



Lanka Rating Agency

Rating Report

Pan Asia Banking Corporation- 5Bn Debenture

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Rating History table with columns: Dissemination Date, Long Term Rating, Outlook, Action, Rating Watch. Row: 02-Jun-2026, BBB+, Stable, Preliminary, -

Rating Rationale and Key Rating Drivers

The assigned rating to the debenture issue reflects Pan Asia Banking Corporation PLC's ("PABC" or "the Bank") modest, but growing, franchise within Sri Lanka's licensed commercial Banking Sector. PABC accounts for ~1.2% of the Sector's total deposit base, indicating a relatively limited market share compared with larger peers.
The Bank's business profile is primarily anchored in the Retail and SME segments, which remain more vulnerable to macroeconomic volatility. The recent economic improvements have bode well for these segments, opening growth opportunities for the Bank. PABC's gross advances increased by 38% in CY25, outpacing the overall growth witnessed across the industry. PABC's ADR ratio stood broadly in line with the industry at ~93.9%.
The Bank's has strong asset quality, with gross non-performing loans improving with portfolio growth to ~4.9% as at CY25 (CY24: ~8.5%), while net NPLs declined to ~1.73% (CY24: ~3.1%), consistently below the industry averages. The provision coverage ratio stood at ~62.6%, above the industry average, providing adequate cushion against potential credit losses.
The Bank's liquidity profile is supported by its sizeable investment portfolio comprising Government Securities (G-Secs). Investments in G-Secs amounted to LKR ~72Bn as at end-CY25 (CY24: ~95.8Bn) and represented ~99.9% of the total investment portfolio.
Capitalization remained comfortable, with the Bank's Capital Adequacy Ratio standing above the regulatory minimum at ~18.27% during CY25, broadly in line with peer levels. In terms of financial performance, the Bank's interest spread improved to ~5% resulting in higher net interest income. However, profit after tax declined marginally by ~3% to LKR ~4.0Bn in CY25 (CY24: LKR ~4.1Bn). The Bank's profitability was supported significantly by reversal of provisioning in CY24. Profitability is likely to stay at current levels supported by relatively stable interest rate environment, and increased non-interest income.
The rating remains contingent upon PABC's ability to successfully execute its growth strategy, sustain profitability momentum, and maintain strong asset quality and capitalization. Any material deterioration in key financial metrics or non-compliance with regulatory requirements would carry negative rating implications. Conversely, demonstrated improvement in market share, better profitability, and strengthened capitalization would support upward rating momentum over the medium term.

Disclosure table with rows: Name of Rated Entity, Type of Relationship, Purpose of the Rating, Applicable Criteria, Related Research, Rating Analysts.



**Profile** Pan Asia Banking Corporation PLC ("PABC" or "the Bank") was incorporated as a Licensed Commercial Bank in 1995 under the Banking Act No. 30 of 1988. The Bank is regulated by the Central Bank of Sri Lanka and is listed on the Colombo Stock Exchange. The Bank, initially known as Pan Asia Bank Ltd, commenced operations on 26th October 1995 and subsequently changed its name to Pan Asia Banking Corporation in 2004. It obtained a primary listing on the Colombo Stock Exchange in 2005. PABC operates 88 branches across the island with 1,604 staff. The Bank offers deposit acceptance, corporate, retail and business banking, project and trade financing, treasury services, credit and debit cards, offshore banking, electronic banking, pawning, leasing, and government securities dealings. No major changes occurred to its core activities during the year.

**Ownership** The largest stake in PABC is held by Mr. Dhammika Perera with a shareholding of approximately 29.99%, followed by Bansei Securities Co., Ltd. holding around 10%. The remaining ~60.1% is distributed among other institutional and individual shareholders. Mr. Dhammika Perera has been the Major Shareholder of PABC since 2002, ensuring ownership continuity through the presence of the second generation in the structure. He brings extensive corporate leadership experience as the ultimate owner of Vallibel One PLC and Hayleys PLC, with prior public sector roles including Chairman of the Board of Investment and Secretary to the Ministry of Transport, supported by substantial personal financial capacity and diversified business interests.

**Governance** The nine-member BoD comprises 4 non-executive independent directors, 2 Non-Independent Non-Executive Director, one executive director and one Senior Independent Director, reflecting a balanced governance structure with adequate independent representation to ensure effective oversight. The Chairman, Mr. Aravinda Perera, brings over 42 years of banking experience, including serving as Managing Director of Sampath Bank PLC (2012-2016). He is currently Managing Director of Royal Ceramics Lanka PLC and Chairman of Singer Finance (Lanka) PLC. He was appointed to the Board in 2017 and became Chairman in 2023. The Board has constituted 10 Committees namely, Board Audit Committee, Board Integrated Risk Management Committee, Board Human Resources and Remuneration Committee, Board Nominations and Governance Committee, Board Related Party Transactions Review Committee, Board Credit Committee, Board Strategic Planning Committee, Board Recoveries Committee, Board IT Steering Committee, Board Sustainability Committee. Ernst and Young are the external auditors of the Company. The auditors have given an unqualified opinion on the financial statements as at 31st December 2025.

**Management** The Bank's organisational structure comprises 12 departments reporting directly to the CEO, who reports to the Board. Risk and Internal Audit departments report independently to the Board, ensuring effective oversight and governance. The management team is led by CEO Mr Naleen Edirisinghe, who assumed the role in March 2023 and brings over 38 years of banking experience. His expertise spans strategic planning, retail and SME banking, credit management, recoveries, project financing, and branch operations across leading Sri Lankan banks. The Bank has formed 7 management committees, namely, Assets and Liabilities Committee ("ALCO"), Credit Risk Management Committee ("CRMC"), Operational Risk Management Committee ("ORMC"), Information Security Committee ("ISC"), Head Office Credit Committee ("HCC"), Sustainable Management Committee ("SMC"), and Audit Review Committee ("ARC") The Bank's core banking and treasury solutions are powered by Finacle. PABC has successfully integrated with LankaClear's Common Interface of LankaPay Payment platform through Internet Banking, enabling digital government payments. Existing customers can also open Savings Accounts and Fixed Deposits via Internet Banking and check credit card balances through a missed call facility. The Board has established a comprehensive, enterprise-wide risk management framework and internal control system aligned with strategic objectives and regulatory expectations, overseen primarily through the BIRMC and BAC. The Bank maintains a comprehensive Enterprise-Wide Risk Management Framework overseen by the Board Integrated Risk Management Committee (BIRMC), which provides independent guidance and oversight on all material risks. The Committee ensures that risks are identified, measured, monitored, and managed within the Board-approved risk appetite, in compliance with regulatory requirements, and in alignment with the Bank's strategic objectives. The BIRMC is composed of a mix of independent and non-independent non-executive directors, supported by the Senior Manager Integrated Risk Management as Committee Secretary. It meets regularly, with attendance from key management personnel, including the CEO, Chief Risk Officer, Chief Compliance Officer, Chief Information Security Officer, and heads of credit, operational, and market risk functions. Other senior management members are invited as needed to provide specialized insights. Loan

**Business Risk** As at 9MCY25, the Sector recorded an asset base of LKR ~24.5Tn, reflecting a ~16% improvement compared to 9MCY24. Gross loans grew by ~17% YoY to LKR ~13.15Tn from LKR ~11.25Tn, positive industry expansion. The Gross NPL ratio improved to ~11% in 9MCY25 from ~12.7% in 9MCY24. 5.1 The Bank holds ~1.69% of the Sector advances as at CY25. In CY24, the Bank held ~1.54% of the Sector advances. Similarly, the deposits of the Bank have also increased to 1.29% of the Sector deposit in CY25 from 1.19% as at CY24. Total operating income grew 16% to LKR 15.9Bn in CY25, driven by Loan financing income of LKR 22.1Bn and a 5% rise in net interest income to LKR 12.7Bn. Net fee and commission income rose 37% to LKR 2.6Bn, supported by higher transaction volumes. During CY25, the Bank's PAT declined by ~3% to LKR 4.0Bn (CY24: LKR 4.1Bn), primarily due to a high base effect in CY24, which included an extraordinary gain of LKR 2.61Bn from a net provision reversal related to the sovereign debt exchange, a non-recurring item that inflated the prior year's PBT. Adjusting for this one-off benefit, the Bank's underlying earnings trajectory demonstrated stable growth, with adjusted PAT increasing by ~35% in CY25, excluding the impact of the ISB debt restructuring-related gain recorded in CY24. Profitability was further pressured by a net impairment charge of LKR ~520Mn in CY25, compared to a net provision reversal of LKR ~1.36Bn in CY24, the latter representing the CY24 gross reversal of LKR ~5.0Bn, restated after netting off Net Losses on Derecognition of Sri Lanka International Sovereign Bonds of LKR ~3.7Bn.

**Financial Risk** The Bank's credit risk profile is strong, with the Gross NPL ratio improving to ~4.9% in CY25, significantly from ~8.4% in CY24, well below the industry average of ~11.0%. The impairment coverage ratio strengthened to ~62.0%, above the industry average of ~55.5%. PABC's investment portfolio is heavily concentrated in Government Securities, with Treasury Bonds rising to LKR ~52.23Bn in CY25 while Treasury Bills declined to LKR ~14.35Bn. Sri Lanka Government Foreign Currency Securities stood at LKR ~5.45Bn, with other investments including Placements and Reverse repurchase agreements at LKR ~3.59Bn. PABC's funding profile relies on deposits, which account for ~85.7% of total funding. The deposit base grew steadily to LKR ~231Bn in FY25 from LKR ~191Bn in FY24, reflecting strong depositor confidence. However, the Top 20 depositor concentration rose to ~17.3% from ~13.9%. The Capital Adequacy Ratio ("CAR") was recorded at approximately ~18.7% as at CY25, down from ~20.9% in CY24.

### Instrument Rating Considerations

**About The Instrument** PABC expects to raise a debenture of up to LKR ~5bn Listed Rated Senior Unsecured Redeemable Debentures Issue debenture at a par value of LKR 100/-. The debenture has two types, namely Type A and Type B. The funds generated from the Debenture Issue will be utilized to expand PABC's lending portfolio in the ordinary course of business. The Debentures will be listed on the Colombo Stock Exchange.

**Relative Seniority/Subordination Of Instrument** The claims of the Debenture Holders shall in the event of winding up of the Company rank after all the claims of secured creditors and preferential claims under any statutes governing the Company but pari passu to the claims of unsecured creditors of the Company and shall rank in priority to and over claims under any subordinated debt of the Company and the claims and rights of the shareholder/s of the Company.

**Credit Enhancement** This is an unsecured debt instrument, and the debenture is not underwritten. Repayment of the Principal Sum and payment of interest on the Debentures are not secured by a charge on any assets of the Issuer.



## Financials (Summary) in LKR mln

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LKR mln

PanAsia Bank	Dec-25	Dec-24	Dec-23	Dec-22
#	12M	12M	12M	12M

### A BALANCE SHEET

1 Stage I   Advances - net	194,104	132,275	108,179	121,085
2 Stage II   Advances - net	9,931	13,411	16,459	16,968
3 Stage III   Advances (NPLs)	10,753	13,489	12,594	12,999
4 Stage III   Impairment Provision	(6,735)	(8,107)	(5,935)	(6,904)
5 Investments	71,971	95,804	84,498	42,439
6 Debt Instruments	-	-	-	-
7 Other Earning Assets	17,238	6,804	6,597	10,627
8 Non-Earning Assets	10,755	9,186	11,065	10,835
<b>Total Assets</b>	<b>308,016</b>	<b>262,863</b>	<b>233,456</b>	<b>208,049</b>
6 Deposits	231,040	191,293	175,345	162,533
7 Borrowings	38,293	36,705	27,084	17,858
8 Other Liabilities (Non-Interest Bearing)	8,293	8,087	8,430	7,041
<b>Total Liabilities</b>	<b>277,626</b>	<b>236,085</b>	<b>210,859</b>	<b>187,433</b>
<b>Equity</b>	<b>30,390</b>	<b>26,778</b>	<b>22,598</b>	<b>20,617</b>

### B INCOME STATEMENT

1 Mark Up Earned	30,044	30,196	32,555	26,332
2 Mark Up Expensed	(17,956)	(18,646)	(26,821)	(17,171)
3 Non Mark Up Income	3,912	2,266	6,803	(554)
<b>Total Income</b>	<b>16,000</b>	<b>13,816</b>	<b>12,537</b>	<b>8,606</b>
4 Non-Mark Up Expenses	(7,830)	(7,279)	(6,056)	(4,644)
5 Provisions/Write offs/Reversals	(521)	1,361	(3,155)	(2,861)
<b>Pre-Tax Profit</b>	<b>7,650</b>	<b>7,898</b>	<b>3,326</b>	<b>1,101</b>
6 Taxes on Financial Services	(1,827)	(1,871)	(997)	(452)
<b>Profit Before Income Taxes</b>	<b>5,823</b>	<b>6,028</b>	<b>2,328</b>	<b>649</b>
7 Taxes	(1,818)	(1,893)	(473)	1,352
<b>Profit After Tax</b>	<b>4,005</b>	<b>4,135</b>	<b>1,855</b>	<b>2,002</b>

### C RATIO ANALYSIS

#### 1 Revenues

Advances' Yield	13.1%	14.8%	18.2%	15.7%
Spread   Asset Yield - Cost of Funds	3.9%	4.4%	2.0%	4.3%

#### 2 Performance

Cost of Funds [Mark Up Expensed / Average (Deposits + Borrowings)]	7.2%	8.7%	14.0%	9.5%
ROE	14.0%	16.7%	8.6%	9.7%

#### 3 Capital Adequacy

Capital Adequacy Ratio	17.9%	21.0%	18.5%	16.1%
Net Stable Funding Ratio [Available Stable Funding / Required Stable Funding]	128.5%	153.4%	153.0%	144.4%

#### 4 Funding & Liquidity

Liquid Assets / (Deposits + Borrowings Net of Repo)	34.4%	46.4%	46.3%	30.6%
Demand & Saving Deposit Coverage Ratio	1.9	2.6	3.0	1.8
Top 20 Deposits / Deposits	17.3%	13.9%	11.8%	11.8%

#### 5 Credit Risk

Impaired Loan Ratio   [Stage III   Advances (NPLs) / Gross Advances]	5.0%	8.4%	9.0%	8.4%
Provision Coverage Ratio   [Impairment Provision / Stage III   Advances (NPLs)]	62.6%	60.1%	47.1%	53.1%

### Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-Term Rating
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ AA AA-	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A+ A A-	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
BBB+ BBB BBB-	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BB+ BB BB-	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
B+ B B-	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
CCC CC C	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
D	Obligations are currently in default.

Scale	Short-Term Rating
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.

### Rating Modifiers | Rating Actions

<p><b>Outlook (Stable, Positive, Negative, Developing)</b> Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business / financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.</p>	<p><b>Rating Watch</b> Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.</p>	<p><b>Suspension</b> It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p><b>Withdrawn</b> A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) LRA finds it impractical to surveil the opinion due to lack of requisite information.</p>	<p><b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.</p>
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Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening. Rating actions may include "maintain", "upgrade", or "downgrade".

Note: This scale is applicable to the following methodology(s):

- |                                 |                                      |
|---------------------------------|--------------------------------------|
| a) Broker Entity Rating         | e) Holding Company Rating            |
| b) Corporate Rating             | f) Independent Power Producer Rating |
| c) Debt Instrument Rating       | g) Microfinance Institution Rating   |
| d) Financial Institution Rating | h) Non-Banking Finance Company       |

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