5,188,013 4,950,638

(3,532,790) 1,417,848

63,629

46,541 **1,633,152**

(1,091,985) (291,273) (571,882) (1,955,140)

(885,419)

(462,544) 5,058

(1,342,905)

(1,342,905)

234,600 (1,108,305)

6,737

(53.290

14,923

(38,369

(1,139,937)

742,106 299,746 950,012 26,785,517

1,292,616 1,292,616 1,519 328,824 81,084 387,424 114,370 758,690 146,493

418,048 32,359,209

5,436,682 21,725,261 2,568,829 14,831

234,613

1.467.851

32,359,209

2020



Interest and similar expenses
Net interest income

Personnel expenses
Depreciation and amortisation

Taxes on financial services

Profit / (Loss) before income tax

Earnings per share: Basic/diluted earning per share (Rs.)

Income tax reversal
Profit / (Loss) or the year

(In Rupees Thousand)
Profit/(loss) for the year

Fee and commission expenses

Net fee and commission income

Net trading income

Net gain/(loss) on financial instruments at fair value through
profit or loss

Depreciation and amortisation
Other operating expenses
Total operating expenses
Operating profit / (Loss) before VAT on financial services and

Impairment reversal/(charge) of investment in associate

Profit / (Loss) from operations after impairment of investment

STATEMENT OF COMPREHENSIVE INCOME

Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax): Gains/(Losses) on re-measuring financial investments at fair value through other comprehensive income Net other comprehensive income/(expenses) to be

reclassified to profit or loss in subsequent periods
Other comprehensive income not to be reclassified profit or loss in subsequent periods (net of tax):
Actuarial gains/(losses) on defined benefit plans
Deferred tax effect relating to components of other

Total comprehensive income/(expenses) for the year

be reclassified to profit or loss in subsequent periods

Other comprehensive income/(expenses) for the year, net of tax

STATEMENT OF FINANCIAL POSITION

(In Rupees Thousand)
Assets
Placements with bank & financial institutions
Placements with bank & financial institutions
Placements with bank & financial institutions
Placements at fair value through profit or loss
Loans & receivables at amortised cost
Financial investments at fair value through other
comprehensive income
Financial investments at amortised cost
Real estate stock
Investment in associate company
Investment in associate company
Investment properties
Property, equipment and right-of-use assets
Intangible assets
Deferred tax Assets
Other assets

Due to banks
Due to customers at amortised cost
Debt issued and borrowed funds at amortised cost
Current tax liabilities
Deferred tax liabilities
Other liabilities

Retirement benefits obligations

Total liabilities

Other assets Total assets

Total equity

Total liabilities and equity

impairment of investment in Group Companies
Impairment reversal/(charge) of investment in subsidiary

Total operating income
Total operating income
Impairment charges for loans and other losses
Net operating income

6,839,015 6,532,729

(4,331,275) 2,201,454

18,768

68,938 **2,481,893**

(278,100) (700,713) (2,122,317)

79,903

270,692 (5,058)

345.537

(288,343) **57,194**

45,390 **102,584**

Rs.'000

3,299

3,299

(30.822)

8,630

(22,192) (18,893) 83,691

2019 Rs.'000





Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Merchant Bank of Sri Lanka & Fi PtC and its subsidiary for the year ended 31 December 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1.2 Basis for Op

| dit matter | | |
|-------------------|---------|----------------|
| ment allowance on | Loans & | receivables at |

Key areas of significant judgements, estimates and assumptions used by computations by agreeing significant details to sou following:

Coording records of the Group.

**C

calculations; and
the degree of assumptions, judgements and estimation uncertainty
associated with the calculations.

For loans and advances assessed on a collective basis for impa-- Assessing the reasonability of assumptions and estimates used than agreement including the reasonableness of forward-looking information and scenarios.
 As relevant, the basis for and data used by Management to deter overlays in consideration of the probable effects of the COVID-19 pandemic.

| 1,355,785 1,477,103 | | and - Evaluating the reasonability of the interest income recognized on such | | |
|--|--|--|--|--|
| 945,199 | | affected loans and advances. | | |
| 29,261,351 | | I assessed the adequacy of the related financial statement disclosures as set out in Note 3.5.12, 12, 23 and 50.2. | | |
| 1,216,478 | IT systems and controls relevant to financial reporting | My audit procedures included the following, | | |
| 1,513 297,075 76,026 | The Company uses multiple IT systems in its operations. As such the Company's financial reporting process is heavily dependent on information derived from its IT systems. | Understanding the changes made to security monitoring procedures over IT systems relevant to financial reporting, given the increase in remote access. | | |
| 849,968 117,276 895,799 | Key financial statement disclosures involved use of reports generated from multiple systems, collation of information and spreadsheet based calculations. | Understanding and evaluating the design and operating effectiveness of key automated, IT dependent and manual controls implemented by management over generation of multiple system reports and collation of required information in calculating the significant information for financial | | |
| 180,255 | In addition, during the year, new procedures were also introduced to address the changes in working environment resulting from Covid 19 Accordingly, I considered this as a Key audit matter. | Checking the source data of the reports used to generate significant disclosures for accuracy and completeness. | | |
| 301,288 36,975,116 | Process on gry, i contained a tital and at they around tital con- | Checking the underlying calculations and the reasonableness of classifications made by management. | | |
| 7,749,021 | | Assessing the reasonability of Management's general ledger reconciliation procedures which includes cross checking to system reports and source data where relevant. | | |
| 22,755,930 2,466,268 14,851 | 1.4 Other information included in the Company's 2020 Annual Report The other information comprises the information included in the Company' auditor's report thereon, which is expected to be made available to me after information. | 's 2020 Annual Report, but does not include the financial statements and my or the date of this auditor's report. Management is responsible for the other | | |
| 212,520 897,039 271,699 34,367,328 | My opinion on the financial statements does not cover the other information and ido not express any form of assurance conclusion thereon. In connectice with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, otherwise appears the insulativity of the insulativity of the insulativity of the insulativity or my knowledge debanded in the usualt or otherwise appears the insulativity or my knowledge obtained in the usualt or otherwise appears the insulativity of the insulativity | | | |
| 2.124.457 | When I read the Company's 2020 Annual Report, if I conclude that there are a those charged with governance for correction. If further material uncorrecte in pursuance of provisions in Article 154 (6) of the Constitution that will be tab | material misstatements therein, I am required to communicate that matter to d misstatements are existed those will be included in my report to Parliament iled in due course. | | |
| 234,613 252,880 (4,162) | 1.5 Responsibilities of Management and Those Charged with Governance for the Financial Statements. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and whether due to Tank or do remo; whether due to Tank or of error. | | | |
| 2,607,788 | In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cesse operations, or has no realistic alternative but to do so. | | | |
| 36,975,116 | Those charged with governance are responsible for overseeing the Company's | s and the Group's financial reporting process. | | |
| 121,337 15.72 | As per Section 16(1) of the National Audit Act No. 19 of 2018, the Group is required to maintain proper books and records of all its income, expenditure, assets and fail abilities, to enable annual and periodic financial statements to be prepared of the Group. 1.4 Auditor's Recombibilities for the Audit of the Financial Statements 1.5 Auditor's Recombibilities for the Auditor Assemblibilities for the Auditor Assemblibilities for the Auditor's Recombibilities for the Auditor's | | | |
| | My objective is to obtain reasonable assurance about whether the financial | statements as a whole are free from material misstatement, whether due to | | |
| As at 31/12/2019 (unaudited) | And other with the control of the co | | | |
| 1.911.904 | As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise audit. I also: | e professional judgment and maintain professional scepticism throughout the | | |
| 2,929,463 | audit allow dissess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain suddi evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material interpretation, or the control of the co | | | |
| 5.64% | misrepresentations, or the override of internal control. Obtain an understanding of internal control relevant to the audit in order to de- | Nesign audit procedures that are appropriate in the circumstances, but not for | | |
| 8.64% | Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the | | | |
| 16.70% | management. Conclude on the appropriateness of the management's use of the going conc material uncertainty exists related to events or conditions that may cast signift that a material uncertainty exists. I am exouried to draw attention in ma | finant doubt on the Group's ability to continue as a going concern. If I conclude | | |
| 4,744,019 14.15% 7.02% | that a mixerial uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, flawder, disclosures are independent, throughly my one of the particle related of the particle related to obtaining up to the dark of my auditor's report. In financial statements or, flawder, disclosures, the control of my auditor's report through the dark of the control of the control of the control statement, including the disclosures, and whether the financial statements represent the underlying transactions and events in amanent that full-step for presentation. | | | |
| | | er matters, significant audit findings, including any significant deficiencies in | | |
| 6.52% 0.16% | Report on Other Legal and Regulatory Requirements National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 in I have obtained all the information and explanation that required for the | e audit and as far as appears from my examination, proper accounting records | | |
| 3.99% | have been kept by the Company as per the requirement of section 16: Audit Act, No. 19 of 2018. 2.1.2 The financial statements of the Company comply with the requiremen 2.1.3 The financial statements presented is consistent with the preceding ye | 3 (2) (d) of the Companies Act, No. 7 of 2007 and the section 12 (a) of National t of section 151 of the Companies Act, No. 07 of 2007. | | |
| 2,870,890 3,479,769 | 19 of 2018. 2.1.4 The financial statements presented includes all the recommendations | made by me in the previous year as per the requirement of section 6 (1) (d) | | |
| 2,040,948 | (iv) of the National Audit Act, No. 19 of 2018. 2.2 Based on the procedures performed and evidence obtained were limit. | ed to matters that are material, nothing has come to my attention: | | |
| 2,060,240 | 2.2.1 to state that any member of the governing body of the Company has ar are out of the normal course of business as per the requirement of sect | ny direct or indirect interest in any contract entered into by the Company which tion 12 (d) of the National Audit Act, No. 19 of 2018. | | |
| 1,000 40 | below, | udit Act, No. 19 of 2018 except for non-compliances that are material are given | | |
| 9 | Reference to law/ direction Direction No.03 of 2018 issued by the Central Bank of Sri Lanka (Risk Weight Average Capital Adequacy Requirements. | Description Non-compliance with the Risk Weighted Capital Adequacy Ratios as disclosed in Note 51.1 of the financial statements. | | |
| ense) and LKR ively pending | 2.2.3 to state that the Company has not performed according to its powers, f Audit Act, No. 19 of 2018. | | | |
| | 2.2.4 to state that the resources of the Company had not been procured and compliance with the applicable laws as per the requirement of section: | 12 (h) of the National Audit Act, No. 19 of 2018. | | |
| ant Bank of | W.P.C.Wickramaratne Auditor General | | | |
| ribed | Merchant Bank of Sri L (Subsidiary of Bank of Ceylon) | anka & Finance PLC | | |
| tements | Bank of Ceylon Merchant Tower, | | | |
| | No. 28, St. Michael's Road, Colombo 03, Tel: 011-4711711 Fax: 011-4711765 Email: mbslbank@mbslbank.com | Sri Lanka. | | |
| | Web Site: www.mbslbank.com | | | |
| | | | | |
| | | | | |
| | | | | |

| Commitments and contingent liabilities | 107,800 | 121,337 |
|--|--|--|
| Net assets value per share (Rs.) | 8.85 | 15.72 |
| SELECTED PERFORMANCE INDICATORS | As at 31/12/2020 (unaudited) | As at 31/12/2019 (unaudited) |
| Regulatory Capital Adequacy Core capital (Tier 1 Capital), Rs. '000 Total Capital Base, Rs. '000 Core Capital Adequacy Ratio, as % of | 1,300,793 1,649,456 | 1,911,904 2,929,463 |
| Risk Weighted Assets (Minimum requirement, 6.5%) Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum requirement, 10.5%) Capital Funds to Deposit Liabilities Ratio (Minimum requirement, 10%) | 4.41% 5.59% 10.46% | 5.64% 8.64% 16.70% |
| Assets Quality (Quality of Loan Portfolio) Gross Mon-Performing Accommodations, Rs. '000 Gross Mon-Performing Accommodations Ratio, % Net Non Performing Accommodations Ratio, % | 5,383,243 17.05% 7.49% | 4,744,019 14.15% 7.02% |
| Profitability (%) Interest Margin Return on Assets (before tax) Return on Equity (after tax) | 4.50% -3.87% -54.39% | 6.52% 0.16% 3.99% |
| Regulatory Liquidity (Rs.'000) Required minimum amount of Liquid Assets Available amount of Liquid Assets Required minimum amount of Government Securities Available amount of Government Securities | 1,531,136 2,087,485 1,492,242 1,517,503 | 2,870,890 3,479,769 2,040,948 2,060,240 |
| Memorandum information Number of employees Number of branches Number of other centers | 976 40 9 | 1,000 40 9 |

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

We, the undersigned, being the Head of Finance and the Chief Executive (Acting) Officer of Merchant B. 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 Audited Financial Stateme of the Licensed Finance Company unless indicated as "Unaudited".

(Sgd.) P I Kandanaarachchi Head of Finance 30/03/2021

(Sgd.) J Gamalath Chief Executive Officer (Acting) 30/03/2021