prasanna

Chairman

11th November 2020

(Sgd.)

Nimal Tillekeratne

Director / Chief Executive Officer

EXPLANATORY NOTES

1. These Interim Financial Statements have been prepared in accordance with LKAS 34 - Interim Financial Reporting and present information required by Listing Rules of Colombo Stock Exchange.
2. There are no significant changes in accounting policies and methods of computation since the publication of Audited Financial Statements for the year 2019.
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. **Impact of COVID 19, Expected Credit Losses and Modification Losses**

5.1 Impact of COVID 19

While the COVID-19 pandemic continues to have a significant impact on businesses around the world, Sri Lanka, currently faces its second wave. This has brought about a negative impact on the efforts placed to achieve a gradual recovery from the first wave which lasted for three months. There are number of factors associated with COVID-19 while the impact due to this could result in a material adverse effect on the bank's profitability, its capital and liquidity. COVID-19 continues to cause disruption to the bank's customers, its staff and suppliers as well as other stakeholders to an extent. The Bank continues to monitor the situation closely, since it is unclear as to how this situation will evolve and the impacts due to this through year 2020 and beyond.

The Government of Sri Lanka introduced several schemes to provide financial support for the sectors affected due to the COVID-19. Some of these actions include repayment deferrals (moratorium) for the affected borrowers, new credit facilities at concessionary rates (refinanced by the government) to revive affected businesses and waiving off late payment fees. This in return has affected the bank's profitability due to reduced effective interest rates and the low fee income.

Furthermore, participation CBSL supported loan schemes introduced as a result of the COVID-19 pandemic, may negatively impact the Bank's level of impairment and, in turn, the capital position. This may be exacerbated, if the Bank is required to offer further forbearance or additional financial relief to borrowers. Once these relief schemes expire, the Bank may experience a higher volume of defaults and delinquencies in certain portfolios which results in a need to initiate collection and enforcement actions to recover defaulted debts. In order to face these defaults, the management has assessed the situation and has taken mitigation actions to minimize the potential impacts via updating its contingency plans and other risk management measures.

Further, the economy remains uncertain and the future impairment charges may be subject to higher volatility depending on the longevity of the COVID-19 pandemic and related containment measures, as well as the longer term effectiveness of the government support measures.

5.2 Expected Credit Losses (ECLs)

The COVID-19 pandemic has led to a weakening of economic indicators. These factors have a significant impact on the modelling of expected credit losses (ECL) of the Bank. The Bank used economic factor projections published by credible sources and allocated a higher weightage to downside (worst case) scenarios in assessing the probability weighted forward looking macro-economic indicators to reflect economic conditions. Further the management used an overlay (post-model) adjustment in making impairment provision as at 30th September 2020 on account of the risks identified. As a result, the Bank has experienced a higher impairment charge during the period compared to prior periods.

5.3 Loan Modification Losses (Day One Impact)

The Bank enabled number of support measures for the customers impacted by COVID 19 which include loan repayment deferrals at concessionary interest rates as directed by Central Bank of Sri Lanka. The management concluded that all modifications made to loan contracts under the CBSL COVID-19 moratorium scheme as 'substantial modifications' upon exercising judgement. Accordingly, the Bank recorded the entire modification loss (day one loss) from loan moratorium reliefs against the interest income in accordance with SLFRS 9 during the period under review. As such, the Bank does not anticipate further day one losses from modifications made up to 30/09/2020 in future reporting periods.

EXPLANATORY NOTES

6. Amendments to the Income Tax Law Announced by the Government

As per the Department of Inland Revenue notice dated 12th February 2020, the corporate income tax rate has been reduced from 28% to 24% commencing from the Year of Assessment 2020/21 subject to the ratification of the parliament. The Bank has not considered the consequential impact in computation of income tax and deferred tax liabilities as at 30th September 2020 as the relevant provisions are yet to be legislated.

Had the impact of the proposed reduction been adjusted, the total income tax expense for the period ended 30th September 2020 would have been reduced by Rs.66,100,713/- and deferred tax expense on the items that are routed through other comprehensive income would have been reduced by Rs.42,154,871/-. Further the net deferred tax liability and current tax liabilities as at 30th September 2020 would have been reduced by Rs.21,218,184/- and Rs.87,037,400/- respectively.

7. Events after the Reporting Period

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

8. Ratios

30/09/2020

Debt to Equity (Times)
Interest Cover (Times)

0.79
3.78

9. Market Price of Ordinary Shares

Market Price Per Share	30/09/2020 (Rs.)		30/09/2019 (Rs.)	
	Voting	Non Voting	Voting	Non Voting
Last Traded Price	13.90	--	12.40	--
Highest Price for the Quarter	14.60	--	14.80	--
Lowest Price for the Quarter	10.80	--	12.00	--

Shareholders' Information

Major Shareholders as at 30th September 2020

No	Name	No. of Shares	%
1	Mr. K. D. D. Perera	132,724,230	29.99
2	Bansei Securities Co., Ltd.	66,384,246	15.00
3	Seylan Bank PLC/Ambeon Holdings PLC(Collateral)	43,930,641	9.93
4	Mr.W.K. H Wegapitiya	27,303,169	6.17
5	Mr. K D H Perera	23,305,998	5.27
6	Mr. P. J. Tay	21,917,994	4.95
7	Mr. K. D. A. Perera	19,200,000	4.34
8	Mr. D C C Joseph	18,470,526	4.17
9	Imminent Technologies (Pvt) Ltd	14,137,697	3.19
10	Sri Lanka Samurdhi Authority	11,114,376	2.51
11	Sri Lanka Savings Bank Limited	10,298,499	2.33
12	Mrs. A R Molligoda	3,737,319	0.84
13	Mr. R A De Silva	2,200,000	0.50
14	Mr.H Beruwalage	2,046,648	0.46
15	Mr.D M I Dissanayake	1,440,101	0.33
16	Commercial Bank of Ceylon PLC/Andaradeniya Estate (Pvt) Ltd	1,322,424	0.30
17	Mr.D T Beruwalage	1,161,448	0.26
18	Mr.M B U N Fernando	1,020,000	0.23
19	Mr.A P Somasiri	1,000,000	0.23
20	DFCC Bank PLC/N G N Maduranga	987,090	0.22
		403,702,406	91.22
	Others	38,859,223	8.78
	Total	442,561,629	100

Public holding as at 30th September 2020 was 55.00% in the hands of 4,401 public shareholders.

Float adjusted market capitalisation as at 30th September 2020 was 3,383,383,653 and Bank complies with option no 04.

Directors' and Chief Executive Officer's Holding in Shares as at 30th September 2020

No	Name of Director	No. of Shares
1	Mr. G.A.R.D Prasanna	34,801
2	Mr. S.B.Rangamuwa	-
3	Mr. M. A Abeynaike	-
4	Mr. T Igarashi	-
5	Mr. T Murakami	-
6	Mr. J. D. N Kekulawala	-
7	Mr. M Y A Perera	-
8	Mr. N. R. Tillekeratne	-