



**INTERIM FINANCIAL STATEMENTS
FOR THE 06 MONTHS ENDED 30TH JUNE 2018**

COMPANY REGISTRATION NO : PQ 48

In Rupee Thousands

Income Statement						
	For the Six months ended 30 th June		Change	For the Quarter ended 30 th June		Change
	2018	2017	%	2018	2017	%
Interest Income	8,878,141	7,731,016	15	4,561,166	3,839,927	19
Interest Expense	(6,057,248)	(5,349,333)	13	(3,076,402)	(2,667,177)	15
Net Interest Income	2,820,893	2,381,683	18	1,484,764	1,172,750	27
Fees and Commission Income	802,309	701,583	14	404,557	343,003	18
Fees and Commission Expense	(62,862)	(39,727)	58	(33,227)	(21,098)	57
Net Fee and Commission Income	739,447	661,856	12	371,330	321,905	15
Net Gain from Trading	300,315	165,724	81	100,735	95,895	5
Other Operating Income	174,481	147,458	18	93,256	71,501	30
Total Operating Income	4,035,136	3,356,721	20	2,050,085	1,662,051	23
Impairment for Loans and Other Losses / (Reversals)						
Individual Impairment	279,597	271,723	3	143,189	122,955	16
Collective Impairment	389,252	71,135	447	205,423	109,450	88
Others	-	(299)	100	-	-	-
Net Operating Income	3,366,287	3,014,162	12	1,701,473	1,429,646	19
Operating Expenses						
Personnel Expenses	959,935	768,957	25	524,622	337,323	56
Depreciation and Amortisation	98,500	110,847	(11)	48,679	54,782	(11)
Other Expenses	1,086,503	887,345	22	564,679	464,437	22
Operating Profit before VAT and NBT on Financial Services	1,221,349	1,247,013	(2)	563,493	573,104	(2)
Value Added Tax and Nation Building Tax on Financial Services	318,081	294,752	8	158,203	133,759	18
Profit before Tax	903,268	952,261	(5)	405,290	439,345	(8)
Tax Expense	83,697	335,461	(75)	(101,466)	175,894	(158)
Profit for the Period	819,571	616,800	33	506,756	263,451	92
Earnings Per Share - Basic /Diluted (Annualised) (Rs)	3.73	2.96		4.64	2.51	

In Rupee Thousands

Statement of Comprehensive Income						
	For the Six months ended 30th June		Change	For the Quarter ended 30th June		Change
	2 018	2 017	%	2 018	2 017	%
Profit for the Period	819,571	616,800	33	506,756	263,451	92
Other Comprehensive Income	-	-	-	-	-	-
Total Comprehensive Income for the Period	819,571	616,800	33	506,756	263,451	92

In Rupee Thousands

Statement of Financial Position			
	As at 30/06/2018	As at 31/12/2017	Change %
Assets			
Cash and Cash Equivalents	1,635,446	1,665,041	(2)
Balances with Central Bank	7,726,701	6,884,018	12
Placements with Banks	750,546	237,368	216
Derivative Financial Instruments	16,515	16,091	3
Other Financial Assets Held for Trading	2,059,932	4,549,189	(55)
Loans and Receivables to Banks	404,948	653,088	(38)
Loans and Receivables to Other Customers	119,961,301	109,139,936	10
Financial Investments - Available for Sale	6,158	6,158	-
Financial Investments - Held to Maturity	14,549,819	12,287,192	18
Property, Plant and Equipment	1,956,787	1,989,971	(2)
Intangible Assets	277,022	284,390	(3)
Other Assets	829,672	789,243	5
Total Assets	150,174,847	138,501,685	8
Liabilities			
Due to Banks	2,300,393	2,497,901	(8)
Derivative Financial Instruments	459	7,367	(94)
Due to Other Customers	114,241,574	107,193,030	7
Other Borrowings	11,183,147	8,465,787	32
Current Tax Liabilities	577,641	550,342	5
Deferred Tax Liabilities	541,232	630,734	(14)
Other Provisions and Accruals	278,748	229,536	21
Other Liabilities	2,323,577	1,110,050	109
Debentures	7,238,619	7,147,052	1
Total Liabilities	138,685,390	127,831,799	8
Equity			
Stated Capital	3,614,253	3,614,253	-
Statutory Reserve Fund	374,106	374,106	-
Retained Earnings	6,873,875	6,050,893	14
Revaluation Reserve	627,223	630,634	(1)
Total Equity	11,489,457	10,669,886	8
Total Equity and Liabilities	150,174,847	138,501,685	8
Commitments and Contingencies	42,093,790	32,426,389	30
Net Asset Value per Share (Rs.)	25.96	24.11	8
Memorandum Information			
Number of Employees	1,493	1,472	
Number of Branches	85	85	

In Rupee Thousands

Statement of Changes In Equity						
	Stated Capital*		Reserves			Total
	Ordinary Voting	Ordinary Non-Voting	Statutory Reserve	Revaluation Reserve	Retained Earnings	
Balance as at 01/01/2017	1,548,966	-	304,581	264,498	4,754,100	6,872,145
Profit for the Period	-	-	-	-	616,800	616,800
Other Comprehensive Income for the Period	-	-	-	-	-	-
Total Comprehensive Income for the Period	-	-	-	-	616,800	616,800
Transactions with Equity Holders, Recognised Directly in Equity						
Right Issue of Shares	2,065,287	-	-	-	-	2,065,287
Realisation of Revaluation Reserve	-	-	-	(3,106)	3,106	-
Total Transactions with Equity Holders	2,065,287	-	-	(3,106)	3,106	2,065,287
Balance as at 30/06/2017	3,614,253	-	304,581	261,392	5,374,006	9,554,232
Balance as at 01/01/2018	3,614,253	-	374,106	630,634	6,050,893	10,669,886
Profit for the Period	-	-	-	-	819,571	819,571
Other Comprehensive Income for the Period	-	-	-	-	-	-
Total Comprehensive Income for the Period	-	-	-	-	819,571	819,571
Transactions with Equity Holders, Recognised Directly in Equity						
Realisation of Revaluation Reserve	-	-	-	(3,411)	3,411	-
Total Transactions with Equity Holders	-	-	-	(3,411)	3,411	-
Balance as at 30/06/2018	3,614,253	-	374,106	627,223	6,873,875	11,489,457

* Number of Ordinary Shares (Voting) as at 30th June 2018 - 442,561,629

In Rupee Thousands

Statement of Cash Flows		
	Current Period From 01/01/18 To 30/06/18	Previous Period From 01/01/17 To 30/06/17
Cash Flows from Operating Activities		
Profit before Tax	903,268	952,261
<i>Adjustment for:</i>		
Non Cash Items Included in Profit before Tax	797,873	484,792
Change in Operating Assets	(9,636,352)	(6,149,975)
Change in Operating Liabilities	10,767,704	(3,559,373)
Interest Expense on Debentures and Other Term Debts	623,613	579,778
Gratuity Paid	(10,663)	(16,187)
Income Tax Paid	(145,900)	(137,657)
Net Cash Flows From / (Used in) Operating Activities	3,299,543	(7,846,361)
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(49,138)	(62,677)
Proceeds from the Sale of Property, Plant and Equipment	2,479	125
Net Investment in Held to Maturity Investments	(2,262,626)	7,325,708
Acquisition of Intangible Assets	(9,273)	(373)
Net Cash Flows From / (Used in) Investing Activities	(2,318,558)	7,262,783
Cash Flows from Financing Activities		
Proceeds from the Right Issue	-	2,065,287
Redemption of Debentures	-	(750,000)
Interest Paid on Debentures	(256,255)	(378,241)
Interest Paid on Term Borrowings	(241,147)	(137,693)
Net Cash Flows From / (Used in) Financing Activities	(497,402)	799,353
Net Increase in Cash & Cash Equivalents	483,583	215,775
Cash and Cash Equivalents at the beginning of the Period	1,902,409	1,778,547
Cash and Cash Equivalents at the end of the Period	2,385,992	1,994,322

In Rupee Thousands

Measurement of Financial Instruments						
As at 30/06/2018	Held for Trading	Held to Maturity - At Amortised Cost	Loans & Receivables / Financial Liabilities- At Amortised Cost	Available for Sale	Derivative Financial Instruments	Total
Financial Assets						
Cash and Cash Equivalents	-	-	1,635,446	-	-	1,635,446
Balances with Central Bank	-	-	7,726,701	-	-	7,726,701
Placements with Banks	-	-	750,546	-	-	750,546
Derivative Financial Instruments	-	-	-	-	16,515	16,515
Other Financial Assets Held for Trading	2,059,932	-	-	-	-	2,059,932
Loans and Receivables to Banks	-	-	404,948	-	-	404,948
Loans and Receivables to Other Customers	-	-	119,961,301	-	-	119,961,301
Financial Investments	-	14,549,819	-	6,158	-	14,555,977
Total Financial Assets	2,059,932	14,549,819	130,478,942	6,158	16,515	147,111,366
Financial Liabilities						
Due to Banks	-	-	2,300,393	-	-	2,300,393
Derivative Financial Instruments	-	-	-	-	459	459
Due to Other Customers	-	-	114,241,574	-	-	114,241,574
Other Borrowings	-	-	11,183,147	-	-	11,183,147
Debentures	-	-	7,238,619	-	-	7,238,619
Total Financial Liabilities	-	-	134,963,733	-	459	134,964,192

In Rupee Thousands

Measurement of Financial Instruments						
As at 31/12/2017	Held for Trading	Held to Maturity - At Amortised Cost	Loans & Receivables / Financial Liabilities- At Amortised Cost	Available for Sale	Derivative Financial Instruments	Total
Financial Assets						
Cash and Cash Equivalents	-	-	1,665,041	-	-	1,665,041
Balances with Central Bank	-	-	6,884,018	-	-	6,884,018
Placements with Banks	-	-	237,368	-	-	237,368
Derivative Financial Instruments	-	-	-	-	16,091	16,091
Other Financial Assets Held for Trading	4,549,189	-	-	-	-	4,549,189
Loans and Receivables to Banks	-	-	653,088	-	-	653,088
Loans and Receivables to Other Customers	-	-	109,139,936	-	-	109,139,936
Financial Investments	-	12,287,192	-	6,158	-	12,293,350
Total Financial Assets	4,549,189	12,287,192	118,579,451	6,158	16,091	135,438,081
Financial Liabilities						
Due to Banks	-	-	2,497,901	-	-	2,497,901
Derivative Financial Instruments	-	-	-	-	7,367	7,367
Due to Other Customers	-	-	107,193,030	-	-	107,193,030
Other Borrowings	-	-	8,465,787	-	-	8,465,787
Debentures	-	-	7,147,052	-	-	7,147,052
Total Financial Liabilities	-	-	125,303,770	-	7,367	125,311,137

Notes to the Financial Statements

Loans and Receivables to Other Customers

In Rupee Thousands

	As at 30/06/2018	As at 31/12/2017
Gross Loans and Receivables	122,869,228	111,351,500
Less: Individual Impairment	(1,533,838)	(1,068,901)
Collective Impairment	(1,374,089)	(1,142,663)
Net Loans and Receivables including those designated at fair value through profit or loss	119,961,301	109,139,936
Less: Loans and Receivables designated at fair value through profit or loss	-	-
Net Loans and Receivables	119,961,301	109,139,936

Loans and Receivables to Other Customers - By Product

In Rupee Thousands

	As at 30/06/2018	As at 31/12/2017
By Product-Domestic Currency		
Overdrafts	17,046,377	16,809,676
Term Loans	59,119,922	54,387,083
Lease Rentals Receivable	10,758,526	9,449,637
Pawning & Ran Loans	2,562,284	2,437,588
Staff Loans	838,368	821,813
Trade Finance	3,471,988	2,473,112
Margin Trading	1,242,566	1,467,071
Securities Purchased under Resale Agreements	1,070,097	186,290
Debentures - Quoted	1,363,923	1,592,696
Others	6,050,724	5,391,219
Sub Total	103,524,775	95,016,185
By Product-Foreign Currency		
Overdrafts	1,502,110	893,769
Term Loans	6,083,662	4,500,785
Trade Finance	2,407,514	2,073,416
Sri Lanka Development Bonds	9,349,762	8,865,418
Others	1,405	1,927
Sub Total	19,344,453	16,335,315
Total	122,869,228	111,351,500

Movements in Individual and Collective Impairment during the Period for Loans and Receivables to Other Customers

In Rupee Thousands

	As at 30/06/2018	As at 31/12/2017
Individual Impairment		
Opening Balance	1,068,901	1,693,536
Charge to Profit or Loss	279,597	337,265
(Write off)/Recoveries during the Period	-	(786,966)
Interest Accrued on Impaired Loans and Receivables	-	(174,934)
Other Movements	185,340	-
Closing Balance	1,533,838	1,068,901
Collective Impairment		
Opening Balance	1,142,663	982,491
Charge / (Reversal) to Profit or Loss	389,252	160,172
(Write off) /Recoveries during the Period	(157,826)	-
Closing Balance	1,374,089	1,142,663
Total Impairment	2,907,927	2,211,564

Due to Other Customers - By Product

In Rupee Thousands

	As at 30/06/2018	As at 31/12/2017
By Product-Domestic Currency		
Demand Deposits	5,919,138	3,788,872
Savings Deposits	13,498,316	12,656,260
Fixed Deposits	85,733,112	77,112,381
Certificates of Deposits	4,444,629	4,603,819
Margin Deposits	555,499	413,627
Sub Total	110,150,694	98,574,959
By Product- Foreign Currency		
Demand Deposits	816,184	1,026,613
Savings Deposits	1,649,400	1,503,356
Fixed Deposits	1,625,296	6,088,102
Margin Deposits	-	-
Sub Total	4,090,880	8,618,071
Total	114,241,574	107,193,030

Selected Performance Indicators		
	Bank	
	Current Period As at 30/06/2018	Previous Period As at 31/12/2017
Regulatory Capital (LKR '000)		
Common Equity Tier I (CET I) Capital before Adjustments	10,858,825	10,039,254
Common Equity Tier I (CET I) Capital after Adjustments	10,581,803	9,754,864
Total Tier 1 Capital	10,581,803	9,754,864
Total Capital	12,160,038	11,588,904
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement -6.375%)	11.20%	11.38%
Tier 1 Capital Ratio (Minimum Requirement -7.875%)	11.20%	11.38%
Total Capital Ratio (Minimum Requirement -11.875%)	12.87%	13.53%
Assets Quality (Quality of Loan Portfolio)		
Gross Non - Performing Advances Ratio, % (Net of Interest in Suspense)	4.51%	4.36%
Net Non - Performing Advances Ratio, % (Net of Interest in Suspense and Provision)	2.93%	3.05%
Profitability (Annualised)		
Interest Margin, %	3.92%	3.61%
Return on Assets (After Tax). %	1.14%	1.07%
Return on Equity, %	14.96%	14.86%
Regulatory Liquidity		
Statutory Liquid Assets,-DBU (LKR'000)	32,150,213	27,347,197
Statutory Liquid Assets,-Off Shore Banking Unit (USD'000)	8,869	7,907
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)		
Domestic Banking Unit (%)	24.68%	23.25%
Off-Shore Banking Unit (%)	20.60%	27.04%
Liquidity Coverage Ratio (%) - (Minimum Requirement -90%)		
Rupee (%)	168.98%	208.84%
All Currency (%)	150.67%	195.36%

CERTIFICATION:

I certify that the above Financial Statements comply with the requirements of the Companies Act No. 7 of 2007.

(Sgd)

Lalith Jayakody

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 statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka ;
- (b) the information contained in these statements have been extracted from the unaudited financials of the bank unless indicated as audited.

(Sgd)

Dimuth Prasanna

Chairman

08th August 2018

(Sgd)

Nimal Tillekeratne

Director / Chief Executive Officer

EXPLANATORY NOTES

1. These Interim Financial Statements have been prepared in accordance with LKAS 34 - Interim Financial Reporting and present information required by Listing Rules of Colombo Stock Exchange. These Financial Statements are drawn up from the unaudited Financial Statements of the Bank unless otherwise indicated. There are no significant changes in accounting policies, methods of computation and risk management policies since the publication of Audited Financial Statements for the year 2017. Previous period figures and phrases have been re-arranged wherever necessary to conform to the current presentation.

2. The Sri Lanka Accounting Standard - SLFRS 9 *Financial Instruments* is effective for annual periods beginning on or after 01st January 2018 and will replace LKAS 39 - Financial Instruments: Recognition and Measurement. Accordingly, in reporting the interim results, the Bank is required to apply SLFRS 9 and to be in compliance with the same. However, SLFRS 9 permits an entity not to apply the requirements of this Standard to interim periods prior to the date of initial application, if it is impracticable.

Meanwhile, CA Sri Lanka via the Statement of Alternative Treatment (SoAT) on the Figures in the Interim Financial Statements issued on 21st December 2017, permitted an option for entities to prepare the interim financial statements continuing the application of LKAS 39 - Financial Instruments: Recognition and Measurement with disclosures on impact to the Statement of Comprehensive Income for the period if SLFRS 9 has been applied during the financial year commencing on or after 01st January 2018. If that determination of impact is impracticable, that fact shall be disclosed.

The Bank has set up a multidisciplinary implementation team with members from its Risk and Finance departments to prepare for SLFRS 9 implementation. The initial assessment and analysis stage was completed for impairment in 2017 with the assistance of external consultants and the team is currently finalising the classification and measurement phase. The Bank has undertaken a thorough analysis of how SLFRS 9 should be implemented and has taken tentative accounting policy decisions. The Bank has performed a provisional day 1 SLFRS calculation and has a directional idea of the potential impact of SLFRS 9. Currently the risk modeling methodologies used for impairment computations are being further tested and sharpened by the Bank with the inputs from the external consultant and the management. Accordingly the Bank will be better placed to provide the required disclosures by end of the year for which all required steps will have been taken.

Therefore, the Bank has prepared the interim Financial Statements for the six months ended 30th June 2018 under LKAS 39 - Financial Instruments: Recognition and Measurement

3. There are no material changes in the composition of assets, liabilities, contingent liabilities and use of funds raised through issue of debentures and shares during the Period.

4. All known expenses have been provided for in these Financial Statements.

5. Events after the Reporting Period

There are no material events that took place after the Statement of Financial Position date which require adjustment to or disclosures in the Financial Statements.

6. Listed Debenture Information

i) Interest Rates and Market Prices

	Interest Rate (%)	Interest Rate of Comparable Govt.Security (%)	Last Traded Price (Rs.)	Yield as at Last Traded (%)	Yield To Maturity as at Last Traded (%)
Unsecured Subordinated Redeemable Debentures					
2014/2019					
Fixed Rate - Interest Semi Annually - 2014/2019	9.5233	10.38	100.00	9.51	8.10
Fixed Rate - Interest Annually - 2014/2019	9.75	10.38	Not Traded	Not Traded	Not Traded
Unsecured Senior Redeemable Debentures					
2015/2018					
Fixed Rate - Interest Semi Annually - 2015/2018	9.50	9.41	Not Traded	Not Traded	Not Traded
Floating Rate - Interest Semi Annually - 2015/2018 (2.5% Above the average of 06 month Net Treasury Bill Rate)	10.6875	9.24	Not Traded	Not Traded	Not Traded
2015/2019					
Fixed Rate - Interest Semi Annually - 2015/2019	10.00	10.31	Not Traded	Not Traded	Not Traded
Floating Rate - Interest Semi Annually - 2015/2019 (3.0% Above the average of 06 month Net Treasury Bill Rate)	11.1875	9.24	Not Traded	Not Traded	Not Traded

ii) Ratios

Debt to Equity (Times)	1.41
Interest Cover (Times)	2.45

7. Market Price of Ordinary Shares

Market Price Per Share	30/06/2018 (Rs.)		30/06/2017 (Rs.)	
	Voting	Non Voting	Voting	Non Voting
Last Traded Price	15.00	--	19.20	--
Highest Price for the Quarter	16.50	--	20.10	--
Lowest Price for the Quarter	14.50	--	15.30	--

Shareholders' Information

Major Shareholders as at 30th June 2018

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	Seylan Bank PLC/Lanka Century Investments PLC(Collateral)	43,930,641	9.93
4	W.K. H. Wegapitiya	27,237,873	6.15
5	D. C. C. Joseph	25,199,658	5.69
6	K. D. H. Perera	23,305,998	5.27
7	P. J. Tay	21,917,994	4.95
8	K. D. A. Perera	19,200,000	4.34
9	Sri Lanka Samurdhi Authority	11,114,376	2.51
10	Sri Lanka Savings Bank Limited	10,298,499	2.33
11	R. E. U. De Silva	6,799,582	1.54
12	A. R. Molligoda	3,737,319	0.84
13	Bank of Ceylon A/c Ceybank Unit Trust	2,748,651	0.62
14	Capital Development & Investment Company PLC A/c No.2	2,123,343	0.48
15	H. Beruwalage	2,046,648	0.46
16	Favourite Garments (Pvt) Ltd	1,850,000	0.42
17	M. F. Hashim	1,787,702	0.40
18	T.D. Beruwalage	1,084,352	0.24
19	R. A. De Silva	1,050,000	0.24
20	A. S. Palihena	1,000,000	0.23
		405,541,112	91.63
	Others	37,020,517	8.37
	Total	442,561,629	100.00

Public holding as at 30th June 2018 is 54.93% in the hands of 4,179 shareholders.

Directors' and Chief Executive Officer's Holding in Shares as at 30th June 2018

No	Name of Director	No. of Shares
1	G.A.R.D. Prasanna	34,801
2	S. B. Ranganuwa	-
3	M. A. Abeynaike	-
4	T. Igarashi	-
5	T. Murakami	-
6	H. N. J. Chandrasekera	100
7	J. D. N. Kekulawala	3,900
8	M. Y. A. Perera	-
9	N. R. Tillekeratne	-