



Merchant Bank of Sri Lanka & Finance PLC
FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30TH JUNE 2020

ICRA " [SL] BBB+ (Negative Outlook)"
 Co.Reg.No. PQ10

STATEMENT OF PROFIT OR LOSS (Rs. '000)	01.01.2020 To 30.06.2020	01.01.2019 To 30.06.2019
Interest and similar income	2,584,525	3,141,613
Interest and similar expenses	(1,972,529)	(2,170,025)
Net interest income	611,996	971,588
Fee and commission income	47,688	88,407
Fee and commission expenses	(5,398)	(16,011)
Net fee and commission income	42,290	72,396
Net trading income	430	408
Net gain/(loss) on financial instruments at fair value through profit or loss	21,785	(41,540)
Other operating income	9,441	36,539
Total operating income	685,942	1,039,390
Impairment for loans and other losses		
Individual impairment	(192,370)	(223,833)
Collective impairment	16,949	68,113
Others	18,734	182,752
Net operating income	529,255	1,066,423
Personnel expenses	(572,200)	(590,488)
Depreciation and amortisation	(146,281)	(133,912)
Other operating expenses	(254,284)	(316,751)
Operating profit/(loss) before Value Added Tax (VAT)	(443,510)	25,271
Value added tax (VAT) & Nation building tax (NBT) on financial services	16,211	88,736
Debt repayment levy	-	45,812
Profit/(loss) before tax for the period	(459,721)	(109,277)
Tax expenses	-	-
Profit/(loss) for the period	(459,721)	(109,277)
Earnings per share:		
Basic/diluted earnings per share (Rs.)	(2.77)	(0.66)

STATEMENT OF COMPREHENSIVE INCOME (Rs. '000)	01.01.2020 To 30.06.2020	01.01.2019 To 30.06.2019
Profit/(loss) for the period	(459,721)	(109,277)
Other comprehensive income , net of tax		
Gains/(Losses) on re-measuring financial investments at fair value through other comprehensive income	-	4,616
Other comprehensive income for the period, net of taxes	-	4,616
Total comprehensive income for the period	(459,721)	(104,661)

Cap on Loans and Advances and Deposits

The Company has been imposed with caps of LKR 35 Bn on loan and advances (net of interest in suspense) and LKR 23 Bn on deposits by the Central Bank of Sri Lanka with effect from April 2019 and May 2019 respectively pending compliance with Capital Adequacy Ratios.

Certification;

We, the undersigned, being the Head of Finance and the Chief Executive Officer (Acting) of Merchant Bank of Sri Lanka & Finance 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 unaudited financial statements of the Licensed Finance Company unless indicated as "audited".

(Sgd.)

P I Kandanaarachchi
 Head of Finance
 14.09.2020

(Sgd.)

J Gamalath
 Chief Executive Officer (Acting)
 14.09.2020

STATEMENT OF FINANCIAL POSITION (Rs. '000)	As at 30.06.2020	As at 30.06.2019
Assets		
Cash and cash equivalents	1,011,209	1,786,063
Placements with banks & financial institutions	364,519	1,534,151
Financial investments at fair value through profit or loss	977,786	224,905
Loans & receivables at amortised cost	27,363,610	30,742,525
Financial investments at fair value through other comprehensive income	1,026,196	896,411
Financial investments at amortised cost	1,564	555,052
Real estate stock	308,131	51,880
Investment in associate company	74,750	81,084
Investment in subsidiary	869,977	762,029
Investment properties	115,823	118,729
Property, equipment and right-of-use assets	817,793	893,096
Intangible assets	163,747	176,471
Other assets	355,750	385,275
Total assets	33,450,857	38,207,672
Liabilities		
Due to banks	5,013,944	6,261,794
Due to customers at amortised cost	22,356,025	22,927,307
Debt issued and borrowed funds at amortised cost	2,433,548	4,912,769
Deferred tax liabilities	212,520	340,443
Other liabilities	1,004,361	1,092,177
Retirement benefits obligations	282,386	253,740
Total liabilities	31,302,783	35,788,230
Equity		
Stated capital	2,124,457	2,124,457
Statutory reserves	234,613	214,096
Retained earnings	(206,834)	83,735
OCI reserve	(4,162)	(2,846)
Total equity	2,148,074	2,419,442
Total liabilities and equity	33,450,857	38,207,672
Contingent liabilities and commitments	56,437	130,700

SELECTED PERFORMANCE INDICATORS	As at 30.06.2020	As at 30.06.2019
Regulatory Capital Adequacy		
Core capital (Tier 1 Capital), Rs. '000	1,444,612	1,669,931
Total Capital Base, Rs. '000	1,968,501	2,800,869
Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum requirement, 6.5%)	4.68%	4.70%
Total Capital Ratio, as % of Risk Weighted Assets (Minimum requirement, 10.5%)	6.38%	7.89%
Capital Funds to Deposit Liabilities Ratio (Minimum requirement, 10%)	10.03%	10.96%
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Accommodations, Rs. '000	5,453,285	4,635,177
Gross Non-Performing Accommodations Ratio, %	16.98%	13.30%
Net Non Performing Accommodations Ratio, %	8.19%	6.87%
Profitability (%)		
Interest Margin	3.81%	5.60%
Return on Assets (before tax)	-1.31%	-0.31%
Return on Equity (after tax)	-19.33%	-4.42%
Regulatory Liquidity (Rs.'000)		
Required minimum amount of Liquid Assets	1,566,836	3,085,616
Available amount of Liquid Assets	1,943,355	3,341,029
Required minimum amount of Government Securities	1,492,242	2,040,947
Available amount of Government Securities	1,516,664	2,073,280
Memorandum information		
Number of employees	976	1,026
Number of branches	40	40
Number of other centers	9	9