

BE INNOVATIVE

Pan Asia Bank, a relatively young bank in Sri Lanka has laid a solid foundation to make its mark as an innovative and customer friendly bank. Eshana De Silva, Chairman – Pan Asia Bank, is the youngest to hold this position in the country. With new strategies in place to take Pan Asia Bank on an impressive growth path, the Chairman speaks about the progress made thus far.

Photography: Mahesh Bandara and Menaka Aravinda

You are the youngest Chairman of a bank in Sri Lanka, can you tell us about your vision and strategic direction for Pan Asia Bank?

My vision for the bank is no different from the vision of Pan Asia Bank, which is “To Become The “Most Customer Preferred Commercial Bank in Sri Lanka”. In fact, the good thing about Pan Asia Bank is that all of us – from top to bottom – share this view wholeheartedly and work extremely hard every day towards our vision.

This is why we recently re-positioned our bank as, ‘The Understanding Bank’ as we believe that the best way to become the most customer preferred bank is to understand the true requirements of our customers and fulfill them using all our capabilities. This is why our staff remain committed to always go the extra mile to better understand the financial needs of anyone who walks into any of our branches and serve them with a touch of warmth and hospitality. I would say, this is our forte.

To support this cause, we carried out an extensive, bank-wide and yearlong customer service training programme for our staff of approximately 1,500, which also included the management staff because we know we could make a difference only through enhancing our service quality to win in today’s intensely competitive market.

I believe we are fast approaching our vision as reflected from our performance, specially during the last three years where we recorded a tremendous growth in our bottom-line as well as our size.

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During this journey we have and we will continue to touch many lives at all levels in our society including the forgotten segments of our society, the aspirational middle income class and the small businesses that enrich our economy.

As a socially responsible bank we would walk on this path continuously playing the role of a catalyst by way of channelling our funds into priority sectors of the national economy marrying with the Government’s policy agenda while creating wealth for all of our stakeholders.

One of our key strategies is modernising PABC and its key product offerings through digital technology and via innovation. This is after all, the only way forward as today we are in the digital age. The way that young people access and utilise their funds is quite different to the status quo sometime ago.

In addition, we are also focused on our growth. In fact, our Bank has been recognised as the fastest growing bank in Sri Lanka for the third consecutive year by Global Banking & Finance Review. We are truly dedicated to maintaining this.

What can you tell us about the performance of Pan Asia Bank and what more can be done?

I am proud to say that our performance in the last few years has been quite outstanding, not just in the industry but even beyond our industry. During this period we improved in almost all of our key performance indicators surpassing our own targets and industry averages.



Eshana De Silva, Chairman – Pan Asia Bank

To mention some headline performance numbers, since the end of 2013 we grew our after tax profits by 122.4 per cent compound annual growth rate, which I am sure is among the highest you could find anywhere. In 2016, we reported an after tax profit of 1.25 billion rupees, an increase of 20.3 per cent, recording the highest ever profits by the Bank.

Our return on equity of 19.97 per cent is now amongst the highest in the industry, predominantly due to our continuously growing profits.

What is more crucial is the sheer pace of the growth in our size. We expanded our asset book by over five times during the last six years from just under 22 billion rupees in 2009 to cross 100 billion rupees in 2015. Now we have an asset base of slightly under 130 billion rupees.

This growth mainly stemmed from the robust expansion in our loan book which in 2015 grew by over 36 percent bypassing the growth in the industry. This is probably the highest recorded by a bank during that period before slowing to 14.1 per cent in 2016 due to monetary and fiscal tightening conditions that were brought into curtail credit growth in the economy as a part of an economic stabilisation package. This demonstrates our immense potential as a bank to lend to many new and emerging sectors in the economy to support their growth and financial inclusion.

Another important aspect of the Bank's performance is our asset quality. It continued to improve from 8.01 per cent in 2013 to 4.74 per cent in 2016 as measured by the gross non-performing loan ratio. What this shows is that while we do appreciate aggressive growth we also want

to have quality growth. This is why we have strengthened our Bank's credit underwriting standards and recovery efforts in recent times to much higher standards.

Overall I would say this is a phenomenal growth in our performance recorded within a very short span. The Bank's excellence in business and financial performance was well recognised at the recently concluded National Business Excellence Awards where we were adjudged the overall winner in the business and financial performance category across all sectors. We were also presented with the silver award in the banking sector testifying to the

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remarkable progress made in all areas of our banking business surpassing even much larger and mature players in the industry.

Our performance reflects what a company can achieve with an innovative and versatile team. This resulted in Pan Asia Bank winning the gold award for "The Best Employer in Sri Lanka" at the Asian Partnership Summit Business Awards 2016.

This performance and achievements may not have been possible if not for the support I received from my fellow members of the Board and the excellent planning and strategic execution by the management and staff at all levels of the Bank. We all believe that we must strive to keep delivering on customer requirements.

Will Pan Asia Bank expand further in terms of branches and facilities?

Of course, we want to expand our footprint through both physical channels as well as digital channels because we don't want to miss out on any segment in our journey.

Currently we have 82 branches located in all key locations covering the entire country. But now we have already rolled out a branch expansion plan to bring this up to 90 by the end of this year and further up to 100 by the end of 2018. We have already earmarked the locations. It is now just a matter of planning and executing to bring our most innovative banking solutions to the people of these areas where some of whom have been left out by the mainstream financial system.

Parallel to the branch network expansion, Pan Asia Bank also re-launched its internet banking platform last month to provide its customers with better information and faster banking services online. Further, we have already launched our state-of-the-art mobile banking app, which provides a large range of services such as third party real time fund transfers and bill payment to over 36 utility providers and merchants. This is apart from all other services offered on the internet banking platform. I am sure this is one of the best mobile banking apps you could find anywhere because of its user friendliness.

As a lean mid-sized bank, Pan Asia Bank could tread fast in this area of digital banking. We are exploring the many possibilities within this sphere and our customers will soon be

able to enjoy doing banking with us in their own comfort zone.

What is the primary sector for the bank? Would we see Pan Asia Bank supporting more SMEs?

Our primary markets are retail, micro and SME segments.

This is not to say that we do not serve the funding needs of the larger corporates. We do provide an excellent service in the areas of trade finance, working capital management and medium to long term finance to those big projects by larger corporates.

Over the years we have been very strong in our retail banking business. We forayed into many new customer and business segments very successfully and command a market leadership.

Our flagship senior citizens lending product, 'Sammana' is one such product. When we entered this segment about three to four years ago, nobody had even thought of this segment as viable and our senior citizens had been left behind as a high risk segment. We wanted to consider them as a part of our own financial system and give them the financial freedom to realise their dreams even during this stage of their lives making that the best of their lives. In doing so, we captured a vast opportunity.

Similarly, among a host of other products, we have an extensive range of innovative product offerings for children, for salaried employees and for those who want a better financial plan for their investments.

On the SME side of the business, during the last three years we have made notable progress in this segment because we realise access to finance is the biggest hurdle faced by the SMEs in Sri Lanka and we want to bridge that gap. We consciously went into all regions of the country through our regional centers with the support of the Central Bank and other regional business chambers.

Today, SMEs contribute to over 80 per cent of our economy and account for over 70 per cent of our total exports. This is the major importance of our SMEs in this country. Realising this value, we thought we need to play a much more meaningful and engaging role with them to hold their hands till they reach their growth objectives.



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Apart from our existing facilities such as our working capital support, trade finance and mid to long term finance, we are also planning to offer new financial services such as supply chain finance where the bank funds the entire supply chain partners of the business from the point of procurement of raw materials up to the point of sales or exports.

As we have seen significant growth in our retail and corporate banking services, we will focus on these avenues as well.

Pan Asia Bank is a relatively young bank in the industry, can you tell us about the stability of the Bank and also how it has maintained its position in the market?



We are celebrating our 22nd anniversary this year. Despite being relatively young, I believe that Pan Asia Bank in recent times has become a force to be reckoned with.

Irrespective of our size and age, we have been able to shake the market whenever we do come up with an innovative product. Our recent performance has turned many an eye towards our Bank and they now closely watch what we do because they know ours is a Bank with immense potential.

The stability of our Bank is reflected in the consistently higher performance that we have delivered year-over-year.

In March we raised 2.06 billion rupees through a rights issue bringing our total core capital base up to 8.67 billion rupees. With the earnings that are expected in 2017, we will comfortably surpass the 10.0 billion rupees core capital level by the end of the year. This

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will put us above the Central Bank's minimum capital requirement by the end of 2017.

Furthermore, we have always maintained capital adequacy levels above the regulatory minimum levels.

We are also in line with the minimum capital adequacy levels required by the BASEL III accord – the new guidelines for capital issued by the BASEL Committee for banks globally.

Besides, we have continuously improved our asset quality as seen from our falling non-performing loan ratio.

It is also significant to note that whenever Pan Asia Bank makes a cash call – whether it is debt or equity – investors existing and new have overwhelmingly rallied behind the Bank to make it an enormous success. This without a doubt demonstrates the confidence placed by the investors in the Bank's current and future strategies.

Our achievements thus far have been a team effort, which is a combination of a versatile and aggressive management team and the far sighted and prudent guidance by our board members.

That is why we say that in terms of our achievements, the numbers in our annual report speak for itself.

Can you tell us about new initiatives or processes that you have introduced since being appointed as Chairman?

I have been with Pan Asia Bank for eight years, of which I served as the Deputy Chairman for four years. In addition, I have been on the board and I was the Chairman of Credit Committee among other committee within the bank. I have in fact been a part of a process in adopting new policies that would bring about change within the bank.

I am very keen on innovative product launches and digitisation, for it is crucial to keep with the times. Another aspect I have been focusing on is to make sure all of our processes are streamlined. Our achievements thus far have been a team effort, which is a combination of a versatile and an aggressive management team and the far sighted and prudent guidance by our board members.

What are your thoughts on the banking sector in Sri Lanka and how can the banking sector further support economic development?

Sri Lanka's banking sector is well poised to fund the emerging and growing sectors of the economy, irrespective of the size of the projects. Currently the country operates with three banks with over a trillion rupee assets. Soon at least another two banks will cross a trillion asset base.

In my own opinion, the domestic banking sector is now prepared better than ever to fund large scale projects – public or private – providing the much needed stimulus for the government to drive the economic growth.

Further, we have seen syndications taking place amongst the local banks in recent times for big ticket size facilities, and this is a very positive development.

The proliferation in bank branches across the island will also ensure achieving the much needed financial inclusion and also reducing income disparity – which are considered key economic policy priorities of the Government.

In this space, small and mid-sized banks can play an effective role in channeling their funds into SME sector, particularly in distant

regions in the country which are areas that can be overlooked by bigger banks.

Sri Lanka is now a lower-middle income earning economy with a 4,000 US dollars per capita income and it will become a middle income nation in the near future based on the projected GDP growth of 7-8 per cent per annum by the Government.

In that respect, the banks will be crucial in serving the diverse financial requirements of the expanding middle and upper middle income classes of the economy because the banks are now more tech and digital savvy than anybody else to serve these emerging market segments.

However, a point of caution is warranted. Excessive lending could lead to unintended asset bubbles, which could result in soured loans. I believe the Sri Lanka's banking sector is much cognizant of this and has already taken required precautionary steps to avoid such a situation.

In this respect, I believe it is right for the Central Bank to tighten the monetary policy as a proactive measure to curb any kind of overheating of the economy as a result of much higher credit granted by the banks during the last two years.

Further Sri Lanka's banks are now well capitalised, thanks in part to the regulator for their efforts to enhance capital levels. Thus banks operate with adequate buffers to face unexpected shocks better than before.

Banking further plays a major role in the Sri Lankan economic development. Currently, there are a host of regional disparities. While Government policies aimed at reducing these disparities are implemented, banks also play a key role in especially supporting the small and medium scale industries across the country.

In addition to this, if we consider our contribution to sectors such as the tourism sector, agriculture as well as finance and microfinance, banks play a vital role. As such, each bank assists the growth of the national economy. A holistic analysis will definitely indicate that banks are key to the rapid development of business and the resulting social impact.

Can you tell us about yourself?

In my personal capacity, I am the Honorary Consul General for Kazakhstan

appointed by the government of Kazakhstan. In addition to this role, I also manage a range of my personal businesses under the Esna Group of Companies. It operates in the power sector, investment holding specially in listed entities, export of organic and conventional produce under Esna exports, exports of coir and related products under the investment in Delmege coir, medical equipment, industrial solutions and the generator business under Esna Allied Agencies. I am also involved in freight and in shipping under the Shermans Logistics and Shermans Transport, which are my family businesses. Furthermore, with the McLarens Group we have a joint venture in bunkering and related services called Interocean energy.

How will you use your experiences in taking Pan Asia Bank forward?

We as a Bank lend to various sectors in the economy: hence it is vital to have an overall understanding of the sectors we lend to and the new trends and emerging businesses in the economy. The experience I have gained through the cross industry businesses I am involved in will assist in prudent decision making when it comes to lending, and also to understand various businesses that we lend to.

Moreover, my experience as the Chairman of the Credit Committee is also very pivotal. Together with the committee I believe I am able to guide the Bank in making prudent decisions.

Future plans?

We are now in the midst of developing the strategic plan for the next three years, which will place the Bank on a higher growth path with a host of improvements in all areas of operations in the Bank.

As I said at the beginning, service quality and inculcating a high performance driven culture are at the heart of this plan focusing on higher emphasis on channel performance.

As we are poised for higher growth, our staff will also benefit immensely as they will have faster career growth when opportunities open up. This is less possible in mature banks.

Training and development and building a talent pool are high on our agenda with a greater focus on our Bank staff because a well trained and content staff members will be our

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brand ambassadors who in turn will provide a superior service to our customers.

Despite making progress, we see further scope for more improvement in our efficiency levels as seen from the cost-to-income ratio which is hovering around mid 50 per cent levels. Hence, we will continue to keep a close tab on our costs and we'll also leverage technology wherever possible by way of workflow automation and business process re-engineering, to further improve our efficiency levels.

We believe excellent service and higher efficiency are two main areas through which the Bank could excel in to win in this highly competitive market place. Gone are the days where the banks could enjoy wide margins.

Pan Asia Bank has an excellent board, which includes several investors from Japan. They contribute with a new way of thinking. Our Board further comprises of experienced bankers who constantly engage with the senior management, and this in turn has resulted in much success.

As a young Chairman, what is your message to the industry?

Be innovative and partake in the growth of the economy.

Banking industry, that has an asset base of well over nine trillion rupees, is one of the richest industries in the country in terms of assets. We are trusted by our customers more than in any other sector to keep their funds under our own custody. We are counted on to come to their rescue in times of financial distress – be it the Government, or a larger corporate, a small business, even a working individual or a farmer in a rural area.

What this means is that we do have the ability to shape the lives of everyone for the better by way of financially empowering them to meet their objectives – something any other sector could hardly do.

Hence, I urge all those in the industry, especially those in this all-important role to work in a meaningful manner to uplift the lives of all. We need to do this by reaching out to each and every individual to create financial inclusion and build a financially empowered society free from income and social disparities, thus contributing to the accomplishment of economic prosperity. 