

# INTERIM FINANCIAL STATEMENTS

For the Period ended 31st December 2023

Rating 'BBB+(lka)'; Outlook Stable

 **Merchant Bank of  
Sri Lanka & Finance PLC**

Co.Reg.No. PQ10

## Interim Financial Statements

### Statement of Profit or Loss

	Company						Group					
	Quarter ended			Twelve months ended			Quarter ended			Twelve months ended		
	12/31/2023	12/31/2022	Change %	12/31/2023	12/31/2022	Change %	12/31/2023	12/31/2022	Change %	12/31/2023	12/31/2022	Change %
LKR '000	LKR '000		LKR '000	(Audited) LKR '000		LKR '000	LKR '000		LKR '000	(Audited) LKR '000		
<b>Income</b>	<b>1,834,276</b>	<b>1,789,908</b>	<b>2.5</b>	<b>7,478,050</b>	<b>6,542,593</b>	<b>14.3</b>	<b>2,050,203</b>	<b>2,032,552</b>	<b>0.9</b>	<b>8,381,493</b>	<b>7,284,346</b>	<b>15.1</b>
Interest and similar income	1,662,705	1,789,743	(7.1)	6,559,123	6,451,083	1.7	1,737,248	1,876,053	(7.4)	6,915,203	6,704,775	3.1
Interest and similar expenses	1,185,874	1,479,064	(19.8)	4,918,658	4,695,684	4.7	1,180,483	1,473,762	(19.9)	4,897,642	4,688,064	4.5
<b>Net interest income</b>	<b>476,831</b>	<b>310,679</b>	<b>53.5</b>	<b>1,640,465</b>	<b>1,755,399</b>	<b>(6.5)</b>	<b>556,765</b>	<b>402,291</b>	<b>38.4</b>	<b>2,017,561</b>	<b>2,016,711</b>	<b>0.0</b>
Fee and commission income	35,513	30,820	15.2	123,293	129,157	(4.5)	44,010	33,924	29.7	157,295	136,861	14.9
Fee and commission expenses	5,943	2,188	171.6	16,757	19,205	(12.7)	2,176	(2,821)	177.2	3,774	1,432	163.5
<b>Net fee and commission income</b>	<b>29,570</b>	<b>28,632</b>	<b>3.3</b>	<b>106,536</b>	<b>109,952</b>	<b>(3.1)</b>	<b>41,834</b>	<b>36,745</b>	<b>13.9</b>	<b>153,521</b>	<b>135,429</b>	<b>13.4</b>
Insurance premium income	-	-	-	-	-	-	130,406	112,462	16.0	494,462	381,735	29.5
Net claims and benefits	-	-	-	-	-	-	(137,020)	(89,754)	(52.7)	(503,762)	(323,862)	(55.5)
Net trading income	991	1,144	(13.4)	12,218	2,255	441.9	991	1,144	(13.4)	12,218	2,255	441.9
Net gain/(loss) on financial instruments at fair value through profit or loss	50,598	(59,249)	185.4	559,224	(132,131)	523.2	50,194	(60,374)	183.1	561,446	(139,460)	502.6
Other operating income	84,469	27,450	207.7	224,192	92,229	143.1	87,354	69,343	26.0	240,869	198,180	21.5
<b>Total operating income</b>	<b>642,459</b>	<b>308,656</b>	<b>108.1</b>	<b>2,542,635</b>	<b>1,827,704</b>	<b>39.1</b>	<b>730,524</b>	<b>471,857</b>	<b>54.8</b>	<b>2,976,315</b>	<b>2,270,988</b>	<b>31.1</b>
Impairment charge/(reversal) from loans and other losses	(43,599)	(106,635)	59.1	(25,095)	(16,504)	(52.0)	(43,599)	(106,635)	59.1	(25,095)	(16,504)	(52.0)
<b>Net operating income</b>	<b>686,058</b>	<b>415,291</b>	<b>65.2</b>	<b>2,567,730</b>	<b>1,844,208</b>	<b>39.2</b>	<b>774,123</b>	<b>578,492</b>	<b>33.8</b>	<b>3,001,410</b>	<b>2,287,492</b>	<b>31.2</b>
Personnel expenses	360,761	322,309	11.9	1,286,842	1,333,268	(3.5)	403,880	375,529	7.5	1,488,298	1,527,073	(2.5)
Depreciation and amortisation	72,344	63,997	13.0	272,287	265,420	2.6	81,532	72,647	12.2	308,726	298,623	3.4
Other operating expenses	186,080	182,536	1.9	743,015	660,683	12.5	238,090	277,622	(14.2)	946,948	848,194	11.6
<b>Total operating expense</b>	<b>619,185</b>	<b>568,842</b>	<b>8.9</b>	<b>2,302,144</b>	<b>2,259,371</b>	<b>1.9</b>	<b>723,502</b>	<b>725,798</b>	<b>(0.3)</b>	<b>2,743,972</b>	<b>2,673,890</b>	<b>2.6</b>
<b>Profit/(loss) from operations</b>	<b>66,873</b>	<b>(153,551)</b>	<b>143.6</b>	<b>265,585</b>	<b>(415,163)</b>	<b>164.0</b>	<b>50,621</b>	<b>(147,306)</b>	<b>134.4</b>	<b>257,438</b>	<b>(386,398)</b>	<b>166.6</b>
Impairment charge/(reversal) from investment in Subsidiary companies	(95,065)	-	-	(95,065)	113,773	(183.6)	-	-	-	-	-	-
<b>Profit/(loss) from operations after impairment from subsidiary investments</b>	<b>161,938</b>	<b>(153,551)</b>	<b>205.5</b>	<b>360,650</b>	<b>(528,936)</b>	<b>168.2</b>	<b>50,621</b>	<b>(147,306)</b>	<b>134.4</b>	<b>257,438</b>	<b>(386,398)</b>	<b>166.6</b>
Value added tax (VAT) on financial services	79,450	37,115	114.1	255,736	123,868	106.5	79,450	37,115	114.1	255,736	123,868	106.5
Social Security Contribution Levy (SSCL)	11,233	4,110	173.3	36,519	4,110	788.5	11,233	4,110	173.3	36,519	4,110	788.5
Share of associate companies profit/(loss) before tax	-	-	-	-	-	-	(6,289)	8,821	(171.3)	28,315	56,131	(49.6)
<b>Profit/(loss) before income tax</b>	<b>71,255</b>	<b>(194,776)</b>	<b>136.6</b>	<b>68,395</b>	<b>(656,914)</b>	<b>110.4</b>	<b>(46,351)</b>	<b>(179,710)</b>	<b>74.2</b>	<b>(6,502)</b>	<b>(458,245)</b>	<b>98.6</b>
Income tax expense/(reversal)	(4,763)	(120,062)	96.0	46,992	(161,306)	129.1	(5,097)	(120,788)	95.8	57,555	(148,757)	138.7
<b>Profit/(loss) for the period</b>	<b>76,018</b>	<b>(74,714)</b>	<b>201.7</b>	<b>21,403</b>	<b>(495,608)</b>	<b>104.3</b>	<b>(41,254)</b>	<b>(58,922)</b>	<b>30.0</b>	<b>(64,057)</b>	<b>(309,488)</b>	<b>79.3</b>
<b>Profit/(loss) for the period attributable to:</b>												
Equity holders of the parent	76,018	(74,714)	201.7	21,403	(495,608)	104.3	(33,902)	(64,092)	47.1	(60,448)	(325,059)	81.4
Non controlling interests	-	-	-	-	-	-	(7,352)	5,170	(242.2)	(3,609)	15,571	(123.2)
<b>Profit/(loss) for the period</b>	<b>76,018</b>	<b>(74,714)</b>	<b>201.7</b>	<b>21,403</b>	<b>(495,608)</b>	<b>104.3</b>	<b>(41,254)</b>	<b>(58,922)</b>	<b>29.2</b>	<b>(64,057)</b>	<b>(309,488)</b>	<b>79.3</b>
<b>Earnings per share:</b>												
Basic/Diluted earnings/(loss) per share (LKR)	0.14	(0.14)	201.7	0.04	(0.94)	104.3	(0.06)	(0.12)	47.1	(0.12)	(0.62)	81.4

## Interim Financial Statements

### Statement of Comprehensive Income

	Company						Group					
	Quarter ended			Twelve months ended			Quarter ended			Twelve months ended		
	12/31/2023	12/31/2022	Change %	12/31/2023	12/31/2022 (Audited)	Change %	12/31/2023	12/31/2022	Change %	12/31/2023	12/31/2022 (Audited)	Change %
LKR '000	LKR '000		LKR '000	LKR '000		LKR '000	LKR '000		LKR '000	LKR '000		
<b>Profit/(loss) for the period</b>	<b>76,018</b>	<b>(74,714)</b>	<b>201.7</b>	<b>21,403</b>	<b>(495,608)</b>	<b>104.3</b>	<b>(41,254)</b>	<b>(58,922)</b>	<b>30.0</b>	<b>(64,057)</b>	<b>(309,488)</b>	<b>79.3</b>
<b>Other comprehensive income/(expense) for the period</b>												
Actuarial gains/(losses) on defined benefit plans	(63,207)	(39,040)	(61.9)	(63,207)	47,045	(234.4)	(63,551)	(37,053)	(71.5)	(63,551)	49,032	(229.6)
<b>Fair value reserves (Financial investments at fair value through other comprehensive income):</b>												
Gains/(Losses) on re-measuring financial investments at fair value through other comprehensive income	(1,483)	(2,747)	46.0	(1,515)	(10,735)	85.9	(842)	45,215	(101.9)	2,965	(10,562)	128.1
Reclassification reserve recognized during the year	-	-	-	-	-	-	-	-	-	-	121	(100.0)
Share of associates companies' other comprehensive income	-	-	-	-	-	-	-	406	(100.0)	-	406	(100.0)
<b>Other comprehensive income/(expense) before tax</b>	<b>(64,690)</b>	<b>(41,787)</b>	<b>(54.8)</b>	<b>(64,722)</b>	<b>36,310</b>	<b>(278.2)</b>	<b>(64,393)</b>	<b>8,568</b>	<b>(851.6)</b>	<b>(60,586)</b>	<b>38,997</b>	<b>(255.4)</b>
Deferred tax (charge)/credit relating to components of other comprehensive income	18,962	(14,114)	234.4	18,962	(14,113)	234.4	18,962	(14,103)	234.5	18,962	(14,103)	234.5
<b>Other comprehensive income/(expense) for the period, net of tax</b>	<b>(45,728)</b>	<b>(55,901)</b>	<b>18.2</b>	<b>(45,760)</b>	<b>22,197</b>	<b>(306.2)</b>	<b>(45,431)</b>	<b>(5,535)</b>	<b>(720.8)</b>	<b>(41,624)</b>	<b>24,895</b>	<b>(267.2)</b>
<b>Total comprehensive income/(expense) for the period, net of tax</b>	<b>30,290</b>	<b>(130,615)</b>	<b>123.2</b>	<b>(24,357)</b>	<b>(473,411)</b>	<b>94.9</b>	<b>(86,685)</b>	<b>(64,457)</b>	<b>(34.5)</b>	<b>(105,681)</b>	<b>(284,593)</b>	<b>62.9</b>
<b>Total comprehensive income/(expense) attributable to:</b>												
Equity holders of the parent	30,290	(130,615)	123.2	(24,357)	(473,411)	94.9	(79,470)	(92,698)	14.3	(103,983)	(301,223)	65.5
Non controlling interests	-	-	-	-	-	-	(7,215)	28,241	(125.5)	(1,698)	16,630	(110.2)
	<b>30,290</b>	<b>(130,615)</b>	<b>123.2</b>	<b>(24,357)</b>	<b>(473,411)</b>	<b>94.9</b>	<b>(86,685)</b>	<b>(64,457)</b>	<b>(34.5)</b>	<b>(105,681)</b>	<b>(284,593)</b>	<b>62.9</b>

# Interim Financial Statements

## Statement of Financial Position

as at	Company			Group		
	12/31/2023	12/31/2022	Change	12/31/2023	12/31/2022	Change
	LKR '000	(Audited) LKR '000	%	LKR '000	(Audited) LKR '000	%
<b>Assets</b>						
Cash and cash equivalents	720,397	748,724	(3.8)	871,126	944,784	(7.8)
Placements with banks & financial institutions	574,589	103,682	454.2	618,211	137,162	350.7
Financial investments at fair value through profit or loss	8,161,368	287,510	2,738.6	8,169,928	293,847	2,680.3
Loans & receivables at amortised cost	19,054,715	24,423,300	(22.0)	19,087,574	24,370,850	(21.7)
Financial investments at fair value through other comprehensive income	14,348	15,863	(9.6)	119,221	78,151	52.6
Financial investments at amortised cost	3,727,939	4,307,394	(13.5)	5,304,189	5,883,995	(9.9)
Real Estate Stock	58,158	96,937	(40.0)	58,158	96,937	(40.0)
Investment in associate company	81,084	81,084	-	190,259	172,842	10.1
Investment in subsidiary	352,696	257,631	36.9	-	-	-
Investment properties	95,446	104,798	(8.9)	95,446	104,798	(8.9)
Property, equipment and right-of-use assets	585,945	504,669	16.1	698,581	634,780	10.1
Intangible assets	67,190	103,208	(34.9)	67,190	106,396	(36.8)
Deferred tax Assets	54,777	33,824	61.9	64,179	42,893	49.6
Other assets	150,878	163,157	(7.5)	507,354	529,240	(4.1)
<b>Total assets</b>	<b>33,699,530</b>	<b>31,231,781</b>	<b>7.9</b>	<b>35,851,416</b>	<b>33,396,674</b>	<b>7.4</b>
<b>Liabilities</b>						
Due to banks	2,599,970	2,925,953	(11.1)	2,603,004	2,935,170	(11.3)
Due to customers at amortised cost	25,444,119	23,524,609	8.2	25,245,868	23,354,493	8.1
Debt issued and borrowed funds at amortised cost	741,029	69,082	972.7	741,030	69,082	972.7
Insurance provision - life	-	-	-	393,030	355,190	10.7
Insurance provision - non life	-	-	-	671,728	643,229	4.4
Current tax liabilities	29,854	49,029	(39.1)	29,854	49,029	(39.1)
Other liabilities	859,003	686,361	25.2	1,422,911	1,215,186	17.1
Retirement benefits obligations	354,368	281,203	26.0	366,704	292,326	25.4
<b>Total liabilities</b>	<b>30,028,343</b>	<b>27,536,237</b>	<b>9.1</b>	<b>31,474,129</b>	<b>28,913,705</b>	<b>8.9</b>
<b>Equity</b>						
Stated capital	4,276,448	4,276,448	-	4,276,448	4,276,448	-
Retained earnings	(1,289,236)	(944,964)	(36.4)	(1,020,242)	(594,119)	(71.7)
OCI reserve	(31,892)	(30,377)	(5.0)	(33,792)	(34,502)	2.1
RLA Reserve	371,590	54,441	582.6	371,590	54,441	582.6
Statutory reserves	344,277	339,996	1.3	344,277	339,996	1.3
Total equity attributable to the parent	3,671,187	3,695,544	(0.7)	3,938,281	4,042,264	(2.6)
Non controlling interests	-	-	-	439,006	440,705	(0.4)
<b>Total equity</b>	<b>3,671,187</b>	<b>3,695,544</b>	<b>(0.7)</b>	<b>4,377,287</b>	<b>4,482,969</b>	<b>(2.4)</b>
<b>Total liabilities and equity</b>	<b>33,699,530</b>	<b>31,231,781</b>	<b>7.9</b>	<b>35,851,416</b>	<b>33,396,674</b>	<b>7.4</b>
Commitments and contingencies	42,093	103,938	(59.5)	128,909	131,377	(1.9)
Net assets value per share (LKR)	7.00	7.05	(0.7)	7.51	7.71	(2.6)

These Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007

Information contained in these statements have been extracted from the unaudited Financial Statements of the Company unless indicated as "Audited".

(sgd.)

**W. K. C. S. Vithana**  
Chief Financial Officer

(sgd.)

**H. K. D. W. M. D. K. Hapuhinna**  
Chief Executive Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.  
Approved and signed for and on behalf of the Board by,

(sgd.)

**A. M. A. Perera**  
Chairman

(sgd.)

**G. A. Jayashantha**  
Director

Colombo, Sri Lanka  
28/Feb/2024

## Interim Financial Statements

### Statement of Changes in Equity

Company	Stated capital LKR ' 000	Statutory reserves LKR ' 000	OCI reserve LKR ' 000	RLA reserve LKR ' 000	Retained profits LKR ' 000	Total equity LKR ' 000
Balance as at 01st January 2022	4,276,448	339,996	(19,642)	-	(427,847)	4,168,955
Net profit/(loss) for the period	-	-	-	-	(495,608)	(495,608)
Other comprehensive income	-	-	(10,735)	-	32,932	22,197
Transfer to regulatory loss allowance reserve (RLAR)	-	-	-	54,441	(54,441)	-
<b>Balance as at 31st December 2022</b>	<b>4,276,448</b>	<b>339,996</b>	<b>(30,377)</b>	<b>54,441</b>	<b>(944,964)</b>	<b>3,695,544</b>
Balance as at 01st January 2023	4,276,448	339,996	(30,377)	54,441	(944,964)	3,695,544
Net profit/(loss) for the period	-	-	-	-	21,403	21,403
Other comprehensive income	-	-	(1,515)	-	(44,245)	(45,760)
Transfer to regulatory loss allowance reserve (RLAR)	-	-	-	317,149	(317,149)	-
Transfers to statutory reserve fund	-	4,281	-	-	(4,281)	-
<b>Balance as at 31st December 2023</b>	<b>4,276,448</b>	<b>344,277</b>	<b>(31,892)</b>	<b>371,590</b>	<b>(1,289,236)</b>	<b>3,671,187</b>

Group	Stated Capital LKR ' 000	Statutory reserves LKR ' 000	OCI reserve LKR ' 000	RLA reserve LKR ' 000	Retained profits LKR ' 000	Non controlling interest LKR ' 000	Total equity LKR ' 000
Balance as at 01st January 2022	4,276,448	339,996	(23,860)	-	(251,498)	424,075	4,765,161
Net profit/(loss) for the period	-	-	-	-	(325,059)	15,571	(309,488)
Prior year adjustment made to share of associate company profit	-	-	-	-	2,401	-	2,401
Transfer to regulatory loss allowance reserve (RLAR)	-	-	-	54,441	(54,441)	-	-
Other comprehensive income	-	-	(10,642)	-	34,478	1,059	24,895
<b>Balance as at 31st December 2022</b>	<b>4,276,448</b>	<b>339,996</b>	<b>(34,502)</b>	<b>54,441</b>	<b>(594,119)</b>	<b>440,705</b>	<b>4,482,969</b>
Balance as at 01st January 2023	4,276,448	339,996	(34,502)	54,441	(594,119)	440,705	4,482,969
Net profit/(loss) for the period	-	-	-	-	(60,448)	(3,609)	(64,057)
Transfer to regulatory loss allowance reserve (RLAR)	-	-	-	317,149	(317,149)	-	-
Other comprehensive income	-	-	710	-	(44,245)	1,910	(41,625)
Transfers to statutory reserve fund	-	4,281	-	-	(4,281)	-	-
<b>Balance as at 31st December 2023</b>	<b>4,276,448</b>	<b>344,277</b>	<b>(33,792)</b>	<b>371,590</b>	<b>(1,020,242)</b>	<b>439,006</b>	<b>4,377,287</b>

# Interim Financial Statements

## Statement of Cash Flows

For the period ended 31st December	Company		Group	
	2023	2022	2023	2022
	LKR '000	(Audited) LKR '000	LKR '000	(Audited) LKR '000
<b>Cash flows from operating activities</b>				
Profit before income tax	68,395	(656,914)	(6,502)	(458,245)
<b>Adjustments for :</b>				
Net Interest Income	(1,640,465)	(1,755,399)	(2,017,560)	(2,016,711)
WHT movement for the year	(1,258)	-	(1,258)	-
Impairment charges for loans and other losses	(25,095)	(16,504)	(25,095)	(16,505)
Impairment (reversal)/charge of investment in subsidiary	(95,065)	113,773	-	-
Share of associate company's profit/(loss) before tax	-	-	(28,315)	(56,131)
Depreciation and amortisation	272,287	265,420	308,726	298,623
Profit from sales of real estate	(19,577)	(28,533)	(19,577)	(28,533)
Profit from sales of property & equipment and investment property	(1,558)	(540)	(1,558)	(540)
Dividend income from associates	(24,633)	-	(24,633)	-
Dividend income from financial assets	(8,805)	(7,207)	(9,287)	(7,667)
Contribution to defined benefit plans	72,052	61,641	75,604	64,341
Fair value change of financial assets	(559,223)	132,131	(555,087)	134,945
	<b>(1,962,945)</b>	<b>(1,892,133)</b>	<b>(2,304,542)</b>	<b>(2,086,424)</b>
Interest paid to customers at amortised cost	(4,398,503)	(3,312,186)	(4,398,503)	(3,312,186)
Interest paid on other borrowings	(457,648)	(1,246,872)	(474,524)	(1,286,172)
Interest received on loans & receivables at amortised cost	5,196,452	5,880,095	5,196,452	5,880,095
Interest received on other investment	1,217,138	571,457	1,611,109	872,070
Gratuity paid	(62,094)	(54,328)	(64,432)	(55,707)
<b>Change in operating assets</b>				
Loans & receivables at amortised cost	5,125,038	3,741,431	5,095,157	3,742,431
Other operating assets	(276,827)	599,714	(267,217)	586,967
<b>Change in operating liabilities</b>				
Due to customers at amortised cost	1,956,127	1,027,839	1,956,127	1,027,839
Payments made under operating leases	204,952	(196,488)	237,896	(226,741)
Insurance provision	-	-	66,339	70,246
Other liabilities	(91,322)	78,780	(89,185)	131,217
<b>Net cash generated from/(used in) operating activities before tax</b>	<b>6,450,368</b>	<b>5,197,310</b>	<b>6,564,677</b>	<b>5,343,636</b>
Income tax paid	(66,900)	(94,800)	(66,900)	(94,800)
<b>Net cash generated from/(used in) operating activities</b>	<b>6,383,468</b>	<b>5,102,510</b>	<b>6,497,777</b>	<b>5,248,836</b>
<b>Cash flows from investing activities</b>				
Net increase/(decrease) in financial investments at amortised cost	662,107	(2,297,017)	619,873	(2,509,737)
Net (increase)/decrease in placements with banks & financial institutions	(403,000)	139,421	(441,277)	291,210
Net (increase)/decrease in investment of government securities at FVTPL	(6,968,774)	99,922	(6,968,774)	99,922
Net (increase)/decrease in other financial investments at FVTPL	(73,544)	(181,815)	(75,768)	(174,485)
Proceeds from real estate stock	58,356	107,411	58,356	107,411
Purchase of property & equipment	(27,437)	(38,052)	(43,211)	(53,212)
Purchase of intangible assets	(2,042)	(11,681)	(2,042)	(14,937)
Proceeds from sale of property & equipment	3,276	567	3,276	567
Dividends received	33,438	7,207	33,920	7,667
<b>Net cash generated from/(used in) investing activities</b>	<b>(6,717,620)</b>	<b>(2,174,037)</b>	<b>(6,815,647)</b>	<b>(2,245,594)</b>
<b>Cash flows from financing activities</b>				
Net increase/(decrease) reverse repo agreements	(250,000)	164,000	(250,000)	164,000
Net increase/(decrease) in other borrowings at amortised cost	671,018	(2,911,972)	615,589	(3,028,467)
<b>Net cash generated from/(used in) financing activities</b>	<b>421,018</b>	<b>(2,747,972)</b>	<b>365,589</b>	<b>(2,864,467)</b>
Net increase / (decrease) in cash and cash equivalents during the period	86,866	180,501	47,719	138,775
Cash and cash equivalents at the beginning of the period	596,679	416,163	783,522	644,732
<b>Cash and cash equivalents at the end of the period</b>	<b>683,545</b>	<b>596,664</b>	<b>831,241</b>	<b>783,507</b>
Note				
<b>Analysis of Cash and Cash Equivalents</b>				
Cash and short term funds	720,440	748,724	871,169	944,784
Dues to banks	(36,895)	(152,060)	(39,928)	(161,277)
	<b>683,545</b>	<b>596,664</b>	<b>831,241</b>	<b>783,507</b>

**Reporting entity**

Merchant Bank of Sri Lanka & Finance PLC is a public quoted company incorporated and domiciled in Sri Lanka on 04 March 1982. The registered office and principal place of business of the Company is located at the Bank of Ceylon Merchant Tower, No. 28, St Michael's Road, Colombo 03. The shares of the Company are listed in the Colombo Stock Exchange.

In the opinion of the Directors, the Company's parent enterprise and its ultimate parent enterprise is Bank of Ceylon.

The consolidated Financial Statements comprises of the Company, it's subsidiary: MBSL Insurance Company Ltd and it's interest in associate; Lanka Securities Ltd.

The consolidated Financial Statements for the period ended were authorized for issue on 28th February 2024, in accordance with the resolution of the Directors passed on 28th February 2024.

**Basis of preparation and accounting policies**

The interim condensed Financial Statements for the period ended 31st December 2023 have been prepared in accordance with LKAS 34 - 'Interim Financial Reporting'. The interim condensed consolidated Financial Statements do not include all the information and disclosures required in the annual Financial Statements, and should be read in conjunction with the Group's Annual Financial Statements.

There were no changes to the Accounting Policies and methods of computation since the publication of the last Annual Audited Financials except the Group changes its business model for managing its financial assets and financial liabilities.

All known expenses including fees and similar expenses have been provided in this Financial Statements.

## Measurement of Financial Instruments

Company	LKR.'000							
	Financial instrument at FVTPL		Financial instrument at amortised Cost		Financial instrument at FVTOCI		Total	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
<b>As at</b>								
<b>Financial assets</b>								
Cash and cash equivalents	-	-	720,397	748,724	-	-	720,397	748,724
Placements with banks & financial institutions	-	-	574,589	103,682	-	-	574,589	103,682
Financial investments at fair value through profit or loss	8,161,368	287,510	-	-	-	-	8,161,368	287,510
Loans & receivables at amortised cost	-	-	19,054,715	24,423,300	-	-	19,054,715	24,423,300
Financial investments at fair value through other comprehensive income	-	-	-	-	14,348	15,863	14,348	15,863
Financial investments at amortised cost	-	-	3,727,939	4,307,394	-	-	3,727,939	4,307,394
Other assets	-	-	21,323	47,993	-	-	21,323	47,993
<b>Total</b>	<b>8,161,368</b>	<b>287,510</b>	<b>24,098,963</b>	<b>29,631,093</b>	<b>14,348</b>	<b>15,863</b>	<b>32,274,679</b>	<b>29,934,466</b>

Other Financial liabilities	LKR.'000			
	Other financial liabilities at amortised cost		Total	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
<b>Due to banks</b>	2,599,970	2,925,953	2,599,970	2,925,953
<b>Due to customers at amortised cost</b>	25,444,119	23,524,609	25,444,119	23,524,609
<b>Debt issued and borrowed funds at amortised cost</b>	741,029	69,082	741,029	69,082
<b>Other liabilities</b>	150,553	240,908	150,553	240,908
<b>Total</b>	<b>28,935,671</b>	<b>26,760,552</b>	<b>28,935,671</b>	<b>26,760,552</b>

Group	LKR.'000							
	Financial instrument at FVTPL		Financial instrument at amortised Cost		Financial instrument at FVTOCI		Total	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
<b>As at</b>								
<b>Financial assets</b>								
Cash and cash equivalents	-	-	871,126	944,784	-	-	871,126	944,784
Placements with banks & financial institutions	-	-	618,211	137,162	-	-	618,211	137,162
Financial investments at fair value through profit or loss	8,169,928	293,847	-	-	-	-	8,169,928	293,847
Loans & receivables at amortised cost	-	-	19,087,574	24,370,850	-	-	19,087,574	24,370,850
Financial investments at fair value through other comprehensive income	-	-	-	-	119,221	78,151	119,221	78,151
Financial investments at amortised cost	-	-	5,304,189	5,883,995	-	-	5,304,189	5,883,995
Other assets	-	-	21,323	47,993	-	-	21,323	47,993
<b>Total</b>	<b>8,169,928</b>	<b>293,847</b>	<b>25,902,423</b>	<b>31,384,784</b>	<b>119,221</b>	<b>78,151</b>	<b>34,191,572</b>	<b>31,756,782</b>

Other Financial liabilities	LKR.'000			
	Other financial liabilities at amortised cost		Total	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
<b>Due to banks</b>	2,603,004	2,935,170	2,603,004	2,935,170
<b>Due to customers at amortised cost</b>	25,245,868	23,354,493	25,245,868	23,354,493
<b>Debt issued and borrowed funds at amortised cost</b>	741,030	69,082	741,030	69,082
<b>Other liabilities</b>	150,553	240,908	150,553	240,908
<b>Total</b>	<b>28,740,455</b>	<b>26,599,653</b>	<b>28,740,455</b>	<b>26,599,653</b>



**Movement in individual and collective impairment during the period**

	LKR. '000			
	Company		Group	
	2023	2022	2023	2022
<b>Impairment charge/(reversal) from loans and other losses</b>				
Impairment from Loans and advances-individual impairment	(756,995)	(247,053)	(756,995)	(247,053)
Impairment from Loans and advances-collective impairment	674,261	(488,068)	674,261	(488,068)
Write off	48,973	713,559	48,973	713,559
Cash and cash equivalent	28	8	28	8
Placements with banks & financial institutions	(35)	54	(35)	54
Other losses	8,673	4,996	8,673	4,996
	<b>(25,095)</b>	<b>(16,504)</b>	<b>(25,095)</b>	<b>(16,504)</b>
<b>Individual impairment charge/(reversal)</b>				
As at 01 January	1,655,176	1,902,229	1,655,176	1,902,229
Charge/(reversal) to income statement from loans and advances	(756,994)	(247,053)	(756,994)	(247,053)
<b>As at 31st December</b>	<b>898,182</b>	<b>1,655,176</b>	<b>898,182</b>	<b>1,655,176</b>
<b>Collective impairment charge/(reversal)</b>				
As at 01 January	1,087,042	1,575,108	1,087,042	1,575,108
Charge/(reversal) to income statement from loans and advances	674,261	(488,067)	674,261	(488,067)
<b>As at 31st December</b>	<b>1,761,303</b>	<b>1,087,041</b>	<b>1,761,303</b>	<b>1,087,041</b>
<b>Loans and advances impairment</b>	<b>2,659,485</b>	<b>2,742,217</b>	<b>2,659,485</b>	<b>2,742,217</b>

**Segment Information**

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

- The Leasing segment includes providing Finance Leases and Hire Purchase facilities.
- The Loan segment includes providing personal loans, pawning, term loans, bill discounting, cheque discounting, micro finance and bank guarantees.
- Corporate advisory includes corporate advisory services and capital market activities.
- The insurance includes general and life insurance.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects.

The following table presents income, profit and asset information regarding the Group's operating segments for the period ended 31st December 2023 and comparative figures for the period ended 31st December 2022.

Group	Leasing		Loans		Corporate Advisory & Capital Markets		Insurance		Eliminations / Unallocated		Total	
	2023 LKR.'000	2022 LKR.'000	2023 LKR.'000	2022 LKR.'000	2023 LKR.'000	2022 LKR.'000	2023 LKR.'000	2022 LKR.'000	2023 LKR.'000	2022 LKR.'000	2023 LKR.'000	2022 LKR.'000
<b>For the Period ended 31st December</b>												
<b>Revenue from external customers</b>												
Interest and similar income	1,703,257	2,273,989	2,589,853	2,765,935	626,036	798,703	393,971	300,612	1,602,085	565,536	6,915,203	6,704,775
Interest and similar expenses	1,252,111	1,488,906	1,649,174	1,787,405	383,394	464,806	16,876	39,300	1,596,087	907,647	4,897,642	4,688,064
<b>Net interest income</b>	<b>451,146</b>	<b>785,083</b>	<b>940,679</b>	<b>978,530</b>	<b>242,642</b>	<b>333,897</b>	<b>377,095</b>	<b>261,312</b>	<b>5,998</b>	<b>(342,111)</b>	<b>2,017,561</b>	<b>2,016,711</b>
<b>Net fee and commission income</b>	<b>59,988</b>	<b>78,060</b>	<b>34,880</b>	<b>23,778</b>	<b>256</b>	<b>825</b>	<b>46,985</b>	<b>25,477</b>	<b>11,411</b>	<b>7,289</b>	<b>153,521</b>	<b>135,429</b>
Insurance premium income	-	-	-	-	-	-	494,462	381,735	-	-	494,462	381,735
Net claims and benefits	-	-	-	-	-	-	(503,762)	(323,862)	-	-	(503,762)	(323,862)
Real estate profit	-	-	19,577	28,533	-	-	-	-	-	-	19,576	28,533
Trading and other income	17,971	23,217	13,411	16,679	580,247	(122,669)	18,900	98,623	164,428	16,594	794,957	32,443
<b>Total operating income</b>	<b>529,105</b>	<b>886,360</b>	<b>1,008,547</b>	<b>1,047,519</b>	<b>823,145</b>	<b>212,053</b>	<b>433,681</b>	<b>443,285</b>	<b>181,837</b>	<b>(318,228)</b>	<b>2,976,315</b>	<b>2,270,989</b>
Impairment (charges)/reversal for loans and other losses	300,324	677,007	22,603	264,724	(248,860)	(211,669)	-	-	(48,973)	(713,559)	25,095	16,504
<b>Net operating income</b>	<b>829,429</b>	<b>1,563,367</b>	<b>1,031,150</b>	<b>1,312,243</b>	<b>574,285</b>	<b>384</b>	<b>433,681</b>	<b>443,285</b>	<b>132,864</b>	<b>(1,031,787)</b>	<b>3,001,410</b>	<b>2,287,493</b>
Personnel expenses	(330,126)	(427,019)	(434,814)	(512,628)	(16,270)	(18,012)	(201,457)	(193,806)	(505,631)	(375,608)	(1,488,298)	(1,527,073)
Depreciation and amortisation	(69,853)	(85,009)	(92,004)	(102,051)	(1,263)	(863)	(36,438)	(33,204)	(109,168)	(77,497)	(308,726)	(298,624)
Other operating expenses	(190,613)	(211,604)	(251,059)	(254,026)	(4,850)	(2,217)	(226,998)	(211,502)	(273,428)	(168,845)	(946,948)	(848,194)
<b>Segment result</b>	<b>238,837</b>	<b>839,735</b>	<b>253,273</b>	<b>443,538</b>	<b>551,902</b>	<b>(20,708)</b>	<b>(31,212)</b>	<b>4,773</b>	<b>(755,363)</b>	<b>(1,653,737)</b>	<b>257,438</b>	<b>(386,398)</b>
<b>Profit/(loss) from operations after impairment from subsidiary investments</b>											<b>257,438</b>	<b>(386,398)</b>
Value added tax on financial services											(255,736)	(123,868)
Social Security Contribution Levy (SSCL)											(36,519)	(4,110)
Share of associate company's profit/(loss) before tax											28,315	56,131
<b>Profit/(loss) before income tax</b>											<b>(6,502)</b>	<b>(458,245)</b>
Income tax expense											(57,555)	148,757
<b>Profit/(loss) for the period</b>											<b>(64,057)</b>	<b>(309,488)</b>
<b>Assets</b>												
<b>Capital expenditures</b>												
Property, equipment and right-of-use assets	7,039	12,187	9,271	14,630	2,155	3,805	15,775	18,417	8,972	7,429	43,211	56,468
Intangible assets	524	3,741	690	4,491	160	1,168	-	-	668	2,281	2,042	11,681
<b>Total segment assets</b>	<b>7,561,970</b>	<b>9,267,885</b>	<b>9,713,545</b>	<b>12,453,311</b>	<b>2,147,794</b>	<b>3,005,477</b>	<b>2,593,658</b>	<b>2,556,312</b>	<b>13,834,449</b>	<b>6,113,688</b>	<b>35,851,416</b>	<b>33,396,673</b>
<b>Total segment liabilities</b>	<b>6,665,276</b>	<b>8,092,641</b>	<b>8,561,718</b>	<b>10,874,129</b>	<b>1,893,110</b>	<b>2,624,358</b>	<b>1,644,032</b>	<b>1,603,009</b>	<b>12,709,994</b>	<b>5,719,565</b>	<b>31,474,129</b>	<b>28,913,702</b>

## Information on Debentures

Debenture Categories	CSE Listing	Interest Payable Frequency	Face Value as at 31/12/2023 LKR' 000	Market Values			Interest Rates		Interest rate of comparable Government Security %	Interest yield			Yield to Maturity		
				Highest LKR.	Lowest LKR.	Period end LKR.	Coupon Rate	Effective Annual Yield		Highest	Lowest	Last traded	Highest	Lowest	Last traded
<b>Fixed Rate</b>															
Nov 2022 - Nov 2027	Listed	Annually	23,990	Not traded during the quarter			24.00%	24.00%	27.60%	Not traded during the quarter			Not traded during the quarter		
Nov 2022 - Nov 2027	Listed	Bi Annually	32,880	Not traded during the quarter			23.50%	24.88%	27.60%	Not traded during the quarter			Not traded during the quarter		
<b>Floating Rate</b>															
Nov 2022 - Nov 2027	Listed	Quarterly	10,830	Not traded during the quarter			15.99%	16.97%	27.60%	Not traded during the quarter			Not traded during the quarter		
<b>Fixed Rate</b>															
April 2023 - April 2028	Listed	Annually	276,660	Not traded during the quarter			29.50%	29.50%	25.24%	Not traded during the quarter			Not traded during the quarter		
April 2023 - April 2028	Listed	Bi Annually	255,140	Not traded during the quarter			28.00%	29.96%	25.24%	Not traded during the quarter			Not traded during the quarter		
April 2023 - April 2028	Listed	At maturity	91,030	Not traded during the quarter			30.00%	24.57%	25.24%	Not traded during the quarter			Not traded during the quarter		
<b>Total Debentures</b>			<b>690,530</b>												

All debentures are unsecured. Company has not repurchased any of its own debts and has not had any default of principal, interest or other breaches with regard to all liabilities during the period.

## Debenture issue proceeds utilization as at 31st December 2023

No.	Objective as per the prospectus	Amount allocated as per prospectus	Date of Utilization	Amount allocated from proceed LKR (A)	% of Total Proceeds	Amount Utilized in LKR (B)	% of Utilization (B/A)	Clarification if not fully utilized
<b>1</b>	<b>Issue of listed, unsecured, subordinated redeemable Debentures amounting LKR 67.7 Mn during the year 2022</b>							
a.	The funds raised through this Debenture Issue utilized to increase the medium term fund base to match the medium to long term lending portfolio.					67,700,000	100%	N/A
b.	To enhance the Total Capital base of the Company, for which the Company has obtained approval from the Central Bank of Sri Lanka (CBSL).	67,700,000	16-Nov-22	67,700,000	100%	54,160,000	80%	Discounting of the amount counted as capital by 1/5 each year during the four years preceding the maturity.
<b>2</b>	<b>Issue of listed, unsecured, subordinated redeemable Debentures amounting LKR 622.83 Mn during the year 2023</b>							
	The funds raised through this Debenture Issue utilized to meet the regulatory capital requirements of the company (tier II) and also to reduce the maturity mismatch by increasing the medium term fund base to match the medium to long term lending portfolio of the company.	622,830,000	10-Apr-23	622,830,000	100%	622,830,000	100%	N/A

**Events after the statement of financial position date**

There were no material events reported since 31st December 2023 that require disclosure in these Financial Statements.

**Information on ordinary shares**

<b>As at</b>		<b>12/31/2023</b>	<b>12/31/2022</b>
Net asset per share (LKR)	- Company	7.00	7.05
	- Group	7.51	7.71

<b>Market price per share recorded during the quarter ended 31st December (LKR)</b>		<b>2023</b>	<b>2022</b>
	-High	5.70 (14-11-2023)	4.50 (3-10-2022)
	-Low	4.10 (22-12-2023)	3.00 (21-11-2022)
	-Last Transaction	4.40 (29-12-2023)	3.40 (30-12-2022)

<b>As at</b>		<b>12/31/2023</b>	<b>12/31/2022</b>
Number of shares issued		524,539,637	524,539,637
Stated capital (LKR)		4,276,447,883	4,276,447,883

<b>Ratios as at</b>		<b>12/31/2023</b>	<b>12/31/2022</b>
Debt/Equity Ratio		0.9	0.8
Statutory Liquid Asset Ratio		11.59%	13.41%

<b>Ratios for the period ended</b>		<b>12/31/2023</b>	<b>12/31/2022</b>
Interest Cover		1.014	0.860

**The Float adjusted market capitalization as at 31st December 2023 - Rs. 357,700,517**

The Float adjusted market capitalization of the Company falls under Option 5 of Rule 7.13.1 (a), of the Listing Rules of the Colombo Stock Exchange and in terms of section 7.14.1 of the listing rule of the Colombo Stock Exchange, upon being transferred to the Diri Savi Borad of the CSE w.e.f. 26th April 2023, the Company is now compliant with the minimum public holding requirement.

**Twenty largest share holders as at 31st December 2023**

	<b>Name of the share holder</b>	<b>No. of Shares</b>	<b>Holding %</b>
01	Bank of Ceylon No. 1 Account	401,577,367	76.56%
02	BOC Property Development & Management (Pvt ) Ltd	41,666,682	7.94%
03	Bank of Ceylon A/C Ceybank Unit Trust	11,798,960	2.25%
04	Mr. J.A.S.M. Jayawickrama	5,445,926	1.04%
05	Hatton National Bank PLC/Dinesh Nagendra Sellamuttu	5,320,722	1.01%
06	Mr. A.M. Weerasinghe	2,727,403	0.52%
07	Sampath Bank PLC/ Dr.T.Senthilveri	2,039,958	0.39%
08	Thread Capital (Pvt ) Ltd	1,905,000	0.36%
09	Amaliya Private Limited	1,317,656	0.25%
10	Hatton National Bank PLC/Ravindra Erle Rambukwelle	1,140,000	0.22%
11	Mr. B.T. Prathapasinghe	1,121,250	0.21%
12	Mrs. M.P.R. Silva	997,000	0.19%
13	Mr. N. Krishnakumar	916,028	0.17%
14	Ravi Exports Private Limited	829,118	0.16%
15	Seylan Bank PLC/ Mr. A.C. Senanka	797,835	0.15%
16	Est. of Late Mr. P.K.C.P. Samarasinghe (Deceased)	784,031	0.15%
17	Sandwave Limited	768,564	0.15%
18	Mr. R.C.D. De Silva	722,543	0.14%
19	Pobran Investments (Pvt) Ltd	615,639	0.12%
20	Mr. J.M.S.J.B.P. Peiris	606,259	0.12%

The percentage of shares held by the public as at 31st December 2023 was 15.50% and the number of public shareholders as at 31st December 2023 were 10,926

**Directors' shareholding as at 31st December 2023**

<b>Name of the Director</b>	<b>No. of Shares</b>
Mr. A. M. A. Perera	Nil
Prof. N. S. Punchihewa	Nil
Mr. M. P. R. Kumara	Nil
Mr. G. A. Jayashantha	Nil
Mr. J. D. V. N. Jayasinghe	Nil
Mr. R. M. N. Jeewantha	Nil
Mr. H.P.K. Silva	Nil
Mr.Y.A. Jayathilaka	Nil

**CEO's shareholding as at 31st December 2023**

Mr. H. K. D. W. M. D. K. Hapuhinna	Nil
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