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The Board of Directors
Pan Asia Banking Corporation PLC
No. 450, Galle Road
Colombo 03

03rd September 2026

Dear Members of the Board,

ACCOUNTANTS' REPORT FOR INCLUSION IN THE PROSPECTUS OF PAN ASIA BANKING CORPORATION PLC

This report has been prepared for the inclusion in the prospectus issued in connection with the proposed issuance of twenty million (20,000,000) debentures three year type A (2026/2029) and five year type B (2026/2031) listed rated senior unsecured redeemable debentures with an option to issue up to a further twenty million (20,000,000) of said debentures, at the discretion of the bank in the event of an oversubscription of the initial issue and with a further option to issue up to a further ten million (10,000,000) of said debentures, at the discretion of the bank in the event of an oversubscription of the initial issue and the second tranche in order to raise a maximum amount of Sri Lankan rupees five billion (LKR 5,000,000,000/-). This instrument will be listed in the Colombo Stock Exchange.

The funds generated from the Debenture Issue will be utilized to expand Pan Asia Banking Corporation PLC's lending portfolio in the ordinary course of business within next Twelve (12) months from the date of allotment of the Debentures.

We have examined the financial statements included in the annual reports of the Bank, for the financial years ended 31st December 2021 to 31st December 2025. Extracts from the annual reports of the respective years, included in the prospectus and report as follows.

1. INCORPORATION

Pan Asia Banking Corporation PLC ("the Bank") is a public quoted company incorporated on 06th March 1995 with a limited liability and domiciled in Sri Lanka. It is a Licensed Commercial Bank registered under the Banking Act No. 30 of 1988 and amendments thereto. The registered office of the Bank is situated at No. 450, Galle Road, Colombo 03. The ordinary voting shares of the Bank have a primary listing on the Colombo Stock Exchange. The Bank does not have an identifiable parent of its own. Further, the Bank does not hold any investments in the form of subsidiary, joint venture or an associate.

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2. FINANCIAL STATEMENTS

2.1. Five-Year Summary of Financial Statements

A summary of Statement of Profit or Loss, Statement of Financial Position and Statement of Cash Flow of the Bank for the financial years ended 31st December 2021 to 31st December 2025, based on the audited financial statements of the Bank are set out in Annexure 1.

Summaries presented for operating results, assets, liabilities and shareholders' funds for financial years ended 31st December 2021 to 31st December 2025 are based on the financial statements prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs), effective from 1st January 2012 in the annual reports of the respective years.

2.2. Audit Report

Ernst & Young Sri Lanka has audited the financial statements of the Bank for the years ended 31st December 2021 to 31st December 2025. Unqualified audit opinions have been issued for the said financial reporting years.

2.3. Application of Accounting Standards and Accounting Policies

The financial statements of the Bank for the financial years ended 31st December 2021 to 31st December 2025 prepared in accordance with Sri Lanka Accounting Standards (commonly referred as "SLFRS"/ "LKAS") laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of Companies Act No 7 of 2007.

The accounting policies of the Bank are stated in detail in the audited financial statements of Pan Asia Banking Corporation PLC for the year ended 31st December 2025. The adoption of revised / new accounting standards and a summary of related amendments to the accounting policies of the Bank for the financial years ended 31st December 2021 to 31st December 2025 is set out in Annexure 2.

2.4. Dividends

The Bank has paid the following dividends in respect of Ordinary Shares during the financial years ended 31st December 2021 to 31st December 2025.

Year/ Period ended	Dividend Paid (Rs. Mn)	Dividend Per Share (Rs.)
31st December 2021	-	-
31st December 2022	-	-
31st December 2023	-	-
31st December 2024	110.64	0.25
31st December 2025	442.56	1.00

2.5. Events after the Reporting Date (as at 31st December 2025 as reported in the Annual Report dated 16th February 2026)

- **Dividend Declared**

The Board of Directors has recommended and declared a first and final cash dividend of Rs. 1/- per share for the financial year ended 31st December 2025 (2024 - Rs. 1/- per share) subject to the approval of the shareholders at the Annual General Meeting to be held on 31st March 2026, and accordingly it has not been recognised as a liability in these Financial Statements for the year ended 31st December 2025.

- **Regulatory Update on Primary Dealer Appointment**

Subsequent to the reporting date, the Governing Board of the Central Bank of Sri Lanka, by letter dated 27th January 2026, informed the Bank of the cancellation of its appointment to function as a Primary Dealer, with effect from 23rd October 2025. The Bank's Primary Dealer activities had been suspended since 15th August 2017 and were not operational during the reporting period. Accordingly, the Primary Dealer business does not constitute a core business activity of the Bank.

The cancellation of the Primary Dealer appointment does not affect the Bank's operations as a Licensed Commercial Bank under the Banking Act, nor does it have an impact on the Bank's customers, financial position, liquidity, capital adequacy, or future business strategy. The Bank continues to conduct its permitted activities, including trading in the secondary government securities market, in accordance with applicable laws and regulations. In accordance with Sri Lanka Accounting Standard LKAS 10 – Events After the Reporting Period, this matter has been classified as a non-adjusting event after the reporting period, and accordingly, no adjustments have been made to the amounts recognised in these financial statements.

2.6. Restriction on Use

This report is prepared solely for the purpose of the Board of Directors of Pan Asia Banking Corporation PLC for inclusion in the prospectus in connection with the issuance of twenty million (20,000,000) debentures three year type A (2026/2029) and five year type B (2026/2031) listed rated senior unsecured redeemable debentures with an option to issue up to a further twenty million (20,000,000) of said debentures, at the discretion of the bank in the event of an oversubscription of the initial issue and with a further option to issue up to a further ten million (10,000,000) of said debentures, at the discretion of the bank in the event of an oversubscription of the initial issue and the second tranche in order to raise a maximum amount of Sri Lankan rupees five billion (LKR 5,000,000,000/-).

Yours faithfully,

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

PAN ASIA BANK
The Truly Sri Lankan Bank

Annexure 1 - Five-Year Summary of Financial Statements

Statement of Profit or Loss

	Year ended 31 December				
	2025 Rs. 000	**2024 Rs. 000**	**2023 Rs. 000**	**2022 Rs. 000**	**2021 Rs. 000**
Gross Income	**34,045,354**	**28,831,598**	**38,971,229**	**25,813,144**	**21,103,534**
Interest Income	30,703,436	30,781,725	37,122,997	26,626,159	18,798,301
Less: Interest Expense	17,955,564	18,645,983	26,820,527	17,170,702	9,156,565
Net Interest Income	**12,747,872**	**12,135,742**	**10,302,470**	**9,455,457**	**9,641,736**
Fees and Commission Income	2,608,013	1,906,725	1,539,359	1,754,921	1,821,228
Less: Fees and Commission Expense	92,168	69,579	55,283	36,112	38,295
Net Fee and Commission Income	**2,515,845**	**1,837,146**	**1,484,076**	**1,718,809**	**1,782,933**
Net Gains from Trading	508,386	753,368	910,210	111,315	92,257
Net Fair Value Gains/(Losses) from Financial Assets at Fair Value through Profit or Loss	(51,774)	(70,282)	116,693	-	-
Net Gains from Derecognition of Financial Assets at Fair Value through Other Comprehensive Income	278,634	23,609	-	-	-
Net Other Operating Gains/(Losses)	(1,341)	(863,181)	(718,030)	(2,679,251)	391,748
Total Operating Income	**15,997,622**	**13,816,402**	**12,095,419**	**8,606,330**	**11,908,674**
Less: Net Losses on Derecognition of Sri Lanka International Sovereign Bonds	-	3,700,366	-	-	-
Impairment Charges/(Reversals)	520,807	(5,061,213)	2,714,669	2,860,555	2,370,452
Net Operating Income	**15,476,815**	**15,177,249**	**9,380,750**	**5,745,775**	**9,538,222**
Less: Operating Expenses					
Personnel Expenses	3,633,022	3,507,771	2,660,113	1,893,676	2,227,359
Depreciation and Amortisation Expenses	631,239	540,209	513,133	-	-
Other Operating Expenses	3,565,268	3,231,028	2,881,835	2,750,344	2,399,633
Total Operating Expenses	**7,829,529**	**7,279,008**	**6,055,081**	**4,644,020**	**4,626,992**
Operating Profit Before Taxes on Financial Services	**7,647,286**	**7,898,241**	**3,325,669**	**1,101,755**	**4,911,230**
Less: Taxes and Levies on Financial Services	1,826,999	1,870,732	997,323	451,902	877,577
Profit Before Tax	**5,820,287**	**6,027,509**	**2,328,346**	**649,853**	**4,033,653**
Less: Income Tax Expense/(Reversal)	1,814,709	1,892,793	473,381	(1,352,087)	958,295
Profit for the Year	**4,005,578**	**4,134,716**	**1,854,965**	**2,001,940**	**3,075,358**

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Pan Asia Banking Corporation PLC Head Office

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Annexure 1 - Five-Year Summary of Financial Statements (Cont.)

Statement of Financial Position

	As at 31 December				
	2025 Rs. 000	2024 Rs. 000	2023 Rs. 000	2022 Rs. 000	2021 Rs. 000
Assets					
Cash and Cash Equivalents	5,273,592	3,413,701	6,238,153	5,374,284	2,218,092
Balances with Central Bank of Sri Lanka	11,847,843	5,499,181	2,909,271	5,308,803	5,038,345
Placements with Banks	1,049,717	-	-	-	-
Reverse Repurchase Agreements	2,531,544	1,001,140	-	2,003,276	-
Derivative Financial Instruments	158,553	79,869	26,238	-	4,592
Financial Assets at Fair Value through Profit or Loss	2,577,568	13,107,697	4,277,569	2,239,757	-
Financial Assets at Amortised Cost					
-Loans and Advances	208,052,059	151,069,047	131,296,112	144,148,110	142,369,157
-Debt and Other Instruments	55,056,833	63,348,832	80,216,838	40,195,048	34,110,583
Financial Assets at Fair Value through Other Comprehensive Income	14,336,711	19,347,634	3,752	3,752	3,752
Property, Plant and Equipment	3,356,173	2,926,217	2,806,066	2,586,149	2,335,826
Right-of-Use Assets	1,488,444	1,409,786	1,399,766	1,593,986	1,377,406
Intangible Assets	391,016	328,682	321,561	340,049	320,863
Deferred Tax Assets	212,056	27,357	2,128,428	1,759,444	-
Other Assets	1,683,686	1,303,869	1,832,569	2,496,454	1,733,054
Total Assets	**308,015,795**	**262,863,012**	**233,456,323**	**208,049,112**	**189,511,670**
Liabilities					
Due to Banks	13,052,683	8,893,612	1,547,695	1,068,126	3,914,395
Repurchase Agreements	20,241,528	25,345,992	11,611,454	40,526	254,154
Derivative Financial Instruments	26,685	58,248	142,069	56,097	33
Financial Liabilities at Amortised Cost					
-Due to Depositors	231,039,744	191,293,162	175,344,870	162,533,459	146,433,816
-Due to Debt Securities Holders	4,998,322	1,592,971	13,051,593	15,876,464	12,978,490
Subordinated Debentures	-	872,839	872,839	872,839	872,839
Retirement Benefit Obligations	762,826	682,806	505,946	470,378	376,851
Current Tax Liabilities	1,419,410	1,156,336	2,609,963	1,751,180	1,252,818
Deferred Tax Liabilities	-	-	-	-	118,401
Other Provisions and Accruals	804,821	1,033,202	536,138	174,576	196,193
Other Liabilities	5,279,606	5,156,066	4,636,105	4,588,919	4,560,172
Total Liabilities	**277,625,625**	**236,085,234**	**210,858,672**	**187,432,564**	**170,958,162**
Equity					
Stated Capital	3,614,253	3,614,253	3,614,253	3,614,253	3,614,253
Statutory Reserve Fund	1,394,753	1,194,474	987,738	894,990	794,893
Special Reserve	595,771	595,771	-	-	-
Retained Earnings	23,331,770	19,954,770	16,794,390	15,018,525	13,137,897
Fair Value Through Other Comprehensive Income (FVOCI) Reserve	134,854	165,129	-	-	-
Revaluation Reserve	1,318,769	1,253,381	1,201,270	1,088,780	1,006,465
Total Equity	**30,390,170**	**26,777,778**	**22,597,651**	**20,616,548**	**18,553,508**
Total Equity and Liabilities	**308,015,795**	**262,863,012**	**233,456,323**	**208,049,112**	**189,511,670**
Commitments and Contingencies	**98,210,306**	**57,054,510**	**49,081,753**	**37,495,330**	**37,779,887**

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Annexure 1 - Five-Year Summary of Financial Statements (Cont.)

Statement of Cash Flow

	Year ended 31 December				
	2025 Rs. 000	**2024 Rs. 000**	**2023 Rs. 000**	**2022 Rs. 000**	**2021 Rs. 000**
Cash Flows From Operating Activities					
Profit Before Tax	5,820,287	6,027,509	2,328,346	649,853	4,033,653
Adjustment for:					
Non-Cash Items included in Profit Before Tax	1,318,147	456,740	3,359,835	3,433,278	2,899,531
Change in Operating Assets	(41,298,202)	(35,551,858)	(27,006,265)	(16,418,820)	(15,874,951)
Change in Operating Liabilities	37,710,317	39,918,736	24,279,405	19,370,634	7,170,626
Interest Expense on Subordinated Debentures	61,961	115,115	114,800	114,800	114,800
Interest Expense on Term Borrowings	24,742	724,388	1,219,489	1,108,974	789,069
Interest Expense on Lease Liabilities	156,777	137,514	134,151	125,773	94,796
Gratuity Paid	(63,904)	(61,238)	(94,349)	(40,508)	(40,511)
Income Tax Paid	(1,757,494)	(1,312,229)	(37,642)	(166,003)	(527,440)
Net Cash Flows Generated from/(Used in) Operating Activities	**1,972,631**	**10,454,677**	**4,297,770**	**8,177,982**	**(1,340,427)**
Cash Flows From Investing Activities					
Purchase of Property, Plant and Equipment	(514,000)	(196,418)	(197,019)	(151,898)	(170,202)
Proceeds from the Sale of Property, Plant and Equipment	74	47	71	168	231
Purchase of Intangible Assets	(168,562)	(68,783)	(39,232)	(72,914)	(24,210)
Net Cash Flows Used in Investing Activities	**(682,488)**	**(265,154)**	**(236,180)**	**(224,644)**	**(194,181)**
Cash Flows From Financing Activities					
Proceeds from Term Borrowings	5,000,000	-	-	-	6,843,767
Repayment of Subordinated Debentures	(820,000)	-	-	-	-
Repayment of Term Borrowings	(1,576,645)	(11,212,083)	(1,484,212)	(3,288,829)	(4,796,394)
Interest Paid on Subordinated Debentures	(114,800)	(115,115)	(114,800)	(114,800)	(114,800)
Interest & Fees Paid on Term Borrowings	(43,224)	(826,670)	(1,252,200)	(1,042,443)	(801,921)
Dividend Paid	(442,562)	(110,640)	-	-	-
Repayment of Principal Portion of Lease Liabilities	(246,015)	(255,738)	(229,955)	(212,750)	(193,160)
Interest Paid on Lease Liabilities	(156,777)	(137,514)	(134,152)	(125,773)	(94,796)
Net Cash Flows Generated from/(Used in) Financing Activities	**1,599,977**	**(12,657,760)**	**(3,215,319)**	**(4,784,595)**	**842,696**
Net Increase/(Decrease) in Cash & Cash Equivalents	**2,890,120**	**(2,468,237)**	**846,270**	**3,168,742**	**(691,912)**
Net Foreign Exchange Difference	20,934	(357,949)	-	-	-
Cash and Cash Equivalents at 01st January	**3,414,202**	**6,240,388**	**5,394,118**	**2,225,376**	**2,917,288**
Cash and Cash Equivalents at 31st December	**6,325,256**	**3,414,202**	**6,240,388**	**5,394,118**	**2,225,376**

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Pan Asia Banking Corporation PLC * Head Office *

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Annexure 2	**The adoption of revised / new accounting standards and a summary of related amendments to the accounting policies of the Bank for the financial years ended 31st December 2021 to 31st December 2025**
Financial year ended	**Adoption of revised Accounting Standards and related changes in Accounting Policies**
31st December 2021	▪ **Amendment to SLFRS 16 - COVID-19 related rent concessions** The amendment provides relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. ▪ **Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16** Interest Rate Benchmark Reform (Phase 1 and 2)
31st December 2022	No new accounting standards/amendments to existing accounting standards that became effective during the year ended 31st December 2023, which had an impact on the Bank. There were no changes to the Accounting Policies during the year 2022.
31st December 2023	No new accounting standards/amendments to existing accounting standards that became effective during the year ended 31st December 2023, which had an impact on the Bank. There were no changes to the Accounting Policies during the year 2023.
31st December 2024	No new accounting standards/amendments to existing accounting standards that became effective during the year ended 31st December 2024, which had an impact on the Bank. There were no changes to the Accounting Policies during the year 2024.
31st December 2025	• **SLFRS S1 and S2** The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued SLFRS S1 and SLFRS S2 to enhance sustainability-related disclosure requirements. In accordance with these standards, all listed companies ranked within the top 100 by market capitalisation are required to adopt the standards with effect from 01st January 2025. In line with the transitional relief that allows the Bank to report only on climate-related risks and opportunities in its first year of disclosure. There were no changes to the Accounting Policies during the year 2025.

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