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PAN ASIA BANK

DEBENTURE ISSUE - 2014
PROSPECTUS

Share in our ***Bounty***

JOINT MANAGERS TO THE ISSUE

Peoples Bank
Investment Banking Unit

Capital Alliance

PAN ASIA BANK

NAVARA CAPITAL PARTNERS LIMITED

PAN ASIA BANK

PROSPECTUS

AN INITIAL ISSUE OF TWENTY MILLION (20,000,000) RATED UNSECURED SUBORDINATED REDEEMABLE DEBENTURES AT THE FACE VALUE OF LKR 100/- EACH TO RAISE RUPEES TWO BILLION (LKR 2,000,000,000/-) WITH AN OPTION TO ISSUE UPTO A FURTHER TEN MILLION (10,000,000) OF SAID DEBENTURES TO RAISE UPTO RUPEES ONE BILLION (LKR 1,000,000,000) AT THE DISCRETION OF THE BANK IN THE EVENT OF AN OVER SUBSCRIPTION OF THE INITIAL ISSUE.

TO BE LISTED ON THE COLOMBO STOCK EXCHANGE

Rated BBB by Lanka Rating Agency Limited

ISSUE OPENS ON 24th OCTOBER, 2014

The delivery of this Prospectus shall not under any circumstance constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this Prospectus.

If you are in any doubt regarding the contents of this document or if you require any clarification or advice in this regard, you should consult your Stock Broker, Bank Manager, Lawyer or any other Professional Advisor.

PROSPECTUS

This Prospectus is dated 13th October, 2014.

Responsibility for the content of the Prospectus

This Prospectus has been prepared from information provided by Pan Asia Banking Corporation PLC (hereinafter referred to as the "Bank", or the "Issuer") and from the publicly available sources.

The Directors of the Bank have seen and approved this Prospectus and collectively and individually, accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, the information contained herein is true and correct in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading or inaccurate.

Where representations regarding the future performance of the Bank have been given in this Prospectus, such representations have been made after due and careful enquiry of the information available to the Bank and making assumptions that are considered to be reasonable at the present point in time in their best judgment.

The Bank accepts responsibility for the information contained in this Prospectus. While the Bank has taken reasonable care to ensure full and fair disclosure of pertinent information, it does not assume responsibility for any investment decisions made by the investors based on the information contained herein. In making such investment decisions, prospective investors are advised to read the Prospectus and rely on their own examination and assessment of the Bank and the terms of the Debentures issued including the risks associated.

FOR ENQUIRIES PLEASE CONTACT MANAGERS TO THE ISSUE

The Colombo Stock Exchange ("CSE') has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, CSE assumes no responsibility for accuracy of the statements made, opinions expressed or reports included in this Prospectus. Moreover, the CSE does not regulate the pricing of Debentures which is decided solely by the issuer.

Registration of the Prospectus

A copy of the Prospectus has been delivered to the Registrar of Companies for registration in compliance with the provisions of section 40 of the Companies Act No.7 of 2007. The following are the documents attached to the copy of the Prospectus delivered to the Registrar of Companies for registration pursuant to section 40(1) of the Companies Act.

a) The written consent of the external Auditors and Reporting Accountants for the inclusion of their name in the Prospectus as external Auditors and Reporting Accountants to the Issue and to the Bank.
b) The written consent of the Trustee to the Issue for the inclusion of their name in the Prospectus as Trustee to the Issue.
c) The written consent of the Bankers to the Issue for the inclusion of their name in the Prospectus as Bankers to the Issue.
d) The written consent of the Company Secretary for the inclusion of the name in the Prospectus as Company Secretary to the Bank.
e) The written consent of the Joint Managers to the Issue for the inclusion of their names in the Prospectus as Joint Managers to the Issue.
f) The written consent of the Registrars to the Issue for the inclusion of the name in the Prospectus as Registrars to the Issue.
g) The written consent of the Lawyers to the Issue for the inclusion of their name in the Prospectus as Lawyers to the Issue.
h) The written consent of the Rating Agency to the Issue for the inclusion of their name in the Prospectus as Lawyers to the Issue.
i) The declaration made and subscribed to, by each of the Directors of the Bank herein named as a Director, jointly and severally confirming that each of them have read the provisions of the Companies Act and the CSE Listing Rules relating to the Issue of the Prospectus and that those provisions have been complied with.

The said external Auditors and Reporting Accountants to the Issue and to the Bank, Trustee to the Issue, Bankers to the Issue, Company Secretary, Joint Managers to the Issue, Registrars to the Issue, Lawyers to the Issue, Rating Agency, have not, before the delivery of a copy of the Prospectus for registration with the Registrar General of Companies in Sri Lanka withdrawn such consent.

Registration of the Prospectus in Jurisdictions Outside of Sri Lanka

This issue as contemplated in this Prospectus is made in Sri Lanka and is subject to the exclusive jurisdiction of the courts of Sri Lanka.

Representation

The Debentures are issued solely on the basis of the information contained and representations made in this Prospectus. No dealer, sales person, individual or any other outside party has been authorized to give any information or to make any representation in this connection with the issue other than the information and representations contained in this Prospectus and if given or made such information or representations must not be relied upon as having been authorized by the Bank.

Forward looking Statements

Any Statements including in this Prospectus that are not statements of historical fact constitute “Forward Looking Statements”. These can be identified by the use of forward looking terms such as “expect”, “anticipate”, “intend”, “may”, “plan to”, “believe”, “could” and similar terms or variations of such terms. However, these words are not the exclusive means of identifying forward Looking Statements. As such, all or any statements pertaining to expected financial position, business strategy, plans and prospects of the Bank are classified as forward looking Statements.

Such forward Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Bank operates and its ability to respond to them, the Bank’s ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, interest rate volatilities, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Bank.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by forward looking statements herein. Forward Looking Statements are also based on numerous assumptions regarding the Bank's present and future business strategies and the environment in which the Bank will operate in the future.

Given the risk and uncertainties that may cause the Bank's actual future results, performance or achievements to materially differ from that expected, expressed or implied by forward looking statements in this Prospectus, investors are advised not to place sole reliance on such statements.

Presentation of currency Information and other Numerical Data

The financial statements of the Bank and currency values of economic data or industry data in a local context will be expressed in Sri Lanka Rupees. References in the Prospectus to "LKR", "Rupees" or "Rs." is the lawful currency of Sri Lanka.

Certain numerical figures in the Prospectus have been subject to rounding adjustments, accordingly numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

IMPORTANT

All applicants should indicate in the application for Debentures, their Central Depository Systems (Private) Limited (CDS) account number.

In the event the name, address or NIC number/passport number/company number of the applicant mentioned in the application form differ from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/passport number/company number as per the CDS records will prevail and be considered as the name, address or NIC number/passport number/company number of such applicant. Therefore applicants are advised to ensure that the name, address or NIC number/passport number/company number mentioned in the application form tally with the name, address or NIC number/passport number/company number given in the CDS account as mentioned in the application form.

As per the directive of the Securities and Exchange Commission made under Circular No.08/2010 dated 22nd November 2010 and Circular No.13/2010 issued by the CDS dated 30th November 2010, all Debentures are required to be directly deposited in to the CDS. To facilitate compliance with this directive, all applications are required to indicate their CDS account number.

In line with this directive, THE DEBENTURES ALLOTTED TO AN APPLICANT WILL BE DIRECTLY DEPOSITED IN THE CDS ACCOUNT OF SUCH APPLICANT, the details of which is indicated in his/her application form. If the CDS account number indicated in the application form is found to be inaccurate /incorrect or there is no CDS number indicated, the application will be rejected and no allotments will be made.

PLEASE NOTE THAT DEBENTURE CERTIFICATES WILL NOT BE ISSUED.

Applicants who wish to open a CDS account, may do so through a Member/Trading Member of the CSE as set out in Annexure I or through any Custodian Bank as set out in Annexure II of this Prospectus.

ISSUE AT A GLANCE

Issuer	Pan Asia Banking Corporation PLC
Instrument	Rated Unsecured Subordinated Redeemable Debentures 2014/2019
Listing	The Debentures will be **listed** on the Colombo Stock Exchange
Number of Debentures to be issued	An initial Issue of Twenty Million (20,000,000) Rated Unsecured Subordinated Redeemable Debentures with an option to issue up to a further Ten Million (10,000,000) of said Debentures at the discretion of the Bank in the event of an over subscription of the initial issue.
Total value of the Debenture issue	Rupees Two Billion (LKR 2,000,000,000/-) with an option to issue upto a further Rupees One Billion (LKR 1,000,000,000) at the discretion of the Bank in the event of an over subscription of the initial issue.
Type of Debentures	Rated Unsecured Subordinated Redeemable Five (05) year transferable fully paid Debentures, categorized as Debentures of **Type A and B** as described below. **Type A** Rated Unsecured Subordinated Redeemable 5 Year Debentures carrying a fixed interest rate of 9.75% per annum on the principal sum, payable annually. (Annual effective rate of 9.75% on the principal sum). **Type B** Rated Unsecured Subordinated Redeemable 5 year Debentures carrying a fixed interest rate of 9.5233% per annum on the principal sum, payable semi annually. (Annual effective rate of 9.75% on the principal sum).
Method of payment of principal sum and interest	By cheque marked "Account payee only" or through electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as SLIPS and RTGS
Face Value	LKR 100/- per each Debenture
Issue Price	LKR 100/- per each Debenture
Minimum Subscription	The minimum subscription per application is LKR 10,000 or 100 Debentures of any type. Applications in excess of the minimum subscription shall be in multiples of Rupees Ten Thousand (LKR 10,000/-) or One Hundred Debentures (100) of any type.
Bank Rating	Lanka Rating Agency Limited has assigned "BBB+" and "P2" as Bank's long term and short term rating respectively.
Issue Rating	Lanka Rating Agency Limited has assigned a rating of "BBB"

Dates of Interest Payment

The interest payments on the Debentures will be made by the Bank within **Three (03) working days** from the due dates mentioned below except the final interest payment which will be made with the repayment of the principal sum on the date of maturity / redemption of the Debentures.

Debentures of Type A

Each year from the date of allotment up to the date of redemption.

Debentures of Type B

Every six months from the date of allotment up to the date of redemption.

Interest calculation shall be based upon the actual number of days in each interest payment period (actual /actual).

In order to accommodate the Debenture interest cycles in the automated trading system, the payment of interest shall not include Debenture holders holding Debentures in the automated trading system as at the last day of the payment cycle but one day prior to the due date of interest (entitlement date). If the entitlement date is, a holiday interest shall be calculated including the entitlement date.

Issue opening date

24th October, 2014.

Date of Allotment

The date on which the Debentures will be allotted by the Bank to applicants subscribing thereto.

Date of closure of the issue

13th November, 2014 or such earlier date on which;

- The maximum of 30,000,000 Debentures are fully subscribed; or
- Board of Directors of the Bank decides to close the issue upon the initial issue of 20,000,000 Debentures becoming fully subscribed or such other higher amount less than the maximum amount referred to above becoming fully subscribed.

Basis of allotment

In the event of an over subscription of the initial Twenty Million (20,000,000) Debentures or the entire Thirty million (30,000,000) debentures (as the case may be), the Board of Directors of the Bank will endeavour to decide the basis of allotment of the Debentures in a fair manner as soon as practicable and notified to the CSE.

Date of Maturity

On completion of Five (05) years from the date of allotment of the Debentures.

TABLE OF CONTENTS

1.0 PARTIES TO THE ISSUE

Joint Managers to the Issue	People's Bank Investment Banking Unit People's Bank Head office, 13th floor, No.75, Sir Chittampalam A Gardiner Mawatha Colombo 02, Sri Lanka Tel: +94- 11 - 2206795-6 Fax: +94 -11 -2458842	Capital Alliance Partners Limited Level 5 "Millennium House" 46/58 Navam Mawatha Colombo 2, Sri Lanka Tel: +94 -11- 2317777 Fax: +94- 11- 2317798
	Nayantha Fernando Company Secretary Pan Asia Banking Corporation PLC No. 450, Galle Road, Colombo 03. Tel: +94-11-4667610 Fax : + 94- 11- 2301844	Navara Capital Partners Limited No 12 B, Gregory's Road, Colombo 07, Sri Lanka. Tel: +9411 4378386 Fax: + 94 11 2698524
Financial Advisors	Pan Asia Banking Corporation PLC No. 450, Galle Road, Colombo 03, Sri Lanka. Tel: +94-11-2565565 Fax: +94-11-2565558	
Trustees to the issue	Deutsche Bank AG, Colombo Branch, No 86, Galle Road, Colombo 03, Sri Lanka. Tel: +94-11-4791137 Fax: +94-11-2343336	
Secretary and Registrars to the issue	Nayantha Fernando, Company Secretary, Pan Asia Banking Corporation PLC, No. 450, Galle Road, Colombo 03, Sri Lanka. Tel: +94-11-4667610 Fax: +94-11-2301844	
Lawyers to the Issue	Varuni Egodage, Attorney-at-Law, Pan Asia Banking Corporation PLC No. 450, Galle Road, Colombo 03, Sri Lanka. Tel: +94-11- 4667405 Fax:+94-11-2565573	
Bankers to the issue	Pan Asia Banking Corporation PLC No. 450, Galle Road, Colombo 03, Sri Lanka. Tel: +94-11-2565565 Fax: +94-11-2565558	
Auditors and Reporting Accountants	M/s Ernst & Young Chartered Accountants No. 201, De Saram Place Colombo 10, Sri Lanka. Tel: +94- 11 -2463500 Fax: +94-11-2697369	

2.0 CORPORATE INFORMATION

The Bank /Issuer	Pan Asia Banking Corporation PLC
Legal Form	A Public Limited Liability Company incorporated in Sri Lanka on 06th March, 1995 under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007 on 24th July 2007. A Licensed Commercial Bank under the Banking Act No. 30 of 1988 and listed on the Colombo Stock Exchange, on the 05th of April, 2005.
Company Registration No.	PQ 48
Registered Office	Pan Asia Banking Corporation PLC No. 450, Galle Road, Colombo 03, Sri Lanka. Tel: +94- 11 -2565565 Fax: +94- 11 -2565558
Rating Agency	Lanka Rating Agency Limited No. 11, Melbourne Avenue, Colombo 04, Sri Lanka. Tel: + 94 11 2 553 089 Fax : + 94 11 2 553 090
Board of Directors	Mr. W D N H Perera (Chairman) Mr. R E U De Silva (Deputy Chairman) Mr. H K Seneviratne (Senior Director) Mr. M D S Goonatilleke Mr. T G Thoradeniya Mr. G A R D Prasanna Mr. T Igarashi Mr. T Murakami Mr. S B Rangamuwa Mr. P L D N Seneviratne (Chief Executive Officer)
Company Secretary	Nayantha Fernando Attorney-at - Law, Pan Asia Banking Corporation PLC, No.450, Galle Road, Colombo 03, Sri Lanka. Tel: +94- 11 -4667610 Fax: +94-11-2301844

3.0 LIST OF ABBREVIATIONS

CDS	Central Depository Systems (Pvt) Limited
AER	Annual Effective Rate
CBSL	Central Bank of Sri Lanka
NIC	National Identity Card
POA	Power of Attorney
RTGS	Real Time Gross Settlement
SEC	Securities & Exchange Commission of Sri Lanka
SLIPS	Sri Lanka Inter Bank Payment System
ATS	Automated Trading System of the Colombo Stock Exchange
SIA	Securities Investment Account

4.0 GLOSSARY OF TERMS RELATED TO THE ISSUE

Applicant	Any person who submits an application form under this Prospectus.
Application Form/Application	The application form that constitutes part of this Prospectus through which an applicant may apply for the Debenture in Issue.
Closure Date	13th November, 2014 or such earlier date on which; • The maximum of 30,000,000 Debentures are fully subscribed; or • Board of Directors of the Bank decides to close the issue upon the initial issue of 20,000,000 Debentures becoming fully subscribed or such other higher amount less than the maximum amount referred to above becoming fully subscribed.
Bank/Issuer	Pan Asia Banking Corporation PLC.
Date of Allotment	The date on which the Debentures will be allotted by the Bank to applicants subscribing thereto.
Date of Redemption	The date on which redemption of the Debentures will take place as referred to in section 5.7 of the Prospectus.
Debentures	Rated Unsecured Subordinated Redeemable Debentures to be issued pursuant to this Prospectus.
Face Value	LKR 100/- per each Debenture
Debenture Holders	Any person who is for the time being the holder of the Debentures and includes his/her respective successors in title.
Interest Payment Date(s)	**Debentures of Type A** **Each year** from the date of allotment up to the date of redemption. **Debentures of Type B** **Every six months** from the date of allotment up to the date of redemption. Interest would be paid not later than three (03) working days from each interest payment date.

Interest Period	The period between two interest payment dates, which is inclusive of the previous interest payment date and the date immediately preceding the interest payment date.
First interest Period	The period commencing from the date of allotment and ending on the date immediately preceding the first interest payment date (inclusive of the aforementioned commencement date)
Final Interest Period	The period commencing from the Last Interest payment date before the date of redemption and ending on the date immediately preceding to the date of redemption.
Non- Resident(s)	Foreign Institutional investors, corporate bodies incorporated outside Sri Lanka, individual's resident outside Sri Lanka and Sri Lankans resident outside Sri Lanka.
Issue	The offer of Debentures pursuant to this Prospectus.
Issue Price	LKR 100/- per each Debenture
Prospectus	This Prospectus dated 13th October, 2014 issued by the Bank.
Subordinated	The claims of the Debenture holders shall in the event of winding up of the Bank, rank after all the claims of secured and other unsecured creditors of the Bank and any preferential claims under any statues governing the Bank but in priority to and over the claims and rights of the Shareholder/s of the Bank.
Registered Address	The address provided by the Debenture holders to the CDS.
Trust Deed	Trust Deed executed between the Bank and Deutsche Bank AG, Colombo branch on 01st October, 2014.
Trustee	Deutsche Bank AG, Colombo Branch
Unsecured	Repayment of the principal sum and payment of interest on the Debentures are not secured by a charge on any assets of the Bank.
Working Day	Any day (other than a Saturday or Sunday or any statutory holiday) on which the Banks, are open for business in Sri Lanka.

5.0 PRINCIPAL FEATURES RELATING TO THE ISSUE

5.1 Invitation to subscribe

The Board of Directors of Pan Asia Banking Corporation PLC (hereinafter referred to as the "Board") by Circular Resolutions dated 22nd August, 2014 and 24th Septemebr, 2014 resolved to raise a sum of up to Rupees Two Billion (LKR 2,000,000,000/-) by an initial issue of upto Twenty Million (20,000,000) Debentures each with a face value of LKR 100/- and to raise a further sum of Rupees One Billion (LKR 1,000,000,000/-) by an issue of up to a further Ten Million (10,000,000) of said Debentures, in the event of an oversubscription of the initial issue.

As such a maximum amount of Rupees Three Billion (LKR 3,000,000,000) would be raised by the issue of a maximum of Thirty Million (30,000,000) Debentures each with the face value of LKR 100/-.

The rights of the Debenture holders with respect to payment of the principal sum and accrued interest due thereon upon a winding – up of the Bank will rank after all claims of secured and other unsecured creditors of the Bank, but in priority to and over the rights of any ordinary shareholders.

The Bank invites applications for Debentures of Type A and /or Debentures of Type B which will rank equal and *pari passu* with each other without any preference or priority of any one or more than over the others except for the interest rates and the frequency of the interest payments of the Debentures, as morefully described in section 5.5 and section 5.7 of this Prospectus respectively.

These Debentures will be listed on the CSE.

5.2 Subscription List

Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 am on **24th October, 2014** and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 pm on **13th November, 2014**.

However, the subscription list will be closed on an earlier date at 4.30 p. m with notification to the CSE on the occurrence of the following;

- This maximum of 30,000,000 Debentures are fully subscribed; or
- Board of Directors of the Bank decides to close the Issue upon the initial Issue of 20,000,000 Debentures becoming fully subscribed or such other higher amount less than the maximum amount referred to above becoming fully subscribed.

Applications can be made forthwith in the manner set out in Section 6 of this Prospectus and duly completed application forms will be accepted at any one of the collection points set out in Annexure I of this Prospectus.

5.3 Types of Debentures

The issue consists of two types of Debentures, as Type A and Type B each with a face value of Rupees One Hundred (LKR 100/-). The applicants have the discretion of applying for Debentures issued under Debentures of Type A and /or Type B.

5.4 Objectives of the Issue

- To expand and strengthen the capital base of the Bank in keeping with the Bank's expansion and to maintain the capital adequacy requirements as stipulated by CBSL. The proposed issue will reinforce the Bank's Tier II capital and facilitate future expansion of operations and the asset base.
- To raise medium term funding to manage assets and liabilities gap exposure and associated risks of the Bank.
- To mobilize/raise medium term funds to match the medium to long-term lending of the Bank and to minimize the mismatch in funding exposure.
- To provide the members of the public with an opportunity to participate in Rated, Unsecured, Subordinated Redeemable Debentures earning a regular income over the next five years at a fixed rate.

5.5 Payment of Interest

The Debentures comprise of Debentures of Type A and Type B and will carry interest as described below on the interest payment dates:

1) **Type A** **-** A fixed interest rate of Nine decimal seven five *per centum* (9.75%) per annum on the principal sum, payable annually. (Annual effective rate of 9.75 % on the principal sum).

   Interest accruing on a daily basis will be paid each year from the date of allotment until the date of redemption on the outstanding principal sum.

2) **Type B** **-** A fixed interest rate of Nine decimal five two three three *per centum* (9.5233%) per annum on the principal sum, payable semi annually. (Annual effective rate of 9.75 % on the principal sum).

   Interest accruing on a daily basis will be paid every six months from the date of allotment until the date of redemption on the outstanding principal sum.

Interest will be paid as per the interest payment option selected by the investor computed up to one day before the interest payment date and will be calculated based on the actual number of days in such interest period. Interest would be paid not later than three (03) working days from each interest payment date. In order to accommodate the Debenture interest cycles in the ATS of the CSE, the payment of interest for a particular interest payment date will include Debenture holders holding Debentures in the CDS as of the entitlement date. (One day prior to the due date of interest).If the entitlement date is, a holiday interest shall be calculated including the entitlement date. Company shall pay interest until maturity irrespective of holidays.

5.6 Withholding Tax

As per Section 9(0) the Inland Revenue Act No.10 of 2006 as amended subsequently by Inland Revenue (Amendment) Act, No.18 of 2013, the interest income from any investment made on or after 01st January 2013 in corporate debt securities (i.e. debentures), quoted in any stock exchange licensed by the SEC is exempted from income tax. Furthermore, in terms of Section 13(xxxxxxx) of the same Act, the profits and income earned from any such investment has also been exempted from income tax. However, different tax treatment could be brought in by the future amendments to the same Act.

5.7 Redemption of Debentures

Redemption of the Debentures will take place on the respective date of redemption in respect of each type of Debentures as described below in accordance with the provisions of the Trust Deed. The principal sum and unpaid and accrued interest (if any) payable on the redemption of Debentures will be paid not later than three (03) working days from the date of redemption.

- Type A and Type B - The date on which a period of sixty (60) months from the date of allotment expires or if such date on which a period of sixty (60) months from the date of allotment expires is not a market day, the market day immediately succeeding such date.

These Debentures shall not be redeemed by the Bank prior to maturity for any reason whatsoever except due to unforeseen circumstances beyond the control of the Bank. If redemption is to be done before maturity, it will be done subject to the prior written approval from the Director-Bank Supervision of the Central Bank of Sri Lanka and the approval of 3/4ths of the Debenture holders of each type in nominal value of the Debentures outstanding when the principal sum is repaid before maturity.

These Debentures shall not be subject to redemption by the Bank prior to the date of redemption. The Debenture holders shall not have any right or option to call for redemption of the Debentures before the date of maturity of such Debentures.

5.8 Payment methods

Payment of principal and interest will be made after deducting taxes at source (if applicable) in Sri Lankan Rupees to the registered Debenture holders only as of the entitlement date. In the case of joint Debenture holders the payment of principal sum and interest will be made to the one whose name stands first in the register of Debenture holders on the date of payment.

The payment of principal sum and interest will be made either by cheque/s marked "Account Payee Only" dispatched to the address provided by the Debenture holders to the CDS at the risk of the Debenture holders or through electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as SLIPS and RTGS to a bank account provided to the CDS by the applicant.

However, in the event such payment is over the maximum amount that can be accommodated through electronic fund transfer mechanism recognized by the banking system of Sri Lanka or if the Debenture holder has not provided to the CDS accurate and correct details of his/her bank account for the payment of principal sum and interest, such payment to the Debenture holder will be made by way of a cheque and sent by post at the risk of the Debenture holder.

5.9 Trustee to the Issue

Bank has entered into an agreement with Deutsche Bank AG – Colombo Branch, who will act as Trustee to the Debenture holders. Debenture holders in their application forms for subscription will be required to authorize the Trustee, to act as the agent in entering into such deeds, writings and instruments with the Bank and to act as the Agent and Trustee for the Debenture holders.

The rights and obligations of the Trustee are set out in the Trust Deed and the Debentures will be subject to the terms and conditions incorporated in the said Trust Deed.

The fee payable to the Trustee will be LKR 25 ,000 per month plus statutory levies. There is no conflict of interest with the Bank, except that the Trustee is one of the Banks rendering banking related services to the Bank.

5.10 Rating of the Debentures

Lanka Rating Agency has assigned Bank's long term and short term rating at "BBB+" and "P2" respectively. The long term rating carries a stable outlook. Concurrently, the national long term rating of the Bank's Rated, Unsecured, Subordinated and Redeemable Debentures contemplated in this prospectus is rated one notch below the entity rating at "BBB" to reflect its subordinated status.

A financial institution with a long term rating of "BBB+" reflects a moderate capacity to meet financial obligations. A financial institution with such a rating is more likely to be weakened by adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories. The short term rating "P2" reflects an adequate capacity to meet its short term financial obligations. The financial institution is more susceptible to the effects of deteriorating circumstances than those in higher-rated categories.

Rating report issued by Lanka Rating Agency Limited is set out in the annexure III of this prospectus.

5.11 Rights and Obligations of the Debenture Holders

The holders of these Debentures are entitled to:

- Receiving the interest on the interest payment dates at the interest rates set out in Section 5.5 of this Prospectus and the principal sum on the date of redemption as set out in Section 5.7 of this Prospectus.
- Ranking above the ordinary shareholders in the event of liquidation.
- Calling and attending meetings of Debenture holders as set out in the Trust Deed.
- To receive a copy of the Annual Report.

In the event of the Bank winding up, the claims of the Debenture holders will rank after all the claims of the secured and unsecured creditors of the Bank and the preferential claims under section 365 of the Companies Act No.07 of 2007, but in priority to and over the claims and rights of the shareholders of the Bank.

The holders of these Debentures are not entitled to:

- Attending and voting at meetings of holders of shares and other Debentures
- Sharing in the profits of the Bank
- Participating in any surplus in the event of liquidation

Each Debenture holder must ensure that the information in respect of the securities account maintained with the CDS is upto date and accurate. Each Debenture holder shall absolve the Bank from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS. Provided further that the Debenture holder shall absolve the CSE and the CDS from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS where such errors or inaccuracies or absence of changes are attributable to any act or omission of the Debenture holders.

5.12 Benefits of Investing in Debentures

- Provides an opportunity to diversify the investment portfolio of the investor.
- Provides the investor with a regular cash inflow of interest payments.
- Provides the investor with an opportunity to invest in Debentures issued by a leading Bank in Sri Lanka.
- Being listed on the CSE, the Debentures will have a secondary market, thus providing the investor with an opportunity to exit at the market price prevailing at the time of divestiture.
- The Debentures may be used as collateral to obtain credit facilities from banks and financial institutions.
- As per Section 9(0) the Inland Revenue Act No.10 of 2006 as amended subsequently by Inland Revenue (Amendment) Act, No.18 of 2013, the interest income from any investment made on or after 01st January 2013 in corporate debt securities (i.e. debentures), quoted in any stock exchange licensed by the SEC is exempted from income tax. Furthermore, in terms of Section 13(xxxxxxx) of the same Act, the profits and income earned from any such investment has also been exempted from income tax. However, different tax treatment could be brought in by the future amendments to the same Act.

5.13 Risks involved in investing in the Debentures

Subscribers to the Debentures could be exposed to the following risks.

- **Interest Rate Risk -** Provided all other factors are equal, the market price of the Debentures will generally fluctuate in the opposite direction to the fluctuation in market interest rates. Thus, the interest rate risk could be identified as the reduction in the market price of Debentures resulting from a rise in interest rates.
- **Reinvestment Risk -** Interest on the Debentures are payable annually and semi-annually. An investor may decide to reinvest these interest payments and earn interest from that point onwards. Depending on the prevailing interest rates at the point of reinvestment, the risk of returns generated by Debenture holders by reinvesting such interest received being higher or lower than the return offered by the Debentures is known as reinvestment risk.
- **Call Risk -** The uncertainty to the Debenture investor is when the issuer has the option of redeeming the Debentures before maturity, thus being called upon to terminate the investment early is known as "Call Risk". As this Debenture is issued to increase the Tier 2 Capital, it is very unlikely that this Debenture is redeemed prior to its original maturity.
- **Credit Risk -** Credit Risk is also referred to as default risk. This is the risk that the issuer of a Debenture may default, i.e. the issuer will not be able to pay interest and principal payments on a timely basis. This risk is gauged in terms of rating assigned by different rating agencies. The Bank has an investment grade debt rating by Lanka Ratings Agency Limited (formerly known as "RAM Ratings Lanka Limited") and as such the risk of default is very remote.
- **Liquidity Risk -** Liquidity risk is associated with the ease in which an investment can be sold after the initial placement. In order to reduce the liquidity risk of the Debentures, the Bank has applied for a listing of these Debentures on the CSE and has received in-principle approval for such listing whereby Debenture holders will be able to sell the Debentures through the CSE in order to convert the Debentures to cash and exit from the investment. Hence, the Bank Debentures carry low liquidity risk.
- **Duration Risk -** Duration is a measure of the price sensitivity of fixed income investments to a change in interest rates based on the time to maturity of principal and coupon payments. The higher the duration, the greater the price volatility or duration risk, while a lower duration risk carries a lower risk.

5.14 Transfer of the Debentures

The Debentures will be transferable and transmittable in the manner set out in the Trust Deed which is reproduced below.

- These Debentures shall be freely transferable and the registration of such transfer shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.

- The Debentures shall be transferable and transmittable as long as the Debentures are listed in the CSE. Subject to the provisions contained herein the Bank may register without assuming any liability on any transfer of Debentures, which are in accordance with the statutory requirements and rules and regulations in force for the time being as laid down by the CSE, SEC and the CDS.

- In the case of death of a Debenture holder;

  - The survivor where the deceased was a joint holder; and
  - The executors or administrators of the deceased or where the administration of the estate of the deceased is in law not compulsory the heirs of the deceased where such Debenture holder was the sole or only surviving holder; shall be the only persons recognized by the Bank as having any title to his/her Debentures

- Any person becoming entitled to any Debenture in consequence of bankruptcy or winding up of any Debenture holder, upon producing proper evidence that he/she sustains the character in respect of which he/she proposes to act or his/her title as the Board of Directors of the Bank thinks sufficient may in the discretion of the Board be substituted and accordingly registered as a Debenture holder in respect of such Debentures subject to the applicable laws rules and regulations of the Bank, CDS, CSE and SEC.

- No change of ownership in contravention to these conditions will be recognized by the Bank.

5.15 Listing

An application has been made to the CSE for permission to obtain a listing for the Debentures and the CSE has granted its approval in-principle for the same. It is the intention of the Bank to list the Debentures on the Colombo Stock Exchange upon the allotment thereof.

The CSE however, assumes no responsibility for the correctness of the statements made or opinions expressed or reports included in this Prospectus. Admission to the official list is not to be taken as an indication of the merits of the Bank or of its Debentures.

5.16 Cost of the issue

The Board of Directors estimates that the total cost of the issue including fees to professionals, printing, advertising and other costs connected with the issue will be approximately Rs. 11.0 Million. Such costs will be financed by the internally generated funds of the Bank.

5.17 Brokerage fee

Brokerage fee of Fifteen Cents (LKR 0.15) per Debenture shall be paid in respect of the number of Debentures allotted on applications bearing the original seal of any bank operating in Sri Lanka or a member/trading member of the CSE or any other party identified by the Bank involved in the issue.

5.18 Underwriting

This Issue is not underwritten.

The offering is not conditional to any minimum amount to be raised through this Issue. In the event of an under subscription, the Bank is confident that any short fall in the funds required to meet the objectives of the issue can be financed through internally generated funds and other credit facilities.

6.0 PROCEDURE FOR APPLICATION

6.1 Inspection of documents

Articles of Association, the Trust Deed, Auditors' Report and Audited Financial Statements for the five (05) financial years ended 31st December 2013 (i.e. the five (05) financial years immediately preceding the date of this Prospectus), Interim Financial Statement as at 30th June, 2014 and all other documents referred to in Rule 3.3.11 (a) of the CSE Listing Rules, including material contracts and management agreements entered into by the Bank (if any) would be made available for inspection by the public during normal working hours, seven (07) Market Days prior to the date of opening of the subscription list at the registered office of the Bank at No. 450, Galle Road, Colombo 03 until the date of redemption of the Debentures.

The Prospectus, Trust Deed and the Articles of Association of the Bank, will be available on the web site of CSE www.cse.lk and the website of the Bank, www.pabcbank.com from seven (07) Market Days prior to the date of opening of the subscription list until the Date of Redemption of the Debentures as stipulated in Rule 3.3.11 (b) of the CSE Listing Rules. Audited financial statements of the Entity made up to 31st Decemebre, 2013, Interim financial statements as of 30th June, 2014, Accountants Report and the Five year summary of financial statements will be available on the web site of CSE *www.cse.lk* and the website of the Bank, *www.pabcbank.com.*

Furthermore, copies of the Prospectus and Application Forms will be made available free of charge from the collection points as set out in Annexure I of this Prospectus from seven (07) Market Days prior to the date of opening of the subscription list.

6.2 Eligible applicants

Applications are invited for the subscription of Debentures from the following categories of applicants.

- Citizens of Sri Lanka, resident in Sri Lanka and above 18 years of age.
- Corporate bodies and societies registered/incorporated/established in Sri Lanka and authorized to invest in Debentures.
- Approved unit trusts licensed by SEC.
- Approved provident funds and contributory pension schemes registered/incorporated/established in Sri Lanka and authorized to invest in Debentures. In the case of approved provident funds and approved contributory pension schemes, the application should be in the name of the trustee/board of management.
- Regional and country funds approved by SEC and authorized to invest in Debentures.
- Non-Residents: foreign institutional investors, corporate bodies incorporated outside Sri Lanka, individuals' resident outside Sri Lanka and Sri Lankans resident outside Sri Lanka.

Applications will not be accepted from individuals and Sri Lankans residing outside of Sri Lanka who are under the age of 18 years, or in the names of sole proprietorships, partnerships or unincorporated trusts.

"Individuals resident outside Sri Lanka" will have the same meaning as in the notice published under the Exchange Control Act in Gazette No. 15007 dated 21st April, 1972.

When permitting Non –Residents to invest in the Debentures, the Company will comply with the relevant Exchange Control Regulations including, the conditions stipulated in the notice under the Exchange Control Act with regard to the issue and transfer of Debentures of Companies incorporated in Sri Lanka to foreign investors as published in the Government gazette (Extraordinary) No. 1681/11 on 22nd November, 2010 and Government Gazette (Extraordinary) No. 1733/19 0n 22nd November, 2011.

6.3 How to apply

The terms and conditions applicable to the applicants are as follows.

- Applications should be made on the application forms, which accompany and constitute a part of this Prospectus (exact size photocopies of application forms will also be accepted). Care must be taken to follow the instructions given herein and in the application form. Applicants using photocopies are requested to inspect the Prospectus which is available for inspection with the Registrar to the Issue and also issued free of charge by the parties listed in Annexure I of this Prospectus.

  The application form can also be downloaded from the website of CSE, www.cse.lk , the website of the Bank www.pabcbank.com until the Closure Date.

The Prospectus will be made available and can be downloaded from the website of CSE, www.cse.lk and the website of the Bank www.pabcbank.com until the date of redemption of the Debentures.

Applications which do not strictly conform to instructions and other conditions set out herein or which are incomplete or illegible may be rejected.

- **Applicants should apply only for one Type of Debentures (i.e. either Type A or Type B Debentures) under one application form.**

- In the event an applicant wishes to apply for more than one type of Debentures, separate application forms should be used. Once an application form has been submitted for a particular type of Debentures, it will not be possible for an applicant to switch between the types of Debentures.

- More than one application submitted by an applicant under the same type of Debentures will not be accepted. If two or more application forms are submitted for one type of Debentures from a single applicant, those would be considered as multiple applications and the Bank will not accept such multiple applications or suspected multiple applications.

- If the ownership of the Debentures is desired in the name of one applicant, full details should be given only under the heading SOLE/FIRST APPLICANT in the application form. In the case of joint applicants, the signatures and particulars in respect of all applicants must be given under the relevant headings in the application form.

- An applicant of a joint application will not be eligible to apply for the same Type of Debenture through a separate application form either individually or jointly. Such applicants are also deemed to have made multiple applications and will be rejected.

  In the case of joint applications, the refunds (if any), interest payments and the redemption will be remitted in favour of the first applicant as identified in the application form.

  The Bank shall not be bound to register more than three (03) natural persons as joint holders of any Debentures (except in the case of executors, administrators or heirs of a deceased member).

  Joint applicants should note that all parties should either be residents of Sri Lanka or non-residents.

- Applications by companies, corporate bodies, societies, approved provident funds, trust funds and approved contributory pension schemes registered/incorporated/established in Sri Lanka should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and should be made under their common seal or in any other manner as provided by their Articles of Association or such other constitutional documents of such applicant or as per the statutes governing them. In the case of approved provident funds, trust funds and approved contributory pension schemes, the applications should be in the name of the trustee/board of management.

- **All applicants should indicate in the application for Debentures, their CDS account number.**
  In the event the name, address or NIC number/passport number/company number of the applicant mentioned in the application form differ from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/passport number/company number as per the CDS records will prevail and be considered as the name, address or NIC number/passport number/company number of such applicant. Therefore, applicants are advised to ensure that the name, address or NIC number/passport number/company number mentioned in the application form tally with the name, address or NIC number/passport number/company number given in the CDS account as mentioned in the application form.

  In the case of joint applicants, a joint CDS account in the name of the joint applicants should be indicated.

  Application forms stating third party CDS accounts, instead of applicants' own CDS account numbers, except in the case of margin trading, will be rejected.

- Applicants who wish to apply through their margin trading accounts should submit the application forms in the name of the "Margin Provider/Applicant's name" signed by the margin provider, requesting a direct deposit of the Debentures to the applicant's margin trading account in the CDS. The margin provider should indicate the relevant CDS account number relating to the margin trading account in the application form. A photocopy of the margin trading agreement must be submitted along with the application.

  Margin providers can apply under their own name and such applications will not be construed as multiple applications.

- Application forms may be signed by a third party on behalf of the applicant(s) provided that such person holds the Power of Attorney (POA) of the applicant(s). A copy of such POA certified by a Notary Public as "True Copy" should be attached with the application form. **Original of the POA should not be attached.**

- Funds for the investments in Debentures and the payment for Debentures by non-residents should be made only out of funds **received as inward remittances or available to the credit of "Securities Investment Account" (SIA)** of the non-residents opened and maintained in a licensed commercial bank in Sri Lanka in accordance with directions given by the Controller of Exchange in that regard to licensed commercial banks.

  An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the applicant maintains the SIA, should be attached to the application form to the effect that such payment through bank draft/bank guarantee/RTGS has been made out of the funds available in the SIA.

- Non-Residents should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and may be affected by the laws of the jurisdiction of their residence. If the non-resident applicants wish to apply for the Debentures, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.

Application forms properly filled in accordance with the instructions thereof together with the remittance for the full amount payable on application should be enclosed in an envelope Marked **"PAN ASIA BANK – DEBENTURE ISSUE 2014"** on the top left hand corner in capital letters and dispatched by post or courier or delivered by hand to Registrars to the issue or collection points mentioned in Annexure I of this prospectus.

Applications sent by post or courier or delivered to any collection point set out in Annexure I of this prospectus should reach the office of the Registrar to the issue, Nayantha Fernando, Company Secretary, Pan Asia Bank, No. 450, Galle Road, Colombo 03, at least by 4.30 p.m. on the following market day immediately upon the closure date. Applications received after the said period will be rejected even though they have been delivered to any of the said collection points prior to the closure date or carry a postmark dated prior to the closure date.

Applications delivered by hand to the Registrars to the issue after the closure date of the issue will also be rejected.

Please note that applicant information such as full name, address, NIC number/passport number/company number and residency will be downloaded from the database of CDS, based on the CDS account number indicated in the application form. Such information will take precedence over information provided in the application form.

Care must be taken to follow the instructions on the reverse of the application form.

Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.

PLEASE NOTE THAT ALLOTMENT OF DEBENTURES WILL ONLY BE MADE IF THE APPLICANT HAS A VALID CDS ACCOUNT AT THE TIME OF SUBMISSION OF APPLICATION.

Please note that upon the allotment of Debentures under this issue, the allotted Debentures would be credited to the applicant's CDS account so indicated.

Hence, **DEBENTURE CERTIFICATES SHALL NOT BE ISSUED.**

6.4 Number of Debentures to be subscribed

Applicants are allowed to invest in either;

Debentures of Type A; and/or Debentures of Type B subject to the minimum subscription under each type.

A minimum of One Hundred (100) Debentures (LKR 10,000/-) and in multiples of One Hundred (100) Debentures (LKR 10,000/-) thereafter an applicant should apply only for one type of Debentures under one application form.

6.5 Mode of payment of the investment by the applicants

- Payment in full for the total value of Debentures applied for should be made separately in respect of each application either by cheque/s, bank draft/s, bank guarantee drawn upon any licensed commercial bank operating in Sri Lanka or RTGS transfer directed through any licensed commercial bank operating in Sri Lanka, as the case may be, subject to the following:

- Payments for applications for values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) should be supported by either a;

  Bank guarantee issued by a licensed commercial bank; or
  Multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka, each of which should be for a value less than LKR 100,000,000/-; or
  RTGS transfer with value on the issue opening date.

  Multiple cheques or RTGS transfers will not be accepted for application value below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-).

- Cheques or bank drafts should be made payable to **"PAN ASIA BANK – DEBENTURE ISSUE 2014"** and crossed "Account Payee Only" , and must be honoured on the first presentation.

- In case of bank guarantees, such bank guarantees should be issued by any licensed commercial bank in Sri Lanka in favour of **"PAN ASIA BANK – DEBENTURE ISSUE 2014"** in a manner acceptable to the Bank, and be valid for a minimum of one (01) month from the Issue opening date (i.e. 24th October, 2014).

  Applicants are advised to ensure that sufficient funds are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Issue. It is advisable that the applicants discuss with their respective bankers the matters with regard to the issuance of bank guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the applicants.

- In case of RTGS transfers (only for application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), such transfers should be made to the credit of "**"PAN ASIA BANK – DEBENTURE ISSUE 2014"** bearing **Account Number 031951780138** at Pan Asia Bank with value on the issue opening date (i.e. the funds to be made available to the above account on the issue opening date). The applicant should obtain a confirmation from the applicant's bank, to the effect that arrangements have been made to transfer payment in full for the total value of Debentures applied for to the credit of **"PAN ASIA BANK – DEBENTURE ISSUE 2014" bearing Account Number 031951780138 at Pan Asia Bank** with value on issue opening date (i.e. the funds to be made available to the above account on the issue opening date) and should be attached with the application form.

  For RTGS transfers above and inclusive of Sri Lanka Rupees One Hundred Million (KR 100,000 ,000/-), the applicants are entitled to an interest at the rate of Five decimal Seven Five per centum (5.75%) per annum from the date of such transfers up to the date of allotment. However, no interest will be paid if the RTGS transfers are not realized before the end of the closure date. Furthermore, even if such RTGS transfers are effected prior to the issue opening date, no interest will be paid for the period prior to the issue opening date.

- Cash will not be accepted.

- Payment for the Debentures by non-residents should be made only out of funds received as inward remittances or available to the credit of "Securities Investment Account" (SIA) maintained with any licensed commercial bank in Sri Lanka in accordance with directions given by the Controller of Exchange in that regard to licensed commercial banks.

  An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the applicant maintains the SIA, should be attached to the application form to the effect that such payment through bank draft/bank guarantee/RTGS has been made out of the funds available in the SIA.

- The amount payable should be calculated by multiplying the number of Debentures applied for under a particular type by the face value (LKR 100/-). If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee, the application will be rejected.

- In the event that cheques are not realized prior to the date of deciding the basis of allotment, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the application to be valid.

- All cheques/bank drafts received in respect of the applications for Debentures will be banked commencing from the working day immediately following the closure date.

6.6 Rejection of applications

Application forms and the accompanying cheques/bank drafts/bank guarantees or RTGS transfers, which are illegible or incomplete in any way and/or not in accordance with the terms, conditions and instructions, set out in this Prospectus and in the application form will be rejected at the sole discretion of the Bank.

Applications from individuals and Sri Lankans residing outside of Sri Lanka who are under the age of 18 years or in the names of sole proprietorships, partnerships and unincorporated trusts will also be rejected.

Any application form, which does not state a valid CDS account number, will be rejected.

Any applicant who has applied for both Debentures of Type A and Debentures of Type B in a single application form will be rejected.

More than one application submitted by an applicant under the same type of Debentures will not be accepted. If two or more application forms are submitted for one type of Debentures from a single applicant, those would be considered as multiple applications and the Bank will not accept such multiple applications or suspected multiple applications.

Any application form with more than three (03) natural persons as joint applicants for any type of Debentures will be rejected.

Applications delivered by hand to the Registrars to the Issue after the subscription list is closed will be rejected. Applications received by post or courier after 4.30 p.m. on the Market Day immediately following the closure date, will also be rejected even if they carry a post mark dated prior to the closure date.

Applications delivered to any place mentioned in Annexure I should also reach the office of the Registrars to the issue at least by 4.30 p.m. on the market day immediately following the closure date. Applications received after the said duration will be rejected even though they have been delivered to any of the said collection points prior to the closure date.

In the event that cheques are not realised prior to the date of deciding the basis of allotment and realised after such date, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the application to be valid. In the event cheques are dishonoured/returned on first presentation, such applications will be rejected.

6.7 Banking of payments

All cheques or bank drafts or bank guarantees received in respect of applications will not be banked or called on until the market day immediately after the closure date as set out in Section 5.2 of this Prospectus, in terms of the CSE Listing Rules.

6.8 Allotment of Debentures

In the event of an over subscription, the Board of Directors of the Bank will endeavour to decide the basis of allotment in a fair manner as soon as practicable so as to ensure compliance with the CSE Listing Rules. Upon the allotments being decided, an announcement will be made to the CSE.

The Board however shall reserve the right to allocate up to 60% of the number of Debentures to be issued under this Prospectus to institutional and or identified investor/s of strategic importance with whom the Bank might have mutually beneficial relationships in the future.

The number of Debentures to be issued under Debentures of Type A and Debentures of Type B shall be in accordance with the basis of allotment which shall be decided at the discretion of the Board of Directors of the Bank in a fair manner in the event of an over subscription.

The Bank reserves the right to reject any application or to accept any application in part only, without assigning any reason thereto. A written confirmation informing successful applicants on their allotment of Debentures will be dispatched within ten (10) market days from the closure date as required by the CSE.

6.9 Refunds

- Where an application is rejected for reasons given in 6.6 of this Prospectus, subsequent to the cheque being realized, the applicant's money in full or where an application is accepted only in part, the balance of the applicant's money will be refunded.

- The applicants may indicate the preferred mode of refund payments in the application form (i.e. direct transfer via SLIPS or cheque)

- If the applicant has provided accurate and complete details of his/her bank account in the application, the Bankers to the Issue will make refund payments upto and inclusive of Rupees Five Million (LKR 5,000,000/-) to the bank account specified by the applicant, through SLIPS and a payment advice will be sent.

In the event of refunds over Rupees Five Million (LKR 5,000,000/-) or if the applicant has not provided accurate and correct details of his bank account in the application or if the applicant has not provided details of the bank account in the application form, the Bank will make such refund payments to the applicant by way of a cheque and sent by post at the risk of the applicant.
In the case of joint application, the cheques will be drawn in favour of the applicant's name appearing first in the application form.

Applicants can obtain details on bank and branch codes required for providing instructions on SLIP transfers at the following website;

http://www.lankaclear.com/product_service/3-guidelines

Refunds on applications rejected or partly allotted Debentures would be made within ten (10) market days excluding the closure date. Applicants would be entitled to receive interest at the rate of the last quoted Average Weighted Prime Lending Rate (AWPLR) published in the immediately preceding week by the Central Bank of Sri Lanka or any other authority (in the event that the Central Bank of Sri Lanka ceases to publish the AWPLR) plus five per centum (5.00%) for the delayed period on any refunds not made within this period.

6.10 CDS accounts and secondary market trading

Debentures allotted will be directly deposited to the respective CDS accounts given in the application forms before the expiry of eighteen (18) Market Days, from the closure date. A written confirmation of the credit will be sent to the applicant within two (02) Market Days of crediting the CDS account, by ordinary post to the address provided by each applicant.

The Bank will submit to the CSE a 'Declaration' on direct upload to CDS on the, market day immediately following the day on which the applicants' CDS accounts are credited with the Debentures.

Trading of Debentures on the secondary market will commence on or before the third (3^{rd}) market day from the receipt of the Declaration by the CSE as per the CSE Listing Rules.

7.0 THE BANK

7.1 Background

Pan Asia Banking Corporation PLC commenced its operations on 6th March 1995 as a Licensed Commercial Bank and a public limited liability company under the name "Pan Asia Bank Limited". The Bank changed its name to "Pan Asia Banking Corporation Limited" on 23rd April 2004. Bank was listed on the Second Board (now Diri Savi Board) on Colombo Stock Exchange on 5th April 2005 and was moved to the Main Board on the 30th of March, 2007. The Bank re-registered as "Pan Asia Banking Corporation PLC" under the Companies Act No. 07 of 2007 on 24th July 2007. The registered office of the Bank is situated at No 450, Galle Road, Colombo 3.

The Bank has achieved a rapid growth in terms of assets, deposits, and branches in its history of 19 years. The Bank currently operates with 77 branches as of 30th June 2014. The staff strength of the bank as at 31st August, 2014 is 1315.

7.2 Vision Mission & Values of the Bank

Vision - "To become the most customer preferred commercial bank in Sri Lanka"

Mission - "We will create the largest satisfied customer base by providing professional, personalized, secure, quality banking and financial services, using modern technology & innovative products. We will delight our customers, create a better future for employees and enhance stakeholder value"

Values

- Integrity
- Transparency & Accountability
- Professionalism
- Excellent customer service
- Provide opportunities for career development
- Efficiency in resource management
- Service standards
- Management by objectives
- Innovation
- Competitive service levels
- Good governance

7.3 Principal Activities

The Bank is managed along the following segments and product lines –

- Retail Banking – Deposit products such as Savings, Current, Call and Fixed, Certificate of Deposits. Loan products such as Overdrafts, Consumer Loans, Leasing, Housing, Pawning etc
- Corporate Banking – Deposit products such as Current, Call and Fixed Deposits. Loan products such as Overdrafts, Term Loans, Trade Finance, Margin Trading etc….
- Treasury Operations – Foreign Exchange, Money Market, Local & Foreign Currency Funding, Fixed Income & Equity.

7.4 Future plans, assumptions and risks associated with future plans

The Bank aims to enhance its position as one of the fastest growing Commercial Banks in Sri Lanka. The Bank focuses more on improving capital adequacy to complement the asset growth enjoyed by the Bank in the past few years. Endeavors are to be made to diversify revenue sources and introduce new product lines to make Pan Asia Bank to become the most preferred Commercial Bank in Sri Lanka. Under the accelerated branch expansion program, which was carried out during the last few years, the Bank has adequately covered most of the potential locations of the country. In the circumstances, the branch expansion program will be moderate in the near future. With the new branches opened recently, gradually acquiring more business volumes and market share in the respective locations, their income generations will improve thereby reducing the cost to income ratio in the near future.

The focus will be to further strengthen core banking operations and maintain the growth momentum in business volumes through the branch network already set-up. The Bank will strive to maximize core banking income to achieve a higher degree of cost efficiency to maximize profitability. Mobilizing low cost funds through the expanded branch network will be a key strategy to safeguard the net interest margin. The Bank will also consider foreign currency term funding and medium term local currency funding at a reasonable cost to supplement deposit mobilization. More funds to be diverted to lending to SME's, Pensioners and Members of the Armed Forces, Housing Loans, Leasing and Credit Cards. Pawning business will continue to be undertaken with adequate safeguards being introduced.

Plans are set to modernize the IT platform to offer more efficient customer services and to better manage the Bank. In this regard a new core banking system is to be set with an enhanced frost-end service capability. Several other initiatives are lined up to transform the bank into the bank of the preference of the future generation.

7.5 Risks attached to future plans

The Bank is subject to various risks such as credit risk, market, liquidity and operational risk, which are inherent to the banking business. The success of the future strategies and prospects mentioned above will depend on numerous risk factors such as economic conditions, political stability, government policy changes, capital market developments, investor sentiments, unexpected external shocks and natural disasters. Risk management functions across the bank will be strengthened to manage credit, market, liquidity and operational risks through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls.

7.6 Assumptions / Implementation in relation to future plans

Future plans of the Bank have been made with the following assumptions;

- Sri Lanka's economic development to be conducive to businesses in a way the accelerated economic development would fuel overall economic activity and the demand for credit
- No adverse change in the interest rate environment which may have a negative impact on the margins
- Accessibility to and availability of funding to facilitate future lending at a feasible cost
- Current tax legislations to remain unchanged or to have no adverse changes

7.7 Major shareholders as at 31st August, 2014

Ten (10) largest shareholders of the Bank as at 31st August, 2014 is given below:

No	**Name**	**No. of Shares**	**%**
1	Mr. K. D. D. Perera	88,482,820	29.99
2	Bansei Securities Co., Ltd.	44,256,164	15.00
3	Seylan Bank PLC/ ARC Capital (Pvt) Ltd.	26,969,362	9.14
4	Mr. D C C Joseph	17,010,202	5.77
5	Mr. K D H Perera	15,537,332	5.27
6	Mr. P. J. Tay	14,611,996	4.95
7	Mr. K. D. A. Perera	12,800,000	4.34
8	Samurdhi Authority of Sri Lanka	11,114,376	3.77
9	Seylan Bank PLC / Mr. W D N H Perera	8.619,854	2.92
10	Sri Lanka Savings Bank Ltd	6,865,666	2.32
		246,267,772	**83.47**
	Others	**48,773,314**	**16.53**
	Total	**295,041,086**	**100**

7.8 Stated capital

The stated capital of the Bank represents ordinary voting shares as given below.

Stated Capital	**31st December 2013**	**As at 31st August, 2014**
Balance (Rs.)	1,548,965,702	1,548,965,702
Number of Shares (No.)	295,041,086	295,041,086

The Bank does not have non – voting, preference or any other classes of shares in issue. The Bank also does not have any outstanding convertible debt securities. There were no shares issued during the last two year period.

7.9 Particulars of long term loans and other borrowings

As at 31st August, 2014, the outstanding balance (Amortized Cost) of Pan Asia Bank's long term borrowings are given below;

Category	Balance (Rs.)
Subordinated Debentures	792,400,744
Unsecured Term Borrowings	1,312,159,405

- The above mentioned Debenture Holders of the Bank will not be entitled to any of the rights and privileges available to the shareholders of the Company including right to receive, to attend and vote at General Meetings of the shareholders of Pan Asia Banking Corporation PLC. Debenture Holders' rights in respect of calling and attending meetings of Debenture Holders are stated in the Trust Deed.

- The above mentioned Debenture Holders are at any event not barred from being shareholders of Pan Asia Banking Corporation PLC and if they are shareholders they will enjoy the rights and privileges entitled to shareholders.

- In the case of the death of a Debenture Holder pertaining to above mentioned classes:

  i) the survivor where the deceased was a joint holder; or
  ii) if not the joint holder the heirs of the deceased shall be the only person/s recognized by Pan Asia Banking Corporation PLC as having any title to his/her Debentures. Any person becoming entitled to Debentures in consequence of bankruptcy or winding up of any Debenture Holder, upon producing proper evidence that it/he/she sustains the character in respect of which it/he/she proposes to act or its/his/her title as the Board of Directors of Pan Asia Banking Corporation PLC thinks sufficient may at the discretion of the Board be substituted and accordingly registered as a Debenture Holder in respect of such Debentures subject to the applicable laws and rules and regulations of Pan Asia Banking Corporation PLC and the CSE.

In the event of liquidation or winding up, the claims of the above mentioned Subordinated Debenture holders will be ranked after all the claims of the senior debt holders of the Pan Asia Banking Corporation PLC and the preferential claims under Section 365 of the Companies Act No.7 of 2007 but in priority to the claims and rights of the Shareholders of the Bank.

However, above mentioned Unsecured Term Borrowings will be ranked after the all claims of secured debt holders of the Pan Asia Banking Corporation PLC and the preferential claims under Section 365 of the Companies Act No.07 of 2007 but in priority to the claims and rights of the subordinated debt holders and Shareholders of the Bank.

7.10 Contingent liabilities

Apart from legal proceedings in the normal course of its banking business, the Bank is not a party to any litigation or arbitration proceedings and are not aware of any pending or threatened litigation or arbitration that, if decided adversely to the Bank, would have a significant effect upon the Bank's financial position nor has it been a party to any such proceedings in the recent past.

Contingent liabilities and Commitments as at 30th June, 2014 are as follows;

Contingencies	**Rs.**
Guarantees	3,571,180,900
Documentary Credit	3,006,129,954
Forward Foreign Exchange Contracts/Currency Swaps	11,544,053,361
Collection Bills	2,235,812,602
	20,357,176,817
Commitments	
Undrawn Credit Commitments	4,006,687,547
	4,006,687,547
Total Commitments and Contingencies	**24,363,864,364**

7.11 Details of other Debentures in issue

The details of other debentures issued by Pan Asia Bank as at 31st August, 2014 are given in the table below;

Category	Colombo Stock Exchange Listing	Interest Payment Frequency	Allotment Date	Maturity Date	Balance (Amortized cost) as at 31st August, 2014 Rs.
Subordinated Debentures (2012/17)					
Fixed Rate - 11.25% p.a.	Listed	Semi Annually	19.03.2012	18.03.2017	36,611,678
Fixed Rate - 11.50% p.a.	Listed	Annually	19.03.2012	18.03.2017	56,130,089
Fixed Rate - 14.50% p.a.	Listed	Maturity	19.03.2012	18.03.2017	63,217,633
Floating Rate - 6 Month Treasury Bill Rate (Gross) + 2.95% p.a.	Listed	Semi Annually	19.03.2012	18.03.2017	636,441,344
					792,400,744

7.12 Details of convertible debt securities

The Bank does not have any convertible debt securities in issue as at the date of the issue.

7.13 Financial ratios

	30 June 2014	31 December 2013
Capital Adequacy Ratio		
Tier 1	8.80 %	10.27%
Tier 2	10.13%	11.91%
Interest Cover Ratio	5.28 Times	2.17 Times
Net Debt/EBITDA	11.01 Times	9.42 Times

7.14 Human Resources

Total Human Resources Strength of the Bank was 1315 as at 31st August, 2014 of which the breakdown is given below:

Category of staff	Staff as at 31.08.2014
Chief Executive Officer	1
Chief Operating Officer	1
Deputy General Managers	4
Assistant General Managers	5
Head of Departments	10
Senior Managers	23
Managers	109
Assistant Managers	168
Executives	193
Senior Banking Assistants	194
Banking Assistants	330
Trainee Banking Assistants	256
Multy Duty Clerk	5
Office Aid	9
Drivers	7

7.15 Litigation against the Bank

The details of the material litigation as at 15th September, 2014 are given below:

Litigation is a common occurrence in the Banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. As at 15th September, 2014, the Bank had among others several unresolved legal claims.

(a) SC CHC Appeal 36/2006

The appeal lodged by the Bank against an order of the Commercial High Court to honour a claim on a Bank Guarantee issued by the Bank for Rs. 8,964,428/-, which claim has not been honoured by the Bank due to a suspicion of collusion between the beneficiary and the customer to defraud the Bank. Argument is fixed for 18th December, 2014.

(b) Court of Appeal Case No. CALA 455/2005

Appeal lodged by the Bank against an Interim Injunction issued by the District Court restraining the Bank from claiming and receiving monies on a Bank Guarantee of Rs 1Mn issued by another Bank to secure credit facilities of a customer. The case is fixed for argument before a special Bench (of three Judges) on 01st December, 2014.

(c) DC Colombo case No. 00002/08/DTR

The case filed by the former owner of the Mortgage property on the basis of a constructive trust. Interim Injunction issued restraining the parate sale. (Net exposure Rs 9.2Mn). The Trial is fixed for 16th October, 2014.

(d) HC Civil Case No. 493/2009-MR

The case filed by the previous owners claiming adverse title denying that they transferred the subject property to our customer. Interim Injunction issued restraining the parate sale. (Net exposure nil). Further trial is fixed for 14th November, 2014 and 25th November, 2014. The Bank has also made a complaint to the CID to inquire into the purported forgery which is alleged to have been committed by our customer and the investigation is continuing.

(e) HC Civil Case No. 670/2009-MR

A property vested in the Bank under parate sale (Net exposure Rs 2.9Mn) claimed by another commercial bank through a Mortgage Bond action. The case is due to be called on 03rd October 2014 for the said commercial Bank to file extracts of title where their Mortgage bond is registered. However the two Banks are negotiating a settlement.

(f) DC Negombo Case No. 7261/L

A third party claiming an adverse title on the basis of a forgery committed at the time the property has been transferred to the previous owner obtained an interim injunction restraining the parate sale. (Net exposure Rs.14.8Mn). The said party has also made a complaint to the CID and a case is pending against the former owner of the property in the Magistrate's Court Negombo. The Insurance Company that has issued the title insurance is defending the case on behalf of the Bank. The case is due to be called on 24th November, 2014 to take steps by the plaintiff to serve summons on the other named parties.

(g) DC Colombo Case No. 00020/2010/DLM

The previous owner obtained an interim injunction restraining the parate sale on the basis of a constructive trust. (Net exposure Rs 5.255). Trial fixed for 21st November, 2014.

(h) DC Colombo Case No. 17/99/CO

The property taken as a mortgage for the facilities now vested in the State under the Revival of underperforming enterprises and unutilized assets Act. (Net exposure Rs 38Mn). The Compensation Tribunal did not honor the Bank's claim. Bank filed an leave to appeal application to Court of Appeal. Application supported and the matter is fixed on 15th October, 2014 to file objections by the Respondents.

(i) HC Civil Case No. 657/2010/MR

Case filed for the recovery of the total balance outstanding due to the Bank by enforcing the property mortgages and the personal guarantees given by the directors. (Net exposure Rs 15.6Mn). Trial fixed for 13th October 2014. Settlement is being discussed with the customer.

7.16 Details of penalties imposed by regulatory and state authorities

There are no penalties imposed by Regulatory and State Authorities on the Bank as at the date of the issue.

7.17 Details of material contracts of the Bank

The Bank has not entered into any material contracts as at date other than contracts entered into in the ordinary course of business.

7.18 Degree of dependence on key customers & suppliers

The Bank is prudent in its lending and adheres to all requirements set out by the CBSL. It strictly adheres to the single borrower limit and, as such, is not dependent on any one customer or sector of the economy for its income at any one given time nor is the Bank dependent on any one supplier for its requirements. The Bank will continue to focus on quality of lending rather than on quantitative lending.

7.19 Details of commission paid

No commission has been paid in the two (02) years preceding the issue or payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions, for any shares in or debentures of the Bank.

7.20 Management agreements

There are no management agreements entered in to by the bank and in force as at date of this Prospectus.

7.21 Transaction relating to property

There is no transaction relating to the property completed within the two (02) preceding years in which any vendor of the property to the Bank or any person who is or was at the time of the transaction, a promoter or a director or proposed director of the Bank who had any interest direct or indirect.

7.22 Details of benefits paid to promoters

No benefit has been paid or given by the Bank within the two (02) years preceding the Issue and there are no benefits intended to be paid or given to any promoter.

7.23 Dividend policy

The Board has adopted a policy of paying out dividends to the shareholders based on factors including but not limited to the Bank's earnings, capital requirements and the overall macro financial conditions. Dividends paid and payable are subject to the Banking Act requirements.

	2013	**2012**	**2011**
Dividend Payments (Rs.)	-	295,041,086	295,041,086
Dividend Per Share (Rs.)	-	1.00	1.00

7.24 Taxation

The Bank is not enjoying any tax exemptions as at the date of the issue other than the income tax exemptions on specified investment types under the provisions of the Inland Revenue Act No. 10 of 2006 as amended subsequently.

7.25 Corporate Governance practices

The Bank's Directors place a high degree of importance to corporate governance and has placed considerable emphasis on developing structures, processes and rules in adopting sound corporate governance practices within the organization.

The Board meets regularly. There are several Board committees, each with a defined terms of reference and with Directors who possess the requisite qualifications and experience. These committees are responsible for providing independent and expert advice to the Board on the subjects assigned.

The Board committees, namely the Audit Committee, Nomination Committee, Human Resources and Remuneration Committee, Integrated Risk Management Committee and Credit Committee. To ensure that risks are kept to the minimum level whilst adhering to the regulations of the CBSL, the Bank in addition to the external auditor, also obtains the services of its Internal audit department, which reports to the Audit Committee.

Board Audit Committee

The main objective of the Board Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities in financial reporting, internal controls and risk management and ensure that Bank policies are firmly committed to the highest standards of good Corporate Governance practices and operations confirm to the highest ethical standards, in the best interest of all stakeholders.

The Board Audit Committee comprises of the following Directors:

- Mr. M D S Goonetilleke – Non Executive Director
- Mr. H K Seneviratne – Non Executive Independent Director
- Mr. T Murakami - Non Executive Director

Board Nomination Committee

The role of the Committee is identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise, review the structure, composition of the Board and competencies of the Board and the succession arrangements for the Board of Directors. The Committee ensures that the Directors are fit and proper persons to hold office as per the Central Bank Corporate Governance rules.

The following Directors serve on the Nomination Committee:

- Mr. H K Seneviratne - Non Executive Independent Director
- Mr. W D N H Perera - Non Executive Director

Board Human Resources and Remuneration Committee

The Board Human Resources & Remuneration Committee in compliance with the guidelines and directions issued to the Licensed Commercial Banks by the Central Bank of Sri Lanka comprises of three directors and the Chief Executive Officer. This Committee determines the remuneration policy (salaries, allowances and other financial payments)relating to key management personnel of the bank, goals and targets of the directors and CEO as well as key management personnel, performance of CEO and key management personnel.

The following Directors serve on the Committee:

- Mr W D N H Perera -- Non Executive Director
- Mr H K Seneviratne - Non Executive Independent Director
- Mr T G Thoradeniya - Non Executive Director

Board Integrated Risk Management Committee

Committee's main responsibility is to review the overall risk in an integrated manner based on the direction of the regulator. These assessments are guided by the risk goals established out of the Bank wide risk management policy and the charter document for the committee, which ensures mitigation of any threats prior to impact. The Bank wide risk management direction describes the overall framework of the Bank's risk appetite and responsibilities of the committee in a broader manner. A detail specific risk goals are perused and deliberated at the Integrated Risk Management Committee and directions are given for corrective action and risk mitigation measures arising out of the observations during a particular period. The committee also measures the adequacy of the risk management tools and parameters to ensure the business continuity and prevention of future losses. A detail risk commentary is submitted to the Board of Directors arising out of the observations of the meeting held. The committee is also responsible for establishing policies which inculcate best risk management practices and also to assess the targeted risk goals of the bank.

The members of the Committee comprise of the following Directors:

- Mr. M D S Goonatilleke – Chairman - Non Executive Director
- Mr. H K Seneviratne – Independent Non Executive director
- Mr. T Igarashi – Independent Non Executive director

Board Credit Committee

The Board Credit Committee overlooks the Credit Management functions of the Bank including the sanctioning of credit over and above the delegated limits of the Bank's credit authority levels. It provides direction when establishing credit policies of the Bank with relevance to best practices of the industry. The risk rating mechanism and the risk base pricing of credit is vehemently perused for sanctioning of credit when referred to the committee. The performance of the Bank's overall credit functions are also perused by review of reports submitted to the committee on monthly intervals. The committee reports the action taken to the Board of directors on a period basis. Recovery action and monitoring of impaired assets is also one of the imperative duties of the credit committee and the progress of same is monitored monthly for a better portfolio. In addition action is proposed on watch list of accounts identified in the Bank's credit portfolio and committee reviews the percentage of new non performing assets added every month.

The members of the committee comprises of the following Directors:

- Mr. W D N H Perera - Non Executive Director
- Mr.R E U De Silva - Independent Non Executive Director
- Mr.T G Thoradeniya - Non Executive Director
- Mr. S B Rangamuwa - Non Executive Director

Independent Directors

The Board comprises of three (03) Non-Executive Directors and all of them have been declared as independent as at the date of this Prospectus.

- Mr.R E U De Silva
- Mr.H K Seneviratne
- Mr.T Igarashi

8.0 CORPORATE MANAGEMENT

8.1 Profiles of the Corporate Management

Name	Date of appointment to the present position	Education and professional background	Experience in the banking and finance field	Length of service with the Bank
Dimantha Seneviratne (Chief Executive Officer)	1st March 2014	MBA from the Postgraduate Institute of Management, and a BSc, both from the University of Sri Jayawardenapura, Sri Lanka. Awarded the Fellowship of the Institute of Bankers Sri Lanka (FIB-2009) having attained his Associate Membership in 1992. Diploma in Computer System Design from The National Institute of Business Management has read up to Level II of The Chartered Financial Analyst programme conducted by CFA Institute, USA.	Overall Banking experience 23 years	5 Months
Kamoor Sourjah (Chief Operating Officer / Deputy General Manager Corporate Banking)	03rd May 2008 - DGM Corporate Banking. 07th July 2011-Chief Operating Officer.	AIB - Associate Member of the Institute of Bankers of Sri Lanka, Associate Member of ACCA-Association of Chartered certified Accountants of United Kingdom, Member of the Project Management Institute of USA with PMP status.	Overall Banking experience 21 years	6 Years
Seenirajah Umakanthan (Deputy General Manager - Recoveries)	18th February 2009	AIB- Associate Member of the Institute of Bankers of Sri Lanka M.Sc in Mgt (Sri. J'pura).	Overall Banking experience 31 years	16 Years
Lalith Fernando (Deputy General Manager - Chief Risk Officer)	21st October 2009	GCE O/L GCE A/L	Overall Banking experience 39 years	5 Years
Richie Dias (Deputy General Manager - Head of Treasury)	01st July 2010	Postgraduate Executive Diploma in Bank Management, Bachelor of Business Administration(USA), Certificate Programme on Treasury and Foreign Exchange Operations (CBSL) - January 2011	Overall Banking experience 33 years	4 Years
Lalith Jayakody (Deputy General Manager - Chief Financial Officer)	08th April 2014	Passed finalist of the Institute of Chartered Accountants of Sri Lanka, Passed finalist of the Institute of Bankers of Sri Lanka.	Overall Banking experience 34 years	4 Months
Nayantha Fernando (Assistant General Manager - Company Secretary)	01st January, 2010	Attorney-at -Law	Overall Banking experience 19 years	16 Years
Nalaka Wijayawardana (Assistant General Manager - Chief Marketing Officer)	1st March 2010	MCIM(U.K),ACS,IBSL(Intermediate) Canadian Securities Course	Overall Banking experience 21 years	4 Years
Jeremy De Zilva (Assistant General Manager - Head of Internal Audit)	24th January 2011	MBA from University of Southern Queensland Australia, Postgraduate Executive Diploma in Bank Management-IBSL, Member of Institute of Internal Auditors USA (MIIA) Member of Chartered Institute for Securities & Investment UK – (MCSI) Member of the Association of Business Executives-UK (MABE), Member Association of Certified Professional Managers -SL (MCPM)	Overall Banking experience 25years	3 Years

Name	Date of appointment to the present position	Education and professional background	Experience in the banking and finance field	Length of service with the bank
Naleen Edirisinghe (Assistant General Manager Retail & Business Banking)	01st March, 2011	Msc Mgmt (USJ), AIB - Associate Member of the Institute of Bankers of SriLanka,FCPM.	Overall Banking experience 27 Years	14 Years
Indrajith Gunasekara (Assistant General Manager SME & Pawning)	5th May 2014	MBA - University of Southern Queensland, Australia, post Graduate Executive Diploma in Bank Management-IBSL. Post Graduate Diploma in Business & Finance -Institute of Chartered Accountant SL.	Overall Banking experience 26 years	3 Months
Varuni Egodage (Head of Legal)	1st March 2012	Attorney-at-Law. Holds LL.B and MBA degrees from the University of Colombo and Post Attorney Diploma in Banking and Insurance Law from the Colombo Law College. Currently reading for a LLM on Banking, Company and International Trade Law at the University of Colombo.	Overall Banking experience 16 Years	16 Years
Rohitha Amarapala (Head of Human Resources)	2nd May 2014	MBA from University of western Sydney, Australia. National Diploma in HRM from IPM SL Fellow Member of IMP SL Life Member of Organization of Professional Associations of SL. Licentiate Practitioner of Psychometrics under Thomas International Systems.	Overall Banking experience 04 years	3 Months
Sajith Sameera (Head of Information Technology)	01st August 2014	Master of Business Administration (MBA) - Information Technology from University of Moratuwa, Certified Management Accountant (CMA-Australia) examination, British Computer Society (BCS) Examination (IT Degree equal) Institute of Bankers (AIB) Intermediate Examination, Australian Computer Society (ACS) Examination in Computing, Diploma in Computer Studies (DICS) with CREDIT - NCC UK.	Overall Banking experience 23 years	1 month

The Chief Executive Officer is not and was not involved in the following events :

i. *petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer.*
ii. *such person was convicted for fraud, misappropriation or breach of trust or any other similar offence which the Exchange considers a disqualification.*
iii. *or an appropriate negative statement.*

8.2 Emoluments of the Corporate Management

The estimated aggregate emoluments including bonus to be paid to the Corporate Management Team (Excluding Chief Executive Officer) for financial year ending 31st December 2014 is Rs.72.38 Million.

The aggregate emoluments including bonus made to Corporate Management Team (Excluding Chief Executive Officer) for the financial year ended 31st December 2013 was Rs. 59.90 Million.

9.0 STATUTORY DECLARTIONS

9.1 Statutory declaration by the Board of Directors

We, the undersigned who are named herein as Directors of Pan Asia Banking Corporation PLC hereby declare and confirm that we have read the provisions of CSE Listing Rules and of the Companies Act No. 7 of 2007 and any amendments thereto relating to the issue of the Prospectus and those provisions have been complied with.

"This Prospectus has been seen and approved by the Directors of Pan Asia Banking Corporation PLC and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that provisions of the CSE Listing Rules and of the Companies Act No. 07 of 2007 and any amendments to it from time to time have been complied with and after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Pan Asia Banking Corporation PLC have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to Pan Asia Banking Corporation PLC and making assumptions that are considered to be reasonable at the present point in time in the best judgement of the directors.

An application has been made to the Colombo Stock Exchange for permission to deal in and for a listing for Debentures issued by Pan Asia Banking Corporation PLC and those Debentures which are the subject of this issue. Such permission will be granted when Debentures are listed on the Colombo Stock Exchange. The Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the Colombo Stock Exchange is not to be taken as an indication of the merits of Pan Asia Banking Corporation PLC or of the Debentures issued"

Name of Director	Designation	Date	Place	Signature
Mr.W D N H Perera	Chairman	22/08/2014	Colombo	Sgd.
Mr.R E U De Silva	Deputy Chairman	22/08/2014	Colombo	Sgd.
Mr.H K Seneviratne	Senior Director	22/08/2014	Colombo	Sgd.
Mr.M D S Goonatilleke	Director	22/08/2014	Colombo	Sgd.
Mr.T G Thoradeniya	Director	22/08/2014	Colombo	Sgd.
Mr.G A R D Prasanna	Director	22/08/2014	Colombo	Sgd.
Mr.T Igarashi	Director	22/08/2014	Colombo	Sgd.
Mr.T Murakami	Director	22/08/2014	Colombo	Sgd.
Mr.S B Rangamuwa	Director	22/08/2014	Colombo	Sgd.
Mr.P L D N Seneviratne	Director/Chief Executive Officer	22/08/2014	Colombo	Sgd.

9.2 Statutory declaration by the Joint Managers to the issue

We, People's Bank Investment Banking Unit, of People's Bank Head office,13th floor, No.75, Sir Chittampalam A Gardiner Mawatha, Colombo 02, and Capital Alliance Partners Limited, of Level 5,"Millennium House", 46/58 Navam Mawatha, Colombo 2, being the Joint Managers to the Debenture issue of Pan Asia Banking Corporation PLC, hereby declare and confirm that to the best of our knowledge and belief based on the information provided to us by the Bank, the Prospectus constitutes full and true disclosure of all material facts about the Issue and Pan Asia Banking Corporation PLC.

The Common Seal of People's Bank and Capital Alliance Partners Limited was affixed on the 25th day of September, 2014 at Colombo in the presence of Two Directors of People's Bank and Capital Alliance Partners Limited.

Sgd. Sgd. Director Director People's Bank	Sgd. Sgd. Director Director Capital Alliance Partners Limited

Nayantha Fernando, Company Secretary, Pan Asia Banking Corporation PLC, of No.450, Galle Road, Colombo 03 being the Joint Managers to the Debenture issue of Pan Asia Banking Corporation PLC, hereby declare and confirm that to the best of our knowledge and belief based on the information provided to us by the Bank, the Prospectus constitutes full and true disclosure of all material facts about the Issue and Pan Asia Banking Corporation PLC.

The Common Seal of Pan Asia Banking Corporation PLC was affixed on the 22nd of August, 2014 at Colombo in the presence of Two Directors of Pan Asia Banking Corporation PLC.

Sgd. Sgd.
Director Director
Pan Asia Banking Corporation PLC

We, Navara Capital Partners Ltd of No 12 B, Gregory's Road, Colombo 07 being the Joint Managers to the Debenture issue of Pan Asia Banking Corporation PLC, hereby declare and confirm that to the best of our knowledge and belief based on the information provided to us by the Bank, the Prospectus constitutes full and true disclosure of all material facts about the Issue and Pan Asia Banking Corporation PLC.

The Common Seal of Navara Capital Partners Ltd was affixed on the 02nd October, 2014 at Colombo in the presence of Two Directors of Navara Capital Partners Ltd.

Sgd. Sgd.
Director Director
Navara Capital Partners Ltd

9.3 Statutory declaration by the Bank

An application has been made to the CSE for permission to deal in and for a listing for Debentures issued by the Bank and those Debentures which are the subject of this Issue.

Such permission will be granted when Debentures are listed on the CSE. The CSE assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the CSE is not to be taken as an indication of the merits of the Bank or of the Debentures issued.

The Common Seal of Pan Asia Banking Corporation PLC affixed on the 22nd August, 2014 at Colombo in the presence of two Directors.

Sgd. Director	Sgd. Director

ANNEXURE I: COLLECTION POINTS

Copies of the Prospectus and the Application Form can be obtained free of charge from the following collection points.

Joint Managers to the Issue

People's Bank Investment Banking Unit
People's Bank Head office,
13th floor, No.75,
Sir Chittampalam A Gardiner Mawatha
Colombo 02, Sri Lanka.
Tel: +94 11 2 206795-6
Fax: +94 11 2 458842

Capital Alliance
Partners Limited
Level 5
"Millennium House"
46/58 Navam Mawatha
Colombo 2, Sri Lanka
Tel: +94 11 2317777
Fax: +94 11 2317798

Nayantha Fernando
Company Secretary
Pan Asia Banking
Corporation PLC
No.450, Galle Road,
Colombo 03.
Tel : +94 114667610
Fax : +94 112301844

Registrars to the Issue

Nayantha Fernando
Company Secretary
Pan Asia Banking Corporation PLC
No.450, Galle Road, Colombo 03.
Tel : +94 114667610
Fax : +94 112301844

Bankers to Issue

Pan Asia Banking Corporation PLC
No.450, Galle Road,
Colombo 03.
Tel : +94 112565565
Fax : +94 112565558

Financial Advisors

Pan Asia Banking Corporation PLC
No.450, Galle Road,
Colombo 03.
Tel : +94 112565565
Fax : +94 112565558

PAN ASIA BANK BRANCH NET WORK

Head Office & Kollupitiya Branch (Ground Floor)
No.450, Galle Road, Colombo
Tel: 011-4667777
Fax: 011-2301150

Metro Branch
Level 2, East Tower,
World Trade Center
Echelon Square, Colombo 1
Tel: 011-4374003
Fax: 011-2346053

Panchikawatta Branch
262 & 266, Sri Sangaraja Mawatha,
Colombo - 10
Tel: 011-4374013
Fax: 011-2447457

Pettah Branch
64, Keyzer Street, Colombo 11
Tel: 011-4374025
Fax: 011-5363652

Kandy Branch
123, D.S Senanayake Veediya, Kandy
Tel: 08-4946101
Fax: 081-2232994

Rajagiriya Branch
468, Kotte Road, Rajagiriya
Tel: 011-4374033
Fax: 011-2866823

Ratnapura Branch
198, Main Street, Ratnapura
Tel: 045-4928691
Fax: 045-2231848

Nugegoda Branch
132 C, High Level Road,
Nugegoda.
Tel: 011-4374046
Fax: 011-2828228

Bambalapitiya Branch
329, Galle Road, Colombo 04
Tel: 0114374057-61
Fax: 011-2506825

Negombo Branch
90, St. Joseph's Street
Negombo.
Tel: 031-4934832
Fax: 031-2231259

Gampaha Branch
95, Colombo Road, Gampaha
Tel: 033-4933881
Fax: 033-2220048

Kurunegala Branch
22, Suratissa Mawatha,
Kurunegala
Tel: 037-4936785
Fax: 037-2221731

Matara Branch
45B, Anagarika Dharmapala Mawatha,
Matara
Tel: 041-4935025
Fax: 041-2231362

Dehiwala Branch
104, Galle Road, Dehiwala North
Tel: 011-4374079
Fax: 011-2730624

Kotahena Branch
215A, George R De Silva Mawatha,
Colombo 13.
Tel: 011-4374066
Fax: 011-2346066

Wattala Branch
134, Old Negombo Road,
Wattala
Tel: 011-4374090
Fax: 011-2945104

Dam Street Branch
22, Dam Street, Colombo 12
Tel: 011-4374132
Fax: 011-2346052

Maharagama Branch
173/1, High Level Road,
Maharagama
Tel: 011-4374165
Fax: 011-2838397

Galle Branch
32, Old Matara Road, Galle
Tel: 091-4941222
Fax: 091-2226835

Wennappuwa Branch
6, Chilaw Road,
Wennappuwa
Tel: 031-4934872
Fax: 031-2249556

Borella Branch
996A, Maradana Road, Colombo 8
Tel: 011-4374209
Fax: 011-2696461

Vauniya Branch
14, 2nd Cross Street, Vauniya
Tel: 024-4924872
Fax: 024-2225444

Jaffna Branch
570, Hospital Road, Jaffna
Tel: 021-4976777
Fax: 021-2221485

Batticaloa Branch
291, 293 & 295, Trincomalee Road,
Batticaloa
Tel: 065-4976777
Fax: 065-2228486

Kilinochchi Branch
161, A9 Road, Kilinochchi
Tel: 021-4925952
Fax: 021-2280075

Kuliyapitiya Branch
74/3, Kurunegala Road, Kuliyapitiya
Tel: 037-4943733
Fax: 037-2284141

Panadura Branch
506, Galle Road, Panadura
Tel: 038-4927084
Fax: 038-2243053

Katugastota Branch
161, Madawala Road, Katugastota
Tel: 081-4946141
081-4946130
Fax: 081-2500362

Kirulapone Branch
100, High Level Road,
Kirulapone, Colombo 6
Tel: 011-4374154
Fax: 011-2515227

Kadawatha Branch
138, Kandy Road, Kadawatha
Tel: 011-4374187
Fax: 011-2925192

Wellawatte Branch
135, Galle Road, Wellawatte
Tel: 011-4374198
Fax: 011-2362399

Anuradhapura Branch
49, Main Street, Anuradhapura
Tel: 025-4927153
Fax: 025-2234763

Malabe Branch
410/2, Athurugiriya Road,
Malabe
Tel: 011-4374220
Fax: 011-2744405

Embilipitiya Branch
49, New Town, Embilipitiya
Tel: 047-4976777
Fax: 047-2261624

Ambalangoda Branch
103, Galle Road,
Ambalangoda
Tel: 091-4943164
Fax: 091-2258064

Kandy City Centre Branch
05A, Lower Ground Floor, Kandy City
Centre,
5, Dalada Veediya, Kandy
Tel: 081-4951034
Fax: 081-2205776

Kalubowila Branch
46A, S D S Jayasinghe Mawatha,
Kalubowila
Tel: 011-4374254
Fax: 011-2828338

Old Moor Street Branch
314, Old Moor Street, Colombo 12
Tel: 011- 4374121
Fax: 011-2392897

Narahenpita Branch
526, Elvitigala Mawatha,
Colombo 05.
Tel: 011-4374143
Fax: 011-2368667

Moratuwa Branch
18, New Galle Road,
Moratuwa
Tel: 011-4374176
Fax: 011-2641354

Kegalle Branch
72 & 74, Main Street, Kegalle
Tel: 035-4928085
Fax: 035-2221018

Gampola Branch
73E, Nuwara-Eliya Road, Gampola
Tel: 081-4944781
Fax: 081-2353998

Kalutara Branch
264, Main Street, Kalutara
Tel: 034-4947177
Fax: 034-2221258

Chilaw Branch
15 & 17, Bazaar Street, Chilaw
Tel: 032-4928371
Fax: 032-2224756

Matale Branch
165, Trincomalee Street, Matale
Tel: 066-4976777
Fax: 066-2223007

Kalmunai Branch
100 & 104, Batticaloa Road,
Kalmunai.
Tel: 067-4976777
Fax: 067-2225590

Badulla Branch
22A, Bank Road, Badulla
Tel: 055-4976777
Fax: 055-2225771

Bandarawela Branch
340/1A, Badulla Road,
Bandarawela
Tel: 057-4976777
Fax: 057-2233554

Dambulla Branch
Jayalanka Building, Kandy Road,
Dambulla
Tel: 066-4928970-76
Fax: 066-2284844

Ratmalana Branch
446, Galle Road, Ratmalana
Tel: 011-4374261
Fax: 011-2738840

Peradeniya Branch
767, 769 & 769/1/1 Sirimawo
Bandaranayake Mawatha,
Kandy
Tel: 081-4951180
Fax: 081-2232441

Kaduruwela Branch
918, Batticaloa Road, Kaduruwela
Tel: 027-4976777
Fax: 027-2224474

Ambalanthota Branch
155/1, Tissa Road, Ambalanthota
Tel: 047-4937850
Fax: 047-2225056

Kiribathgoda Branch
67, Makola Road,
Kiribathgoda
Tel: 011-4376061
Fax: 011-2911041

Piliyandala Branch
107, Horana Road, Mampe,
Piliyandala
Tel: 011-4376251
Fax: 011-2604070

Nelliady Branch
208A, Jaffna Road,
Nelliady
Tel: 021-4923164
Fax: 021-4923164

Kattankudy Branch
365, New Kalmunai Road,
Kattankudy
Tel: 065-4926901
Fax: 065-2248468

Kundasale Branch
248, Digana Road,
Kundasale
Tel: 081-4951644
Fax: 081-2424624

Monaragala Branch
25, Bus Stand Road,
Monaragala
Tel: 055-4929312
Fax: 055-2277223

Akkaraipattu Branch
No .280,
Kaiyoom Complex Building,
Main Street,
Akkaraipattu
Tel: 067-4924071
Fax: 067-2279576

Chunnakam Branch
92, Dr. Subramaniyam Road
Chunnakam
Tel: 021-4923422
Fax: 021-2241889

Balangoda Branch
84, Barns Rathwatte Mawatha,
Balangoda
Tel: 045-4928310
Fax: 045-2289081

Battaramulla Branch
123 C, Pannipitiya Road,
Battaramulla
Tel: 011-4343259
Fax: 011-2885622

Puttalam Branch
116A, Kurunegala Road,
Puttalam
Tel: 032-4929662
Fax: 032-2267967

Pilimathalawa Branch
207, Colombo Rd,
Pilimathalawa
Tel: 081-4951872
Fax: 081-2575335

Ja- Ela Branch
71A, Negombo Road,
Ja-Ela
Tel: 011-4344168
Fax: 011-2232824

Kekirawa Branch
91 & 93, Main Street,
Kekirawa
Tel: 025-4928935
Fax: 025-2264598

Thalawathugoda Branch
351/E, Pannipitiya Road,
Thalawathugoda
Tel: 011-4344652
Fax: 011-2796016

Minuwangoda Branch
42, Veyangoda Road,
Minuwangoda
Tel: 011-4335772
Fax: 011-2295929

Warakapola Branch
139, Kandy Road,
Warakapola
Tel: 035-4928779
Fax: 035-2267544

Galewela Branch
201, Kurunegala Road,
Galewela
Tel: 066-4929972
Fax: 066-2288320

Akuressa Branch
54, Matara Road,
Akuressa
Tel: 041-4935856
Fax: 041-2284677

Trincomalee Branch
459, Dockyard Road,
Trincomalee
Tel: 026-4925527
Fax: 026-2225700

Tangalle Branch
03, Annapitiya Road,
Tangalle
Tel:047-4929626
Fax: 047-2241215

Hatton Branch
68, Co-Operate Square Building.
Hatton.
Tel: 051-4932040
Fax: 051-2225665

Homagama Branch
381, High Level Road,
Homagama
Tel: 011-4385740
Fax:011-2098484

Horana Branch
95, Rathnapura Road,
Horana
Tel:034-4941060
Fax:034-2266566

Colombo Gold Center Branch
48 GF & 53UF
Central Super Market,
Pettah
Tel : 011 – 4061241
Fax : 011 - 2339383

Members of the CSE

Bartleet Religare Securities (Pvt) Limited
Level "G", "Bartleet House",
65, Braybrooke Place, Colombo 2.
Tel:+94 11 5 220 200
Fax: +94 11 2 434 985

John Keells Stock Brokers (Pvt) Ltd.
186, Vauxhall Street,
Colombo 2.
Tel: +94 11 2 342066-7,
+94 11 2 306250
Fax: +94 11 2 342068

Assetline Securities (Pvt) Ltd.
No.120, 120A, Pannipitiya Road,
Battaramulla.
Tel: +94 11 4 700 111, 2 307 366
Fax: +94 11 4 700 112, 2 307 365

J B Securities (Pvt) Ltd.
150, St. Joseph Street,
Colombo 14.
Tel:+94 11 2 490 900, 077 2 490 900, 077 2 490 901
Fax:+94 11 2 430 070, 2 446 085, 2 447 875

Asia Securities (Pvt) Ltd.
Level21,WestTower,WorldTradeCentre,EchelonSquare,
Colombo 1.
Tel:+94 11 2 423 905, 5 320 000
Fax:+94 11 2 336 018

Capital Trust Securities (Pvt) Ltd.
42, Mohamed Macan Markar Mawatha,
Colombo 3.
Tel:+94 11 2 174 174, +94 11 2 174 175
Fax:+94 11 2 174 173

CT CLSA Securities (Pvt) Limited
4-14, Majestic City, 10, Station Road, Colombo 4.
Tel. +94 11 2 552 290 - 4
Fax: +94 11 2 552 289

NDB Securities (Private) Limited.
5th Floor, NDB Building, 40, Navam Mawatha,
Colombo 2.
Tel:+94 11 2 314 170 to 2 314 178
Fax:+94 11 2 314 180

Acuity Stockbrokers (Pvt) Ltd.
Level 6, Acuity House,
No. 53, Dharmapala Mawatha, Colombo 3.
Tel: +94 11 2 206 206
Fax: +94 11 2 206 298 / 9

Asha Phillip Securities Ltd.
2nd Floor,
Lakshmans Building,
No. 321, Galle Road,
Colombo 03.
Tele : +94 11 2 429 100
Fax : +94 11 2 429 199

Somerville Stockbrokers (Pvt) Ltd.
137, Vauxhall Street,
Colombo 2.
Tel: +94 11 2 329 201-5, 2 332 827, 2 338 292-3
Fax: +94 11 2 338 291,

Lanka Securities (Pvt) Ltd.
228/1, Galle Road,
Colombo 04.
Tel:+94 11 4 706 757, 2 554 942
Fax:+94 11 4 706 767

Nation Lanka Equities (Pvt) Ltd.
44, Guildford Crescent,
Colombo 07.
Tel:+94 11 4 889 061-3, +94 11 2 684 483
Fax:+94 11 2 688 899

S C Securities (Pvt) Ltd.
2nd Floor, 55 D.R. Wijewardena Mawatha,
Colombo 10.
Tel:+94 11 4 711 000 / +94 11 47 11 001
Fax:+94 11 2 394 405

First Capital Equities (Pvt) Limited.
No.01, Level 02, Lake Crescent, Colombo 02.
Tel:+94 11 2 145 000
Fax:+94 11 5 736 264

Trading Members

Capital Alliance Securities (Pvt) Ltd.
Level 5, "Millennium House", 46/58 Navam Mawatha,
Colombo 2.
Tel:+94 11 2 317 777
Fax:+94 11 2 3177 88

First Guardian Equities (Pvt) Ltd.
32nd Floor, East Tower, World Trade Centre,
Echelon Square,
Colombo 1.
Tel: +94 11 5 884 400 (Hunting)
Fax: +94 11 5 884 401

SMB Securities (Pvt) Ltd.
102/1, Dr. N M Perera Mawatha,
Colombo 8.
Tel:+94 11 4 388 138
Fax: +94 2 670 294

Taprobane Securities (Pvt) Ltd.
2nd Floor,
No. 10, Gothami Road,
Colombo 08.
Tel: +94 11 5 328 200
Fax: +94 11 5 328 277

Candor Equities Ltd.
Level 8, South Wing,
Millennium House,
46/58 Nawam Mawatha,
Colombo 02.
Tel: +94 11 2 359 100
Fax: +94 11 2 305 522

Serendib Stock Brokers (Pvt) Ltd.
Level 15, East Tower,
World Trade Center, Echelon Square, Colombo 01.
Tele : +94 11 550 0600, +94 11 550 0698
Fax : + 94 11 550 0699

Enterprise Ceylon Capital (Pvt) Limited.
27th Floor, East Tower,
World Trade Centre, Echelon Square,
Colombo 1
Tel: +94 11 2 333 000
Fax: +94 11 2 333 383

TKS Securities (Pvt) Ltd.
4th Floor, No.245
Dharmapala Mawatha,
Colombo 7.
Tel: +94 11 7 857 799
Fax: +94 11 7 857 857

Richard Pieris Securities (Pvt) Ltd.
No. 55/20, Vauxhall Lane, Colombo 02.
Tel: +94 11 7 448 900 , +94 11 5 900 800
Fax: +94 11 2 330 711

Claridge Stockbrokers (Pvt) Ltd.
No.10 Gnanartha Pradeepa Mawatha,
Colombo 8.
Tel: +94 11 2 697 974
Fax: +94 11 2 689 250

Navara Securities (Pvt) Ltd
No.25-2/1, Mile Post Avenue,
Colombo 3.
Tel: +94 11 2 358 700 / 20
Fax: +94 11 2 358 701

Softlogic Stockbrokers (Pvt) Ltd
No.06, 37th Lane,
Queens Road,
Colombo 03.
Tel: +94 11 7 277 000
Fax: +94 11 7 277 099

LOLC Securities Limited
Level 18, West Tower,
World Trade Centre,
Echelon Square
Colombo 1.
Tel: +94 11 7 880 880
Fax: +94 11 2 434 771

Trading Members – Debt

First Capital Markets Limited
No.2, Deal Place,
Colombo 03.
Tel: +94 11 2 639 898, +94 11 2 681 888
Fax: +94 11 2 639 899, +94 11 2 681 460

Capital Alliance Limited
Level 5, "Millenium House"
46/58, Nawam Mawatha, Colombo 2.
Tel: +94 11 2317777
Fax: +94 11 2317788

Wealthtrust Securities Ltd
No.32, Castle Street,
Colombo 08
Tel : +94 11 2 689 823
Fax: +94 11 2689 605

ANNEXURE II: CUSTODIAN BANKS

BANK OF CEYLON
Head office, 11th Floor,
04, Bank of Ceylon Mawatha,
Colombo 01
2448348 (Direct), 2338742/55, 2544333, 02446790 - 811

BANQUE INDOSUEZ
C/o Hatton National Bank Limited, Cinnamon Garden Branch,
251, Dharmapala Mawatha,
Colombo 07
2686537, 2689176

CITI BANK N.A
65C, Dharmapala Mawatha,
P O Box 888,
Colombo 07
2447316/8, 2447318, 2449061, 2328526, 4794700

COMMERCIAL BANK OF CEYLON PLC
Commercial House, 21, Bristol Street
P O Box 853, Colombo 01
2445010 – 15, 238193-5, 430420, 336700

DEUTSCHE BANK
P O Box 314, No.86, Galle Road, Colombo 03
2447062, 2438057

HATTON NATIONAL BANK PLC
HNB Towers,
479, T B Jayah Mawatha
Colombo 10
2664664

THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
24, Sir Baron Jayathilake Mawatha
Colombo 01
2325435, 2446591, 2446303, 2346422 (Direct)

PEOPLE'S BANK
Head office - Treasury, 5th Floor,
75, Sir Chittampalam A Gardiner Mawatha, Colombo 02
2781481, 2327841 – 9, 2446316 – 15, 2430561, 2324967

STANDARD CHARTERED BANK
37 York Street, P O Box 112, Colombo 01.
4794400, 2480000

SAMPATH BANK PLC
110, Sir James Pieris Mawatha ,
Colombo02
2300260/ 4730630

STATE BANK OF INDIA
16, Sir Baron Jayathilake Mawatha, Colombo 01
2326133 – 5, 2439405-6, 2447166, 2472097

SEYLAN BANK PLC
Corporate Banking, Level 6, Seylan Towers, 90, Galle Road, Colombo 03
2456789, 4 - 701812, 4 - 701819 & 4 - 701829

UNION BANK
64A, Galle Road, Colombo 03
234110, 2370870

NATIONS TRUST BANK PLC
256, Sri Ramanathan Mawatha , Colombo 15
4313131

PAN ASIA BANKING CORPORATION PLC
Head Office , 450, Galle Road , Colombo 03
2565565

PUBLIC BANK BERHAD
No.340, R A De Mel Mawatha , Colombo 03
2576289 / 7290200 – 07

ANNEXURE III – RATING RATIONALE

CREDIT RATING RATIONALE

Pan Asia Banking Corporation PLC

- Financial Institution Ratings
- Proposed LKR 3.0 billion Listed Subordinated Unsecured Redeemable Debentures (2014/2019)

September 2014

LRA

Lanka Rating Agency Limited
No 11,
Melbourne Avenue,
Colombo 4

T-2553089 F- 2553090
E- lra@lra.com.lk
www.lra.com.lk

LRA

CREDIT RATING RATIONALE

FINANCIAL INSTITUTION RATING

September 2014

Analysts:

Lead
Fawaz Mulafer
ACMA (UK), CGMA
(9411) 2553089
fawaz@lra.com.lk

Associate
Aethra De Silva
BA, MAFE
(9411) 2553089
aethra@lra.com.lk

Principal Activity:
Licensed Commercial Banking

Ratings:
Long-term: BBB+ [Assigned]
Short-term: P2 [Assigned]

Rating Outlook:
Stable

PAN ASIA BANKING CORPORATION PLC

-Initial Rating

Methodology Used: LRA – Financial Institutions Ratings Methodology

Summary

Lanka Rating Agency ("LRA"), former RAM Rating Lanka's, technical partner is CRISIL India ("CRISIL"). CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. CRISIL is India's leading ratings agency and is also the foremost provider of high-end research to the world's largest banks and leading corporations. CRISIL's majority shareholder is Standard and Poor's ("S&P"). S&P, a part of McGraw Hill Financial (formerly The McGraw-Hill Companies) (NYSE:MHFI), is the world's foremost provider of credit ratings.

Lanka Rating Agency has assigned Pan Asia Banking Corporation PLC (PABC or the Bank)'s respective long- and short-term financial institution ratings at BBB+ and P2. The outlook on the long-term rating is stable. Concurrently, the long term ratings of the company's proposed Listed Subordinated Unsecured Redeemable Debentures (2014/2019) up to LKR 3 billion have been assigned an issue rating of BBB. Both the long-term ratings carry stable outlook.

Meanwhile, the rating is supported by the Bank's average capitalisation liquidity and improving performance. However, the rating is tempered by its relatively small size and asset quality.

Incorporated in 1995, PABC is a Licensed Commercial Banks (LCB) operating in Sri Lanka under the Banking Act No. 30 of 1988. The Bank remains one of the smallest players in the domestic LCB industry, with an asset base of LKR 64.92 billion and a net loan book of LKR 44.73 billion as at FYE Dec 2013. This accounted for 1.29% of the LCB sector assets and 1.31% of sector loans. Nevertheless, the Bank has been consolidating its presence in the local arena while improving its franchise during the past 5 years. As at end-1Q FY 2014, PABC operated 77 branches with 1232 staff members.

Instruments:

(i) Proposed LKR 3 Billion Listed Subordinated Unsecured Redeemable Debentures (2014/2019)

Ratings
(i)BBB (Assigned)

Coupon Rates:

(i) 5 year Debentures 9.75% Annual Coupon

(ii) 5 year Debentures 9.5233% Semi Annual Coupon

Tenure/Maturity:
(i) 60 Months

Security
(i)Unsecured

The Bank's asset quality is deemed below average as reflected in its asset indicators; however these metrics have shown an improving trend in 1Q FY 2014. The weakening of asset quality has been an industry wide phenomenon in 2013, especially in financial institutions with increased exposure to gold backed lending.

PABC's asset base expanded 15.77% y-o-y to LKR 64.92 billion as at FYE December 2013, yet net loans and advances grew only at 3.51% in view of slower credit growth in FYE Dec 2013. Absolute gross Non-Performing Loans (NPL) climbed 90.54% y-o-y to LKR 3.39 billion as at FYE Dec 2013 (FYE Dec 2012: 1.77 billion) on the back of an increase in new NPLs mainly driven by infections stemming from the pawning and gold backed loan portfolio. However, strong recoveries and disposal of collateral within the pawning portfolio had enabled the Bank to maintain a slower increase of gross NPLs with new NPLs growing by only 6.07% within 1Q FY 2014. This together with growth of its credit assets had resulted in a relatively lower NPL ratio of 7.80% as at end 1Q FY 2014 (FYE Dec 2013: 8.01%). We expect the ratio to ease going forward, in view of the gradual improvement in macro-economic conditions, reduced exposure to pawning and gold loans and the bank's growth plans towards other sectors.

PABC's Net Interest Margin (NIM) declined to 3.88% in FYE Dec 2013 (FYE Dec 2012: 5.21%), driven by the proportionate reduction of high yielding products such as pawning within the credit asset mix. However with the re-pricing of deposits and credit growth in 1Q FY 2014 NIM had improved to 4.75%. PABC expects NIMs to improve further from current levels with an increase in credit growth, re-pricing of deposits and moves by the bank to focus on personal banking and SME related lending products which yield higher returns.

The Bank's performance is deemed average in comparison to peer performance indicators. The Bank's NIM and cost-to-income ratio compare well with LCB industry peers especially in 1Q FY 2014. Going forward we expect overall performance to improve in line with increased focus on lending to growth areas of the economy.

PABCs funding composition remained relatively unchanged in fiscal 2013. Customer deposits increased in prominence within its funding base, accounting for 85.96% of the mix as at end-December 2013. Deposits grew 12.37 % y-o-y in fiscal 2013 and 16.57% (annualized) in 1Q FY Dec 2014, supported by targeted deposit mobilisation. Meanwhile, the loans to deposits ratio improved from 94.11% as at end-December 2012 to 87.54% as at end-December 2013 reflective of the faster growth in deposits compared to credit assets. On a related note, Pan Asia Bank's liquidity is viewed to be average. As at end-December 2013, its statutory liquid-asset ratio improved to 23.77% from 21.15% as at end-December 2012; remaining in line with peer ratios.

Although the Bank's capitalisation levels are in line with statutory requirements with tier-1 and overall risk-weighted capital-adequacy ratios (RWCARs) clocking at 10.27% and 11.91% respectively as at end-December 2013, the Bank's capitalisation levels are viewed to be average. In line with the credit asset expansion, PABCs tier-1 and overall RWCAR moderated to 9.26% and 10.70% respectively as at end 1Q FY 2014.

Company background

Relatively Small LCB

Incorporated in 1995, PABC is a Licensed Commercial Bank (LCB) operating in Sri Lanka under the Banking Act No. 30 of 1988. It is regulated by the bank-supervision department of the Central Bank of Sri Lanka (CBSL) and is listed in the Colombo Stock Exchange (CSE). PABC remains one of the smallest players in the domestic LCB industry, with an asset base of LKR 64.9 billion and a net loan book of LKR 44.73 billion as at FYE Dec 2013. This accounted for 1.29% of the LCB sector assets and 1.31% of sector loans. Nevertheless, the Bank has been consolidating its presence in the local arena while improving its franchise during the past 5 years. As at end-1Q FY 2014, PABC was supported by 77 branches and 1232 staff members.

Caters to SME's and Personal Banking needs

PABC had initially focused on catering to Small and Medium Enterprises (SMEs) alongside consumer banking. Since mid-2008, however, its target market has been broadened to include large corporate entities as well as personal banking services to all sectors of the market. Nonetheless, the focus still continues to be in the SME sector and personal banking services to professionals and salaried employees.

Dhammika Perera – Key Stakeholder

The largest stake in PABC is held by Mr Dhammika Perera - a prominent investor with diversified business interests ranging from hospitality, finance, banking, manufacturing, power, energy, and entertainment.

Table 1: PABC's Top 10 shareholders as at 31 March 2014

Investor	% of Ownership
K. D. D. Perera	29.99
Bansei Securities	15.00
T Senthilverl/Seylan Bank PLC	9.11
D. C. C. Joseph	5.77
K. D. H. Perera	5.27
P. J. Tay	4.95
K. D. A. Perera	4.34
Samurdhi Authority	3.77
Mr. W. D. N. H. Perera	2.35
Sri Lanka Savings Bank	2.33
Other Shareholders	17.12
	100%

Source: PABC

Management Strategies

New CEO appointed in 2014

Currently, the management team is headed by the Chief Executive Officer (CEO) Mr. Dimantha Seneviratne who was appointed in March 2014. Mr. Seneviratne is a career banker with 23 years of experience, most of which was gained at HSBC Group in Sri Lanka, Maldives, Bangladesh and Thailand. PABC's 11-member board is headed by non-executive chairman Mr. Nimal Perera. The board consists of 11 non-executive directors and one executive director who is also the Chief Executive Officer. As at FYE Dec 2013 the Board consisted of four independent Directors. Board meetings are held monthly while special meetings are convened as and when required; the board convened 12 times in 2013.

Pawning Drubbing

In fiscal 2013, PABC's asset quality deteriorated through its exposure to pawning and the subsequent sharp fall in the price of gold; a phenomenon witnessed across the industry. The narrowing of interest rate margins as well as increased provisioning and write-offs contributed to a decline in overall profitability. Pan Asia Bank, which held a gross pawning portfolio of LKR 7.4 Billion in at the beginning of 2013, incurred a loss of more than a 1 Billion as a result of a strategy which was seen across the banking sector. In an effort to dispose its large reserve of unredeemed gold articles at competitive prices PABC has entered into a hedging arrangement with Commerzbank AG; one of the top 3 global bullion banks in the world. The arrangement provides an opportunity to recover gold exposure even in times of depressed prices at the local gold auctions.

New Products to drive growth

Meanwhile, the bank introduced a loan scheme for retired Government servants where small-ticket personal loans were granted with a portion of monthly pension remittances utilised towards loan repayment. The loans were available for pensionable retirees below 70 years. The loan scheme also included a loan protection insurance to cover against the death of a borrower before repayment of the loan. PABC increased its focus on credit cards with the launch of 'Black Mastercard', which claimed to offer the lowest rate amongst cards in the market while enabling cardholders to transfer and consolidate credit card debt incurred on other cards towards a single card.

Branch growth selective going forward

During the fiscal year 2013 the bank added 4 new branches to the network bringing its total franchise to 77 branches. The bank is currently consolidating its recent expansion and is selectively opening branches based on geographical presence. The current stated focus of the Bank is to grow its consumer and SME/Corporate loan portfolio while increasing funding avenues through public deposits; especially low cost current account and saving account deposits.

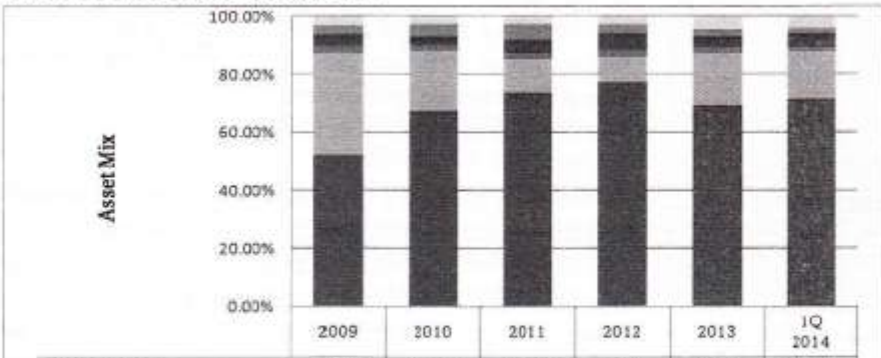
Appointed as Primary Dealer

In fiscal 2013, the Bank also obtained Primary Dealer status which enabled it to have direct access to bid for primary auctions conducted by Public Debt Department of Central Bank of Sri Lanka for Treasury Bills, Bonds and any Other

Government/Central Bank Securities. PABC expects an increase on its revenue and margins by being able to directly deal in government securities through this process.

Asset Quality

Chart 1: PABC's Asset Composition



	2009	2010	2011	2012	2013	1Q 2014
Other assets	3.13%	2.88%	2.59%	2.68%	4.39%	3.81%
Cash and Deposits	3.17%	3.56%	5.17%	3.04%	2.02%	2.12%
Statutory Deposits	3.74%	3.40%	4.79%	6.27%	4.31%	4.43%
Property, Plant & Equipment	2.76%	1.90%	2.18%	2.18%	1.86%	1.75%
Investment securities	35.40%	21.02%	11.60%	8.76%	18.52%	16.40%
Loans and Advances	51.80%	67.23%	73.66%	77.06%	68.90%	71.49%

Source: PABC, LRA

Asset base increases but credit growth slows in 2013

PABC's asset base expanded 15.77% y-o-y to LKR 64.92 billion as at FYE December 2013, yet net loans and advances grew only at 3.51%. In view of slower credit growth in FYE Dec 2013, the proportion of net loans and advances within the asset mix declined to 68.90% (FYE Dec 2012: 77.06%). Concurrently, the proportion of investment securities within the asset mix increased along with the Bank's liquidity levels (Chart 1).

First Quarter of 2014 shows signs of growth

As a result of overall reduced demand for credit and the setbacks related to gold-backed lending across the industry, PABC's loan growth slowed to 3.51% y-o-y in FYE Dec 2013 (FYE Dec 2012: 24.82%). However, with net loans and advances growing by 32.20% in 1Q FY Dec 2014 (annualised), the proportion of loans within the asset mix grew to 71.49% indicating a movement of assets towards loans and advances from investment securities in the first quarter of the financial year 2014.

Growth in 2013 driven by term loans

PABC's lending exposure has historically been dominated by consumption related loans and advances provided for trading activities. Its modest loan growth in FYE 2013 was driven mainly by growth in term loans (+59.20%), lease receivables (+12.14%) and trade finance (+20.35%) (Table 1). Although the Credit Card portfolio increased by 124.96%, it grew from a small base of only LKR 94.6 Million.

Meanwhile the Bank has continued to maintain sector diversity within its loan portfolio, which is similar to most banking sector peers'.

Table 1: PABC's Loan mix

	FY 2012	FY 2013	FY 2014 1Q
Credit Cards	0.21%	0.45%	0.69%
Staff Loans	0.72%	0.74%	0.70%
Trade Finance	2.93%	3.37%	4.31%
Margin Trading	4.73%	3.89%	4.03%
Other Loans	11.12%	12.44%	9.42%
Leases	10.18%	10.93%	10.65%
Pawning & Ran Loans	16.44%	6.36%	5.75%
Term Loans	21.19%	32.28%	33.87%
Overdrafts	32.48%	29.55%	30.58%
	100.00%	100.00%	100.00%

Source: PABC

Table 2: Loan Classification and Growth in Fiscal 2013

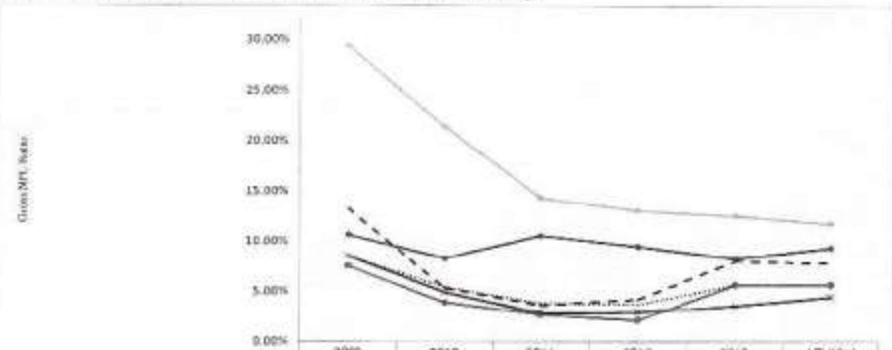
	2011	2012	2013	Growth in 2013
Financial Services	0.7%	8.0%	14.7%	91.9%
Government	1.3%	2.6%	4.2%	69.8%
Exports	2.5%	1.8%	1.8%	8.3%
Tourism and Allied	2.7%	1.0%	1.7%	79.7%
Industrial	4.9%	4.9%	5.1%	7.5%
Agriculture and Fishing	9.6%	10.0%	9.4%	-1.8%
Commercial Trading	5.8%	19.2%	15.0%	-18.5%
Imports	7.3%	7.1%	7.7%	13.7%
Consumption	46.1%	36.1%	31.9%	-7.6%
Services	13.4%	4.4%	4.2%	-0.1%
Housing	0.3%	0.3%	0.5%	94.6%
Margin Trading	5.3%	4.7%	3.9%	-14.1%
Others	0.2%	0.0%	0.0%	-10.6%

Source: PABC

Growth in term-loans tempered by NPL's

While the Bank's asset quality weakening has been exacerbated by its exposure to pawning, its fast growing term loan portfolio also contributed significantly towards overall NPL's. The SME sector is highly vulnerable to economic cycles and loan recovery is seen to be highly correlated to sector growth. Going forward, the overall NPL's are expected to reduce further with improving operating conditions. PABC's gross NPL ratio reached 8.01% in FYE (Financial Year Ending) Dec 2013 (FYE Dec 2012: 4.17%) yet compared in line with similar rated peers while comparing lower than the industry average (FYE Dec 2013: 5.60%).

Chart 2: PABC NPL vs. Peers and Banking Industry



	2009	2010	2011	2012	2013	1Q 2014
Peer 1 (BBB/P3/Stable)	10.57%	8.26%	10.55%	9.41%	8.24%	9.28%
Peer 2 (A-/Stable)	29.29%	21.36%	14.24%	12.99%	12.44%	11.68%
Peer 3 (AA-/Stable)	7.49%	3.89%	2.64%	2.07%	5.60%	5.60%
Peer 4 (A/Stable)	8.50%	4.90%	2.80%	2.90%	3.52%	4.36%
Pan Asia Bank PLC (BBB/P3/Stable)	13.17%	5.36%	3.58%	4.17%	8.01%	7.80%
Banking Industry NPL	8.50%	5.40%	3.80%	3.70%	5.60%	

Source: LRA, PABC

NPL Ratio declines in 1Q FY 2014

Lanka Ratings attributes the high gross NPL ratio to the Bank's SME focus, exposure to pawning and the unfavourable macroeconomic climate. In the short term, this ratio is expected to improve on the back of credit growth, fortified credit underwriting standards and stringent recovery efforts. This is evidenced by the ratio easing to 7.80% as at 1Q FY 2014. The Bank's absolute gross NPLs climbed 90.54% y-o-y to LKR 3.389 billion as at FYE Dec 2013 (FYE Dec 2012: 1.778 billion) on the back of an increase in new NPLs, as its loan book seasoned amidst a less conducive macro-economic environment. Strong recoveries and disposal of collateral within the pawning portfolio had enabled the bank to maintain a slower increase with new NPLs growing by only 6.07% within 1Q FY 2014. All said the ratio is still in line with similar rated peers' (Chart 2). We expect the ratio to ease going forward, in view of the gradual improvement in macro-economic conditions reduced exposure to pawning and gold loans and improving credit underwriting standards.

Table 3: NPL Movement Table

	FYE Dec 2013	FY 2014 Q1
As at the beginning of the period	1,778.92	3,389.56
(+) Non-performing during the period	5,868.01	1,527.77
Written off/ Recovered	(4,257.38)	(1,321.90)
As at the end of the period	3,389.56	3,595.43

Source: PABC

Recovery of Big-Ticket NPL's

Within the product-wise movement of non-performing loans it is noted that the increase of NPL's in fiscal 2013 was driven by large overdue loans within the term loan and overdraft portfolio. The top 20 NPL's of the Bank made up approximately 50% of the total NPL's within the term loan and overdraft portfolio. Approximately 70% these loans were collateralised and in 1Q FY 2014 recoveries within these portfolios were robust yet, new NPL accretion was the result of additions to the pawning and leasing portfolio. LRA notes that the bank has been implementing a focused strategy to clear infections within the pawning and leasing portfolios; therefore the NPL ratio of 7.80 %(1Q FY 2014) is expected to reduce further going forward.

Equity Portfolio minimal

Meanwhile, PABC's Investments portfolio consisted of Guilt Unit Trusts, Quoted Debentures, Quoted Equities and Sri Lanka Government Securities -Treasury Bills and Bonds. PABC's investment portfolio as at FYE Dec 2013 comprised of low-risk, government securities (53.52%), Unit trusts (37.55%), Quoted debentures (8.78%) and equity investments (0.09%). The Bank's minimal exposure to equity is viewed favourably.

Asset Quality below Average

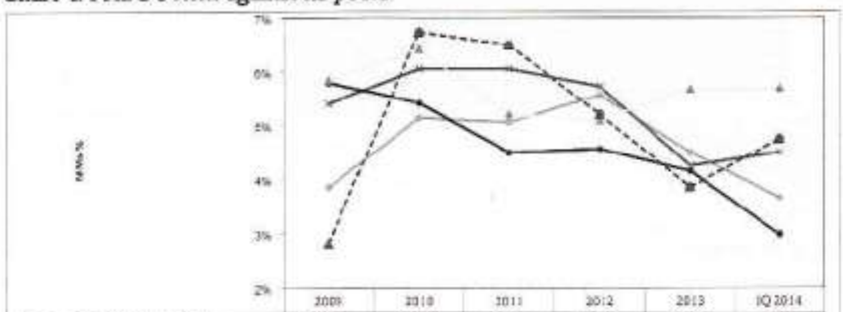
Overall, PABC's asset quality is viewed as below average owing to a loan portfolio risk profile which is higher than that of its peers and accretion of new NPL's stemming from the pawning leasing and loan portfolios .Our concerns hinge on the increase in new NPLs in fiscal 2013 and 1Q FY Dec 2014 as the Bank's loan book seasoned amidst a less conducive macro-economic environment which was experienced across the banking and finance sector of Sri Lanka.

Performance

Net Interest Income and NIM's decline in fiscal 2013

The Bank's net interest income declined 12.92% y-o-y in fiscal 2013, in contrast with the NII growth seen in fiscal 2011 and 2012 which was 42.37% and 3.98%. PABC's Net Interest Margin (NIM) declined to 3.88% in FYE Dec 2013 (FYE Dec 2012: 5.21%), driven by the proportionate reduction of high yielding products such as pawning within the credit asset mix. However with the re-pricing of deposits and moderate credit growth in 1Q FY 2014 NIM improved to 4.75%. PABC expects NIM's to improve from current levels with the increase in credit growth and moves by the bank to focus on personal banking and SME related lending products which yield higher returns.

Chart 4: PABC's NIM against its peers'



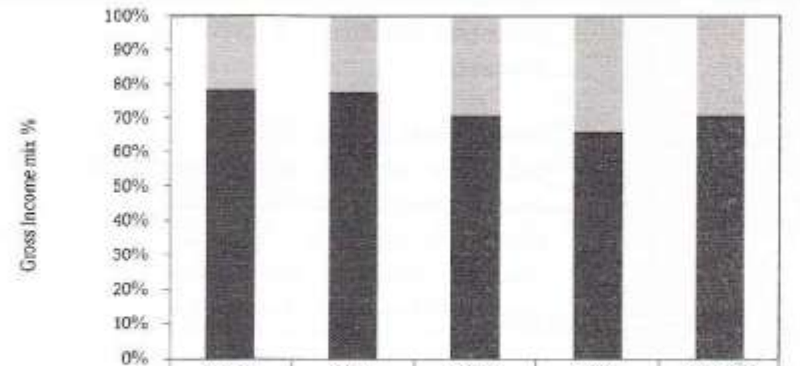
	2009	2010	2011	2012	2013	1Q 2014
Peer 1 (BBB/P3/Stable)	3.85%	5.14%	5.06%	5.57%	4.50%	3.68%
Peer 2 (A-/Stable)	5.41%	6.06%	6.06%	5.74%	4.27%	4.51%
Peer 3 (AA-/Stable)	5.80%	5.43%	4.51%	4.56%	4.16%	3.08%
Peer 4 (A/Stable)	5.84%	6.43%	5.21%	5.10%	5.69%	5.70%
Pan Asia Bank PLC (BBB/P3/Stable)	2.84%	6.76%	6.51%	5.21%	3.88%	4.75%

Source: PABC, LRA

Interest Income Dominates Gross Income

PABC's gross income has historically been dominated by net interest income where non-interest income appreciated 8.55% y-o-y to LKR 1.068 billion in FYE Dec 2013, mainly backed by fee and commission income (Chart 6). The proportion of Non-Interest income within the income mix grew in FYE Dec 2013. With the increase of interest income in 1Q FY 2014 this proportion is seen to be moving towards historical levels.

Chart 6: Trends in PABC's gross income



	2010	2011	2012	2013	1Q 2014
Non-interest income	21.94%	22.77%	29.03%	33.77%	29.05%
Net-interest income	78.06%	77.23%	70.97%	66.23%	70.95%

Source: PABC

Interest Expenses on the rise

Interest expenses grew by 34.88% in fiscal 2013 yet, net interest income declined by 12.92% due to the slowing of credit growth. The increase in interest expense was largely due to higher funding costs, reflective of the increased reliance on customer deposits; a trend observed across the industry.

Cost- to-Income improving

Meanwhile, PABC's overheads grew by 4.52% y-o-y in 2013; this growth coupled with lower income resulted in a higher cost-to-income ratio of 72.59% as at FYE Dec 2013. (FYE Dec 2012: 64.80%). The bank's cost to income ratio has been on an uptrend in recent years, reflective of its efforts to expand its branch reach. Given the bank's relatively modest branch expansion plans going forward, its cost to income ratio is expected to decrease further in line with peers. This is evidenced by Cost to Income moderating to 61.61% in 1Q FY 2014.

Recovery from Setbacks

PABC reported an ROA of 0.20% (industry: 1.30%) and an ROE of 2.99% (industry: 16.00%) as at FYE Dec 2013. In fiscal 2012 the bank reported an ROA of 2.22% (industry: 1.70%) and an ROE of 28.95% (industry: 20.30%). This illustrates the setbacks the Bank has had to face due its foray into pawning and the resultant negative effects of the infected portfolio. However, results from 1Q FY 2014 indicate that performance is improving with ROA at 0.49% and ROE increasing to 7.98 % (annualised).

Performance expected to improve

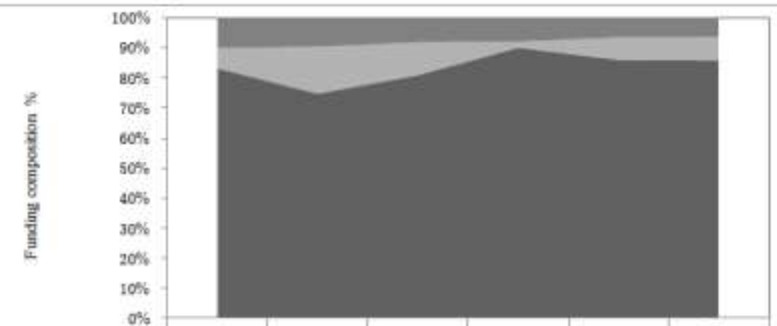
The Bank's performance is deemed average in comparison to peer performance indicators. The Bank's NIM and cost-to-income ratio compare well with LCB industry peers especially in 1Q FY 2014. Going forward we expect NIMs to be in line with current levels in the short term, with overall performance expected to improve in line with macro-economic fundamentals.

Funding and Liquidity

Deposit Growth Encouraging

Reflective of PABC's focus on deposit mobilisation the proportion of deposits in its funding mix has grown over the years; deposits accounted for 85.96% of the mix as at FYE Dec 2013. While the Bank's deposit base has grown at a steady Compound Annual Growth Rate (CAGR) of 26.95% over the last 5 years, we note that its franchise within the LCB industry is growing among corporate borrowers, given its relatively short operating history and limited branch reach. In view of the fact that deposit growth had largely stemmed from high-cost time deposits, the proportion of low-cost CASA in the bank's deposit mix stood at 19.32% as at FYE Dec 2013 improving from 16.89% in FYE Dec 2012. The increased focus on mobilising savings deposits in 1Q FY 2014 paid rich dividends whereas savings grew by 183.81% (annualised) with the portfolio increasing from 5.63 billion to LKR 8.22 billion. Concurrently, the CASA ratio increased to 21.78% as at 1Q FY 2014. Elsewhere, the bank's loans to deposit ratio improved to 87.54% as at FYE Dec 2013 (FYE Dec 2012: 93.94%), remaining in line with peers.

Chart 8: PABC's funding structure



	2009	2010	2011	2012	2013	1Q 2014
Shareholder funds*	10.08%	9.70%	8.19%	7.95%	6.46%	6.37%
Borrowings	6.76%	15.50%	10.94%	2.11%	7.57%	7.89%
Deposits	83.16%	74.80%	80.87%	89.95%	85.96%	85.74%

Source: PABC

Liquidity Maintained

Meanwhile, PABC's statutory liquid-asset ratio clocked in at 23.77% as at FYE Dec 2013 (FYE Dec 2012: 21.15%), while the regulatory minimum required was 20%, the ratio is considered to be in line with peers.

Capital Adequacy

Capitalization deemed Average

Although the Bank's capitalisation levels are above regulatory minimums with tier-1 and overall RWCAR clocking at 10.27% and 11.91% as at FYE Dec 2013, capitalisation levels are viewed to be Average. In line with the credit asset expansion, tier-1 and overall RWCAR moderated to 9.26% and 10.70% as at 1Q FY 2014. Nevertheless, the bank's tier-1 and overall RWCAR remains above regulatory requirements.

Net NPL's to Equity expected to improve

We note with concern that the Bank's ratio of Net NPLs (excluding provisions) to shareholders' funds worsened to 83.7% as at FYE Dec 2013 (FYE Dec 2012: 42.03%). This ratio continued to decline to 86.96% as at 1Q FY 2014 due to slower internal capital generation and accretion of new NPL's. However, with improving performance and the strengthening of asset quality the ratio is expected to improve in the medium term.

Corporate Information

Date of Incorporation	March 6, 1995
Commencement of Business:	1995
Major Shareholders As at 31st March 2014	K. D. D. Perera 29.99 % Bansei Securities 15.00 % T Senthilverl 9.11 % D. C. C. Joseph 5.77 % K. D. H. Perera 5.27 %
Directors (As at 20th August 2014)	W.D.N.H. Perera R.E.U. De Silva H.K. Seneviratne J.A.S.S. Adhihetty M.D.S. Goonatilleke T.G. Thoradeniya G.A.R.D. Prasanna T. Igarashi T. Muarkami J.S.B. Rangamuwa P.L.D.N. Seneviratne
Auditor	Ernst and Young
Listing	Colombo Stock Exchange

Key Management:

Dimantha Seneviratne	Director / Chief Executive Officer
Kamoor Sourjah	Chief Operating Officer / DGM Corporate Banking
Lalith Fernando	Deputy General Manager - Chief Risk Officer
Lalith Jayakody	Deputy General Manger - Chief Financial Officer
Richie Dias	Deputy General Manager - Head of Treasury
S Umakanthan	Deputy General Manager - Recoveries
Nayantha Fernando	Assistant General Manager - Company Secretary
Jeremy De Zilva	Assistant General Manager - Head of Internal Audit
Nalaka Wijayawardana	Assistant General Manager - Chief Marketing Officer
Naleen Edirisinghe	Assistant General Manager -Retail & Business Banking
Indrajith Gunasekera	Assistant General Manager - SME & Pawning
Sajith Sameera	Assistant General Manager - Head of IT
Rohitha Amarapala	Head of Human Resources
Varuni Egodage	Head of Legal

Major Subsidiaries and Associates: None

Capital History:

Year	Remarks	Amount (LKR Mn)	Cumulative Total (LKR Mn)
2004	Ordinary Shares	555.72	555.72
2006	Rights Issue	550.68	1,106.40
2009	Rights Issue	442.56	1,548.97

FINANCIAL SUMMARY

Pan Asia Banking Corporation PLC

STATEMENT OF FINANCIAL POSITION (LKR million)	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13	unaudited 31-Mar-14
Cash & Short-Term Funds	682.85	1,110.07	2,430.15	1,203.05	1,203.74	1,121.73
Deposits & Placements with Financial Institutions	0.00	0.00	0.00	500.13	104.62	313.74
Securities Purchased Under Resale Agreements	0.00	0.00	0.00	0.00	0.00	0.00
Financial Investments at Fair Value Through Profit or Loss	3,717.11	3,306.39	190.98	12.38	9,170.42	7,715.87
Financial Investments Available-For-Sale	2.14	2.14	2.14	6.16	6.16	6.16
Financial Investments Held-To-Maturity	3,012.34	1,848.08	5,260.63	4,896.05	2,849.48	3,363.85
Gross Loans & Advances	12,623.58	22,920.05	36,504.49	45,089.50	47,128.70	50,953.68
Collective Impairment Provisions	*(59.79)*	*(117.20)*	*(549.50)*	*(457.78)*	*(745.01)*	*(952.86)*
Individual Impairment Provisions	*(496.99)*	*(439.94)*	*(1,335.35)*	*(1,418.36)*	*(1,655.01)*	*(1,671.33)*
Net Loans & Advances	12,066.79	22,362.91	34,619.64	43,213.36	44,728.69	48,329.49
Statutory Deposits	807.21	1,060.32	2,250.43	3,516.87	2,799.58	2,997.99
Investments in Subsidiaries/Associates/Jointly-Controlled Entities	0.00	0.00	0.00	0.00	0.00	0.00
Goodwill & Intangibles	36.13	48.67	52.15	73.58	65.80	62.86
Property, Plant & Equipment	595.56	591.82	1,026.34	1,224.24	1,204.30	1,182.54
Other Assets	638.71	850.56	1,166.44	1,428.46	2,785.66	2,512.99
Total Assets	**21,558.83**	**31,180.97**	**46,998.89**	**56,074.29**	**64,918.45**	**67,607.21**
Customer Deposits	16,328.70	21,472.79	36,353.39	47,911.09	53,835.90	55,619.80
Current Account Deposits	*3,207.31*	*3,268.34*	*3,826.49*	*3,559.09*	*4,773.22*	*3,898.71*
Savings Account Deposits	*2,083.45*	*2,610.73*	*5,919.50*	*4,533.01*	*5,629.93*	*8,216.99*
Fixed Deposits	*8,998.19*	*12,585.92*	*23,016.91*	*35,425.98*	*38,188.24*	*38,050.54*
Negotiable Instruments of Deposits	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Other Deposits	*2,039.75*	*3,007.81*	*3,590.49*	*4,393.01*	*5,244.52*	*5,453.56*
Interbank Deposits	0.00	0.00	0.00	0.00	0.00	0.00
Bills & Acceptances Payable	0.00	0.00	0.00	0.00	0.00	0.00
Securities Sold Under Repurchase Agreements	817.81	4,074.17	3,528.66	576.41	2,399.25	0.00
Senior Debt Securities	0.00	0.00	0.00	0.00	0.00	0.00
Subordinated Debt Securities	50.00	50.00	0.00	785.83	784.69	761.58
Hybrid Capital Securities	0.00	0.00	0.00	0.00	0.00	0.00
Other Borrowings	508.97	375.68	1,387.42	545.23	2,344.26	5,116.46
Other Liabilities	1,873.68	2,424.31	2,048.73	2,023.14	1,505.58	1,974.67
Total Liabilities	**19,579.17**	**28,396.95**	**43,318.21**	**51,841.70**	**60,869.68**	**63,472.50**
Equity Share Capital	1,106.40	1,548.97	1,548.97	1,548.97	1,548.97	1,548.97
Share Premium	0.00	0.00	0.00	0.00	0.00	0.00
Treasury Shares	0.00	0.00	0.00	0.00	0.00	0.00
Statutory Reserve	61.84	79.93	282.26	511.79	638.17	638.17
Revaluation Reserve	5.65	1.81	0.00	0.00	0.00	0.00
Available-For-Sale Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Other Reserves	0.00	0.00	0.00	0.00	0.00	0.00
Retained Profits/(Accumulated Losses)	805.77	1,153.31	1,849.46	2,171.84	1,861.63	1,947.58
Non-Controlling Interests	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	**1,979.66**	**2,784.02**	**3,680.69**	**4,232.59**	**4,048.76**	**4,134.71**
Total Liabilities + Total Equity	**21,558.83**	**31,180.97**	**46,998.89**	**56,074.29**	**64,918.45**	**67,607.21**
Additional Disclosure:						
Commitments & Contingencies	3,151.96	8,420.82	15,331.43	13,743.92	26,124.67	24,097.96
Risk-Weighted Assets	12,381.79	19,061.67	26,465.83	31,728.71	39,413.03	43,725.70
Tier-1 Capital Base *	1,974.01	2,782.20	3,680.69	4,232.59	4,048.76	4,048.76
Total Capital Base *	2,050.48	2,906.07	3,782.75	4,999.48	4,694.55	4,677.76

FINANCIAL SUMMARY
Pan Asia Banking Corporation PLC

STATEMENT OF COMPREHENSIVE INCOME (LKR million)	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13	unaudited 31-Mar-14 3 months
Interest Income	3,159.66	3,027.66	4,582.66	6,766.83	7,976.95	2,001.63
Interest Expense	(1,878.01)	(1,402.26)	(2,268.62)	(4,360.68)	(5,881.65)	(1,294.83)
Net Interest Income	**1,281.65**	**1,625.40**	**2,314.04**	**2,406.15**	**2,095.30**	**706.79**
Fee Income	702.40	456.75	460.09	524.85	539.35	137.84
Investment Income	0.00	0.00	30.36	86.57	238.51	94.99
Other Income	0.00	0.00	191.79	372.62	290.27	56.56
Gross Income	**1,984.05**	**2,082.15**	**2,996.27**	**3,390.20**	**3,163.43**	**996.18**
Personnel Expenses	(352.64)	(452.75)	(644.79)	(894.06)	(942.17)	(260.79)
Other Operating Expenses	(757.14)	(901.09)	(1,075.59)	(1,302.84)	(1,354.10)	(352.99)
Operating Income before Impairment Charges	**874.27**	**728.31**	**1,275.89**	**1,193.29**	**867.17**	**382.40**
Net Impairment Charges on Loans	(209.12)	(34.39)	(121.92)	(47.88)	(582.78)	(254.07)
Net Impairment Charges on Financial Investments	0.00	0.00	0.00	0.00	0.00	0.00
Net Impairment Charges on Commitments, Contingencies & Other Assets	0.00	0.00	0.00	0.00	(160.48)	(46.71)
Operating Income after Impairment Charges	**665.15**	**693.93**	**1,153.97**	**1,145.41**	**123.91**	**81.62**
Non-Recurring Items	0.00	0.00	0.00	0.00	0.00	0.00
Share of Associates/Jointly-Controlled Entities Profits/(Losses)	0.00	0.00	0.00	0.00	0.00	0.00
Pre-Tax Profit/(Loss)	**665.15**	**693.93**	**1,153.97**	**1,145.41**	**123.91**	**81.62**
Taxation	(277.33)	(332.13)	(342.21)	(285.36)	(9.05)	4.33
Net Profit/(Loss)	**387.82**	**361.79**	**811.77**	**860.05**	**114.86**	**85.94**
Gain/(Loss) on Available-For-Sale Financial Investments	0.00	0.00	0.00	0.00	0.00	0.00
Changes in Cash Flow & Net Investment Hedges	0.00	0.00	0.00	0.00	0.00	0.00
Foreign Currency Translation Differences	0.00	0.00	0.00	0.00	0.00	0.00
Share of Other Comprehensive Income/(Loss) of Associates/Jointly-Control	0.00	0.00	0.00	0.00	0.00	0.00
Income Tax Relating to Other Comprehensive Income/(Loss)	0.00	0.00	0.00	0.00	0.00	0.00
Other Components of Comprehensive Income/(Loss)	0.00	0.00	0.59	(13.10)	(3.65)	0.00
Total Comprehensive Income/(Loss)	**387.82**	**361.79**	**812.35**	**846.95**	**111.21**	**85.94**

FINANCIAL RATIOS

Pan Asia Banking Corporation PLC

KEY RATIOS	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13	31-Mar-14
PROFITABILITY (%)						
Net Interest Margin	2.84%	6.76%	6.51%	5.21%	3.88%	4.75%
Non-Interest Income to Gross Income	35.40%	21.94%	22.77%	29.03%	33.77%	29.05%
Cost to Income	55.94%	65.02%	57.42%	64.80%	72.59%	61.51%
Return on Assets	1.15%	2.63%	2.95%	2.22%	0.20%	0.49%
Return on Equity	9.05%	29.13%	35.70%	28.95%	2.99%	7.98%
Dividend Payout Ratio	0.00%	0.00%	36.36%	34.31%	0.00%	0.00%
ASSET QUALITY (%)						
Gross NPLs Ratio	13.17%	5.36%	3.58%	4.17%	8.01%	7.90%
Credit Cost Ratio	0.59%	0.19%	0.41%	0.12%	1.26%	2.07%
Impairment Charge Ratio	0.48%	0.14%	0.35%	0.10%	1.07%	1.58%
Gross Impaired Loan Coverage Ratio	36.77%	48.82%	152.57%	105.46%	70.81%	72.99%
LIQUIDITY & FUNDING (%)						
Liquid Asset Ratio	42.00%	23.19%	20.19%	21.15%	23.77%	22.43%
Interbank Deposits to Total Interest Bearing Funds	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Deposits to Total Interest Bearing Funds	92.22%	82.67%	88.09%	96.17%	90.68%	90.44%
CASA Deposits to Total Deposits	32.40%	27.38%	26.81%	16.89%	19.32%	21.78%
Loans to Deposits Ratio	83.45%	111.65%	100.42%	94.11%	87.54%	91.61%
CAPITALISATION & LEVERAGE (%)						
Internal Rate of Capital Generation	5.28%	15.19%	15.99%	14.28%	2.77%	8.40%
Leverage Ratio (times)	10.89	11.20	12.77	13.25	16.03	16.35
Common Equity Ratio	15.44%	14.18%	12.84%	11.73%	8.65%	8.00%
Tier-1 Regulatory Risk-Weighted Capital Adequacy Ratio	15.94%	14.60%	13.91%	13.34%	10.27%	9.26%
Overall Regulatory Risk-Weighted Capital Adequacy Ratio	16.56%	15.25%	14.29%	15.76%	11.91%	10.70%

RATIO DEFINITIONS
Pan Asia Banking Corporation PLC

KEY RATIOS	FORMULAE
PROFITABILITY (%)	
Net Interest Margin	Net Interest Income / Average Interest Earning Assets
Non-Interest Income to Gross Income	Non-Interest Income / Gross Income
Cost to Income	(Personnel Expenses + Other Operating Expenses Including FS VAT) / Gross Income
Return on Assets	Pre-Tax Profit/(Loss) / Average Total Assets
Return on Equity	Pre-Tax Profit/(Loss) / Average Total Equity
Dividend Payout Ratio	Dividends / Net Profit/(Loss)
Non-Interest Income	Fee Income + Investment Income + Other Income
Interest Earning Assets	Cash & Short-Term Funds + Deposits & Placements with Financial Institutions + Securities Purchased Under Resale Agreements + Total Financial Investments + Net Loans & Advances
Total Financial Investments	Financial Investments at Fair Value Through Profit or Loss + Financial Investments Available-For-Sale + Financial Investments Held-To-Maturity
ASSET QUALITY (%)	
Gross NPLs Ratio	Total Impaired Loans / Gross Loans & Advances
Net Newly Classified Impaired Loan Ratio	Net Newly Classified Impaired Loans / Average Gross Loans & Advances
Credit Cost Ratio	Net Impairment Charges on Loans / Average Gross Loans & Advances
Impairment Charge Ratio	(Net Impairment Charges on Loans + Net Impairment Charges on Financial Investments) / (Average Gross Loans & Advances + Average Total Financial Investments)
Gross Impaired Loan Coverage Ratio	Total Provisions / Gross Non Performing Loans & Advances
Total Provisions	Collective Impairment Provisions + Individual Impairment Provisions
Net Newly Classified Impaired Loans	Newly Classified Impaired Loans - Recoveries on Impaired Loans - Impaired Loans Reclassified As Performing
LIQUIDITY & FUNDING (%)	
Liquid Asset Ratio	Liquid Assets / (Customer Deposits + Short-Term Funds)
Interbank Deposits to Total Interest Bearing Funds	Interbank Deposits / Interest Bearing Funds
Customer Deposits to Total Interest Bearing Funds	Customer Deposits / Interest Bearing Funds
CASA Deposits to Total Deposits	(Current Account + Savings Account Deposits) / Customer Deposits
Loans to Deposits Ratio	Gross Loans & Advances / Customer Deposits
Liquid Assets	Cash & Short-Term Funds + Deposits & Placements with Financial Institutions + Quoted Financial Investments (excluding Financial Investments Held-To-Maturity)
Short-Term Funds	Interbank Deposits + Bills & Acceptances Payable + Securities Sold Under Repurchase Agreements
Interest Bearing Funds	Customer Deposits + Interbank Deposits + Bills & Acceptances Payable + Securities Sold Under Repurchase Agreements + Total Borrowings
Total Borrowings	Senior Debt Securities + Subordinated Debt Securities Hybrid Capital Securities + Other Borrowings
CAPITALISATION & LEVERAGE (%)	
Internal Rate of Capital Generation	(Net Profit/(Loss) - Dividends) / Average Total Equity
Leverage Ratio (times)	Total Assets / Total Equity
Common Equity Ratio	(Equity Share Capital + Share Premium + Retained Profits/(Accumulated Losses)) / Risk-Weighted Assets
Tier-1 Regulatory Risk-Weighted Capital Adequacy Ratio	(Tier-1 Capital Base - Proposed Dividends) / Risk-Weighted Assets
Overall Regulatory Risk-Weighted Capital Adequacy Ratio	(Total Capital Base - Proposed Dividends) / Risk-Weighted Assets

CREDIT RATING DEFINITIONS

Financial Institution Ratings

A Financial Institution Rating ("FIR") is Lanka Rating Agency's current opinion on the overall capacity of a financial institution to meet its financial obligations. The opinion is not specific to any particular financial obligation, as it does not take in to account the expressed terms and conditions of any specific financial obligation.

Long-Term Ratings

AAA	A financial institution rated AAA has a superior capacity to meet its financial obligations. This is the highest long-term FIR assigned by LRA.
AA	A financial institution rated AA has a strong capacity to meet its financial obligations. The financial institution is resilient against adverse changes in circumstances, economic conditions and/or operating environments.
A	A financial institution rated A has an adequate capacity to meet its financial obligations. The financial institution is more susceptible to adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories.
BBB	A financial institution rated BBB has a moderate capacity to meet its financial obligations. The financial institution is more likely to be w eakened by adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories. This is the low est investment-grade category.
BB	A financial institution rated BB has a w eak capacity to meet its financial obligations. The financial institution is highly vulnerable to adverse changes in circumstances, economic conditions and/or operating environments.
B	A financial institution rated B has a very w eak capacity to meet its financial obligations. The financial institution has a limited ability to w ithstand adverse changes in circumstances, economic conditions and/or operating environments.
C	A financial institution rated C has a high likelihood of defaulting on its financial obligations. The financial institution is highly dependent on favourable changes in circumstances, economic conditions and/or operating environments, the lack of w hich w ould likely result in it defaulting on its financial obligations.
D	A financial institution rated D is currently in default on either all or a substantial portion of its financial obligations, w hether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the financial institution that could jeopardise the payment of the financial obligations.

Short-Term Ratings

P1	A financial institution rated P1 has a strong capacity to meet its short-term financial obligations. This is the highest short-term FIR assigned by LRA.
P2	A financial institution rated P2 has an adequate capacity to meet its short-term financial obligations. The financial institution is more susceptible to the effect of deteriorating circumstances than those in the highest-rated category.
P3	A financial institution rated P3 has a moderate capacity to meet its short-term financial obligations. The financial institution is more likely to be w eakened by the effects of deteriorating circumstances than those in the higher-rated category. This is the low est investment-grade category.
NP	A financial institution rated NP has a doubtful capacity to meet its short-term financial obligations. The financial institution faces major uncertainties that could compromise its capacity for payment of financial obligations.
D	A financial institution rated D is currently in default on either all or a substantial portion of its financial obligations, w hether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the financial institution that could jeopardise the payment of the financial obligations.

For long-term ratings, LRA applies signs plus (+), flat or minus (-) in each category from AA to C. The sign plus (+) indicates that the financial institution ranks at the higher end of its generic rating category; the sign flat indicates a mid-ranking; and the sign minus (-) indicates that the financial institution ranks at the lower end of its generic rating category.

CREDIT RATING DEFINITIONS

Issue Ratings

An Issue Rating is Lanka Rating Agency's ("LRA") current opinion on the creditw orthiness of a particular debt issue. It reflects the overall capacity and w illingness of an issuer to meet the financial obligations on a particular debt issue on a full and timely basis, taking into account its expressed terms and conditions.

Long-Term Ratings

AAA	An issue rated AAA has a superior capacity to meet its financial obligations. This is the highest long-term FIR assigned by LRA.
AA	An issue rated AA has a strong capacity to meet its financial obligations. The financial institution is resilient against adverse changes in circumstances, economic conditions and/or operating environments.
A	An issue rated A has an adequate capacity to meet its financial obligations. The financial institution is more susceptible to adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories.
BBB	An issue rated BBB has a moderate capacity to meet its financial obligations. The financial institution is more likely to be w eakened by adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories. This is the low est investment-grade category.
BB	An issue rated BB has a w eak capacity to meet its financial obligations. The financial institution is highly vulnerable to adverse changes in circumstances, economic conditions and/or operating environments.
B	An issue rated B has a very w eak capacity to meet its financial obligations. The financial institution has a limited ability to w ithstand adverse changes in circumstances, economic conditions and/or operating environments.
C	An issue rated C has a high likelihood of defaulting on its financial obligations. The financial institution is highly dependent on favourable changes in circumstances, economic conditions and/or operating environments, the lack of w hich w ould likely result in it defaulting on its financial obligations.
D	An issue rated D is currently in default on either all or a substantial portion of its financial obligations, w hether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the financial institution that could jeopardise the payment of the financial obligations.

Short-Term Ratings

P1	An issue rated P1 has high safety for payment of financial obligations in the short term. This is the highest short-term Issue Rating assigned by LRA.
P2	An issue rated P2 has adequate safety for payment of financial obligations in the short term. The issuer is more susceptible to the effects of deteriorating circumstances than those in the highest-rated category.
P3	An issue rated P3 has moderate safety for payment of financial obligations in the short term. The issuer is more likely to be w eakened by the effects of deteriorating circumstances than those in higher-rated categories. This is the low est investment-grade category.
NP	An issue rated NP has doubtful safety for payment of financial obligations in the short term. The issuer faces major uncertainties that could compromise its capacity for payment of a particular debt issue
D	An issue rated D is either currently in default or faces imminent default on its financial obligations, w hether or not formally declared. The D rating may also reflect a distressed exchange, the filing of bankruptcy and/or other actions pertaining to the issuer that could jeopardise the payment of a particular debt issue.

For long-term ratings, Lanka Rating Agency applies signs plus (+), flat or minus (-) in each category from AA to C. The sign plus (+) indicates that the issue ranks at the higher end of its generic rating category; the sign flat indicates a mid-ranking; and the sign minus (-) indicates that the issue ranks at the lower end of its generic rating category.

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ANNEXURE IV – RATING CONFIRMATION

LRA

Our Ref. No: LRAL/139/2014

15th September 2014

Mr. Dimantha Seneviratne
Chief Executive Officer
Pan Asia Banking Corporation PLC
Colombo 3.

Dear Mr. Seneviratne,

PAN ASIA BANKING CORPORATION PLC – INITIAL RATING 2014

Lanka Rating Agency (LRA) has assigned Pan Asia Banking Corporation PLC's (PABC or "the Company") respective long- and short-term financial institution ratings at **BBB+** and **P2**. The long-term rating carries a stable outlook. Concurrently we have assigned a long-term issue rating of **BBB** to the Company's proposed LKR 3 billion Listed Subordinated Unsecured Redeemable Debentures (2014/2019). The long-term ratings carry a stable outlook. In keeping with LRA methodology PABC's proposed debenture is rated one notch below the entity rating to reflect its subordinated status.

The long-term rating of **BBB+** reflects;

> "A moderate capacity to meet its financial obligations. The financial institution is more likely to be weakened by adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories."

The short-term rating of **P2** reflects;

> "An adequate capacity to meet its short-term financial obligations. The financial institution is more susceptible to the effects of deteriorating circumstances than those in higher-rated categories."

Thank you.

Yours faithfully,

Adrian Perera
Managing Director/CEO

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