



**INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021**

COMPANY REGISTRATION NO : PQ 48

Press Release

Pan Asia Bank achieves a Post Tax Profit of Rs. 3 billion for the year 2021 - up by 50% ; 4Q Profits cross Rs. 1 billion mark for the first time in its history

- Net Interest Income - Rs. 9,642 million, up by 31%
- Net Fee and Commission Income - Rs. 1,783 million, up by 40%
- Other Operating Income - Rs. 392 million, up by 66%
- Operating Profits up by 39% to post Rs.4,911 million; operational efficiency improves as Cost-to-Income ratio reaches 38.85% in 2021 from 45.25% in 2020
- Profit before Tax -Rs.4,034million, up by 42%despite increased prudential provisions
- Key Profitability Indicators are among the best in the industry:
 - Net Interest Margin improves from 4.41% to 5.18%
 - Return on Assets (Pre-tax) improves from 1.70% to 2.17%
 - Return on Equity (Post-tax) improves from 14.36% to18.03%
- Loans and Advances book reaches. 151billion, up by 15%
- Customer Deposits reaches Rs. 146billion, up by 4%
- CASA base grows Rs. 8 Bn, up by 23.62% and CASA ratio reaches 30% level
- Regulatory Net Non-Performing Advances ratio improves from 2.34% to 0.18%
- Regulatory Provision cover reaches97.25%due to increased provisioning
- The Bank remains highly liquid and well-capitalised - All liquidity and capital ratios are well above regulatory minimums

Pan Asia Banking Corporation PLC reported a remarkable performance for the year 2021 to report a Pre-Tax Profit of Rs. 4,034 million and a Post-Tax Profit of Rs.3,075 million with growth rates of 42% and 50% respectively, while demonstrating the resilience amidst challenging macroeconomic 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 Profit before VAT on Financial Services reached Rs. 4,911million with an increase of 39%, reflecting the excellence in core banking performance and the success of cost containment measures evidenced by improvement in all key profitability matrices which now rank among industry bests. This feat was achieved even after setting aside sizable provision buffers for the probable deterioration in credit quality due to COVID-19 pandemic. The Bank increased its provision buffers for loan losses during the year, sensibly taking into consideration increased risks and uncertainties due to the COVID-19 pandemic through management overlays.

Apart from above, the Management increased the impairment provisions made on foreign currency exposures to the Government of Sri Lanka significantly by Rs. 719 million, taking into consideration elevation of default risk associated with the Sri Lankan sovereign as a result of downgrading the sovereign credit rating of Sri Lanka by international credit rating agencies. As a result of above factors, total impairment charge for the year 2021 witnessed an increase of 49%.

Interest income accounted for 89.08% of the Bank's gross revenue in 2021 despite interest income declining to Rs. 18.80 billion in 2021 from Rs. 18.82 billion recorded in 2020. The repricing effect of lending book responding to market conditions, as well as the continuation of regulatory directives on interest rate caps for certain lending products introduced during mid-2020, granting of new credit facilities and making of new investments at interest rates lower than in previous year hindered the interest income on loans and advances and other interest-earning assets during the year under consideration. This led to a reduction in the average interest yield by over 200 bps. Remarkable credit growth was achieved all three segments, namely, Retail, Corporate and SMEs, of Rs. 20 billion (approx.), which offset the pressure on interest income to a greater extent.

Meanwhile, under the prevailing low interest cost regime, the Bank managed to reduce the interest expenses by 20.04% to Rs. 9.16 billion in 2021, at a pace faster than the drop-in yields on interest-earning assets. Funding the lending book mainly from short-term deposits and liabilities, increase in CASA base to 29.94% in 2021 from 25.16% in 2020 and monetary policy decisions taken by the Central Bank of Sri Lanka since emergence of the COVID-19 pandemic have resulted in the interest cost of deposits and other interest-bearing liabilities continuously declining despite the increase in liability base. Accordingly, the Bank's funding cost, which was above the industry average at the beginning of the year, improved substantially during the year 2021 and is well-anchored to compete with peer banks by offering lending products at competitive rates. Consequently, the Bank's Net Interest Income grew by a remarkable 30.83% to Rs. 9.64 billion in 2021 from Rs. 7.37 billion in 2020.

The Bank's Net Fee and Commission Income recorded a growth of 40% with the rebound in demand for credit due to revival of economic activities during 2021 with the accelerated island-wide vaccination rollout by the government, amidst the low interest rate regime, despite the adverse impact of lock downs had, 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 Revaluation Gains substantially as reflected in Other Operating Income increase of 66% in 2021 compared to the previous year. 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 foreign exchange contracts and currency swap agreements arose from high discounts with the interest rate differential and drop in trade volumes by inactive Forex markets with lack of foreign currency availability. As a result, Net Gains from Trading witnessed a dip of 81% in 2021 to Rs. 92.26 million from Rs. 478.88 million reported in 2020.

The Bank strived for earnings maximization through portfolio re-alignment and cost management despite sector vulnerabilities that prevailed since last year. The Bank's Cost-to-Income Ratio improved from 45.25% to 38.85% during the year under review owing to the excellence in core banking performance which is reflected in noteworthy growth in key revenue lines and various strategies and measures taken to contain the increase in overhead costs. In fact, the Bank managed to contain the increase in Other Operating Expenses at 3% in 2021 compared to the previous year. The increased allocation for staff performance bonuses led to an increase in Personnel Expenses during the year under review despite the reduction in number of staffs.

The Bank's Profit after Tax gained to an extent due to application of lower Corporate Income Tax Rate of 24% for tax provisioning in accordance with the Inland Revenue (Amendment) Act passed in Parliament on 04th May 2021 and certified by the Hon. Speaker on 13th May 2021, which had impacted provisions to compute tax liabilities on retrospective basis from taxable year 2020/21. The related adjustments positively impacted the Bank's bottom line by Rs. 90 million on net basis.

The Bank's contribution to the government income taxes and the deferred tax effect increased by 21.30% due to application of reduced corporate income tax rate of 24% and other concessions with retrospective effect, despite the higher growth in operating profits. As a result of the above, the Bank's effective income tax rate improved from 27.16% to 23.68% within 12 months while the total effective tax rate also improved to 37.38% in 2021 from 41.95% in 2020 simultaneously.

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 2.17% in 2021 from 1.70% in 2020. Further, the Bank reported a stunning Return on Equity of 18.03% during the year under review (2020-14.36%) which stands among the industry best. The Bank's Earnings per Share (EPS) for the year rose to Rs.6.95 from Rs.4.63 driven by the excellent overall performance. Meanwhile, the Bank's Net Asset Value per Share appreciated by 20% during the year, to reach Rs. 41.92 as at 31st December 2021.

The Bank's Total Assets base stood at Rs.189.51 billion as at 31st December 2021 after posting a growth of 7% (approx.) during the year supported by the expansion in the loan book. The Bank's Gross Loans and Advances book recorded a growth of 15% (approx.) to reach Rs. 150.68 billion due to overall excellence in Corporate, Retail and SME segments. The main lending products that drove the growth in 2021 were Pawning & Ran Loans, Loans backed by state sector salaries and pensions and loans to Corporates.

During the year under review, the Bank did not lend vigorously to sectors that exhibited high stress as a measure of the Bank's prudential lending decisions. Meanwhile, the Bank extended further payment deferrals for borrowers who applied for debt moratorium under various schemes.

The Customer Deposits recorded a growth of 4% to reach Rs. 146.43 billion as at 31st December 2021. Supported by contributions from Corporate, Retail and SME segments, the Bank attracted more low-cost Current and Savings (CASA) Deposits, as almost all the deposits it raised during the year were low-cost. The Bank's CASA Ratio improved by 478 bps to reach 29.94% at the end of 2021 from 25.16% by the end of 2020, which is one of the reasons for the reduction in financial cost of funds in 2021.

The Bank's regulatory Gross Non-Performing Loan Ratio improved from 6.73% to 6.48% during the year due to improvement in underwriting standards of the Bank amidst tough macroeconomic conditions. The Bank's Net Non-Performing Loan Ratio also improved from 2.34% to 0.18% due to prudent provisioning for possible credit losses. The Bank continued its focused actions towards managing the quality of its loan book by containing NPLs amidst the weakened economic landscape.

The Bank's Impaired Loans (Stage 3) Ratio, which is a key indicator of a bank's credit quality improved by 137 bps to reach 3.04% at the end of 2021 from 4.41% by the end of 2020 due to the aforementioned improved underwritings standards, concerted efforts for collection and recoveries and improved proactive prudential provisioning policies of the Bank.

The Bank's Stage 3 Impairment Provision Coverage increased by 318 bps to reach 51.23% in 2021 from 48.05% in 2020, while the Bank's Total Impairment Provision Coverage, that is, Total Loan Impairment Provision divided by Stage 3 Loans increased by approximately by 10% during the year to reach 78.39% by end of 2021 from 68.45% in 2020, due to prudent provisioning.

Commenting on the financial performance, the Bank's MD/CEO, Nimal Tillekeratne said; "We are extremely proud and pleased to deliver such an excellent performance under the challenging conditions created by the COVID-19 pandemic. This performance has been hard-won on account of a proactive approach to business while leveraging on emerging opportunities in the market in a prudent manner. Despite the losses due to extension of debt moratoriums and prudential risk-based impairment provisioning, the Bank has successfully recorded profitability while consolidating customer and investor confidence."

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 31st December 2021 stood at 13.82% and 15.97% respectively. The Bank's Statutory Liquid Assets Ratio (SLAR) as at 31st December 2021 stood at 24.18% and 58.42% 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 of 146.83% and 135.47% for All Currencies and LKR respectively.

In Rupee Thousands

Income Statement

	For the Year ended 31st December		Change	For the Quarter ended 31st December		Change
	2021	2020	%	2021	2020	%
	(Audited)	(Audited)				
Interest Income	18,798,301	18,821,013	(0)	5,159,346	4,520,363	14
Interest Expense	(9,156,565)	(11,451,264)	(20)	(2,186,412)	(2,594,014)	(16)
Net Interest Income	9,641,736	7,369,749	31	2,972,934	1,926,349	54
Fee and Commission Income	1,821,228	1,346,032	35	537,300	406,916	32
Fee and Commission Expense	(38,295)	(69,969)	(45)	(10,315)	(19,657)	(48)
Net Fee and Commission Income	1,782,933	1,276,063	40	526,985	387,259	36
Net Gains from Trading	92,257	478,880	(81)	25,716	113,684	(77)
Other Operating Income	391,748	235,498	66	117,320	39,195	199
Total Operating Income	11,908,674	9,360,190	27	3,642,955	2,466,487	48
Impairment Charges	2,370,452	1,596,041	49	933,655	367,214	154
Net Operating Income	9,538,222	7,764,149	23	2,709,300	2,099,273	29
Operating Expenses						
Personnel Expenses	2,227,359	1,942,765	15	520,589	484,924	7
Depreciation and Amortisation	459,840	416,617	10	113,469	114,001	(0)
Other Operating Expenses	1,939,793	1,876,567	3	505,615	323,078	56
Total Operating Expenses	4,626,992	4,235,949	9	1,139,673	922,004	24
Operating Profit before VAT on Financial Services	4,911,230	3,528,200	39	1,569,627	1,177,269	33
Value Added Tax on Financial Services	877,577	690,034	27	254,411	203,949	25
Profit before Tax	4,033,653	2,838,166	42	1,315,216	973,320	35
Tax Expense	958,295	789,998	21	247,485	175,488	41
Profit for the Period	3,075,358	2,048,168	50	1,067,731	797,832	34
Earnings Per Share - Basic/Diluted (Rs.)	6.95	4.63	50	2.41	1.80	34

In Rupee Thousands

Statement of Comprehensive Income

	For the Year ended 31st December		Change	For the Quarter ended 31st December		Change
	2021	2020	%	2021	2020	%
	(Audited)	(Audited)				
Profit for the Period	3,075,358	2,048,168	50	1,067,731	797,832	34
Other Comprehensive Income for the Period						
Other Comprehensive Income Not to be Re-classified to Profit or Loss						
Revaluation Surplus on Property, Plant and Equipment	-	37,493	(100)	-	-	-
Deferred Tax Effect on Above	-	(10,498)	(100)	-	-	-
	-	26,995	(100)	-	-	-
Actuarial Gains/(Losses) on Defined Benefit Plan	36,409	(9,421)	486	36,409	(9,421)	486
Deferred Tax Effect on Above	(8,738)	2,638	(431)	(8,738)	2,638	(431)
	27,671	(6,783)	508	27,671	(6,783)	508
Deferred Tax Effect on Revision of Statutory Income Tax Rate	53,311	-	100	2,315	-	100
Other Comprehensive Income for the Period	80,982	20,212	301	29,986	(6,783)	542
Total Comprehensive Income for the Period	3,156,340	2,068,380	53	1,097,717	791,049	39

In Rupee Thousands

Statement of Financial Position			
	As at 31/12/2021 (Audited)	As at 31/12/2020 (Audited)	Change %
Assets			
Cash and Cash Equivalents	2,218,092	2,914,163	(24)
Balances with Central Bank of Sri Lanka	5,038,345	10,304,348	(51)
Reverse Repurchase Agreements	-	1,530,441	(100)
Derivative Financial Instruments	4,592	93,013	(95)
Financial Assets at Amortised Cost			
-Loans and Advances	142,369,157	123,157,188	16
-Debt and Other Instruments	34,110,583	34,268,495	(0)
Financial Assets at Fair Value through Other Comprehensive Income	3,752	6,158	(39)
Property, Plant and Equipment	2,335,826	2,307,882	1
Right-of-Use Assets	1,377,406	983,365	40
Intangible Assets	320,863	346,697	(7)
Other Assets	1,733,054	1,028,658	68
Total Assets	189,511,670	176,940,408	7
Liabilities			
Due to Banks	3,914,395	2,863,376	37
Repurchase Agreements	254,154	898,651	(72)
Derivative Financial Instruments	33	79,005	(100)
Financial Liabilities at Amortised Cost			
-Due to Depositors	146,433,816	141,079,707	4
-Due to Debt Securities Holders	12,978,490	10,637,140	22
Subordinated Debentures	872,839	872,839	-
Retirement Benefit Obligations	376,851	385,674	(2)
Current Tax Liabilities	1,252,818	825,102	52
Deferred Tax Liabilities	118,401	159,834	(26)
Other Provisions and Accruals	196,193	210,864	(7)
Other Liabilities	4,560,172	3,531,047	29
Total Liabilities	170,958,162	161,543,239	6
Equity			
Stated Capital	3,614,253	3,614,253	-
Statutory Reserve Fund	794,893	641,125	24
Retained Earnings	13,137,897	10,179,071	29
Revaluation Reserve	1,006,465	962,720	5
Total Equity	18,553,508	15,397,169	20
Total Equity and Liabilities	189,511,670	176,940,408	7
Commitments and Contingencies	37,779,887	67,728,484	(44)
Net Asset Value per Share (Rs.)	41.92	34.79	20
Memorandum Information			
Number of Employees	1,396	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 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 Audited Financial Statements of the Bank.

(Sgd)

S.B. Rangamuwa

Chairman

(Sgd)

N.R. Tillekeratne

Managing Director/Chief Executive Officer

18th February 2022
 Colombo

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	
Balance as at 01/01/2020	3,614,253	-	538,717	944,659	8,231,159	13,328,788
Total Comprehensive Income for the Year						
Profit for the Year	-	-	-	-	2,048,168	2,048,168
Other Comprehensive Income for the Year	-	-	-	26,995	(6,783)	20,212
Total Comprehensive Income for the Year	-	-	-	26,995	2,041,385	2,068,380
Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders						
Other Transactions						
Transfer to Statutory Reserve Fund	-	-	102,408	-	(102,408)	-
Realisation of Revaluation Reserve	-	-	-	(8,933)	8,933	-
Total Other Transactions	-	-	102,408	(8,933)	(93,475)	-
Balance as at 31/12/2020	3,614,253	-	641,125	962,721	10,179,069	15,397,168
Balance as at 01/01/2021	3,614,253	-	641,125	962,721	10,179,069	15,397,168
Total Comprehensive Income for the Year						
Profit for the Year	-	-	-	-	3,075,358	3,075,358
Other Comprehensive Income for the Year	-	-	-	53,311	27,671	80,982
Total Comprehensive Income for the Year	-	-	-	53,311	3,103,029	3,156,340
Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders						
Other Transactions						
Transfer to Statutory Reserve Fund	-	-	153,768	-	(153,768)	-
Realisation of Revaluation Reserve	-	-	-	(9,567)	9,567	-
Total Other Transactions	-	-	153,768	(9,567)	(144,201)	-
Balance as at 31/12/2021	3,614,253	-	794,893	1,006,465	13,137,897	18,553,508

* Number of Ordinary Shares (Voting) as at 31st December 2021 - 442,561,629

In Rupee Thousands

Statement of Cash Flows

	Current Year From 01/01/2021 To 31/12/2021 (Audited)	Previous Year From 01/01/2020 To 31/12/2020 (Audited)
Cash Flows from Operating Activities		
Profit before Tax	4,033,653	2,838,166
<i>Adjustments for:</i>		
Non-Cash Items Included in Profit before Tax	2,899,531	2,089,995
Change in Operating Assets	(15,874,951)	(24,521,737)
Change in Operating Liabilities	7,170,627	20,084,553
Interest Expense on Subordinated Debentures and Other Term Borrowings	903,869	904,222
Interest Expense on Lease Liability	94,796	87,495
Gratuity Payments Made	(40,511)	(26,777)
Income Tax Paid	(527,440)	(697,990)
Net Cash Flows from/(used in) Operating Activities	(1,340,426)	757,927
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment	(170,202)	(92,190)
Proceeds from the Sale of Property, Plant and Equipment	231	138
Purchase of Intangible Assets	(24,210)	(109,469)
Net Cash Flows used in Investing Activities	(194,181)	(201,521)
Cash Flows from Financing Activities		
Proceeds from Term Borrowings	6,843,767	4,090,350
Proceeds from Subordinated Debenture Issue	-	820,000
Repayment of Term Borrowings	(4,796,394)	(3,176,560)
Interest Paid on Subordinated Debentures and Other Term Borrowings	(916,721)	(801,836)
Repayment of Principal Portion of Lease Liabilities	(193,160)	(193,227)
Interest Paid on Lease Liabilities	(94,796)	(87,495)
Net Cash Flows from Financing Activities	842,696	651,232
Net Increase/(Decrease) in Cash & Cash Equivalents	(691,912)	1,207,637
Cash and Cash Equivalents at the Beginning of the Year	2,917,288	1,709,651
Cash and Cash Equivalents at the End of the Year	2,225,376	2,917,288

In Rupee Thousands

Measurement of Financial Instruments

As at 31/12/2021 (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	-	-	2,218,092	-	2,218,092
Balances with Central Bank of Sri Lanka	-	-	5,038,345	-	5,038,345
Derivative Financial Instruments	-	-	-	4,592	4,592
Financial Assets at Amortised Cost - Loans and Advances	-	-	142,369,157	-	142,369,157
Financial Assets at Amortised Cost - Debt and Other Instruments	-	-	34,110,583	-	34,110,583
Financial Assets at Fair Value through Other Comprehensive Income	-	3,752	-	-	3,752
Total Financial Assets	-	3,752	183,736,177	4,592	183,744,521
Financial Liabilities					
Due to Banks	-	-	3,914,395	-	3,914,395
Repurchase Agreements	-	-	254,154	-	254,154
Derivative Financial Instruments	-	-	-	33	33
Due to Depositors	-	-	146,433,816	-	146,433,816
Due to Debt Securities Holders	-	-	12,978,490	-	12,978,490
Subordinated Debentures	-	-	872,839	-	872,839
Other Liabilities	-	-	1,437,148	-	1,437,148
Total Financial Liabilities	-	-	165,890,842	33	165,890,875

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	-	-	10,304,348	-	10,304,348
Reverse Repurchase Agreements	-	-	1,530,441	-	1,530,441
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	-	-	34,268,495	-	34,268,495
Financial Assets at Fair Value through Other Comprehensive Income	-	6,158	-	-	6,158
Total Financial Assets	-	6,158	172,174,635	93,013	172,273,806
Financial Liabilities					
Due to Banks	-	-	2,863,376	-	2,863,376
Repurchase Agreements	-	-	898,651	-	898,651
Derivative Financial Instruments	-	-	-	79,005	79,005
Due to Depositors	-	-	141,079,707	-	141,079,707
Due to Debt Securities Holders	-	-	10,637,140	-	10,637,140
Subordinated Debentures	-	-	872,839	-	872,839
Other Liabilities	-	-	935,470	-	935,470
Total Financial Liabilities	-	-	157,287,184	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 31/12/2021 (Audited)	As at 31/12/2020 (Audited)
Gross Loans and Advances (Note 1.2)	150,684,024	130,751,778
Less: Accumulated Impairment under Stage 1 (Note 1.3)	(1,208,740)	(1,116,134)
Accumulated Impairment under Stage 2 (Note 1.3)	(1,671,499)	(1,147,035)
Accumulated Impairment under Stage 3 (Note 1.3)	(5,434,628)	(5,331,421)
	142,369,157	123,157,188

1.2 Loans and Advances - By Product

In Rupee Thousands

	As at 31/12/2021 (Audited)	As at 31/12/2020 (Audited)
Domestic Currency		
Term Loans	95,932,360	85,295,483
Overdraft	14,486,355	11,784,225
Trade Finance	2,243,480	803,346
Lease Rentals Receivable	10,475,359	9,496,585
Others	19,668,575	13,199,490
Sub Total	142,806,129	120,579,129
Foreign Currency		
Term Loans	4,426,160	6,886,184
Overdraft	1,124,874	2,081,889
Trade Finance	2,326,861	1,204,576
Sub Total	7,877,895	10,172,649
Total	150,684,024	130,751,778

1.3 Movement of Impairment During the Year - Loans and Advances

In Rupee Thousands

	As at 31/12/2021 (Audited)	As at 31/12/2020 (Audited)
Under Stage 1		
Opening balance as at 1st January	1,116,134	981,068
Charge/(Reversal) to Income Statement	92,606	135,066
Closing balance as at 31st December	1,208,740	1,116,134
Under Stage 2		
Opening balance as at 1st January	1,147,035	496,481
Charge/(Reversal) to Income Statement	524,464	650,554
Closing balance as at 31st December	1,671,499	1,147,035
Under Stage 3		
Opening balance as at 1st January	5,331,421	4,837,771
Charge/(Reversal) to Income Statement	1,004,248	560,080
Write-off during the year	(472,461)	(66,430)
Other movements	(428,580)	-
Closing balance as at 31st December	5,434,628	5,331,421
Total Impairment - Closing Balance as at 31st December	8,314,867	7,594,590

2. Movement of Impairment During the Year - Other Financial Instruments**In Rupee Thousands**

	Cash & Cash Equivalents	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 (Audited)	3,124	368,679	6,101	13,202	391,106
Charge/(Reversal) to Income Statement	4,160	719,499	8,157	17,320	749,136
Closing balance at 31/12/2021 (Audited)	7,284	1,088,178	14,258	30,522	1,140,242

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

3. Analysis of Deposits - By Product**In Rupee Thousands**

	As at 31/12/2021 (Audited)	As at 31/12/2020 (Audited)
Domestic Currency		
Demand Deposits	6,633,970	5,438,644
Savings Deposits	32,376,476	26,857,353
Fixed Deposits	90,803,052	94,966,788
Certificates of Deposits	2,408,089	3,825,672
Margin Deposits	220,048	300,386
Sub Total	132,441,635	131,388,843
Foreign Currency		
Demand Deposits	720,633	409,093
Savings Deposits	2,528,864	1,481,783
Fixed Deposits	10,716,216	7,799,988
Margin Deposits	26,468	-
Sub Total	13,992,181	9,690,864
Total	146,433,816	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 31st December 2021	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative Financial Instruments	-	4,592	-	4,592
Financial Assets at FVOCI	-	3,752	-	3,752
Total	-	8,344	-	8,344
Non-Financial Assets				
Land - Revalued	-	-	1,420,100	1,420,100
Building - Revalued	-	-	464,623	464,623
Total	-	-	1,884,723	1,884,723
Financial Liabilities				
Derivative Financial Instruments	-	33	-	33
Total	-	33	-	33

Notes to the Financial Statements

As at 31st December 2020	In Rupee Thousands			
	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 year relating to financial assets and liabilities at Fair Value through Profit or Loss held at the year end.

	In Rupee Thousands	
	2021	2020
Derivative Financial Instruments	(9,448)	13,671
Total	(9,448)	13,671

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 value approximates their fair value. This assumption is applied for Cash and Cash Equivalents, Balances with Central Bank of Sri Lanka and Reverse Repurchase Agreements. This assumption is also applied to Call Money Borrowings, Balances with Foreign Banks, Repurchase Agreements, Demand Deposits, Margin 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 value and fair value of the Bank's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair value of non-financial assets and non-financial liabilities.

As at 31st December	In Rupee Thousands			
	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and Cash Equivalents	2,218,092	2,218,092	2,914,163	2,914,163
Balances with Central Bank of Sri Lanka	5,038,345	5,038,345	10,304,348	10,304,348
Reverse Repurchase Agreements	-	-	1,530,441	1,530,441
Loans and Advances -at Amortised Cost	142,369,157	143,769,199	123,157,188	126,451,374
Debt and Other Instruments - at Amortised Cost	34,110,583	30,782,255	34,268,495	32,468,695
Total Financial Assets	183,736,177	181,807,891	172,174,635	173,669,021
Financial Liabilities				
Due to Banks	3,914,395	3,914,395	2,863,376	2,863,376
Repurchase Agreements	254,154	254,154	898,651	898,651
Due to Depositors - at Amortised Cost	146,433,816	147,364,409	141,079,707	144,280,741
Due to Debt Security holders - at Amortised Cost	12,978,490	13,003,064	10,637,140	10,749,465
Debentures Issued	872,839	863,083	872,839	930,507
Other Liabilities	1,437,148	1,669,718	935,470	1,248,165
Total Financial Liabilities	165,890,842	167,068,823	157,287,183	160,970,905

Notes to the Financial Statements

5 Segment Reporting

	2021			In Rupee Thousands
	Retail & SME Banking	Corporate Banking	Treasury and Investments	Total
Gross Income				
Third Party	16,846,510	1,055,658	3,201,366	21,103,534
Inter-Segment	2,207,352	(270,580)	(1,936,772)	-
Total Income	19,053,862	785,078	1,264,594	21,103,534
Extract of Results				
Interest Income	14,983,026	1,040,274	2,775,001	18,798,301
Interest Expense	(8,538,651)	(493,980)	(123,934)	(9,156,565)
Inter - Segment	2,207,352	(270,580)	(1,936,772)	-
Net Interest Income	8,651,727	275,714	714,295	9,641,736
Fee and Commission Income	1,805,847	15,381	-	1,821,228
Fee and Commission Expense	(30,397)	-	(7,898)	(38,295)
Net Fee and Commission Income	1,775,450	15,381	(7,898)	1,782,933
Net Gains from Trading	-	-	92,257	92,257
Other Operating Income	57,637	3	334,108	391,748
Total Operating Income	10,484,814	291,098	1,132,762	11,908,674
Impairment Charges	(943,500)	(703,295)	(723,657)	(2,370,452)
Net Operating Income	9,541,314	(412,197)	409,105	9,538,222
Depreciation of Property, Plant and Equipment	140,037	232	615	140,884
Amortisation of Intangible Assets	45,736	-	4,308	50,044
Segment Result	9,355,541	(412,429)	404,182	9,347,294
Un-allocated Expenses				4,436,064
Operating Profit Before Taxes and Levies on Financial Services				4,911,230
Value Added Tax on Financial Services				877,577
Profit Before Tax				4,033,653
Income Tax Expense				958,295
Profit for the Year				3,075,358
Other Comprehensive Income for the Year				80,982
Total Comprehensive Income for the Year				3,156,340
Capital Expenditure				
Property, Plant and Equipment	169,771	111	319	170,201
Intangible Assets	24,210	-	-	24,210
Segment Assets	132,363,658	13,989,704	34,662,738	181,016,100
Unallocated Assets	-	-	-	8,495,570
Total Assets	132,363,658	13,989,704	34,662,738	189,511,670
Segment Liabilities	145,726,715	11,761,011	6,966,003	164,453,729
Unallocated Liabilities and Equity	-	-	-	25,057,941
Total Liabilities and Equity	145,726,715	11,761,011	6,966,003	189,511,670

	In Rupee Thousands			
	2020			
	Retail & SME Banking	Corporate Banking	Treasury and Investments	Total
Gross Income				
Third Party	16,119,488	1,473,451	3,288,486	20,881,425
Inter-Segment	1,657,061	(311,174)	(1,345,887)	-
Total Income	17,776,549	1,162,277	1,942,599	20,881,425
Extract of Results				
Interest Income	14,803,458	1,424,834	2,592,721	18,821,013
Interest Expense	(10,681,881)	(695,308)	(74,075)	(11,451,264)
Inter - Segment	1,657,061	(311,174)	(1,345,887)	-
Net Interest Income	5,778,637	418,353	1,172,759	7,369,749
Fee and Commission Income	1,298,251	47,782	-	1,346,033
Fee and Commission Expense	(57,468)	(1,625)	(10,876)	(69,969)
Net Fee and Commission Income	1,240,783	46,157	(10,876)	1,276,064
Net Gains from Trading	-	-	478,880	478,880
Other Operating Income	17,779	835	216,885	235,499
Total Operating Income	7,037,199	465,344	1,857,649	9,360,192
Impairment Charges	(1,008,654)	(342,301)	(245,087)	(1,596,042)
Net Operating Income	6,028,545	123,044	1,612,561	7,764,150
Depreciation of Property, Plant and Equipment	151,987	1,052	1,292	154,331
Amortisation of Intangible Assets	39,315	-	4,309	43,624
Segment Result	5,837,243	121,992	1,606,960	7,566,195
Un-allocated Expenses				4,037,994
Operating Profit Before Taxes and Levies on Financial Services				3,528,201
Value Added Tax on Financial Services				690,035
Profit Before Tax				2,838,166
Income Tax Expense				789,998
Profit for the Year				2,048,168
Other Comprehensive Income for the Year				20,212
Total Comprehensive Income for the Year				2,068,380
Capital Expenditure				
Property, Plant and Equipment	92,098	92	-	92,190
Intangible Assets	109,469	-	-	109,469
Segment Assets	118,036,026	8,703,367	43,919,725	170,659,118
Unallocated Assets	-	-	-	6,281,290
Total Assets	118,036,026	8,703,367	43,919,725	176,940,408
Segment Liabilities	145,160,607	9,501,834	1,768,278	156,430,719
Unallocated Liabilities and Equity	-	-	-	20,509,689
Total Liabilities and Equity	145,160,607	9,501,834	1,768,279	176,940,408

Selected Performance Indicators (As per Regulatory Reporting)		
	Bank	
	Current Year As at 31/12/2021	Previous Year As at 31/12/2020
Regulatory Capital (LKR '000)		
Common Equity Tier I (CET I) Capital before Adjustments	17,497,080	14,657,973
Common Equity Tier I (CET I) Capital after Adjustments	17,176,217	14,311,276
Total Tier 1 Capital	17,176,217	14,311,276
Total Capital	19,852,075	17,014,768
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7%, 2020 - 6.5%)	13.82%	13.24%
Tier 1 Capital Ratio (Minimum Requirement - 8.5, 2020 - 8%)	13.82%	13.24%
Total Capital Ratio (Minimum Requirement - 12.5%, 2020 - 12%)	15.97%	15.74%
Leverage Ratio		
Leverage Ratio (%) (Minimum Requirement - 3%)	8.40%	6.70%
Asset Quality		
Regulatory Gross Non-Performing Advances Ratio, % (Net of Interest in Suspense)	6.48%	6.73%
Regulatory Net Non-Performing Advances Ratio, % (Net of Interest in Suspense and Provision)	0.18%	2.34%
Stage 3 Loans (Impaired Loans) to Total Loans*	3.04%	3.87%
Stage 3 Loan Impairment to Stage 3 Loans (Stage 3 Provision Cover)*	51.23%	48.05%
Profitability (Annualised)		
Interest Margin, %	5.18%	4.41%
Return on Assets (Before Tax), %	2.17%	1.70%
Return on Equity (After Tax), %	18.03%	14.36%
Regulatory Liquidity		
Statutory Liquid Assets-DBU (LKR'000)	40,823,849	43,213,986
Statutory Liquid Assets-Off Shore Banking Unit (USD'000)	32,240	23,418
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)		
Domestic Banking Unit (%)	24.18%	27.83%
Off-Shore Banking Unit (%)	58.42%	42.36%
Total Stock of High-Quality Liquid Assets (LKR '000)		
Rupee	22,824,610	30,212,947
All Currency	26,861,466	35,652,169
Liquidity Coverage Ratio (%) - (Minimum Requirement - 100%, 2020 - 90%)		
Rupee (%)	135.47%	177.36%
All Currency (%)	146.83%	211.57%
Net Stable Funding Ratio (%) - (Minimum Requirement - 100%, 2020 - 90%)	126.71%	116.80%

*1. Subsequent to the issuance of new Banking Act Direction No. 13 of 2021 on Classification, Recognition and Measurement of Credit Facilities in Licensed Banks, banks have been requested to publish new ratios in Quarter 3 and Quarter 4 of 2021 to ensure smooth transition to the requirements of the said Direction.

2. Impaired loans (Stage 3) and total loans shall include total outstanding amount of on-balance sheet credit facilities and their respective undrawn amounts.

EXPLANATORY NOTES

1. The figures are extracted from the Audited Financial Statements for the year ended 31st December 2021. External Auditors of the Bank, M/s Ernst & Young carried out an audit for the year ended 31st December 2021 and expressed an unqualified opinion on the Financial Statements of the Bank for the year ended 31st December 2021. Where required, figures on the Audited Annual Financial Statements have been reclassified to conform to Central Bank of Sri Lanka publication requirements.
2. 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.
3. There are no significant changes in accounting policies and methods of computation since the publication of Audited Financial Statements for the year 2020.
4. There are no material changes in the composition of assets, liabilities, contingent liabilities and use of funds raised through issue of shares and debentures.
5. All known expenses have been provided for in these Financial Statements.
6. The presentation and classification of previous year have been amended for better presentation and to be comparable with those of the current year. (Note 12)
7. **Impact of COVID-19**

Loans and Advances

The COVID-19 outbreak in March 2020 followed by the subsequent waves continue to pose challenges to businesses and industries both locally and globally due to uncertainties, restrictions and limitations associated with the pandemic. Sri Lanka's third wave of the COVID-19 pandemic which emerged in mid-2021 touched its peak in August 2021 with a severe impact on the country's economy. This caused the government imposing an island-wide/selective lockdowns followed by a further extension of the debt moratorium and other reliefs to the tourism sector and other affected borrows/segments.

Consequently, the debt moratorium for the tourism sector was further extended until 30th June 2022, while the debt moratorium were allowed for several other sectors extended until 31st December 2021. Taking into consideration of the extension of the moratoriums and the extensive impact of the pandemic to the economy, the Bank further refined its impairment models to suit with the current macro-economic conditions. Therefore, the provisions recognised as an overlay on account of moratorium and non-moratorium loans were further increased during the year. The Bank also increased its collective impairment provisions during the year by reviewing the macro-economic variables used for the computation of Economic Factor Adjustment (EFA) in line with the latest macro-economic conditions. Further, the Bank has increased the weightage assigned for worst case economic scenario further to reflect these uncertainties in the calculation of expected credit losses the during the year 2021. The Bank continued to examine the individually significant customers including debt moratorium customers and ensured adequate provisions were made in the financial statements, as required. In addition, the decision to reclassify customers deemed to be identified as operating in risk elevated industries and move into lower stages (Stage 2 and Stage 3), also continued throughout the year 2021.

These measures provide an assurance that adequate impairment provisions have been recognized in the financial statements as at 31st December 2021 to cover the elevated risks associated with the latest economic shocks caused by the pandemic.

USD Denominated Government Securities of Sri Lanka

The methodology adopted by the Bank on the impairment assessment of foreign currency denominated government securities of Sri Lanka is to make impairment provisions (Probability of Default) on the basis of the sovereign credit rating. The Bank recognized additional impairment provisions on International Sovereign Bonds and Sri Lanka Development Bonds issued by the government of Sri Lanka taking to consideration of the sovereign downgrades by international credit rating agencies during the year and challenging economic conditions in preparation of financial statements for the year ended 31st December 2021. However, the Bank continue to use the same Loss Given Default (LGD) in making impairment provisions on such securities during the year 2021.

8. Amendments to the Income Tax Law Announced by the Government

The Inland Revenue (Amendment) Act was passed in Parliament on 04th May 2021 and certified by the Hon. Speaker on 13th May 2021. Accordingly, the income tax rate of 28% was reduced to 24%. Both income tax and deferred tax provisions for the year ended 31st December 2020 were calculated at the rate of 28% on the basis that the said amendment was not considered to be "substantially enacted" as at 31st December 2020 as per LKAS 12.

Accordingly, the Bank has applied 24% for the computation of current and deferred tax for the year ended 31st December 2021. Further, the current tax liability for 2020 and the net deferred tax asset outstanding as at 31st December 2020 were also reassessed at 24%. As such, the Bank accounted for current tax and deferred tax for the taxable periods commencing of or after 1st January 2020 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.

9. Ms. Sandra Walgama and Mr. Chethiya Umagiliya have been appointed to the Board of Pan Asia Bank, with effect from 28th January 2022.

10. 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.

The government of Sri Lanka in its Budget for 2022 has proposed a one-time tax, referred to as a surcharge tax of 25% to be imposed on companies that have earned a taxable income in excess of Rs. 2,000 Mn for the year of assessment 2020/2021. The proposed tax should be deemed an expenditure in the financial statements relating to the year of assessment 2020/2021.

The Bill introducing the proposed tax was published after the reporting date and it has not been placed on the Order Paper of the Parliament for its first reading before the date these financial statements were authorized for issue. The proposed tax has not been substantively enacted by the end of the reporting date. Therefore, the financial statements have not been adjusted to reflect the consequences of this proposal.

11. Ratios **31/12/2021**

Debt to Equity (Times)	0.75
Interest Cover (Times)	5.46

12. Reclassifications and Comparative Figures

The following line items in the Statement of Financial Position as at 31st December 2021 were reclassified/restated to conform to the current year's presentation.

	Reclassified/Restated Rs 000	As Reported in 2020 Rs 000
Financial Assets at Amortised Cost - Debt and Other Instruments		
Standing Deposit Facilities	-	7,720,954
Balances with Central Bank of Sri Lanka		
Non-Statutory Balance with Central Bank of Sri Lanka (Standing Deposit Facilities)	7,720,954	-
Financial Assets at Amortised Cost - Debt and Other Instruments		
Securities Purchased Under Resale Agreements	-	1,530,441
Reverse Repurchase Agreements	1,530,441	-
Financial Liabilities at Amortised Cost - Due to Debt Securities Holders		
Securities Sold under Resale Agreements	-	898,651
Repurchase Agreements	898,651	-
Other Liabilities		
Defined Benefit Plan - Retiring Gratuity Obligation	-	385,674
Retirement Benefit Obligations	385,674	-

The above reclassifications do not have a material impact on Profit or Loss, Other Comprehensive Income and Cash Flows presented in 2020.

13. Market Price of Ordinary Shares

Market Price Per Share	31/12/2021 (Rs.)		31/12/2020 (Rs.)	
	Voting	Non-Voting	Voting	Non-Voting
Last Traded Price	15.50	-	13.00	-
Highest Price for the Quarter	19.60	-	14.70	-
Lowest Price for the Quarter	15.10	-	11.50	-

Shareholders' Information

Major Shareholders as at 31st December 2021

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)	37,573,158	8.49
4	W.K. H Wegapitiya	27,303,169	6.17
5	K. D. H. Perera	23,305,998	5.27
6	P. J. Tay	21,917,994	4.95
7	K. D. A. Perera	19,200,000	4.34
8	Sri Lanka Samurdhi Authority	11,114,376	2.51
9	Imminent Technologies (Pvt) Ltd	10,637,697	2.40
10	Sri Lanka Savings Bank Limited	10,298,499	2.33
11	D. C. C. Joseph	6,000,000	1.36
12	H. Beruwalage	2,046,648	0.46
13	R. A. De Silva	1,311,505	0.30
14	DFCC Bank PLC/N. G. N. Maduranga	1,269,679	0.29
15	D. M. I. Dissanayake	1,260,101	0.28
16	Commercial Bank of Ceylon PLC/Andaradeniya Estate (Pvt) Ltd	1,220,458	0.28
17	D. R. Ponnampereuma	1,200,000	0.27
18	D. T. Beruwalage	1,161,448	0.26
19	T. G. S. Wickrama	1,037,153	0.23
20	M. B. U. N. Fernando	1,020,000	0.23
		377,986,359	85.41
	Others	64,575,270	14.59
	Total	442,561,629	100.00

Public holding as at 31st December 2021 was 54.93% in the hands of 6,370 public shareholders.

Float Adjusted Market Capitalisation as at 31st December 2021 was Rs. 3,768,036,093/- and the Bank complies with Option No. 04.

Directors' and Chief Executive Officer's Holding in Shares as at 31st December 2021

No	Name of Director	No. of Shares
1	S.B. Rangamuwa/Seylan Bank PLC	335,000
2	M. Y. A. Perera	-
3	M. A. Abeynaike	-
4	T. Murakami	-
5	J. D. N. Kekulawala	-
6	B. D. A. Perera	-
7	N. R. Tillekeratne	-