



**INTERIM FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020**

**COMPANY REGISTRATION NO : PQ 48**

## **PRESS RELEASE**

### **Pan Asia Bank records Best-Ever Yearly Results in Challenging Times - Profit after Tax Soars by 17% to reach Rs. 2 Billion**

- Net Interest Income up by 11% despite absorbing loan modification losses in full
- Operating Profits up by 4% owing to excellence in core banking performance and improved operational efficiencies
- Profit before Tax reaches Rs. 2.84 billion, up by 23%, despite making prudential provision buffers to cope up with the Impact of COVID-19
- All Key Profitability Indicators are among the industry best - Net Interest Margin improves to 4.41%, Return on Assets (pre-tax) improves to 1.70% and Return on Equity stands at 14.36%
- Loans and Advances Book grew by 11% to reach Rs. 130 billion
- Customer Deposits increased by 15% to reach Rs.141 billion
- Current and Savings (CASA) account base soars by 60%, CASA ratio improves by 691 bps.
- Net Non-Performing Advances Ratio improves from 2.82% to 2.34%
- The Bank remains highly liquid - All statutory liquidity ratios are well above regulatory minimums
- Tier 1 ratio improves to 13.24% due to strong internal capital generation

Pan Asia Banking Corporation PLC reported the best-ever annual financial results during the year ended 31<sup>st</sup> December 2020 to report a Pre-Tax Profit of Rs. 2.84 billion and a Post-Tax Profit of Rs. 2.05 billion after recording impressive growth rates of 23% and 17% respectively, demonstrating resilience amidst challenging macro economic conditions.

Meanwhile, the Bank's Operating Profit Before Taxes on Financial Services increased by 4%, reflecting excellence in core banking performance and the success of cost containment measures, despite the bank's fee-based income declining sharply due to reduced business volumes resulting from disruptions caused by COVID-19 pandemic and waiver of fees and charges mandated by the regulator.

The Bank's Earnings per Share (EPS) for the year rose to Rs. 4.63 in 2020 from Rs. 3.96 in 2019. The Bank's Net Asset Value per Share increased by 16% during the year to reach Rs. 34.79 as at 31st December 2020.

The Bank has made extra provision buffers especially under stage 1 and stage 2 for probable deterioration in credit quality through management overlay adjustments and identification of elevated risk industries related exposures and staging them under relevant stages. As a result, total impairment charges for the year increased by 40% to record Rs. 1,596 million in 2020 compared to Rs.1,136 million in 2019.

The Bank's growth in both profit before income tax and profit for the period was also supported by the low financial services tax regime that prevailed throughout the year 2020. Meanwhile, the Bank continued to compute income tax and deferred tax liabilities at the rate of 28% as the proposed new rate of 24% is yet to be legislated.

The Bank's net interest margins improved from 4.36% to 4.41% during the year which a commendable feat given the fact that the bank recognising the entire loan modification loss from COVID 19 loan moratoriums under interest income and the industry wide deterioration in credit quality.

The Bank's Pre-Tax Return on Assets also improved to 1.70% in 2020 from 1.52% in 2019. Meanwhile, the Bank's Post-Tax Return on Assets also improved to 1.23% in 2020 from 1.15% in 2019. Further the Bank reported a healthy Return on Equity ratio of 14.36% during the year under review (FY 2020) which stands among the industry best.

The Bank strived for revenue optimisation through portfolio re-alignment and cost management despite sector vulnerabilities that prevailed during 2020. The Bank's cost-to-income ratio improved from 50% to 46% during the year under review owing to the excellent core banking performance which is reflected in the noteworthy growth in net interest income and measures taken to contain overhead costs. In fact, the Bank managed to bring down its total operating expenses by Rs. 289 Mn in 2020 compared to the previous year.

The Bank's total asset base stood at Rs. 176.94 billion as at 31<sup>st</sup> December 2020 after reporting a growth of over 16%, supported by the expansion in gross loans and advances and other financial instruments at amortised cost. Meanwhile, the Bank's gross loans and advances book recorded a strong growth of over 11% in 2020 to reach Rs. 130.75 billion.

The Customer Deposits recorded a commendable growth of over 15% to reach Rs. 141.08 billion by 31<sup>st</sup> December 2020. The Bank's CASA base grew by Rs.12.99 billion phenomenally during the year under review by improving the CASA ratio by 691 basis points. The Bank's gross non-performing loan ratio slipped from 6.31% to 6.73% during the year under review reflecting the industry wide credit quality deterioration. However, the Bank's net non-performing loan ratio improved from 2.82% to 2.34% due to prudent provisioning.

Commenting on the financial performance, the Bank's Director/CEO, Nimal Tillekeratne said; The Bank was able to record this exceptional performance due to proactive decisions and effective execution of strategies capitalising on the opportunities in the macro economy while managing the risks. This impressive performance reflects the Bank's resiliency, foresight, agility and the growing capability to generate strong financial performance even amidst challenging conditions.

“This is the best ever post tax profits in a financial year the Bank had in its history of 25 years. We have achieved this feat while building additional provision buffers to deal with possible deterioration in credit quality due to the impact of COVID-19 pandemic. This robust performance we recorded in the year with the key contributions from Retail Segments is in line with the set budgets and also gives us the confidence to record even better performance going forward,” Tillekeratne added.

The Bank maintains all capital and liquidity ratios well above the regulatory minimum. Both Common Equity Tier 1 Capital Ratio and Tier 1 Capital Ratio as at 31<sup>st</sup> December 2020 improved during the year to remain at 13.24%. Meanwhile, the Bank's Total Capital Adequacy Ratio improved from 14.31% to 15.74% during the year under review. The Bank's Statutory Liquid Asset Ratios (SLAR) at the year-end 2020 stood at 27.83% and 42.36% for Domestic Banking Unit and Off-Shore Banking Unit respectively.

Meanwhile, the Bank's Liquidity Coverage Ratio (LCR) under BASEL III stood well above statutory minimums throughout the year 2020. The Bank maintained LCR Ratios of 211.57% and 177.36% for all currencies and LKR respectively.

In addition to its record-breaking financial performance, Pan Asia Bank also played a pivotal role in making a positive impact in the sphere of sustainability. This saw the Bank, which is a pioneer promoter in green financing in Sri Lanka, being awarded the prestigious 'Global Climate Partnership Award' last year by Global Climate Partnership Fund, one of the world's largest climate funds which recognises outstanding performance and impact across categories such as capacities and skills, institutional capacities and green lending offerings, as well as outstanding energy efficiency or renewable energy projects. Further, the Bank's green initiatives have been recognised as the 'Best Green Bank in Sri Lanka - 2020' by UK-based Global Banking and Finance Review.

'Business Today' included Pan Asia Bank among the 'Top 30 Corporates in Sri Lanka' for the second consecutive year in recognition of the Bank's superlative business performance and financial resilience in challenging times. 'Business Today Top 30' is an independent ranking of the country's listed entities based on a comprehensive evaluation of an entity's financial and non-financial performance in a financial year.

Pan Asia Bank, which changed the financial landscape by introducing many innovative banking products, celebrated its Silver Jubilee in 2020. Acknowledged as one of the fastest-growing banks in Sri Lanka, Pan Asia Bank has earned a solid reputation as an agile and robust banking institution that is based on a strong framework of good governance, sustainability and ethical operations.

In Rupee Thousands

## Income Statement

	For the Year ended 31st December		Change	For the Quarter ended 31st December		Change
	2020	2019	%	2020	2019	%
	(Audited)	(Audited)				
Interest Income	18,821,013	19,416,606	(3)	4,520,363	4,990,156	(9)
Interest Expense	(11,451,264)	(12,782,018)	(10)	(2,594,014)	(3,014,146)	(14)
<b>Net Interest Income</b>	<b>7,369,749</b>	<b>6,634,588</b>	<b>11</b>	<b>1,926,349</b>	<b>1,976,010</b>	<b>(3)</b>
Fees and Commission Income	1,346,032	1,605,877	(16)	406,916	439,059	(7)
Fees and Commission Expense	(69,969)	(60,559)	16	(19,657)	(17,700)	11
<b>Net Fee and Commission Income</b>	<b>1,276,063</b>	<b>1,545,318</b>	<b>(17)</b>	<b>387,259</b>	<b>421,359</b>	<b>(8)</b>
Net Gain from Trading	478,880	649,577	(26)	113,684	122,395	(7)
Other Operating Income	235,498	235,602	(0)	39,195	100,635	(61)
<b>Total Operating Income</b>	<b>9,360,190</b>	<b>9,065,085</b>	<b>3</b>	<b>2,466,487</b>	<b>2,620,399</b>	<b>(6)</b>
Impairment Charges	1,596,041	1,136,842	40	367,214	(17,969)	2,144
<b>Net Operating Income</b>	<b>7,764,149</b>	<b>7,928,243</b>	<b>(2)</b>	<b>2,099,273</b>	<b>2,638,368</b>	<b>(20)</b>
<b>Operating Expenses</b>						
Personnel Expenses	1,942,765	1,973,310	(2)	484,924	544,547	(11)
Depreciation and Amortisation	416,617	387,705	7	114,001	85,269	34
Other Expenses	1,876,567	2,164,549	(13)	323,079	577,246	(44)
<b>Total Operating Expenses</b>	<b>4,235,949</b>	<b>4,525,564</b>	<b>(6)</b>	<b>922,004</b>	<b>1,207,062</b>	<b>(24)</b>
<b>Operating Profit before Taxes and Levies on Financial Services</b>	<b>3,528,200</b>	<b>3,402,679</b>	<b>4</b>	<b>1,177,269</b>	<b>1,431,306</b>	<b>(18)</b>
Taxes and Levies on Financial Services	690,034	1,088,540	(37)	203,949	381,668	(47)
<b>Profit before Tax</b>	<b>2,838,166</b>	<b>2,314,139</b>	<b>23</b>	<b>973,320</b>	<b>1,049,638</b>	<b>(7)</b>
Tax Expense	789,998	563,570	40	175,488	322,794	(46)
<b>Profit for the Period</b>	<b>2,048,168</b>	<b>1,750,569</b>	<b>17</b>	<b>797,832</b>	<b>726,844</b>	<b>10</b>
Earnings Per Share - Basic /Diluted (Rs)	4.63	3.96	17	1.80	1.64	10

In Rupee Thousands

## Statement of Comprehensive Income

	For the Year ended 31st December		Change %	For the Quarter ended 31st December		Change %
	2020 (Audited)	2019 (Audited)		2020	2019	
	<b>Profit for the Period</b>	<b>2,048,168</b>	<b>1,750,569</b>	<b>17</b>	<b>797,832</b>	<b>726,844</b>
<b>Other Comprehensive Income</b>						
Revaluation Surplus on Property, Plant and Equipment	37,493	455,093	(92)	-	455,093	(100)
Deferred Tax Effect on Above	(10,498)	(127,426)	(92)	-	(127,426)	(100)
	<b>26,995</b>	<b>327,667</b>	<b>(92)</b>	<b>-</b>	<b>327,667</b>	<b>(100)</b>
Actuarial Gains/(Losses) on Defined Benefit Plan	(9,421)	5,429	(274)	(9,421)	5,429	(274)
Deferred Tax Effect on Above	2,638	(1,520)	274	2,638	(1,520)	274
	<b>(6,783)</b>	<b>3,909</b>	<b>(274)</b>	<b>(6,783)</b>	<b>3,909</b>	<b>274</b>
<b>Other Comprehensive Income for the Period</b>	<b>20,212</b>	<b>331,576</b>	<b>(94)</b>	<b>(6,783)</b>	<b>331,576</b>	<b>(102)</b>
<b>Total Comprehensive Income for the Period</b>	<b>2,068,380</b>	<b>2,082,145</b>	<b>(1)</b>	<b>791,049</b>	<b>1,058,420</b>	<b>(25)</b>

In Rupee Thousands

<b>Statement of Financial Position</b>			
	As at 31/12/2020 (Audited)	As at 31/12/2019 (Audited)	Change %
<b>Assets</b>			
Cash and Cash Equivalents	2,914,163	1,708,269	71
Balances with Central Bank of Sri Lanka	2,583,394	5,333,200	(52)
Derivative Financial Instruments	93,013	443	20,882
Financial Assets at Fair Value through Profit or Loss	-	168,177	(100)
Financial Assets at Amortised Cost			
-Loans and Advances	123,157,188	111,187,855	11
-Debt and Other Instruments	43,519,891	30,080,088	45
Financial Assets - Fair Value through Other Comprehensive Income	6,158	6,158	-
Property, Plant and Equipment	2,307,882	2,333,961	(1)
Right-of-Use Assets	983,365	911,837	8
Intangible Assets	346,697	280,852	23
Other Assets	1,028,656	968,855	6
<b>Total Assets</b>	<b>176,940,407</b>	<b>152,979,695</b>	<b>16</b>
<b>Liabilities</b>			
Due to Banks	2,863,376	521,836	449
Derivative Financial Instruments	79,005	107	73,535
Financial Liabilities at Amortised Cost			
-Due to Depositors	141,079,707	122,544,024	15
-Due to Debt Securities Holders	11,535,791	11,944,843	(3)
Debenture Issued	872,839	-	100
Current Tax Liabilities	825,102	752,287	10
Deferred Tax Liabilities	159,834	132,780	20
Other Provisions and Accruals	210,864	187,603	12
Other Liabilities	3,916,720	3,567,426	10
<b>Total Liabilities</b>	<b>161,543,238</b>	<b>139,650,906</b>	<b>16</b>
<b>Equity</b>			
Stated Capital	3,614,253	3,614,253	-
Statutory Reserve Fund	641,125	538,717	19
Retained Earnings	10,179,071	8,231,160	24
Revaluation Reserve	962,720	944,659	2
<b>Total Equity</b>	<b>15,397,169</b>	<b>13,328,789</b>	<b>16</b>
<b>Total Equity and Liabilities</b>	<b>176,940,407</b>	<b>152,979,695</b>	<b>16</b>
<b>Commitments and Contingencies</b>	<b>67,728,484</b>	<b>46,999,029</b>	<b>44</b>
<b>Net Asset Value per Share (Rs.)</b>	<b>34.79</b>	<b>30.12</b>	<b>16</b>
<b>Memorandum Information</b>			
Number of Employees	1,483	1,629	
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)

**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 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 Audited Financial Statements of the Bank.

(Sgd)

**Dimuth Prasanna**

Chairman

(Sgd)

**Nimal Tillekeratne**

Director / Chief Executive Officer

18th February 2021

Colombo

In Rupee Thousands

<b>Statement of Changes In Equity</b>						
<b>(Audited)</b>						
	Stated Capital*		Reserves			Total
	Ordinary Voting Shares	Ordinary Non-Voting Shares	Statutory Reserve Fund	Revaluation Reserve	Retained Earnings	
<b>Balance as at 01/01/2019</b>	3,614,253	-	451,189	623,813	6,557,389	11,246,644
<b>Total Comprehensive Income for the Year</b>						
Profit for the Year	-	-	-	-	1,750,569	1,750,569
Other Comprehensive Income for the Year	-	-	-	327,667	3,909	331,576
<b>Total Comprehensive Income for the Year</b>	-	-	-	<b>327,667</b>	<b>1,754,478</b>	<b>2,082,145</b>
<b>Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders</b>						
<b>Other Transaction</b>						
Transfer to Statutory Reserve Fund	-	-	87,528	-	(87,528)	-
Realisation of Revaluation Reserve	-	-	-	(6,821)	6,821	-
<b>Total Other Transactions</b>	-	-	<b>87,528</b>	<b>(6,821)</b>	<b>(80,707)</b>	-
<b>Balance as at 31/12/2019</b>	<b>3,614,253</b>	-	<b>538,717</b>	<b>944,659</b>	<b>8,231,160</b>	<b>13,328,789</b>
<b>Balance as at 01/01/2020</b>	3,614,253	-	538,717	944,659	8,231,160	13,328,789
<b>Total Comprehensive Income for the Year</b>						
Profit for the Year	-	-	-	-	2,048,168	2,048,168
Other Comprehensive Income for the Year	-	-	-	26,995	(6,783)	20,212
<b>Total Comprehensive Income for the Year</b>	-	-	-	<b>26,995</b>	<b>2,041,385</b>	<b>2,068,380</b>
<b>Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders</b>						
<b>Other Transactions</b>						
Transfer to Statutory Reserve Fund	-	-	102,408	-	(102,408)	-
Realisation of Revaluation Reserve	-	-	-	(8,934)	8,934	-
<b>Total Other Transactions</b>	-	-	<b>102,408</b>	<b>(8,934)</b>	<b>(93,474)</b>	-
<b>Balance as at 31/12/2020</b>	<b>3,614,253</b>	-	<b>641,125</b>	<b>962,720</b>	<b>10,179,071</b>	<b>15,397,169</b>

\* Number of Ordinary Shares (Voting) as at 31<sup>st</sup> December 2020 - 442,561,629



In Rupee Thousands

<b>Statement of Cash Flows</b>		
	<b>Current Year From 01/01/2020 To 31/12/2020 (Audited)</b>	<b>Previous Year From 01/01/2019 To 31/12/2019 (Audited)</b>
<b>Cash Flows from Operating Activities</b>		
Profit before Tax	2,838,166	2,314,139
<b>Adjustments for:</b>		
Non-Cash Items Included in Profit before Tax	2,089,994	1,602,001
Change in Operating Assets	(24,521,737)	608,164
Change in Operating Liabilities	20,084,553	2,363,146
Interest Expense on Debentures and Other Term Debts	904,222	1,301,974
Interest Expense on Lease Liability	87,495	101,631
Gratuity Paid	(26,777)	(25,360)
Income Tax Paid	(697,990)	(588,252)
<b>Net Cash Flows From Operating Activities</b>	<b>757,926</b>	<b>7,677,443</b>
<b>Cash Flows from Investing Activities</b>		
Acquisition of Property, Plant and Equipment	(92,190)	(98,326)
Proceeds from the Sale of Property, Plant and Equipment	138	777
Acquisition of Intangible Assets	(109,469)	(13,208)
<b>Net Cash Flows Used in Investing Activities</b>	<b>(201,521)</b>	<b>(110,757)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Term Borrowings	4,090,350	362,760
Proceeds from Debenture Issue	820,000	-
Redemption of Debentures	-	(5,690,855)
Repayment of Term Borrowings	(3,176,560)	(1,000,000)
Interest Paid on Debentures and Other Term Debts	(801,835)	(1,435,046)
Repayment of Lease Liabilities	(193,227)	(206,371)
Interest Paid on Lease Liabilities	(87,495)	(101,631)
<b>Net Cash Flows From/(Used in) Financing Activities</b>	<b>651,233</b>	<b>(8,071,143)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>1,207,638</b>	<b>(504,457)</b>
Cash and Cash Equivalents at the beginning of the Year	1,709,649	2,214,106
Cash and Cash Equivalents at the end of the Year	<b>2,917,287</b>	<b>1,709,649</b>

In Rupee Thousands

Measurement of Financial Instruments					
As at 31/12/2020 (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
<b>Financial Assets</b>					
Cash and Cash Equivalents	-	-	2,914,163	-	2,914,163
Balances with Central Bank of Sri Lanka	-	-	2,583,394	-	2,583,394
Derivative Financial Instruments	-	-	-	93,013	93,013
Financial Assets at Amortised Cost - Loans and Advances	-	-	123,157,188	-	123,157,188
Financial Assets at Amortised Cost - Debt and Other Instruments	-	-	43,519,891	-	43,519,891
Financial Assets at Fair Value through Other Comprehensive Income	-	6,158	-	-	6,158
<b>Total Financial Assets</b>	-	<b>6,158</b>	<b>172,174,636</b>	<b>93,013</b>	<b>172,273,807</b>
<b>Financial Liabilities</b>					
Due to Banks	-	-	2,863,376	-	2,863,376
Derivative Financial Instruments	-	-	-	79,005	79,005
Due to Depositors	-	-	141,079,707	-	141,079,707
Due to Debt Securities Holders	-	-	11,535,791	-	11,535,791
Debenture Issued	-	-	872,839	-	872,839
Other Liabilities	-	-	935,470	-	935,470
<b>Total Financial Liabilities</b>	-	-	<b>157,287,183</b>	<b>79,005</b>	<b>157,366,188</b>

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
<b>Financial Assets</b>					
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
<b>Total Financial Assets</b>	<b>168,177</b>	<b>6,158</b>	<b>148,309,412</b>	<b>443</b>	<b>148,484,190</b>
<b>Financial Liabilities</b>					
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
Other Liabilities	-	-	863,074	-	863,074
<b>Total Financial Liabilities</b>	-	-	<b>135,873,777</b>	<b>107</b>	<b>135,873,884</b>

## Notes to the Financial Statements

### 1. Analysis of Loans and Advances and Impairment

#### 1.1 Loans and Advances

In Rupee Thousands

	As at 31/12/2020 (Audited)	As at 31/12/2019 (Audited)
Gross Loans and Advances	130,751,778	117,503,175
Less: Impairment	(7,594,590)	(6,315,320)
Net Loans and Advances including those designated at fair value through profit or loss	123,157,188	104,872,535
Less: Loans and Advances designated at fair value through profit or loss	-	-
<b>Net Loans and Advances</b>	<b>123,157,188</b>	<b>104,872,535</b>

#### 1.2 Loans and Advances - By Product

In Rupee Thousands

	As at 31/12/2020 (Audited)	As at 31/12/2019 (Audited)
<b>By Product-Domestic Currency</b>		
Term Loans	85,295,483	68,971,801
Overdraft	11,784,225	14,941,312
Trade Finance	803,346	2,663,681
Lease Rentals Receivable	9,496,585	8,627,202
Others	13,199,490	12,361,119
<b>Sub Total</b>	<b>120,579,129</b>	<b>107,565,115</b>
<b>By Product-Foreign Currency</b>		
Term Loans	6,886,184	7,073,772
Overdraft	2,081,889	1,846,376
Trade Finance	1,204,576	1,001,031
Others	-	16,881
<b>Sub Total</b>	<b>10,172,649</b>	<b>9,938,060</b>
<b>Total</b>	<b>130,751,778</b>	<b>117,503,175</b>

#### 1.3 Stage Wise Impairment on Loans and Advances

In Rupee Thousands

	As at 31/12/2020 (Audited)	As at 31/12/2019 (Audited)
<b>Gross Loans and Advances</b>	130,751,778	117,503,175
Less: Accumulated Impairment under Stage 1	(1,116,134)	(981,068)
Accumulated Impairment under Stage 2	(1,147,035)	(496,481)
Accumulated Impairment under Stage 3	(5,331,421)	(4,837,771)
<b>Net Loans and Advances</b>	<b>123,157,188</b>	<b>111,187,855</b>

#### 1.4 Movement of Impairment during the Year - Loans and Advances

In Rupee Thousands

	As at 31/12/2020 (Audited)	As at 31/12/2019 (Audited)
<b>Under Stage 1</b>		
Opening balance as at 1st January	981,068	1,184,379
Charge/(Reversal) to Income Statement	135,066	(203,311)
Closing balance as at 31st December	<b>1,116,134</b>	<b>981,068</b>
<b>Under Stage 2</b>		
Opening balance as at 1st January	496,481	599,125
Charge/(Reversal) to Income Statement	650,554	(102,644)
Closing balance as at 31st December	<b>1,147,035</b>	<b>496,481</b>
<b>Under Stage 3</b>		
Opening balance as at 1st January	4,837,771	3,542,059
Charge/(Reversal) to Income Statement	560,080	1,394,625
Write-off during the Year	(66,430)	(98,913)
Closing balance as at 31st December	<b>5,331,421</b>	<b>4,837,771</b>
<b>Total Impairment - Closing Balance as at 31st December</b>	<b>7,594,590</b>	<b>6,315,320</b>

**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 (Audited)	362	83,832	1,891	6,508	<b>92,593</b>
Charge/(Reversal) to Income Statement	1,018	42,525	4,287	341	<b>48,171</b>
Closing balance at 31/12/2019 (Audited)	<b>1,380</b>	<b>126,357</b>	<b>6,178</b>	<b>6,849</b>	<b>140,764</b>
Opening balance as at 01/01/2020 (Audited)	1,380	126,357	6,178	6,849	<b>140,764</b>
Charge/(Reversal) to Income Statement	1,744	242,322	(77)	6,353	<b>250,342</b>
Closing balance at 31/12/2020 (Audited)	<b>3,124</b>	<b>368,679</b>	<b>6,101</b>	<b>13,202</b>	<b>391,106</b>

\*All above Financial Assets and Financial Guarantee Contracts are Stage 1 exposures.

**3. Analysis of Deposits - By Product**
**In Rupee Thousands**

	As at 31/12/2020 (Audited)	As at 31/12/2019 (Audited)
<b>By Product-Domestic Currency</b>		
Demand Deposits	5,438,644	3,833,190
Savings Deposits	26,857,353	15,846,532
Fixed Deposits	94,966,788	87,938,393
Certificates of Deposits	3,825,672	3,521,230
Margin Deposits	300,386	203,194
<b>Sub Total</b>	<b>131,388,843</b>	<b>111,342,539</b>
<b>By Product- Foreign Currency</b>		
Demand Deposits	409,093	542,445
Savings Deposits	1,481,783	1,064,243
Fixed Deposits	7,799,988	9,590,534
Margin Deposits	-	4,263
<b>Sub Total</b>	<b>9,690,864</b>	<b>11,201,485</b>
<b>Total</b>	<b>141,079,707</b>	<b>122,544,024</b>

## 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. 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.

#### 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.

As at 31st December 2020	In Rupee Thousands			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Derivative Financial Instruments	-	93,013	-	93,013
Financial Assets at FVOCI	-	6,158	-	6,158
<b>Total</b>	-	<b>99,171</b>	-	<b>99,171</b>
<b>Non-Financial Assets</b>				
Land - Revalued	-	-	1,420,100	1,420,100
Building - Revalued	-	-	483,155	483,155
<b>Total</b>	-	-	<b>1,903,255</b>	<b>1,903,255</b>
<b>Financial Liabilities</b>				
Derivative Financial Instruments	-	79,005	-	79,005
<b>Total</b>	-	<b>79,005</b>	-	<b>79,005</b>

## Notes to the Financial Statements

<b>As at 31st December 2019</b>	<b>In Rupee Thousands</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>				
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
<b>Total</b>	<b>168,177</b>	<b>6,601</b>	<b>-</b>	<b>174,778</b>
<b>Non-Financial Assets</b>				
Land - Revalued	-	-	1,402,160	1,402,160
Building - Revalued	-	-	481,575	481,575
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,883,735</b>	<b>1,883,735</b>
<b>Financial Liabilities</b>				
Derivative Financial Instruments	-	107	-	107
<b>Total</b>	<b>-</b>	<b>107</b>	<b>-</b>	<b>107</b>

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

	<b>In Rupee Thousands</b>	
	<b>2020</b>	<b>2019</b>
Derivative Financial Instruments	13,671	241
Financial Assets at Fair Value through Profit or Loss		
- Equities	-	5,472
- Sri Lanka Government Foreign Currency Securities	-	983
<b>Total</b>	<b>13,671</b>	<b>6,696</b>

## Notes to the Financial Statements

### 4.3 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 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 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 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.

As at 31st December	In Rupee Thousands			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and Cash Equivalents	2,914,163	2,914,163	1,708,269	1,708,269
Balances with Central Bank of Sri Lanka	2,583,394	2,583,394	5,333,200	5,333,200
Loans and Advances -at Amortised Cost	123,157,187	126,451,374	111,187,855	111,322,699
Debt and Other Instruments - at Amortised Cost	43,519,891	41,720,091	30,080,088	30,317,127
<b>Total Financial Assets</b>	<b>172,174,635</b>	<b>173,669,022</b>	<b>148,309,412</b>	<b>148,681,295</b>
Financial Liabilities				
Due to Banks	2,863,376	2,863,376	521,836	521,836
Due to Depositors - at Amortised Cost	141,079,707	144,280,741	122,544,024	119,704,851
Due to Debt Security holders - at Amortised Cost	11,535,791	11,648,116	11,944,843	11,944,843
Debentures Issued	872,839	930,507	-	-
Other Liabilities	935,470	1,248,165	863,074	863,074
<b>Total Financial Liabilities</b>	<b>157,287,183</b>	<b>160,970,906</b>	<b>135,873,777</b>	<b>133,034,604</b>

Selected Performance Indicators (As per Regulatory Reporting)		
	Bank	
	Current Year As at 31/12/2020	Previous Year As at 31/12/2019
<b>Regulatory Capital (LKR '000)</b>		
Common Equity Tier I (CET I) Capital before Adjustments	14,657,973	12,853,473
Common Equity Tier I (CET I) Capital after Adjustments	14,311,276	12,572,621
Total Tier 1 Capital	14,311,276	12,572,621
Total Capital	17,014,768	13,978,793
<b>Regulatory Capital Ratios (%)</b>		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 6.5%, 2019- 7%)	13.24%	12.87%
Tier 1 Capital Ratio (Minimum Requirement - 8%, 2019-8.5%)	13.24%	12.87%
Total Capital Ratio (Minimum Requirement - 12%, 2019-12.5%)	15.74%	14.31%
<b>Leverage Ratio</b>		
Leverage Ratio (%) (Minimum Requirement - 3%)	6.70%	7.06%
<b>Asset Quality</b>		
Gross Non-Performing Advances Ratio, % (Net of Interest in Suspense)	6.73%	6.31%
Net Non-Performing Advances Ratio, % (Net of Interest in Suspense and Provision)	2.34%	2.82%
<b>Profitability (Annualised)</b>		
Interest Margin, %	4.41%	4.36%
Return on Assets (Before Tax), %	1.70%	1.52%
Return on Equity, %	14.36%	14.50%
<b>Regulatory Liquidity</b>		
Statutory Liquid Assets-DBU (LKR'000)	43,213,986	33,932,700
Statutory Liquid Assets-Off Shore Banking Unit (USD'000)	23,418	9,835
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)		
Domestic Banking Unit (%)	27.83%	24.93%
Off-Shore Banking Unit (%)	42.36%	23.61%
Total Stock of High-Quality Liquid Assets (LKR '000)		
Rupee	30,212,947	12,127,628
All Currency	35,652,169	16,686,658
Liquidity Coverage Ratio (%) - (Minimum Requirement - 90%, 2019- 100%)		
Rupee (%)	177.36%	128.84%
All Currency (%)	211.57%	165.02%
Net Stable Funding Ratio (%) - (Minimum Requirement - 90%, 2019- 100%)	116.80%	128.24%



## EXPLANATORY NOTES

1. The figures are extracted from the Audited Financial Statements for the year ended 31st December 2020. External Auditors of the Bank, M/s Ernst & Young carried out an audit for the year ended 31st December 2020 and expressed an unqualified opinion on the Financial Statements of the Bank for the year ended 31st December 2020. Where required, figures on the Audited Annual Financial Statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.
2. 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.
3. There are no significant changes in accounting policies and methods of computation since the publication of Audited Financial Statements for the year 2019.
4. There are no material changes in the composition of assets, liabilities, contingent liabilities and use of funds raised through issue of shares and debentures.
5. All known expenses have been provided for in these Financial Statements.
6. The presentation and classification of previous year have been amended for better presentation and to be comparable with those of the current year.
7. **Impact of COVID-19**

COVID-19 pandemic and measures undertaken to contain it have dramatically changed the global economy causing large scale economic disruption and volatility in financial markets. The extent to which these efforts will reduce the adverse financial effects of the COVID-19 pandemic still remains uncertain.

The Bank has introduced a number of support measures for customers impacted by COVID-19, which include loan moratorium (payment deferrals) at concessionary rate of interest, waiver of late payment charges and granting of loans under the Government's COVID -19 Renaissance Schemes. These loan repayment deferral arrangements were deemed continuations of customers' existing loan contracts and were therefore accounted for as 'non-substantial loan modifications' and total modification loss was recognised in the current year Profit or Loss in relation to repayment deferrals on loans, where interest over the deferral period was charged at a reduced rate on a simple interest, rather than on compounding basis.

In assessing forecast conditions, the Bank has incorporated the effects of COVID-19 and government support measures on a reasonable and supportable basis. Forward looking adjustments have been determined based on a range of plausible economic and industry stress factors, taking into account the mitigating impacts of government support packages, including loan repayment deferral arrangements. The circumstances are unique in that many of the deferred loans were performing prior to COVID-19, and either continue to perform, or have genuine prospects of recovery once government restrictions are eased and lockdowns are discontinued. COVID-19 repayment deferrals were not borrower specific, but rather addressed to broad ranges of customers as applied by them, and have hence not been classified automatically as Stage 2 loans by default. However, the Bank has downgraded the borrowers in elevated risk industries between stages as applicable.

## 8. 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 the Financial Statements other than disclosed below;

There remains significant uncertainty regarding how the COVID-19 pandemic will evolve, including the duration of the pandemic, the severity of the downturn and the speed of economic recovery. The Bank did not identify any events after the reporting date relating to COVID-19, which would require adjustments to or disclosures in the Financial Statements. Given the flowing nature of the current situation, the Bank will continue to often review forward looking assumptions and forecast economic scenarios.

## 9. 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 31st December 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 year ended 31st December 2020 would have been reduced by Rs.109,002,042/- and deferred tax expense on the items that are routed through Other Comprehensive Income would have been reduced by Rs.41,741,535/-. Further the net deferred tax liability and current tax liabilities as at 31st December 2020 would have been reduced by Rs.22,833,486/- and Rs.127,910,091/- respectively.

10. Ratios	31/12/2020	31/12/2019
Debt to Equity (Times)	0.75	0.69
Interest Cover (Times)	4.14	2.78

## 11. Market Price of Ordinary Shares

Market Price Per Share	31/12/2020 (Rs.)		31/12/2019 (Rs.)	
	Voting	Non Voting	Voting	Non Voting
Last Traded Price	13.00	--	12.80	--
Highest Price for the Quarter	14.70	--	13.70	--
Lowest Price for the Quarter	11.50	--	12.00	--

## Shareholders' Information

### Major Shareholders as at 31<sup>st</sup> December 2020

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	Seylan Bank PLC/Ambeon Holdings PLC(Collateral)	43,930,641	9.93
4	W.K. H Wegapitiya	27,303,169	6.17
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	D C C Joseph	15,206,742	3.44
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	R A De Silva	2,201,229	0.49
13	H Beruwalage	2,046,648	0.46
14	Commercial Bank of Ceylon PLC/Andaradeniya Estate (Pvt) Ltd	1,422,462	0.32
15	D M I Dissanayake	1,400,101	0.32
16	D T Beruwalage	1,161,448	0.26
17	M.B.U.N. Fernando	1,020,000	0.23
18	A.P. Somasiri	1,000,000	0.23
19	DFCC Bank PLC/N G N Maduranga	981,085	0.22
20	Little Smile Organic (Pvt) Ltd	826,017	0.19
		<b>397,582,582</b>	<b>89.84</b>
	<b>Others</b>	<b>44,979,047</b>	<b>10.16</b>
	<b>Total</b>	<b>442,561,629</b>	<b>100.00</b>

Public holding as at 31<sup>st</sup> December 2020 was 54.96% in the hands of 4,905 public shareholders.

Float Adjusted Market Capitalisation as at 31<sup>st</sup> December 2020 was Rs.3,162,014,326 and the Bank complies with option number 04.

### Directors' and Chief Executive Officer's Holding in Shares as at 31<sup>st</sup> December 2020

No	Name of Director	No. of Shares
1	G.A.R.D. Prasanna	34,801
2	S.B.Rangamuwa	125,000
3	M. A. Abeynaike	-
4	T. Igarashi	-
5	T. Murakami	-
6	J.D.N. Kekulawala	-
7	M.Y.A. Perera	-
8	N.R. Tillekeratne	-