



**INTERIM FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2019**

**COMPANY REGISTRATION NO : PQ 48**

## **Pan Asia Bank Records Best Ever Financial Results: Operating Profit for the Year Rs. 3,402 Mn and for the 2019 Q4 Rs. 1,431 Mn**

Pan Asia Banking Corporation PLC, “the Truly Sri Lankan Bank” ended 2019 Q4 with its best financial results ever, to report a Post Tax Profit of Rs.726.84 million during the final quarter, recording an impressive growth of 58% demonstrating its resilience amidst challenging conditions. Meanwhile, the Bank’s operating profit before all taxes for the quarter increased by 78% reflecting strong growth in core banking activities and robust efforts in credit quality management.

The Bank closed the FY 2019 with an Operating Profit before all taxes of Rs. 3,402.68 million, up by 31% which again is its best ever achievement despite less favourable macro economic conditions and tight monetary & fiscal policies. The steeper increase in the taxes and levies on financial services of 58%, which include the Debt Repayment Levy (DRL) undermined the Bank’s bottom-line to a great extent. This performance translated in to a Post Tax Profit of Rs.1,750.56 million in 2019, which is a 14% increase despite the sharp increase in taxes including DRL. Buoyed by the impressive profits, the Earnings per Share for the year 2019 rose to Rs. 3.96 Cents from Rs. 3.48 share in the comparative period.

Supported by its superlative performance, the Bank managed to increase its key profitability indicators, Return on Equity and Return on Assets ratios to 14.5% and 1.52% in 2019 which now rank among the highest in the industry. These ratios as at end of 2018 stood at 13.73% and 1.28% respectively of 2018. The Bank’s Net Asset Value per Share as at 31<sup>st</sup> December 2019 increased to Rs.30.12, from Rs.25.41, a year before.

Despite the pressure on the margins due to deteriorating industry credit quality and the regulatory cap on the maximum interest rate for loans and advances that prevailed during 2019, the Bank managed to maintain a healthy net interest margin of 4.36% which remained fairly unchanged from the previous year which is a commendable feat.

The Bank’s gross loans and advances book witnessed a modest growth due to the slowdown in private sector credit growth seen across the industry. The Bank’s gross loans and advances grew by 3.53% during 2019 to reach Rs. 117.50 billion as at 31<sup>st</sup> December 2019. Meanwhile, the Bank’s deposit base grew by Rs. 3.92 Bn during the year to reach Rs 122.54 Bn as at 31<sup>st</sup> December 2019. The slow deposit growth of 3.3% was a result of the concerted efforts made by the Bank to slowdown the deposit mobilisation in view of slow demand for credit and also to purge certain large high cost time deposits in view of improving the net interest margin. Further as a result of the concerted efforts, the Bank managed to improve CASA ratio by over 100 basis points in 2019.

2019 was a year that saw the entire banking sector profit levels coming under pressure due to the substantial increases in both non-performing & under-performing credit, slowing down of the overall growth of credit to the private sector, narrowing margins and the weak macro-economic conditions. Despite these headwinds, Pan Asia Bank managed to end the financial year with a gross non performing advances ratio of 6.31%, witnessing only a modest increase of 87 basis points since December 2018. In fact, the Bank's net non performing advance ratio improved to 2.82% at the end of 2019 from 3.08%, a year before due to prudential provisioning which is a noteworthy achievement.

The Bank managed to control impairment provisions in 2019, which resulted in a individual impairment charges falling to Rs. 456.80 million, from Rs.1,297.30 million, a year ago. Total impairment charges for the quarter decreased by 104% supported by close monitoring of overdue credit portfolios and strong recovery efforts.

“Pan Asia Bank too had its fair share of the sector weaknesses, but yet again proved its mettle especially during the second half with higher earnings and setting stage for growth”, said Nimal R. Tillekeratne, Pan Asia Bank's Director/CEO.

“The proactive measures taken since mid 2018, has contributed to curtail deterioration in credit quality in comparison to the rest of the industry which witnessed a shocking growth in NPAs. As most of our challenges are now behind us, I believe the prevailing low interest rates & tax rates and the expected policy & political stability would provide the much needed tailwind for the industry to march ahead with much vigour”, Tillekeratne added.

The Bank's regulatory capital and liquidity ratios under BASEL III remain well above statutory minimums. The Bank's Common Equity Tier I Capital (CET 1), Tier I Capital (Tier 1) and Total Capital Adequacy ratios as at 31st December 2019 stood at 12.87%, 12.87% and 14.31% respectively. The Bank's Liquidity Coverage Ratios in Sri Lankan Rupees and All Currencies as at 31st December 2019 stood at 128.84% and 165.02% respectively.

In addition to its record breaking financial performance, Pan Asia Bank, also played a pivotal role in making a positive impact in the sphere of sustainability in 2019. This saw the bank which is a pioneer promoter in green financing in Sri Lanka being awarded with the prestigious 'Global Climate Partnership Award' by The Global Climate Partnership Fund (GCPF), one of the world's largest climate funds which recognizes outstanding performance and impact across categories such as capacities and skills, institutional capacities and green lending offerings, as well as outstanding energy efficiency or renewable energy projects.

In Rupee Thousands

Income Statement						
	For the Year ended 31st December		Change %	For the Quarter ended 31st December		Change %
	2019 (Audited)	2018 (Audited)		2019	2018	
Interest Income	19,416,606	19,157,135	1	4,990,156	5,157,916	(3)
Interest Expense	(12,782,018)	(12,638,841)	1	(3,014,146)	(3,351,980)	(10)
<b>Net Interest Income</b>	<b>6,634,588</b>	<b>6,518,294</b>	<b>2</b>	<b>1,976,010</b>	<b>1,805,936</b>	<b>9</b>
Fees and Commission Income	1,605,877	1,626,410	(1)	439,059	394,953	11
Fees and Commission Expense	(60,559)	(106,729)	(43)	(17,700)	(19,767)	(10)
<b>Net Fee and Commission Income</b>	<b>1,545,318</b>	<b>1,519,681</b>	<b>2</b>	<b>421,359</b>	<b>375,186</b>	<b>12</b>
Net Gain from Trading	649,577	476,430	36	122,395	48,745	151
Other Operating Income	235,602	412,218	(43)	100,635	126,034	(20)
<b>Total Operating Income</b>	<b>9,065,085</b>	<b>8,926,623</b>	<b>2</b>	<b>2,620,399</b>	<b>2,355,901</b>	<b>11</b>
Impairment Charges/ (Reversals) on Financial Instruments						
Individual Impairment	456,808	1,297,300	(65)	(51,465)	272,955	(119)
Collective Impairment	680,034	719,847	(6)	33,496	212,492	(84)
<b>Net Operating Income</b>	<b>7,928,243</b>	<b>6,909,476</b>	<b>15</b>	<b>2,638,368</b>	<b>1,870,455</b>	<b>41</b>
<b>Operating Expenses</b>						
Personnel Expenses	1,973,310	1,863,074	6	544,547	429,364	27
Depreciation and Amortisation	185,178	193,811	(4)	45,724	47,790	(4)
Other Expenses	2,367,076	2,251,936	5	616,791	587,057	5
<b>Operating Profit before Taxes and Levies on Financial Services</b>	<b>3,402,679</b>	<b>2,600,655</b>	<b>31</b>	<b>1,431,306</b>	<b>806,243</b>	<b>78</b>
Taxes and Levies on Financial Services	1,088,540	690,999	58	381,668	221,438	72
<b>Profit before Tax</b>	<b>2,314,139</b>	<b>1,909,656</b>	<b>21</b>	<b>1,049,638</b>	<b>584,805</b>	<b>79</b>
Tax Expense	563,570	368,014	53	322,794	123,405	162
<b>Profit for the Period</b>	<b>1,750,569</b>	<b>1,541,642</b>	<b>14</b>	<b>726,844</b>	<b>461,400</b>	<b>58</b>
Earnings Per Share - Basic /Diluted (Rs)	3.96	3.48		1.64	1.04	

In Rupee Thousands

Statement of Comprehensive Income						
	For the Year ended 31st December		Change %	For the Quarter ended 31st December		Change %
	2019 (Audited)	2018 (Audited)		2019	2018	
<b>Profit for the Period</b>	<b>1,750,569</b>	<b>1,541,642</b>	<b>14</b>	<b>726,844</b>	<b>461,400</b>	<b>58</b>
<b>Other Comprehensive Income</b>						
Revaluation Surplus on Property Plant and Equipment	455,093	-	<b>100</b>	455,093	-	<b>100</b>
Deferred Tax Effect	(127,426)	-	<b>100</b>	(127,426)	-	<b>100</b>
	<b>327,667</b>	<b>-</b>	<b>100</b>	<b>327,667</b>	<b>-</b>	<b>100</b>
Actuarial Losses on Defined Benefits Plan	5,429	25,532	<b>(79)</b>	5,429	25,532	<b>(79)</b>
Deferred Tax Effect	(1,520)	(7,149)	<b>(79)</b>	(1,520)	(7,149)	<b>(79)</b>
	<b>3,909</b>	<b>18,383</b>	<b>(79)</b>	<b>3,909</b>	<b>18,383</b>	<b>(79)</b>
<b>Other Comprehensive Income for the Period</b>	<b>331,576</b>	<b>18,383</b>	<b>1704</b>	<b>331,576</b>	<b>18,383</b>	<b>1704</b>
<b>Total Comprehensive Income for the Period</b>	<b>2,082,145</b>	<b>1,560,025</b>	<b>33</b>	<b>1,058,420</b>	<b>479,783</b>	<b>121</b>

## Statement of Financial Position

	As at 31/12/2019 (Audited)	As at 31/12/2018 (Audited)	Change %
<b>Assets</b>			
Cash and Cash Equivalents	1,708,269	2,214,106	(23)
Balances with Central Bank of Sri Lanka	5,333,200	6,481,994	(18)
Derivative Financial Instruments	443	210	111
Financial Assets at Fair Value through Profit or Loss	168,177	11,629	1,346
Financial Assets at Amortised Cost			
-Loans and Advances	111,187,855	108,168,861	3
-Debt and Other Instruments	30,080,088	34,074,558	(12)
Financial Assets - Fair Value through Other Comprehensive Income	6,158	6,158	-
Property, Plant and Equipment	2,333,961	1,934,574	21
Right-of-Use Asset	911,837	-	100
Intangible Assets	280,852	305,083	(8)
Deferred Tax Asset	-	4,931	(100)
Other Assets	968,855	824,179	18
<b>Total Assets</b>	<b>152,979,695</b>	<b>154,026,283</b>	<b>(1)</b>
<b>Liabilities</b>			
Due to Banks	521,836	1,744,207	(70)
Derivative Financial Instruments	107	114	(6)
Financial Liabilities at Amortized Cost			
-Due to Depositors	122,544,024	118,627,349	3
-Due to Debt Securities holders	11,944,843	13,295,604	(10)
Debentures Issued	-	5,809,186	(100)
Current Tax Liabilities	752,287	785,735	(4)
Deferred Tax Liabilities	132,780	-	100
Other Provisions and Accruals	187,603	208,398	(10)
Other Liabilities	3,567,426	2,309,046	54
<b>Total Liabilities</b>	<b>139,650,906</b>	<b>142,779,639</b>	<b>(2)</b>
<b>Equity</b>			
Stated Capital	3,614,253	3,614,253	-
Statutory Reserve Fund	538,717	451,189	19
Retained Earnings	8,231,160	6,557,389	26
Revaluation Reserve	944,659	623,813	51
<b>Total Equity</b>	<b>13,328,789</b>	<b>11,246,644</b>	<b>19</b>
<b>Total Equity and Liabilities</b>	<b>152,979,695</b>	<b>154,026,283</b>	<b>(1)</b>
<b>Commitments and Contingencies</b>	<b>46,999,029</b>	<b>44,169,941</b>	<b>6</b>
<b>Net Asset Value per Share (Rs.)</b>	<b>30.12</b>	<b>25.41</b>	<b>19</b>
<b>Memorandum Information</b>			
Number of Employees	1,629	1,497	
Number of Branches	85	85	

In Rupee Thousands

Statement of Changes In Equity (Audited)						
	Stated Capital*		Reserves			Total
	Ordinary Voting Shares	Ordinary Non-Voting Shares	Statutory Reserve Fund	Revaluation Reserve	Retained Earnings	
<b>Balance as at 01/01/2018</b>	3,614,253	-	374,106	630,634	6,050,893	10,669,886
Impact of adopting SLFRS 09	-	-	-	-	(1,365,652)	(1,365,652)
Deferred Tax impact on above	-	-	-	-	382,384	382,384
<b>Restated Balance as at 01/01/2018 Under SLFRS 09</b>	3,614,253	-	374,106	630,634	5,067,625	9,686,618
<b>Total Comprehensive Income for the year</b>						
Profit for the Year	-	-	-	-	1,541,642	1,541,642
Other Comprehensive Income for the Year	-	-	-	-	18,384	18,384
<b>Total Comprehensive Income for the Year</b>	-	-	-	-	<b>1,560,026</b>	<b>1,560,026</b>
<b>Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders</b>	-	-	-	-	-	-
<b>Total Contribution by and Distribution to Equity Holders</b>						
<b>Other Transaction</b>						
Transfer to Statutory Reserve Fund	-	-	77,083	-	(77,083)	-
Realisation of Revaluation Reserve	-	-	-	(6,821)	6,821	-
<b>Total Other Transactions</b>	-	-	<b>77,083</b>	<b>(6,821)</b>	<b>(70,262)</b>	-
<b>Balance as at 31/12/2018</b>	<b>3,614,253</b>	-	<b>451,189</b>	<b>623,813</b>	<b>6,557,389</b>	<b>11,246,644</b>
<b>Balance as at 01/01/2019</b>	3,614,253	-	451,189	623,813	6,557,389	11,246,644
<b>Total Comprehensive Income for the year</b>						
Profit for the Year	-	-	-	-	1,750,569	1,750,569
Other Comprehensive Income for the Year	-	-	-	327,667	3,909	331,576
<b>Total Comprehensive Income for the Year</b>	-	-	-	<b>327,667</b>	<b>1,754,478</b>	<b>2,082,145</b>
<b>Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders</b>						
<b>Other Transactions</b>						
Transfer to Statutory Reserve Fund	-	-	87,528	-	(87,528)	-
Realisation of Revaluation Reserve	-	-	-	(6,821)	6,821	-
<b>Total Other Transactions</b>	-	-	<b>87,528</b>	<b>(6,821)</b>	<b>(80,707)</b>	-
<b>Balance as at 31/12/2019</b>	<b>3,614,253</b>	-	<b>538,717</b>	<b>944,659</b>	<b>8,231,160</b>	<b>13,328,789</b>

\* Number of Ordinary Shares (Voting) as at 31<sup>st</sup> December 2019 - 442,561,629

**In Rupee Thousands**

<b>Statement of Cash Flows</b>		
	<b>Current Year From 01/01/19 To 31/12/19 (Audited)</b>	<b>Previous Year From 01/01/18 To 31/12/18 (Audited)</b>
<b>Cash Flows from Operating Activities</b>		
Profit before Tax	2,314,139	1,909,656
<i>Adjustment for:</i>		
Non Cash Items Included in Profit before Tax	1,602,001	2,275,562
Change in Operating Assets	608,164	(18,619,190)
Change in Operating Liabilities	2,363,146	14,268,920
Interest Expense on Debentures and Other Term Debts	1,301,974	1,406,562
Interest Expense on Lease Liabilities	101,631	-
Gratuity Paid	(25,360)	(27,834)
Income Tax Paid	(588,252)	(393,052)
<b>Net Cash Flows From Operating Activities</b>	<b>7,677,443</b>	<b>820,624</b>
<b>Cash Flows from Investing Activities</b>		
Acquisition of Property, Plant and Equipment	(98,326)	(104,738)
Proceeds from the Sale of Property, Plant and Equipment	777	2,798
Acquisition of Intangible Assets	(13,208)	(55,064)
<b>Net Cash Flows Used in Investing Activities</b>	<b>(110,757)</b>	<b>(157,004)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Term Borrowings	362,760	2,870,094
Redemption of Debentures	(5,690,855)	(1,309,145)
Repayment of Term Borrowings	(1,000,000)	(500,000)
Interest Paid on Debentures and Other Term Debts	(1,435,046)	(1,412,872)
Repayment of Lease Liabilities	(206,371)	-
Interest Paid on Lease Liabilities	(101,631)	-
<b>Net Cash Flows Used in Financing Activities</b>	<b>(8,071,143)</b>	<b>(351,923)</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>(504,457)</b>	<b>311,697</b>
Cash and Cash Equivalents at the beginning of the Year	2,214,106	1,902,409
Cash and Cash Equivalents at the end of the Year	<b>1,709,649</b>	<b>2,214,106</b>



In Rupee Thousands

Measurement of Financial Instruments					
As at 31/12/2019 (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
<b>Financial Assets</b>					
Cash and Cash Equivalents	-	-	1,708,269	-	1,708,269
Balances with Central Bank of Sri Lanka	-	-	5,333,200	-	5,333,200
Derivative Financial Instruments	-	-	-	443	443
Financial Assets at Fair Value through Profit or Loss	168,177	-	-	-	168,177
Financial Assets at Amortised Cost-Loans and Advances	-	-	111,187,855	-	111,187,855
Financial Assets at Amortised Cost-Debt and Other Instruments	-	-	30,080,088	-	30,080,088
Financial Assets at Fair Value through Other Comprehensive Income	-	6,158	-	-	6,158
<b>Total Financial Assets</b>	<b>168,177</b>	<b>6,158</b>	<b>148,309,412</b>	<b>443</b>	<b>148,484,190</b>
<b>Financial Liabilities</b>					
Due to Banks	-	-	521,836	-	521,836
Derivative Financial Instruments	-	-	-	107	107
Due to Depositors	-	-	122,544,024	-	122,544,024
Due to Debt Securities Holders	-	-	11,944,843	-	11,944,843
Other Liabilities	-	-	863,074	-	863,074
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>135,873,777</b>	<b>107</b>	<b>135,873,884</b>

In Rupee Thousands

Measurement of Financial Instruments					
As at 31/12/2018 (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
<b>Financial Assets</b>					
Cash and Cash Equivalents	-	-	2,214,106	-	2,214,106
Balances with Central Bank of Sri Lanka	-	-	6,481,994	-	6,481,994
Derivative Financial Instruments	-	-	-	210	210
Financial Assets at Fair Value through Profit or Loss	11,629	-	-	-	11,629
Financial Assets at Amortised Cost-Loans and Advances	-	-	108,168,861	-	108,168,861
Financial Assets at Amortised Cost-Debt and Other Instruments	-	-	34,074,558	-	34,074,558
Financial Assets at Fair Value through Other Comprehensive Income	-	6,158	-	-	6,158
<b>Total Financial Assets</b>	<b>11,629</b>	<b>6,158</b>	<b>150,939,519</b>	<b>210</b>	<b>150,957,516</b>
<b>Financial Liabilities</b>					
Due to Banks	-	-	1,744,207	-	1,744,207
Derivative Financial Instruments	-	-	-	114	114
Due to Depositors	-	-	118,627,349	-	118,627,349
Due to Debt Securities Holders	-	-	13,295,604	-	13,295,604
Debenture Issued	-	-	5,809,186	-	5,809,186
Other Liabilities	-	-	28,617	-	28,617
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>139,504,963</b>	<b>114</b>	<b>139,505,077</b>

\* The presentation and classification of previous year have been amended for better presentation and to be comparable with those of the current year.

## Notes to the Financial Statements

### 1. Analysis of Loans and Advances and Impairment

#### 1.1 Loans and Advances

In Rupee Thousands

	As at 31/12/2019 (Audited)	As at 31/12/2018 (Audited)
Gross Loans and Advances	117,503,175	113,494,424
Less: Individual Impairment	(2,823,009)	(2,366,201)
Collective Impairment	(3,492,311)	(2,959,362)
Net Loans and Advances including those designated at fair value through profit or loss	111,187,855	108,168,861
Less: Loans and Advances designated at fair value through profit or loss	-	-
<b>Net Loans and Advances</b>	<b>111,187,855</b>	<b>108,168,861</b>

#### 1.2 Loans and Advances - By Product

In Rupee Thousands

	As at 31/12/2019 (Audited)	As at 31/12/2018 (Audited)
<b>Domestic Currency</b>		
Term Loans	68,971,801	63,797,517
Overdraft	14,941,312	16,217,001
Trade Finance	2,663,681	2,681,440
Lease Rentals Receivable	8,627,202	9,804,133
Others	12,361,119	10,845,602
<b>Sub Total</b>	<b>107,565,115</b>	<b>103,345,693</b>
<b>Foreign Currency</b>		
Term Loans	7,073,772	7,073,071
Overdraft	1,846,376	1,719,817
Trade Finance	1,001,031	1,355,536
Others	16,881	307
<b>Sub Total</b>	<b>9,938,060</b>	<b>10,148,731</b>
<b>Total</b>	<b>117,503,175</b>	<b>113,494,424</b>

#### 1.3 Stage Wise Impairment on Loans and Advances

In Rupee Thousands

	As at 31/12/2019 (Audited)			As at 31/12/2018 (Audited)		
	Individual	Collective	Total	Individual	Collective	Total
<b>Gross Loans and Advances</b>	3,814,610	113,688,565	117,503,175	3,447,617	110,046,807	113,494,424
Less: Accumulated Impairment under Stage 1	-	(981,068)	(981,068)	-	(1,184,379)	(1,184,379)
Accumulated Impairment under Stage 2	-	(496,481)	(496,481)	-	(599,125)	(599,125)
Accumulated Impairment under Stage 3	(2,823,009)	(2,014,762)	(4,837,771)	(2,366,201)	(1,175,858)	(3,542,059)
<b>Net Loans and Advances</b>	<b>991,601</b>	<b>110,196,254</b>	<b>111,187,855</b>	<b>1,081,416</b>	<b>107,087,445</b>	<b>108,168,861</b>

#### 1.4 Movement of Impairment during the year - Loans and Advances

In Rupee Thousands

	As at 31/12/2019 (Audited)			As at 31/12/2018 (Audited)		
	Individual	Collective	Total	Individual	Collective	Total
<b>Under Stage 1</b>						
Opening balance	-	1,184,379	1,184,379	721	926,795	927,516
Charge/ (Recovery) to Income Statement	-	(203,311)	(203,311)	(721)	257,584	256,863
Write - off during the year	-	-	-	-	-	-
Closing balance	-	981,068	981,068	-	1,184,379	1,184,379
<b>Under Stage 2</b>						
Opening balance	-	599,125	599,125	-	563,972	563,972
Charge/ (Recovery) to Income Statement	-	(102,644)	(102,644)	-	35,153	35,153
Write - off during the year	-	-	-	-	-	-
Closing balance	-	496,481	496,481	-	599,125	599,125
<b>Under Stage 3</b>						
Opening balance	2,366,201	1,175,858	3,542,059	1,068,180	942,990	2,011,170
Charge/ (Recovery) to Income Statement	456,808	937,817	1,394,625	1,298,021	409,075	1,707,096
Write - off during the year	-	(98,913)	(98,913)	-	(176,207)	(176,207)
Closing balance	2,823,009	2,014,762	4,837,771	2,366,201	1,175,858	3,542,059
<b>Total impairment Closing Balance</b>	<b>2,823,009</b>	<b>3,492,311</b>	<b>6,315,320</b>	<b>2,366,201</b>	<b>2,959,362</b>	<b>5,325,563</b>

## Notes to the Financial Statements

### 2. Movement of Impairment during the year - Other Financial Instruments

In Rupee Thousands

	Cash & Cash Equivalents	Placements with Banks	Debt & Other Instrument	Documentary Credit	Financial Guarantees	Total
Opening balance as at 01/01/2018	953	645	50,068	8,250	14,642	<b>74,558</b>
Charge/ (Recovery) to Income Statement	(591)	(645)	33,764	(6,359)	(8,134)	<b>18,035</b>
Closing balance at 31/12/2018	<b>362</b>	<b>-</b>	<b>83,832</b>	<b>1,891</b>	<b>6,508</b>	<b>92,593</b>
Opening balance as at 01/01/2019	362	-	83,832	1,891	6,508	<b>92,593</b>
Charge/ (Recovery) to Income Statement	1,018	-	42,525	4,287	341	<b>48,171</b>
Closing balance at 31/12/2019	<b>1,380</b>	<b>-</b>	<b>126,357</b>	<b>6,178</b>	<b>6,849</b>	<b>140,764</b>

\* All above Financial assets and Financial guarantee contracts are stage 1 exposures.

### 3. Analysis of Deposits

In Rupee Thousands

	As at 31/12/2019 (Audited)	As at 31/12/2018 (Audited)
<b>Domestic Currency</b>		
Demand Deposits	3,833,190	3,764,903
Savings Deposits	15,846,532	12,737,487
Fixed Deposits	87,938,393	85,717,385
Certificates of Deposits	3,521,230	4,359,723
Margin Deposits	203,194	510,959
<b>Sub Total</b>	<b>111,342,539</b>	<b>107,090,457</b>
<b>Foreign Currency</b>		
Demand Deposits	542,445	1,106,572
Savings Deposits	1,064,243	1,667,228
Fixed Deposits	9,590,534	8,757,664
Margin Deposits	4,263	5,428
<b>Sub Total</b>	<b>11,201,485</b>	<b>11,536,892</b>
<b>Total</b>	<b>122,544,024</b>	<b>118,627,349</b>

## 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. Such valuations incorporate various inputs such as foreign exchange spot and forward rates.

##### (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 consisted of unquoted equities.

##### (c) Financial Assets at Fair Value through Profit or Loss

Quoted Equities and Sri Lanka Government Securities - are included under Financial Assets at Fair Value through Profit or Loss are valued using market prices.

#### 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 31st December 2019	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Derivative Financial Instruments	-	443	-	443
Financial Assets at Fair Value through Profit or Loss	-	-	-	-
- Equities	-	-	-	-
- Sri Lanka Government Foreign Currency Securities	168,177	-	-	168,177
Financial Assets at FVOCI	-	6,158	-	6,158
<b>Total</b>	<b>168,177</b>	<b>6,601</b>	<b>-</b>	<b>174,778</b>
<b>Non Financial Assets</b>				
Land - Revalued	-	-	1,402,160	1,402,160
Building - Revalued	-	-	481,575	481,575
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,883,735</b>	<b>1,883,735</b>
<b>Financial Liabilities</b>				
Derivative Financial Instruments	-	107	-	107
<b>Total</b>	<b>-</b>	<b>107</b>	<b>-</b>	<b>107</b>

## Notes to the Financial Statements

In Rupee Thousands				
As at 31st December 2018	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Derivative Financial Instruments	-	210	-	210
Financial Assets at Fair Value through Profit or Loss	-	-	-	-
- Equities	11,629	-	-	11,629
- Sri Lanka Government Foreign Currency Securities	-	-	-	-
Financial Assets at FVOCI	-	6,158	-	6,158
<b>Total</b>	<b>11,629</b>	<b>6,368</b>	<b>-</b>	<b>17,997</b>
<b>Non Financial Assets</b>				
Land - Revalued	-	-	1,014,910	1,014,910
Building - Revalued	-	-	429,018	429,018
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,443,928</b>	<b>1,443,928</b>
<b>Financial Liabilities</b>				
Derivative Financial Instruments	-	114	-	114
<b>Total</b>	<b>-</b>	<b>114</b>	<b>-</b>	<b>114</b>

- b) The following table shows the total gains and losses (excluding interest) recognised in profit or loss during the year relating to assets and liabilities held at the year end.

			In Rupee Thousands	
			Net Gains from Trading	
			2019	2018
<b>Financial Assets</b>				
Derivative Financial Instruments			336	95
Financial Assets at Fair Value through Profit or Loss				
- Equities			5,472	(479)
- Sri Lanka Government Rupee Securities - Treasury Bills and Bonds			-	(6,531)
- Sri Lanka Government Foreign Currency Securities			983	-
<b>Total</b>			<b>6,791</b>	<b>(6,915)</b>

## Notes to the Financial Statements

- c) 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.

As at 31st December	In Rupee Thousands			
	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and Cash Equivalents	1,708,269	1,708,269	2,214,106	2,214,106
Balances with Central Bank of Sri Lanka	5,333,200	5,333,200	6,481,994	6,481,994
Loans and Advances -at Amortised Cost	111,187,855	111,322,699	108,168,861	108,379,125
Debt and Other Instruments - at Amortised Cost	30,080,088	30,317,127	34,074,558	33,873,530
<b>Total Financial Assets</b>	<b>148,309,412</b>	<b>148,681,295</b>	<b>150,939,519</b>	<b>150,948,755</b>
<b>Financial Liabilities</b>				
Due to Banks	521,836	521,836	1,744,207	1,744,207
Due to Depositors - at Amortised Cost	122,544,024	119,704,851	118,627,349	118,234,345
Due to Debt Security holders - at Amortised Cost	11,944,843	11,944,843	13,295,604	13,295,604
Debentures Issued	-	-	5,809,186	5,809,186
Other Liabilities	863,074	863,074	28,617	28,617
<b>Total Financial Liabilities</b>	<b>135,873,777</b>	<b>133,034,604</b>	<b>139,504,963</b>	<b>139,111,959</b>

The presentation and classification of previous year have been amended for better presentation and to be comparable with those of the current year.

### 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 Re-sale 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.

Selected Performance Indicators (As per Regulatory Reporting)		
	Bank	
	Current Period As at 31/12/2019	Previous Period As at 31/12/2018
<b>Regulatory Capital (Rs '000)</b>		
Common Equity Tier I (CET I) Capital before Adjustments	12,853,473	11,341,900
Common Equity Tier I (CET I) Capital after Adjustments	12,572,621	11,036,817
Total Tier 1 Capital	12,572,621	11,036,817
Total Capital	13,978,793	12,767,157
<b>Regulatory Capital Ratios (%)</b>		
Common Equity Tier 1 Capital Ratio (Minimum Requirement -7%)	12.87%	11.51%
Tier 1 Capital Ratio (Minimum Requirement -8.5%)	12.87%	11.51%
Total Capital Ratio (Minimum Requirement -12.5%)	14.31%	13.32%
<b>Leverage Ratio</b>		
Leverage Ratio (%) (Minimum Requirement - 3%)	7.06%	N/A
<b>Asset Quality</b>		
Gross Non - Performing Advances Ratio, % (Net of Interest in Suspense)	6.31%	5.44%
Net Non - Performing Advances Ratio, % (Net of Interest in Suspense and Provision)	2.82%	3.08%
<b>Profitability (Annualised)</b>		
Interest Margin, %	4.36%	4.37%
Return on Assets (Before Tax). %	1.52%	1.28%
Return on Equity, %	14.50%	13.73%
<b>Regulatory Liquidity</b>		
Statutory Liquid Assets,- DBU (Rs'000)	33,932,700	41,565,575
Statutory Liquid Assets, - Off Shore Banking Unit (USD'000)	9,835	14,393
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)		
Domestic Banking Unit (%)	24.93%	29.17%
Off-Shore Banking Unit (%)	23.61%	20.09%
Total Stock of High-Quality Liquid Assets (Rs '000)		
Rupee	12,127,628	19,173,971
All Currency	16,686,658	19,235,760
Liquidity Coverage Ratio (%) - (Minimum Requirement -100%)		
Rupee (%)	128.84%	166.08%
All Currency (%)	165.02%	136.52%
Net Stable Funding Ratio (%) - (Minimum Requirement - 100%)	128.24%	N/A

**CERTIFICATION:**

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

(Sgd)

**Suranga 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 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 are true and correct to the best of our knowledge and belief.

(Sgd)

**Dimuth Prasanna**

Chairman

(Sgd)

**Nimal Tillekeratne**

Director / Chief Executive Officer

17<sup>th</sup> February 2020

## EXPLANATORY NOTES

1. The Financial Statements of the Bank for the year ended 31st December 2019 have been Prepared in accordance with Sri Lanka Accounting standards comprising LKASs and SLFRSs as issued by the Institute of Chartered Accountants of Sri Lanka and comply with requirements of Companies Act No.07 of 2007. The presentation the Financial Statement is also in compliance with the requirements of the Banking Act No. 30 of 1998 and amendments thereto and also provide appropriate disclosures as required by the Listing Rules of Colombo Exchange.
2. There are no significant changes in accounting policies, methods of computation and risk management policies during the year other than the item disclosed in note 4 below (SLFRS 16 - Leases). Previous period figures and phrases have been re-arranged wherever necessary to conform to the current presentation.
3. The Bank prepared Financial Statements for the year ended 31st December 2019 in accordance with the requirements of SLFRS 9 - Financial Instruments which has been adopted by the bank with effect from 31st December 2018.

### 4. SLFRS 16 - Leases

Sri Lanka Accounting Standards - SLFRS 16 (Leases) is effective for annual periods beginning on or after 01st January 2019. The Bank adopted SLFRS 16 using the 'Modified Retrospective Method' of adoption with the date of initial application of 1st January 2019 and has not re-stated comparative information for 2018. The Bank elected to use the transition practical expedient not to reassess whether a contract is or contains a lease at 1st January 2019. Instead, the Bank applied the standard only to contracts that were previously identified as leases applying LKAS 17 at the date of initial application.

#### 4.1 Transitional Disclosure

On transition to SLFRS 16, the Bank recognised Right - of - Use assets of Rs.1,086,495,125/- and lease liabilities of Rs.1,006,839,907/- in the Statement of Financial Position. The difference between the asset and liability was prepaid rental; as at 1st January 2019. The impact of transition as at 01st January 2019 is summarised below.

Operating lease commitments as at 31st December 2018	1,383,139,160
Weighted Average incremental borrowing rate as at 1st January 2019	10.66%
Discounted operating lease commitments (Right - of - Use Assets) as at 1st January 2019	1,086,495,125
Lease Liabilities as at 1st January 2019	1,006,839,907

5. 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 Year.
6. All known expenses have been provided for in these Financial Statements.
7. **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, other than disclosed below.

#### 7.1. Debenture Issue 2020/2025

The Bank announced a debenture issue on 16th January 2020, of an initial issue of up to 7,500,000 BASEL III complaint-Tier 2, unlisted, unsecured, subordinated, redeemable 05 year debentures at an issue price of Rs.100/- each with a non-viability conversion clause with an option to issue up to a further 5,000,000 of said Debentures at the discretion of the Bank in the event of an oversubscription of the initial issue with a maximum tenor of 5 years, subject to necessary regulatory and other approvals.

#### 7.2 Income Tax Changes

The corporate Income Tax rate of banks is proposed to be reduced from 28% to 24% with effect from 1st April 2020, subject to the ratification of the parliament. The Bank has not considered the resulting impact in computing deferred tax liability as at 31st December 2019 as relevant provisions are yet to be legislated. Had this being legislated, deferred tax charge (Income Tax expense) for the year ended 31st December 2019 and deferred tax liability as at 31st December would have been reduced by Rs.18,968,639/-.

### 8. Ratios

Debt to Equity (Times)	0.69
Interest Cover (Times)	2.78

### 9. Market Price of Ordinary Shares

Market Price Per Share	31/12/2019 (Rs.)		31/12/2018 (Rs.)	
	Voting	Non Voting	Voting	Non Voting
Last Traded Price	12.80	--	14.80	--
Highest Price for the quarter	13.70	--	16.40	--
Lowest Price for the quarter	12.00	--	13.00	--



## Shareholders' Information

### Major Shareholders as at 31<sup>st</sup> December 2019

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/Ambeon Holdings PLC(Collateral)	43,930,641	9.93
4	W. K. H. Wegapitiya	27,303,169	6.17
5	K. D. H. Perera	23,305,998	5.27
6	D. C. C. Joseph	23,247,896	5.25
7	P. J. Tay	21,917,994	4.95
8	K. D. A. Perera	19,200,000	4.34
9	Imminent Technologies (Pvt) Ltd	12,627,697	2.85
10	Sri Lanka Samurdhi Authority	11,114,376	2.51
11	Sri Lanka Savings Bank Limited	10,298,499	2.33
12	A. R. Molligoda	3,737,319	0.84
13	H. Beruwalage	2,046,648	0.46
14	R. A. De Silva	1,914,915	0.43
15	D. M. I. Dissanayake	1,486,501	0.34
16	M. F. Hashim	1,245,960	0.28
17	D. T. Beruwalage	1,161,448	0.26
18	M. B. U. N. Fernando	1,020,000	0.23
19	Favourite Garments (Pvt) Ltd	1,000,000	0.23
20	A. P. Somasiri	1,000,000	0.23
		<b>406,667,537</b>	<b>91.89</b>
	<b>Others</b>	<b>35,894,092</b>	<b>8.11</b>
	<b>Total</b>	<b>442,561,629</b>	<b>100.00</b>

Public holding as at 31<sup>st</sup> December 2019 was 55.00% in the hands of 4,331 public shareholders.

Float adjusted market capitalisation as at 31<sup>st</sup> December 2019 was 3,115,633,868 and Bank complies with option no 04.

### Directors' and Chief Executive Officer's Holding in Shares as at 31<sup>st</sup> December 2019

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