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GSM/AGK/MA

Board of Directors
Pan Asia Banking Corporation PLC
No. 450, Galle Road
Colombo 03

24 June 2020

Accountant's Report Pan Asia Banking Corporation PLC

Dear Sirs,

Introduction

This report has been prepared for the purpose of prospectus issued in connection with the Issue of Seven Million Five Hundred Thousand (7,500,000) Basel III compliant, Tier 2, unlisted, unsecured, subordinated redeemable debentures with a non viability conversion as directed by the Central Bank of Sri Lanka at the par value of Sri Lankan rupees one hundred (LKR 100/-) each by Pan Asia Banking Corporation PLC with an option to issue up to a further five million (5,000,000) of said debentures in the event of an oversubscription of the initial issue to raise up to a maximum amount of Sri Lankan rupees one billion two hundred and fifty million (LKR 1,250,000,000/-).

We have examined the Financial Statements of the Pan Asia Banking Corporation PLC (the "Bank") for the years ended 31 December 2015 to 31 December 2019, and report as follows.

1. Incorporation

Pan Asia Banking Corporation PLC (the "Bank") is a Licensed Commercial Bank established under the Banking Act No. 30 of 1988. It is a Public Limited Liability Company, incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange ("CSE"). The registered office of the Bank is located at No. 450, Galle Road, Colombo 3.

2. Financial Information

2.1 Five-year Summary of Audited Financial Statements

Summaries of Statements of Profit or Loss, Statements of Financial Position, Statement of Changes in Equity and Cash Flow Statements of the Bank for the financial years ended 31 December 2015 to 31 December 2019, based on the audited Financial Statements are set out in Annexure 01 to 04 respectively of the Accountant's Report.

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2.2 Audited Financial Statements for the Year Ended 31 December 2019

Our audit report on the Financial Statements of the Bank for the year ended 31 December 2019 together with such Financial Statements comprising the Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows along with the accounting policies and notes thereto is available on the website of CSE, www.cse.lk. Management of the Bank is responsible to ensure that such audited financial statements and the auditor's report on the website is identical to the signed financial statements and the auditor's report.

2.3 Audit Reports

We have audited the Financial Statements of the Bank for the years ended 31 December 2015 to 31 December 2019. Unmodified audit opinions have been issued for the said financial years by our reports dated 17 February 2016, 22 February 2017, 16 February 2018, 21 February 2019 and 17 February 2020 respectively.

2.4 Accounting Policies

The Financial Statements of the Bank for the years ended 31 December 2015 to 31 December 2019 comply with Sri Lanka Accounting Standards.

The accounting policies of the Bank are stated in detail in the audited Financial Statements of Pan Asia Banking Corporation PLC for the year ended 31 December 2019.

2.5 Dividends

Bank has paid dividends during the years ended 31 December 2015 to 31 December 2019 as follows.

Year	Dividend Paid (Rs. '000)	Dividend Per Share (Rs.)
2015	147,521	0.50
2016	-	-
2017	-	-
2018	-	-
2019	-	-



2.6 Key Financial ratios

The Debt to Equity Ratio and the Interest Cover of the Bank during the years ended 31 December 2015 to 31 December 2019 are as follows.

	2015	2016	2017	2018	2019
Interest Cover (times)	3.73	2.90	2.64	2.36	2.78
Debt to Equity (times)	1.87	1.97	1.30	1.42	0.69

The Debt to Equity Ratio and the Interest Cover of the Bank during the years ended 31 December 2015 to 31 December 2019 is based on the audited Financial Statements.

2.7 Events after Reporting Date

Other than those matters disclosed in note 45 to the financial statements for year ended 31 December 2019, there have been no events subsequent to such reporting period that has taken place up to the date of this report which requires adjustment of and/or disclosure in the financial statements for the year ended 31 December 2019.

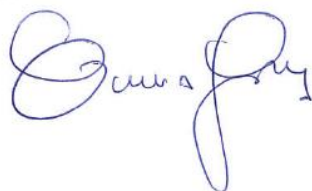
Subsequent to the release of the audited financial statements dated 17 February 2020, the outbreak of COVID 19, declared by the World Health Organization as a Global Pandemic on 11 March 2020 has impacted both local and global markets.

The Board of Directors of the Bank are currently continuously monitoring the impact of COVID-19 on its operations.

3. Restriction on Use

This report is made solely for the purpose of the Board of Directors of Pan Asia Banking Corporation PLC, required in connection with the application for the purpose of issue of seven million five hundred thousand (7,500,000) Basel III compliant, Tier 2, unlisted, unsecured, subordinated redeemable debentures with a non viability conversion as directed by the Central Bank of Sri Lanka at the par value of Sri Lankan rupees one hundred (LKR 100/-) each by Pan Asia Banking Corporation PLC with an option to issue up to a further five million (5,000,000) of said debentures in the event of an oversubscription of the initial issue to raise up to a maximum amount of Sri Lankan rupees one billion two hundred fifty million (LKR 1,250,000,000/-).

Yours faithfully,



Pan Asia Banking Corporation PLC
STATEMENTS OF COMPREHENSIVE INCOME
Year ended 31 December

	2019 Rs.	2018 Rs.	2017 Rs.	2016 Rs.	2015 Rs.
GROSS INCOME	21,907,662,058	21,672,193,468	17,684,671,541	15,144,742,246	10,759,137,567
Interest Income	19,416,605,852	19,157,135,662	15,616,013,593	13,366,542,935	9,038,970,898
Interest Expense	(12,782,017,370)	(12,638,841,101)	(10,909,740,117)	(8,733,164,415)	(5,076,382,144)
NET INTEREST INCOME	6,634,588,482	6,518,294,561	4,706,273,476	4,633,378,520	3,962,588,754
Fees and Commission Income	1,605,877,008	1,626,409,880	1,408,275,735	1,175,173,525	816,458,748
Fees and Commission Expense	(60,559,052)	(106,728,749)	(96,332,332)	(69,452,631)	(48,430,131)
NET FEE AND COMMISSION INCOME	1,545,317,956	1,519,681,131	1,311,943,403	1,105,720,894	768,028,617
Net Gain from Trading	649,576,876	476,429,859	391,397,813	275,095,387	303,958,013
Net Gain from Financial Investments	-	-	823,500	382,500	162,000
Other Operating Income	235,602,322	412,218,067	268,160,900	327,547,899	599,587,908
TOTAL OPERATING INCOME	9,065,085,636	8,926,623,618	6,678,599,092	6,342,125,200	5,634,325,292
Impairment Charges	1,136,842,858	2,017,146,532	494,385,950	528,108,430	750,525,148
NET OPERATING INCOME	7,928,242,778	6,909,477,086	6,184,213,142	5,814,016,770	4,883,800,144
Personnel Expenses	1,973,309,656	1,863,074,115	1,624,034,615	1,613,604,180	1,389,141,825
Other Operating Expenses	2,552,253,935	2,445,747,486	2,108,244,978	1,922,211,075	1,590,658,016
TOTAL OPERATING EXPENSES	4,525,563,591	4,308,821,601	3,732,279,593	3,535,815,255	2,979,799,841
OPERATING PROFIT BEFORE TAXES AND LEVIES ON FINANCIAL SERVICES	3,402,679,187	2,600,655,485	2,451,933,549	2,278,201,515	1,904,000,303
Taxes and Levies on Financial Services	1,088,540,188	690,998,636	576,477,542	483,265,444	361,870,606
PROFIT BEFORE TAX	2,314,138,999	1,909,656,849	1,875,456,007	1,794,936,071	1,542,129,697
Income Tax Expense	563,569,904	368,014,002	484,954,113	543,231,249	501,611,752
PROFIT FOR THE YEAR	1,750,569,095	1,541,642,847	1,390,501,894	1,251,704,822	1,040,517,945
OTHER COMPREHENSIVE INCOME FOR THE YEAR					
Revaluation Surplus on Property, Plant and Equipment	455,092,963	-	547,962,764	-	-
Deferred Tax Effect on Above	(127,426,030)	-	(175,463,878)	-	-
	327,666,933	-	372,498,886	-	-
Actuarial Gains/(Losses) on Defined Benefit Plans	5,429,059	25,531,522	(42,425,727)	(7,377,697)	(2,602,554)
Deferred Tax Effect on Above	(1,520,137)	(7,148,826)	11,879,204	2,065,755	728,715
	3,908,922	18,382,696	(30,546,523)	(5,311,942)	(1,873,839)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	331,575,855	18,382,696	341,952,363	(5,311,942)	(1,873,839)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,082,144,950	1,560,025,543	1,732,454,257	1,246,392,880	1,038,644,106
Earnings Per Share - Basic/Diluted	3.96	3.48	3.31	4.01	3.53
Dividends Per Share	-	-	-	-	0.50


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Chief Financial Officer


Above summarized Financial information and its extraction from the Audited Financial Statements, is the responsibility of Board of Directors.


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Chairman


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Director/Chief Executive Officer

Pan Asia Banking Corporation PLC
STATEMENTS OF FINANCIAL POSITION
As at 31 December

	2019 Rs.	2018 Rs.	2017 Rs.	2016 Rs.	2015 Rs.
ASSETS					
Cash and Cash Equivalents	1,708,269,215	2,214,106,348	1,665,040,665	1,703,449,614	1,393,268,199
Balances with Central Bank of Sri Lanka	5,333,199,577	6,481,993,762	6,884,017,912	6,218,564,125	4,166,740,570
Placements with Banks	-	-	237,368,087	75,096,992	-
Derivative Financial Instruments	443,298	209,701	16,091,393	26,279,628	1,543,767
Financial Assets - Held for Trading	-	-	4,549,189,029	629,744,707	14,706,753
Loans and Receivables to Banks	-	-	653,087,844	754,131,408	944,835,683
Loans and Receivables to Other Customers	-	-	109,139,936,050	95,833,759,322	84,185,516,138
Financial Investments - Available for Sale	-	-	6,157,847	6,157,847	6,157,847
Financial Investments - Held to Maturity	-	-	12,287,192,426	21,753,428,446	14,667,281,738
Financial Assets at Fair Value through Profit or Loss	168,176,768	11,628,595	-	-	-
Financial Assets at Amortized Cost					
-Loans and Advances	111,187,855,278	108,168,861,465	-	-	-
-Debt and Other Instruments	30,080,088,461	34,074,557,579	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	6,157,847	6,157,847	-	-	-
Property, Plant and Equipment	2,333,961,113	1,934,573,939	1,989,970,519	1,489,391,189	1,470,347,845
Right-of-Use Asset	911,836,800	-	-	-	-
Intangible Assets	280,851,974	305,083,081	284,390,317	315,704,246	329,127,199
Deferred Tax Assets	-	4,931,302	-	-	-
Other Assets	968,855,145	824,179,204	789,242,975	645,371,728	603,445,928
TOTAL ASSETS	152,979,695,476	154,026,282,823	138,501,685,064	129,451,079,252	107,782,971,667
LIABILITIES					
Due to Banks	521,836,342	1,744,206,845	2,497,901,244	14,238,391,649	7,515,609,587
Derivative Financial Instruments	107,293	114,235	7,366,561	-	2,135,543
Due to Other Customers	-	-	107,193,029,640	91,456,409,639	77,697,054,969
Term Debt and Other Borrowed Funds	-	-	8,465,786,791	6,762,947,720	7,096,951,451
Financial Liabilities at Amortized Cost					
-Due to Depositors	122,544,024,040	118,627,348,744	-	-	-
-Due to Debt Securities holders	11,944,842,751	13,295,604,446	-	-	-
Debentures Issued	-	5,809,186,153	7,147,051,848	7,950,170,874	7,914,585,687
Current Tax Liabilities	752,287,378	785,735,048	550,341,567	411,032,731	114,935,472
Deferred Tax Liabilities	132,780,476	-	630,734,284	445,769,180	391,739,422
Other Provisions and Accruals	187,602,599	208,398,012	229,535,579	170,399,266	190,688,114
Other Liabilities	3,567,426,391	2,309,046,084	1,110,050,321	1,143,812,823	1,085,998,389
TOTAL LIABILITIES	139,650,907,270	142,779,639,567	127,831,797,835	122,578,933,882	102,009,698,634
EQUITY					
Stated Capital	3,614,253,304	3,614,253,304	3,614,253,304	1,548,965,702	1,548,965,702
Retained Earnings	8,231,159,133	6,557,388,818	6,050,894,180	4,754,101,424	3,711,604,606
Revaluation Reserve	944,658,721	623,812,541	630,633,294	264,496,888	270,706,610
Statutory Reserve Fund	538,717,048	451,188,593	374,106,451	304,581,356	241,996,115
TOTAL EQUITY	13,328,788,206	11,246,643,256	10,669,887,229	6,872,145,370	5,773,273,033
TOTAL LIABILITIES AND EQUITY	152,979,695,476	154,026,282,823	138,501,685,064	129,451,079,252	107,782,971,667
Commitments and Contingencies	46,999,029,226	44,169,941,089	32,426,389,393	25,458,172,467	26,223,207,833


Chief Financial Officer

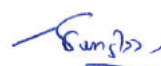
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Chairman


Director/Chief Executive Officer

Pan Asia Banking Corporation PLC
STATEMENTS OF CHANGES IN EQUITY
Year Ended 31 December

	Stated Capital		Reserves			Total
	Ordinary Voting Shares	Retained Earnings	Statutory Reserved Fund	Investment Fund	Revaluation Reserve	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 January 2015	1,548,965,702	2,718,776,673	189,970,219	-	276,916,333	4,734,628,927
Profit for the Year	-	1,040,517,945	-	-	-	1,040,517,945
Other Comprehensive for the Year	-	(1,873,839)	-	-	-	(1,873,839)
Transfer to Statutory Reserve Fund	-	(52,025,896)	52,025,896	-	-	-
Realisation of Revaluation Reserve	-	6,209,723	-	-	(6,209,723)	-
Balance as at 31 December 2015	1,548,965,702	3,711,604,606	241,996,115	-	270,706,610	5,773,273,033
Profit for the Year	-	1,251,704,822	-	-	-	1,251,704,822
Other Comprehensive for the Year	-	(5,311,942)	-	-	-	(5,311,942)
Transfer to Statutory Reserve Fund	-	(62,585,241)	62,585,241	-	-	-
Final Cash Dividends - 2015	-	(147,520,543)	-	-	-	(147,520,543)
Realisation of Revaluation Reserve	-	6,209,722	-	-	(6,209,722)	-
Balance as at 31 December 2016	1,548,965,702	4,754,101,424	304,581,356	-	264,496,888	6,872,145,370
Profit for the Year	-	1,390,501,894	-	-	-	1,390,501,894
Other Comprehensive for the Year	-	(30,546,523)	-	-	372,498,886	341,952,363
Transfer to Statutory Reserve Fund	-	(69,525,095)	69,525,095	-	-	-
Realisation of Revaluation Reserve	-	6,362,480	-	-	(6,362,480)	-
Right Issue of Shares	2,065,287,602	-	-	-	-	2,065,287,602
Balance as at 31 December 2017	3,614,253,304	6,050,894,180	374,106,451	-	630,633,294	10,669,887,229
Impact of Adopting SLFRS 9	-	(1,365,652,105)	-	-	-	(1,365,652,105)
Deferred Tax Impact on Above	-	382,382,589	-	-	-	382,382,589
Restated Opening balance under SLFRS 9	3,614,253,304	5,067,624,664	374,106,451	-	630,633,294	9,686,617,713
Profit for the Year	-	1,541,642,847	-	-	-	1,541,642,847
Other Comprehensive for the Year	-	18,382,696	-	-	-	18,382,696
Transfer to Statutory Reserve Fund	-	(77,082,142)	77,082,142	-	-	-
Realisation of Revaluation Reserve	-	6,820,753	-	-	(6,820,753)	-
Balance as at 31 December 2018	3,614,253,304	6,557,388,818	451,188,593	-	623,812,541	11,246,643,256
Profit for the Year	-	1,750,569,095	-	-	-	1,750,569,095
Other Comprehensive for the Year	-	3,908,922	-	-	327,666,933	331,575,855
Transfer to Statutory Reserve Fund	-	(87,528,455)	87,528,455	-	-	-
Realisation of Revaluation Reserve	-	6,820,753	-	-	(6,820,753)	-
Balance as at 31 December 2019	3,614,253,304	8,231,159,133	538,717,048	-	944,658,721	13,328,788,206



Chief Financial Officer

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Chairman



Director/Chief Executive Officer

Pan Asia Banking Corporation PLC

CASH FLOW STATEMENTS

Year ended 31 December

	2019 Rs.	2018 Rs.	2017 Rs.	2016 Rs.	2015 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit Before Tax	2,314,138,999	1,909,656,849	1,875,456,007	1,794,936,071	1,542,129,697
<i>Adjustment for:</i>					
Other Non Cash Items Included in Profit Before Tax	1,602,000,804	2,275,561,692	768,636,943	795,988,820	1,008,752,993
Change in Operating Assets	608,163,535	(18,619,190,241)	(18,418,100,235)	(14,719,170,509)	(16,648,852,565)
Change in Operating Liabilities	2,363,146,342	14,268,920,225	4,569,929,335	17,568,934,772	21,358,683,306
Interest Expense on Debentures	454,862,881	668,258,236	739,574,778	796,010,093	477,681,762
Interest Expense on Lease Liability	101,630,636	-	-	-	-
Interest Expense on Term Borrowings	847,112,868	738,304,432	407,222,309	155,779,260	86,898,255
Defined Benefit Plan Costs Paid	(25,359,850)	(27,834,345)	(30,578,917)	(11,697,957)	(8,025,278)
Income Tax Paid	(588,251,962)	(393,052,344)	(336,144,052)	(205,159,294)	(99,352,639)
Net Cash Flows Generated from/(Used in) Operating Activities	7,677,444,253	820,624,504	(10,424,003,832)	6,175,621,256	7,717,915,531
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Property, Plant and Equipment	(98,326,479)	(104,737,826)	(134,338,177)	(213,585,135)	(191,356,506)
Proceeds from the Sale of Property, Plant and Equipment	776,810	2,798,352	125,468	6,208,819	74,246
Net Proceeds from Financial Investments - Held to Maturity	-	-	9,466,236,020	(7,086,146,708)	(12,103,924,550)
Purchase of Intangible Assets	(13,207,997)	(55,063,651)	(1,750,823)	(19,289,296)	(321,225,461)
Net Cash Flows Generated from/(Used in) Investing Activities	(110,757,666)	(157,003,125)	9,330,272,488	(7,312,812,320)	(12,616,432,271)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the Issue of Debentures	-	-	-	-	4,000,000,000
Proceeds from the Right Issue	-	-	2,065,287,602	-	-
Net Proceeds from Term Borrowings	(637,240,000)	2,370,094,225	1,074,850,000	2,579,332,500	1,442,100,000
Redemption of Debentures	(5,690,855,300)	(1,309,144,700)	(750,000,000)	-	-
Interest Paid on Debentures	(573,193,734)	(703,260,306)	(792,693,804)	(760,424,906)	(398,050,929)
Interest Paid on Term Borrowings	(861,852,688)	(709,613,002)	(379,850,308)	(148,917,580)	(86,670,065)
Dividends Paid to Equity Holders	-	-	-	(147,520,543)	-
Repayment of Principal Portion of Lease Liability	(206,370,814)	-	-	-	-
Interest Paid on Lease Liability	(101,630,636)	-	-	-	-
Net Cash Flows Generated from/(Used in) Financing Activities	(8,071,143,172)	(351,923,783)	1,217,593,490	1,522,469,471	4,957,379,006
Net Increase/(Decrease) in Cash & Cash Equivalents	(504,456,585)	311,697,596	123,862,146	385,278,407	58,862,266
Cash and Cash Equivalents at 1 January	2,214,106,348	1,902,408,752	1,778,546,606	1,393,268,199	1,334,405,933
Cash and Cash Equivalents at 31 December	1,709,649,763	2,214,106,348	1,902,408,752	1,778,546,606	1,393,268,199



Chief Financial Officer

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Chairman



Director/Chief Executive Officer