



INTERIM FINANCIAL STATEMENTS
For the 06 months ended 30th June 2010

Rupees in Thousands

Summarised Income Statement

| | For the Six months ended 30th June | | Change | For the Quarter Ended 30th June | | Change |
|---|---------------------------------------|------------------|----------|------------------------------------|----------------|----------|
| | 2 010 | 2 009 | % | 2 010 | 2 009 | % |
| Interest Income | 1,372,292 | 1,653,617 | (17) | 704,552 | 847,152 | (17) |
| Interest Income on Loans and Advances | 997,080 | 1,235,732 | (19) | 510,803 | 625,029 | (18) |
| Interest Income on Other Interest Earning Assets | 375,212 | 417,885 | (10) | 193,749 | 222,123 | (13) |
| Less: Interest Expenses | 656,237 | 1,005,783 | (35) | 328,289 | 498,161 | (34) |
| Interest Expense on Deposits | 602,934 | 869,244 | (31) | 302,292 | 438,569 | (31) |
| Interest Expense on Other Interest Bearing Liabilities | 53,303 | 136,539 | (61) | 25,997 | 59,592 | (56) |
| Net Interest Income | 716,055 | 647,834 | 11 | 376,263 | 348,991 | 8 |
| Non - Interest Income | 190,762 | 492,460 | (61) | 98,937 | 298,533 | (67) |
| Foreign Exchange Income | 54,679 | 38,977 | 40 | 28,958 | 11,893 | 143 |
| Other Income | 136,083 | 453,483 | (70) | 69,979 | 286,640 | (76) |
| Less: Non - Interest Expenses | 509,666 | 426,889 | 19 | 266,506 | 220,486 | 21 |
| Personnel Costs | 207,318 | 165,470 | 25 | 107,040 | 86,600 | 24 |
| Provision for Staff Retirement Benefits | 5,810 | 4,569 | 27 | 2,992 | 2,425 | 23 |
| Premises, Equipment and Establishment Expenses | 157,900 | 134,474 | 17 | 81,608 | 69,101 | 18 |
| Loss on Trading / Investment Securities | - | - | - | - | - | - |
| Other Operating Expenses | 138,638 | 122,376 | 13 | 74,866 | 62,360 | 20 |
| Less: Provision for Bad and Doubtful Debts and Loans Written Off | 15,837 | 162,939 | (90) | 7,615 | 81,416 | (91) |
| Provisions - General | 17,111 | (6,062) | (382) | 9,272 | (8,720) | (206) |
| Provisions - Specific | 27,888 | 179,265 | (84) | 17,137 | 93,868 | (82) |
| Recoveries (-) | (33,718) | (13,879) | 143 | (21,850) | (7,417) | 195 |
| Provisions - Others | - | - | - | - | - | - |
| Loans Written Off / (Recovered) | 4,556 | 3,615 | 26 | 3,056 | 3,685 | (17) |
| Less: Provision for Decline in Value of Investments (Net) | - | - | - | - | - | - |
| Operating Profit on Ordinary Activities Before Taxes | 381,314 | 550,466 | (31) | 201,079 | 345,622 | (42) |
| Less: Value Added Tax on Financial Services | 100,576 | 67,400 | 49 | 53,124 | 26,313 | 102 |
| Operating Profit on Ordinary Activities Before Corporate Tax | 280,738 | 483,066 | (42) | 147,955 | 319,309 | (54) |
| Share of Subsidiaries/Associate Companies' Profit | - | - | - | - | - | - |
| Operating Profit Before Corporate Tax | 280,738 | 483,066 | (42) | 147,955 | 319,309 | (54) |
| Less: Tax on Profits on Ordinary Activities | 129,957 | 183,917 | (29) | 64,682 | 112,619 | (43) |
| Operating Profit for the Period | 150,781 | 299,149 | (50) | 83,273 | 206,690 | (60) |
| Basic Earnings Per Share (Rs.) | 1.29 | 2.70 | (52) | 0.71 | 1.87 | (62) |

| Summarised Balance Sheet | | | |
|---|------------------------------------|--|-------------------------------------|
| | Current Period As at 30/06/2010 | Previous Period As at 31/12/2009 Audited | Previous Period As at 30/06/2009 |
| On-Balance Sheet Assets | | | |
| Cash in Hand | 567,768 | 563,463 | 473,746 |
| Balances with Central Bank of Sri Lanka / Other Central Banks | 1,565,359 | 1,317,769 | 1,264,448 |
| Due from Banks and Other Financial Institutions | 1,032,798 | 1,128,130 | 290,038 |
| Investments - Trading Account | 117,862 | 3,717,105 | 4,124,400 |
| Government Securities | 117,862 | 3,717,105 | 4,124,400 |
| Other Securities | - | - | - |
| Investments - Held-to-Maturity (Net of provisions made for decline in investment value) (Excluding Investments in Associates and Subsidiaries) | 6,457,078 | 3,014,482 | 1,179,354 |
| Government Securities | 6,405,480 | 2,940,596 | 1,077,824 |
| Other Securities | 51,598 | 73,886 | 101,530 |
| Investments in Associates and Subsidiaries | - | - | - |
| Total Loans and Advances | | | |
| Total Performing Loans and Advances | 12,329,451 | 9,872,088 | 10,662,821 |
| Bills of Exchange | 181,166 | 132,359 | 125,560 |
| Overdrafts | 3,589,558 | 3,470,674 | 3,868,622 |
| Lease Rentals Receivable | 435,617 | 480,964 | 498,095 |
| Other Loans | 8,123,110 | 5,788,091 | 6,170,544 |
| Total Non-performing Loans and Advances | 2,488,922 | 2,516,698 | 2,564,188 |
| Bills of Exchange | 52,140 | 39,337 | 78,194 |
| Overdrafts | 796,782 | 844,665 | 900,999 |
| Lease Rentals Receivable | 64,665 | 84,104 | 78,388 |
| Other Loans | 959,384 | 1,021,957 | 1,032,914 |
| Interest Receivables | 615,951 | 526,635 | 473,693 |
| Total Gross Loans and Advances | 14,818,373 | 12,388,786 | 13,227,009 |
| Less: | | | |
| Suspended Interest | 1,037,202 | 1,002,630 | 920,965 |
| Specific Loan Loss Provisions | 469,306 | 496,990 | 505,941 |
| General Loan Loss Provisions | 76,911 | 59,795 | 58,151 |
| Net Loans and Advances | 13,234,954 | 10,829,371 | 11,741,952 |
| Other Assets | 302,048 | 356,817 | 422,577 |
| Intangible Assets | 42,875 | 36,127 | 37,704 |
| Investment Properties | - | - | - |
| Property, Plant & Equipments (Net of accumulated depreciation of fixed assets) | 588,722 | 595,564 | 587,454 |
| Total On Balance Sheet Assets | 23,909,464 | 21,558,828 | 20,121,673 |
| On-Balance Sheet Liabilities | | | |
| Total Deposits | 17,883,199 | 16,328,703 | 14,766,627 |
| Demand Deposits | 2,793,537 | 3,207,311 | 1,588,182 |
| Savings Accounts | 2,083,030 | 2,083,448 | 1,607,762 |
| Time Deposits | 10,476,238 | 8,998,190 | 9,069,326 |
| Margin Deposits | 298,670 | 326,028 | 188,630 |
| Other Deposits | 2,231,724 | 1,713,726 | 2,312,727 |
| Total Borrowings | 1,674,854 | 1,376,779 | 1,618,186 |
| Borrowings from CBSL | 9,036 | 12,856 | 17,719 |
| Borrowings from Banks and Financial Institutions in Sri Lanka | 403,708 | 214,460 | 379,800 |
| Borrowings from Banks and Financial Institutions Abroad | 309,501 | 281,658 | 136,766 |
| Securities sold under Repurchase Agreements | 902,609 | 817,805 | 973,091 |
| Subordinated Term Debts | 50,000 | 50,000 | 110,810 |
| Other Borrowings | - | - | - |
| Deferred Taxation | 13,162 | 10,527 | 55,607 |
| Current Taxation | 265,922 | 245,564 | 246,240 |
| Other Liabilities | 1,499,324 | 1,617,594 | 1,544,020 |
| Total On Balance Sheet Liabilities | 21,336,461 | 19,579,167 | 18,230,680 |
| Minority Interest | - | - | - |
| Equity Capital and Reserves | 2,573,003 | 1,979,661 | 1,890,993 |
| Stated Capital (147,520,543 Ordinary Shares) | 1,548,966 | 1,106,404 | 1,106,404 |
| Statutory Reserve Fund | 61,837 | 61,837 | 42,446 |
| Total Other Reserves | 962,200 | 811,420 | 742,143 |
| Total On-Balance Sheet Liabilities and Equity Capital and Reserves | 23,909,464 | 21,558,828 | 20,121,673 |
| Off-Balance Sheet Items and Contra Accounts | 2,642,476 | 3,151,959 | 2,398,721 |
| Contingencies | 2,642,476 | 3,151,959 | 2,398,721 |
| Commitments and Contra Accounts | - | - | - |
| Net Asset Value per Share (Rs.) | 17.44 | 17.89 | 17.09 |
| Memorandum Information | | | |
| Number of Employees | 573 | 511 | 491 |
| Number of Branches | 37 | 35 | 33 |

Rupees in Thousands

Statement of Changes In Equity and Reserves - BANK

| For the Period Ended (30/06/2010) | Stated Capital | | | | | Reserves | | | | | |
|---|------------------------|----------------------------|---|------------------|---------------|--------------|---------------------|-----------------|---------------|------------------|-----------|
| | Ordinary Voting Shares | Ordinary Non-Voting Shares | Cumulative Redeemable Preference Shares | Assigned Capital | Share Premium | Reserve Fund | Revaluation Reserve | General Reserve | Other Reserve | Income Statement | Total |
| Balance as at 01/01/2009 | 1,106,404 | - | - | - | - | 42,446 | 17,858 | - | - | 425,136 | 1,591,844 |
| Issue of Share/Increase of Assigned Capital | - | - | - | - | - | - | - | - | - | - | - |
| Bonus Issue | - | - | - | - | - | - | - | - | - | - | - |
| Rights Issue | - | - | - | - | - | - | - | - | - | - | - |
| Surplus on Revaluation of Property, Plant & Equip | - | - | - | - | - | - | - | - | - | - | - |
| Net Profit for the period | - | - | - | - | - | - | - | - | - | 299,149 | 299,149 |
| Transfer to Reserves during the period | - | - | - | - | - | - | - | - | - | - | - |
| Dividend Paid | - | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - | - |
| Balance as at 30/06/2009 | 1,106,404 | - | - | - | - | 42,446 | 17,858 | - | - | 724,285 | 1,890,993 |
| Balance as at 01/01/2010 | 1,106,404 | - | - | - | - | 61,837 | 5,646 | - | - | 805,773 | 1,979,660 |
| Issue of Share/Increase of Assigned Capital | - | - | - | - | - | - | - | - | - | - | - |
| Bonus Issue | - | - | - | - | - | - | - | - | - | - | - |
| Rights Issue | 442,562 | - | - | - | - | - | - | - | - | - | 442,562 |
| Surplus on Revaluation of Property, Plant & Equip | - | - | - | - | - | - | - | - | - | - | - |
| Net Profit for the period | - | - | - | - | - | - | - | - | - | 150,781 | 150,781 |
| Transfer to Reserves during the period | - | - | - | - | - | - | - | - | - | - | - |
| Dividend Paid | - | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - | - |
| Balance as at 30/06/2010 | 1,548,966 | - | - | - | - | 61,837 | 5,646 | - | - | 956,554 | 2,573,003 |

* Number of Ordinary Shares as at 30th June 2009, Voting -147,520,543

Cash Flow Statement

| | From 01/01/10 To 30/06/10 | From 01/01/09 To 30/06/09 |
|---|------------------------------|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Interest Received | 1,445,512 | 1,613,819 |
| Fees & Commission Received | 149,943 | 319,900 |
| Interest Payments | (709,350) | (1,010,016) |
| Exchange Income | 54,679 | 38,977 |
| Cash Payments to Employees & Suppliers | (327,997) | (266,908) |
| Payments on Other Operating Activities | (239,215) | (189,777) |
| Operating Profit before changes in Operating Assets | 373,572 | 505,995 |
| (Increase)/Decrease in Operating Assets | | |
| Bills of Exchange | 54,425 | 103,287 |
| Loans and Advances | (2,444,585) | 32,090 |
| Other Assets | (80,314) | (194,207) |
| Lease Rentals Receivable | 64,787 | 97,630 |
| Treasury Bills / Bonds / Repos | 46,283 | (963,501) |
| | (1,985,832) | (418,706) |
| Increase/(Decrease) in Operating Liabilities | | |
| Deposits | 1,554,495 | 318,261 |
| Other Liabilities | (65,156) | 291,706 |
| Borrowings | 270,232 | 25,524 |
| Net Cash from Operating Activities before Income Tax | (226,261) | 216,785 |
| Taxation Paid | (106,963) | (59,240) |
| Net Cash from Operating Activities | (333,224) | 157,545 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investments / Realisation in Commercial Papers | - | 50,000 |
| Investments in Securities | 27,788 | (440,295) |
| Purchase of Property, Plant & Equipment | (32,434) | (34,462) |
| Acquisition of Intangible Assets | (10,509) | (9,414) |
| Proceeds from Sale of Property, Plant & Equipment | 5 | - |
| Net Cash Flows Used in Investing Activities | (15,150) | (434,171) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Right Issue | 442,562 | - |
| Proceeds from Proposed Debentures | - | - |
| Redemption of Debentures | - | - |
| Dividends Paid | - | - |
| Net Cash used in Financing Activities | 442,562 | - |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 94,188 | (276,626) |
| Cash and Cash Equivalents at the beginning of the period | 1,208,392 | 1,553,162 |
| Cash and Cash Equivalents at the end of the period | 1,302,580 | 1,276,536 |
| Reconciliation of Cash & Cash Equivalents | | |
| Cash & Short Term Funds | 601,396 | 567,824 |
| Balances with Central Bank of Sri Lanka | 1,010,685 | 845,478 |
| Due to Foreign Banks | (309,501) | (136,766) |
| | 1,302,580 | 1,276,536 |

Selected Performance Indicators

| | Current Period As at 30/06/10 | Previous Period As at 31/12/09 Audited |
|--|----------------------------------|--|
| Regulatory Capital Adequacy | Bank | |
| Core Capital (Tier 1 Capital), Rs. Mn | 2,537 | 1,974 |
| Total Capital Base, Rs. Mn | 2,625 | 2,050 |
| Core Capital Adequacy Ratio, % of Risk Weighted Assets (Minimum Requirement, 5%) | 19.24% | 15.94% |
| Total Capital Adequacy Ratio, % of Risk Weighted Assets (Minimum Requirement, 10%) | 19.91% | 16.56% |
| Assets Quality (Quality of Loan Portfolio) | | |
| Gross Non - Performing Advances Ratio, % (Without Interest in Suspense) | 10.51% | 13.17% |
| Net Non - Performing Advances Ratio, % (Net of Interest in Suspense and Provision) | 6.56% | 8.33% |
| Profitability (Annualized) | | |
| Interest Margin, % | 6.36% | 6.42% |
| Return on Assets (After Tax). % | 1.34% | 1.94% |
| Return on Equity, % | 13.76% | 20.86% |
| Regulatory Liquidity | | |
| Statutory Liquid Assets,-DBU Rs.Mn. | 7,519 | 7,040 |
| Statutory Liquid Assets,-Off Shore Banking Unit USD.Mn. | 0.4 | 0.4 |
| Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%) | | |
| Domestic Banking Unit | 37.53% | 41.69% |
| Off-Shore Banking Unit | 36.05% | 26.43% |

CERTIFICATION:

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

(Sgd)

Mangala Gamage

Chief Financial Officer

We, the undersigned, being the Chairman and Director/Chief Executive Officer of Pan Asia Bank 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 ; and
- (b) the information contained in these statements are true and correct to the best of our knowledge and belief.

(Sgd)

A. G. Weerasinghe
Chairman

(Sgd)

Claude Peiris
Director/Chief Executive Officer

EXPLANATORY NOTES

- (01) The above Financial Statements are drawn up from the unaudited accounts of the Bank, unless indicated as audited. These financial statements have been prepared in accordance with the Sri Lanka Accounting Standards.
- (02) Revaluation Reserve amount in respect of Fixed Assets revalued except Land, Building and Motor Vehicles.
- (03) There has not been significant changes in the nature of Contingent Liabilities which were disclosed in the Annual Report for the year ended 2009.
- (04) There are no changes to the accounting policies and methods of computation since the publication of the Annual Report for the year ended 2009.

(05) **Market Price of Shares**

| MARKET VALUE | 30/06/2010 (Rs.) | | 30/06/2009 (Rs.) | |
|---|------------------|------------|------------------|------------|
| | Voting | Non Voting | Voting | Non Voting |
| Market Value per Share | 32.00 | -- | 13.75 | -- |
| Highest Price Per Share for the Quarter | 36.50 | -- | 15.50 | -- |
| Lowest Price Per Share for the Quarter | 17.00 | -- | 9.25 | -- |

SHAREHOLDERS INFORMATION

MAJOR SHAREHOLDERS AS AT 30.06.2010

| No | Name | No.of Shares | % |
|----|--|--------------------|---------------|
| 1 | Mr. K D D Perera | 44,241,410 | 29.99 |
| 2 | HSBC Int'l NOM LTD – UBS AG SINGAPORE Branch (ex. SBC) | 13,846,723 | 9.39 |
| 3 | Dr. T Senthilverl | 9,309,153 | 6.31 |
| 4 | Mr. D C C Joseph | 8,505,101 | 5.77 |
| 5 | Mr. K D H Perera | 7,768,666 | 5.27 |
| 6 | Mr. P J Tay | 7,305,998 | 4.95 |
| 7 | Mr. K D A Perera | 6,400,000 | 4.34 |
| 8 | Sri Lanka Savings Bank Limited | 3,709,333 | 2.51 |
| 9 | Samurdhi Authority of Sri Lanka | 2,557,188 | 1.73 |
| 10 | Michelangelo Footwear (Private) Limited | 2,340,000 | 1.59 |
| 11 | First Capital Markets Ltd / Mr. W D N H Perera | 2,146,000 | 1.45 |
| 12 | Almar Trading Co (Pte) Ltd | 1,987,033 | 1.35 |
| 13 | Mr. A M A R A Zalalah | 1,906,666 | 1.29 |
| 14 | Seylan Bank PLC/Thirugnanasambandar Senthilverl | 1,845,136 | 1.25 |
| 15 | Favourite Garments Ltd | 1,500,000 | 1.02 |
| 16 | Mr. Y S H I K Silva | 1,082,266 | 0.73 |
| 17 | Lizzola Holdings Limited | 1,064,833 | 0.72 |
| 18 | Deshabandu D M I Dissanayake | 930,266 | 0.63 |
| 19 | Jayes Trading Company (Pvt) Ltd | 853,333 | 0.58 |
| 20 | Waldock Mackenzie Ltd/Mr. A F Munal & Mrs N Munas | 839,066 | 0.57 |
| | | 120,138,171 | 81.44 |
| | | | |
| | Others | 27,382,372 | 18.56 |
| | | | |
| | Total | 147,520,543 | 100.00 |
| | | | |

As per the Rule No. 8.7(h) of the Colombo Stock Exchange, percentage of Public holding as at 30.06 2010 is 68.45%

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S HOLDING IN SHARES AS AT 31ST DECEMBER 2009

| No | Name of Director | No.of Shares |
|----|---|--------------|
| 1 | Mr. A G Weerasinghe | 17,300 |
| 2 | Mr. W D N H Perera | 1,601,875 |
| 3 | Mr. J A S S Adhihetty | 35,000 |
| 4 | Mr. A A Page | 40,000 |
| 5 | Mr. R E U De Silva | - |
| 6 | Mr. M D S Goonatilleke | - |
| 7 | Ms. Kimarli Fernando | 175,000 |
| 8 | Mr. T C Peiris (Acting Chief Executive Officer) | - |