

Press Release

Pan Asia Bank records Steady Performance - Profit After Tax soars by 50%

- Operating Profits up by 79% to post Rs. 771 Mn, owing to overall excellent core banking performance.
- Profit Before Tax - Rs. 540 Mn, up by 72% and Profit after Tax - Rs. 324 Mn, up by 50%
- Impairment Charges - 382 Mn, down by 37%
- Total Assets increases by Rs. 7.5 Bn to reach Rs. 216 Bn
- Customer Deposit Base reaches Rs. 167 Bn, up by 3%
- The Bank reported a Return on Assets (Pre-Tax) of 1.03%
- The Bank remains well capitalised and liquid.
 - Tier 1 Capital Ratio 14.45% (Regulatory Minimum - 8.50%)
 - Total Capital Ratio 16.38% (Regulatory Minimum - 12.50%)
 - Rupee LCR 326.63% (Regulatory Minimum - 100%)
 - All Currency LCR 314.62% (Regulatory Minimum - 100%)

Pan Asia Banking Corporation PLC reflected steady performance amid multitude of adversities emerging from challenging macro-economic conditions as the Bank reported its financial performance for Q1 2023 which showed judicious portfolio management and prudence exercised in dealing with possible fallout on its asset quality from sharp increase in interest rates. For the quarter ended 31st March 2023, the Bank reported a Pre-Tax Profit of Rs. 540 Mn, which is 72% increase compared to Q1 2022, mainly due to reduced exchange losses and impairment charges and increased trading gains.

Sri Lankan economy has experienced some positive signs of gradual economic recovery and some stability in macro-economic factors compared to previous period with the appreciation of LKR against USD. The Impairment charges for 2023 Q1 has come down by 37% compared to the comparative period due to strong collection and recovery efforts and contraction in loan book during 2023 Q1. Meanwhile the management maintained the LKR equivalent of the impairment provisions made on SLISBs and SLDBs without a change during the period under review, despite the appreciation in LKR against USD in 2023 Q1 with the expectation of possible adverse outcomes of the on-going comprehensive debt restructuring programme.

The interest income for Q1 2023 rose by 88% due to increase in market lending rates and re-pricing effect of facilities in response to the market conditions. Further, the significant volume growth in Pawning and Short-Term Loans (YoY) also contributed for the increase in loan related interest income. Further interest income from Rupee denominated securities of the Government of Sri Lanka has also gone up significantly due to both increase in investments in Rupee Treasury Bills and high interest rates offered on such new investments compared to the previous period.

The interest expense for Q1 2023 has also gone up significantly by 197% mainly due to steep increase in deposit rates and re-pricing effect of deposits as respond to the market conditions. Consequently, the Net Interest Income dropped by 18% to Rs. 2,034 Mn during the quarter under review from Rs. 2,471 Mn in the corresponding quarter due to higher growth in interest expense than the growth in interest income.

The Bank's Net Fee and Commission Income declined by 34% mainly due to drastic reduction in fee income generated from loans and advances due to weak demand for credit resulted from the high interest rate regime and other less supportive macro-economic environment prevailed during the period under review.

The Net Gains from Trading increased by 80% mainly due to increased realised and unrealised gains from Government of Sri Lanka Treasury Bills and Treasury Bonds classified under Fair Value through Profit or Loss (FVPL). The phenomenal growth on trading gains on Rupee government securities was negated to some extent by the losses from the SWAP book during 2023 Q1, mainly resulted from reporting high discounts in Forex SWAP agreements which was at high premiums in 2022 Q1.

The Bank reported a reduction in Other Operating Losses because of reduced exchange losses on impairment charges for loans and advances and other financial assets due to the appreciation of LKR against USD during 2023 Q1 which also contributed for the growth in total operating income in 2023Q1. This is due to the presentation of the currency appreciation/depreciation impact on impairment charges on loans and advances and other financial assets under Other Operating Income/(Losses) in the income statement.

The increase in Personnel Expenses is mainly due to increased allocation for staff bonuses in 2023 Q1 compared to the comparative period and annual general salary increases. The increase in Other Operating Expenses of 33% is due to increase in service fees for computer maintenance, card related expenses and rising prices of commodities due to reasons such as impact of currency depreciation, fuel price hikes and tax hikes etc.

Taxes and Levies on Financial Services have gone up mainly due to increase in Operating Profits and the effect of the recently introduced Social Security Contribution Levy (SSCL). Income Tax Expense has increased by 120% due to increase in statutory income tax rate to 30% from 24% and increase in operating profits.

The Bank's Post-Tax Profit has increased by 50% to Rs. 324 Mn in Q1 2023 from Rs. 216 Mn in Q1 2022 due to the overall excellence.

The Bank reported a Net Interest Margin of 3.87% during Q1 2023. Meanwhile, the Bank reported a Return on Equity (ROE) of 6.33% and a Pre-Tax Return on Assets (ROA) of 1.03%.

The Bank's Earnings Per Share (EPS) for Q1 2023 increased to Rs. 0.73 from Rs. 0.49 mainly due to increased trading gains from government securities, reduced exchange losses and impairment charges. Meanwhile, the Bank's Net Asset Value Per Share as of 31st March 2023 stood at Rs. 47.32 after an appreciation of 2%.

The Total Assets of the Bank stood at Rs. 216 Bn as of 31st March 2023 after posting a growth of Rs. 7.5 Bn or 4% during Q1 2023 supported mainly by the expansion in Rupee Treasury Bills and Bonds classified under FVPL. The gross Loans and Advances book recorded a drop of 2% mainly due to decrease in Retail credit exposures during 2023 Q1 and appreciation of Sri Lankan Rupee against major currencies. During 2023 Q1, the Bank did not lend vigorously to sectors that exhibited high stress as a measure of the Bank's cautious approach towards lending. Meanwhile, supported by the expansion in Time Deposits, the Total Customer Deposits recorded a growth of 3% to reach Rs. 167 Bn as of 31st March 2023.

The Bank's Impaired (Stage 3) Loan Ratio stood at 4.00% and Stage 3 Provision Cover stood at 51.22% as of 31st March 2023. 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 of 31st March 2023 stood at 14.45% and 16.38% respectively. Further, the Bank's Leverage Ratio stood at 7.87% as of 31st March 2023.

The Total Bank Level Statutory Liquid Assets Ratio (SLAR) as of 31st March 2023 stood at 26.25%. Meanwhile, the Bank's Liquidity Coverage Ratio (LCR) under BASEL III stood well above the statutory minimums. The Bank maintained LCR of 314.62% and 326.63% for All Currencies and LKR respectively.

Commenting on the Bank's performance, Naleen Edirisinghe, Director and CEO of Pan Asia Bank said, "Our resounding performance in the 1Q2023 demonstrates that we are well on track to meeting our ambitious targets for the year. A growth of PAT over 50% in 1Q 2023 affirms the efficacy of our strategy which will be accelerated for generating greater earnings from core banking while infusing operational efficiencies. Despite difficult market conditions, Pan Asia Bank leveraged on its spirit of innovation and can-do spirit as one team to deliver this encouraging performance which sets the stage for the rest of the year."

Pan Asia Bank was ushered into Business Today's Top 40 business organizations ranking for 2021-2022 based on criteria such as portfolio, profits and risks taken, resilience, passion, and how well challenges are met. The Bank was also selected by LMD as one of the 'Most Awarded Entities' and top 'Most Respected' Entities in 2022. In addition, Pan Asia Bank was bestowed with Gold and Bronze awards at the 2022 Effie Awards in the Finance and Business Challenge Category (David vs Goliath) categories respectively.

Recording consistent growth year after year, Pan Asia Bank is strongly positioned as the 'Truly Sri Lankan Bank', marking an illustrious journey that has promoted financial security and fulfilled the aspirations of its customers while supporting the prosperity of the nation.



**INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31ST MARCH 2023**

COMPANY REGISTRATION NO : PQ 48

In Rupee Thousands

Income Statement

	For the Three Months ended 31st March		Change %
	2 023	2 022	
Interest Income	9,159,772	4,873,489	88
Interest Expense	(7,125,710)	(2,402,505)	197
Net Interest Income	2,034,062	2,470,984	(18)
Fee and Commission Income	351,254	530,254	(34)
Fee and Commission Expense	(9,685)	(12,690)	(24)
Net Fee and Commission Income	341,569	517,564	(34)
Net Gains from Trading	197,372	109,464	80
Other Operating Losses	(30,316)	(1,068,853)	97
Total Operating Income	2,542,687	2,029,159	25
Impairment Charges	381,535	601,719	(37)
Net Operating Income	2,161,152	1,427,440	51
Operating Expenses			
Personnel Expenses	590,897	362,436	63
Depreciation and Amortisation	124,584	127,754	(2)
Other Operating Expenses	675,140	506,870	33
Total Operating Expenses	1,390,621	997,060	39
Operating Profit before Taxes on Financial Services	770,531	430,380	79
Taxes and Levies on Financial Services	230,402	116,179	98
Profit before Tax	540,129	314,201	72
Income Tax Expense	216,612	98,278	120
Profit for the Period	323,517	215,923	50
Earnings Per Share - Basic/Diluted (Rs.)	0.73	0.49	50

In Rupee Thousands

Statement of Comprehensive Income			
	For the Three Months ended 31st March		Change %
	2 023	2 022	
Profit for the Period	323,517	215,923	50
Other Comprehensive Income for the Period	-	-	-
Total Comprehensive Income for the Period	323,517	215,923	50

In Rupee Thousands

Statement of Financial Position			
	As at 31/03/2023	As at 31/12/2022 (Audited)	Change %
Assets			
Cash and Cash Equivalents	6,273,219	5,374,284	17
Balances with Central Bank of Sri Lanka	5,737,035	5,308,803	8
Placements with Banks	769,164	-	100
Reverse Repurchase Agreements	-	2,003,276	(100)
Derivative Financial Instruments	198,752	-	100
Financial Assets at Fair Value through Profit or Loss	23,676,252	2,239,757	957
Financial Assets at Amortised Cost			
-Loans and Advances	141,725,850	144,148,110	(2)
-Debt and Other Instruments	29,041,564	40,195,048	(28)
Financial Assets at Fair Value through Other Comprehensive Income	3,752	3,752	0
Property, Plant and Equipment	2,587,526	2,586,149	0
Right-of-Use Assets	1,537,061	1,593,986	(4)
Intangible Assets	325,194	340,049	(4)
Deferred Tax Assets	1,570,299	1,759,444	(11)
Other Assets	2,059,953	2,496,454	(17)
Total Assets	215,505,621	208,049,112	4
Liabilities			
Due to Banks	4,791,269	1,068,126	349
Repurchase Agreements	29,125	40,526	(28)
Derivative Financial Instruments	313,503	56,097	459
Financial Liabilities at Amortised Cost			
-Due to Depositors	166,644,914	162,533,459	3
-Due to Debt Securities Holders	14,752,963	15,876,464	(7)
Subordinated Debentures	843,275	872,839	(3)
Retirement Benefit Obligations	466,483	470,378	(1)
Current Tax Liabilities	1,778,637	1,751,180	2
Other Provisions and Accruals	282,346	235,888	20
Other Liabilities	4,663,041	4,527,607	3
Total Liabilities	194,565,556	187,432,564	4
Equity			
Stated Capital	3,614,253	3,614,253	(0)
Statutory Reserve Fund	894,990	894,990	-
Retained Earnings	15,345,311	15,018,525	2
Revaluation Reserve	1,085,511	1,088,780	(0)
Total Equity	20,940,065	20,616,548	2
Total Equity and Liabilities	215,505,621	208,049,112	4
Commitments and Contingencies	47,414,459	37,495,330	26
Net Asset Value per Share (Rs.)	47.32	46.58	2
Memorandum Information			
Number of Employees	1,432	1,403	
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 Director/Chief Executive Officer of Pan Asia Banking Corporation PLC, certify jointly that;

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

(Sgd)

S.B. Rangamuwa

Chairman

28th April 2023

Colombo

(Sgd)

E.M.N. Edirisinghe

Director/Chief Executive Officer

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 01/01/2022	3,614,253	-	794,893	1,006,465	13,137,897	18,553,508
Total Comprehensive Income for the Period						
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
Balance as at 01/01/2023	3,614,253	-	894,990	1,088,780	15,018,525	20,616,548
Total Comprehensive Income for the Period						
Profit for the Period	-	-	-	-	323,517	323,517
Other Comprehensive Income for the Period	-	-	-	-	-	-
Total Comprehensive Income for the Period	-	-	-	-	323,517	323,517
Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders	-	-	-	-	-	-
Other Transactions						
Realisation of Revaluation Reserve	-	-	-	(3,269)	3,269	-
Total Other Transactions	-	-	-	(3,269)	3,269	-
Balance as at 31/03/2023	3,614,253	-	894,990	1,085,511	15,345,311	20,940,065

* Number of Ordinary Shares (Voting) as at 31st March 2023 - 442,561,629

In Rupee Thousands

Statement of Cash Flows		
	Current Period From 01/01/2023 To 31/03/2023	Previous Period From 01/01/2022 To 31/03/2022
Cash Flows from Operating Activities		
Profit before Tax	540,129	314,201
Adjustments for:		
Non-Cash Items Included in Profit before Tax	405,361	1,809,927
Change in Operating Assets	(4,639,778)	(15,878,229)
Change in Operating Liabilities	5,299,361	14,768,525
Interest Expense on Subordinated Debentures and Other Term Borrowings	348,704	235,819
Interest Expense on Lease Liability	33,550	27,611
Gratuity Paid	(25,371)	(7,784)
Income Tax Paid	(10)	(166,003)
Net Cash Flows from Operating Activities	1,961,946	1,104,067
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment	(38,463)	(41,121)
Proceeds from the Sale of Property, Plant and Equipment	27	25
Net Cash Flows used in Investing Activities	(38,436)	(41,096)
Cash Flows from Financing Activities		
Repayment of Term Borrowing	-	(500,000)
Interest Paid on Subordinated Debentures and Other Term Borrowings	(173,352)	(102,791)
Repayment of Principal Portion of Lease Liabilities	(54,252)	(70,381)
Interest Paid on Lease Liabilities	(33,550)	(27,611)
Net Cash Flows used in Financing Activities	(261,154)	(700,783)
Net Increase in Cash & Cash Equivalents	1,662,356	362,188
Cash and Cash Equivalents at the Beginning of the Period	5,394,118	2,225,376
Cash and Cash Equivalents at the End of the Period	7,056,474	2,587,564

In Rupee Thousands

Measurement of Financial Instruments					
As at 31/03/2023	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	-	-	6,273,219	-	6,273,219
Balances with Central Bank of Sri Lanka	-	-	5,737,035	-	5,737,035
Placements with Banks	-	-	769,164	-	769,164
Derivative Financial Instruments	-	-	-	198,752	198,752
Financial Assets at Fair Value through Profit or Loss	23,676,252	-	-	-	23,676,252
Financial Assets at Amortised Cost-Loans and Advances	-	-	141,725,850	-	141,725,850
Financial Assets at Amortised Cost-Debt and Other Instruments	-	-	29,041,564	-	29,041,564
Financial Assets at Fair Value through Other Comprehensive Income	-	3,752	-	-	3,752
Total Financial Assets	23,676,252	3,752	183,546,832	198,752	207,425,588
Financial Liabilities					
Due to Banks	-	-	4,791,269	-	4,791,269
Repurchase Agreements	-	-	29,125	-	29,125
Derivative Financial Instruments	-	-	-	313,503	313,503
Due to Depositors	-	-	166,644,914	-	166,644,914
Due to Debt Securities Holders	-	-	14,752,963	-	14,752,963
Subordinated Debentures	-	-	843,275	-	843,275
Other Liabilities	-	-	1,725,181	-	1,725,181
Total Financial Liabilities	-	-	188,786,727	313,503	189,100,230

In Rupee Thousands

Measurement of Financial Instruments					
As at 31/12/2022 (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	-	-	5,374,284	-	5,374,284
Balances with Central Bank of Sri Lanka	-	-	5,308,803	-	5,308,803
Reverse Repurchase Agreements	-	-	2,003,276	-	2,003,276
Financial Assets at Fair Value through Profit or Loss	2,239,757	-	-	-	2,239,757
Financial Assets at Amortised Cost-Loans and Advances	-	-	144,148,110	-	144,148,110
Financial Assets at Amortised Cost-Debt and Other Instruments	-	-	40,195,048	-	40,195,048
Financial Assets at Fair Value through Other Comprehensive Income	-	3,752	-	-	3,752
Total Financial Assets	2,239,757	3,752	197,029,522	-	199,273,030
Financial Liabilities					
Due to Banks	-	-	1,068,126	-	1,068,126
Repurchase Agreements	-	-	40,526	-	40,526
Derivative Financial Instruments	-	-	-	56,097	56,097
Due to Depositors	-	-	162,533,459	-	162,533,459
Due to Debt Securities Holders	-	-	15,876,464	-	15,876,464
Subordinated Debentures	-	-	872,839	-	872,839
Other Liabilities	-	-	1,759,889	-	1,759,889
Total Financial Liabilities	-	-	182,151,303	56,097	182,207,400

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 31/03/2023	As at 31/12/2022 (Audited)
Gross Loans and Advances (Note 1.2)	151,123,407	154,079,309
Less: Accumulated Impairment under Stage 1 (Note 1.3)	(1,149,258)	(1,129,765)
Accumulated Impairment under Stage 2 (Note 1.3)	(1,345,503)	(1,897,450)
Accumulated Impairment under Stage 3 (Note 1.3)	(6,902,796)	(6,903,984)
Net Loans and Advances	141,725,850	144,148,110

1.2 Loans and Advances - By Product

In Rupee Thousands

	As at 31/03/2023	As at 31/12/2022 (Audited)
Domestic Currency		
Term Loans	94,413,377	93,305,983
Overdraft	14,527,592	13,860,235
Trade Finance	426,170	382,950
Lease Rentals Receivable	8,591,682	8,954,624
Others	28,199,973	30,224,655
Sub Total	146,158,794	146,728,447
Foreign Currency		
Term Loans	2,869,687	4,539,880
Overdraft	411,884	486,391
Trade Finance	1,683,042	2,324,591
Sub Total	4,964,613	7,350,862
Total	151,123,407	154,079,309

1.3 Movement of Impairment During the Period - Loans and Advances

In Rupee Thousands

	As at 31/03/2023	As at 31/12/2022 (Audited)
Under Stage 1		
Opening balance	1,129,765	1,208,740
Charge/(Reversal) to Income Statement	19,493	(78,975)
Closing Balance	1,149,258	1,129,765
Under Stage 2		
Opening balance	1,897,450	1,671,499
Charge/(Reversal) to Income Statement	(551,947)	(487,474)
Exchange Rate Variance on Foreign Currency Provisions	-	713,425
Closing Balance	1,345,503	1,897,450
Under Stage 3		
Opening balance	6,903,984	5,434,628
Charge/(Reversal) to Income Statement	915,271	1,704,025
Write-off during the Period	(793,912)	(954,039)
Exchange Rate Variance on Foreign Currency Provisions	(122,547)	719,370
Closing Balance	6,902,796	6,903,984
Total Impairment - Closing Balance	9,397,557	9,931,199

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 31/03/2023	As at 31/12/2022 (Audited)
Gross Commitments and Contingencies	47,414,459	37,495,330
Less: Accumulated Impairment under Stage 1 (Note 3)	(114,570)	(110,109)
	47,299,889	37,385,221

2.2 Commitments and Contingencies - By Product

	As at 31/03/2023	As at 31/12/2022 (Audited)
Domestic Currency		
Guarantees	3,930,584	3,895,505
Documentary Credit	67,422	94,963
Forward Foreign Exchange Contracts	39,626	-
Currency Swaps	13,702,535	9,672,634
Undrawn Credit Commitments	11,227,998	11,727,082
Sub Total	28,968,165	25,390,184
Foreign Currency		
Guarantees	248,585	778,612
Documentary Credit	1,113,099	1,158,915
Forward Foreign Exchange Contracts	41,949	-
Currency Swaps	16,784,191	9,759,762
Undrawn Credit Commitments	258,470	407,857
Sub Total	18,446,294	12,105,146
Total	47,414,459	37,495,330

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

In Rupee Thousands

	Cash & Cash Equivalents	Placements with Banks	Debt & Other Instruments	Documentary Credit	Financial Guarantees	Total
Opening balance as at 01/01/2022 (Audited)	7,284	-	1,088,178	14,258	30,522	1,140,242
Charge/(Reversal) to Income Statement	12,550	-	1,645,100	9,861	55,468	1,722,979
Exchange Rate Variance on Foreign Currency Provisions	-	-	2,155,790	-	-	2,155,790
Closing balance at 31/12/2022 (Audited)	19,834	-	4,889,068	24,119	85,990	5,019,011
Opening balance as at 01/01/2023 (Audited)	19,834	-	4,889,068	24,119	85,990	5,019,011
Charge/(Reversal) to Income Statement	(5,833)	90	-	2,775	1,686	(1,282)
Closing balance at 31/03/2023	14,001	90	4,889,068	26,894	87,676	5,017,729

3.1 Impairment provisions on "Debt and Other Financial Instruments" include provisions made on foreign currency denominated debt instruments of the Government of Sri Lanka.

4. Analysis of Deposits - By Product

In Rupee Thousands

	As at 31/03/2023	As at 31/12/2022 (Audited)
Domestic Currency		
Demand Deposits	5,880,577	6,339,723
Savings Deposits	19,929,429	18,889,217
Fixed Deposits	123,116,055	116,441,822
Certificates of Deposits	1,127,620	1,135,753
Margin Deposits	177,301	178,201
Sub Total	150,230,982	142,984,716
Foreign Currency		
Demand Deposits	1,018,491	1,850,889
Savings Deposits	2,591,932	3,238,186
Fixed Deposits	12,697,195	14,327,901
Margin Deposits	106,314	131,767
Sub Total	16,413,932	19,548,743
Total	166,644,914	162,533,459

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 2023	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative Financial Instruments	-	198,752	-	198,752
Financial Assets at FVPL				
- Sri Lanka Government Rupee Securities - Treasury Bills	23,676,252	-	-	23,676,252
Financial Assets at FVOCI	-	3,752	-	3,752
Total	23,676,252	202,504	-	23,878,756
Non-Financial Assets				
Land - Revalued	-	-	1,520,000	1,520,000
Building - Revalued	-	-	583,874	583,874
Total	-	-	2,103,874	2,103,874
Financial Liabilities				
Derivative Financial Instruments	-	313,503	-	313,503
Total	-	313,503	-	313,503

Notes to the Financial Statements

In Rupee Thousands				
As at 31st December 2022	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial Assets at FVPL				
- Sri Lanka Government Rupee Securities - Treasury Bills and Bonds	2,239,757	-	-	2,239,757
Financial Assets at FVOCI	-	3,752	-	3,752
Total	2,239,757	3,752	-	2,243,509
Non-Financial Assets				
Land - Revalued	-	-	1,520,000	1,520,000
Building - Revalued	-	-	590,000	590,000
Total	-	-	2,110,000	2,110,000
Financial Liabilities				
Derivative Financial Instruments	-	56,097	-	56,097
Total	-	56,097	-	56,097

- 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		
	For the Three Months ended 31st March 2023	For the Three Months ended 31st March 2022
Derivative Financial Instruments	(58,654)	2,458,487
Financial Assets at Fair Value through Profit or Loss		
- Sri Lanka Government Rupee Securities - Treasury Bills and Bonds	530,493	-
Total	471,838	2,458,487

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 amounts approximate their fair value. This assumption is applied for Cash and Cash Equivalents, Balances with Central Bank of Sri Lanka, Placements with Banks and Securities Purchased under Resale Agreements. This assumption is also applied to Demand Deposits, Savings Accounts without a specific maturity, floating rate instruments and fixed rate instruments having maturities within 12 months.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities (other than assets and liabilities with maturities within 12 months) carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	In Rupee Thousands			
	As at 31st March 2023		As at 31st December 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and Cash Equivalents	6,273,219	6,273,219	5,374,284	5,374,284
Balances with Central Bank of Sri Lanka	5,737,035	5,737,035	5,308,803	5,308,803
Placements with Banks	769,164	769,164	-	-
Reverse Repurchase Agreements	-	-	2,003,276	2,003,276
Loans and Advances - at Amortised Cost	141,725,850	140,495,146	144,148,110	142,233,393
Debt and Other Instruments - at Amortised Cost	29,041,564	27,064,924	40,195,048	37,677,247
Total Financial Assets	183,546,832	180,339,488	197,029,521	192,597,003
Financial Liabilities				
Due to Banks	4,791,269	4,791,269	1,068,126	1,068,126
Repurchase Agreement	29,125	29,125	40,526	40,526
Due to Depositors - at Amortised Cost	166,644,914	166,187,550	162,533,459	161,503,186
Due to Debt Security holders - at Amortised Cost	14,752,963	14,313,735	15,876,464	15,326,027
Subordinated Debentures	843,275	627,156	872,839	668,896
Other Liabilities	1,725,181	1,324,358	1,759,889	1,450,865
Total Financial Liabilities	188,786,727	187,273,193	182,151,303	180,057,626

Notes to the Financial Statements

6 Segment Reporting

For the Three Months ended 31st March

Gross Income

Third Party
Inter-Segment

Total Income

Extract of Results

Interest Income
Interest Expense
Inter - Segment
Net Interest Income

Fees and Commission Income
Fees and Commission Expenses
Net Fee and Commission Income

Net Gains from Trading
Other Operating Income/(Losses)

Total Operating Income

Impairment Charges

Net Operating Income

Depreciation of Property, Plant and Equipment
Amortisation of Intangible Assets

Segment Result

Un-allocated Expenses

Operating Profit Before Taxes & Levies on Financial Services

Taxes and Levies on Financial Services

Profit before Tax

Income Tax Expense

Profit for the Period

Other Comprehensive Income for the Period

Total Comprehensive Income for the Period

Capital Expenditure

Property, Plant and Equipment

As at 31st March

Segment Assets

Unallocated Assets

Total Assets

Segment Liabilities

Unallocated Liabilities and Equity

Total Liabilities and Equity

In Rupee Thousands			
2023			
Retail & SME Banking	Corporate Banking	Treasury and Investments	Total
6,496,948	851,423	2,329,711	9,678,082
1,908,281	(277,419)	(1,630,862)	-
8,405,229	574,004	698,849	9,678,082
6,153,444	827,007	2,179,321	9,159,772
(6,255,425)	(484,740)	(385,545)	(7,125,710)
1,908,282	(277,419)	(1,630,863)	-
1,806,301	64,848	162,913	2,034,062
320,143	31,111	-	351,254
(6,248)	-	(3,437)	(9,685)
313,895	31,111	(3,437)	341,569
-	-	197,372	197,372
23,361	(6,695)	(46,982)	(30,316)
2,143,557	89,264	309,866	2,542,687
(342,208)	(33,583)	(5,744)	(381,535)
1,801,349	55,681	304,122	2,161,152
109,521	45	163	109,729
13,778	-	1,077	14,855
1,678,050	55,636	302,882	2,036,568
			1,266,037
			770,531
			230,402
			540,129
			216,612
			323,517
			-
			323,517
38,463	-	-	38,463
129,650,174	16,474,799	51,990,295	198,115,268
-	-	-	17,390,353
129,650,174	16,474,799	51,990,295	215,505,621
157,659,233	10,620,215	15,095,591	183,375,039
-	-	-	32,130,582
157,659,233	10,620,215	15,095,591	215,505,621

Notes to the Financial Statements

For the Three Months ended 31st March

Gross Income

Third Party

Inter-Segment

Total Income

Extract of Results

Interest Income

Interest Expense

Inter - Segment

Net Interest Income

Fees and Commission Income

Fees and Commission Expenses

Net Fee and Commission Income

Net Gains from Trading

Other Operating Income / (Losses)

Total Operating Income

Impairment Charges

Net Operating Income

Depreciation of Property, Plant and Equipment

Amortisation of Intangible Assets

Segment Result

Un-allocated Expenses

Operating Profit Before Taxes & Levies on Financial Services

Taxes and Levies on Financial Services

Profit before Tax

Income Tax Expense

Profit for the Year

Other Comprehensive Income for the Year

Total Comprehensive Income for the Year

Capital Expenditure

Property, Plant and Equipment

As at 31st March

Segment Assets

Unallocated Assets

Total Assets

Segment Liabilities

Unallocated Liabilities and Equity

Total Liabilities and Equity

In Rupee Thousands			
2022			
Retail & SME Banking	Corporate Banking	Treasury and Investments	Total
4,267,770	(83,246)	259,830	4,444,354
488,391	(68,487)	(419,904)	-
4,756,161	(151,733)	(160,074)	4,444,354
3,749,450	380,888	743,151	4,873,489
(2,116,604)	(216,920)	(68,981)	(2,402,505)
488,391	(68,487)	(419,904)	-
2,121,237	95,481	254,266	2,470,984
499,127	31,127	-	530,254
(10,445)	-	(2,245)	(12,690)
488,682	31,127	(2,245)	517,564
366	113	108,985	109,464
18,827	(495,374)	(592,306)	(1,068,853)
2,629,112	(368,653)	(231,300)	2,029,159
(479,814)	(216,851)	94,946	(601,719)
2,149,298	(585,504)	(136,354)	1,427,440
114,567	57	150	114,774
11,903	-	1,077	12,980
2,022,829	(585,561)	(137,581)	1,299,687
			869,306
			430,380
			116,179
			314,201
			98,278
			215,923
			-
			215,923
41,121	-	-	41,121
139,080,933	15,455,142	40,645,137	195,181,212
-	-	-	8,855,038
139,080,933	15,455,142	40,645,137	204,036,250
157,683,644	11,770,864	8,952,482	178,406,990
-	-	-	25,629,260
157,683,644	11,770,864	8,952,482	204,036,250

Selected Performance Indicators (As per Regulatory Reporting)		
	Bank	
	Current Period	Previous Period
	As at 31/03/2023	As at 31/12/2022
Regulatory Capital (LKR '000)		
Common Equity Tier I (CET I) Capital before Adjustments	19,477,806	19,477,806
Common Equity Tier I (CET I) Capital after Adjustments	17,582,313	17,378,312
Total Tier 1 Capital	17,582,313	17,378,312
Total Capital	19,940,367	19,818,150
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7%)	14.45%	14.09%
Tier 1 Capital Ratio (Minimum Requirement - 8.5%)	14.45%	14.09%
Total Capital Ratio (Minimum Requirement - 12.5%)	16.38%	16.07%
Leverage Ratio		
Leverage Ratio (%) (Minimum Requirement - 3%)	7.87%	8.21%
Assets Quality		
Stage 3 Loans (Impaired Loans) to Total Loans*	4.00%	3.63%
Stage 3 Loan Impairment to Stage 3 Loans (Stage 3 Provision Cover)*	51.22%	53.11%
Profitability		
Interest Margin, %	3.87%	4.70%
Return on Assets (Before Tax), %	1.03%	0.32%
Return on Equity, %	6.33%	10.58%
Regulatory Liquidity		
Statutory Liquid Assets		
Total Bank (LKR'000)	49,856,128	39,717,442
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)		
Total Bank (%)	26.25%	21.60%
Total Stock of High-Quality Liquid Assets (LKR '000)		
Rupee	40,680,550	27,717,512
All Currency	43,893,417	30,728,149
Liquidity Coverage Ratio (%) - (Minimum Requirement - 2023 - 100%, 2022 - 90%)		
Rupee (%)	326.63%	253.11%
All Currency (%)	314.62%	226.09%
Net Stable Funding Ratio (%) - (Minimum Requirement - 2023 - 100%, 2022 - 90%)	150.65%	144.41%

* 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 2022.
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. **Appointment of Director/Chief Executive Officer**
Mr. E.M.N. Edirisinghe has been appointed as Director/Chief Executive Officer of Pan Asia Banking Corporation PLC with effect from 03rd April 2023.

7. 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 these Financial Statements.

8. Ratios

31/03/2023

Debt to Equity (Times)	0.74
Interest Cover (Times)	2.55

9. Market Price of Ordinary Shares

Market Price Per Share	31/03/2023 (Rs.)		31/03/2022 (Rs.)	
	Voting	Non-Voting	Voting	Non-Voting
Last Traded Price	12.50	-	10.80	-
Highest Price for the Quarter	15.10	-	18.40	-
Lowest Price for the Quarter	8.90	-	10.00	-

Shareholders' Information

Major Shareholders as at 31st March 2023

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	27,580,650	6.23
4	Seylan Bank PLC/Ambeon Holdings PLC(Collateral)	24,717,994	5.59
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	4,381,916	0.99
12	Commercial Bank of Ceylon PLC/Andaradeniya Estate (Pvt) Ltd	4,001,095	0.90
13	Peoples Leasing & Finance PLC/ H. A. J. Wickramasena	2,137,434	0.48
14	H. Beruwalage	2,046,648	0.46
15	A. U. De Silva	1,680,000	0.38
16	DFCC Bank PLC/N.G.N. Maduranga	1,428,128	0.33
17	Seylan Bank PLC/Senthilverl Holdings (Pvt) Ltd	1,338,637	0.30
18	D.M.I. Dissanayake	1,260,101	0.29
19	D.R. Ponnampereuma	1,257,682	0.28
20	R. A. De Silva	1,200,000	0.27
		368,613,325	83.29
	Others	73,948,304	16.71
	Total	442,561,629	100.00

Public holding as at 31st March 2023 was 54.93% in the hands of 6,286 public shareholders.

Float Adjusted Market Capitalisation as at 31st March 2023 was Rs. 3,038,738,785/- and the Bank complies with Option No. 04.

Directors' and Chief Executive Officer's Holding in Shares as at 31st March 2023

No	Name of Director	No. of Shares
1	S. B. Rangamuwa/ Seylan Bank PLC	365,000
2	M. Y. A. Perera	-
3	J. D. N. Kekulawala	-
4	B. D. A. Perera	-
5	S. A. Walgama	-
6	C. M. Umagiliya	-
7	H. Ota	-
8	N. R. Tillekeratne	-