



**INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31ST MARCH 2022**

COMPANY REGISTRATION NO : PQ 48

Press Release

Pan Asia Bank records a Moderate Performance in 2022 Q1 amidst Challenging Conditions

- Net Interest Income - Rs. 2,471million, up by 11%
- Net Fee and Commission Income - Rs. 518million, up by 11%
- Net Gains from Trading- Rs. 109 million, up by 45%
- Cost-to-Income Ratio improves to 32.27% in 2022 Q1 from 38.85% in 2021
- Loans and Advances book reaches Rs. 160 billion, up by 6%
- Customer Deposits reach Rs. 156billion, up by 6%
- The Bank maintains a healthy Net Interest Margin of 5.12%
- CASA Ratio improves to 29.24%
- Stage 3 Loans to Total Loans Ratio improves from 3.04% to 2.95%
- Total Impairment Provision Coverage reaches 84.25% due to increased prudent provisioning
- The Bank remains well capitalised and liquid- All liquidity and capital adequacy ratios above regulatory minimum requirements

Pan Asia Banking Corporation PLC reported a modest financial performance for 2022 Q1 to report a Pre-Tax Profit of Rs.314 million and a Post-Tax Profit of Rs.216 million amidst extremely challenging macroeconomic conditions. Against the backdrop of the challenging macroeconomic conditions, the Bank's Cost-to-Income Ratio improved to 32.27% in 2022 Q1 from 38.85% in the year 2021 reflecting the excellence in core banking performance and the success of cost containment measures adopted by the Bank.

Meanwhile, the Bank increased its provision buffers for loan losses during 2022 Q1 sensibly taking into consideration increased risks and uncertainties emerged due to extremely challenging macroeconomic conditions prevailed in the country through introducing changes to impairment models, including additional provisions for the Bank's investments in foreign currency denominated financial instruments of government of Sri Lanka in view of elevation of default risk associated with the Sri Lankan sovereign as a result of further downgrading the sovereign credit rating of Sri Lanka by international credit rating agencies.

As a result of the additional provisions made during the quarter to cover the elevated risks in the macroeconomic environment including currency steep depreciation of Sri Lankan Rupee against the major currencies, the impairment charges recorded a sharp increase of 161% compared to the corresponding period which caused the Bank reporting a decline in net operating income on YoY basis. The impairment expense for the reporting period includes provisions made on foreign currency exposures to the Government of Sri Lanka amounting to Rs. 660 million.

Interest Income for the period has gone up by 5% due to the increase in interest income from pawning, term loans, overdrafts and Rupee government securities coming from volume increases. The Bank's interest expense is more or less remained at the same level despite the growth in the interest-bearing liabilities base. Consequently, the Bank's Net Interest Income grew by 11% to Rs. 2.47 billion in Q1 2022 from Rs. 2.23 billion in Q1 2021.

The Bank's Net Fee and Commission Income recorded a growth of 11% with the rebound in demand for credit due to revival of economic activities and trade activities. Meanwhile, the Net Gains from Trading increased by 45% mainly resulted from reporting high premiums in forex swap agreements due to the unconventional developments in the swap market which was heavily discounted in previous quarter. In contrary, the Bank reported a loss under the Other Operating Income during the reporting period due to losses from asset and liability revaluation incurred as a result of depreciation of LKR significantly against major foreign currencies during the month of March 2022.

The Bank strived for earnings maximization through portfolio re-alignment and cost management despite sector vulnerabilities that prevailed since last year. The Bank's Cost-to-Income Ratio improved during the period under review owing to the excellence in core banking performance which is reflected in growths in most key revenue lines and various strategies and measures taken to contain the increase in overhead costs. In fact, the Bank managed to contain the increase in Other Operating Expenses at 3% in Q1 2022 compared to the previous quarter despite rising prices for commodities. Meanwhile the reduced allocations for staff bonuses and cost savings due to staff rationalisation activities caused bank reporting a reduced in Personnel Expenses and Total Operating Expenses during the quarter under review.

Value Added Tax on Financial Services and Income Tax Expenses have come down mainly due to the drop in Operating Profits of the Bank for Q1 2022 despite increase in statutory tax rates for VAT on Financial Services.

The Bank reported a healthy net interest margin of 5.12% during the reporting period with a marginal dip compared to the FY 2021. Meanwhile the Bank reported a Pre-Tax Return on Assets (ROA) of 0.65% and a Post Tax Return on Equity (ROE) of 4.65% during the quarter under review. The Bank's Earnings per Share (EPS) for 2022 Q1 dropped to Rs. 0.49 from Rs. 1.70 due to increased provisioning for credit losses.

The Bank's Net Asset Value per Share as at the end of the reporting period stood at Rs. 42.41. The Bank's Total Assets base stood at Rs. 204 billion as at 31st March 2022 after posting a growth of 8% during the quarter supported mainly by the expansion in loan book. The Bank's Gross Loans and Advances book recorded a growth of 6% to reach Rs. 159.62 billion with the contribution of all segments. This reflects the inflation of the loan book due to currency depreciation as well. The main lending products that drove the growth in Q1 2022 were Pawning and Term loans. During the quarter under review the Bank did not lend vigorously to sectors that exhibited high stress as a measure of the Bank's prudential lending decisions.

The Customer Deposits recorded a growth of 6% to reach Rs. 155.93 billion as at 31st March 2022. Supported by contributions from Retail and SME segments and reflected the inflation of the deposit base by currency depreciation as well. The Bank's CASA Ratio is at 29.24% as of 31st March 2022.

The Bank's Stage 3 Loans to Total Loans Ratio improved from 3.04% to 2.95% during the quarter due to improvement in under writing standards of the Bank amidst tough macroeconomic conditions. The Bank's Stage 3 Provision Cover slightly improved from 51.23% to 51.49% and the Total Impairment Provision Cover improved from 78.39% to 84.25% due to prudent provisioning for possible credit losses. 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 at 31st March 2022 stood at 13.00% and 15.06% respectively. The Bank's Statutory Liquid Assets Ratio (SLAR) as at 31st March 2022 stood at 25.09% and 61.06% for Domestic Banking Unit and Off-Shore Banking Unit respectively. Meanwhile, the Bank's Liquidity Coverage Ratio (LCR) under BASEL III stood well above the statutory minimums. The Bank maintained LCR of 135.80% and 136.47% for All Currencies and LKR respectively.

In Rupee Thousands

Income Statement			
	For the Three Months ended 31st March		Change %
	2 022	2 021	
Interest Income	4,873,489	4,630,146	5
Interest Expense	(2,402,505)	(2,396,031)	0
Net Interest Income	2,470,984	2,234,115	11
Fee and Commission Income	530,254	473,910	12
Fee and Commission Expense	(12,690)	(7,634)	66
Net Fee and Commission Income	517,564	466,276	11
Net Gains from Trading	109,464	75,582	45
Other Operating Income/(Loss)	(8,433)	179,296	(105)
Total Operating Income	3,089,579	2,955,269	5
Impairment Charges	1,662,139	637,850	161
Net Operating Income	1,427,440	2,317,419	(38)
Operating Expenses			
Personnel Expenses	362,436	508,850	(29)
Depreciation and Amortisation	127,754	118,027	8
Other Operating Expenses	506,870	493,852	3
Total Operating Expenses	997,060	1,120,729	(11)
Operating Profit before VAT on Financial Services	430,380	1,196,690	(64)
Value Added Tax on Financial Services	116,179	210,916	(45)
Profit before Tax	314,201	985,774	(68)
Tax Expense	98,278	235,332	(58)
Profit for the Period	215,923	750,442	(71)
Earnings Per Share - Basic/Diluted (Rs.)	0.49	1.70	(71)

In Rupee Thousands

Statement of Comprehensive Income			
	For the Three Months ended 31st March		Change %
	2 022	2 021	
Profit for the Period	215,923	750,442	(71)
Other Comprehensive Income for the Period			
Other Comprehensive Income Not to be Re-classified to Profit or Loss			
Deferred Tax Effect on Revision of Statutory Income Tax Rate	-	41,705	(100)
	-	41,705	(100)
Other Comprehensive Income for the Period	-	41,705	(100)
Total Comprehensive Income for the Period	215,923	792,147	(73)

In Rupee Thousands

Statement of Financial Position			
	As at 31/03/2022	As at 31/12/2021 (Audited)	Change %
Assets			
Cash and Cash Equivalents	2,572,478	2,218,092	16
Balances with Central Bank of Sri Lanka	4,369,137	5,038,345	(13)
Reverse Repurchase Agreements	700,144	-	100
Derivative Financial Instruments	2,473,809	4,592	53,772
Financial Assets at Fair Value through Profit or Loss	19,062	-	100
Financial Assets at Amortised Cost			
-Loans and Advances	150,427,204	142,369,157	6
-Debt and Other Instruments	37,401,306	34,110,583	10
Financial Assets at Fair Value through Other Comprehensive Income	3,752	3,752	-
Property, Plant and Equipment	2,341,083	2,335,826	0
Right-of-Use Assets	1,510,720	1,377,406	10
Intangible Assets	307,883	320,863	(4)
Other Assets	1,909,672	1,733,054	10
Total Assets	204,036,250	189,511,670	8
Liabilities			
Due to Banks	2,271,906	3,914,395	(42)
Repurchase Agreements	1,777,526	254,154	599
Derivative Financial Instruments	10,763	33	32,515
Financial Liabilities at Amortised Cost			
-Due to Depositors	155,928,074	146,433,816	6
-Due to Debt Securities Holders	17,636,572	12,978,490	36
Subordinated Debentures	843,275	872,839	(3)
Retirement Benefit Obligations	388,807	376,851	3
Current Tax Liabilities	1,224,573	1,252,818	(2)
Deferred Tax Liabilities	78,921	118,401	(33)
Other Provisions and Accruals	243,044	196,193	24
Other Liabilities	4,863,358	4,560,172	7
Total Liabilities	185,266,819	170,958,162	8
Equity			
Stated Capital	3,614,253	3,614,253	-
Statutory Reserve Fund	794,893	794,893	-
Retained Earnings	13,356,234	13,137,897	2
Revaluation Reserve	1,004,051	1,006,465	(0)
Total Equity	18,769,431	18,553,508	1
Total Equity and Liabilities	204,036,250	189,511,670	8
Commitments and Contingencies	53,526,385	37,779,887	42
Net Asset Value per Share (Rs.)	42.41	41.92	1
Memorandum Information			
Number of Employees	1,428	1,396	
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 Senior Director of Pan Asia Banking Corporation PLC, certify jointly that;

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

(Sgd)

S.B. Rangamuwa

Chairman

(Sgd)

M.A. Abeynaike

Senior Director

12th May 2022

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 01/01/2021	3,614,253	-	641,125	962,720	10,179,071	15,397,169
Profit for the Period	-	-	-	-	750,442	750,442
Other Comprehensive Income for the Period	-	-	-	44,020	(2,315)	41,705
Total Comprehensive Income for the Period	-	-	-	44,020	748,127	792,147
Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders	-	-	-	-	-	-
Other Transactions						
Realisation of Revaluation Reserve	-	-	-	(2,347)	2,347	-
Total Other Transactions	-	-	-	(2,347)	2,347	-
Balance as at 31/03/2021	3,614,253	-	641,125	1,004,393	10,929,545	16,189,316
Balance as at 01/01/2022	3,614,253	-	794,893	1,006,465	13,137,897	18,553,508
Profit for the Period	-	-	-	-	215,923	215,923
Other Comprehensive Income for the Period	-	-	-	-	-	-
Total Comprehensive Income for the Period	-	-	-	-	215,923	215,923
Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders	-	-	-	-	-	-
Other Transactions						
Realisation of Revaluation Reserve	-	-	-	(2,414)	2,414	-
Total Other Transactions	-	-	-	(2,414)	2,414	-
Balance as at 31/03/2022	3,614,253	-	794,893	1,004,051	13,356,234	18,769,431

* Number of Ordinary Shares (Voting) as at 31st March 2022 - 442,561,629

In Rupee Thousands

Statement of Cash Flows		
	Current Period From 01/01/2022 To 31/03/2022	Previous Period From 01/01/2021 To 31/03/2021
Cash Flows from Operating Activities		
Profit before Tax	314,201	985,774
<i>Adjustments for:</i>		
Non-Cash Items Included in Profit before Tax	1,809,927	772,556
Change in Operating Assets	(15,878,229)	(3,767,820)
Change in Operating Liabilities	14,768,525	3,478,551
Interest Expense on Subordinated Debentures and Other Term Borrowings	235,819	229,197
Interest Expense on Lease Liability	27,611	22,666
Gratuity Paid	(7,784)	(5,446)
Income Tax Paid	(166,003)	(176,513)
Net Cash Flows from Operating Activities	1,104,067	1,538,965
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment	(41,121)	(9,536)
Proceeds from the Sale of Property, Plant and Equipment	25	74
Net Cash Flows used in Investing Activities	(41,096)	(9,462)
Cash Flows from Financing Activities		
Repayment of Term Borrowing	(500,000)	(500,000)
Interest Paid on Subordinated Debentures and Other Term Borrowings	(102,791)	(177,178)
Repayment of Principal Portion of Lease Liabilities	(70,381)	(49,022)
Interest Paid on Lease Liabilities	(27,611)	(22,666)
Net Cash Flows used in Financing Activities	(700,783)	(748,866)
Net Increase in Cash & Cash Equivalents	362,188	780,637
Cash and Cash Equivalents at the beginning of the Period	2,225,376	2,917,287
Cash and Cash Equivalents at the end of the Period	2,587,564	3,697,924

In Rupee Thousands

Measurement of Financial Instruments					
As at 31/03/2022	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	-	-	2,572,478	-	2,572,478
Balances with Central Bank of Sri Lanka	-	-	4,369,137	-	4,369,137
Reverse Repurchase Agreements	-	-	700,144	-	700,144
Derivative Financial Instruments	-	-	-	2,473,809	2,473,809
Financial Assets at Fair Value through Profit or Loss	19,062	-	-	-	19,062
Financial Assets at Amortised Cost-Loans and Advances	-	-	150,427,204	-	150,427,204
Financial Assets at Amortised Cost-Debt and Other Instruments	-	-	37,401,306	-	37,401,306
Financial Assets at Fair Value through Other Comprehensive Income	-	3,752	-	-	3,752
Total Financial Assets	19,062	3,752	195,470,269	2,473,809	197,966,892
Financial Liabilities					
Due to Banks	-	-	2,271,906	-	2,271,906
Repurchase Agreements	-	-	1,777,526	-	1,777,526
Derivative Financial Instruments	-	-	-	10,763	10,763
Due to Depositors	-	-	155,928,074	-	155,928,074
Due to Debt Securities Holders	-	-	17,636,572	-	17,636,572
Subordinated Debentures	-	-	843,275	-	843,275
Other Liabilities	-	-	1,603,699	-	1,603,699
Total Financial Liabilities	-	-	180,061,052	10,763	180,071,815

In Rupee Thousands

Measurement of Financial Instruments					
As at 31/12/2021 (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	-	-	2,218,092	-	2,218,092
Balances with Central Bank of Sri Lanka	-	-	5,038,345	-	5,038,345
Derivative Financial Instruments	-	-	-	4,592	4,592
Financial Assets at Amortised Cost-Loans and Advances	-	-	142,369,157	-	142,369,157
Financial Assets at Amortised Cost-Debt and Other Instruments	-	-	34,110,583	-	34,110,583
Financial Assets at Fair Value through Other Comprehensive Income	-	3,752	-	-	3,752
Total Financial Assets	-	3,752	183,736,177	4,592	183,744,521
Financial Liabilities					
Due to Banks	-	-	3,914,395	-	3,914,395
Repurchase Agreements	-	-	254,154	-	254,154
Derivative Financial Instruments	-	-	-	33	33
Due to Depositors	-	-	146,433,816	-	146,433,816
Due to Debt Securities Holders	-	-	12,978,490	-	12,978,490
Subordinated Debentures	-	-	872,839	-	872,839
Other Liabilities	-	-	1,437,148	-	1,437,148
Total Financial Liabilities	-	-	165,890,842	33	165,890,875

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 31/03/2022	As at 31/12/2021 (Audited)
Gross Loans and Advances (Note 1.2)	159,622,384	150,684,024
Less: Accumulated Impairment under Stage 1 (Note 1.3)	(1,391,797)	(1,208,740)
Accumulated Impairment under Stage 2 (Note 1.3)	(2,183,907)	(1,671,499)
Accumulated Impairment under Stage 3 (Note 1.3)	(5,619,476)	(5,434,628)
Net Loans and Advances	150,427,204	142,369,157

1.2 Loans and Advances - By Product

In Rupee Thousands

	As at 31/03/2022	As at 31/12/2021 (Audited)
Domestic Currency		
Term Loans	100,699,411	95,932,360
Overdraft	15,199,955	14,486,355
Trade Finance	1,419,416	2,243,480
Lease Rentals Receivable	11,003,585	10,475,359
Others	23,107,550	19,668,575
Sub Total	151,429,917	142,806,129
Foreign Currency		
Term Loans	5,008,728	4,426,160
Overdraft	1,258,936	1,124,874
Trade Finance	1,924,803	2,326,861
Sub Total	8,192,467	7,877,895
Total	159,622,384	150,684,024

1.3 Movement of Impairment During the Period - Loans and Advances

In Rupee Thousands

	As at 31/03/2022	As at 31/12/2021 (Audited)
Under Stage 1		
Opening balance	1,208,740	1,116,134
Charge/(Reversal) to Income Statement	183,057	92,606
Closing balance	1,391,797	1,208,740
Under Stage 2		
Opening balance	1,671,499	1,147,035
Charge/(Reversal) to Income Statement	512,408	524,464
Closing balance	2,183,907	1,671,499
Under Stage 3		
Opening balance	5,434,628	5,331,421
Charge/(Reversal) to Income Statement	265,705	1,004,248
Write-off during the Period	(80,857)	(472,461)
Other movements	-	(428,580)
Closing balance	5,619,476	5,434,628
Total Impairment - Closing Balance	9,195,180	8,314,867

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 31/03/2022	As at 31/12/2021 (Audited)
Gross Commitments and Contingencies	53,526,385	37,779,887
Less: Accumulated Impairment under Stage I (Note 3)	(77,957)	(44,780)
	53,448,428	37,735,107

2.2 Commitments and Contingencies - By Product

	As at 31/03/2022	As at 31/12/2021 (Audited)
Domestic Currency		
Guarantees	3,708,487	3,601,782
Forward Foreign Exchange Contracts	-	300,450
Currency Swaps	9,398,286	2,555,413
Undrawn Credit Commitments	14,952,061	15,458,817
Sub Total	28,058,834	21,916,462
Foreign Currency		
Guarantees	891,323	205,271
Documentary Credit	1,969,989	1,778,389
Forward Foreign Exchange Contracts	76,834	409,068
Currency Swaps	22,214,923	13,199,752
Undrawn Credit Commitments	314,482	270,945
Sub Total	25,467,551	15,863,425
Total	53,526,385	37,779,887

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

In Rupee Thousands

	Cash & Cash Equivalents	Debt & Other Instruments	Documentary Credit	Financial Guarantees	Total
Opening balance as at 01/01/2021 (Audited)	3,124	368,679	6,101	13,202	391,106
Charge/(Reversal) to Income Statement	4,160	719,499	8,157	17,320	749,136
Closing balance at 31/12/2021 (Audited)	7,284	1,088,178	14,258	30,522	1,140,242
Opening balance as at 01/01/2022	7,284	1,088,178	14,258	30,522	1,140,242
Charge/(Reversal) to Income Statement	7,802	659,990	9,118	24,059	700,969
Closing balance at 31/03/2022	15,086	1,748,168	23,376	54,581	1,841,211

3.1 Impairment provisions on "Debt and Other Financial Instruments" includes provisions made on foreign currency debt instruments of government of Sri Lanka.

4. Analysis of Deposits - By Product

In Rupee Thousands

	As at 31/03/2022	As at 31/12/2021 (Audited)
Domestic Currency		
Demand Deposits	8,755,821	6,633,970
Savings Deposits	30,856,286	32,376,476
Fixed Deposits	96,142,328	90,803,052
Certificates of Deposits	1,547,592	2,408,089
Margin Deposits	225,368	220,048
Sub Total	137,527,395	132,441,635
Foreign Currency		
Demand Deposits	1,764,273	720,633
Savings Deposits	2,658,219	2,528,864
Fixed Deposits	13,942,837	10,716,216
Margin Deposits	35,350	26,468
Sub Total	18,400,679	13,992,181
Total	155,928,074	146,433,816

Notes to the Financial Statements

5. Fair Value of Financial Instruments

5.1 Financial Instruments Recorded at Fair Value

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

(a) Derivatives

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

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

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

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

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

5.2 Determination of Fair Value and Fair Value Hierarchy

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

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

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

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

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

				In Rupee Thousands
As at 31st March 2022	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative Financial Instruments	-	2,473,809	-	2,473,809
Financial Assets at FVPL				
- Sri Lanka Government Rupee Securities - Treasury Bills	19,062	-	-	19,062
Financial Assets at FVOCI	-	3,752	-	3,752
Total	19,062	2,477,561	-	2,496,623
Non-Financial Assets				
Land - Revalued	-	-	1,420,100	1,420,100
Building - Revalued	-	-	459,991	459,991
Total	-	-	1,880,091	1,880,091
Financial Liabilities				
Derivative Financial Instruments	-	10,763	-	10,763
Total	-	10,763	-	10,763

Notes to the Financial Statements

	In Rupee Thousands			
As at 31st December 2021	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative Financial Instruments	-	4,592	-	4,592
Financial Assets at FVOCI	-	3,752	-	3,752
Total	-	8,344	-	8,344
Non-Financial Assets				
Land - Revalued	-	-	1,420,100	1,420,100
Building - Revalued	-	-	464,623	464,623
Total	-	-	1,884,723	1,884,723
Financial Liabilities				
Derivative Financial Instruments	-	33	-	33
Total	-	33	-	33

- 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	
	3 Months ended 2022	3 Months ended 2021
Derivative Financial Instruments	2,458,487	(3,750)
Financial Assets at FVPL - Sri Lanka Government Rupee Securities - Treasury Bills and Bonds	-	(1,736)
Total	2,458,487	(5,486)

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 31st March 2022		As at 31st December 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and Cash Equivalents	2,572,478	2,572,478	2,218,092	2,218,092
Balances with Central Bank of Sri Lanka	4,369,137	4,369,137	5,038,345	5,038,345
Reverse Repurchase Agreements	700,144	700,144	-	-
Loans and Advances -at Amortised Cost	150,427,204	151,188,948	142,369,157	143,769,199
Debt and Other Instruments - at Amortised Cost	37,401,306	31,163,791	34,110,583	30,782,255
Total Financial Assets	195,470,269	189,994,499	183,736,177	181,807,891
Financial Liabilities				
Due to Banks	2,271,906	2,271,906	3,914,395	3,914,395
Repurchase Agreement	1,777,526	1,777,526	254,154	254,154
Due to Depositors - at Amortised Cost	155,928,074	156,334,933	146,433,816	147,364,409
Due to Debt Security holders - at Amortised Cost	17,636,572	17,467,185	12,978,490	13,003,064
Subordinated Debentures	843,275	731,725	872,839	863,083
Other Liabilities	1,603,699	1,700,610	1,437,148	1,669,718
Total Financial Liabilities	180,061,052	180,283,885	165,890,842	167,068,823

Notes to the Financial Statements

6 SEGMENT REPORTING

	In Rupee Thousands			
	2022			
	Retail & SME Banking	Corporate Banking	Treasury and Investments	Total
Gross Income				
Third Party	4,267,770	412,131	824,874	5,504,775
Inter-Segment	488,391	(68,487)	(419,904)	-
Total Income	4,756,161	343,644	404,970	5,504,775
Extract of Results				
Interest Income	3,749,450	380,888	743,151	4,873,489
Interest Expense	(2,116,604)	(216,920)	(68,981)	(2,402,505)
Inter - Segment	488,391	(68,487)	(419,904)	-
Net Interest Income	2,121,237	95,481	254,266	2,470,984
Fees and Commission Income	499,127	31,127	-	530,254
Fees and Commission Expense	(10,445)	-	(2,245)	(12,690)
Net Fee and Commission Income	488,682	31,127	(2,245)	517,564
Net Gain from Trading	366	113	108,985	109,464
Other Operating Income	18,826	3	(27,262)	(8,433)
Total Operating Income	2,629,111	126,724	333,744	3,089,579
Impairment Charges on Financial Assets	(723,624)	(278,525)	(659,990)	(1,662,139)
Net Operating Income	1,905,487	(151,801)	(326,246)	1,427,440
Depreciation of Property, Plant and Equipment	114,567	57	150	114,774
Amortisation of Intangible Assets	11,903	-	1,077	12,980
Segment Result	1,779,017	(151,858)	(327,473)	1,299,686
Un-allocated Expenses				869,306
Operating Profit Before Taxes and Levies on Financial Services				430,380
Value Added Tax on Financial Services				116,179
Profit Before Tax				314,201
Income Tax Expense				98,278
Profit for the Period				215,923
Other Comprehensive Income for the Period				-
Total Comprehensive Income for the Period				215,923
Segment Assets	139,080,933	15,455,142	40,645,137	195,181,212
Unallocated Assets	-	-	-	8,855,038
Total Assets	139,080,933	15,455,142	40,645,137	204,036,250
Segment Liabilities	157,683,644	11,770,864	8,952,482	178,406,990
Unallocated Liabilities and Equity	-	-	-	25,629,260
Total Liabilities and Equity	157,683,644	11,770,864	8,952,482	204,036,250
Capital Expenditure				
Property, Plant and Equipment	40,835	-	-	40,835
Intangible Assets	-	-	-	-

Notes to the Financial Statements

	In Rupee Thousands			
	2021			
	Retail & SME Banking	Corporate Banking	Treasury and Investments	Total
Gross Income				
Third Party	4,248,384	253,367	857,183	5,358,934
Inter-Segment	580,795	(36,064)	(544,731)	-
Total Income	4,829,179	217,303	312,452	5,358,934
Extract of Results				
Interest Income	3,763,830	219,215	647,101	4,630,146
Interest Expense	(2,266,882)	(113,073)	(16,076)	(2,396,031)
Inter - Segment	580,795	(36,064)	(544,731)	-
Net Interest Income	2,077,743	70,078	86,294	2,234,115
Fees and Commission Income	452,498	21,412	-	473,910
Fees and Commission Expense	(5,020)	-	(2,614)	(7,634)
Net Fee and Commission Income	447,478	21,412	(2,614)	466,276
Net Gain from Trading	(693)	-	76,275	75,582
Other Operating Income	32,750	12,740	133,806	179,296
Total Operating Income	2,557,278	104,230	293,761	2,955,269
Impairment Charges on Financial Assets	(479,876)	(130,926)	(27,048)	(637,850)
Net Operating Income	2,077,402	(26,696)	266,713	2,317,419
Depreciation of Property, Plant and Equipment	105,417	56	154	105,627
Amortisation of Intangible Assets	11,323	-	1,077	12,400
Segment Result	1,960,662	(26,752)	265,482	2,199,392
Un-allocated Expenses				1,002,702
Operating Profit Before Taxes and Levies on Financial Services				1,196,690
Value Added Tax on Financial Services				210,916
Profit Before Tax				985,774
Income Tax Expense				235,332
Profit for the Period				750,442
Other Comprehensive Income for the Period				750,442
Total Comprehensive Income for the Period				750,442
Segment Assets	123,845,883	6,134,626	44,260,168	174,240,677
Unallocated Assets				6,501,263
Total Assets	123,845,883	6,134,626	44,260,168	180,741,940
Segment Liabilities	147,856,670	8,062,497	1,236,030	157,155,197
Unallocated Liabilities and Equity				23,586,743
Total Liabilities and Equity	147,856,670	8,062,497	1,236,030	180,741,940
Capital Expenditure				
Property, Plant and Equipment	8,483	75	-	8,558
Intangible Assets	-	-	-	-

Selected Performance Indicators (As per Regulatory Reporting)		
	Bank	
	Current Period As at 31/03/2022	Previous Period As at 31/12/2021 (Audited)
Regulatory Capital (LKR '000)		
Common Equity Tier I (CET I) Capital before Adjustments	17,497,080	17,497,080
Common Equity Tier I (CET I) Capital after Adjustments	17,189,197	17,176,217
Total Tier 1 Capital	17,189,197	17,176,217
Total Capital	19,911,315	19,852,075
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7%)	13.00%	13.82%
Tier 1 Capital Ratio (Minimum Requirement - 8.5%)	13.00%	13.82%
Total Capital Ratio (Minimum Requirement - 12.5%)	15.06%	15.97%
Leverage Ratio		
Leverage Ratio (%) (Minimum Requirement - 3%)	7.40%	8.40%
Assets Quality		
Stage 3 Loans (Impaired Loans) to Total Loans*	2.95%	3.04%
Stage 3 Loan Impairment to Stage 3 Loans (Stage 3 Provision Cover)*	51.49%	51.23%
Profitability		
Interest Margin, %	5.12%	5.18%
Return on Assets (Before Tax), %	0.65%	2.17%
Return on Equity, %	4.65%	18.03%
Regulatory Liquidity		
Statutory Liquid Assets,-DBU (LKR'000)	44,663,467	40,823,849
Statutory Liquid Assets,-Off Shore Banking Unit (USD'000)	36,195	32,240
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)		
Domestic Banking Unit (%)	25.09%	24.18%
Off-Shore Banking Unit (%)	61.06%	58.42%
Total Stock of High-Quality Liquid Assets (LKR '000)		
Rupee	22,494,357	22,824,610
All Currency	22,634,253	26,861,466
Liquidity Coverage Ratio (%) - (Minimum Requirement - 100%)		
Rupee (%)	136.47%	135.47%
All Currency (%)	135.80%	146.83%
Net Stable Funding Ratio (%) - (Minimum Requirement - 100%)	109.40%	126.71%

* 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 2021.
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. Impact of COVID-19

The outbreak of COVID-19 has caused disruption to business and economic activities and uncertainty in the global and local economy. Subsequent to the outbreak of COVID-19 in Sri Lanka, the Bank has strictly adhered to the guidelines and directions issued by both the government and the Central Bank of Sri Lanka when conducting its operations. The Bank has provided relief for the affected businesses and individuals in line with the directions issued by the CBSL.

Further the Bank has made additional provisions in the form of management overlays based on the assessment of significant increase in credit risk, and by stress testing the exposures to risk elevated sectors, and facilities which have been continuously under moratorium to address the potential implications of COVID-19 pandemic and the moratorium schemes introduced to support the recovery of the economy. The Bank continuously monitors the impact of the pandemic and takes necessary action to manage its impact on the operations and performance of the Bank.

7. Expected Credit Losses (ECL)

Loans and Advances

Taking into consideration of the extremely volatile and challenging macro-economic conditions, the provisions recognised as overlays were further increased during the quarter. The Bank also increased its collective impairment provisions during the quarter by reviewing the macro-economic variables used for the computation of Economic Factor Adjustment (EFA) in line with the latest macro-economic conditions. The Bank continued to examine the individually significant customers including debt moratorium customers and ensured adequate provisions were made in the financial statements as required. In addition, the decision to re-classify customers deemed to be identified as operating in risk elevated industries and move into lower stages also continued throughout the 2022 Q1.

USD Denominated Securities of Government of Sri Lanka

The Bank recognised additional impairment provisions on the investments in foreign currency exposures of the government of Sri Lanka, taking into consideration of the sovereign downgrades by international credit rating agencies during the quarter and challenging macroeconomic conditions by adjusting loss rates to reflect current market trends and other applicable macroeconomic factors.

8. VAT on Financial Services

The statutory rate for VAT on financial services has been increased from 15% to 18% w.e.f. 1st January 2022. Accordingly, the Bank has used the rate of 18% in calculating the VAT on Financial Services for the 2022 Q1.

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 the Financial Statements.

10. Ratios

31/03/2022

Debt to Equity (Times)	0.98
Interest Cover (Times)	2.33

11. Market Price of Ordinary Shares

Market Price Per Share	31/03/2022 (Rs.)		31/03/2021 (Rs.)	
	Voting	Non-Voting	Voting	Non-Voting
Last Traded Price	10.80	-	14.00	-
Highest Price for the Quarter	18.40	-	22.50	-
Lowest Price for the Quarter	10.00	-	13.00	-

Shareholders' Information

Major Shareholders as at 31st March 2022

No	Name	No. of Shares	%
1	K. D. D. Perera	132,724,230	29.99
2	Bansei Securities Co., Ltd.	66,384,246	15.00
3	W. K. H. Wegapitiya	27,387,158	6.19
4	Seylan Bank PLC/Ambeon Holdings PLC (Collateral)	26,912,674	6.08
5	K. D. H. Perera	23,305,998	5.27
6	P. J. Tay	21,917,994	4.95
7	K. D. A. Perera	19,200,000	4.34
8	Sri Lanka Samurdhi Authority	11,114,376	2.51
9	Imminent Technologies (Pvt) Ltd	10,637,697	2.40
10	Sri Lanka Savings Bank Limited	10,298,499	2.33
11	D. C. C. Joseph	4,756,490	1.08
12	Commercial Bank of Ceylon PLC/Andaradeniya Estate (Pvt) Ltd	4,001,095	0.90
13	H. Beruwalage	2,046,648	0.46
14	A. U. De Silva	1,680,000	0.38
15	DFCC Bank PLC/N. G. N. Maduranga	1,361,179	0.31
16	D. R. Ponnampereuma	1,257,682	0.29
17	D. M. I. Dissanayake	1,250,101	0.28
18	D. T. Beruwalage	1,161,448	0.26
19	T. G. S. Wickrama	1,057,153	0.24
20	M. B. U. N. Fernando	1,020,000	0.23
		369,474,668	83.49
	Others	73,086,961	16.51
	Total	442,561,629	100.00

Public holding as at 31st March 2022 was 54.93% in the hands of 6,422 public shareholders.

Float Adjusted Market Capitalisation as at 31st March 2022 was Rs. 2,625,470,310/- and the Bank complies with Option No. 04.

Directors' and Chief Executive Officer's Holding in Shares as at 31st March 2022

No	Name of Director	No. of Shares
1	S. B. Rangamuwa	365,000
2	M. Y. A. Perera	-
3	M. A. Abeynaike	-
4	T. Murakami	-
5	J. D. N. Kekulawala	-
6	B. D. A. Perera	-
7	S. A. Walgama	-
8	C. M. Umagiliya	-
9	N. R. Tillekeratne	-