



**INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE 2021**

COMPANY REGISTRATION NO : PQ 48

Press Release

Pan Asia Bank records Impressive Performance amidst Challenges - Profit after Tax soars by 50% to post Rs. 1,356 Mn

- Net Interest Income - Rs. 4,365 Mn, up by 17%
- Net Fee and Commission Income - Rs. 805 Mn, up by 45%
- Other Operating Income - Rs. 210 Mn, up by 50%
- Operating Profits up by 25% to post Rs. 2,245 Mn owing to overall excellent core banking performance and success of cost containment measures
- Profit Before Tax - Rs. 1,822 Mn, up by 27% despite increased prudential provisions
- Key Profitability Indicators are among the best in the industry
 - Net Interest Margin improves from 4.41% to 4.84%
 - Return on Assets (Pre-Tax) improves from 1.70% to 2.02%
 - Return on Equity improves from 14.36% to 16.95%
- Loans and Advances book reaches Rs. 138 Bn, up by 6%
- Customer Deposits reach Rs. 147 Bn, up by 4 %
- Net Non-Performing Advances Ratio improves from 2.34% to 1.94 % due to prudent provisioning
- The Bank remains highly liquid and well capitalised - all Liquidity and Capital Ratios are well above the regulatory minimums

Pan Asia Banking Corporation PLC reported an impressive performance for the six months period ended 30th June 2021 to report a Pre-Tax Profit of Rs. 1,822 Mn and a Post-Tax Profit of Rs. 1,356 Mn with growth rates of 27% and 50% respectively, while demonstrating the resilience amidst challenging macro economic conditions. The Bank's performance was characterised by strength and resilience despite the heightened uncertainty due to the impact of the COVID-19 pandemic.

Against the backdrop of the COVID-19 impact on the Sri Lankan economy, the Bank's Operating Profits before VAT on Financial Services reached Rs. 2,245 Mn with an increase of 25% reflecting the excellence in core banking performance and the success of cost containment measures evidenced by improvement in all key matrices which now rank among the industry bests. This feat was achieved even after setting aside a sizable provision buffers for the probable deterioration in credit quality due to COVID-19 pandemic.

The Bank increased impairment provision buffers in 1H prudently taking into consideration of increased risks and uncertainties due to COVID-19 pandemic through experience adjustments, management overlays and downgrading of credit exposures of the borrowers in elevated risk industries. As a result, total impairment expense for 1H and 2Q increased by 29% and 58% respectively. Further, the Bank opted not to use the relief allowed by the industry prudential regulator in making impairment provisions for investments in foreign currency denominated government securities while being prudent.

The Bank's Net Interest Income for the period witnessed an increase of 17% due to significant reduction in financial cost of funds at a rate faster than the drop in interest yields of interest earning assets. Consequently, the Bank's Net Interest Margin for the period improved to 4.84% from 4.41% reported six months ago. In the meantime, the Bank's Net Fee and Commission Income recorded a growth of 45% with the rebound in demand for credit due to revival of economic activities in 1H amidst the low interest rate regime despite the adverse impact of lockdowns had during 2Q and waiver of fees and charges mandated by the industry regulator. Meanwhile, the volatility in foreign exchange rates enabled the Bank to increase its Foreign Exchange Income substantially as reflected in Other Operating Income. On the other hand, the aforementioned currency volatility had a negative impact on the Bank's Net Trading Income due to mark-to-market losses on forward exchange contracts and currency swaps.

The Bank is committed to revenue maximisation and cost management despite sector vulnerabilities that prevailed since last year. The Bank's Cost-to-Income Ratio improved from 45.66% to 42.95% within the six months period owing to the excellence in core banking performance which is reflected in the noteworthy overall growth in key revenue lines and various strategies and measures taken to contain overhead costs. The cost management culture embedded across the Bank assisted curtailing Other Operating Expenses by 7% in 2021 1H compared to 2020 1H. Meanwhile, increased allocations for performance bonuses, spending on development of human capital and staff welfare led to an increase in personnel costs during the reporting period compared to previous period.

The Bank's Post-Tax Profits for 1H also gained to an extent due to application of lower Corporate Income Tax Rate of 24% for tax provisioning in accordance with the guideline issued by CA Sri Lanka on 23rd April 2021.

The Bank continues to report solid Key Profitability Indicators which rank among the highest in the industry. The Bank's Pre-Tax Return on Assets also improved to 2.02% from 1.70%. Further, the Bank reported a stunning Return on Equity (ROE) of 16.95% during the period under review which stands among the industry best.

The Bank's Earnings per Share (EPS) for the six months period rose to Rs. 3.06 in 2021 1H from Rs. 2.05 in 2020 1H driven by the excellent overall performance. Meanwhile, the Bank's Net Asset Value per Share increased by 9% during the six months period to reach Rs. 37.97 as at 30th June 2021.

The Bank's Total Asset Base stood at Rs. 187.41 Bn as at 30th June 2021 after reporting a growth of 6% during the period supported by the expansion in the credit book and investments in other financial instruments. The Bank's Gross Loans and Advances Book recorded a growth of 6% to reach Rs. 138 Bn. Meanwhile, Customer Deposits recorded a growth of over 4% to reach Rs. 147 Bn as at 30th June 2021. The Bank also attracted more low-cost current and savings deposits, as out of the Rs. 5.8 Bn total deposits it raised during the first six months, over 73% were low cost.

The Bank's CASA Ratio improved to 27% from 25% within a time span of six months, which is one of the reasons for the reduction in financial cost of funds during the period under review.

The Bank's Regulatory Gross Non-Performing Loan Ratio improved from 6.73% to 6.61% during 1H amidst tough macro economic conditions whilst the Bank's Net Non-Performing Loan Ratio improved from 2.34% to 1.94% during 1H 2021 due to prudent provisioning.

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 at 30th June 2021 stood at 12.59% and 15.01% respectively. The Bank's Statutory Liquid Asset Ratios (SLAR) as at 30th June 2021 stood at 31% and 50.37% for Domestic Banking Unit and Off-Shore Banking Unit respectively. Meanwhile, the Bank's Liquidity Coverage Ratio (LCR) under BASEL III stood well above the statutory minimums. The Bank maintained LCR Ratios of 268.04% and 229.81% for all currencies and LKR respectively.

In Rupee Thousands

Income Statement						
	For the Six Months ended 30th June		Change %	For the Quarter ended 30th June		Change %
	2 021	2 020		2 021	2 020	
Interest Income	9,074,225	9,713,819	(7)	4,444,079	4,772,453	(7)
Interest Expense	(4,708,996)	(5,973,329)	(21)	(2,312,965)	(2,941,960)	(21)
Net Interest Income	4,365,229	3,740,490	17	2,131,114	1,830,493	16
Fee and Commission Income	826,092	586,010	41	352,181	202,265	74
Fee and Commission Expense	(21,072)	(30,797)	(32)	(13,438)	(10,093)	33
Net Fee and Commission Income	805,020	555,213	45	338,743	192,172	76
Net Gain from Trading	78,628	231,370	(66)	3,046	147,346	(98)
Other Operating Income	209,996	140,230	50	30,699	65,761	(53)
Total Operating Income	5,458,873	4,667,303	17	2,503,602	2,235,772	12
Impairment Charges	869,648	675,303	29	231,798	146,494	58
Net Operating Income	4,589,225	3,992,000	15	2,271,804	2,089,278	9
Operating Expenses						
Personnel Expenses	1,152,072	953,608	21	643,222	514,521	25
Depreciation and Amortisation	232,859	203,416	14	114,830	97,013	18
Other Expenses	959,750	1,036,881	(7)	465,898	491,389	(5)
Total Operating Expenses	2,344,681	2,193,905	7	1,223,950	1,102,923	11
Operating Profit before VAT on Financial Services	2,244,544	1,798,095	25	1,047,854	986,355	6
VAT on Financial Services	422,190	365,273	16	211,274	205,391	3
Profit before Tax	1,822,354	1,432,822	27	836,580	780,964	7
Income Tax Expense	466,550	526,869	(11)	231,218	290,701	(20)
Profit for the Period	1,355,804	905,953	50	605,362	490,263	23
Earnings Per Share - Basic/Diluted (Rs.)	3.06	2.05	50	1.37	1.11	23

In Rupee Thousands

Statement of Comprehensive Income

	For the Six Months ended 30th June		Change %	For the Quarter ended 30th June		Change %
	2 021	2 020		2 021	2 020	
	Profit for the Period	1,355,804	905,953	50	605,362	490,263
Other Comprehensive Income for the Period						
Other Comprehensive Income not to be Re-Classified to Profit or Loss						
Deferred Tax Effect on Revision of Statutory Income Tax Rate	50,995	-	100	9,290	-	100
	50,995	-	100	9,290	-	100
Other Comprehensive Income for the Period	50,995	-	100	9,290	-	100
Total Comprehensive Income for the Period	1,406,799	905,953	55	614,652	490,263	25

In Rupee Thousands

Statement of Financial Position			
	As at 30/06/2021	As at 31/12/2020 (Audited)	Change %
Assets			
Cash and Cash Equivalents	2,174,734	2,914,163	(25)
Balances with Central Bank of Sri Lanka	2,651,976	2,583,394	3
Placements with Banks	1,249,275	-	100
Derivative Financial Instruments	14,621	93,013	(84)
Financial Assets at Amortised Cost			
-Loans and Advances	129,737,920	123,157,188	5
-Debt and Other Instruments	46,422,856	43,519,891	7
Financial Assets - Fair Value through Other Comprehensive Income	3,752	6,158	(39)
Property, Plant and Equipment	2,267,631	2,307,882	(2)
Right-of-Use Assets	1,030,498	983,365	5
Intangible Assets	327,379	346,697	(6)
Other Assets	1,524,584	1,028,656	48
Total Assets	187,405,226	176,940,407	6
Liabilities			
Due to Banks	3,336,739	2,863,376	17
Derivative Financial Instruments	20,737	79,005	(74)
Financial Liabilities at Amortised Cost			
-Due to Depositors	146,897,970	141,079,707	4
-Due to Debt Securities Holders	13,711,621	11,535,791	19
Debentures Issued	871,896	872,839	(0)
Current Tax Liabilities	1,126,463	825,102	37
Deferred Tax Liabilities	97,514	159,834	(39)
Other Provisions and Accruals	256,067	210,864	21
Other Liabilities	4,282,251	3,916,720	9
Total Liabilities	170,601,258	161,543,238	6
Equity			
Stated Capital	3,614,253	3,614,253	-
Statutory Reserve Fund	641,125	641,125	-
Retained Earnings	11,537,299	10,179,071	13
Revaluation Reserve	1,011,291	962,720	5
Total Equity	16,803,968	15,397,169	9
Total Equity and Liabilities	187,405,226	176,940,407	6
Commitments and Contingencies	42,261,122	67,728,484	(38)
Net Asset Value Per Share (Rs.)	37.97	34.79	9
Memorandum Information			
Number of Employees	1,423	1,483	
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 the Managing 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

(Sgd)

N.R. Tillekeratne

Managing Director / Chief Executive Officer

30th July 2021

Colombo

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 01/01/2020	3,614,253	-	538,717	944,659	8,231,160	13,328,789
Profit for the Period	-	-	-	-	905,953	905,953
Other Comprehensive Income for the Period	-	-	-	-	-	-
Total Comprehensive Income for the Period	-	-	-	-	905,953	905,953
Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders	-	-	-	-	-	-
Other Transaction						
Realisation of Revaluation Reserve	-	-	-	(4,391)	4,391	-
Total Other Transactions	-	-	-	(4,391)	4,391	-
Balance as at 30/06/2020	3,614,253	-	538,717	940,268	9,141,504	14,234,742
Balance as at 01/01/2021	3,614,253	-	641,125	962,720	10,179,071	15,397,169
Profit for the Period	-	-	-	-	1,355,804	1,355,804
Other Comprehensive Income for the Period	-	-	-	53,310	(2,315)	50,995
Total Comprehensive Income for the Period	-	-	-	53,310	1,353,489	1,406,799
Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders	-	-	-	-	-	-
Other Transaction						
Realisation of Revaluation Reserve	-	-	-	(4,739)	4,739	-
Total Other Transactions	-	-	-	(4,739)	4,739	-
Balance as at 30/06/2021	3,614,253	-	641,125	1,011,291	11,537,299	16,803,968

* Number of Ordinary Shares (Voting) as at 30th June 2021 - 442,561,629

In Rupee Thousands

Statement of Cash Flows		
	Current Period From 01/01/2021 To 30/06/2021	Previous Period From 01/01/2020 To 30/06/2020
Cash Flows from Operating Activities		
Profit before Tax	1,822,354	1,432,822
<i>Adjustment for:</i>		
Non-Cash Items Included in Profit before Tax	1,136,956	911,044
Change in Operating Assets	(11,021,265)	(11,039,690)
Change in Operating Liabilities	6,428,891	9,653,269
Interest Expense on Debentures and Other Term Debts	459,488	405,637
Interest Expense on Lease Liabilities	45,163	53,526
Gratuity Paid	(21,638)	(11,184)
Income Tax Paid	(176,513)	(315,265)
Net Cash Generated From/(Used in) Operating Activities	(1,326,564)	1,090,159
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(32,391)	(46,850)
Proceeds from the Sale of Property, Plant and Equipment	101	-
Acquisition of Intangible Assets	(5,562)	(73,460)
Net Cash Used in Investing Activities	(37,852)	(120,310)
Cash Flows from Financing Activities		
Proceeds from Term Borrowings	2,983,182	-
Repayment of Term Borrowing	(500,000)	-
Interest Paid on Debentures and Other Term Debts	(466,284)	(361,184)
Repayment of Principal Portion of Lease Liability	(98,624)	(104,135)
Interest Paid on Lease Liabilities	(45,163)	(53,526)
Net Cash From/(Used in) Financing Activities	1,873,111	(518,845)
Net Increase in Cash & Cash Equivalents	508,695	451,004
Cash and Cash Equivalents at the beginning of the Period	2,917,287	1,709,649
Cash and Cash Equivalents at the end of the Period	3,425,982	2,160,653

In Rupee Thousands

Measurement of Financial Instruments					
As at 30/06/2021	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	-	-	2,174,734	-	2,174,734
Balances with Central Bank of Sri Lanka	-	-	2,651,976	-	2,651,976
Placements with Banks	-	-	1,249,275	-	1,249,275
Derivative Financial Instruments	-	-	-	14,621	14,621
Financial Assets at Amortised Cost-Loans and Advances	-	-	129,737,920	-	129,737,920
Financial Assets at Amortised Cost-Debt and Other Instruments	-	-	46,422,856	-	46,422,856
Financial Assets at Fair Value through Other Comprehensive Income	-	3,752	-	-	3,752
Total Financial Assets	-	3,752	182,236,761	14,621	182,255,134
Financial Liabilities					
Due to Banks	-	-	3,336,739	-	3,336,739
Derivative Financial Instruments	-	-	-	20,737	20,737
Due to Depositors	-	-	146,897,970	-	146,897,970
Due to Debt Securities Holders	-	-	13,711,621	-	13,711,621
Debentures Issued	-	-	871,896	-	871,896
Other Liabilities	-	-	998,024	-	998,024
Total Financial Liabilities	-	-	165,816,250	20,737	165,836,987

In Rupee Thousands

Measurement of Financial Instruments					
As at 31/12/2020 (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	-	-	2,914,163	-	2,914,163
Balances with Central Bank of Sri Lanka	-	-	2,583,394	-	2,583,394
Derivative Financial Instruments	-	-	-	93,013	93,013
Financial Assets at Amortised Cost-Loans and Advances	-	-	123,157,188	-	123,157,188
Financial Assets at Amortised Cost-Debt and Other Instruments	-	-	43,519,891	-	43,519,891
Financial Assets at Fair Value through Other Comprehensive Income	-	6,158	-	-	6,158
Total Financial Assets	-	6,158	172,174,636	93,013	172,273,807
Financial Liabilities					
Due to Banks	-	-	2,863,376	-	2,863,376
Derivative Financial Instruments	-	-	-	79,005	79,005
Due to Depositors	-	-	141,079,707	-	141,079,707
Due to Debt Securities Holders	-	-	11,535,791	-	11,535,791
Debentures Issued	-	-	872,839	-	872,839
Other Liabilities	-	-	935,470	-	935,470
Total Financial Liabilities	-	-	157,287,183	79,005	157,366,188

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 30/06/2021	As at 31/12/2020 (Audited)
Gross Loans and Advances (Note 1.2)	138,134,097	130,751,778
Less: Accumulated Impairment under Stage 1 (Note 1.3)	(1,289,776)	(1,116,134)
Accumulated Impairment under Stage 2 (Note 1.3)	(1,599,688)	(1,147,035)
Accumulated Impairment under Stage 3 (Note 1.3)	(5,506,713)	(5,331,421)
Net Loans and Advances	129,737,920	123,157,188

1.2 Loans and Advances - By Product

In Rupee Thousands

	As at 30/06/2021	As at 31/12/2020 (Audited)
Domestic Currency		
Term Loans	90,942,926	85,295,483
Overdraft	13,364,804	11,784,225
Trade Finance	1,788,140	803,346
Lease Rentals Receivable	9,751,549	9,496,585
Others	12,559,933	13,199,490
Sub Total	128,407,352	120,579,129
Foreign Currency		
Term Loans	5,958,884	6,886,184
Overdraft	2,342,786	2,081,889
Trade Finance	1,422,165	1,204,576
Others	2,910	-
Sub Total	9,726,745	10,172,649
Total	138,134,097	130,751,778

1.3 Movement of Impairment During the Period - Loans and Advances

In Rupee Thousands

	As at 30/06/2021	As at 31/12/2020 (Audited)
Under Stage 1		
Opening balance	1,116,134	981,068
Charge/(Reversal) to Income Statement	173,642	135,066
Closing balance	1,289,776	1,116,134
Under Stage 2		
Opening balance	1,147,035	496,481
Charge/(Reversal) to Income Statement	452,653	650,554
Closing balance	1,599,688	1,147,035
Under Stage 3		
Opening balance	5,331,421	4,837,771
Charge/(Reversal) to Income Statement	206,808	560,080
Write-off during the Period	(31,516)	(66,430)
Closing balance	5,506,713	5,331,421
Total Impairment - Closing Balance	8,396,177	7,594,590

Notes to the Financial Statements

2. 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 01/01/2020 (Audited)	1,380	-	126,357	6,178	6,849	140,764
Charge/(Reversal) to Income Statement	1,744	-	242,322	(77)	6,353	250,342
Closing balance at 31/12/2020 (Audited)	3,124	-	368,679	6,101	13,202	391,106
Opening balance as at 01/01/2021	3,124	-	368,679	6,101	13,202	391,106
Charge/(Reversal) to Income Statement	(2,046)	894	31,311	2,295	4,093	36,547
Closing balance at 30/06/2021	1,078	894	399,990	8,396	17,295	427,653

* All the above Financial Assets and Financial Guarantee Contracts are 'Stage 1' exposures.

3. Analysis of Deposits - By Product

In Rupee Thousands

	As at 30/06/2021	As at 31/12/2020 (Audited)
Domestic Currency		
Demand Deposits	5,376,059	5,438,644
Savings Deposits	31,391,906	26,857,353
Fixed Deposits	93,098,674	94,966,788
Certificates of Deposits	3,525,902	3,825,672
Margin Deposits	217,564	300,386
Sub Total	133,610,105	131,388,843
Foreign Currency		
Demand Deposits	406,424	409,093
Savings Deposits	1,236,904	1,481,783
Fixed Deposits	11,644,537	7,799,988
Sub Total	13,287,865	9,690,864
Total	146,897,970	141,079,707

Notes to the Financial Statements

4. Fair Value of Financial Instruments

4.1 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.

4.2 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 30th June 2021	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative Financial Instruments	-	14,621	-	14,621
Financial Assets at FVOCI	-	3,752	-	3,752
Total	-	18,373	-	18,373
Non-Financial Assets				
Land - Revalued	-	-	1,420,100	1,420,100
Building - Revalued	-	-	473,889	473,889
Total	-	-	1,893,989	1,893,989
Financial Liabilities				
Derivative Financial Instruments	-	20,737	-	20,737
Total	-	20,737	-	20,737

Notes to the Financial Statements

	In Rupee Thousands			
As at 31st December 2020	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative Financial Instruments	-	93,013	-	93,013
Financial Assets at FVOCI	-	6,158	-	6,158
Total	-	99,171	-	99,171
Non-Financial Assets				
Land - Revalued	-	-	1,420,100	1,420,100
Building - Revalued	-	-	483,155	483,155
Total	-	-	1,903,255	1,903,255
Financial Liabilities				
Derivative Financial Instruments	-	79,005	-	79,005
Total	-	79,005	-	79,005

- 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 Six Months ended 30th June 2021	For the Six Months ended 30th June 2020
Derivative Financial Instruments	(20,124)	14,569
Total	(20,124)	14,569

Notes to the Financial Statements

4.3 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 30th June 2021		As at 31st December 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and Cash Equivalents	2,174,734	2,174,734	2,914,163	2,914,163
Balances with Central Bank of Sri Lanka	2,651,976	2,651,976	2,583,394	2,583,394
Placements with Banks	1,249,275	1,249,275	-	-
Loans and Advances -at Amortised Cost	129,737,920	131,929,416	123,157,188	126,451,374
Debt and Other Instruments - at Amortised Cost	46,422,856	44,972,231	43,519,891	41,720,091
Total Financial Assets	182,236,761	182,977,632	172,174,636	173,669,022
Financial Liabilities				
Due to Banks	3,336,739	3,336,739	2,863,376	2,863,376
Due to Depositors - at Amortised Cost	146,897,970	149,160,083	141,079,707	144,280,741
Due to Debt Security holders - at Amortised Cost	13,711,621	13,807,219	11,535,791	11,648,116
Debentures Issued	871,896	919,595	872,839	930,507
Other Liabilities	998,024	1,151,467	935,470	1,248,165
Total Financial Liabilities	165,816,250	168,375,103	157,287,183	160,970,906

Selected Performance Indicators (As per Regulatory Reporting)

	Bank	
	Current Period	Previous Period
	As at 30/06/2021	As at 31/12/2020 (Audited)
Regulatory Capital (LKR '000)		
Common Equity Tier I (CET I) Capital before Adjustments	14,657,973	14,657,973
Common Equity Tier I (CET I) Capital after Adjustments	14,330,595	14,311,276
Total Tier 1 Capital	14,330,595	14,311,276
Total Capital	17,084,362	17,014,768
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 6.50%)	12.59%	13.24%
Tier 1 Capital Ratio (Minimum Requirement - 8%)	12.59%	13.24%
Total Capital Ratio (Minimum Requirement - 12%)	15.01%	15.74%
Leverage Ratio		
Leverage Ratio (%) (Minimum Requirement - 3%)	6.97%	6.70%
Assets Quality		
Gross Non - Performing Advances Ratio, % (Net of Interest in Suspense)	6.61%	6.73%
Net Non - Performing Advances Ratio, % (Net of Interest in Suspense and Provision)	1.94%	2.34%
Profitability		
Interest Margin, %	4.84%	4.41%
Return on Assets (Before Tax), %	2.02%	1.70%
Return on Equity, %	16.95%	14.36%
Regulatory Liquidity		
Statutory Liquid Assets,-DBU (LKR'000)	52,246,489	43,213,986
Statutory Liquid Assets,-Off Shore Banking Unit (USD'000)	30,573	23,418
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)		
Domestic Banking Unit (%)	31.00%	27.83%
Off-Shore Banking Unit (%)	50.37%	42.36%
Total Stock of High-Quality Liquid Assets (LKR '000)		
Rupee	26,337,409	30,212,947
All Currency	32,936,008	35,652,169
Liquidity Coverage Ratio (%) - (Minimum Requirement - 90%)		
Rupee (%)	229.81%	177.36%
All Currency (%)	268.04%	211.57%
Net Stable Funding Ratio (%) - (Minimum Requirement - 90%)	122.39%	116.80%

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 2020.
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. **Impact of COVID-19**

Risks relating to the impact of COVID-19 have had, and continue to have a material impact on businesses around the world and the economic environments in which they operate. Pan Asia Bank has also been impacted by the pandemic and the Bank continues to offer highest possible service to its customers while operating within the highest standards of health guidelines ensuring the protection and well-being of its customers, staff and general public.

The Bank has introduced number of support measures for customers impacted by COVID-19 including payment deferrals at concessionary rate of interest, waiver of late payment charges and granting of loans at concessionary rates in accordance with the directions issued by the Central Bank of Sri Lanka and reduced its lending rates for products in order to comply with the regulations. The impact of the pandemic on the business operations of the Bank and future prospects has been strategically addressed by the Board and the Management.

Since the circumstances are unique and the impact on Expected Credit Losses (ECL) is unpredictable; the Management made an overlay adjustment in assessing forward looking information by increasing the weightage assigned to worst case and decreasing it for best and base cases. Further, the Bank has downgraded the borrowers in elevated risk industries between stages as applicable in computation of ECLs.

7. Computation of Income Tax and Deferred Tax

The Bank accounted for current tax and deferred tax as at 30th June 2021 in accordance with the guideline issued by CA Sri Lanka on the 'Application of Tax Rates in Measurement of Current Tax and Deferred Tax in LKAS 12' dated 23rd April 2021.

8. 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 other than disclosed below.

There remains significant uncertainty regarding how the COVID-19 pandemic will evolve, including the duration of the pandemic, the severity of the downturn and the speed of economic recovery. The Bank did not identify any events after the reporting date relating to COVID-19, which would require adjustments to or disclosures in these Financial Statements. Given the flowing nature of the current situation, the Bank will continue to often review forward looking assumptions and forecast economic scenarios.

9. Ratios

30/06/2021

Debt to Equity (Times)	0.87
Interest Cover (Times)	4.97

10. Market Price of Ordinary Shares

Market Price Per Share	30/06/2021 (Rs.)		30/06/2020 (Rs.)	
	Voting	Non-Voting	Voting	Non-Voting
Last Traded Price	16.30	-	11.50	-
Highest Price for the Quarter	17.40	-	12.00	-
Lowest Price for the Quarter	14.10	-	6.10	-

Shareholders' Information

Major Shareholders as at 30th June 2021

No	Name	No. of Shares	%
1	Mr. K. D. D. Perera	132,724,230	29.99
2	Bansei Securities Co., Ltd.	66,384,246	15.00
3	Seylan Bank PLC/Ambeon Holdings PLC (Collateral)	42,149,594	9.52
4	Mr. W. K. H. Wegapitiya	27,303,169	6.17
5	Mr. K. D. H. Perera	23,305,998	5.27
6	Mr. P. J. Tay	21,917,994	4.95
7	Mr. 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	Mr. D. C. C. Joseph	7,908,554	1.79
12	Mr. H. Beruwalage	2,046,648	0.47
13	Mr. D. M. I. Dissanayake	1,260,101	0.29
14	Mr. R. A. De Silva	1,200,000	0.27
15	Mr. D. T. Beruwalage	1,161,448	0.26
16	DFCC Bank PLC/N. G. N. Maduranga	1,149,370	0.26
17	Mr. A. K. Palliya Guruge Don	1,118,184	0.25
18	Commercial Bank of Ceylon PLC/Andaradeniya Estate (Pvt) Ltd	1,118,165	0.25
19	Mr. T. G. S. Wickrama	1,037,153	0.23
20	Mr. M. B. U. N. Fernando	1,020,000	0.23
		384,055,426	86.78
	Others	58,506,203	13.22
	Total	442,561,629	100.00

Public holding as at 30th June 2021 was 54.98% in the hands of 5,881 public shareholders.

Float Adjusted Market Capitalisation as at 30th June 2021 was Rs. 3,966,122,253/- and the Bank complies with Option No. 04.

Directors' and Chief Executive Officer's Holding in Shares as at 30th June 2021

No	Name of Director	No. of Shares
1	Mr. S. B. Rangamuwa (Seylan Bank PLC/S B Rangamuwa)	125,000
2	Mr. M. Y. A. Perera	-
3	Mr. M. A. Abeynaike	-
4	Mr. T. Igarashi	-
5	Mr. T. Murakami	-
6	Mr. J. D. N. Kekulawala	-
7	Mr. B. D. A. Perera	-
8	Mr. N. R. Tillekeratne	-